PANVA

Panva Gas Holdings Limited
百江燃氣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Listing by
Introduction

Sponsor

Merrill Lynch
Merrill Lynch (Asia Pacific) Limited

*For identification purposes only

IMPORTANT

If you are in any doubt about this document, you should consult your stockbroker, bank manager, solicitor, professional accountant or other professional advisers.

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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)

LISTING BY WAY OF INTRODUCTION OF THE ENTIRE ISSUED SHARE CAPITAL ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Stock code on Main Board: 1083

Stock code on GEM: 8132

Sponsor

Merrill Lynch

Merrill Lynch (Asia Pacific) Limited

This document is published in connection with the listing by way of introduction of the entire issued share capital of Panva Gas Holdings Limited (the "Company") on the Main Board (the "Main Board") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). This document contains particulars given in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Securities and Futures (Stock Market Listing) Rules of Hong Kong for the purpose of giving information with regard to the Company.

This document does not constitute an offer of, nor is it calculated to invite offers for, the shares or other securities of the Company, nor have any such shares or other securities been allotted with a view to any of them being offered for sale to members of the public. No new shares will be issued in connection with, or pursuant to, the publication of this document.

Your attention is drawn to the section headed "Risk Factors" in this document.

The shares of HK$0.10 each in the capital of the Company (the "Shares") have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited ("HKSCC") for deposit, clearance and settlement in the Central Clearing and Settlement System ("CCASS") with effect from Apri1 20, 2001, the date on which dealings in the Shares on GEM commenced. Subject to the granting of the listing of, and permission to deal in, the Shares on the Main Board and the continual compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence.

All necessary arrangements have been made with HKSCC for the Shares to continue to be accepted as eligible securities of CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

** For identification purposes only*

November 4, 2005

EXPECTED TIMETABLE

Despatch of circular, notice of the Extraordinary General Meeting and related forms of proxy to the Shareholders	Friday, November 4, 2005
Despatch of this document to the Shareholders	Friday, November 4, 2005
Latest time for lodgement of related forms of proxy for the Extraordinary General Meeting	10:00 a.m. on Saturday, November 26, 2005
Extraordinary General Meeting	10:00 a.m. on Monday, November 28, 2005
Date of the announcement of results of the Extraordinary General Meeting which are to be published in The Standard (in English), Hong Kong Economic Times (in Chinese) and on the GEM website	Tuesday, November 29, 2005
Last day of dealings in the Shares on GEM	Wednesday, December 7, 2005
Withdrawal of listing of the Shares on GEM effective from	9:30 a.m. on Thursday, December 8, 2005
Dealings in the Shares on the Main Board to commence on	9:30 a.m. on Thursday, December 8, 2005

Notes:

1. All times and dates refer to Hong Kong local times and dates.

2. Shareholders will be informed by public announcement of any changes in the above expected timetable.

CONTENTS

You should rely only on the information contained in this document with regard to the Company. The Company has not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by the Company, the Sponsor, any of their respective directors, or any other person or party involved in the Introduction.

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you.

OVERVIEW

The Group is principally engaged in the sale of LPG to bulk and retail customers, the construction of gas pipelines, the provision of piped gas and the sale of household gas products in the PRC. End-users primarily use the Group's gas products for cooking and boiling hot water. The Group's bulk LPG business, with turnover of HK$756.3 million or 51.9% of the Group's turnover in 2003, HK$858.6 million or 47.7% of the Group's turnover in 2004, and HK$418.9 million or 43.7% of the Group's turnover in the first six months of 2005, has historically contributed the largest portion of the Group's revenue, followed by the Group's retail LPG business, with turnover of HK$343.7 million or 23.6% of the Group's turnover in 2003, HK$412.5 million or 22.9% of the Group's turnover in 2004, and HK$256.1 million or 26.7% of the Group's turnover in the first six months of 2005. As at the Latest Practicable Date, the LPG business of the Group and its associated companies had users in 15 cities in Anhui, Guangdong, Guizhou, Hunan, Jiangsu, Jilin, and Yunnan provinces.

Although the Group's bulk and retail LPG sales continued to provide most of its turnover in 2004 and the first six months of 2005, in 1999 the Group began to expand into the piped gas and related pipeline construction businesses, which are generally higher margin businesses. The Group's piped gas business, comprising sales of piped gas and gas pipeline construction, contributed turnover of HK$350.1 million or 24.0% of the Group's turnover in 2003, HK$498.1 million or 27.7% of the Group's turnover in 2004, and HK$254.0 million or 26.5% of the Group's turnover in the first six months of 2005. As at the Latest Practicable Date, the piped gas business of the Group and its associated companies had customers in 16 cities in Anhui, Guangdong, Jiangsu, Jilin, Shandong and Sichuan provinces. The Group is entitled to 30-year local government concessions for the exclusive supply of piped gas and the exclusive right to operate and expand the city piped gas network in most areas where the Group operates piped gas business in the PRC. The Group charges a connection fee from its piped gas customers on a "per connection" basis for connection to its piped gas network.

The Group has also entered into binding acquisition or joint venture formation agreements with respect to, but is awaiting regulatory approvals for, its LPG or piped gas operations in Qiqihar city of Heilongjiang province, Anshan city of Liaoning province and Jinan city of Shandong province from the relevant PRC authorities.

INDUSTRY OVERVIEW

China was the second largest energy consumption market in the world in 2004. Coal has traditionally been China's main source of primary energy. China's heavy dependence on coal has led to significant environmental pollution issues. The PRC Government is actively promoting the increased use of more environmentally friendly forms of fuel such as LPG, natural gas and hydroelectric power.

LPG is an important source of energy for industrial, commercial and residential uses in China. There has been a remarkable growth in LPG consumption in China over the past decade. The Company believes that LPG will continue to play a major role in China's energy strata.

Consumption of natural gas in China has traditionally been limited to areas close to its gas fields. Following the completion of a nationwide framework for piped natural gas connecting various parts of the country, it is expected to provide a substantial market for natural gas.

On a regulatory aspect, the gas industry in China is generally regulated by the Ministry of Construction (建設部), the General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督驗檢疫總局) and the Ministry of Public Security (公安部). These authorities promulgate rules and regulations in relation to the production, operation, storage, transportation and handling of flammable chemical products, such as LPG and natural gas, in China. In addition, various licences or permits must be obtained from the relevant PRC authorities for gas operations.

COMPETITIVE STRENGTHS

The Directors believe that the Group's competitive strengths are as follows:

- **Sizeable and expanding customer base**

  The Group and its associated companies maintain a sizeable and expanding customer base for its retail LPG business and piped gas business. The Group serves its piped gas customers pursuant to exclusive concession rights lasting 30 years in most areas where the Group operates piped gas business in the PRC. This customer base provides the Group with a recurring stream of revenue and facilitates economies of scale. The Group intends to continue to increase its existing customer base by increasing penetration rates in markets in which it currently operates and by acquiring additional piped gas networks and LPG businesses in new markets.

- **Well recognized brand name and reputation**

  The Directors believe that the products and services of the Group which are all marketed under the unified "PANVA" brand have earned a reputation for quality, consistency and safety and enjoy brand name recognition in their target markets. The Group focuses on providing customer services, such as delivery services, a telephone ordering system and educational and safety programs. The Group believes its ability to provide reliable, high quality products is enhanced by its strong relationships with its suppliers.

- **Established track record of successfully restructuring state-owned piped gas suppliers**

  Since 2001, the Group has focused on the expansion of its piped gas business through joint ventures or acquisitions of former SOEs from local governments that have exclusive concession rights to provide piped gas in a certain area. Once the Group has formed a joint venture with the local government or acquired a former SOE, it focuses on instilling the Group's corporate culture into the business, typically by transferring experienced managers to the joint venture or new subsidiary.

- **Experienced management team**

The Group's management team has extensive experience in the gas industry as well as in the negotiation and implementation of joint ventures with or the acquisition of piped gas networks from local governments. The Group actively seeks to maintain the strength of its management team through regular participation in various management training programs.

- **Local government partnerships**

The Group's partner in most of its piped gas joint ventures is the local government that operated the business prior to its restructuring. The Group believes that when the local government maintains a minority interest, it aligns the interest of the city with those of the Group. The Group also believes that the minority interest provides the local government partners with a strong incentive to consider regulatory matters, such as pricing approvals, from a commercial as well as an administrative perspective.

DEVELOPMENT STRATEGIES

The Group intends to leverage on its customer base, its brand name, its experience in the restructuring of SOEs, its management's experience and its relationships with local governments to achieve its objective of becoming the leading provider of quality LPG and piped gas products in the PRC. The Group aims to achieve this strategic objective by opportunistically making acquisitions, and expanding its existing operations, in Sichuan province and throughout Northeast and East China, where it believes that high population density, increasing urbanization, economic growth potential and current or future access to gas supplies, particularly natural gas, provide it with opportunities for future growth. Specifically, the Group plans to:

- **Expand in existing piped gas markets**

The Group plans to continue its efforts to increase the penetration rates of piped gas in its existing piped gas markets. In addition, the Group intends to expand its existing piped gas operations through the conversion of commercial and industrial users from cylinder LPG to piped gas, which the Group expects to contribute substantially to the demand for natural gas in the near future.

- **Acquire exclusive rights to additional piped gas markets**

The Group intends to take advantage of the expected growth in the piped gas market by obtaining exclusive rights to supply piped gas in medium to large-sized cities of the PRC.

- **Continue expanding in the LPG markets**

The Group plans to continue to expand its retail LPG business, which is characterized by stable demand and provides a higher gross margin than the bulk LPG business, both by acquiring LPG businesses in new areas where piped gas is not yet available or may not be economically feasible and through continued efforts in marketing and network development in areas where the Group maintains LPG operations. The Group believes expanding in its existing markets and developing new markets will increase the Group's customer base and will also encourage brand loyalty and product consumption by its customers.

- **Maintain financial flexibility**

The Group plans to continue to pursue conservative financial policies in order to maximize its financial flexibility. In particular, the Group intends to maintain moderate leverage and adequate coverage ratios. The Group will continue to form joint ventures and operating subsidiaries that it believes will generate solid cash flow, thereby permitting the Group to focus its resources on expanding its business and meeting its financial obligations.

RISK FACTORS

There are certain risks involved in the Group's operations. These risks can be categorized into (i) risks relating to the Group's business; (ii) risks relating to the Group's industry; and (iii) risks relating to conducting business in the PRC. A detailed discussion of the risk factors are set forth in the section headed "Risk Factors" in this document. The following is a list of the risk factors:

Risks relating to the Group's business

- The Group's ability to maintain its current level of profitability depends on its continued success in obtaining new piped gas customers
- The Group may not be able to integrate acquired state-owned or other businesses successfully
- The Group conducts its business through PRC operating subsidiaries, over which it does not have absolute control
- The Group may encounter difficulties in expanding its business into other regions
- The Group may not be able to obtain funds required for future investment
- The Company's largest Shareholder has control over the Company's management and affairs and could exercise this influence in a manner adverse to the interests of other Shareholders
- Limited insurance coverage may result in the Group being required to cover potential liability claims against it
- The Group is awaiting certain regulatory approvals and business licences relating to certain of its projects
- The Group may have to write off account receivables or increase bad and/or doubtful debt provisions if it is unable to collect payments due from its customers
- The Company's hedging strategies expose it to the risk of increased interest expense and potential losses on application of HKAS 39
- The Group has not obtained title certificates for some of the properties it acquires or uses

Risks relating to the Group's industry

- The Group is subject to price controls in certain markets, which limit its flexibility to raise or set prices and pass along cost increases
- The market for LPG is volatile, and the Group may not always be able to successfully pass along increases in the market price of LPG
- The Group is dependent on its LPG and natural gas suppliers
- The Group is dependent on third party contractors in its pipeline construction business
- Industry-related accidents could expose the Group to liabilities
- Unexpected business interruptions could adversely affect the Group's business
- The Group's business may be adversely affected by present or future environmental laws
- The Group faces competition from providers of incumbent and alternative energy sources
- The Group faces competition from other LPG and piped gas providers

Risks relating to conducting business in the PRC

- Changes in PRC Government regulations may limit the Group's activities and adversely affect its business operations
- The political, social and economic systems in the PRC are subject to a greater degree of uncertainty than in certain other countries
- The legal system in the PRC is less developed than in certain other countries and laws may not be interpreted and enforced in a consistent manner
- Market reforms implemented by the PRC Government may have unexpected results
- Changes in favourable taxation treatments could reduce the Group's profits
- Fluctuations in Renminbi may have a material adverse effect on the Group's financial condition and results of operations

SUMMARY HISTORICAL FINANCIAL INFORMATION

The following tables presents the Group's summary historical financial information. The summary consolidated income statements for the years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 and the selected consolidated balance sheet information as of December 31, 2002, 2003 and 2004 and June 30, 2005 in the following tables are derived from, and should be read in conjunction with, the audited financial statements included in the accountants' report of the Group set out in Appendix I to this document. The Group's financial statements have been prepared in accordance with HK GAAP.

Consolidated income statements

	Year ended December 31			Six months ended June 30	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Turnover	1,150,322	1,457,632	1,800,253	848,634	958,053
Cost of sales	(888,427)	(1,073,289)	(1,353,382)	(677,218)	(733,017)
Gross profit	261,895	384,343	446,871	171,416	225,036
Other operating income	12,118	12,874	38,066	2,248	28,592
Distribution expenses	(27,015)	(35,541)	(40,086)	(19,440)	(22,901)
Administrative expenses	(53,465)	(66,418)	(85,441)	(35,232)	(60,160)
Other operating expenses	(1,818)	(1,134)	(2,655)	(1,574)	(823)
Profit from operations	191,715	294,124	356,755	117,418	169,744
Gain on partial disposal of interest in a subsidiary	—	541	2,433	2,433	—
Loss on disposal of subsidiaries	—	(788)	(374)	—	—
Finance costs	(6,691)	(14,846)	(27,099)	(5,155)	(37,860)
Share of results of associates	—	—	83	—	28,561
Profit before taxation	185,024	279,031	331,798	114,696	160,455
Taxation	(8,545)	(22,875)	(19,711)	(6,206)	(16,055)
Profit for the year/period	176,479	256,156	312,087	108,490	144,390
Attributable to:					
Equity holders of the parent	139,235	213,947	285,368	95,699	128,249
Minority interests	37,244	42,209	26,719	12,791	16,141
	176,479	256,156	312,087	108,490	144,390
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per Share *(Note)*					
Basic	23.08	34.77	30.41	10.24	13.61
Diluted	18.75	31.05	28.33	9.44	12.75

Note: Please refer to note 11 in the accountants' report of the Group set out in Appendix I to this document for the basis of calculation of the basic and diluted earnings per Share.

Selected consolidated balance sheet information

	As of December 31			As of June 30
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	381,350	641,715	1,248,817	2,125,415
Current assets	334,614	804,377	2,726,852	2,124,033
Current liabilities	127,982	209,318	248,454	474,170
Net current assets	206,632	595,059	2,478,398	1,649,863
Total assets less current liabilities	587,982	1,236,774	3,727,215	3,775,278
Capital and reserves	278,736	643,732	1,522,214	1,558,248
Minority interests	213,835	262,828	333,074	355,615

WAIVERS FROM STRICT COMPLIANCE WITH RULES 10.07 AND 10.08 OF THE LISTING RULES

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the restrictions on further issues of securities within six months of listing on the Main Board as required by Rule 10.08 of the Listing Rules and a consequential waiver from strict compliance with the restrictions under Rule 10.07 of the Listing Rules in respect of the deemed disposal of Shares by the controlling shareholders of the Company upon the issue of securities by the Company within six months of listing on the Main Board subject to the following conditions:

(i) any issue of Shares (or convertible securities) during the first six months after listing on the Main Board must be either for cash to fund a specific acquisition or as part or full consideration for an acquisition; and

(ii) the acquisition must be for assets or business(es) that will contribute to the growth of the operations of the Group.

Save and except for the deemed disposal of Shares by the controlling shareholders of the Company upon the issue of securities by the Company, the controlling shareholders have confirmed that they will comply with the restrictions on the disposal of securities under Rule 10.07 of the Listing Rules.

The Company has applied to the Stock Exchange for waivers from strict compliance with Rules 10.07 and 10.08 of the Listing Rules for the following reasons:

(i) the Company will not raise any new funds pursuant to the Introduction. Therefore, the Shareholders would not suffer any dilution of their interests as a result of the Company's listing on the Main Board;

(ii) when the Shares were listed on GEM in April 2001, Sinolink owned approximately 77.96% of the Company's issued share capital. As at the Latest Practicable Date, Sinolink, through its 74.79% owned subsidiary Enerchina, owned indirectly approximately 60.57% of the Company's issued share capital, thus demonstrating that Sinolink, as a controlling shareholder, has not been actively disposing of the Shares; and

(iii) the interests of the Shareholders are protected since any further issue of Shares by the Company would be subject to Shareholders' approval as required under Rule 13.36 of the Listing Rules.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Anshan Panva"	鞍山市煤氣總公司 (Anshan City Gas Company*), an SOE which will be restructured to become a sino-foreign equity joint venture company incorporated in the PRC with limited liability 鞍山市百江燃氣有限公司 (Anshan Panva Gas Co., Ltd.*) and owned indirectly as to 81% by the Company after completion of the transfer agreement dated March 22, 2005 between Panriver Investments and 鞍山市公用事業管理局 (Anshan City Public Utilities Management Bureau*)
"Appendix"	appendix to this document
"Articles of Association" or "Articles"	the articles of association of the Company as amended from time to time
"Asia Pacific"	Asia Pacific Promotion Limited, a private company incorporated in the BVI which is wholly-owned by Mr. Ou
"associate(s)"	has the meaning given to it by the Listing Rules
"Board"	the board of Directors
"BVI"	British Virgin Islands
"CAD"	Canadian dollars, the lawful currency of Canada
"Cangxi Panva"	蒼溪百江燃氣有限公司 (Cangxi Panva Gas Co., Ltd.*), a WFOE incorporated with limited liability on October 27, 2004 and an indirect wholly-owned subsidiary of the Company
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Changchun Listed"	長春燃氣股份有限公司 (Changchun Gas Co., Ltd.*), a joint stock limited company incorporated in the PRC on June 8, 1993, whose shares are listed on the Shanghai Stock Exchange (stock code: 600333) and in which Changchun Panva holds a 60.22% interest
"Changchun Panva"	長春燃氣控股有限公司 (Changchun Gas Holdings Limited*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on February 1, 2005 in which the Company indirectly holds a 48% interest
"Changchun Panva Group"	Changchun Panva and Changchun Listed

"Changchun Zhenwei"	長春振威燃氣安裝發展有限公司 (Changchun Zhenwei Gas Installation Development Co., Ltd.*), a sino-foreign contractual joint venture company incorporated in the PRC with limited liability on March 6, 2003 in which the Company indirectly holds a 46.7% interest
"Changde Panva"	常德百江能源實業有限公司 (Pan River Enterprises (Changde) Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on October 26, 1998 in which the Company indirectly holds an 85% interest
"Changling Refinery"	中國石化集團長嶺煉油化工有限責任公司 (China Petrochemical Group Changling Refinery Co., Ltd.*), an SOE and an independent third party
"Changsha Panva"	長沙百江能源實業有限公司 (Changsha Pan River Enterprises Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on January 16, 1998 in which the Company indirectly holds a 60% interest
"Chengdu Panva"	成都城市燃氣有限責任公司 (Chengdu City Gas Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on March 16, 2005 in which the Company holds a 13% interest
"Chenzhou Panva"	郴州百江燃氣實業有限公司 (Chenzhou Pan River Gas Industry Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on July 16, 1998 in which the Company indirectly holds a 60% interest
"China" or "PRC"	the People's Republic of China, which for the purpose of this document and for geographical reference only and except where the context requires, references in this document to "China" and the "PRC" do not apply to Taiwan, the Macau Special Administrative Region of the PRC and Hong Kong
"China Panva"	China Pan River Group Ltd. (中國百江集團有限公司*), a company incorporated in the BVI on January 6, 1998 and a wholly-owned subsidiary of the Company
"Chizhou Panva"	池州百江燃氣有限公司 (Panva (Chizhou) Gas Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on September 1, 2003 in which the Company indirectly holds a 60% interest
"Company"	Panva Gas Holdings Limited (百江燃氣控股有限公司*), a company incorporated with limited liability under the laws of the Cayman Islands on November 16, 2000

"Companies Law"	the Companies Law (2004 Revision) of the Cayman Islands
"connected person(s)"	has the meaning given to it by the Listing Rules
"controlling shareholder(s)"	has the meaning given to it by the Listing Rules
"Convertible Bonds"	the US$50 million convertible bonds issued by the Company, due 2008, further details of which are set out in the section headed "Financial Information — Indebtedness — Convertible Bonds" in this document and in the section headed "I. Convertible Bonds" in Appendix VI to this document
"Dayi Panva"	大邑百江燃氣有限公司 (Dayi Panva Gas Co., Ltd.*), a WFOE incorporated with limited liability on June 8, 2004 and an indirect wholly-owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"DTZ"	DTZ Debenham Tie Leung Limited, an independent property valuer
"Enerchina"	Enerchina Holdings Limited (威華達控股有限公司*) (stock code: 622), a company incorporated in Bermuda with limited liability on July 26, 1991 and whose shares are listed on the Main Board. Enerchina is a subsidiary of Sinolink and a controlling shareholder of the Company
"Enerchina Group"	Enerchina, its subsidiaries (including the Group) and its associated companies
"Extraordinary General Meeting"	an extraordinary general meeting of the Company to be held at 10:00 a.m. on November 28, 2005 at 28th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong or any adjournment thereof
"Foshan Panva"	佛山市燃氣集團有限公司 (Foshan Panva Gas Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on November 3, 2004 in which the Company indirectly holds a 45% interest
"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

"Group Reorganisation"	the purchase of the entire issued share capital of Kenson and Supreme All by Enerchina from Sinolink pursuant to the Reorganisation Agreement
"Guaranteed Senior Notes"	the guaranteed senior notes in the aggregate principal amount of US$200 million issued by the Company on September 23, 2004, due 2011 and jointly arranged by Merrill Lynch International and Morgan Stanley & Co. International Limited, further details of which are set out in the section headed "Financial Information — Indebtedness — Guaranteed Senior Notes" in this document
"Hengyang Panva"	衡陽百江能源實業有限公司 (Pan River Enterprises (Hengyang) Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on November 14, 1998 in which the Company indirectly holds an 84% interest
"HK GAAP"	generally accepted accounting principles in Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"independent third party"	an independent third party which is not connected with the chief executive, directors and substantial shareholders of the Company or any of its subsidiaries and their respective associates
"Introduction"	the proposed listing of the entire issued share capital of the Company on the Main Board by way of an introduction pursuant to the Listing Rules
"Jianyang Panva"	簡陽百江燃氣有限公司 (Jianyang Panva Gas Co., Ltd.*), a company incorporated in the PRC with limited liability on March 31, 2005 and an indirect wholly-owned subsidiary of the Company
"Jinan Panva"	濟南百江燃氣有限公司 (Jinan Panva Gas Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on February 27, 2004 in which the Company indirectly holds a 51% interest

"Jinan LPG Panva"	濟南百江液化氣有限公司 (Jinan Panva LPG Gas Co., Ltd.*), a sino-foreign equity joint venture company to be incorporated in the PRC with limited liability and owned indirectly as to 70% by the Company after completion of the joint venture agreement dated September 2, 2003 entered into between Panriver Investments and 濟南市煤氣公司 (Jinan City Gas Company*)
"Kenson"	Kenson Investment Limited, a company incorporated in the BVI with limited liability on October 17, 2000, a wholly-owned subsidiary of Enerchina and the registered owner as to approximately 42.58% of the issued share capital of the Company
"Kenson Note"	HK$62,500,000 exchangeable redeemable note issued by Kenson to Hutchison International Limited, a wholly-owned subsidiary of Hutchison Whampoa Limited, on November 1, 2004 which is exchangeable into the existing issued Shares held by Kenson at the exercise price of HK$3.25 per Share (subject to adjustments), further details of which are set out in the section headed "II. Kenson Note" in Appendix VI to this document
"Latest Practicable Date"	November 1, 2005, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
"Lezhi Jieneng"	樂至縣潔能壓縮天然氣有限責任公司 (Lezhi Jieneng Compressed Natural Gas Limited Liability Company*), a company incorporated in the PRC with limited liability on October 8, 2001 in which the Company indirectly holds a 40% interest
"Lezhi Panva"	樂至百江燃氣有限公司 (Lezhi Panva Gas Co., Ltd.*), a company incorporated in the PRC with limited liability (re-invested by a WFOE) on December 22, 2003 and an indirect wholly-owned subsidiary of the Company
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date on which dealings in the Shares on the Main Board commence, expected to be on December 8, 2005
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Memorandum of Association"	the memorandum of association of the Company
"Mr. Ou"	Mr. Ou Yaping, the chairman and executive Director of the Company, and chairman and a controlling shareholder of Sinolink and Enerchina
"Nanjing LPG Panva"	南京百江液化氣有限公司 (Nanjing Panva LPG Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on August 16, 2000 in which the Company indirectly holds a 55% interest
"Nanjing Panva"	南京百江管道燃氣有限公司 (Nanjing Panva Pipeline Gas Co., Ltd.*), a WFOE incorporated with limited liability on April 18, 2002 and an indirect wholly-owned subsidiary of the Company
"Nanjing Panva Trading"	南京百江商貿有限公司 (Nanjing Panva Trading Co., Ltd.*), a company incorporated in the PRC with limited liability on September 28, 2003 in which the Company indirectly holds a 25% interest
"New GEM Share Option Scheme"	the share option scheme adopted by the Company pursuant to a resolution passed by the Shareholders on April 26, 2005, a summary of the principal terms of which is set out in the section headed "VIII. Summary of the principal terms of the New GEM Share Option Scheme" in Appendix VII to this document
"Old GEM Share Option Scheme"	the share option scheme adopted by the Company pursuant to a resolution passed by the then sole Shareholder on April 4, 2001 for the benefit of directors or employees of the Company or its subsidiaries, a summary of the principal terms of which is set out in the section headed "VI. Summary of the principal terms of the Old GEM Share Option Scheme" in Appendix VII to this document and which was terminated by the Shareholders at the annual general meeting of the Company held on April 26, 2005
"Panriver Investments"	百江投資有限公司 (Panriver Investments Co., Ltd.*), a WFOE incorporated with limited liability on March 10, 2000 and a wholly-owned subsidiary of China Panva

"Panva LPG"	Panva LPG Investment Holdings Limited (百江液化氣投資控股有限公司*), a company incorporated in the BVI with limited liability on September 1, 2005 and a wholly-owned subsidiary of the Company
"Pengshan Panva"	彭山百江燃氣有限公司 (Pengshan Panva Gas Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on June 1, 2005 in which the Company indirectly holds a 70% interest
"Pengxi Panva"	蓬溪百江燃氣有限公司 (Pengxi Panva Gas Co., Ltd.*), a company incorporated in the PRC with limited liability on May 14, 2003 in which the Company indirectly holds a 90% interest
"per cent." or "%"	percentage
"PetroChina"	中國石油天然氣股份有限公司 (PetroChina Company Limited*), a joint stock limited company incorporated in the PRC on November 5, 1999 and whose shares are listed on the Main Board (stock code: 857), its parent company and/or any of its or their subsidiaries, each an independent third party
"Pingchang Panva"	平昌百江燃氣有限公司 (Pingchang Panva Gas Co., Ltd.*), a company incorporated in the PRC with limited liability on May 8, 2004 in which the Company indirectly holds a 90% interest
"PRC GAAP"	generally accepted accounting policies in the PRC
"PRC Government"	People's Government of the PRC
"Pre-GEM Listing Share Option Scheme"	the share option scheme adopted by the Company pursuant to a resolution passed by its then sole Shareholder on April 4, 2001 for the benefit of certain directors and employees of members of the Group and members of Sinolink Group which lapsed before listing of the Shares on GEM on April 20, 2001, a summary of the principal terms of which is set out in the section headed "VII. Summary of the principal terms of the Pre-GEM Listing Share Option Scheme" in Appendix VII to this document
"Proposed Share Option Scheme"	the proposed share option scheme to be conditionally adopted at the Extraordinary General Meeting, a summary of the principal terms of which is set out in the section headed "V. Summary of the principal terms of the Proposed Share Option Scheme" in Appendix VII to this document

"Qiqihar LPG"	齊齊哈爾市液化氣公司 (Qiqihar Liquefied Petroleum Gas Company*), an SOE which will be restructured to become a limited liability company in the PRC after completion of the transfer agreement dated November 10, 2004 entered into between Panriver Investments and 齊齊哈爾市建設局 (Qiqihar City Construction Bureau*). Qiqihar LPG is wholly owned by Qiqihar Panva
"Qiqihar Panva"	齊齊哈爾市天然氣公司 (Qiqihar Natural Gas Company*), an SOE which will be restructured to become a sino-foreign equity joint venture company in the PRC with limited liability, 齊齊哈爾百江燃氣有限公司 (Qiqihar Panva Gas Co., Ltd.*), and owned indirectly as to 61.67% by the Company after completion of the transfer agreement dated November 10, 2004 entered into between Panriver Investments and 齊齊哈爾市建設局 (Qiqihar City Construction Bureau*)
"Qiqihar Panva Group"	Qiqihar Panva and Qiqihar LPG
"Reorganisation Agreement"	a reorganisation agreement dated April 7, 2005 entered into between Sinolink and Enerchina for the purpose of the Group Reorganisation which was completed on June 2, 2005
"Renminbi" or "RMB"	Renminbi, the lawful currency for the time being of the PRC
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shandong Panva"	山東百江燃氣有限公司 (Shandong Panva Gas Co., Ltd.*), a sino-foreign equity joint venture company to be incorporated in the PRC with limited liability and owned indirectly as to 48% by the Company after completion of the joint venture agreement dated August 16, 2005 entered into between Panriver Investments, 濟南市煤氣公司 (Jinan City Gas Company*) and 深圳市華信聯投資有限公司 (Shenzhen Huaxinlian Investment Co., Ltd.*)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Singkong Investments"	Singkong Investments Limited, a company incorporated in Hong Kong with limited liability on June 4, 1992 and an indirect wholly-owned subsidiary of the Company

"Sinolink"	Sinolink Worldwide Holdings Limited (百仕達控股有限公司*) (stock code: 1168), a company incorporated in Bermuda with limited liability on December 15, 1997 and whose shares are listed on the Main Board. Sinolink is a controlling shareholder of the Company
"Sinolink Group"	save for the Group, Sinolink, its subsidiaries and its associated companies
"Sinolink Power"	Sinolink Power Investment Limited (百仕達能源發展有限公司*), a company incorporated in the BVI on December 30, 1997 and an indirect wholly-owned subsidiary of the Company
"Sinopec"	China Petroleum & Chemical Corporation (stock code: 386), a joint stock limited company incorporated in the PRC on February 25, 2000 and whose shares are listed on the Main Board, its parent company and/or any of its or their subsidiaries, each an independent third party
"SOE"	PRC state-owned enterprise
"Southwest Panva"	百江西南燃氣有限公司 (Pan River Gas (China Southwest) Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on December 25, 1998 in which the Company indirectly holds a 50.1% interest
"Sponsor"	Merrill Lynch (Asia Pacific) Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiaries"	has the meaning given to it by the Listing Rules
"substantial shareholder(s)"	has the meaning given to it by the Listing Rules
"Supreme All"	Supreme All Investments Limited, a company incorporated in the BVI on December 20, 2000, a wholly-owned subsidiary of Enerchina and the registered owner as to approximately 17.99% of the issued share capital of the Company
"Track Record Period"	the period comprising the three financial years ended December 31, 2004 and the six months ended June 30, 2005
"United States" or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "US dollars"	United States dollars, the lawful currency of the United States

"Weiyuan Panva"	威遠百江燃氣有限公司 (Weiyuan Panva Gas Co., Ltd.*), a company incorporated in the PRC with limited liability on December 25, 2002 in which the Company indirectly holds a 99.5% interest
"WFOE"	PRC wholly foreign-owned enterprise
"WTO"	World Trade Organization
"Wuhu Panva"	蕪湖百江能源實業有限公司 (Pan River Enterprises (Wu-hu) Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on March 25, 1998 in which the Company indirectly holds a 55% interest
"Xiangtan Panva"	湘潭百江能源實業有限公司 (Xiang Tan Pan River Energy Industry Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on June 17, 1998 in which the Company indirectly holds a 60% interest
"Yangzhou Panva"	揚州揚子石化百江燃氣有限公司 (Yangzhou YPC & Panva Gas Co., Ltd.*), a company incorporated in the PRC with limited liability on November 10, 2003 in which the Company indirectly holds a 27.5% interest
"Yangzi Panva"	揚子石化百江能源有限公司 (YPC & Panva Energy Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on September 13, 1999 in which the Company indirectly holds a 50% interest
"Yiyang Panva"	益陽百江能源實業有限公司 (Yiyang Pan River Enterprises Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on August 13, 1998 in which the Company indirectly holds a 60% interest
"Yongzhou Panva"	永州百江能源實業有限公司 (Yongzhou Pan River Enterprises Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on December 18, 1998 in which the Company indirectly holds a 60% interest
"Yuechi Panva"	岳池百江燃氣有限公司 (Yuechi Panva Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on August 3, 2004 in which the Company indirectly holds a 90% interest
"Yunnan Panva"	雲南百江燃氣有限公司 (Panva Gas (Yunnan) Co., Ltd.*), a sino-foreign equity joint venture company incorporated in the PRC with limited liability on September 19, 2001 in which the Company indirectly holds a 28.53% interest

"Zhongjiang Huade"	中江縣華德能源開發有限責任公司 (Zhongjiang Huade Energy Exploration Limited Liability Company*), a company incorporated in the PRC with limited liability on August 13, 1997 in which the Company indirectly holds a 25% interest
"Zhongjiang Pingan"	中江縣平安油氣有限責任公司 (Zhongjiang Pingan Petroleum and Gas Limited Liability Company*), a company incorporated in the PRC with limited liability on February 18, 2000 in which the Company indirectly holds a 55% interest
"Zhongjiang Panva"	中江百江燃氣有限公司 (Zhongjiang Panva Gas Co., Ltd.*), a WFOE incorporated with limited liability on March 29, 2005 in which the Company indirectly holds a 100% interest
"Ziyang Hengyuan"	四川省資陽恒源壓縮天然氣有限公司 (Sichuan Ziyang Hengyuan Compressed Natural Gas Co., Ltd.*), a company incorporated in the PRC with limited liability on August 2, 2000 in which the Company indirectly holds a 66.6% interest
"Ziyang Panva"	資陽百江燃氣有限公司 (Ziyang Panva Gas Co., Ltd.*), a company incorporated in the PRC with limited liability on July 16, 2002 in which the Company indirectly holds a 90% interest
"Zunyi Panva"	遵義百江燃氣有限公司 (Pan River Gas (Zun Yi) Co., Ltd.*), a WFOE incorporated with limited liability on June 5, 2002 in which the Company indirectly holds a 50.1% interest

* *in this section or other sections in this document denotes English translation of a Chinese company name, or vice versa, and is provided for identification purposes only*

This glossary contains explanation of certain technical terms as they relate to the Group and as they are used in this document. Such explanation may not correspond to standard industry definitions or usages.

"butane"	a hydrocarbon gas that is found in natural gas or refined from crude oil
"CMS"	Constant Maturity Swap, a variation of the fixed-rate-for-floating-rate interest rate swap. The rate on one side of the constant maturity swap is either fixed or reset periodically at or relative to LIBOR (or another floating reference index rate). The constant maturity side, which gives the swap its name, is reset each period relative to a regularly available fixed maturity market rate
"km"	kilometers
"LIBOR"	London Interbank Offered Rate, the primary fixed-income index reference rates used in the Euromarkets. Most international floating rates are quoted as LIBOR plus or minus a spread
"LPG"	liquefied petroleum gas. A generic name for propane and butane or their mixture which is in liquid form under moderate pressure. Propane and butane are hydrocarbons created as a by-product of oil refining or from natural gas production
"natural gas"	a mixture of hydrocarbon gases found in the earth, which is composed of methane, ethane, propane, butane and other gases
"PBOC"	中國人民銀行 (The People's Bank of China*), the central bank of the PRC
"PBOC Rate"	the exchange rate for foreign exchange transactions set daily by PBOC based on the previous day's China interbank foreign exchange market rate and with reference to current exchange rates on the world financial markets
"piped gas"	natural gas, LPG or SNG delivered or transmitted via pipes
"propane"	a hydrocarbon gas that is found in natural gas or refined from crude oil
"SNG"	synthetic natural gas, a mixture of LPG and air
"tons"	short tons

In addition to other information in this document, you should carefully consider the following risk factors described below.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's ability to maintain its current level of profitability depends on its continued success in obtaining new piped gas customers

A substantial proportion of the Group's gross profit in the Track Record Period was derived from gas pipeline construction, which is primarily comprised of fees charged by the Group to end-users for connecting to the Group's gas pipeline networks. Revenue from gas pipeline construction for the six months ended June 30, 2005 represented approximately 20.8% of the Group's total revenue for that period, compared to 24.0% and 21.9% of the Group's total revenue for the years ended December 31, 2004 and 2003, respectively. The gas pipeline construction business is a relatively new one for the Group and its continued success is not assured.

Factors that could adversely affect the Group's gas pipeline construction business include, but are not limited to, competition from other gas or gas distribution companies, particularly those with more capital resources than the Group; relative saturation in the Group's current markets; a lack of success in securing and developing new markets; a reduction or total elimination of the fees that the Group can charge end-users for gas pipeline connections, whether due to market supply and demand, government regulation or otherwise; changes in the PRC Government's policy to promote the use of gas; and a shift in consumer preference from gas to competing forms of energy. A material adverse effect on the Group's gas pipeline construction business would have a material adverse effect on the Group's revenues and profits.

The Group may not be able to integrate acquired state-owned or other businesses successfully

The Group's business model includes acquiring restructured SOEs or other gas businesses, particularly in the piped gas business. SOEs have traditionally been managed with the goals of serving state policy, providing well-being to citizens and providing lifetime employment. Accordingly, there are significant risks in the conversion of any former SOE into a profitable private enterprise. There can be no assurance that the acquired enterprises will integrate effectively into the Group's existing operations or in creating profitable businesses. Delays in integration or unresolved corporate culture issues may divert the attention of the Group's management and the Group's resources from other uses or delay or prevent revenue growth in the Group's operating subsidiaries.

The Group conducts its business through PRC operating subsidiaries, over which it does not have absolute control

The Group currently conducts its business operations through 30 operating subsidiaries established in the PRC, six of which are wholly-owned by the Group. Certain important corporate actions for these subsidiaries require supermajority or unanimous board or shareholder approval. Such corporate actions generally include, among other things, amending the articles of association, terminating the joint venture or winding up the company, merging, increasing the registered share capital, transferring equity interests or pledging assets. There is no assurance that the Group will be able, should it wish to do so, to cause any of the PRC partners of the operating subsidiaries that it does not wholly own to consent to such actions. In addition, there is a possibility that the PRC partners may have economic or business interests or goals which are inconsistent with those of the Group, be unable to or unwilling to fulfill their obligations under the relevant joint venture or shareholders' agreements, or have financial difficulties. Any such events, particularly if they cannot be remedied due to the Group's inability to cause the termination of the joint venture or other significant corporate action, may have a material adverse effect on the Group's ability to successfully operate its business.

The Group may encounter difficulties in expanding its business into other regions

The Group plans to expand its business coverage to other regions in the PRC in which it does not currently have operations. There is no assurance that the Group will be able to establish operations in these regions as expected or that, when doing so, the Group will not encounter unforeseen difficulties, such as unforeseen regulatory difficulties, unexpected delays or increased costs, or unfamiliarity with market expectations. Such unforeseen difficulties could have a material adverse effect on the Group's expansion plans.

The Group may not be able to obtain funds required for future investment

The Group's future growth plans will require, among other things, considerable funds for investment start-up costs as well as cooperation from third party property developers and approvals by, and the cooperation of, government authorities. In order to finance such investment, the Group may need to seek additional funding, including through equity financing or by way of bank borrowings or other debt financing. There is no assurance that such additional financing will be available on terms favourable to the Group or at all, which could have a material adverse effect on the Group's ability to carry out its long-term strategies.

The Company's largest Shareholder has control over the Company's management and affairs and could exercise this influence in a manner adverse to the interests of other Shareholders

Since completion of the Reorganisation Agreement on June 2, 2005 and as at the Latest Practicable Date, Enerchina, through its wholly-owned subsidiaries, Kenson and Supreme All, owns approximately 60.57% of the issued share capital of the Company. Enerchina therefore has the ability to control all matters which are subject to the approval of the Shareholders by way of ordinary resolution (but excluding those from which Enerchina and its associates must abstain from voting). Such concentration of ownership allows Enerchina to control the composition of the Board, determine the timing and amount of dividend payments and otherwise control the Group's management and affairs. There can be no assurance that Enerchina will act in a manner that is not adverse to the interests of other Shareholders.

Limited insurance coverage may result in the Group being required to cover potential liability claims against it

Not all of the Group's operating subsidiaries maintain (i) fire insurance for their properties; (ii) third party liability insurance; (iii) insurance for assets such as storage tanks, filling centers, gas pipelines, real estate and cylinders as well as automobile insurance, freight insurance, machinery insurance, public responsibility insurance and LPG cylinder insurance; and (iv) insurance for employees, such as insurance for damages and injuries and social insurance for employees. Neither has the Group taken out an insurance policy for losses arising from any interruption in the business of the Group or for business losses suffered by third parties caused or allegedly caused by the Group or otherwise.

There may be liabilities that the Group's insurance coverage does not protect against. A successful claim made against the Group that is not covered by its insurance policies or is in excess of the insurance coverage provided by such policies could require the Group to cover such claim out of its own resources.

The Group is awaiting certain regulatory approvals and business licences relating to certain of its projects

In order to establish a new LPG or piped gas project in the PRC, the Group must, among other things, obtain regulatory approval of the proposed project from the applicable authority, following which it must obtain a business licence from the local government where the project is to be located. Such business licence recognizes the transfer of ownership interests to the Group and approves the new name of the project company, as appropriate.

Currently, the Group is awaiting regulatory approvals for Qiqihar Panva, Anshan Panva, Jinan LPG Panva and Shandong Panva. The Group has paid deposits to the state entities from which it has agreed to purchase the interests in Qiqihar Panva and Anshan Panva and its capital contribution for Jinan LPG Panva and has submitted formal applications to the appropriate authorities requesting the necessary regulatory approvals and business licences. There can be no assurance that the Group will obtain any of the required regulatory approvals and business licences. The failure to obtain any of the required regulatory approvals would prevent the Group from undertaking the corresponding project or projects, which in turn could have a material adverse effect on the Group's expansion plans and future profits. There is no assurance that the Group's applications for regulatory approvals and business licences will be approved for future projects, and the failure to do so could have a material adverse effect on the Group's future growth.

The Group may have to write off account receivables or increase bad and/or doubtful debt provisions if it is unable to collect payments due from its customers

The Group may grant credit terms to its large customers. If a sufficient number of such customers experience downturns in their businesses or there are other circumstances that affect their ability or willingness to pay the Group, this could have a material adverse effect on the Group's account receivables. The failure by its customers to make payments on a timely basis or at all in the future could require the Group to write off account receivables or increase its provision for bad and/or doubtful debts, which could reduce its profits.

The Company's hedging strategies expose it to the risk of increased interest expense and potential losses on application of HKAS 39

In September 2004, the Company issued the Guaranteed Senior Notes, which carry a fixed interest rate of 8.25%. In order to hedge the interest rate risk associated with the Guaranteed Senior Notes, the Company entered into an interest rate swap agreement with Morgan Stanley Capital Services Inc. ("Morgan Stanley Swap") in September 2004 and a subsequent swap agreement with Credit Suisse First Boston ("CSFB Swap") in March 2005. Pursuant to the terms of the swaps, the Company's effective interest rate liability for the Guaranteed Senior Notes is subject to changes in LIBOR (in the case of the Morgan Stanley Swap) and in the 30-year and two-year constant maturity swap rate, or CMS rate (in the case of the CSFB Swap).

Under the terms of the swap agreements, however, if LIBOR were to increase significantly, or if the 30-year and the two-year CMS rates were to converge, the net effect on the effective interest rate liability would be to increase it to an amount in excess of 8.25%. Such an increase in effective interest rate liability, if it occurred, could have a material adverse effect on the Group's financial condition by forcing it to divert additional cash to paying increased interest expense.

In addition, the Company has adopted HKAS 39, governing the recognition and measurement of financial instruments, with effect from January 1, 2005. Under HKAS 39, from January 1, 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. For derivatives that are deemed as held for trading, which include the Morgan Stanley Swap and the CSFB Swap, changes in fair value must be recognized in the Company's profit and loss account for the period in which they arise.

The fair value of these swaps as at June 30, 2005 was estimated to be approximately negative HK$106.2 million, which was based on market prices quoted from financial institutions for equivalent instruments on June 30, 2005. This amount includes derivatives recognized at fair value of approximately negative HK$101.3 million as at January 1, 2005, which was recognized as a loss in the Company's consolidated income statement, and changes in the fair value of interest rate swaps of approximately HK$4.8 million, which was recognized as a loss in the Company's consolidated income statement for the six months ended June 30, 2005. The application of HKAS 39 could result in additional such losses in future periods, including losses substantially greater than the amount of approximately HK$106.2 million of losses the Company has experienced thus far, as mentioned above, depending on movements in the market prices for equivalent instruments in future periods.

The Group has not obtained title certificates for some of the properties it occupies or uses

As at the Latest Practicable Date, the Group had not obtained land title certificates or building ownership certificates for approximately 49 parcels of land with a total area of approximately 73,894 square metres and various buildings with an aggregate gross floor area of approximately 29,941 square metres currently occupied or used by it. As at the Latest Practicable Date, the Group was in the process of applying, or will apply, for the title certificates in respect of eight out of the 49 parcels of land with no title certificate. The Group was also in the process of applying, or will apply, for the relevant title certificate in respect of seven out of those buildings with no title certificate. However, there is no assurance that the Group will obtain title certificates for any of such properties. The Group will not apply for the relevant title certificates for the rest of the properties with no title certificate. These properties are mainly office units, staff quarters, ancillary gas supply stations, warehouses or retail shops.

According to the PRC legal advisers to the Company, Haiwen & Partners, the question as to whether there is any legal impediment for the Group to obtain title certificates for the relevant properties is determined on a case by case basis depending on the factual circumstances in each case. In addition, according to the relevant state laws of the PRC, for land without the relevant title certificate, it may be confiscated by the relevant local government authority, and at the same time a maximum penalty of RMB30 per square metre may be imposed. The local government has discretion as to whether and what amount of penalty will be imposed, so long as any such imposition does not exceed the above statutory maximum penalty. For a building without the relevant title certificate, it may be (i) confiscated or demolished (as the case may be) by the relevant government authority, or (ii) if the relevant government authority considers the building does not seriously affect the overall city planning, the relevant government authority may require the responsible party to carry out correction works to the buildings and impose a penalty on the responsible party. However, the relevant state laws and regulations do not specify how the penalty should be calculated.

No commercial value has been attributed to such land or buildings which the Group has not obtained the title certificates in the valuation of such properties. The Group may be required to relocate its business operations located on land or in buildings which the Group does not have title and such relocation may adversely affect the Group's financial conditions and results of operations. For details of the properties which the Group has not obtained title certificates, please refer to the section headed "Financial Information — Property Interests" in this document.

RISKS RELATING TO THE GROUP'S INDUSTRY

The Group is subject to price controls in certain markets, which limit its flexibility to raise or set prices and pass along cost increases

Fees charged by the Group for pipeline connections and piped gas tariffs in the PRC require the approval of local pricing bureaus. There is no assurance that the Group will continue to have the right to charge pipeline connection fees in its existing markets at the levels currently enjoyed by the Group, or that the Group will be able to charge similar connection fees in new markets. In addition, there is no assurance that the Group will be able to obtain the required approval from the local pricing bureau for an increase in pipeline connection fees, should the Group's connection costs increase significantly. There is also no assurance that any increase in gas tariffs sought by the Group in response to any future increases in LPG and natural gas prices will be approved by the local pricing bureau or that the bureau will not require the Group to lower existing tariffs. In the event that the Group is unable to obtain approvals for an increase in pipeline connection fees or gas tariffs, the profits of the Group may be materially and adversely affected.

Furthermore, the maximum selling prices of retail LPG sold in cylinders are generally subject to price ceilings ("Approved Price Ceilings") set by the local pricing bureaus. Penalties may be imposed on those entities which sell or distribute LPG above the Approved Price Ceilings. There is no assurance that the Approved Price Ceilings will be adjusted by the relevant local pricing bureaus to match any cost increase of LPG. Should the purchase price of LPG increase and should the Group be unable to raise the selling price of LPG accordingly and in a timely manner, the Group's gross profit margin could be materially and adversely affected.

The market for LPG is volatile, and the Group may not always be able to successfully pass along increases in the market price of LPG

For the year ended December 31, 2004 and the six months ended June 30, 2005, the purchase price of LPG represented approximately 88.3% and 86.7% of the Group's cost of sales, and that of natural gas represented approximately 1.9% and 3.9% of the Group's cost of sales, respectively. Prices of LPG sourced by the Group are sensitive to changes in a number of factors, including industry capacity and domestic and international output levels of crude oil and LPG, cyclical changes in regional and global economic conditions, price and availability of substitute products and changes in consumer responsiveness and consumer demand. These factors have a significant impact on LPG prices in the local, regional and global markets. Historically, the markets for these products have experienced alternating periods of tight supply, causing prices to increase, followed by periods of capacity additions, in some cases resulting in oversupply and declining prices and margins.

As tariffs and other import restrictions are reduced and the control of product allocation and pricing is gradually relaxed in the PRC, the domestic markets for many products have become increasingly subject to the cyclical nature of regional and global markets. Historically, international prices of crude oil, LPG and refined products have fluctuated widely due to many factors that are beyond the control of the Group. There is no assurance that the purchase price of LPG paid by the Group will remain stable in the future. If substantial price increases occur and the Group is unable to pass on such price increases to its customers, due to the Approved Price Ceilings imposed by the local pricing bureaus or otherwise, the Group's gross profit margin could be materially and adversely affected.

The Group is dependent on its LPG and natural gas suppliers

LPG and natural gas are the principal raw materials purchased by the Group. The Group currently purchases LPG from major national petroleum enterprises and LPG importers in the PRC under purchase agreements. Apart from an LPG purchase agreement with a principal LPG supplier of the Group, which can be terminated by mutual agreement, all other purchases are made on a transaction by transaction basis. If the LPG purchase agreement is terminated, there is no assurance that the Group will be able to purchase LPG from its suppliers on terms acceptable to the Group in the future.

One of the Group's principal LPG suppliers, Sinopec Yangzi Petrochemical Co., Ltd., underwent a periodic major maintenance overhaul in July 2001 for approximately one month and was unable to supply LPG to Yangzi Panva, which is one of the Group's principal bulk LPG operating subsidiary. Yangzi Panva's operations significantly reduced bulk LPG purchases during that period. There can be no assurance that if any of the Group's suppliers undergoes an overhaul or is otherwise unable to supply the Group with LPG, the Group will be able to obtain replacement LPG at favourable prices or at all. Other sources of LPG may not be in locations that are as convenient as those of the Group's existing suppliers and may cause the Group to incur increased transportation costs or reduce its overall LPG sales. In addition, there can be no assurance that other unforeseen events will not prevent the timely delivery of, or affect the quality of, the LPG supplied to the Group by its suppliers.

The Group currently sources its natural gas from PetroChina and Sinopec pursuant to gas purchase agreements that are renewed annually. In the event that PetroChina or Sinopec becomes unwilling or unable to supply natural gas to the Group at acceptable prices, there can be no assurance that the Group would be able to purchase natural gas from other suppliers on similar terms or on terms otherwise acceptable to the Group, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group obtains its natural gas via pipelines. In the event of unforeseen disruptions to these natural gas pipeline supplies, whether due to commercial reasons, technical difficulties or unforeseen events such as natural disasters, war or terrorism, the Group may be unable to obtain an immediately available supply of natural gas for its piped gas customers.

If the required LPG or natural gas cannot be purchased as scheduled or on terms acceptable to the Group, the Group's business operations may be materially and adversely affected.

The Group is dependent on third party contractors in its pipeline construction business

Substantially all of the Group's pipeline construction activities are outsourced to third party contractors. In the event that the Group is unable to obtain third party construction services of sufficiently high quality on favourable terms or at all, the Group's expansion of its piped gas business may be adversely affected.

Industry-related accidents could expose the Group to liabilities

Due to the nature of its business, the Group often handles highly flammable and explosive materials. There is a significant risk that industry-related accidents will occur in the course of the Group's business. There is no assurance that accidents will not occur during future operations or that the Group's safety precautions and maintenance procedures will provide adequate protection or that its product liability insurance policies will protect it from claims for damages or restitution. Any significant accident, whether or not the relevant operating member of the Group is found to be at fault, may expose the Group to claims and liability for which it may not have adequate insurance coverage and could have a negative effect on its reputation and customer relationships as well as results of the Group's operation.

Unexpected business interruptions could adversely affect the Group's business

The Group's operations are vulnerable to interruption by fire, power failure and power shortages, hardware and software failure, floods, computer viruses and other events beyond the Group's control. The Group does not carry business interruption insurance to compensate it for losses that may occur as a result of these events, and any such losses or damages incurred by the Group could disrupt its business operations.

The Group's business may be adversely affected by present or future environmental laws

The Group's business is subject to certain PRC laws and regulations relating to the production, storage, transportation and sale of LPG and natural gas, as well as environmental and safety matters. The discharge of LPG, natural gas or other pollutants into the environment may give rise to liabilities that may require the Group to incur costs to remedy such discharge. In addition, there is no assurance that any environmental laws adopted in the future will not materially increase the cost to the Group of conducting its business. No assurance can be given that present or future PRC environmental laws will not restrict the Group's ability to operate its business or expose it to unanticipated liabilities or other compliance costs.

The Group faces competition from providers of incumbent and alternative energy sources

Substitutes for the Group's LPG and piped gas products are readily available in the PRC, and new substitutes may be developed. Coal, coal gas and electricity are the most common substitutes for LPG and piped gas as a source of energy. In addition to being particularly abundant in the PRC, coal is available at low cost and it is believed to be favored by certain government interests and thus, it is commonly used as fuel in many parts of the PRC. There can be no assurance that other energy sources or uses of existing energy sources alternative to LPG or piped gas will not become available. There is also no assurance that existing fuel users will shift from their current fuel sources to LPG or natural gas, or that they will not shift from LPG or piped gas to alternative fuel sources. If significant numbers of fuel users fail to adopt fuel products supplied by the Group as anticipated by the Group's marketing plans, or significant numbers of fuel users switch from the Group's fuel products, the Group's business and future prospects could be materially and adversely affected.

The Group faces competition from other LPG and piped gas providers

The Group faces competition from other LPG cylinder providers in the PRC, including SOEs, private enterprises and foreign-invested enterprises. In terms of the requirements to obtain licences and certificates from relevant authorities, barriers to entry in the LPG retail business are relatively low and new potential competitors can arise at any time. The Group also expects to face increasing competition in new PRC piped gas markets from other domestic or foreign piped gas providers attracted by the high margins and relatively low market penetration rates, thereby limiting the Group's expansion in the PRC. There is no assurance that future competitors will not have a competitive advantage over the Group as a result of superior products, services or more competitive pricing.

In addition, as a result of the PRC's membership in the WTO, the Group expects the PRC Government to gradually reduce current restrictions on foreign trade in the PRC. The PRC's entry into the WTO may also result in increased foreign competition in the PRC and a reduction of regulations that have historically been advantageous to domestic enterprises, as well as other developments which may adversely affect the Group. Increased competition, including alliances between foreign companies and domestic competitors, may have a material adverse effect on the Group's turnover, profit margin and market share.

RISKS RELATED TO CONDUCTING BUSINESS IN THE PRC

Changes in PRC Government regulations may limit the Group's activities and adversely affect its business operations

The operations of the Group, like those of other PRC gas companies, are subject to extensive regulation by the PRC Government. In the PRC, gas companies operating piped gas supply businesses or LPG businesses in urban areas are under the supervision of a number of government ministries and departments, including the Ministry of Construction (建設部), General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) and the Ministry of Public Security (公安部). For details of the licensing regime relevant to the Group for its operation of business, please refer to the section headed "Industry Overview — The regulatory system in China" in this document.

Central governmental authorities, such as the State Development and Reform Commission (國家發展改革委員會), the Ministry of Land and Resources (國土資源部), the Ministry of Commerce (商務部) and the State Bureau of Taxation (國家稅務總局) and the local pricing bureaus, also exercise extensive control over various aspects of the PRC's gas industry. These controls affect aspects of the Group's operations such as the pricing of its main products, industry-specific taxes and fees, business qualifications, capital investments and environmental and safety standards. As a result, the Group may face significant constraints on its ability to implement its business strategies, to develop or expand its business operations or to maximize its profitability.

The political, social and economic systems in the PRC are subject to a greater degree of uncertainty than in certain other countries

The value of the Group's interests in the PRC may be adversely affected by significant political, social and economic uncertainties in the PRC. A change in the policies of the PRC Government including, among other things, changes in laws or regulations, or the interpretation thereof, taxation, restrictions on currency conversion, the imposition of exchange controls or price controls, or the appropriation of private or foreign business or property interests, could adversely affect the Group's investments in the PRC.

The legal system in the PRC is less developed than in certain other countries and laws may not be interpreted and enforced in a consistent manner

The PRC legal system is a civil law system. Unlike the common law system, the civil law system is based on written statutes in which decided legal cases may have little precedential value. Since 1979, the PRC Government has begun to introduce many new laws and regulations to provide general guidance on economic and business practices and to regulate foreign investment in the PRC. The promulgation of new changes to existing laws and the abrogation of local regulations by national laws could have a negative impact on the business and prospects of the Group and its operations. In addition, as these laws, regulations and legal requirements are relatively recent, their interpretation and enforcement may involve significant uncertainty. The interpretation of PRC laws may be influenced by policy changes that reflect domestic political changes. As the PRC legal system develops, the promulgation of new laws, changes to existing laws and the pre-emption of local regulations by national laws may have a material adverse effect on the Group's ability to operate its business.

Market reforms implemented by the PRC Government may have unexpected results

The PRC economy is currently evolving from a planned economy into a more market-oriented economy. Changes in the policies of the PRC Government regarding the domestic economy (for example, changes affecting foreign exchange rates, inflation, taxation and trade) may have a material effect on the overall economy. The current reforms are unprecedented, could produce effects that are unpredictable and are subject to further refinement and improvement. New political, economic and social developments and considerations may lead the PRC Government to make adjustments to these reform measures. Such amendments and adjustments may not have a favourable effect on the Group's business.

Changes in favourable taxation treatments could reduce the Group's profits

According to the current rules and regulations of the PRC on taxation, sino-foreign equity joint venture companies or WFOEs with an operational period of over 10 years may, after obtaining approval from the relevant PRC taxation authorities, recoup prior years' retained losses from the first profit-making year (such recoupment not to exceed five consecutive years). Thereafter, such companies are exempt from profit tax for the first two years after becoming profitable and will also be provided with a 50% reduction in the rate of profit tax for the following three years. Most of the Group's PRC operating subsidiaries are currently in the tax relief period, have not become profitable or are subject to reduced tax rates pursuant to such regulations. For several of the Group's operating subsidiaries, the tax relief period has expired. In addition, there can be no assurance that the current taxation allowances (including sales tax refunds) will not be changed in the future. In the event of any such change, the Group's profits may be materially and adversely affected.

Fluctuations in Renminbi may have a material adverse effect on the Group's financial condition and results of operations

The reporting currency of the Group is the Hong Kong dollar. All of the Group's net operating revenues have been denominated in Renminbi, and the Guaranteed Senior Notes and the Convertible Bonds were issued in US dollars. Since 1994, the conversion of the Renminbi into foreign currencies has been based on rates set by the PBOC. Since July 21, 2005, the Renminbi is no longer pegged to the US dollar but to a basket of currencies. Such revaluation resulted in an appreciation in the value of Renminbi against the Hong Kong dollar and US dollar by approximately 2%. Renminbi may be further revalued or devalued against the US dollar or other currencies, or the Renminbi may be permitted to enter into a full float. Any depreciation in the value of the Renminbi against the US dollar could have a material adverse effect on the Group's financial condition and results of operations, the repayment ability of the Group in respect of the Guaranteed Senior Notes and the value of, and dividends payable, on Shares as any dividends the Company intends to pay will be declared in Hong Kong dollars.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. In particular, under the PRC's foreign exchange regulations, strict foreign exchange controls continue for most capital account transactions.

The Company has made certain forward-looking statements in this document regarding, among other things, the Group's financial condition, future expansion plans and business strategies. These forward-looking statements are based on the Company's current expectations and projections about future events. Although the Company believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- the competitive markets for the provision of LPG and piped gas;
- risks associated with international global business activities;
- general economic and political conditions, including those related to the energy industry and the PRC;
- possible disruptions to commercial activities due to natural and human-induced disasters, including but not limited to terrorist activities and armed conflict;
- fluctuations in foreign currency exchange rates;
- supplier issues including but not limited to variations in price, available quantity or delivery; and
- those other risks identified in the section headed "Risk Factors" in this document.

The words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and similar expressions, as they relate to the Group, are intended to identify a number of these forward-looking statements. Such statements reflect the current views of the Company's management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove to be incorrect, the Group's financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information.

DIRECTORS RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document contains particulars given in compliance with the Listing Rules and the Securities and Futures (Stock Market Listing) Rules of Hong Kong 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 document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this document misleading.

This document is published in connection with the Introduction. It may not be used for any other purpose and, in particular, no person is authorised to use or reproduce this document or any part thereof in connection with any offering, or invitation to the offer, of the Shares or other securities of the Company. Accordingly, there is no, and will not be any, offer of or solicitation, or an invitation by or on behalf of the Company and the Sponsor to subscribe for or purchase any of the Shares. Neither this document nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Introduction may be used for the purpose of making, and the delivery, distribution and availability of this document or such other document or information (or any part thereof) does not constitute, any offer of or solicitation or an invitation by or on behalf of the Company and the Sponsor to subscribe for or purchase any of the Shares.

NO CHANGE IN BUSINESS

No change in the business of the Group is contemplated following the Introduction.

APPLICATION FOR LISTING ON THE MAIN BOARD

The Company has applied to the Listing Committee for the listing of, and permission to deal in, on the Main Board (i) the 942,250,891 Shares in issue; (ii) 13,570,000 Shares which may be issuable upon the exercise of the outstanding options which were granted under the Pre-GEM Listing Share Option Scheme; (iii) 28,959,000 Shares which may be issuable upon the exercise of the outstanding options which were granted under the Old GEM Share Option Scheme; (iv) any Shares which may be issuable upon the exercise of any options which may be granted under the Proposed Share Option Scheme; and (v) any Shares which may be issuable upon the exercise of the conversion rights under the Convertible Bonds.

Except that prior to the Introduction, the Shares are listed on GEM, the Convertible Bonds are listed on the Luxembourg Stock Exchange and the Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited, no part of the Company's share or loan capital is listed or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek listing or permission to deal in any of its securities on any other stock exchange.

WAIVERS FROM STRICT COMPLIANCE WITH RULES 10.07 AND 10.08 OF THE LISTING RULES

The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the restrictions on further issues of securities within six months of listing on the Main Board as required by Rule 10.08 of the Listing Rules and a consequential waiver from strict compliance with the restrictions under Rule 10.07 of the Listing Rules in respect of the deemed disposal of Shares by the controlling shareholders of the Company upon the issue of securities by the Company within six months of listing on the Main Board subject to the following conditions:

(i) any issue of Shares (or convertible securities) during the first six months after listing on the Main Board must be either for cash to fund a specific acquisition or as part or full consideration for an acquisition; and

(ii) the acquisition must be for assets or business(es) that will contribute to the growth of the operations of the Group.

Save and except for the deemed disposal of Shares by the controlling shareholders of the Company upon the issue of securities by the Company, the controlling shareholders have confirmed that they will comply with the restrictions on the disposal of securities under Rule 10.07 of the Listing Rules.

The Company has applied to the Stock Exchange for waivers from strict compliance with Rules 10.07 and 10.08 of the Listing Rules for the following reasons:

(i) the Company will not raise any new funds pursuant to the Introduction. Therefore, the Shareholders would not suffer any dilution of their interests as a result of the Company's listing on the Main Board;

(ii) when the Shares were listed on GEM in April 2001, Sinolink owned approximately 77.96% of the Company's issued share capital. As at the Latest Practicable Date, Sinolink, through its 74.79% owned subsidiary Enerchina, owned indirectly approximately 60.57% of the Company's issued share capital, thus demonstrating that Sinolink, as a controlling shareholder, has not been actively disposing of the Shares; and

(iii) the interests of the Shareholders are protected since any further issue of Shares by the Company would be subject to Shareholders' approval as required under Rule 13.36 of the Listing Rules.

DISCONTINUATION OF QUARTERLY REPORTING

Under the GEM Listing Rules, the Company is required to publish its quarterly results on the internet website operated by the Stock Exchange. Upon the listing of the Shares on the Main Board, the Company will cease the practice of quarterly reporting and will follow the relevant requirements of the Listing Rules which include, among other things, through paid announcements in newspapers generally circulated in Hong Kong, publish its interim results and annual results within three months and four months from the end of the relevant period or financial year-end respectively. The Directors are of the view that following the reporting requirements under the Listing Rules will provide investors and the Shareholders with a high degree of transparency and a more complete picture of the performance of the Group during the relevant period. The Directors also believe that the cessation of quarterly reporting would save significant publishing costs and other related expenses, and enable management to devote greater management time to other key aspects of the operation of the Group's business.

SHARES WILL CONTINUE TO BE ELIGIBLE FOR ADMISSION INTO CCASS

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from April 20, 2001, the date on which dealings in the Shares on GEM commenced. Subject to the granting of the listing of, and permission to deal in, the Shares on the Main Board by the Stock Exchange and the continual compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence.

All necessary arrangements have been made with HKSCC for (i) the 942,250,891 Shares in issue; (ii) 13,570,000 Shares which may be issuable upon the exercise of the outstanding options which were granted pursuant to the Pre-GEM Listing Share Option Scheme; (iii) 28,959,000 Shares which may be issuable upon the exercise of the outstanding options which were granted pursuant to the Old GEM Share Option Scheme; (iv) any Shares which may be issuable upon the exercise of any options which may be granted pursuant to the Proposed Share Option Scheme; and (v) any Shares which may be issuable upon the exercise of the conversion rights under the Convertible Bonds, to continue to be accepted as eligible securities of CCASS. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

STAMP DUTY

Dealings in Shares registered in the Hong Kong branch register of members kept by the Company will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. None of the Company, the Sponsor, any of their respective directors, agents or advisers or any other person or party involved in the Introduction accepts responsibility for any tax effects on, or liabilities of, any person resulting from the holding or dealing of Shares.

CONDITIONS OF THE INTRODUCTION

The Introduction is subject to the fulfilment of the conditions that, amongst other things, the Listing Committee granting the listing of, and permission to deal in, on the Main Board (i) the 942,250,891 Shares in issue; (ii) 13,570,000 Shares which may be issuable upon the exercise of the outstanding options which were granted pursuant to the Pre-GEM Listing Share Option Scheme; (iii) 28,959,000 Shares which may be issuable upon the exercise of the outstanding options which were granted pursuant to the Old GEM Share Option Scheme; (iv) any Shares which may be issuable upon the exercise of any options which may be granted pursuant to the Proposed Share Option Scheme; and (v) any Shares which may be issuable upon the exercise of the conversion rights under the Convertible Bonds.

The Shares are currently listed on GEM. Immediately prior to the Introduction, the listing of the Shares on GEM will be withdrawn in accordance with the GEM Listing Rules. The Extraordinary General Meeting will be convened to approve, amongst other things, the withdrawal of the listing of the Shares on GEM.

The Directors expect that dealings in the Shares on the Main Board are to commence on December 8, 2005. Shares will continue to be traded in board lots of 1,000 Shares each.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB, US$ and CAD have been translated, for the purpose of illustration only, into Hong Kong dollars in this document at the following rates:

HK$1.00 : RMB1.069 (for amounts of a date before July 21, 2005)
: RMB1.040 (for amounts of a date on or after July 21, 2005)

HK$7.80 : US$1.00

HK$6.25 : CAD 1.00

No representation is made that any amounts in RMB, US$, CAD or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

UNIT TRANSLATION

Unless otherwise specified, amounts denominated in metric tonne have been translated, for the purpose of illustration only, into ton in this document at the following rate:

1 metric tonne: 1.1023 ton

ROUNDING

Any discrepancies in any table or chart in this document between totals and sums of amounts listed therein are due to rounding.

LANGUAGE

If there is any inconsistency between the Chinese names of the Chinese entities mentioned in this document and their English translations, the Chinese names shall prevail.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Ou Yaping *(chairman)*	C3 Kellet View Town House 65-69 Mount Kellett Road Hong Kong	Chinese
Mr. Tang Yui Man Francis *(vice chairman)*	Flat D, 12th Floor, Tower One Park Tower, 1 King's Road Tin Hau, Hong Kong	Chinese
Mr. Chen Wei *(managing Director)*	Shui Xuan, Sinolink Garden II Taian Road, Luo Hu District Shenzhen, PRC	Chinese
Mr. Li Fujun	1/5 Robert Street, Ashfield NSW2131 Australia	Chinese
Mr. Shen Lian Jin	Room 402, No.331 Da Guan Shan Xinwu District, Wuhu Anhui Province, PRC	Chinese
Mr. Zhang Keyu	Room 2, 18th Floor Building Eight, No. 9 Lin Yin Street Wuhou District, Cheng Du City Sichuan, PRC	Chinese
Non-executive Directors		
Mr. Fok Kin-ning, Canning	1 King Tak Street, 10th Floor Kowloon, Hong Kong	British
Mr. To Chi Keung, Simon *(alternate Director to Mr. Fok Kin-ning, Canning)*	27C, Po Garden, 9 Brewin Path Hong Kong	British
Independent non-executive Directors		
Mr. Cheung Hon Kit	26B, Shouson Hill Road, Hong Kong	Chinese
Mr. Ge Ming	Flat F, 22nd Floor, Block 23 Laguna City, Hong Kong	Chinese
Mr. Li Xiao Ru	Flat 2D, Robinson Garden Apartment 3 Robinson Road, Hong Kong	Chinese

PARTIES INVOLVED

Sponsor	**Merrill Lynch (Asia Pacific) Limited** 17th Floor, ICBC Tower 3 Garden Road Central, Hong Kong
Legal advisers to the Company	*As to Hong Kong law* **Woo Kwan Lee & Lo** 27th Floor Jardine House 1 Connaught Place Central, Hong Kong *As to PRC law* **Haiwen & Partners** Room 1711 Beijing Silver Tower 2 Dong San Huan North Road Chao Yang District Beijing 100027, China *As to Cayman Islands law* **Maples and Calder** 1504 One International Finance Centre 1 Harbour View Street Central, Hong Kong
Legal advisers to the Sponsor	*As to Hong Kong law* **Herbert Smith** 23rd Floor, Gloucester Tower 11 Pedder Street Central, Hong Kong
Auditors and reporting accountants	**Deloitte Touche Tohmatsu** 26th Floor, Wing On Center 111 Connaught Road Central Hong Kong
Property valuer	**DTZ Debenham Tie Leung Limited** 10th Floor, Jardine House 1 Connaught Place Central, Hong Kong

CORPORATE INFORMATION

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
Company website	*www.panva-gas.com*
Company secretary	Mr. Lo Tai On, *CPA*
Qualified accountant	Mr. Yu Man To, Gerald, *MBA, CPA (Aust.), CPA*
Authorised representatives	Mr. Ou Yaping C3 Kellet View Town House 65-69 Mount Kellett Road Hong Kong Mr. Tang Yui Man Francis Flat D, 12th Floor, Tower One Park Tower, 1 King's Road Tin Hau, Hong Kong
Compliance officer	Mr. Li Fujun
Audit committee	Mr. Ge Ming *(Chairman)* Mr. Cheung Hon Kit Mr. Li Xiao Ru
Remuneration committee	Mr. Ge Ming *(Chairman)* Mr. Cheung Hon Kit Mr. Li Xiao Ru Mr. Ou Yaping
Nomination committee	Mr. Ge Ming *(Chairman)* Mr. Cheung Hon Kit Mr. Li Xiao Ru Mr. Ou Yaping
Compliance adviser	Tai Fook Capital Limited 25th Floor, New World Tower 16-18 Queen's Road Central Hong Kong

Principal bankers	Industrial and Commercial Bank of China (Asia) Ltd. 33rd Floor, ICBC Tower 3 Garden Road, Central Hong Kong
	Hang Seng Bank Limited 83 Des Voeux Road, Central Hong Kong
	Nanyang Commercial Bank Ltd., Hong Kong Branch 151 Des Voeux Road Central Hong Kong
	Bank of China, Shenzhen Branch 1st Floor, Dongxiao Hostel 1020 Dongxiao Road Shenzhen, China
Principal share registrar and transfer office	Butterfield Fund Services (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 705 George Town Grand Cayman Cayman Islands British West Indies
Hong Kong branch share registrar	Computershare Hong Kong Investor Services Limited 46th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Hong Kong branch share transfer office	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

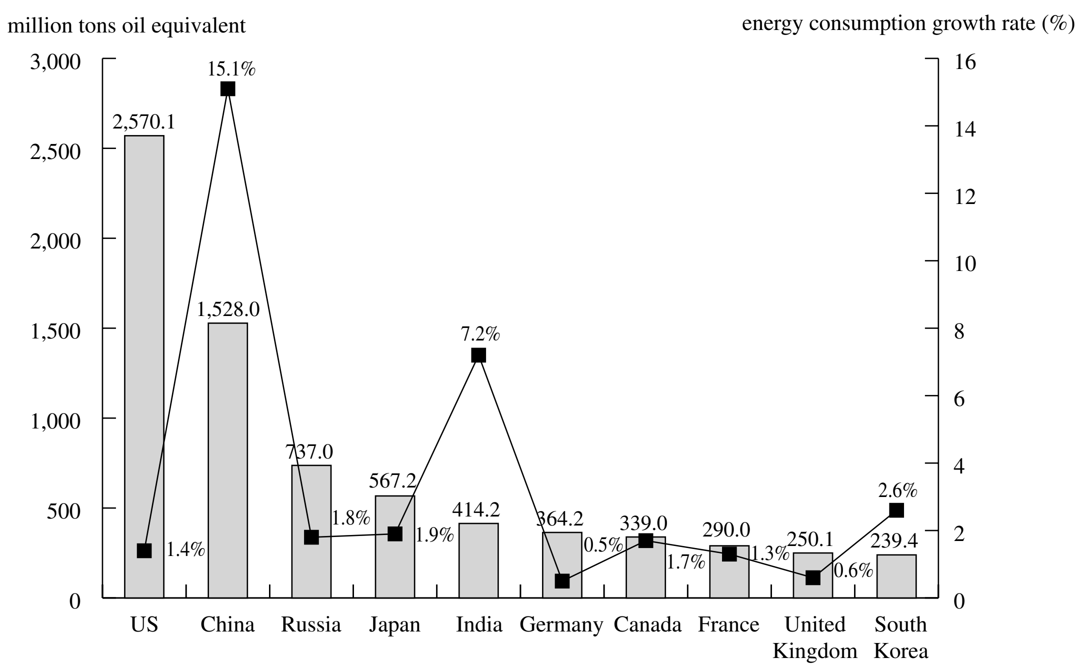
Certain information in this section has been derived from official government (being China Statistical Yearbook 2004) or various other publications more specifically described in this section. The Directors have exercised reasonable care in reproducing the information from the sources in this section. Neither the Company, the Sponsor or any of their respective affiliates, agents or advisers has independently verified the information directly or indirectly derived from official government sources or accepts responsibility for the accuracy of such information. The official government information may not be consistent with other information compiled within or outside the PRC.

CHINA ENERGY MARKET

China was the second largest energy consumption market in the world in 2004, with 1,528.0 million tons of oil equivalent of primary energy consumed during that year, according to BP Statistical Review of World Energy June 2005 ("BP Review"). Primary energy sources in China include coal, natural gas, LPG, oil, nuclear power and hydroelectric power. Based on BP Review, China's primary energy consumption in 2004 accounted for 13.6% of total world energy consumption, compared to 12.3% in 2003. BP Review also shows that in 2004, China ranked the third highest in terms of growth rate of primary energy consumption, recording a growth rate of 15.1%. Despite China's total consumption level, it ranks behind other more developed countries in the world in primary energy consumption per capita ("PEPC"). In 2004, China's PEPC amounted to less than 2.0 tons of oil equivalent per capita whereas the PEPC of the United States amounted to more than 7.0 tons of oil equivalent per capita, based on BP Review's statistics.

The primary energy consumption levels and annual growth rates between 2003 and 2004 of the world's top ten markets in terms of consumption in 2004 are set out in the following table.

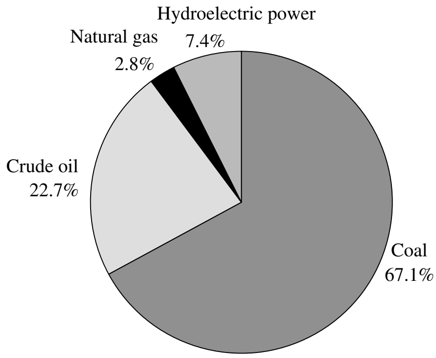
World top 10 primary energy markets consumption levels and growth rates, 2004



Source: BP Review

Coal has traditionally been the main source of primary energy in China. According to the China Statistical Yearbook 2004, in 2003, coal accounted for 67% of China's total primary energy consumption, whereas natural gas represented only 3%. Compared with many other major economies of the world, China has the highest contribution from coal as a primary energy source. The reason for coal's predominance is primarily due to the relatively lower price of coal, abundance in domestic supply of coal in China and its less developed infrastructure for the transportation of other types of energy such as natural gas or hydroelectric power from the source to the end-users. The following chart shows China's primary energy consumption mix in 2003.

China primary energy consumption mix, 2003



Source: China Statistical Yearbook 2004

Historically, China's heavy dependence on coal has led to significant environmental pollution issues. The PRC Government is actively promoting the increased use of more environmentally-friendly forms of fuel such as natural gas and hydroelectric power. The total consumption of coal has dropped from 75% of China's total energy consumption in 1994 to 67% in 2003, according to the China Statistical Yearbook 2004. The table below shows the historical trend of consumption of coal, natural gas, crude oil and hydroelectric power in China for the period from 1994 to 2003.

Total consumption of energy and its composition, 1994 to 2003

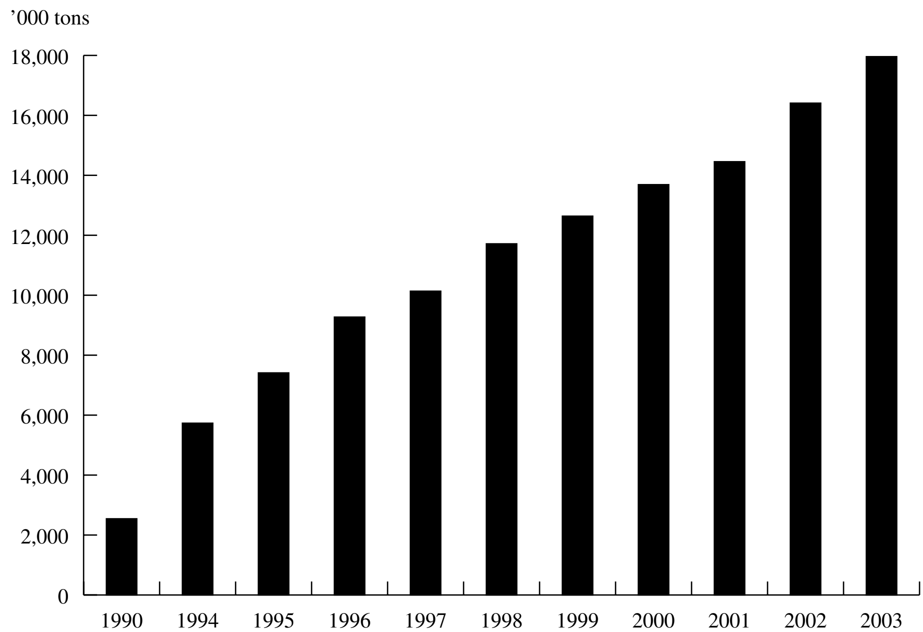
Year	Total energy consumption (million tons of standard coal equivalent)	Percentage of total energy consumption (%)			
		Coal	Natural gas	Crude oil	Hydroelectric power
1994	1,227	75.0	1.9	17.4	5.7
1995	1,312	74.6	1.8	17.5	6.1
1996	1,389	74.7	1.8	18.0	5.5
1997	1,378	71.5	1.7	20.4	6.2
1998	1,322	69.6	2.2	21.5	6.7
1999	1,301	68.0	2.2	23.2	6.6
2000	1,303	66.1	2.5	24.6	6.8
2001	1,349	65.3	2.7	24.3	7.7
2002	1,480	66.1	2.7	23.4	7.8
2003	1,678	67.1	2.8	22.7	7.4

Source: China Statistical Yearbook 2004

CHINA LPG MARKET

Although LPG constitutes only a small proportion of overall primary energy consumption in China, it is an important source of energy for industrial, commercial and residential uses in China. The total consumption of LPG in China has experienced strong growth since the early 1990's. Based on the 2004 China LPG Report ("China LPG Report") prepared by the Guangdong Oil and Gas Association, total LPG consumption surged from 5.7 million tons in 1994 to 18.0 million tons in 2003, representing a compound annual growth rate of 12.1%. In 2003, China exceeded Japan to become the second largest consumer of LPG in the world after the United States in terms of volume. The following chart sets out the total consumption of LPG in China in 1990 and from 1994 to 2003.

Total LPG consumption in China 1990, 1994 to 2003

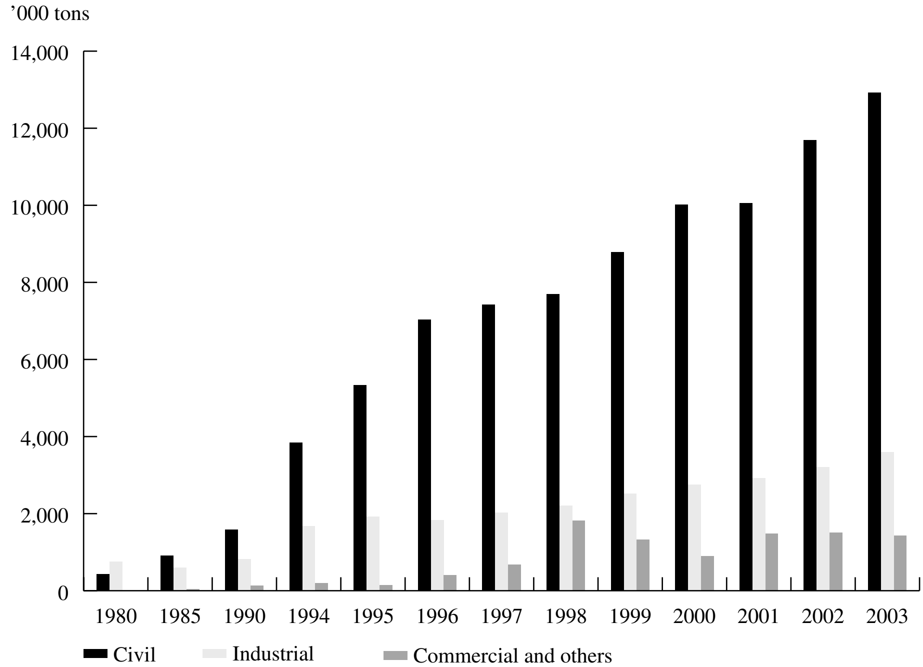


Source: China LPG Report

In 1980, the industrial sector was the largest consuming sector of LPG in China, accounting for approximately 63.6% of total LPG consumption, whilst consumption by the civil sector, and commercial and other sectors accounted for approximately 36.0% and approximately 0.3% of the total respectively, according to the China LPG Report. Such consumption structure changed as the civil sector gradually became the largest consuming sector of LPG, followed by the industrial sector, and commercial and other sectors. According to the China LPG Report, consumption of LPG in 2003 by the civil, industrial, and commercial and other sectors in China were approximately 72.0%, 20.0% and 7.9%, respectively.

The following chart shows the changes in the volumes of consumption of LPG in China by the civil, industrial, and commercial and other sectors in 1980, 1985, 1990 and from 1994 to 2003.

China LPG consumption structure, 1980, 1985, 1990 and from 1994 to 2003



Source: China LPG Report

The price of LPG in China rose to a record high in 2004. According to the China LPG Report, the average price of LPG in 2004 increased RMB666 per ton from an average of RMB3,237 per ton in 2003 to RMB3,903 per ton. The high level of average LPG price mainly resulted from high international prices of crude oil in 2004, as LPG is mainly processed from crude oil. The pricing of LPG in China was also affected by market supply and demand, and the retail sales of LPG subject to the price ceilings imposed by the PRC Government.

According to the China Statistical Yearbook 2004, LPG dominated as the major gas for residential use in China with a consumption volume of 7.82 million tons in 2003. Consumption of coal gas and natural gas for residential use in China were 0.58 million tons and 0.38 million tons respectively in 2003, based on the China Statistical Yearbook 2004.

The following table illustrates the consumption for residential use of coal gas, natural gas and LPG for 1990, 1995, 2000, 2002 and 2003 respectively in China.

Total consumption for residential use of coal gas, natural gas and LPG in China

	1990	**1995**	**2000**	**2002**	**2003**
Consumption of coal gas for residential use (million ton)	0.27	0.46	0.63	0.49	0.58
Consumption of natural gas for residential use (million ton)	0.12	0.16	0.25	0.35	0.38
Consumption of LPG for residential use (million ton)	1.43	3.70	5.32	6.56	7.82

Source: China Statistical Yearbook 2004

CHINA NATURAL GAS MARKET

Historically, China's natural gas consumption has been limited to areas close to the gas fields, mainly owing to the fact that China lacks long-distance pipelines for transportation of natural gas. In its push to accelerate the conversion to "clean" fuels, the PRC Government in its five-year plan for 2001 to 2005 established a nationwide framework for piped natural gas. The framework comprises plans for five major pipelines that will connect the eastern, western, southern, northern and central parts of the country. One of the major pipeline construction projects is the "West to East Natural Gas Pipeline Project", which is expected to be completed in 2005 to 2006. The West to East Natural Gas Pipeline Project is expected to cover nine of the PRC's most developed provinces.

Consumption of natural gas in China has increased recently due to the extension of long-distance natural gas pipelines. According to the China Statistical Yearbook 2004, the length of pipelines for natural gas in China increased approximately 21.4% from 47,652 km in 2002 to 57,845 km in 2003 and the population in China with access to natural gas increased approximately 16.3% from 37 million persons in 2002 to 43 million persons in 2003. Total natural gas supply in China in 2003 was 14,164 million cubic meters, and increased at an annual growth rate of approximately 12.5% from 12,593 million cubic meters in 2002, according to the China Statistical Yearbook 2004. Total consumption of natural gas for residential use in China also increased 7.1% from 3,500 million cubic meters in 2002 to 3,750 million cubic meters in 2003.

The Directors believe that completion of the West to East Natural Gas Pipeline Project will potentially give rise to a substantial market of natural gas consumers in cities stretching from Xinjiang to Shanghai. The Directors expect that the West to East Natural Gas Pipeline Project will provide the Company with a significant opportunity to expand its customer base and enter new markets for its natural gas business. Given the PRC's natural gas reserves, the Directors believe that there is continued growth potential for the natural gas market in China.

The increase of geographical coverage of natural gas supply in China may reduce the demand for LPG, especially by households in the longer run. However, the Directors believe that while demand for piped natural gas may increase in urban areas, demand for LPG will remain competitive in rural areas with no coverage of piped natural gas and therefore LPG will continue to play a major role in China's energy strata.

COMPETITION

LPG business

The LPG sector in China is an open competitive market. Both wholesale and retail sales of LPG are affected by the demand and supply dynamics of the particular market. The Group currently faces competition from other local cylinder LPG providers, including SOEs, private enterprises and foreign-invested enterprises. Given the large customer base in China and the small number of competing players in this sector, the Company believes it currently enjoys a favourable market position. In order to increase the number of users, the Company constantly strives to expand its LPG business coverage to villages and rural areas around the large cities where its current businesses are based.

As at the Latest Practicable Date, the Group and its associated companies operates its LPG business in 15 cities in Anhui, Guangdong, Guizhou, Hunan, Jiangsu, Jilin and Yunnan provinces. As the Group does not have exclusive operating rights for its LPG wholesale and retail business, and with a low barrier to entry, the LPG market is very competitive. The Group has placed its strategic focus on increasing its market share in the cities in which it has an operation by providing service guarantee as well as performance pledge. The market share for the Group's competitors in the provinces in which it has a presence is not ascertainable.

Piped gas business

Competition in piped gas business is found at the project bidding stages before city gas distribution contracts granting concession rights of exclusive operation are awarded by the PRC local governments. The Group's main competitors include Xinao Gas Holdings Limited, China Gas Holdings Limited and The Hong Kong and China Gas Company Limited, which are all listed on the Main Board. As at the Latest Practicable Date, the piped gas business of the Group and its associated companies had customers in 16 cities in Anhui, Guangdong, Jiangsu, Jilin, Shandong and Sichuan provinces. The Group is currently entitled to concession rights for operation of the piped gas business on an exclusive basis for 30 years in most areas where the Group's operates. Therefore, the Group is not subject to competition in its piped gas business in areas where it has been granted exclusive operation rights.

THE REGULATORY SYSTEM IN CHINA

Overview

The Group operates in the gas industry that is regulated by the State Council and a number of different state ministries and departments including the Ministry of Construction (建設部), the General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) ("Quality Supervision Administration") and the Ministry of Public Security (公安部). These administrative bodies promulgate rules and regulations in relation to the production, operation, storage, transportation and handling of flammable chemical products, such as LPG and natural gas, in China.

Urban Gas Enterprise Qualification Certificate

In December 1997, the Ministry of Construction issued the Administrative Measures on Urban Fuel Gas Utilization (《城市燃氣管理辦法》) (the "Gas Measures") which became effective on January 1, 1998. The Gas Measures applies to the planning, construction and operation of gas supply, the production and sale of gas fuel appliances, as well as the utilization and safety management of gas in China. The Gas Measures provides that the design and construction of pipeline gas projects should be undertaken by design and construction units with qualification certificates and should comply with the relevant technological standards and regulations formulated by the PRC Government. Also, under the regime of the Gas Measures, every entity engaged in gas distribution business in China is required to obtain an Urban Gas Enterprise Qualification Certificate (《城市燃氣企業資質証書》) from the local government in charge of construction before it can engage in the businesses.

Fuel Gas Operation Licence

In November 2002, the State Council abolished the requirement for Urban Gas Enterprise Qualification Certificate under the Gas Measures pursuant to the Decision of the State Council to Abolish the First Batch of Administrative Approved Items (《國務院關於取消第一批行政審批項目的決定》). The Administrative Licensing Law (《行政許可法》) was adopted by the Standing Committee of the National People's Congress in August 2003, pursuant to which local governments are empowered to grant licences to privately owned entities to engage in specified businesses. In June 2004, the State Council issued the Decision of the State Council to Implement Administrative Licensing for Reserved Administrative Approved Items (《國務院對確需保留的行政審批項目設定行政許可的決定》) (together with the Administrative Licensing Law, the "Administrative Licensing Regulations"). Pursuant to the Administrative Licensing Regulations, an enterprise which operates in the gas distribution business in the PRC is required to obtain a Fuel Gas Operation Licence (《燃氣經營許可証》) from the local government in charge of construction.

In October 2004, pursuant to the Administrative Licensing Regulations, the Ministry of Construction issued the Provisions Regarding the Conditions for the Fifteen Administrative Approval Items Adopted by the State Council (《建設部關於納入國務院決定的十五項行政許可的條件的規定》) (the "Condition Provisions"). Under the Condition Provisions, in order to obtain the Fuel Gas Operation Licence from the local government in charge of construction, a gas distribution company must satisfy the following main conditions:

- the construction project shall be in compliance with the general plan and the gas plan of the city;
- have a stable and qualified gas supply;
- have production, transportation, storage, filling and supply facilities which meet the required standards and which satisfy fire prevention and construction quality requirements;
- have trained technicians to handle gas;
- have complete records of infrastructure construction, production, equipment, materials and safety;

- have sound equipment to handle accidents, and an emergency team, staff, equipment and transportation facilities with regard to the scale of gas distribution;
- have received a safety appraisal report from the appraisal intermediary;
- have adequate registered capital; and
- have taken out industrial injury insurance.

Despite the Administrative Licensing Regulations, some local governments have not implemented the licensing regime under the regulations. Some of such local governments continue to implement the licensing regime under the Gas Measures before the Gas Measures were abolished by the State Council in November 2002 and issued Urban Gas Enterprise Qualification Certificates to entities engaging in gas distribution business.

Other permits

In June 2003, the Quality Supervision Administration issued the Implementation Rules of Administrative Permit for Special Equipment (《特種設備行政許可實施辦法》) (the "Special Equipment Rules"). According to the Special Equipment Rules, an enterprise selling LPG in cylinders is required to obtain a Cylinder Filling Permit (《氣瓶充裝許可證》) or Cylinder Inspection Permit (《汽瓶檢驗許可証》) ("Cylinder Permit") from the Quality and Technology Supervision Bureau (質量技術監督局).

In July 2004, the Quality Supervision Administration issued the Administrative Measures on Usage and Registration of Boiler and Pressure Container (《鍋爐壓力容器使用登記管理辦法》) (the "Pressure Container Measures"). Pursuant to the Special Equipment Rules and the Pressure Container Measures, for every pressure container, being a special equipment, the operator is required to obtain a Permit for Use of Pressure Container (《壓力容器許可證》) from the Quality and Technology Supervision Bureau.

An enterprise engaged in LPG or natural gas business is not required to obtain any fire safety permit under the PRC laws.

Concession rights

In May 2004, the Ministry of Construction issued the Municipal Utility Concession Administrative Measures (《市政公用事業特許經營管理辦法》) (the "Concession Measures") to promote concession systems in utility industries including the pipeline gas distribution industry. Pursuant to the Concession Measures, local governments will normally grant concession rights to operate piped gas distribution businesses for an exclusive basis in a specified area. Such specified area may be the entire or a part of the city or county, depending on the terms of the concession rights granted. The PRC Government department in charge of utilities at city or county level is responsible for implementing the Concession Measures. Utility concession can be granted by public bidding or other means permitted by law. The rights and obligations of the successful bidder are set out in the relevant concession agreements. The concession period normally will not exceed 30 years.

In September 2004, the Ministry of Construction published a standard form of concession contract with respect to piped gas distribution for guidance. The form of concession contract has specific provisions mainly in respect of:

- granting, revocation and termination of the concession;
- construction, maintenance and improvement of the gas distribution facilities;
- gas distribution safety;
- quality of the gas and standards of services;
- fees;
- default liabilities; and
- dispute resolution.

In summary, for an enterprise engaged in LPG business in China, it is required to obtain the following licences or permits:

(i) Fuel Gas Operation Licence (where the local governments have implemented the Administrative Licensing Regulations) or Urban Gas Enterprise Qualification Certificate (where the local governments have not implemented the Administrative Licensing Regulations but continue to implement the Gas Measures); and

(ii) Cylinder Permit if it sells LPG in cylinders.

For an enterprise engaged in piped gas business, it is required to obtain the following licences or permits:

(i) Fuel Gas Operation Licence (where the local governments have implemented the Administrative Licensing Regulations) or Urban Gas Enterprise Qualification Certificate (where the local governments have not implemented the Administrative Licensing Regulations but continue to implement the Gas Measures); and

(ii) concession rights (where the local governments have implemented the Concession Measures).

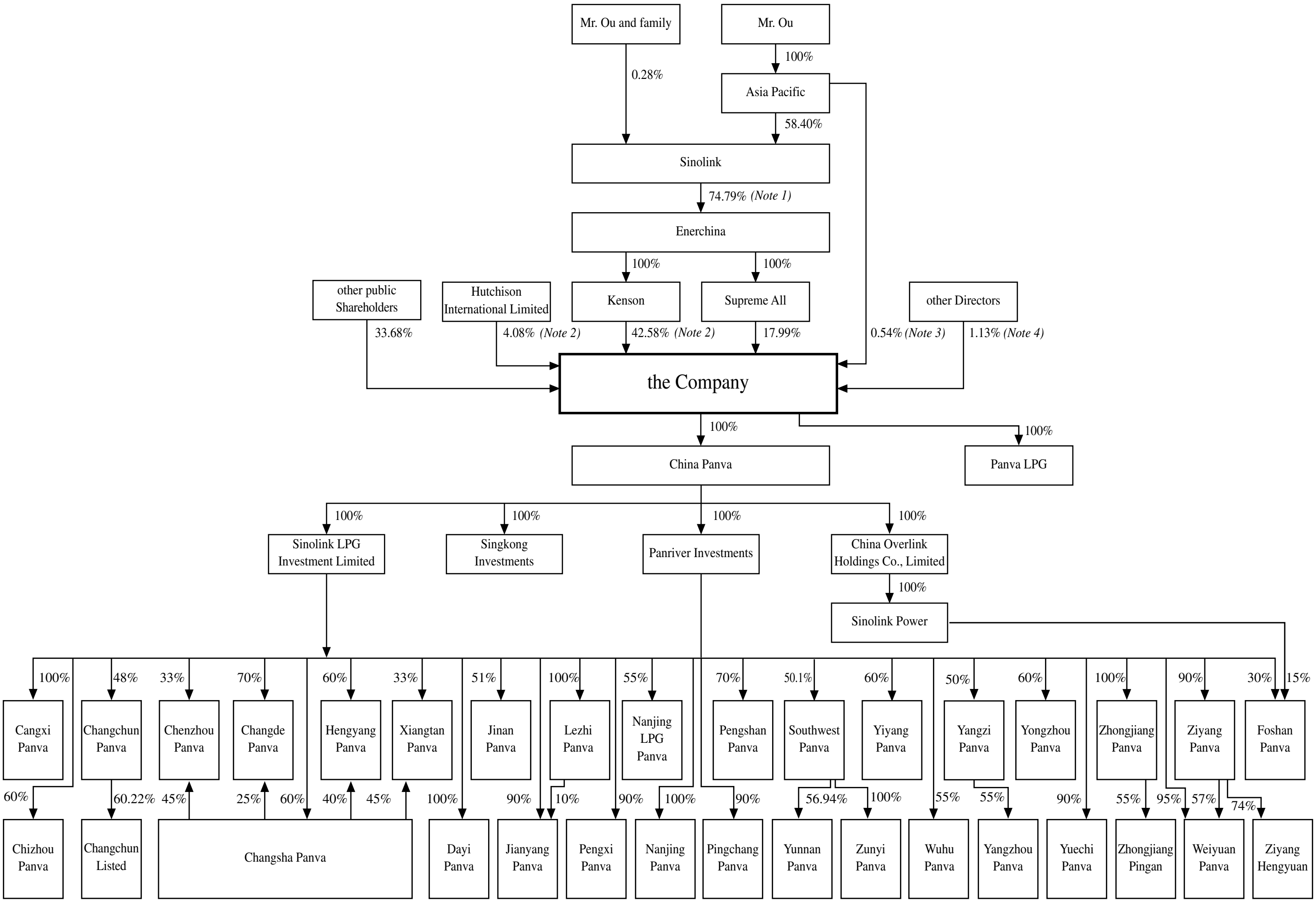
For details relating to the Fuel Gas Operation Licences, Urban Gas Enterprise Qualification Certificates, Cylinder Permits, Permit for the Use of Pressure Container and concession rights obtained by the Group, please refer to the section headed "Business — Licences" in this document.

For details relating to the PRC regulations regarding the Group's pricing of natural gas and LPG products, please refer to the section headed "Business — Discussion of Segmental Business — Prices" in this document.

For details relating to the PRC regulations regarding environmental and safety matters, please refer to the section headed "Business — Environmental and Safety Matters" in this document.

GROUP STRUCTURE

The following chart summarises the corporate structure of the Group and its associated companies immediately after the commencement of listing of the Shares on the Main Board, assuming no changes in shareholding after the Latest Practicable Date (all percentages shown are approximate figures):



Notes:

1. The shareholding interest of Sinolink includes direct and indirect interests held through Smart Orient Investments Limited ("Smart Orient"). Smart Orient is a wholly-owned subsidiary of Sinolink and held approximately 4.63% of the issued share capital of Enerchina as at the Latest Practicable Date. Save as aforesaid, Smart Orient has no shareholding interest in any other members of the Group.

2. Subject to the provisions in the Kenson Note, upon full exchange of the Kenson Note at the initial exchange price, Hutchison International Limited ("Hutchison International") shall be entitled up to 19,230,769 Shares held by Kenson, which represents approximately 2.04% of the issued share capital of the Company. A summary of the principal terms of the Kenson Note is set out in the section headed "II. Kenson Note" in Appendix VI to this document. Hutchison International held approximately 4.08% of the issued share capital of the Company as at the Latest Practicable Date and is regarded as a public Shareholder.

3. The shareholding interest of Asia Pacific was reduced from 0.65% to 0.54% on June 16, 2005 due to a transfer of 1,000,000 Shares, representing approximately 0.11% of the issued share capital of the Company, to Mr. Wang Zhen ("Mr. Wang"). The transfer was made by Mr. Ou through Asia Pacific as an incentive for Mr. Wang to enter into employment as a director of Panriver Investments. Mr. Wang is also a director of Changchun Listed.

4. The shareholding interests of other Directors other than Mr. Ou consists of (i) 5,440,000 Shares held by Mr. Tang Yui Man Francis; (ii) 4,160,000 Shares held by Mr. Chen Wei; and (iii) 1,000,000 Shares held by Mr. Li Fujun. For details, please refer to the section headed "III. Further information about Directors, Senior Management and Staff — 1. Directors' interests and short positions in shares, underlying shares and debentures" in Appendix VII to this document.

HISTORY AND DEVELOPMENT

The Group's LPG business was originally founded by Mr. Ou in early 1998. Mr. Ou set up China Panva as the investment vehicle for his LPG business in January 1998. The first LPG operating company of China Panva was Changsha Panva which was incorporated in the PRC on January 16, 1998 and was then owned as to 60% by Mr. Ou, through Singkong Investments, and as to 40% by Changling Refinery. Since then, the Group has established or incorporated other operating subsidiaries have been established with partners such as domestic refineries, local LPG operators and transportation companies in different provinces of China.

The Group designed and developed its own logo and brand name, "PANVA", in May 1998. At present, all of the Group's operations are carried out under the "PANVA" brand. Through this unified approach, the Group's product and service quality standards are more readily recognizable by its customers and the Group is able to more efficiently manage retail distribution in its principal markets through standardised procedures and unified promotion and marketing.

On January 13, 1999, Sinolink acquired the entire issued share capital of China Panva from Mr. Ou and the shareholders' loan owing from China Panva to Mr. Ou. The reason for the acquisition was that the directors of Sinolink believed that the LPG business would have development potential in the industrial and commercial sectors in the PRC given the growing PRC economy and the wide application of LPG in such sectors.

LISTING ON GEM

For the purpose of spinning-off the LPG business from Sinolink and the application for separate listing on GEM, the Company was incorporated in the Cayman Islands in the name of Panva Holdings Limited under the Companies Law as an exempted company with limited liability on November 16, 2000 as a wholly-owned subsidiary of Sinolink. On March 22, 2001, the Company changed its name to Panva Gas Holdings Limited. Following a corporate reorganisation in April 2001, the Company was interposed as an intermediate holding company between Sinolink and China Panva.

The Shares have been listed on GEM since April 20, 2001 (stock code: 8132). As at the Latest Practicable Date, based on the closing price of the Shares on GEM of HK$3.625 per Share, the Company had a market capitalisation of approximately HK$3,415.7 million.

Immediately after the Shares were listed on GEM, the Company was owned as to approximately 77.96% by Sinolink through its wholly-owned subsidiary, Kenson. On December 9, 2003, Supreme All, then a wholly-owned subsidiary of Sinolink, converted the HK$100 million convertible note issued by the Company to Supreme All on April 4, 2001 into 169,491,525 Shares, representing approximately 21.88% of the then issued share capital of the Company as enlarged by the issue of the converted Shares. As a result, Sinolink's total indirect interest in the Company decreased to approximately 77.31%.

During the year ended December 31, 2003, 4,530,366 Shares were issued to holders of the Convertible Bonds, representing approximately 0.58% of the then issued share capital of the Company as enlarged by the issue of the conversion Shares. As a result, Sinolink's total indirect interest in the Company decreased to approximately 76.86%.

On January 8, 2004, the Company issued 155,200,000 Shares pursuant to share placing and subscription agreements whereby Sinolink placed 155,200,000 Shares to independent investors and subscribed for the same number of new Shares issued by the Company at the same price per Share. During the year ended December 31, 2004, the Company allotted and issued a total of 7,953,000 Shares as a result of exercise of share options granted by the Company. As a result, Sinolink's total indirect interest in the Company decreased to approximately 58.45%.

On April 7, 2005, Sinolink and Enerchina entered into the Reorganisation Agreement for the purpose of the Group Reorganisation. The consideration for the sale and purchase of the respective entire issued share capital of Kenson and Supreme All from Sinolink to Enerchina under the Reorganisation Agreement was HK$1,753,231,957.10. The amount of consideration was equivalent to the total market value of the Shares held by Kenson and Supreme All respectively based on the closing price of the Shares of HK$3.30 per Share as stated in the Stock Exchange's quotation sheet on the last trading day of the Shares prior to the date of the Reorganisation Agreement less HK$64,375,000, representing the maximum exposure of Kenson under the Kenson Note (an amount which was calculated as the higher of (i) the maximum debt liability of Kenson under the Kenson Note as at the completion date of the Reorganisation Agreement; or (ii) the market value of the maximum number of Shares into which the Kenson Note could be exchanged in lieu of the repayment by Kenson of its debt liability under the Kenson Note calculated based on the closing price of the Shares as stated in the Stock Exchange's quotation sheet as at the valuation date (i.e. April 1, 2005)). The consideration was satisfied by the allotment and issue credited as fully paid to Sinolink of 2,540,915,880 shares of Enerchina on the completion date, June 2, 2005, at an issue price of HK$0.69 per share, being the closing price of the shares of Enerchina as stated in the Stock Exchange's quotation sheet on the last trading day of the shares of Enerchina prior to the date of the Reorganisation Agreement.

The acquisition of the entire issued share capital of Kenson and Supreme All constituted a very substantial acquisition for Enerchina under the Listing Rules and the transaction was approved by the independent shareholders of Enerchina at a special general meeting convened on June 2, 2005. The disposal of the entire issued share capital of Kenson and Supreme All constituted a major transaction for Sinolink under the Listing Rules and the transaction was approved in writing by its controlling shareholder, Asia Pacific, pursuant to Rule 14.44 of the Listing Rules. Following completion of the Reorganisation Agreement on June 2, 2005, the Company became a subsidiary of Enerchina. By virtue of its controlling interest in Enerchina, Sinolink is interested in the same number of Shares as before the Group Reorganisation. Accordingly, the Company remains a subsidiary of Sinolink after completion of the Group Reorganisation.

From June 13, 2005 to July 11, 2005, Kenson, a wholly-owned subsidiary of Enerchina, through various on-market purchases, purchased an aggregate of 19,935,000 Shares for a total consideration of HK$62,310,431, equivalent to an average of HK$3.126 per Share. Following completion of the various on-market purchases and as at the Latest Practicable Date, Enerchina beneficially owned, through Kenson and Supreme All, an aggregate of 570,724,987 Shares, representing approximately 60.57% of the entire issued share capital of the Company.

Since the listing of the Shares on GEM in April 2001, the Group has experienced significant growth and has established strong market positions in each of its primary business segments. Nevertheless, the

Directors believe that the listing of the Shares on the Main Board will help to enhance the profile of the Group and increase the trading liquidity of the Shares. The Directors consider that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Company.

CORPORATE INFORMATION

The Company is a holding company and currently conducts its business through 30 operating subsidiaries and two associated companies, most of which are in the form of joint ventures with local governments or SOE partners and several of which are the product of acquisitions of former SOEs from local governments. In order to develop effectively an LPG retail sales network and to maintain market exposure and coverage, the operating subsidiaries and associated companies engaged in LPG retail sales also operate a number of retail outlets within its particular locality.

Currently, the operating subsidiaries of the Group, together with Foshan Panva and Changchun Panva, which are associated companies of the Group, by their geographical locations, are as follows:

Anhui province

Chizhou Panva

Chizhou Panva was incorporated as a sino-foreign equity joint venture company with limited liability on September 1, 2003 with a registered capital of RMB20 million. It is owned as to 60% by Panriver Investments and 40% by 池州市燃氣有限責任公司 (Chizhou City Fuel Gas Limited Liability Company*). It is principally engaged in the provision of piped gas and gas pipeline construction in Chizhou city. Chizhou Panva has four retail outlets.

Wuhu Panva

Wuhu Panva was incorporated as a sino-foreign equity joint venture company with limited liability on March 25, 1998 with a registered capital of RMB32 million. It is owned as to 55% by Panriver Investments and 45% by 蕪湖長江輪船公司 (Wuhu Changjiang Shipping Company*). It is principally engaged in bulk and retail sales of LPG in Wuhu city. Wuhu Panva has 19 retail outlets.

Guangdong province

Foshan Panva

Foshan Panva was an SOE when Panriver Investments and Sinolink Power entered into an agreement on December 30, 2003 to acquire in aggregate a 45% equity interest in Foshan Panva. Foshan Panva was incorporated as a sino-foreign equity joint venture company with limited liability after restructuring from an SOE on November 3, 2004 with a registered capital of RMB83.8 million. Foshan Panva is an associated company of the Group and is owned as to 30% by Panriver

Investments, 15% by Sinolink Power, 31% by 佛山市公盈投資控股有限公司 (Foshan Gongying Investment Holdings Co., Ltd.*) and 24% by 佛山市眾成投資有限公司 (Foshan City Zhongcheng Investments Co., Ltd.*). It is principally engaged in the provision of LPG and piped gas, and gas pipeline construction in Foshan city.

Guizhou province

Southwest Panva

Southwest Panva was incorporated as a sino-foreign equity joint venture company with limited liability on December 25, 1998 with a registered capital of RMB16 million. It is owned as to 50.1% by Panriver Investments and 49.9% by 貴陽市煤氣公司 (Guiyang City Gas Company*). Southwest Panva increased its registered capital to RMB57.5 million in 2001 for funding of the acquisition of Yunnan Panva which is owned as to 56.94% by it. It is principally engaged in bulk and retail sales of LPG in Guiyang city. Southwest Panva has 31 retail outlets.

Zunyi Panva

Zunyi Panva was incorporated as a WFOE with limited liability on June 5, 2002 with a registered capital of RMB4.2 million. It is wholly-owned by Southwest Panva. It is principally engaged in bulk and retail sales of LPG in Zunyi city. Zunyi Panva has nine retail outlets.

Hunan province

Changde Panva

Changde Panva was incorporated as a sino-foreign equity joint venture company with limited liability on October 26, 1998 with a registered capital of RMB6 million. It is owned as to 70% by Panriver Investments, 25% by Changsha Panva and 5% by 湖南省石油總公司常德市公司 (Hunan Oil Company Changde City Company*). It is principally engaged in bulk and retail sales of LPG in the Changde region. Changde Panva has 19 retail outlets.

Changsha Panva

Changsha Panva was incorporated as a sino-foreign equity joint venture company with limited liability on January 16, 1998 with a registered capital of RMB40 million. It is owned as to 60% by Panriver Investments and 40% by Changling Refinery. Since then, Changsha Panva has focused on developing its retail LPG business in the Changsha area. It is principally engaged in bulk sales of LPG in the south central region of the PRC and retail sales of LPG in Changsha city. Changsha Panva has 27 retail outlets.

Chenzhou Panva

Chenzhou Panva was incorporated as a sino-foreign equity joint venture company with limited liability on July 16, 1998 with a registered capital of RMB9 million. It is owned as to 33% by Panriver Investments, 45% by Changsha Panva and 22% by Changling Refinery. It is principally engaged in bulk and retail sales of LPG in Chenzhou city. Chenzhou Panva has 14 retail outlets.

Hengyang Panva

Hengyang Panva was incorporated as a sino-foreign equity joint venture company with limited liability on November 14, 1998 with a registered capital of RMB6 million. It is owned as to 60% by Panriver Investments and 40% by Changsha Panva. It is principally engaged in bulk and retail sales of LPG in Hengyang city. Hengyang Panva has 14 retail outlets.

Xiangtan Panva

Xiangtan Panva was incorporated as a sino-foreign equity joint venture company with limited liability on June 17, 1998 with a registered capital of RMB10 million. It is owned as to 33% by Panriver Investments, as to 45% by Changsha Panva and 22% by Changling Refinery. It is principally engaged in bulk and retail sales of LPG in Xiangtan city. Xiangtan Panva has 13 retail outlets.

Yiyang Panva

Yiyang Panva was incorporated as a sino-foreign equity joint venture company with limited liability on August 13, 1998 with a registered capital of US$0.62 million (approximately RMB5 million). Yiyang Panva is owned as to 40% by Changling Refinery and 60% by Panriver Investments. It is principally engaged in bulk and retail sales of LPG in Yiyang city. Yiyang Panva has eight retail outlets.

Yongzhou Panva

Yongzhou Panva was incorporated as a sino-foreign equity joint venture company with limited liability on December 18, 1998 with a registered capital of RMB5 million. It is owned as to 40% by 湖南省石油總公司永州市公司 (Hunan Oil Company Yongzhou Branch*) and 60% by Panriver Investments. It is principally engaged in bulk and retail sales of LPG in Yongzhou city. Yongzhou Panva has six retail outlets.

Jiangsu province

Nanjing LPG Panva

Nanjing LPG Panva was incorporated as a sino-foreign equity joint venture company with limited liability on August 16, 2000 with a registered capital of US$6 million (approximately RMB50 million). It is owned as to 55% by Panriver Investments and 45% by 南京市液化石油氣公司 (Nanjing LPG Company*). It is principally engaged in bulk and retail sales of LPG in Nanjing city primarily focusing on the retail market. Nanjing LPG Panva has 52 retail outlets.

Nanjing Panva

Nanjing Panva was incorporated as a sino-foreign equity joint venture company with limited liability on April 18, 2002 with a registered capital of US$1.01 million and owned as to 51% by Panriver Investments and 49% by Nanjing LPG Panva. Pursuant to an agreement dated March 18, 2005, Panriver Investments acquired 49% of the equity interest in Nanjing Panva from Nanjing LPG Panva. After the acquisition, Nanjing Panva was restructured to become a WFOE with limited liability on June 28, 2005 with a registered capital of US$1.01 million. It is principally engaged in the provision of piped gas and gas pipeline construction in Gaochun city.

Yangzhou Panva

Yangzhou Panva was incorporated in the PRC as a limited liability company on November 10, 2003 with a registered capital of RMB10 million. It is owned as to 55% by Yangzi Panva and 45% by 揚州市液化氣總公司 (Yangzhou City LPG Corporation*). It is principally engaged in bulk and retail sales of LPG in Yangzhou city. Yangzhou Panva has 12 retail outlets.

Yangzi Panva

Yangzi Panva was incorporated as a sino-foreign equity joint venture company with limited liability on September 13, 1999 with a registered capital of US$7.23 million. It is owned as to 50% by Panriver Investments and 50% by 南京揚子石化實業總公司 (Nanjing Yangzi Petrochemical Industrial Company*). It is principally engaged in bulk and retail sales of LPG in Nanjing city primarily focusing on the bulk sales market. Its business operation coverage extends to other regions including Anhui and Jiangsu. Yangzi Panva has nine retail outlets.

Jilin province

Changchun Panva

Changchun Panva was an SOE when Panriver Investments entered into an agreement on August 27, 2004 to acquire a 48% equity interest in Changchun Panva. Changchun Panva was incorporated as a sino-foreign equity joint venture company with limited liability after restructuring from an SOE on February 1, 2005 with a registered capital of RMB589.8 million. Changchun Panva is an associated company of the Group and is owned by as to 48% by Panriver Investments, 2% by 深圳市華孚能源投資有限公司 (Shenzhen Huafu Energy Investment Co., Ltd.*) and 50% by 長春市人民政府國有資產監督管理委員會 (Changchun Municipality State-owned Assets Administrative Bureau*). Changchun Panva holds 60.22% of the total issued capital of Changchun Listed whose shares are listed on the Shanghai Stock Exchange. Changchun Panva, through Changchun Listed, is principally engaged in the provision of coal gas, natural gas and LPG and related services, coal gas chemical products and gas pipeline construction in Changchun city.

Shandong province

Jinan Panva

Jinan Panva was incorporated as a sino-foreign equity joint venture company with limited liability on February 27, 2004 with a registered capital of RMB100 million. It is owned as to 51% by Panriver Investments and 49% by 濟南市煤氣公司 (Jinan City Gas Company*). It is principally engaged in the provision of natural gas and gas pipeline construction in Jinan city.

Sichuan province

Cangxi Panva

Cangxi Panva was an SOE when Panriver Investments entered into an agreement on May 17, 2004 to acquire the entire equity interest in Cangxi Panva. Cangxi Panva was incorporated as a WOFE with limited liability after restructuring from an SOE on October 27, 2004 with a registered capital of RMB8 million. Cangxi Panva is wholly-owned by Panriver Investments. It is principally engaged in the provision of piped natural gas and gas pipeline construction in Cangxi city.

Dayi Panva

Dayi Panva was an SOE when Panriver Investments entered into an agreement on December 20, 2003 to acquire the entire equity interest in Dayi Panva. Dayi Panva was incorporated as a WFOE with limited liability after restructuring from an SOE on June 8, 2004 with a registered capital of RMB3.3 million. Dayi Panva is wholly-owned by Panriver Investments. It is principally engaged in the provision of natural gas and gas pipeline construction in Dayi city.

Jianyang Panva

Jianyang Panva was an SOE when Panriver Investments entered into an agreement on December 28, 2004 to acquire the entire equity interest in Jianyang Panva. Jianyang Panva was incorporated as a limited liability company after restructuring from an SOE on March 31, 2005 with a registered capital of RMB1.79 million. Jianyang Panva is owned as to 90% by Panriver Investments and as to 10% by Lezhi Panva. It is principally engaged in the provision of piped natural gas and gas pipeline construction in Jianyang city.

Lezhi Panva

Lezhi Panva was an SOE when Panriver Investments entered into an agreement on July 18, 2003 to acquire the entire equity interest in Lezhi Panva. Lezhi Panva was incorporated as a limited liability company (re-invested by a WFOE) after restructuring from an SOE on December 22, 2003 with a registered capital of RMB6.96 million. Lezhi Panva is wholly-owned by Panriver Investments. It is principally engaged in the provision of piped natural gas and gas pipeline construction in Lezhi city.

Pengshan Panva

Pengshan Panva was an SOE when Panriver Investments entered into an agreement on September 20, 2004 to acquire a 70% equity interest in Pengshan Panva. Pengshan Panva was incorporated as a sino-foreign equity joint venture company with limited liability on June 1, 2005 with a registered capital of RMB9 million. Pengshan Panva is owned as to 70% by Panriver Investments and 30% by 永和燃氣有限公司 (Yonghe Gas Co., Ltd.*). It is principally engaged in the provision of piped natural gas and gas pipeline construction in Pengshan city.

Pengxi Panva

Pengxi Panva was an SOE when Panriver Investments entered into an agreement on February 20, 2002 to acquire a 90% equity interest in Pengxi Panva. Pengxi Panva was incorporated as a limited liability company after restructuring from an SOE on May 14, 2003 with a registered capital of RMB3.59 million. Pengxi Panva is owned as to 90% by Panriver Investments and 10% by 蓬溪縣天然氣公司工會委員會 (Pengxi Gas Company Trade Union Committee*). It is principally engaged in the provision of piped natural gas and gas pipeline construction in Pengxi city.

Pingchang Panva

Pingchang Panva was an SOE when Panriver Investments entered into an agreement on October 24, 2003 to acquire a 90% equity interest in Pingchang Panva. Pingchang Panva was incorporated as a limited liability company after restructuring from an SOE on May 8, 2004 with a registered capital of RMB4.9 million. Pingchang Panva is owned as to 90% by Panriver Investments and 10% by 平昌縣建設投資開發有限責任公司 (Pingchang Construction, Investment and Development Limited Liability Company*). It is principally engaged in the provision of piped natural gas and gas pipeline construction in Pingchang city.

Weiyuan Panva

Weiyuan Panva was an SOE when Panriver Investments and Ziyang Panva entered into an agreement on September 28, 2002 to acquire in aggregate the entire equity interest in Weiyuan Panva. Weiyuan Panva was incorporated as a limited liability company after restructuring from an SOE on December 25, 2002 with a registered capital of RMB5 million. Weiyuan Panva is owned as to 95% by Panriver Investments and as to 5% by Ziyang Panva. It is principally engaged in the provision of piped natural gas and gas pipeline construction in Weiyuan city.

Yuechi Panva

Yuechi Panva was an SOE when Panriver Investments entered into an agreement dated January 12, 2004 to acquire a 90% equity interest in Yuechi Panva. Yuechi Panva was incorporated as a sino-foreign equity joint venture company with limited liability after restructuring from an SOE on August 3, 2004 with a registered capital of RMB8 million. Yuechi Panva is owned as to 90% by Panriver Investments and 10% by 四川省岳池縣銀泰投資(控股)有限公司 (Sichuan Province Yuechi Yin Tai Investment (Holdings) Co., Ltd.*). It is principally engaged in the provision of piped gas and gas pipeline construction in Yuechi city.

Zhongjiang Panva

Zhongjiang Panva was an SOE when Panriver Investments entered into an agreement on October 19, 2004 to acquire the entire equity interest in Zhongjiang Panva. Zhongjiang Panva was incorporated as a WFOE with limited liability after restructuring from an SOE on March 29, 2005 with a registered capital of RMB8 million. Zhongjiang Panva is a wholly-owned subsidiary of Panriver Investments. It is principally engaged in the provision of piped natural gas and gas pipeline construction in Zhongjiang city.

Zhongjiang Pingan

Zhongjiang Pingan is a subsidiary of Zhongjiang Panva. It is a company incorporated in the PRC with limited liability on February 18, 2000 with a registered capital of RMB3 million. It is owned as to 55% by Zhongjiang Panva and 45% by 四川縣中江運輸集團公司 (Sichuan Province Zhongjiang Transportation Group Company*). It is principally engaged in the provision of compressed natural gas, petroleum and petroleum products to automobiles in Zhongjiang city.

Ziyang Panva

Ziyang Panva was an SOE when Panriver Investments entered into an agreement on June 28, 2001 to acquire a 90% equity interest in Ziyang Panva. Ziyang Panva was incorporated as a limited liability company after restructuring from an SOE on July 16, 2002 with a registered capital of RMB18.89 million. Ziyang Panva is owned as to 90% by Panriver Investments and 10% by 資陽市城市管理局 (Ziyang City Management Bureau*). It is principally engaged in the provision of piped natural gas and gas pipeline construction in Ziyang city.

Ziyang Hengyuan

Ziyang Hengyuan is a subsidiary of Ziyang Panva. It is a company incorporated in the PRC with limited liability on August 2, 2000 with a registered capital of RMB0.8 million. It is owned as to 74% by Ziyang Panva and 26% by 西南石油局井下工程處 (Southwest Bureau of Petroleum Well Engineering Division*). It is principally engaged in the provision of compressed natural gas to automobiles in Ziyang city.

Yunnan province

Yunnan Panva

Yunnan Panva was incorporated as a sino-foreign equity joint venture company with limited liability on September 19, 2001 with a registered capital of US$7.09 million (approximately RMB58.84 million). It is owned as to 56.94% by Southwest Panva, as to 22.94% by 昆明煤氣總公司 (Kunming Gas Head Company*) and 20.12% by 雲南省國有資產經營有限責任公司 (Yunnan Province State-owned Assets Operation Limited Liability Company*). It is principally engaged in bulk and retail sales of LPG in Kunming city. Yunnan Panva has 40 retail outlets.

OTHER INVESTMENTS

Apart from the Company's interests in its subsidiaries and associated companies, the Company also has interests in the following companies.

Changchun Zhenwei

Changchun Zhenwei was incorporated as a sino-foreign contractual joint venture company in the PRC with limited liability on March 6, 2003 with a registered capital of RMB20 million. It is owned as to 25% by Panriver Investments and 75% by Changchun Listed. It is principally engaged in the provision of natural gas pipeline installation services in Changchun city of Jilin province.

Chengdu Panva

Chengdu Panva was an SOE when the Company entered into an agreement to acquire a 13% equity interest in Chengdu Panva on November 30, 2004. Chengdu Panva was incorporated as a sino-foreign equity joint venture company with limited liability after restructuring from an SOE on March 16, 2005 with a registered capital of RMB800 million. Chengdu Panva is owned as to 41% by 成都城建投資管理集團有限責任公司 (Chengdu City Development and Investment Management Group Limited Liability Company*), 13% by the Company, 10% by 成都城市燃氣有限責任公司工會 (Union of Chengdu City Gas Limited Liability Company*) and 36% by 華潤石化(集團)有限公司 (Huarun Petrochemical (Group) Co., Ltd.*). It is principally engaged in the provision of piped natural gas and gas pipeline construction in Chengdu city of Sichuan province.

Lezhi Jieneng

Lezhi Jieneng was incorporated in the PRC as a limited liability company on October 8, 2001 with a registered capital of RMB5.8 million. It is owned as to 40% by Lezhi Panva and 60% by PetroChina. It is principally engaged in the sale of general merchandise, construction materials and compressed natural gas in Lezhi city of Sichuan province.

Nanjing Panva Trading

Nanjing Panva Trading was incorporated in the PRC as a limited liability company on September 28, 2003 with a registered capital of RMB1 million. It is owned as to 25% by Nanjing LPG Panva and 75% by 深圳百捷發展有限公司 (Shenzhen Baijie Development Co., Ltd.*). It is principally engaged in the sale of general merchandise, gas equipment and accessories in Nanjing city of Jiangsu province.

Zhongjiang Huade

Zhongjiang Huade was incorporated in the PRC as a limited liability company on August 13, 1997 with a registered capital of RMB10 million. It is owned as to 25% by Zhongjiang Panva, 37% by 川西南華油集團公司 (Chuan Xinan Hua Oil Group Company*), 33% by 四川省德陽地方產品汕頭集散公司 (Sichuan Deyang Regional Product Shantou Assembling Company*) and 5% by

四川石油輸氣廠漢公用實業開發公司 (Sichuan Petroleum Transportation Factory Han Public Utilities Development Co., Ltd.*). It is principally engaged in the exploitation, processing, transportation and sale of petroleum and natural gas and the development of solar energy in Zhongjiang city of Sichuan province.

PENDING PROJECTS

The Group has entered into legally binding agreements to either acquire interests in or to form a number of sino-foreign equity joint venture companies as described below. However, completion of these projects is pending upon obtaining regulatory approvals from the relevant PRC Government authorities.

Anshan Panva

On March 22, 2005, Panriver Investments entered into an assets transfer agreement with 鞍山市公用事業管理局 (Anshan City Public Utilities Management Bureau*) to acquire a 81% equity interest in Anshan Panva, which is currently an SOE. Upon obtaining the relevant regulatory approvals, Anshan Panva will be restructured into a sino-foreign equity joint venture company. Anshan Panva is principally engaged in the provision of coal gas, natural gas and LPG and the operation of the piped gas network in Anshan city of Liaoning province. As at June 30, 2005, the Group had a capital commitment of an amount of HK$34.5 million in relation to Anshan Panva which the Directors expect to be funded by internal cash resources.

Jinan LPG Panva

On September 2, 2003, Panriver Investments and 濟南市煤氣公司 (Jinan City Gas Company*) entered into an agreement to form a sino-foreign equity joint venture company, Jinan LPG Panva. Upon obtaining the relevant regulatory approvals for its establishment, the new joint venture company will be owned as to 70% by Panriver Investments and 30% by Jinan City Gas Company. It is intended that Jinan LPG Panva will engage in the provision of LPG and related services to Jinan city of Shandong province. As at June 30, 2005, the Group had paid all contributions payable and had nil capital commitment in relation to Jinan LPG Panva.

Qiqihar Panva Group

On November 10, 2004, Panriver Investments entered into a state-owned assets transfer agreement with 齊齊哈爾市建設局 (Qiqihar City Construction Bureau*) to acquire a 61.67% (after adjustment) equity interest in Qiqihar Panva, which wholly owns Qiqihar LPG. Qiqihar Panva and Qiqihar LPG are SOEs and are being restructured into a sino-foreign equity joint venture company and a limited liability company respectively. Upon completion of the restructuring, Qiqihar Panva will be owned approximately as to 61.67% by Panriver Investments and 38.33% by 黑龍江省鶴城建設投資發展有限公司 (Heilongjiang Province Hecheng City Construction and Investments Development Co., Ltd.*) and Qiqihar LPG will continue to be wholly owned by Qiqihar Panva. Qiqihar Panva Group is principally engaged in the provision of natural gas and LPG and the operation of the city gas pipeline network in Qiqihar city of Heilongjiang province. As at June 30, 2005, the Group had paid all contributions payable and had nil capital commitment in relation to Qiqihar Panva Group.

Shandong Panva

Panriver Investments, 濟南市煤氣公司 (Jinan City Gas Company*) and 深圳市華信聯投資有限公司 (Shenzhen Huaxinlian Investment Co., Ltd.*) entered into an agreement on August 16, 2005 to form a sino-foreign equity joint venture company, Shandong Panva. Upon obtaining the relevant regulatory approvals for its establishment, Shandong Panva will be owned as to 48% by Panriver Investments, 50% by 濟南市煤氣公司 (Jinan City Gas Company*) and 2% by 深圳市華信聯投資有限公司 (Shenzhen Huaxinlian Investment Co., Ltd.*). It is intended that Shandong Panva will engage in the business for provision of piped gas and related services in the city centre area of Jinan of Shandong province. As at the Latest Practicable Date, the Group had a capital commitment of HK$184.6 million in relation to Shandong Panva which the Directors expect to be funded by internal cash resources.

FEASIBILITY STUDIES

The Group is participating in various feasibility studies in certain targeted regions of the PRC. The purpose of these studies is to improve operating efficiency of the existing operating regions of the Group and to be in line with the Group's business growth model. These projects include studying the feasibility of undertaking activities in the potential regions and negotiating and signing memoranda of understanding with various potential joint venture parties. In particular, the Company is in negotiation with third parties with an aim to acquire certain piped gas and LPG businesses by the end of 2005. However, no legally binding agreement had been signed by the Company as at the Latest Practicable Date for these potential acquisitions.

CESSATION OF OPERATION OF CERTAIN OPERATING SUBSIDIARIES DURING THE TRACK RECORD PERIOD

Two subsidiaries of the Company, Nanling Pan River LPG Co., Ltd. and Wuhu Pan River Jiangbei Enterprises Co., Ltd., ceased operation in 2003. Both subsidiaries were engaged in the sale of LPG in Wuhu city but ceased to operate because they had incurred ongoing operational losses. The Group suffered a loss on disposal of HK$788,000 in 2003 as a result of cessation of operations of these subsidiaries. The assets of both subsidiaries were consolidated into Wuhu Panva, the parent company of the subsidiaries. The Company believes that the new structure will be more efficient as a result of eliminating the duplication of expenses and responsibilities which arose from having three operating entities in the same local market. Wuhu Panva will continue to engage in the sale of LPG in Wuhu city.

Chuzhou YPC & Panva Energy Co., Ltd. ("Chuzhou Panva") ceased operation in 2004 because its capacity for storage of LPG authorized by the PRC authorities was not sufficient to support its operations. Chuzhou Panva was engaged in the sale of LPG in Chuzhou city. The Group suffered a loss on disposal of HK$374,000 as a result of such cessation. The assets of Chuzhou Panva were consolidated into Yangzi Panva.

OVERVIEW

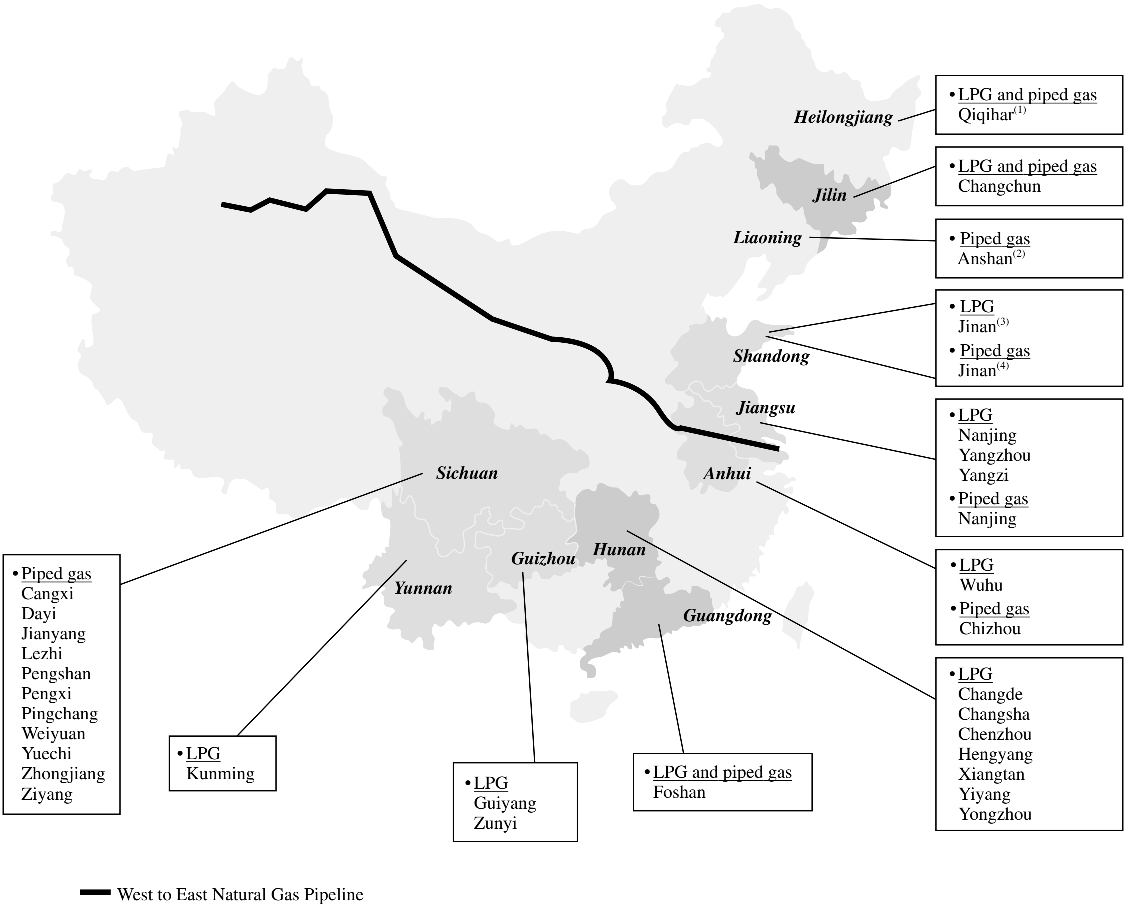
Description of business

The Group is principally engaged in the sale of LPG to bulk and retail customers, the construction of gas pipelines, the provision of piped gas and the sale of household gas products in the PRC. End-users primarily use the Group's gas products for cooking and boiling hot water. The Group's bulk LPG business, with turnover of HK$756.3 million or 51.9% of the Group's turnover in 2003, HK$858.6 million or 47.7% of the Group's turnover in 2004, and HK$418.9 million or 43.7% of the Group's turnover in the first six months of 2005, has historically contributed the largest portion of the Group's revenue, followed by the Group's retail LPG business, with turnover of HK$343.7 million or 23.6% of the Group's turnover in 2003, HK$412.5 million or 22.9% of the Group's turnover in 2004, and HK$256.1 million or 26.7% of the Group's turnover in the first six months of 2005. As at the Latest Practicable Date, the LPG business of the Group and its associated companies had users in 15 cities in Anhui, Guangdong, Guizhou, Hunan, Jiangsu, Jilin, and Yunnan provinces.

Although the Group's bulk and retail LPG sales continued to provide most of its turnover in 2004 and the first six months of 2005, in 1999 the Group began to expand into the piped gas and related pipeline construction businesses, which are generally higher margin businesses. The Group's piped gas business, comprising sales of piped gas and gas pipeline construction, contributed turnover of HK$350.1 million or 24.0% of the Group's turnover in 2003, HK$498.1 million or 27.7% of the Group's turnover in 2004, and HK$254.0 million or 26.5% of the Group's turnover in the first six months of 2005. As at the Latest Practicable Date, the piped gas business of the Group and its associated companies had customers in 16 cities in Anhui, Guangdong, Jiangsu, Jilin, Shandong and Sichuan provinces. The Group is entitled to 30-year local government concessions for the exclusive supply of piped gas and the exclusive right to operate and expand the city piped gas network in most areas where the Group operates piped gas business in the PRC. The Group charges a connection fee from its piped gas customers on a "per connection" basis for connection to its piped gas network.

The Group has also entered into binding acquisition or joint venture formation agreements with respect to, but is awaiting regulatory approvals for, its LPG or piped gas operations in Qiqihar city of Heilongjiang province, Anshan city of Liaoning province and Jinan city of Shandong province from the relevant PRC authorities.

The following map sets out the locations of the LPG and piped gas operations and projects pending completion of the Group and its associated companies as at the Latest Practicable Date.



Notes:

1. Qiqihar Panva obtained its Business Licence on January 29, 2005 and its Foreign Investment Approval Certificate on January 26, 2005. However, Qiqihar Panva is still awaiting regulatory approval for its capital injection, as 黑龍江省鶴城建設投資發展有限公司 (Heilongjiang Province Hecheng City Construction and Investments Development Co., Ltd.*), an investor of Qiqihar Panva, has not paid its part of the registered capital contribution. The regulatory approval is expected to be obtained by the end of 2005.

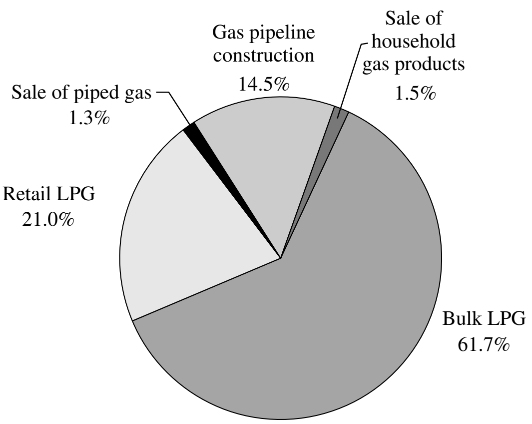
2. Anshan Panva is awaiting regulatory approvals of its joint venture agreement, asset transfer agreement and articles of association before application can be made for its Business Licence and Foreign Investment Approval Certificate. The regulatory approvals are expected to be obtained by the end of 2005.

3. The Group entered into a binding joint venture agreement to establish Jinan LPG Panva on September 2, 2003. The Business Licence of Jinan LPG Panva is expected to be obtained by the end of 2005.

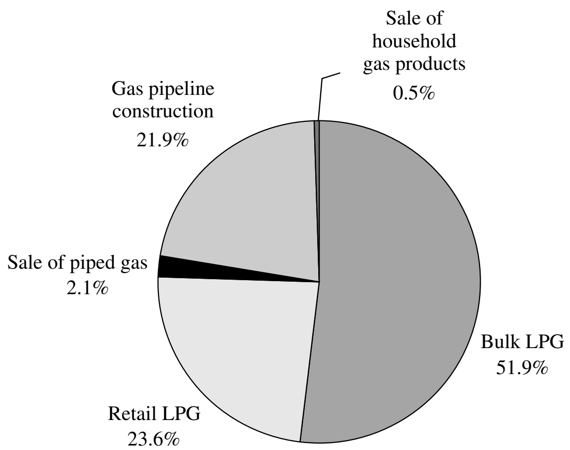
4. Apart from the Group's existing piped gas operations in Jinan city through Jinan Panva, the Group entered into a binding joint venture agreement to establish Shandong Panva on August 16, 2005 which will also engage in piped gas business. The Business Licence of Shandong Panva is expected to be obtained by early 2006.

The following charts set forth the Group's turnover by business segment as a percentage of total turnover for the years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005.

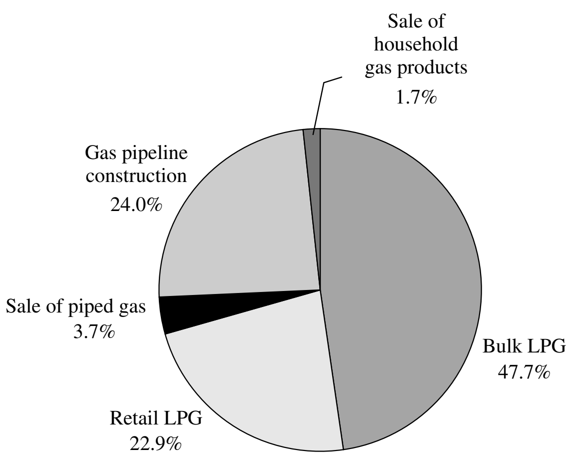
Year ended December 31, 2002



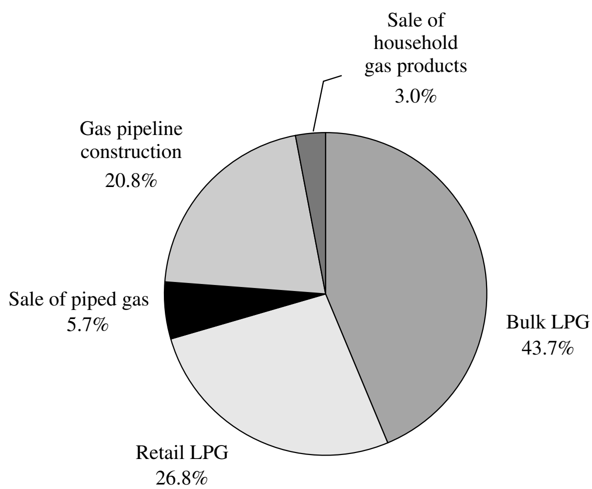
Year ended December 31, 2003



Year ended December 31, 2004



Six months ended June 30, 2005



COMPETITIVE STRENGTHS

The Directors believe that the Group's competitive strengths are as follows:

- **Sizeable and expanding customer base**

  The Group and its associated companies maintain a sizeable and expanding customer base for its retail LPG business and piped gas business. The Group serves its piped gas customers pursuant to exclusive concession rights lasting 30 years in most areas where the Group operates piped gas business in the PRC. This customer base provides the Group with a recurring stream of revenue and facilitates economies of scale. The Group intends to continue to increase its existing customer base by increasing penetration rates in markets in which it currently operates and by acquiring additional piped gas networks and LPG businesses in new markets.

- **Well recognized brand name and reputation**

  The Directors believe that the products and services of the Group which are all marketed under the unified "PANVA" brand have earned a reputation for quality, consistency and safety and enjoy brand name recognition in their target markets. The Group focuses on providing customer services, such as delivery services, a telephone ordering system and educational and safety programs. The Group believes its ability to provide reliable, high quality products is enhanced by its strong relationships with its suppliers.

- **Established track record of successfully restructuring state-owned piped gas suppliers**

  Since 2001, the Group has focused on the expansion of its piped gas business through joint ventures or acquisitions of former SOEs from local governments that have exclusive concession rights to provide piped gas in a certain area. Once the Group has formed a joint venture with the local government or acquired a former SOE, it focuses on instilling the Group's corporate culture into the business, typically by transferring experienced managers to the joint venture or new subsidiary.

- **Experienced management team**

  The Group's management team has extensive experience in the gas industry as well as in the negotiation and implementation of joint ventures with or the acquisition of piped gas networks from local governments. The Group actively seeks to maintain the strength of its management team through regular participation in various management training programs.

- **Local government partnerships**

  The Group's partner in most of its piped gas joint ventures is the local government that operated the business prior to its restructuring. The Group believes that when the local government maintains a minority interest, it aligns the interest of the city with those of the Group. The Group also believes that the minority interest provides the local government partners with a strong incentive to consider regulatory matters, such as pricing approvals, from a commercial as well as an administrative perspective.

DEVELOPMENT STRATEGIES

The Group intends to leverage on its customer base, its established brand name, its experience in the restructuring of SOEs, its management's experience and its relationships with local governments to achieve its objective of becoming the leading provider of quality LPG and piped gas products in the PRC. The Group aims to achieve this strategic objective by opportunistically making acquisitions and expanding its existing operations, in Sichuan province and throughout Northeastern and Eastern China, where it believes that high population density, increasing urbanization, economic growth potential and current or future access to gas supplies, particularly natural gas, provide it with opportunities for future growth. Specifically, the Group plans to:

- **Expand in existing piped gas markets**

  The Group plans to continue its efforts to increase the penetration rates of piped gas in its existing piped gas markets. In addition, the Group intends to expand its existing piped gas operations through the conversion of commercial and industrial users from cylinder LPG to piped gas, which the Group expects to contribute substantially to the demand for natural gas in the near future.

- **Acquire exclusive rights to additional piped gas markets**

  The Group intends to take advantage of the expected growth in the piped gas market by obtaining exclusive rights to supply piped gas in medium to large-sized cities of the PRC.

- **Continue expanding in the LPG markets**

  The Group plans to continue to expand its retail LPG business, which is characterized by stable demand and provides a higher gross margin than the bulk LPG business, both by acquiring LPG businesses in new areas where piped gas is not yet available or may not be economically feasible and through continued efforts in marketing and network development in areas where the Group maintains LPG operations. The Group believes expanding in its existing markets and developing new markets will increase the Group's customer base and will also encourage brand loyalty and product consumption by its customers.

- **Maintain financial flexibility**

  The Group plans to continue to pursue conservative financial policies in order to maximize its financial flexibility. In particular, the Group intends to maintain moderate leverage and adequate coverage ratios. The Group will continue to form joint ventures and operating subsidiaries that it believes will generate solid cash flow, thereby permitting the Group to focus its resources on expanding its business and meeting its financial obligations.

Project development

Local governments normally own the SOEs that have exclusive rights to operate the existing gas pipeline networks or that have the largest customer base in the LPG retail market in a certain area. As at the Latest Practicable Date, the Group has acquired from local governments interests in formerly state-owned piped gas networks located in a number of cities to acquire these existing piped gas networks and has established joint ventures with local operators to obtain the retail outlets used in the LPG business and their assets including the necessary operational approvals and business licences. In addition, the Group has also established two companies engaged in the LPG business and one company engaged in the operation of a city piped gas network.

The Group maintains a strict internal process in evaluating joint venture or acquisition opportunities. The internal process for acquiring a piped gas business is substantially the same as that for acquiring an LPG business. A locally-based project team identifies a potential city or county and conducts an initial analysis of the viability of the project. The project team presents its proposal to the Group's market development department. The market development department, which is based at the Group's PRC headquarters, may accept or reject the proposal or request additional information. Once the market development department decides that the proposal is acceptable, it presents the proposal to an executive director of the operating subsidiaries of the Group. If such executive director accepts the proposal, he presents it to the investment committee, which consists of senior management of the Group.

If the investment committee accepts the proposal, the market development department will proceed to make a proposal to the local government and negotiate the terms of the project. The market development department will negotiate the restructuring of the existing company and the terms of the joint venture or acquisition with the local government. Restructuring primarily involves a reduction in the number of employees and deciding on what assets will be included in the operating subsidiary. Prior to signing the joint venture or acquisition agreement, the market development department will present the negotiated terms to the investment committee, which, if satisfied, presents it to the Board for final approval.

When evaluating a potential LPG project, the Group considers the economic growth rate of the location, population growth rate, market position of the proposed partner and general standard of living. The terms which the Group negotiates in relation to LPG projects primarily relate to the assets to be included in the operating subsidiary, employees to be retained and price.

When evaluating a potential piped gas project, the Group considers the rate of economic growth of the location, the quality of the existing piped gas infrastructure, whether the location is connected to, or may soon be connected to, a natural gas source, population growth rates, location and quality of current and proposed new housing developments, commercial and industrial premises, trends in standards of living and the existing penetration rate for piped gas.

The key terms in each of the Group's city piped gas projects typically include:

- management control by the Group of the project;
- 30-year concessions for the exclusive supply of piped gas to a city or county or a specified area within a city or county;
- the exclusive right, but not the obligation, to construct piped gas networks in and around the city or county or a specified area within a city or county; and
- the right to charge a connection fee for the connection of customers to the piped gas network.

Profits are typically shared between the Group and the joint venture or local government partner on a pro rata basis according to the ownership level of each party.

The Group expends significant time and management attention both before and after each acquisition on integration issues, including negotiating the terms of the initial restructuring, training and appointing management of the restructured enterprise, providing know-how and business support and creating new incentive structures for management and staff. The Group focuses on instilling the Group's corporate culture into the business, typically by transferring experienced managers from the Group to the joint venture or new subsidiary.

DISCUSSION OF SEGMENTAL BUSINESS

LPG business

The Group obtains its LPG principally from Sinopec, and, to a lesser extent, from certain other suppliers and LPG importers. Sinopec is not a connected person of the Company. The Group primarily purchases LPG in final form. The Group believes that the prices for LPG at the source are principally based on supply and demand and vary by region. The source prices of LPG and of its components are subject to both short-term and long-term fluctuations. The Group is able to obtain from certain suppliers volume discounts on its overall LPG purchases and receive short-term interest-free credit from its principal suppliers, in part due to the high volume generated by the Group's bulk business. The Group is exposed to market risk for fluctuations in source prices of LPG used in its bulk and retail LPG business.

The Group sells LPG in bulk to its large customers and in cylinders to its retail customers. The Group's existing customers typically receive LPG in cylinders. Retail customers are primarily household users, while bulk LPG customers are principally independent third party distributors and commercial customers. For details, please refer to the section headed "Business — Customers" in this document. The Group and its associated companies primarily operates both its LPG bulk and retail businesses in 15 cities in the provinces of Anhui, Guangdong, Guizhou, Hunan, Jiangsu, Jilin and Yunnan. Typically, the Group keeps approximately seven to 10 days of inventory of LPG in its storage facilities to ensure a steady supply for both its bulk and retail LPG customers.

The following table sets out certain key information regarding the Group's operating subsidiaries and the associated companies in the LPG business. All of the subsidiaries and the associated companies are engaged in both bulk and retail LPG sales.

Name	City/County	Province	Group's ownership
Changchun Panva	Changchun	Jilin	48.0%
Changde Panva	Changde	Hunan	85.0%
Changsha Panva	Changsha	Hunan	60.0%
Chenzhou Panva	Chenzhou	Hunan	60.0%
Foshan Panva	Foshan	Guangdong	45.0%
Hengyang Panva	Hengyang	Hunan	84.0%
Nanjing LPG Panva	Nanjing	Jiangsu	55.0%
Southwest Panva	Guiyang	Guizhou	50.1%
Wuhu Panva	Wuhu	Anhui	55.0%
Xiangtan Panva	Xiangtan	Hunan	60.0%
Yangzhou Panva	Yangzhou	Jiangsu	27.5%
Yangzi Panva	Nanjing	Jiangsu	50.0%
Yiyang Panva	Yiyang	Hunan	60.0%
Yongzhou Panva	Yongzhou	Hunan	60.0%
Yunnan Panva	Kunming	Yunnan	29.0%
Zunyi Panva	Zunyi	Guizhou	50.1%

The Group has also agreed to acquire 61.67% equity interest in Qiqihar Panva, which owns 100% equity interest in Qiqihar LPG. Qiqihar LPG is engaged in retail LPG sales in Qiqihar city of Heilongjiang province. In addition, the Group has agreed to set up a joint venture company, Jinan LPG Panva, to be owned as to 70% by the Group, which will provide bulk and retail LPG in Jinan city of Shandong province. The Group is awaiting for regulatory approvals for completion of the investments in Qiqihar Panva and Jinan LPG Panva.

Two subsidiaries of the Company, Nanling Pan River LPG Co., Ltd. and Wuhu Pan River Jiangbei Enterprises Co., Ltd., ceased operation in 2003. Both subsidiaries were engaged in the sale of LPG in Wuhu city but ceased to operate because they had incurred ongoing operational losses. The Group suffered a loss on disposal of HK$788,000 in 2003 as a result of cessation of operations of these subsidiaries. The assets of both subsidiaries were consolidated into Wuhu Panva, the parent company of the subsidiaries. The Company believes that the new structure will be more efficient as a result of eliminating the duplication of expenses and responsibilities which arose from having three operating entities in the same local market. Wuhu Panva will continue to engage in the sale of LPG in Wuhu city.

Chuzhou YPC & Panva Energy Co., Ltd. ("Chuzhou Panva") ceased operation in 2004 because its capacity for storage of LPG authorized by the PRC authorities was not sufficient to support its operations. Chuzhou Panva was engaged in the sale of LPG in Chuzhou city. The Group suffered a loss on disposal of HK$374,000 as a result of such cessation. The assets of Chuzhou Panva were consolidated into Yangzi Panva.

Bulk LPG

The bulk sale process begins with the Group obtaining LPG from its various LPG suppliers, which transport LPG to the Group's LPG storage stations by ship, train or truck. When a customer wishes to purchase LPG in bulk, it can either visit one of the Group's filling stations in 14 cities or, if it has an account with the Group, contact its sales representative at the relevant sales office to place an order. Transactions with "walk-in" customers are on a cash-on-delivery basis, whereas customers with an account with the Group are generally provided with short-term credit. Once orders by the "walk-in" customers are processed and payments are made, the Group either fills the customer's tank with LPG or delivers the LPG to the customer's storage facilities. In some cases, particularly for larger bulk orders, the Group liaises with its LPG supplier and customer to allow that customer to take delivery of LPG directly from the supplier.

Pricing for bulk LPG is generally not regulated by pricing bureaus and is typically set by the Group on a cost-plus-margin basis. In 2002, 2003, 2004 and the six months ended June 30, 2004 and 2005, the sale of LPG to bulk customers represented approximately 61.7%, 51.9%, 47.7%, 55.3% and 43.7%, respectively, of the Group's turnover.

Retail LPG

The Group sells LPG in cylinders to retail customers, who are predominantly household users and independent third party distributors who purchase LPG cylinders in quantity and resell them, and, to a lesser extent, business and commercial users such as restaurants. All of the retail sales of the Group and its associated companies are made through a network of over 270 retail outlets operating under the "PANVA" brand. Retail customers must be registered with the Group and must pay a deposit of approximately RMB90 to RMB120 for each cylinder (approximately the cost of the cylinder) before they can obtain the Group's LPG cylinders.

Retail customers may either exchange empty LPG cylinders for full LPG cylinders at the Group's retail outlets or, in areas where available, order delivery replacement LPG cylinders through the Group's telephone service center, located in Nanjing, which was established in 2001. The retail outlets also provide home delivery, generally on the day the LPG cylinder is ordered, for a nominal additional delivery charge. Usually retail customers purchasing a large quantity of LPG cylinders have their orders filled at the Group's filling stations rather than at the Group's retail shops.

The Group's prices are prominently displayed at retail outlets or are available through the Group's telephone service center. Customers can pay cash for LPG cylinders obtained at retail outlets, pay cash-on-delivery or, where available, use pre-approved credit or bank debit facilities.

Retail prices of LPG generally cannot exceed the price ceilings set by the local pricing bureaus. The Group typically sets its LPG prices on a cost-plus-margin basis, with the margin subject to the price ceilings and market conditions. A small volume discount may be given to customers who purchase large quantities of LPG in cylinders. Agreements with such customers may be entered into in advance, although the price of LPG will be determined at the time of purchase.

Piped gas business

The Group's piped gas business is divided between the provision of piped gas and related gas pipeline construction. In 1999, the Group began to provide piped gas to customers through the development of piped gas infrastructure to housing estates and small districts. As the Group gained experience in the management of piped gas networks, it entered into larger scale city and county piped gas projects. Since 2001, to develop its piped gas distribution business, the Group acquired from local governments interests in formerly state-owned piped gas networks located in the 12 cities or counties of Cangxi, Changchun, Dayi, Jianyang, Lezhi, Pengshan, Pengxi, Pingchang, Weiyuan, Yuechi, Zhongjiang and Ziyang. The Group has also established joint ventures with SOEs located in three cities of Chizhou, Foshan and Jinan and agreed with the SOEs to develop and operate the existing piped gas infrastructure, including constructing gas pipelines and managing the customer base. The Group also established a "greenfield" network in Gaochun city of Jiangsu province.

The following table sets forth certain key information regarding the Group's operating subsidiaries and associated companies in the piped gas business:

Name	City/County	Province	Group's ownership
Cangxi Panva	Cangxi	Sichuan	100%
Changchun Panva	Changchun	Jilin	48.0%
Changsha Panva *(Note)*	Changsha	Hunan	85.0%
Chenzhou Panva *(Note)*	Chenzhou	Hunan	60.0%
Chizhou Panva	Chizhou	Anhui	60.0%
Dayi Panva	Dayi	Sichuan	100%
Foshan Panva	Foshan	Guangdong	45.0%
Jianyang Panva	Jianyang	Sichuan	100%
Jinan Panva	Jinan	Shandong	51.0%
Lezhi Panva	Lezhi	Sichuan	100%
Nanjing Panva	Gaochun	Jiangsu	100%
Nanjing LPG Panva *(Note)*	Nanjing	Jiangsu	55.0%
Pengshan Panva	Pengshan	Sichuan	70.0%
Pengxi Panva	Pengxi	Sichuan	90.0%
Pingchang Panva	Pingchang	Sichuan	90.0%
Weiyuan Panva	Weiyuan	Sichuan	99.5%
Yuechi Panva	Yuechi	Sichuan	90.0%
Zhongjiang Panva	Zhongjiang	Sichuan	100%
Ziyang Panva	Ziyang	Sichuan	90.0%

Note: The piped gas business of Changsha Panva, Chenzhou Panva and Nanjing LPG Panva only involve the provision of piped LPG to individual small districts within a city or county. Their business does not involve construction of gas pipeline network and are not entitled to any concession rights for operation.

As of the Latest Practicable Date, the Group's operating subsidiaries and associated companies had 19 piped gas operations in 16 cities or counties and three small districts in the PRC. Except for the operations in Foshan and the small districts, the terms of the Group's existing piped gas agreements include 30-year concessions for the exclusive supply of piped gas and the exclusive right to operate and expand piped gas networks by constructing additional pipelines in a specified area within a city or county.

In addition to the Group's existing operations, the Group has agreed to acquire an 81% equity interest in Anshan Panva and 61.67% equity interest in Qiqihar Panva, which are engaged in piped gas business in Anshan city of Liaoning province and Qiqihar city of Heilongjiang province respectively. The Group has also agreed to set up a joint venture company, Shandong Panva, to be owned as to 48% by the Group, which will be engaged in piped gas business in Jinan city of Shandong province. As at the Latest Practicable Date, the Group was still awaiting regulatory approvals for the investments in Qiqihar Panva, Anshan Panva and Shandong Panva.

Provision of piped gas

As at the Latest Practicable Date, of the 19 active operations of the Group and its associated companies engaged in the provision of piped gas, 11 provide piped natural gas sourced directly from the Sichuan province natural gas reserves. Foshan Panva and Nanjing Panva supply piped SNG and LPG but they are expected to convert completely to natural gas within five years when a sufficient piped natural gas supply becomes available. Chizhou Panva and Jinan Panva supply piped LPG. Changchun Panva provides natural gas, coal gas and LPG. Changsha Panva, Chenzhou Panva and Nanjing LPG Panva supply piped LPG to small districts. The Group anticipates that it will be able to take advantage of the new West to East Natural Gas Pipeline to expand its piped gas business when it is expected to be completed in 2005 or 2006.

After connection to the piped gas network, piped gas customers pay an initial deposit and typically are subsequently billed monthly for the gas consumed as determined by monthly meter readings conducted by the Group. Delinquent piped gas customers are promptly disconnected and are charged a reconnection fee prior to the resumption of service. Once the stored value of the debit card has been used, gas service ceases and customers need to purchase another debit card. Gas usage charges are based on actual usage on a per cubic meter basis and vary depending on the location of the piped gas network, the type of gas supplied and the type of customer connected. In 2002, 2003, 2004 and the six months ended June 30, 2004 and 2005, the provision of piped gas contributed approximately 1.3%, 2.1%, 3.7%, 4.0% and 5.7%, respectively, to the Group's turnover.

Gas pipeline construction

The Group's gas pipeline construction business refers to the construction of the main infrastructure for the entire city as well as the branch district networks necessary for the supply of piped gas in areas where the Group operates. Such infrastructure include the following:

- the main gas supply trunk connecting the city gate stations and branch networks;
- the branch networks connecting main gas supply trunk and customers of the Group;

- the gas pressure regulation stations;
- the city gate stations which connect the suppliers' high pressure pipeline network originating from the gas fields and the city pipeline network (for natural gas only);
- the LPG cylinder storage stations (for LPG networks only); and
- the SNG conversion stations for the conversion of LPG into SNG (for SNG networks only).

The Group does not receive any direct income from the construction of the main infrastructure and finances the construction from internal resources of each subsidiary operating piped gas business. The Group's gas pipeline construction turnover is mainly comprised of connection fees.

Gas pipelines of housing developments are connected to the piped gas distribution network operated by the city piped gas operator, such as the Group, who is entitled to operating rights in a specified area within that city. Same for other customers of the Group, housing developer must enter into a contract with the Group for their properties to be connected to the piped gas network operated by the Group.

The Group outsources the construction necessary for the connection of customer premises to the piped gas network to independent, government-licensed third party contractors. Once the contractor has completed construction, the Group engages another qualified independent third party to verify that the quality of the completed construction meets the required standards of the Group.

Once piped gas infrastructure is in place, customers who wish to be connected to the piped gas network and receive piped gas can either contact the Group's offices or one of its piped gas service centers for connection. For each new connection to the piped gas network, the Group charges a connection fee. Connection fees in the Group's markets currently range from approximately RMB2,000 to RMB3,500 for each residential household and significantly higher amounts for commercial and industrial premises. Residential households include existing households and housing developments which may contain multiple households and be connected by the developer prior to sale. The Group does not provide volume discounts for these housing developments. The customers must pay separate fees to obtain gas meters and for connection from the meter to the appliance. The meter and the valves extending from the meter to the appliance belong to the customer. The Group owns the valves and pipes leading from the meter to its network. For the three years ended December 31, 2002, 2003, 2004 and the six months ended June 30, 2004 and 2005, construction of gas pipelines contributed approximately 14.5%, 21.9%, 24.0%, 17.8% and 20.8% to the Group's turnover, respectively.

The Group's city piped gas prices are subject to regulation by local authorities. Connection fees currently charged by the Group are also subject to regulation by the local government. However, the Group expects local governments to allow downstream distributors such as the Group to maintain attractive margins to encourage gas pipeline construction activities.

Sale of household gas products

The Group engages in the sale of household gas products, such as valves, meters, cylinders, and cooking equipment and other appliances. The Group sources these products from various domestic suppliers in the PRC and sells them at its retail outlets. The sale of household products contributed approximately HK$17.1 million, HK$7.5 million, HK$31.1 million, HK$13.9 million and HK$29.0 million or 1.5%, 0.5%, 1.7%, 1.6% and 3.0%, to the Group's total turnover for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 respectively.

Prices

The PRC Government exercises a certain degree of control over the supply of both natural gas and LPG. Fees charged by the Group for gas pipeline connections and piped gas tariffs in the PRC require approval of local pricing bureaus.

In the case of retail LPG sold in cylinders, the maximum prices of LPG are generally subject to price ceilings ("Approved Price Ceilings") set by the respective local pricing bureaus. As for LPG sold in bulk, pricing is generally not regulated. However, the price at which the Group may purchase LPG fluctuates by reference to world oil prices and the supply and demand situation in the local market. The local price bureaus generally adjust the Approved Price Ceilings to such a level that the market price of retail LPG does not exceed the ceiling price. To the Latest Practicable Date, the Group had not exceeded the Approved Price Ceilings set by such local pricing bureaus.

CUSTOMERS

The five largest customers of the Group in the aggregate accounted for less than 30% of the turnover of the Group for each of the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005.

Bulk LPG

Bulk sales of LPG provide a relatively steady source of turnover for the Group. For the three years ended December 31, 2002, 2003, 2004 and the six months ended June 30, 2004 and 2005, the sale of bulk LPG represented approximately 61.7%, 51.9%, 47.7%, 55.3% and 43.7%, respectively, of the Group's turnover. The Group's bulk LPG customers are typically industrial users such as ceramic manufacturers and glass blowers, commercial customers such as housing estates that have their own gas pipelines and retail LPG bottlers that resell LPG. The Group's bulk LPG customers are typically located near the Group's bulk LPG operations in Yangzi and Changsha and arrange their own transportation or reimburse the Group for transportation costs. Bulk order size typically ranges from five tons to 500 tons of LPG per transaction. None of the Group's bulk LPG customers accounted for more than 3.0% of the Group's bulk LPG sales for the three years ended December 31, 2002, 2003, 2004 and the six months ended June 30, 2004 and 2005. The Group believes that demand for bulk LPG is relatively stable, in part because LPG-fueled equipment typically cannot operate on another fuel source.

Retail LPG

Retail sales of LPG have provided an increasingly steady source of turnover for the Group. For the three years ended December 31, 2002, 2003, 2004 and the six months ended June 30, 2004 and 2005, the sale of cylinder LPG to retail customers represented approximately 21.0%, 23.6%, 22.9%, 21.3% and 26.8%, respectively, of the Group's turnover. The Group's retail customers are typically household users, business and light industrial users such as restaurants, hotels and factories, and bottled LPG resellers. The Group's retail LPG customers are typically located near the Group's retail LPG operations in Nanjing and other cities. None of the Group's retail LPG customers accounted for more than 1.0% of the Group's retail LPG sales in 2002, 2003, 2004 and the six months ended June 30, 2004 and 2005. The Group believes that demand for retail LPG is relatively stable over time, in part because LPG-fueled appliances and machines typically cannot operate on another fuel source. The Group also believes that household users of retail LPG are relatively less price-sensitive than commercial users. Another factor affecting the stability of demand is that retail LPG is stored and transported in canisters, which require the payment of a substantial deposit, which makes it uneconomical for household users to purchase additional LPG in advance to take advantage of lower market prices.

Piped gas

The Group's piped gas customers include private housing estates, property management companies, SOEs (for staff quarters), individuals who purchase gas for residential use and business and light industrial users such as restaurants, hotels and certain factories. The Group effectively operates as a utility with respect to its piped gas operations. The Group generally allows each of its household customers to purchase an unlimited amount of piped gas during each monthly billing cycle. Gas is delivered automatically over the Group's piped gas network as it is used by consumers. Customers are charged a pre-set price for piped gas by volume and are typically billed monthly.

Household gas products

The Group's customer base for its household gas products consists of existing LPG retail and piped gas customers.

SUPPLIERS

Purchases from the Group's five largest suppliers in the aggregate accounted for approximately 75.9%, 76.7%, 78.6%, 79.5% and 75.5% of the operating costs of the Group in 2002, 2003, 2004 and the six months ended June 30, 2004 and 2005, respectively. Purchases of the Group from its largest supplier, Sinopec Yangzi Petrochemical Co., Ltd., an independent third party, was approximately 53.1%, 57.9%, 57.3%, 62.3% and 54.6% in 2002, 2003, 2004 and the six months ended June 30, 2004 and 2005, respectively. None of the Directors, their associates or any Shareholder (who or which to the knowledge of the Directors own more than 5% of the Company's share capital) has any interest in any of the Group's five largest suppliers.

For some LPG suppliers with whom the Group has purchase agreements, the Group settles purchases at the end of each month. For purchases on a transaction basis, the Group is usually given short-term credit. The Group settles all LPG purchases in Renminbi by cheque, telegraphic transfer or direct deposits into bank accounts of suppliers. For purchases from suppliers with whom the Group does not have a long-term purchasing agreement, the Group generally adheres to the following policies:

- a purchasing plan is determined approximately two to four weeks prior to the purchase;

- quotations are obtained from different suppliers, including certain subsidiaries of the Group that have long-term supply agreements with LPG suppliers;
- comparisons and negotiations are then made taking into account the quality, price, the time of delivery and payment terms; and
- if the terms and conditions are similar to those quoted by subsidiaries of the Group, preferences will be given to such subsidiaries.

The Group takes into account the following principal factors in determining the source of its LPG supplies:

- whether or not the supply of LPG is expected to be steady and secure;
- the quality of the LPG;
- cost and payment terms; and
- availability of the LPG.

The Group currently sources its natural gas from PetroChina and Sinopec, the wholesale price of which is generally regulated by the local pricing bureau. All purchases of natural gas are settled in Renminbi.

The Group maintains well established working relationships with its LPG and natural gas suppliers. Through its relationships with Sinopec and other suppliers of LPG and SNG, the Group has generally been able to obtain a steady and stable supply of LPG and SNG at market prices.

OPERATING FACILITIES

Natural gas storage and gas pipelines

The Group's network of gas pipelines are connected to the gas fields of its suppliers for natural gas. The gas pipelines are owned by the relevant Group's subsidiaries or associated companies operating them. However, as with other utility companies such as electricity or water, the Group does not and is not required to own the land use rights where such gas pipelines are located. The land is the property of the state of the PRC. The Group has not entered into any formal agreement with the respective provincial or city governments in relation to such land use rights. However, as advised by the PRC legal advisers to the Company, Haiwen & Partners, the Group is entitled to operate gas pipelines over the land owned by the PRC Government pursuant to its rights to operate its piped gas business. Haiwen & Partners also advised that the Group's subsidiaries are not required to own the land use rights before they set up and operate the gas pipeline networks.

Not all natural gas operations have storage facilities as piped gas flow continuously from the gas fields to the Group's piped gas infrastructure. The Group stores natural gas only in its network of pipes and continuously. For those operations with storage facilities, the storage facilities are connected to the Group's piped gas infrastructure. Natural gas is transported directly to the customers through the Group's network of gas pipelines.

LPG storage and gas pipelines

Most of the Group's LPG operations are not connected directly by pipelines to the supplier's infrastructure. As LPG is in a liquid form at room temperature, it can be transported from the suppliers to the Group's storage stations economically in large quantities in special LPG vessels, tanker lorries, 20 or 40 tonnes tanker trains, or in cylinders ranging from 5kg to 50kg in volume.

The Group maintains filling stations and LPG storage stations located in certain regions of the Group's operating subsidiaries. Most LPG storage stations also operate LPG filling stations, which are located adjacent to the storage station and where LPG cylinders are filled for subsequent delivery to bulk and retail customers. Cylinders can be filled manually by using LPG filling guns or mechanically by using LPG filling machines. The cylinders of LPG are then generally transported to retail outlets and sold to retail customers. Bulk customers can obtain LPG directly from any of the Group's LPG storage stations. Piped LPG is transported directly to customers through the Group's network of gas pipelines.

The Group seeks to use its LPG storage capacity to maintain a reasonable inventory level (typically about seven to 10 days' supply) at all times.

Retail outlets and service centers

The Group and its associated companies distributes its LPG cylinders to retail customers through over 270 retail outlets in seven different provinces in the PRC. The retail outlets primarily sell LPG in cylinders to household and commercial users. The retail outlets also provide customer services to users in their respective regions. Customer services include maintenance and repair of faulty LPG cylinders and appliances, free LPG safety consulting services and the free provision of the Group's operation and product information. The Group maintains, a database of customers' information which includes a customer's profile, past purchase history and credit information.

All of the retail outlets also operate as service centers for the LPG business. In addition, the Group has 36 service centers for the piped gas business located in 15 cities. These service centers function as both marketing or information booths and registration centers for potential customers. Some of these service centers also service the Group's existing piped gas customers by providing information about gas usage, safety and handling.

All of the Group's retail outlets and service centers are operated under the "PANVA" brand name. The Group intends to identify and acquire suitable sites for new retail outlets and service centers in existing and new cities in the PRC in order to increase its market share in the sale and distribution of LPG and natural gas in China. Targeted sites are usually prominent city buildings, such as those near the local town hall or the newest building in the urban center. Ad hoc neighborhood booths are also set up in newly developed cities with staff distributing educational materials and offering households convenient sign-up connection packages.

SALES AND MARKETING

The Group's marketing strategy team is based at the Group's PRC head office in Shenzhen. The marketing strategy team works with the sales and marketing teams of the operating subsidiaries to collect feedback and to formulate and roll-out strategic initiatives, both on consolidated and operating subsidiary levels. A unified and consistent marketing strategy promoting the "PANVA" brand is implemented by each of the Group's operating subsidiaries throughout its network of retail outlets and service centers. The Group believes that through the active promotion of its "PANVA" brand, its uniform and distinctive layout, color scheme designs and its standardized staff uniforms, packaging and promotional materials, the public will recognize its brand and the quality of the products and services associated with its brand. In each city, the marketing team also directs its sales team to focus on and actively solicit a select group of targeted customers, including property developers, estate managers and high consumption commercial users whom the Group believes will benefit most from conversion to piped gas.

The Group promotes itself and educates the public about the advantages of piped gas through brochures, newspaper advertisements and television commercials. The Group has set up "concept shops" in the established market of Nanjing to introduce its existing customers to additional uses of the Group's products. Among other things, these concept shops introduce the concept of gas heating to customers who previously only used gas for cooking. The Group anticipates further opportunities for these shops as customers' disposable income increases. The Group also participates in safety seminars organized by local fire departments, industry forums and equipment fairs. In newly developed markets, a series of joint promotional campaigns to increase public awareness has been implemented, often with local government support, prior to construction or expansion of piped gas networks.

The Group also maintains a service hotline to attend to customer inquiries and for after-sales support. In areas where there are LPG operations, retail customers can arrange for the delivery of filled LPG cylinders by means of the Group's telephone ordering service. The Group now offers a similar customer service for piped gas consumers, allowing the consumers to call in at their convenience to obtain service information or to sign up for connection to the piped gas network.

To strengthen the Group's LPG sales and marketing efforts, the Group has launched an internet website at *www.panva-gas.com* to provide information relating to the Group and its services as well as recent developments in the LPG and piped gas industries. The contents of the website do not constitute part of this document.

COMPETITION

The Group faces competition from other LPG cylinder providers in the PRC, including SOEs, private enterprises and foreign-invested enterprises. In addition, despite licence and certification requirements, barriers to entry in the LPG retail business are relatively low and new competitors can enter the market at any time. In addition, the Group faces competition in bidding for new PRC piped gas markets from other domestic and foreign piped gas providers. The Group expects competition to intensify as a result of new entrants attracted by high margins in the piped gas business and LPG retail business. In view of the Group's competitive strengths in the market, however, it believes it is well positioned to compete with such new entrants. There is no assurance that future competitors will not have a competitive advantage over the Group as a result of superior products, services or more competitive pricing. Once a bidder is selected by an SOE as a joint venture partner for provision of piped gas to a city, that bidder typically acquires exclusive rights to provide piped gas to a specified area in that city for a term of no more than thirty years. For details, please refer to the section headed "Risk Factors — Risks relating to the Group's industry — the Group faces competition from other LPG and piped gas providers" in this document.

Substitutes for the Group's LPG and piped gas products are readily available in the PRC, and new substitutes may be developed. Coal, coal gas and electricity are the most common substitutes for LPG and piped gas as a source of energy. In addition to being particularly abundant in the PRC, coal is available at low cost and it is believed to be favored by certain government interests and thus, it is commonly used as fuel in many parts of the PRC. The Group believes that, when choosing an energy source, consumers consider factors such as cost, reliability, convenience and safety and, although the Group believes that LPG and piped gas have become increasingly attractive to energy users as alternatives to coal, there can be no assurance that other alternative energy sources or alternative uses of existing energy sources will not become available. There is also no assurance that existing fuel users will shift from their current fuel sources to LPG or piped gas, or that they will not shift from LPG or piped gas to alternative fuel sources. For details, please refer to the section headed "Risk Factors — Risks relating to the Group's industry — the Group faces competition from providers of incumbent and alternative energy sources" in this document.

EMPLOYEES

During 2002, 2003, 2004 and the six months ended June 30, 2005, the Group employed 2,573 persons, 2,995 persons, 3,271 persons and 3,693 persons, respectively. The number increased by 9.2% for the year ended 2004 relative to 2003 primarily as a result of the acquisition of 4 operating subsidiaries in Sichuan province in 2004. For the year ended December 31, 2004 and the six months ended June 30, 2005, approximately 51.1% and 52.5% of the Group's employees were involved in sales and distribution, 23.1% and 23.8% were involved in production, purchase and supply, 8.1% and 8.6% were involved in finance and administration and the remaining 17.7% and 15.1% were involved in management of the Group, respectively. As of June 30, 2005, over 99% of the Group's employees were based in the PRC with the remaining consisting mostly of senior management based in Hong Kong. The Group requires that every employee sign an employment contract with the Group.

The Group has never been subject to any strikes or other disturbances that have had a material impact on its operations. On the whole, the Group believes that its relations with its employees are good.

Employee benefits

The total remuneration of the Group's employees includes salary, bonuses and allowances. An incentive-based portion is included in the remuneration of the Group's new employees in the form of discretionary payments linked to individual performance. Other benefits may include subsidized housing, medical insurance and miscellaneous allowances.

All full-time employees of the Group in the PRC are covered by a government-regulated pension. The PRC Government is responsible for providing a pension to these employees upon their retirement. The Group is required to contribute at a rate of 12% to 25% of its employees' basic salaries on a monthly basis, with each employee contributing approximately 8% of his or her base salary. The size of the contributions vary from region to region.

Training

The Group has implemented various training policies and organized a number of training programs aimed specifically at improving the skills of its employees and generally to increase the competitiveness, productivity and efficiency of the Group. The Group conducts an initial staff orientation for new employees in order to familiarize them with the Group's history and strategy, corporate culture, rules and regulations and safety measures. This orientation is designed to integrate the employees into the Group and, the Directors believe, helps improve productivity of new employees at an early stage.

The Group also offers training programs through its Panva Management Institute in Nanjing for staff at various levels. Such programs seek to raise the productivity of employees, improve leadership skills, improve safety knowledge and enhance management skills. The Group's training programs can be divided into two main categories: technical training and management training. Technical training programs are designed for operating staff of the Group. The programs educate the staff on the nature, supply, storage and safety of LPG and operation of storage stations, filling facilities and retail outlets. Management training programs include training in financial operations and human resources management.

LICENCES

LPG business

As at the Latest Practicable Date, the Group had 16 subsidiaries and associated companies engaged in the LPG business, namely Changchun Panva, Changde Panva, Changsha Panva, Chenzhou Panva, Foshan Panva, Hengyang Panva, Nanjing LPG Panva, Southwest Panva, Wuhu Panva, Xiangtan Panva, Yangzhou Panva, Yangzi Panva, Yiyang Panva, Yongzhou Panva, Yunnan Panva and Zunyi Panva. Six of such 16 companies, namely Changchun Panva, Foshan Panva, Nanjing LPG Panva, Southwest Panva, Yangzhou Panva and Yangzi Panva, have satisfied the Provisions Regarding the Conditions for the Fifteen Administrative Approval Items Adopted by the State Council ("Condition Provisions") and obtained the Fuel Gas Operation Licence; whereas seven companies, namely, Changde Panva, Hengyang Panva, Wuhu Panva, Xiangtan Panva, Yongzhou Panva, Yunnan Panva and Zunyi Panva have obtained the Urban Gas Enterprise Qualification Certificate. Yiyang Panva is in the process of applying for the renewal of its Urban Gas Enterprise Qualification Certificate which expired on April 28, 2005. As regards Changsha Panva and Chenzhou Panva, the Directors have been advised by Haiwen & Partners that they can continue to operate their LPG business even though they have not obtained any Fuel Gas Operation Licence or Urban Gas Enterprise Qualification Certificate on the basis that the local governments have not implemented the licensing regime under the Administrative Licensing Regulations and have also discontinued to implement the licensing regime under the Gas Measures after it was abolished by the State Council in 2002.

All the 16 companies of the Group which are engaged in the LPG business have obtained a Cylinder Permit. The Company has been advised by the PRC legal advisers of the Company, Haiwen & Partners, that Yiyang Panva owns and uses a pressure container, and has therefore obtained a Permit for the Use of Pressure Container.

Piped gas business

As at the Latest Practicable Date, the Group had 19 subsidiaries or associated companies engaged in the piped gas business, namely Cangxi Panva, Changchun Panva, Changsha Panva, Chenzhou Panva, Chizhou Panva, Dayi Panva, Foshan Panva, Jianyang Panva, Jinan Panva, Lezhi Panva, Nanjing Panva, Nanjing LPG Panva, Pengshan Panva, Pengxi Panva, Pingchang Panva, Weiyuan Panva, Yuechi Panva, Zhongjiang Panva and Ziyang Panva. Of such 19 companies, only Changchun Panva has entered into a concession right contract with the relevant local government pursuant to the Municipal Utility Concession Administrative Measures ("Concession Measures"), issued by the Ministry of Construction for exclusive right to operate its piped gas business in a specified area within Changchun city.

For Changsha Panva, Chenzhou Panva and Nanjing LPG Panva which piped gas business only involves the provision of piped LPG to individual small districts, the PRC legal advisers of the Company, Haiwen & Partners, have advised that they are not required to enter into concession rights contracts for such limited operation of piped gas business. For Dayi Panva, Jianyang Panva, Lezhi Panva, Pengshan Panva, Pengxi Panva, Pingchang Panva, Weiyuan Panva, Yuechi Panva, Ziyang Panva and Zhongjiang Panva, their concession rights to operate their respective piped gas business in a specified area within a city or county exclusively are granted under agreements with the local governments at the time when the piped gas business was acquired by the companies from the local governments and under Explanatory Statements in Relation to Grant of Concession Rights (《關於授予特許經營權的說明》) ("Explanatory Statements") issued in May 2005 by the local governments. For Chizhou Panva, Jinan Panva and Nanjing Panva, their concession rights to operate their respective piped gas business exclusively in a specified area within a city or county are granted under Explanatory Statements issued by the local governments. In the Explanatory Statements issued to the 13 companies, the relevant local governments have confirmed that once the local governments have effected the Concession Measures and the Explanatory Statements, they will enter into exclusive concession rights contracts with the 13 companies of the Group. For Cangxi Panva, its exclusive concession rights are granted under the agreement it entered into with the local government when it acquired the piped gas business from the local government. Foshan Panva has been in contact with the local government for signing of the concession right contract after the Concession Measures are implemented by the local government but has so far not been granted with any concession right for its operation of piped gas business.

The Company is not able to estimate when the concession right contracts will be signed for the piped gas business of the Group (except for Changchun Panva which has already signed the contract). Pending the signing of such contracts, Haiwen & Partners, have advised that the Group has complied with the relevant PRC laws and regulations in relation to its operation of piped gas business. Haiwen & Partners have also advised that the absence of the concession right contracts will not adversely affect the piped gas business operations of such companies.

Six out of the 19 companies engaged in the piped gas business, namely Changchun Panva, Dayi Panva, Foshan Panva, Jinan Panva, Nanjing Panva and Nanjing LPG Panva have satisfied the requirements under the Condition Provisions and obtained the Fuel Gas Operation Licence; whereas four other companies, namely Chizhou Panva, Pengshan Panva, Pengxi Panva and Yuechi Panva have obtained the Urban Gas Enterprise Qualification Certificate. As regards the remaining nine companies, namely Cangxi Panva, Changsha Panva, Chenzhou Panva, Jianyang Panva, Lezhi Panva, Pingchang Panva, Weiyuan Panva, Zhongjiang Panva and Ziyang Panva, the Directors have been advised by Haiwen & Partners that they can continue to operate their respective gas businesses even though they have not obtained any Fuel Gas Operation Licence or Urban Gas Enterprise Qualification Certificate on the basis that the local governments have not implemented the licensing regime under the Administrative Licensing Regulations in 2004 and have also discontinued to implement the licensing regime under the Gas Measures after it was abolished by the State Council in 2002.

Save as disclosed above, the Group has obtained all licences, permits, certificates or confirmations from the relevant governmental bodies necessary for it to conduct its operations in the areas where the Group operates, and the Group has complied with all applicable laws and regulations in all areas where it operates since its establishment.

For details of the licensing requirements in the PRC applicable to the Group's operations of the business and the licences obtained by the Group, please refer to the section headed "Industry Overview — The regulatory system in China" in this document.

FOREIGN EXCHANGE REGISTRATION

Of the existing 30 operating subsidiaries and two associated companies of the Group in the PRC, 22 have valid foreign exchange registration. Dayi Panva is currently in the process of applying for the foreign exchange registration and nine do not have foreign exchange registration. The Group expects that the application for foreign exchange registration by Dayi Panva will be approved in due course. However, the Company is unable to estimate when the registration will be approved as such would depend on, inter alia, the response time of the approval authority for the application.

The nine companies which do not have foreign exchange registration are Jianyang Panva, Pengxi Panva, Pingchang Panva, Weiyuan Panva, Yunnan Panva, Zhongjiang Pingan, Ziyang Panva, Ziyang Hengyuan and Zunyi Panva. Among these nine companies, Jianyang Panva, Pengxi Panva, Pingchang Panva, Weiyuan Panva and Ziyang Panva are limited liability companies and as such, the PRC legal advisers of the Company, Haiwen & Partners, have advised that they are not required under PRC laws to have foreign exchange registration. Haiwen & Partners have advised that for Yunnan Panva and Zunyi Panva, as the capital contributions by the local investing entities do not include foreign capital, they are also not required under PRC laws to have foreign exchange registration. In addition, for Zhongjiang Pingan and Ziyang Hengyuan, they are not required to obtain foreign exchange registration because they are subsidiaries of subsidiaries in the PRC (being Zhongjiang Panva and Ziyang Panva respectively).

With the exception of Foshan Panva, dividends from the operating subsidiaries and associated companies of the Group are normally paid to Panriver Investments, a subsidiary of the Group which has obtained a foreign exchange registration in the PRC. A proportion of the dividends of Foshan Panva are paid directly to the Company or its wholly-owned subsidiaries outside of the PRC.

For the subsidiaries and associated companies of the Group in the PRC which do not have foreign exchange registrations, dividends of these companies are not allowed under PRC laws to be repatriated outside of the PRC. The Group believes that this will not have an adverse impact on the operations of the Group as only a minority of its operating companies do not have foreign exchange registrations and Panriver Investments constantly retains a sufficient amount of cash as working capital for operations or future investments by the Group.

INTELLECTUAL PROPERTY

The Group, through Panriver Investments, has trademark rights over the Group's trading logos, “ ”, “PANVA” and “百江”.

For further details in relation to the intellectual property rights of the Group, please refer to the section headed “II. Further Information about the Company's Business — 2. Intellectual property” in Appendix VII to this document.

INSURANCE

Most of the Group's operating subsidiaries maintain (i) fire insurance for their properties; (ii) third party liability insurance; (iii) insurance for assets such as storage tanks, filling centers, gas pipelines, real estate and cylinders as well as automobile insurance, freight insurance, machinery insurance, public responsibility insurance and LPG cylinder insurance; and (iv) insurance for employees, such as group insurance for damages and injuries and social insurance for employees purchased from various local insurance providers.

The Group does not currently carry business interruptions insurance to compensate it for losses that may occur as a results of fire, power failure and power shortages, hardware and software failure, floods, computer viruses and other business interruptions. During the Track Record Period, no such business interruptions were experienced by the Group. However, there is no assurance that such business interruptions will not occur in the future.

Although the Group believes its insurance coverage is reasonable in light of its operational risk, it is currently conducting a comprehensive review of the insurance cover that it purchases. This review will include the type of insurance cover maintained and the method by which it is taken out with a view to centralizing the Group's insurance purchase and cover. For details, please refer to the section headed “Risk Factors — Risks relating to the Group's business — Limited insurance coverage may result in the Group being required to cover potential liability claims against it” in this document.

ENVIRONMENTAL AND SAFETY MATTERS

It is the current policy of the PRC Government to encourage the use of cleaner sources of energy such as natural gas. The Group believes that this policy is to its benefit. In further support of this policy, certain cities and municipalities have introduced new measures encouraging new construction projects or other infrastructure to convert to the area's piped gas networks.

The Group is also subject to certain PRC laws and regulations such as the Administrative Measures on the Registration of Dangerous Chemical Products (《危險化學品登記管理辦法》), the Administrative Regulations on Safety of Dangerous Chemical Products (《危險化學品安全管理條件》) and the Anti-Air Pollution Law (《大氣污染防治法》) relating to the production, storage, transportation and sale of LPG and natural gas, which are dangerous chemical products, as well as environmental and safety matters. The Group is in full compliance with all applicable PRC environmental laws.

SAFETY AND QUALITY CONTROL

Safety control

The Group emphasizes safety control and has, accordingly, established a safety department to oversee and implement safety policies and to conduct both spot and regular inspections of its pipelines, storage facilities and filling sites. The Group has adopted safety manuals in respect of both LPG and piped gas and has instituted procedures for the safe storage of LPG. Each new employee of the Group receives safety training. The managing director of each operating subsidiary of the Group is also responsible for safety.

The Group believes in educating consumers about safety procedures. Accordingly, before gas is actually supplied, the Group's policy is to give a thorough explanation of safety procedures to users and to arrange regular seminars or distribute brochures and booklets on safety for its customers. Such explanations generally include showing customers how to connect to the gas supply, how to check for gas leaks and similar tasks.

In order for the Group to monitor the operations of the pipelines, particularly gas usage, gas leakages or other such irregularities, the Group collects information about the temperature, pressure and volume of gas from key points along the main pipelines. The information is collected in the local control center of each of the operating subsidiaries of the Group for analysis.

The Group has not experienced any major accidents which have resulted in serious injury or death since the Group began operations in 1998. There can be no assurance, however, that such accidents will not occur in the future.

Quality control

The Group carries out a quality analysis of all its LPG products. In addition, the Group ensures the quality of LPG sold to customers by selecting suppliers which supply high quality LPG, including contractual terms regarding quality standards for LPG supplied as part of purchase agreements and conducting strict quality inspections on all its products and services.

With respect to its gas pipeline construction operations, the Group only engages licenced third party contractors which it believes to be competent and reputable.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is party to any litigation or other legal proceedings which the Directors believe could, individually or taken as whole, have a material adverse effect on the business, financial condition or results of operations of the Group.

COMPLIANCE WITH THE GEM LISTING RULES

According to Rule 19.44 of the GEM Listing Rules, shareholders' approval for a major transaction should be given by a majority vote at a general meeting of the shareholders of a GEM listed issuer. Subject to certain conditions and Rule 19.86 of the GEM Listing Rules, the Stock Exchange may accept a written approval from a shareholder who holds more than 50% of the voting rights of a GEM listed issuer. According to Rule 19.86 of the GEM Listing Rules, the Stock Exchange will not accept a written shareholders' approval for a transaction but will require a general meeting to be held where the reporting accountants can only give a qualified opinion in the accountants' report in respect of the acquisition of a company or business.

On August 27, 2004 the Company entered into a sale and purchase agreement ("Agreement") for the acquisition ("Acquisition") of 48% interest in the registered capital of Changchun Panva, as disclosed in the announcement of the Company jointly issued with Sinolink dated August 27, 2004 and a circular to Shareholders dated April 25, 2005. The Agreement was entered into without a condition precedent that the Acquisition shall be subject to Shareholders' approval. However, written approvals for the Acquisition had been obtained from Kenson and Supreme All, a closely allied group of Shareholders who at the time together held more than 58% in the nominal value of the Shares with the right to attend and vote at a general meeting prior to the signing of the Agreement.

It was only after the Agreement was entered into, did the Company know that the accountants' report of Changchun Panva would contain a qualified opinion. The Company was therefore required by the Stock Exchange to convene an extraordinary general meeting ("Meeting") to approve the Acquisition. The Acquisition was completed on January 26, 2005 and the Meeting was duly convened on May 11, 2005, at which an ordinary resolution to approve the Acquisition was duly passed by the Shareholders.

As the Acquisition was approved in writing by Kenson and Supreme All who at the time together held more than 50% of the Company's voting rights before the Meeting, whether or not the Acquisition was completed before or after the convening of the Meeting, the Acquisition would still be approved by the Shareholders at the Meeting. On the basis of the above, the Directors believed at the time of the completion of the Acquisition that the Acquisition would be approved by the Shareholders at the Meeting and also believed that the Company was in compliance with the GEM Listing Rules in relation to the Acquisition.

The Stock Exchange was only informed of the completion of the Acquisition on April 20, 2005. The Stock Exchange has taken the view that the Company was not in compliance with the GEM Listing Rules in relation to the Acquisition being a major transaction since Shareholders' approval was not obtained by convening a general meeting and because the Acquisition was completed on January 26, 2005 before obtaining Shareholders' approval of the Acquisition at the Meeting. The Stock Exchange has expressed a view that it will look into the matter.

RELATIONSHIP WITH SINOLINK GROUP AND ENERCHINA GROUP

Sinolink, Enerchina and Enerchina's wholly owned subsidiaries, Kenson and Supreme All, are the controlling shareholders of the Company. The Directors confirm that the Group is capable of managing its business independently of its controlling shareholders after the Introduction for the following reasons.

Separate lines of business

The Sinolink Group is principally engaged in (i) property development; (ii) generation and supply of electricity in the PRC through the Enerchina Group; and (iii) sale and distribution of LPG and natural gas and construction of gas pipelines in the PRC through the Group. The Enerchina Group is principally engaged in (i) generation and supply of electricity in the PRC and investment holdings; and (ii) sale and distribution of LPG and natural gas and construction of gas pipelines in the PRC through the Group. Therefore, the principal businesses of the Group, being the sale of LPG to bulk and retail customers, the construction of gas pipelines, the provision of piped gas and the sale of household gas products in the PRC, are distinct from that of Sinolink and Enerchina. Also, save for certain office premises leased to the Group by the Sinolink Group as disclosed in the section headed "Connected Transactions" of this document, the Group operates its business independently in different locations from that of Sinolink and Enerchina. The Directors confirm that the respective businesses of the Sinolink Group, Enerchina Group and/or any other businesses owned by Mr. Ou, a controlling shareholder of Sinolink and Enerchina, do not compete, or are not likely to compete, either directly or indirectly with the businesses of the Group.

Independence of the Boards

The respective boards of directors of the Company, Sinolink and Enerchina are set out as follows:

Company	**Sinolink**	**Enerchina**
Executive Directors:		
OU Yaping* *(Chairman)*	OU Yaping* *(Chairman)*	OU Yaping* *(Chairman)*
TANG Yui Man Francis* *(Vice chairman)*	TANG Yui Man Francis* *(Chief executive officer)*	TANG Yui Man Francis*
CHEN Wei* *(Managing Director)*	CHEN Wei*	XIANG Ya Bo
LI Fujun	LAW Sze Lai	XU Xinghai
SHEN Lian Jin		
ZHANG Keyu		

Company	Sinolink	Enerchina
Non-executive Directors:		
FOK Kin-ning, Canning		SUN Qiang Chang *(Non-executive vice chairman)*
TO Chi Keung, Simon *(alternate Director to FOK Kin-ning, Canning)*		
Independent non-executive Directors:		
CHEUNG Hon Kit	Davin A. MACKENZIE	XIN Luo Lin
GE Ming	TIAN Jin	LU Yungang
LI Xiao Ru	XIN Luo Lin	Davin A. MACKENZIE

* *Executive Directors having directorships in Sinolink and/or Enerchina*

Three out of ten Directors of the Company hold various management roles in Sinolink and/or Enerchina. Specifically, Mr. Ou, the chairman of the Company, is also the chairman of Sinolink and Enerchina. Mr. Tang Yui Man Francis, the vice chairman of the Company, is also the chief executive officer and an executive director of Sinolink, and an executive director of Enerchina. Mr. Chen Wei is an executive director of Sinolink responsible for overall business development, management and strategic planning but does not take a very active role in the day-to-day management of Sinolink and does not have any role in Enerchina.

Save for Mr. Ou, Mr. Tang Yui Man Francis and Mr. Chen Wei, the Directors currently do not have any management roles in Sinolink and/or Enerchina. The Board also includes three independent non-executive Directors who oversee internal control of the Company and provide balances over the Board's decision-making on significant transactions or transactions involving potential conflict of interests. All three independent non-executive Directors do not hold any directorship in Sinolink or Enerchina. In addition, other members of the senior management of the Group, save for Mr. Lo Tai On, who is the company secretary of the Company, Sinolink and Enerchina respectively, are independent from either Sinolink or Enerchina. Given the aforesaid management structure, the Directors believe that the Company is managed independently of Sinolink and Enerchina.

Non-competition undertaking

Since the listing and trading of the Shares on GEM, Sinolink has undertaken (the "GEM Undertaking") to the Company that, Sinolink will not and procure that none of the members of Sinolink Group will, for so long as it is a controlling shareholder of the Company under the GEM Listing Rules, directly or indirectly engage, participate or hold any right or interest in or otherwise be involved in the Company's business. However, such undertakings shall not preclude the ownership by Sinolink Group of not more than 5% of the issued voting securities of any company listed on the Main Board, GEM or any recognized stock exchange ("listed company") which is engaged in the Company's business provided that:

(i) the number of directors which Sinolink and its associates is entitled to appoint to the board of directors of the listed company does not exceed 5% (round up to the nearest whole number) of the total number of directors comprising the board of directors of the listed company from time to time; and

(ii) there is a person or company who or which together with its or his associates is directly or indirectly interested in a larger percentage holding of the relevant securities of the listed company than the aggregate holding of Sinolink and its associates in such securities.

For the purpose of the Introduction, the Company has also entered into a supplemental deed with Sinolink (the "Main Board Undertaking"), which is conditional upon the Company, on or before December 31, 2005 (i) obtaining the approval from the Listing Committee for the listing of, and permission to deal on the Main Board in (a) the Shares in issue; (b) any Shares which may be issuable by the Company upon the exercise of any options which may be granted under any of the share option schemes of the Company; and (c) any Shares which may be issuable upon the exercise of the conversion rights under the Convertible Bonds; (ii) commencement of trading of the Shares on the Main Board; and (iii) the withdrawal of listing of the Shares on GEM. Under the Main Board Undertaking, Sinolink has undertaken that:

(i) the GEM Undertaking be terminated; and

(ii) except with the prior consent in writing of the Company and for so long as Sinolink is a controlling shareholder of the Company under the Listing Rules, Sinolink shall not and shall procure that none of the members of Sinolink Group shall either on its own account or in conjunction with or on behalf of any person, firm or company, carry on or be engaged, concerned or interested, directly or indirectly whether as shareholder, director, employee, partner, agent, representative or otherwise in carrying on any business in competition, directly or indirectly, with the businesses undertaken by the Group from time to time, except for Sinolink Group's interests in the Group. However, such undertakings shall not preclude the ownership by Sinolink and its associates of not more than 5% of the issued voting securities of a listed company engaged in the Group's business provided that:

    (a) the number of directors which Sinolink and its associates is entitled to appoint to the board of directors of the listed company does not exceed 5% (rounded up to the nearest whole number) of the total number of directors comprising the board of directors of the listed company from time to time; and

    (b) there is a person or company who or which together with its or his associates is directly or indirectly interested in a larger percentage holding of the relevant securities of the listed company than the aggregate holding of Sinolink and its associates in such securities.

The Main Board Undertaking is similar to the GEM Undertaking with the only major amendment to change references from the GEM Listing Rules to the Listing Rules.

The following connected transactions have been and will continue to be, carried out between the Group and its connected persons:

1. **Licence agreements between the Company and the Sinolink Group**

   On July 1, 2004, the Company entered into a licence agreement with Sinolink in relation to the head office and principal place of business of the Company in Hong Kong at 28th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong. Pursuant to the licence agreement, Sinolink agreed to grant a licence to the Company to use and occupy certain parts of the premises together with the use of all the office fittings for a term commencing on July 1, 2004 and expiring on December 31, 2005 at a monthly licence fee of HK$24,650 exclusive of rates, government rent and charges, with a renewal option for a further term of one year.

   During the Track Record Period, the Company had also entered into a total of three other licence agreements dated July 4, 2001, September 14, 2002 and September 14, 2003 respectively, with Sinolink in relation to the previous head office and principal place of business of the Company at 25th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong. For each of the three years ended December 31, 2004 and the six months ended June 30, 2005, the total amount of licence fees paid by the Group to the Sinolink Group pursuant to the above four licence agreements were approximately HK$374,000, HK$374,000, HK$460,000 and HK$273,000, respectively.

   As Sinolink is one of the controlling shareholders of the Company, the transactions under the various licence agreements constitute connected transactions of the Company under the Listing Rules.

2. **Tenancy and management agreements between the Group and the Sinolink Group**

   On December 5, 2003, Panriver Investments entered into a tenancy and management agreement with Shenzhen Sinolink Enterprises Co., Ltd. ("Shenzhen Sinolink") as landlord. Under such agreement, the Group has agreed to rent from Shenzhen Sinolink, an office located in Shenzhen, the PRC at a rental and management fee of RMB347,959 per annum for a term of three years commencing on October 1, 2003 and expiring on September 31, 2006 for office purposes. Further, under such agreement, Shenzhen Sinolink has agreed to provide Panriver Investments with property management services including security guard services, cleaning, repair and maintenance services in relation to the above rented property at the expense of Panriver Investments.

   During the Track Record Period, Panriver Investments had also entered into three other tenancy and management agreements dated January 1, 2000, June 1, 2001 and April 1, 2002 respectively, with Shenzhen Sinolink in relation to the office located in Shenzhen, the PRC. For each of the three years ended December 31, 2004 and the six months ended June 30, 2005, the total amount of rental and management fees paid by the Group to Shenzhen Sinolink pursuant to the above four tenancy and management agreements were approximately HK$370,000, HK$380,000, HK$325,000 and HK$163,000 respectively.

   As Shenzhen Sinolink is a subsidiary of Sinolink, one of the controlling shareholders of the Company, the transactions under the various tenancy and management agreements constitute connected transactions of the Company under the Listing Rules.

In accordance with Rule 14A.33(3) of the Listing Rules, the above connected transactions, which are within the de minimis amount set out therein will be exempted from any reporting, announcement and independent Shareholders' approval requirements.

The Directors (including the independent non-executive Directors) consider that the above connected transactions have been conducted, and will be carried out, in the ordinary course of business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Shareholders as a whole.

DIRECTORS

The Company is managed by the Board which is responsible for the Company's direction and management. The Articles of Association require that there be not less than two Directors in the Company. There is no maximum number of Directors. Directors are appointed either by Shareholders at a general meeting or by the Board at any time either to fill a vacancy or as an additional director. Any Director so appointed retains office until the next annual general meeting, when he or she is eligible for re-election.

Name	Age	Position
Mr. OU Yaping	43	Chairman and executive Director
Mr. TANG Yui Man Francis	42	Vice chairman and executive Director
Mr. CHEN Wei	43	Managing Director and executive Director
Mr. LI Fujun	42	Executive Director
Mr. SHEN Lian Jin	41	Executive Director
Mr. ZHANG Keyu	46	Executive Director
Mr. FOK Kin-ning, Canning	53	Non-executive Director
Mr. TO Chi Keung, Simon	53	Alternate Director to Mr. Fok Kin-ning, Canning
Mr. CHEUNG Hon Kit	51	Independent non-executive Director
Mr. GE Ming	53	Independent non-executive Director
Mr. LI Xiao Ru	49	Independent non-executive Director

Executive Directors

Mr. Ou Yaping, aged 43, is the chairman, executive Director, founder and an indirect shareholder of the Company. He is also the chairman of Sinolink and Enerchina. He holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC and is also the vice chairman of the board and a part-time professor of that institute. He was previously employed by a number of trading companies and investment companies in the PRC and Hong Kong. Mr. Ou has over 19 years of experience in investing, trading and corporate management. Mr. Ou is responsible for the overall business development, management and strategic planning of the Company. He has been an executive Director since November 2000.

Mr. Tang Yui Man Francis, aged 42, is the vice chairman and an executive Director of the Company. Mr. Tang is also the chief executive officer and an executive director of Sinolink and an executive director of Enerchina. He holds a Bachelor's degree in Computer Studies from the University of Victoria in Canada and a Master of Business Administration degree from The City University of New York in the United States. Mr. Tang is a qualified accountant in the United States and has over 17 years of experience in management, accounting and finance. He joined the Sinolink Group in March 1998 and is responsible for corporate planning, strategic development and financial planning and management of the Company. He has been an executive Director since November 2001 and became the Company's vice chairman in July 2004.

Mr. Chen Wei, aged 43, is the managing Director of the Company. He is also an executive director of Sinolink. Mr. Chen holds a Bachelor of Engineering Management degree from the Beijing Institute of Technology in the PRC. He was previously employed by a number of other large organizations and has over 19 years of experience in engineering business administration, market development and management. Mr. Chen joined the Sinolink Group in February 1992 and is responsible for the overall development, management and strategic planning of the Company. He has been an executive Director since January 2001.

Mr. Li Fujun, aged 42, is an executive Director of the Company. He holds a Bachelor of Engineering degree from Tsinghua University and a Master of Economics degree from the University of International Business and Economics. He has 11 years of experience in project evaluation and strategic planning, investment analysis and engineering work, as well as project management and investment. Mr. Li joined the Sinolink Group in May 1994 and is responsible for strategic planning, investment and management of the gas fuel business of the Company. He has been an executive Director since January 2001. He does not take any role or assume any position in Sinolink or Enerchina.

Mr. Shen Lian Jin, aged 41, is an executive Director of the Company. He holds a Bachelor of Arts degree in Chinese language from Anhui Normal University in the PRC. Mr. Shen has 15 years of experience in operational management, business administration and market development. He joined the Company in 2000, and is responsible for brand building, development and management of the Company's projects. He has been an executive Director since April 2004. He does not take any role or assume any position in Sinolink or Enerchina.

Mr. Zhang Keyu, aged 46, is an executive Director of the Company. Mr. Zhang graduated from the South Western University of Finance and Economics in the PRC. Mr. Zhang has 18 years of experience working in the government sector of the PRC and in investment management. He joined the Company in April 2003 and is currently responsible for the development and management of the Company's natural gas pipeline projects in the PRC. He has been an executive Director since May 2003. He does not take any role or assume any position in Sinolink or Enerchina.

Non-executive Directors

Mr. Fok Kin-ning, Canning, aged 53, is a non-executive Director of the Company. He holds a Bachelor of Arts degree and is a member of the Australian Institute of Chartered Accountants. He is the group managing director of Hutchison Whampoa Limited ("Hutchison Whampoa") and a director of Cheung Kong (Holdings) Limited ("Cheung Kong") and Hutchison International Limited ("Hutchison International"). Hutchison Whampoa, Cheung Kong and Hutchison International is each a substantial shareholder of the Company within the meaning of Part XV of the SFO. In addition, he is the chairman of Hutchison Telecommunications International Limited, Hutchison Harbour Ring Limited, Hutchison Telecommunications (Australia) Limited, Hutchison Global Communications Holdings Limited, Partner Communications Company Limited and Hongkong Electric Holdings Limited, the deputy chairman of Cheung Kong Infrastructure Holdings Limited and the co-chairman of Husky Energy Inc. He has 30 years of management experience. Mr. Fok was a non-executive director of Peregrine Investments Holdings Limited ("Peregrine") from January 24, 1992 to January 12, 1998. Peregrine, an investment bank and a company incorporated in Bermuda, was put into compulsory liquidation on March 18, 1998. Mr. Fok has been a non-executive Director since December 2002. He does not take any role or assume any position in Sinolink or Enerchina.

Mr. To Chi Keung, Simon, aged 53, is an alternate Director to Mr. Fok Kin-ning, Canning, a non-executive Director of the Company. He holds a First Class honours degree in Mechanical Engineering from the Imperial College of Science and Technology (London University) and a Master's degree in Business Administration from Stanford University's Graduate School of Business. Mr. To is currently the managing director of Hutchison Whampoa (China) Limited. He joined Hutchison Whampoa (China) Limited in 1980 as the divisional manager of the Industrial Project Division and was appointed managing director in the following year. He has 30 years of management experience. Mr. To has been an alternate Director to Mr. Fok since December 2002. He does not take any role or assume any position in Sinolink or Enerchina.

Independent non-executive Directors

Mr. Cheung Hon Kit, aged 51, is an independent non-executive Director of the Company. 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, 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. As at the Latest Practicable Date, Mr. Cheung was entitled to an aggregate of 800,000 outstanding options to subscribe for Shares which were granted pursuant to the Old GEM Share Option Scheme on November 19, 2004. He does not take any role or assume any position in Sinolink or Enerchina.

Mr. Ge Ming, aged 53, is an independent non-executive Director of the Company. Mr. Ge has more than 22 years of experience in accounting and financial management. Mr. Ge holds a Master's degree in Economics from the Research Institute of Fiscal Science of the Ministry of Finance in the PRC and is a member of China Institute of Certified Public Accountants. Mr. Ge is an executive director of China Consultants of Accounting and Financial Management Inc. of CCAFM - 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 SEEC Media Group Limited. He has been an independent non-executive Director since September 2004. As at the Latest Practicable Date, Mr. Ge was entitled to an aggregate of 800,000 outstanding options to subscribe for Shares which were granted pursuant to the Old GEM Share Option Scheme on November 19, 2004. He does not take any role or assume any position in Sinolink or Enerchina.

Mr. Li Xiao Ru, aged 49, is an independent non-executive Director of the Company. 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 and his Jurist Doctor from New York University in the United States. He has worked with major international law firms in both New York and Hong Kong and became a partner of Morrison & Foerster in 2003. 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 practising international commercial law in Hong Kong and China. He has been an independent non-executive Director since April 2003. As at the Latest Practicable Date, Mr. Li was entitled to an aggregate of 800,000 outstanding options to subscribe for Shares which were granted pursuant to the Old GEM Share Option Scheme on November 19, 2004. He does not take any role or assume any position in Sinolink or Enerchina.

SENIOR MANAGEMENT

Chief financial officer and qualified accountant

Mr. Yu Man To, Gerald, aged 39, is the chief financial officer and the qualified accountant of the Company. Mr. Yu holds a Masters 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. He has over 15 years of experience in accounting, financial control and auditing. Mr. Yu joined the Group in December 2000. He does not take any role or assume any position in Sinolink or Enerchina.

Company secretary

Mr. Lo Tai On, aged 51, is the company secretary of the Company. Mr. Lo is a member of the Hong Kong Institute of Certified Public Accountants. He is also the company secretary of Sinolink and Enerchina. He has over 20 years of experience in the company secretarial field. Mr. Lo has been the company secretary of the Company since July 2004.

Senior vice presidents of Panriver Investments

Mr. Hu Qiang, aged 32, is a senior vice president of Panriver Investments. Mr. Hu holds a Bachelor of Accounting degree from Nankai University and a Master of International Finance degree from Nankai University. He has six years of experience in investment banking. Mr. Hu is also experienced in corporate finance, project appraisal and investment analysis. He joined the Group in January 2004 and is currently responsible for the strategic planning, market research, project development and project appraisal of Panriver Investments. Mr. Hu does not take any role or assume any position in Sinolink or Enerchina.

Ms. Huang Jie, aged 34, is a senior vice president of Panriver Investments. Ms. Huang holds a graduation certificate from the China Zhongnan University of Finance and a Master's degree in Business Administration from the Guanghua Management Institute of Beijing University. Ms. Huang has 11 years of experience in financial management of SOEs and WFOEs. Ms. Huang joined the Group in April 1998 and is currently responsible for the investors' relationship and coordination of the development of key regional projects of Panriver Investments. Ms. Huang does not take any role or assume any position in Sinolink or Enerchina.

Vice president and financial controller of Panriver Investments

Mr. Li Zi Hong, aged 40, is a vice president and financial controller of Panriver Investments. Mr. Li graduated from Hunan Financial Institute and has 16 years of experience in the financial management, financial audits of SOEs and foreign enterprises in the PRC. He joined the Group in March 1998, and is currently responsible for the financial audits and corporate management of Panriver Investments. Mr. Li does not take any role or assume any position in Sinolink or Enerchina.

Vice presidents of Panriver Investments

Mr. Zhu Yi Min, aged 42, is a vice president of Panriver Investments. Mr. Zhu holds a graduation certificate from Xiangtan University. He has 20 years of experience in the retail and wholesale business of petroleum gas and market management of WFOEs. Mr. Zhu joined the Group in March 1998 and is currently responsible for the management of market research, project development and project appraisals of Panriver Investments. Mr. Zhu does not take any role or assume any position in Sinolink or Enerchina.

Mr. Zhao Xu, aged 41, is a vice president of Panriver Investments. Mr. Zhao holds a Master of Engineering degree from the Dalian Institute of Technology. He has 15 years of experience in operational management of futures exchange, securities companies and project investments. He joined the Group in September 2003, and is currently responsible for the development and management of the projects of Panriver Investments. Mr. Zhao does not take any role or assume any position in Sinolink or Enerchina.

Mr. Li Feng, aged 42, is a vice president of Panriver Investments. Mr. Li holds a Bachelor of Corporate Management degree from the Beijing Institute of Technology and a Master of Corporate Management degree from the Postgraduate Institute of Beijing Institute of Technology. He has 14 years of experience in corporate operational management and administration management. He joined the Group in July 2001 and is currently responsible for the management of projects of Panriver Investments. Mr. Li does not take any role or assume any position in Sinolink or Enerchina.

Mr. Sun Wu Ying, aged 34, is a vice president of Panriver Investments. Mr. Sun holds a Bachelor of Mechanical Designs degree from the Beijing Institute of Technology. Mr. Sun has 10 years of experience in business development, retail petroleum gas business and operational management. Mr. Sun joined the Group in April 1998 and is currently responsible for the operational management and project development of Panriver Investments. Mr. Sun does not take any role or assume any position in Sinolink or Enerchina.

BOARD COMMITTEES

Audit committee

The Company established an audit committee on October 28, 2005. The audit committee has three members, all of whom are independent non-executive Directors. The chairman of the audit committee is Mr. Ge Ming.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors and provide advice and comments to the Directors.

Remuneration committee

The Company established a remuneration committee on October 28, 2005. The remuneration committee consists of four members, the majority of whom are independent non-executive Directors. The chairman of the remuneration committee is Mr. Ge Ming.

The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration package of the Directors and senior management and evaluate the retirement scheme and the Company's performance assessment system and bonus and commission policies.

Nomination committee

The Company established a nomination committee on October 28, 2005. The nomination committee consists of four members, the majority of whom are independent non-executive Directors. The chairman of the nomination committee is Mr. Ge Ming.

The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board.

COMPLIANCE ADVISER

Pursuant to the Listing Rules, the Company has appointed Tai Fook Capital Limited as its compliance adviser to assist and advise the Company in connection with the Listing Rules and applicable laws, rules, codes and guidelines. The appointment of Tai Fook Capital Limited as the Company's compliance adviser will commence on the Listing Date and end on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the financial year ending December 31, 2006.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of fees, salaries, housing allowances, other allowances, benefits in kind, contributions to the pension scheme of the five highest paid individuals or any bonuses paid by the Group to the five highest paid individuals for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005 were approximately HK$3,564,000, HK$4,183,000, HK$3,684,000 and HK$4,105,000 respectively.

The aggregate amounts of fees, salaries, housing allowances, other allowances, benefits in kind, contributions to the pension scheme of the Directors or any bonuses paid by the Group to the Directors for the years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005 were approximately HK$3,238,000, HK$3,580,000, HK$4,473,000 and HK$4,201,000 respectively.

The five highest paid individuals of the Group included three, four, five and four Directors for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005, respectively, whose aggregate remuneration has been included above.

During the Track Record Period, no remuneration was paid by the Group to, or receivable by, the Directors or five highest paid individuals as an inducement to join or upon joining the Group. No compensation was paid by the Group to or receivable by the Directors, past Directors or five highest paid individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of the Group. None of the Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable, during the Track Record Period, by the Company or any of its subsidiaries to the Directors and the five highest paid individuals.

SHARE OPTIONS

For details of the Pre-GEM Listing Share Option Scheme, the Old GEM Share Option Scheme, the New GEM Share Option Scheme, the Proposed Share Option Scheme and the outstanding options to subscribe for Shares which the Directors were entitled to as at the Latest Practicable Date, please refer to the sections headed "VII. Summary of the principal terms of the Pre-GEM Listing Share Option Scheme", "VI. Summary of the principal terms of the Old GEM Share Option Scheme", "VIII. Summary of the principal terms of the New GEM Share Option Scheme", "V. Summary of the principal terms of the Proposed Share Option Scheme" and "IX. Outstanding share options" in Appendix VII to this document.

COMPETING INTERESTS

Mr. Fok Kin-ning, Canning, a non-executive Director, is also the co-chairman of Husky Energy Inc. ("Husky"). Husky is an integrated energy and energy related company listed and based in Canada, with its operations divided into three business segments, namely (i) upstream, which includes production, development and exploration of crude oil and natural gas from Western Canada, offshore Canadian East Coast, in the South and East China Seas, offshore Indonesia and other international areas; (ii) midstream, which includes upgrading of heavy crude oil into premium quality synthetic crude oil, pipeline transportation, gas storage, cogeneration and commodities marketing including crude oil, natural gas, natural gas liquids, sulphur and petroleum coke; and (iii) refined products, which involves the refining, marketing and distribution of gasoline, diesel, asphalt, ethanol and ancillary services in Canada and the United States.

Although some of the businesses carried on by Husky are similar to the businesses carried on by the Company, Husky's operations mainly take place in North America and the South China Sea, where the Company has no operations.

According to Husky's 2004 annual report, its net earnings for the year ended December 31, 2004 after income taxes was approximately CAD1,006,000,000 (approximately HK$6,287,500,000) and net asset value (excluding minority interests) as at December 31, 2004 was approximately CAD6,478,000,000 (approximately HK$40,387,500,000). In comparison, the Company's net earnings for the year ended December 31, 2004 were approximately HK$285,368,000 and net asset value (excluding minority interests) as at December 31, 2004 was HK$1,855,288,000.

In view of the differences between the businesses of Husky and the Company in terms of size, scope and operation location, the Directors believe that Husky is not in any direct competition with the Company and that the Company is capable of carrying on its business independently of, and at arms length from, Husky.

Save as disclosed above, none of the Directors had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly with the Group's business.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons (not being a Director or chief executive of the Company) who had interests or a short position in Shares or underlying Shares which is required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who had direct or indirect interest of 10% or more in the issued share capital of the Company were as follows:

Name	**Nature of interest or capacity**	**Interest in Shares long positions/ (short positions)**	**Interest in underlying Shares pursuant to debentures**	**Aggregate interest/ (short positions)**	**Approximate percentage of the Company's issued share capital**
Asia Pacific	Interest of controlled corporation	575,806,587 (19,230,769)	—	575,806,587 (19,230,769) *(Note 1)*	61.11% (2.04%)
Sinolink	Interest of controlled corporation	570,724,987 (19,230,769)	—	570,724,987 (19,230,769) *(Note 1)*	60.57% (2.04%)
Enerchina	Interest of controlled corporation	570,724,987 (19,230,769)	—	570,724,987 (19,230,769) *(Note 1)*	60.57% (2.04%)
Kenson	Beneficial owner	401,233,462 (19,230,769)	—	401,233,462 (19,230,769) *(Notes 1 and 2)*	42.58% (2.04%)
Supreme All	Beneficial owner	169,491,525	—	169,491,525 *(Note 1)*	17.99%
Deutsche Bank Aktiengesellschaft	Beneficial owner and holder of security interest in shares	24,394,282	48,081,000	72,475,282 *(Note 3)*	7.69%
Hutchison International Limited	Beneficial owner	38,461,538	19,230,769	57,692,307 *(Note 4)*	6.12%
Hutchison Whampoa Limited	Interest of controlled corporation	38,461,538	19,230,769	57,692,307 *(Note 4)*	6.12%
Cheung Kong (Holdings) Limited	Interest of controlled corporation	38,461,538	19,230,769	57,692,307 *(Note 5)*	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 5)*	6.12%

Name	Nature of interest or capacity	Interest in Shares long positions/ (short positions)	Interest in underlying Shares pursuant to debentures	Aggregate interest/ (short positions)	Approximate percentage of the Company's issued share capital
Li Ka-Shing Unity Trustee Company Limited	Trustee	38,461,538	19,230,769	57,692,307 *(Note 5)*	6.12%
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	38,461,538	19,230,769	57,692,307 *(Note 5)*	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 5)*	6.12%
Value Partners Limited	Investment manager	48,000,000	—	48,000,000 *(Note 6)*	5.09%
Cheah Cheng Hye	Interest of controlled corporation	48,000,000	—	48,000,000 *(Note 6)*	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 58.40% by Asia Pacific. Therefore, by virtue of Part XV of the SFO, the 401,233,462 Shares and 169,491,525 Shares in which Kenson and Supreme All are interested duplicate with the interests in the Shares of Enerchina, Sinolink and Asia Pacific. Mr. Ou is the sole beneficial shareholder of Asia Pacific and is also deemed under Part XV of the SFO to have an interest in the Shares held by Kenson and Supreme All. In addition, Asia Pacific is directly interested in 5,081,600 Shares, representing approximately 0.54% of the entire issued share capital of the Company.

2. Kenson is under an obligation to transfer up to 19,230,769 Shares to Hutchison International Limited ("Hutchison International") upon full exchange of the Kenson Note held by Hutchison International in accordance with the terms and conditions of the Kenson Note.

3. Deutsche Bank Aktiengesellschaft, an independent institutional investor of the Company, is a public Shareholder and its shareholding interest in the Company forms part of the 37.77% shareholding interest held by the public.

4. Hutchison International is interested in 38,461,538 Shares and in the Kenson Note which is exchangeable into existing Shares held by Kenson at the exchange price of HK$3.25 (subject to adjustment) per Share on or before November 1, 2006. Upon full exchange of the Kenson Note at the initial exchange price, Hutchison International shall be entitled up to 19,230,769 Shares and is accordingly interested in an aggregate of 57,692,307 Shares.

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

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

   Li Ka-Shing Unity Holdings Limited ("LKS Holdings"), 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, LKS Holdings 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 is deemed to be interested in the 38,461,538 Shares and in the Kenson Note representing 19,230,769 underlying Shares both held by Hutchison International.

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

CONTROLLING SHAREHOLDERS

Sinolink, Enerchina and Enerchina's wholly-owned subsidiaries, Kenson and Supreme All, were the controlling shareholders of the Company as at the Latest Practicable Date. As at the Latest Practicable Date, Kenson was beneficially interested in 401,233,462 Shares, representing approximately 42.58% of the issued share capital of the Company, subject to the Kenson Note; and Supreme All was beneficially interested in 169,491,525 Shares, representing approximately 17.99% of the issued share capital of the Company.

Under the provisions in the Kenson Note, Hutchison International Limited as the noteholder of the Kenson Note, has the right to exchange the whole or part of the principal amount of the Kenson Note, being HK$62,500,000 into Shares at HK$3.25 per Share on or before November 1, 2006. If the Kenson Note is fully exchanged into Shares, the number of Shares held by Kenson will be reduced to 382,002,693, representing approximately 40.54% of the issued share capital of the Company.

Undertakings

Each of Kenson and Supreme All has undertaken with the Company and the Stock Exchange that, save as permitted under the Listing Rules and (in respect of Kenson) subject to the Kenson Note:

(i) for a period commencing on the Latest Practicable Date and ending on the date which is six months from the date on which dealings in the Shares on the Main Board first commence (the "First Six-Month Period"), it will not dispose of (or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of) any of the Shares which it is shown by this document to be the beneficial owner; and

(ii) for a period of six months commencing on the date on which the First Six-Month Period expires (the "Second Six-Month Period"), it will not dispose of (or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of) any of the Shares which it is shown by this document to be the beneficial owner if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, Sinolink or Enerchina would (through shareholdings in Kenson and/or Supreme All) cease to be a controlling shareholder of the Company.

Each of Sinolink and Enerchina has undertaken with the Company and the Stock Exchange that, save as permitted under the Listing Rules and subject to the Kenson Note:

(i) for a period commencing the First Six-Month Period, it will procure Kenson and Supreme All not to dispose of (or to enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of) any of the Shares which Kenson and Supreme All (as the case may be) is shown by this document to be the beneficial owner;

(ii) for the Second Six-Month Period, it will procure Kenson and Supreme All not to dispose of (or to enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of) any of the Shares which Kenson and Supreme All (as the case may be) is shown by this document to be the beneficial owner if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, Sinolink or Enerchina would (through shareholdings in Kenson and/or Supreme All) cease to be a controlling shareholder of the Company;

(iii) for the First Six-Month Period, it will not dispose of (or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of), nor permit the registered holder to dispose of (or to enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of) its direct or indirect interests in Kenson or Supreme All; and

(iv) for the Second Six-Month Period, it will not dispose of (or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of), nor permit the registered holder to dispose of (or to enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of) its direct or indirect interests in Kenson or Supreme All if immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, Sinolink or Enerchina would (through shareholdings in Kenson and/or Supreme All) cease to be a controlling shareholder of the Company.

Each of Sinolink, Enerchina, Kenson and Supreme All has further undertaken with the Stock Exchange and the Company that for the First Six-Month Period and the Second Six-Month Period, it will:

(i) when Kenson or Supreme All pledges/charges any Shares which Kenson or Supreme All (as the case may be) is shown by this document to be the beneficial owner in favour of an authorised institution as permitted under the Listing Rules, immediately inform the Company of such pledge/charge together with the number of Shares so pledged/charged; and

(ii) when Kenson or Supreme All receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged Shares will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of matters referred to in the immediate preceding paragraph by Sinolink, Enerchina, Kenson or Supreme All, and disclose such matters by way of an announcement published in the newspapers as soon as possible.

SHARE CAPITAL

Shares

The authorised and issued share capital of the Company as at the Latest Practicable Date was as follows:

Authorised:	*HK$'000*
2,000,000,000 Shares	200,000

Issued:	*HK$'000*
942,250,891 Shares	94,225

As at the Latest Practicable Date, all the existing Shares rank pari passu in all respects including as to dividends, voting and interests in capital.

Convertible Bonds

On April 23, 2003, the Company issued the Convertible Bonds in the aggregate principal amount of US$50 million. The Convertible Bonds, bearing interest at the rate of 2% per annum, are convertible into Shares at an initial conversion price of HK$3.9169 per Share (subject to adjustment) from and including June 7, 2003 up to the close of business on April 9, 2008. The Convertible Bonds were listed on the Luxembourg Stock Exchange on April 15, 2003.

Up to August 31, 2005 being the latest practicable date for the purpose of indebtedness, a total of 4,530,366 Shares had been converted from the Convertible Bonds. As at August 31, 2005, based on the adjusted conversion price of HK$3.8043 per Share, the Convertible Bonds were convertible into a maximum of 97,851,115 Shares, representing approximately 9.4% of the enlarged issued share capital of the Company.

As at the Latest Practicable Date, Enerchina, through its wholly-owned subsidiaries, Kenson and Supreme All, owns approximately 60.57% of the issued share capital of the Company. In the event of full conversion of the outstanding Convertible Bonds, the Company will remain an indirect subsidiary of Enerchina through Kenson and Supreme All, who will in aggregate hold approximately 54.87% of the enlarged issued share capital of the Company.

Share option schemes

The Company has adopted the Pre-GEM Listing Share Option Scheme, the Old GEM Share Option Scheme and the New GEM Share Option Scheme whereby employees and directors of the Group and certain other eligible persons have been or may be granted options to subscribe for Shares. As at June 30, 2005 and the Latest Practicable Date, options to subscribe for an aggregate of 43,199,000 Shares and 42,529,000 Shares respectively were outstanding pursuant to the Pre-GEM Listing Share Option Scheme and the Old GEM Share Option Scheme. The difference in the number of Shares outstanding pursuant to the options granted was the result of the lapse of options to subscribe for an aggregate of 670,000 Shares between June 30, 2005 and the Latest Practicable Date.

In connection with the Introduction and in order to comply with the provisions of the Listing Rules, the Company proposes to adopt the Proposed Share Option Scheme to replace the New GEM Share Option Scheme, conditional on, *inter alia*, the approval of the Shareholders at the Extraordinary General Meeting and the approval of the shareholders of Sinolink and Enerchina at their respective general meetings to be convened on the same day as the Extraordinary General Meeting. The Directors have confirmed that the Company will not grant any options under the New GEM Share Option Scheme prior to its termination upon obtaining approval by the Shareholders at the Extraordinary General Meeting.

The principal terms of the Pre-GEM Listing Share Option Scheme, the Old GEM Share Option Scheme, the New GEM Share Option Scheme and the Proposed Share Option Scheme are summarised under the sections headed “VII. Summary of the principal terms of the Pre-GEM Listing Share Option Scheme”, “VI. Summary of the principal terms of the Old GEM Share Option Scheme”, “VIII. Summary of the principal terms of the New GEM Share Option Scheme” and “V. Summary of the principal terms of the Proposed Share Option Scheme” respectively in Appendix VII to this document. Details of the outstanding share options granted pursuant to the Pre-GEM Listing Share Option Scheme and the Old GEM Share Option Scheme as at the Latest Practicable Date are set out in the section headed “IX. Outstanding share options” in Appendix VII to this document.

Any issue of Shares pursuant to the above will dilute the holdings of Shares by existing Shareholders. Such dilution would not be significant based on the basic earnings per Share for 2004 (being 30.41 HK cents) as it would remain substantially the same at 28.33 HK cents after adjusting for the effects of dilution assuming all the outstanding share options granted by the Company had been exercised as at the date of issuance and conversion of the Convertible Bonds.

The following table shows the changes in the share capital of the Company during the Track Record Period:

Issued and fully paid Shares	**Number of Shares**	**Approximate amount of issued share capital**
		HK$’000
Balance at January 1, 2002	500,000,000	50,000
Issued on exercise of share options *(Note 1)*	5,043,000	505
Bonus issue *(Note 2)*	100,033,000	10,003
At January 1, 2003	605,076,000	60,508
Issue of Shares on conversion of convertible note *(Note 3)*	169,491,525	16,949
Issue of Shares on conversion of the Convertible Bonds *(Note 4)*	4,530,366	453
At December 31, 2003	779,097,891	77,910
Issued on placing and subscription arrangements *(Note 5)*	155,200,000	15,520
Issued on exercise of share options *(Note 6)*	7,953,000	795
At December 31, 2004	942,250,891	94,225
At June 30, 2005	942,250,891	94,225
As at the Latest Practicable Date	942,250,891	94,225

Notes:

1. During the year ended December 31, 2002, 165,000 Shares and 4,878,000 Shares were issued upon the exercise of share options at an exercise price of HK$1.13 and HK$0.94 per Share respectively resulting in the issue of 5,043,000 Shares for a total cash consideration, before expenses, of approximately HK$4,772,000.

2. On April 26, 2002, the Company issued 100,033,000 Shares as a bonus issue of Shares on the basis of one new Share for every five existing Shares held by the Shareholders by the way of capitalizing of the sum of HK$10,003,300 standing to the credit of the share premium account of the Company.

3. On December 9, 2003, the Company issued 169,491,525 Shares upon conversion of a HK$100,000,000 convertible note by Supreme All at a conversion price of HK$0.59.

4. During the year ended December 31, 2003, 4,530,366 Shares were issued to the holders of the Convertible Bonds at the conversion price of HK$3.9169 for a total consideration of approximately HK$17,744,991.

5. On January 8, 2004, the Company issued 155,200,000 Shares pursuant to share placing and subscription agreements whereby Sinolink placed 155,200,000 existing Shares to independent investors at HK$4.00 per Share and subscribed for the same number of new Shares issued by the Company at the same price per Share. The net proceeds from the issue of Shares were used for further development of the Group's business and for general working capital purposes.

6. On January 6, 2004 and May 25, 2004, the Company issued 5,770,000 Shares and 2,183,000 Shares for cash at the exercise price of HK$0.475 and HK$0.94 per Share respectively as a result of the exercise of share options. The net proceeds from the issue of Shares were used for general working capital purposes.

All the Shares which were issued rank pari passu with the then existing Shares in all respects.

GENERAL MANDATES TO ISSUE NEW SHARES AND REPURCHASE SHARES

At the Company's annual general meeting held on April 26, 2005, the Directors were granted general unconditional mandates to:

(i) allot, issue and deal with additional Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution on April 26, 2005;

(ii) repurchase such number of Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution on April 26, 2005; and

(iii) extend the general mandate granted to the Directors to allot, issue and deal with additional Shares as mentioned in paragraph (i) above by the amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the general mandate granted to the Directors as mentioned in paragraph (ii) above.

The above general mandates do not apply to situations where the Directors allot, issue or deal with Shares under (i) a rights issue; (ii) the grant or exercise of any option under any share option scheme of the Company or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or its subsidiaries of Shares or rights to acquire Shares; (iii) a scrip dividend or similar arrangement; or (iv) the exercise of rights of subscription or conversion of existing securities of the Company which carry rights to subscribe for or are convertible into Shares.

These general mandates will expire:

(i) at the end of the Company's next annual general meeting;

(ii) at the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles of Association to be held; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

PROPOSED NEW GENERAL MANDATES TO ISSUE SHARES AND REPURCHASE SHARES

Since the existing general mandates to issue Shares and repurchase Shares referred to above make specific references to GEM and in light of the Introduction, the Directors propose to seek the approval of the Shareholders at the Extraordinary General Meeting to grant to the Directors new general mandates to issue Shares and repurchase Shares which will supersede the existing general mandates. The proposed new general mandates have similar terms to the existing general mandates save that:

(i) the new general mandates cater for the situation that the Shares are listed on GEM or the Main Board; and

(ii) the maximum aggregate nominal amount of the Shares that may be issued and repurchased under the new general mandates will be determined on the basis of the aggregate nominal amount of the Shares in issue as at the end of the Extraordinary General Meeting (instead of the date of the last annual general meeting of the Company which was on April 26, 2005).

The Directors do not have any present intention to exercise the existing general mandates prior to the Listing Date. For further details of the proposed new general mandates, please refer to the circular of the Company dated November 4, 2005.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Group's consolidated financial statements and historical consolidated financial data, in each case together with the accompanying notes, set out in the accountants' report of the Group in Appendix I to this document. The audited consolidated financial statements were prepared in accordance with HK GAAP. The following discussion contains certain forward-looking statements that involve risks and uncertainties. The Group's future results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, without limitation, those discussed in the sections headed "Risk Factors" and "Business" and elsewhere in this document.

OVERVIEW

The Group is principally engaged in the sale and distribution of LPG in Anhui, Guangdong, Guizhou, Hunan, Jiangsu, Jilin and Yunnan provinces and gas pipeline construction and piped gas distribution primarily in Anhui, Guangdong, Jiangsu, Jilin, Shandong and Sichuan provinces. The Group's principal operational activities are currently conducted through 30 operating subsidiaries and two associated companies, 11 of which are primarily engaged in the bulk and retail sale of LPG and associated sales of household gas products, 14 of which are engaged in the provision of piped gas and/or the related construction of gas pipelines, and five of which are primarily engaged in both business areas. The Group is also engaged in the provision of retail natural gas through two operating subsidiaries but such operations are insignificant to the Group as a whole.

The Group's principal business is divided into three segments:

- the LPG business, divided into bulk sales of LPG and retail sales of LPG;
- the piped gas business, divided into the provision of piped gas and gas pipeline construction; and
- sales of household gas products.

The Group had turnover of HK$1,150.3 million, HK$1,457.6 million, HK$1,800.3 million, HK$848.6 million and HK$958.1 million for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 respectively.

The Group's operations are located in the PRC, which is currently undergoing a period of high economic development, urbanization and improvement in living standards, which the Group believes is driving demand for its products in those regions where the Group operates. In particular, the Group expects its piped gas business to benefit from the growing urbanization of China's population. The PRC Government has in recent years encouraged consumers to rely more on natural gas (to the extent that natural gas is available to the area) and LPG as part of a push to accelerate the conversion to "clean" fuels. Most of the Group's customers use the Group's LPG and natural gas products for general purposes such as cooking and boiling hot water.

Penetration rates for natural gas are still relatively low in the PRC compared to more developed markets, and the Group plans to expand its piped gas business into new markets that it believes offer economic opportunity. The Group expects that as its customers' standard of living and purchasing power continue to increase, they will begin using gas for new applications, such as powering washing machines and tumble dryers, which it believes will drive demand in existing markets.

In 2004, 70.6% of the Group's turnover was derived from the provision of LPG (compared to 75.5% in 2003 and 82.7% in 2002). In the six months ended June 30, 2005, 70.5% of the Group's turnover was derived from the provision of LPG (compared to 76.6% in the same period in 2004). Although the Group's bulk LPG sales presently account for most of this amount, the retail LPG business offers higher margins and the Group has made a strategic decision to focus on growing this part of its LPG business rather than the sale of bulk LPG. Over the next five to ten years, the Group expects that sales of retail LPG will continue to grow as a proportion of the Group's turnover.

The Group's piped gas business accounted for 27.7% of the Group's turnover in 2004 (compared to 24.0% in 2003 and 15.8% in 2002). In the six months ended June 30, 2005, the Group's piped gas business accounted for 26.5% of the Group's turnover (compared to 21.7% in the same period in 2004). Most of this turnover was derived from connection fees, which are one-time charges paid by new customers to connect gas pipelines to their homes. Once the customers are connected, the Group provides piped gas to these customers for an agreed price. It is possible that the current connection fees in the Group's existing piped gas markets will be reduced by local governments, which would have a negative impact on the Group's results of operations. In addition, because connection fees are charged only once to each customer, it is possible that they will eventually decline as a proportion of total revenue in the Group's markets as those markets become saturated, a trend that is likely to be offset somewhat by continued population growth in those markets.

The Group believes that because penetration rates in its existing piped gas markets are still relatively low, and because it has planned to expand its piped gas business into new markets, connection fees will continue to provide the Group with an important source of revenue for the foreseeable future. As connection fees decrease in importance over the long term, the Group expects that profitability in its piped gas business will increasingly be driven by sales of piped gas to existing customers. Although currently a relatively small part of the Group's piped gas business, piped gas sales have relatively high margins and the Group anticipates that the volume of piped gas it sells will increase significantly as its customer base expands.

CRITICAL ACCOUNTING POLICIES

Preparation of the individual and consolidated financial statements requires the Company to make estimates and judgments in applying its critical accounting policies which have a significant impact on the consolidated results of the Company reported in its consolidated financial statements. The Company bases its estimates on historical experience and other assumptions which it believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions. The Company has identified below the accounting policies that are most critical to its consolidated financial statements.

Revenue recognition

The Company recognizes its revenue from the sale of services when the services are rendered. Revenue from sales of goods is recognised on the transfer of risk and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed. Interest income is recognised on a time proportion basis taking into account the principal amounts outstanding and the effective interest rates applicable. In particular, the bases of recognition of revenue of individual divisions of the Company are as follows:

- Sales of goods are recognised when goods are delivered and title has been passed.
- Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.
- Gas pipelines construction revenue is recognised when the outcome of a gas connection contract can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably. Revenue from gas connection contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that is probable to be recoverable.

Goodwill

For each acquisition made by the Group, the Company recognizes the consideration as set out in the respective sale and purchase agreement when the amount of consideration is probable and can be reliably estimated. The excess of the cost of investments, including the consideration and the incidental costs in relation to the acquisition translation, over the fair value of the Company's share of the net assets of the acquired subsidiary, jointly controlled entity or associated company at the date of acquisition is classified as goodwill. Goodwill is tested annually for impairment, as well as when there are indications of impairment.

Impairment of assets

At each balance sheet date, the impairment of each tangible and intangible asset of the Company is assessed. The Company will first consider whether there are external or internal factors indicating potential impairment. If such indication exists, the recoverable amount of the relevant asset, being the higher of net realizable value or the value in use, is estimated. The excess of carrying value over the estimated recoverable amount of the relevant asset is the amount impaired. The impairment loss will be charged as an expense to the profit and loss account.

Financial Instruments

Investments have been classified into available-for-sale financial assets, financial assets at fair value through profit or loss and loans and receivables (which include bank deposits and cash and cash equivalents). The classification depends on the purpose for which the investments were held. For debt securities and bank deposits with embedded derivatives for yield enhancement, where the economic characteristics and the risks of such derivatives are not closely related to the bank deposits and debt securities, all such bank deposits, debt securities and the embedded derivatives are designated as financial assets at fair value through profit or loss and with changes in fair value recognized in the profit and loss account. Interest income for financial assets at fair value through profit or loss is included as net realized and unrealized gains/(losses) and interest income of financial assets at fair value through profit or loss.

RESULTS OF OPERATIONS

The following tables set forth the consolidated income statements for the three years ended December 31, 2004 and the six months ended June 30, 2004 and 2005, as well as selected consolidated balance sheet information as of December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005.

Consolidated income statements

	Year ended December 31			Six months ended 30 June	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Turnover	1,150,322	1,457,632	1,800,253	848,634	958,053
Cost of sales	(888,427)	(1,073,289)	(1,353,382)	(677,218)	(733,017)
Gross profit	261,895	384,343	446,871	171,416	225,036
Other operating income	12,118	12,874	38,066	2,248	28,592
Distribution expenses	(27,015)	(35,541)	(40,086)	(19,440)	(22,901)
Administrative expenses	(53,465)	(66,418)	(85,441)	(35,232)	(60,160)
Other operating expenses	(1,818)	(1,134)	(2,655)	(1,574)	(823)
Profit from operations	191,715	294,124	356,755	117,418	169,744
Gain on partial disposal of interest in a subsidiary	—	541	2,433	2,433	—
Loss on disposal of subsidiaries	—	(788)	(374)	—	—
Finance costs	(6,691)	(14,846)	(27,099)	(5,155)	(37,860)
Share of results of associates	—	—	83	—	28,561
Profit before taxation	185,024	279,031	331,798	114,696	160,455
Taxation	(8,545)	(22,875)	(19,711)	(6,206)	(16,055)
Profit for the year/period	176,479	256,156	312,087	108,490	144,390
Attributable to:					
Equity holders of the parent	139,235	213,947	285,368	95,699	128,249
Minority interests	37,244	42,209	26,719	12,791	16,141
	176,479	256,156	312,087	108,490	144,390
	HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per Share *(Note)*					
Basic	23.08	34.77	30.41	10.24	13.61
Diluted	18.75	31.05	28.33	9.44	12.75

Note: Please refer to note 11 in the accountants' report set out in Appendix I to this document for the basis of calculation of the basic and diluted earnings per Share.

Selected consolidated balance sheet information

	As of December 31			As of June 30
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	381,350	641,715	1,248,817	2,125,415
Current assets	334,614	804,377	2,726,852	2,124,033
Current liabilities	127,982	209,318	248,454	474,170
Net current assets	206,632	595,059	2,478,398	1,649,863
Total assets less current liabilities	587,982	1,236,774	3,727,215	3,775,278
Capital and reserves	278,736	643,732	1,522,214	1,558,248
Minority interests	213,835	262,828	333,074	355,615

DISCUSSION OF SEGMENTAL RESULTS

LPG business

The Group has historically focused on bulk and retail sales of LPG. Bulk sales of LPG comprised 61.7%, 51.9%, 47.7%, 55.3% and 43.7% of the Group's turnover for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 respectively, while retail sales comprised 21.0%, 23.6%, 22.9%, 21.3% and 26.8% of its turnover respectively in the same periods. Since 2002, the Group's LPG strategy has been to increase the relative share of its higher margin retail LPG business, while continuing to support its core bulk LPG operations. The Group does not enjoy exclusive distribution rights in any of the markets where it sells LPG.

The Group obtains its LPG principally from Sinopec, and, to a lesser extent, from certain other suppliers and LPG importers. The Group believes that the prices for LPG at the source are principally based on supply and demand and vary by region. The Group is exposed to market risk for fluctuations in source prices of LPG used in its bulk and retail LPG business. For details, please refer to the section headed "Risk Factors — Risks relating to the Group's industry — The market for LPG is volatile, and the Group may not always be able to successfully pass along increases in the market price of LPG" in this document. In addition, the maximum selling prices of retail sales of LPG are generally subject to price controls by the respective local pricing bureaus. For details see the section headed "Risk Factors — Risks relating to the Group's industry — The Group is subject to price controls in certain markets, which limit its flexibility to raise or set prices and pass along cost increases" in this document. Typically, the Group keeps approximately seven to 10 days of inventory of LPG in its storage facilities to ensure a steady supply for both its bulk and retail LPG customers.

Bulk sales of LPG. Bulk sales of LPG provide a relatively stable source of turnover for the Group. As of June 30, 2005, the Group had bulk LPG operations located in 15 cities or counties in the PRC. The Group's customers are typically industrial users and retail LPG distributors. None of the Group's bulk LPG customers accounted for more than 3.0% of the Group's bulk LPG sales in each of the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005. The Group believes that demand for bulk LPG is relatively stable, in part because LPG-fueled equipment typically cannot operate on another fuel source.

Pricing and margins for bulk LPG are significantly lower than for retail LPG. The Group's sale price for bulk LPG is based primarily on the price obtained from the Group's suppliers. The Group gives certain of its bulk LPG customers, principally those with whom it has longer business relationships, volume discounts. The Group generally receives full payment in advance of filling orders for bulk LPG; however, the Group provides short-term interest-free credit to certain preferred bulk LPG customers. Orders are generally placed and filled on the same day.

Retail sales of LPG. Retail sales of LPG have provided the Group with an increasingly steady source of turnover in recent years. As at the Latest Practicable Date, the Group's operating subsidiaries and associated companies serviced customers through over 270 retail shops and LPG filling stations. The Group has retail LPG operations in 15 cities or counties in the PRC.

The Group's retail customers are typically household users, business and commercial users such as restaurants, hotels and factories, and cylinder LPG resellers. None of the Group's retail LPG customers accounted for more than 1.0% of the Group's LPG sales in each of the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005. The Group believes that demand for retail LPG is relatively stable over time, in part because LPG-fueled appliances and machines typically cannot operate on another fuel source. The Group also believes that household users of retail LPG are relatively less price-sensitive than commercial users. Another factor affecting the stability of demand is that retail LPG is stored and transported in canisters, which require the payment of a substantial deposit, which in turn makes it uneconomical for household users to purchase additional LPG in advance to take advantage of lower market prices.

The Group's sale price for retail LPG is based primarily upon the price obtained from the Group's suppliers and market factors, subject to price controls by the local pricing bureau. The LPG cylinders are owned by the Group and customers are required to pay a deposit when purchasing LPG in cylinders. In addition, the Group charges a small delivery fee for home delivery of the cylinders. The Group generally gives volume discounts to customers who wish to purchase retail LPG in large quantities, although such volume retail orders are typically filled at the Group's filling stations or bulk LPG facilities rather than at the Group's retail shops. Agreements with such buyers may be entered in advance, although the price of LPG can only be determined at the time of purchase. Turnover from these orders is included in the Group's retail sales of LPG segment. Pricing and margins for retail LPG are significantly higher than for bulk LPG.

The Group receives full payment in advance of, or at the time of, making delivery of retail LPG, except for buyers of LPG in large quantities, who may pay by monthly payment. Orders at LPG retail shops are typically paid in cash. Telephone orders received for retail LPG are generally delivered on the same day.

Piped gas business

The Group has provided piped gas to customers since 1999. In 2001, China began permitting foreign investors to operate city-wide piped gas networks. In response to this development, the Group began to significantly expand its piped gas business and to engage in related gas pipeline construction activities. As at the Latest Practicable Date, the piped gas business of the Group and its associated companies had customers in 16 cities or counties in Anhui, Guangdong, Jiangsu, Jilin, Shandong and Sichuan provinces.

Provision of piped gas. Provision of piped gas represented 1.3%, 2.1%, 3.7%, 4.0% and 5.7% of turnover for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 respectively. As of June 30, 2005, the Group had 19 piped gas operations in 16 cities or counties and three small districts in the PRC.

Of the 16 piped gas operations of the Group and its associated companies in cities or counties, eleven provide natural gas, two provide both LPG and SNG (the cities where natural gas is not piped are expected to fully convert to natural gas once a piped natural gas supply becomes available), two provide only LPG and one provides natural gas, coal gas and LPG. The piped gas operations of the Group in three small districts provide LPG only. Except for the operations in Foshan and the small districts, the terms of the Group's existing piped gas projects include 30-year local government concessions for the exclusive supply of piped gas and the exclusive right to operate and expand city piped gas networks in a city or county or a specified area within a city or county. Due to a recent change in PRC regulations, all such contracts that the Group enters into after May 1, 2004 will limit such local government concessions to no more than 30 years.

The price of piped gas is set from time to time by the Group, subject to approval by the PRC Government. The Group obtains its natural gas from PetroChina and Sinopec. Natural gas source prices are regulated by the PRC Government and vary by region. The Group obtains LPG used in its piped gas operations from various suppliers, and pays prices based on factors described in the section headed "Financial Information — Discussion of segmental results — LPG Business" in this document. In the event of moderate natural gas source price increases, the Group may elect not to apply for a corresponding price increase. The Group is exposed to market risk for fluctuations in source prices of natural gas, SNG and LPG used in its piped gas business. For details, please refer to the sections headed "Risk factors — Risks relating to the Group's industry — The Group is subject to price controls in certain markets, which limit its flexibility to raise or set prices and pass along cost increases" and "— The market for LPG is volatile, and the Group may not always be able to successfully pass along increases in the market price of LPG".

Gas pipeline construction. In connection with the expansion of its piped gas business and pursuant to the terms of its piped gas agreements, the Group began in 2001 to engage in related gas pipeline construction activities. Using primarily third party contractors, the Group through its piped gas operations has constructed and is operating a total of 16 pipeline networks since 2002. Gas pipeline construction represented 14.5%, 21.9%, 24.0%, 17.8% and 20.8% of the Group's turnover for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 respectively. The Group's gas pipeline construction turnover is mainly comprised of connection fees paid by property developers or households on a "per connection" basis and, to a lesser extent, of additional charges for piped gas equipment installed in the premises of the ultimate piped gas user.

Connection fees are one-off charges for basic access to piped gas, with fees relating to usage assessed separately. The 30-year local government concessions described above also apply to the Group's connection fees. The Group's connection fees, which typically range from RMB2,000 to RMB3,500, are approved by the respective local governments. The price of piped gas equipment installed in users' premises, is not subject to government approval and is typically set on a cost-plus-margin basis.

The Group typically receives a deposit in respect of each connection fee. For buildings under development, the Group generally issues progress bills to the developers during construction, but it may also request for half of the aggregate connection fees to be paid once an agreement with the property developer has been signed. The Group may experience a delay in payment until completion of the respective property by the developer. For each connection, the Group generally records revenue for the entire connection fee according to the percentage of such connection completed. The Group records revenue, and a corresponding expense, in the full amount for piped gas equipment installed in the premises of the ultimate piped gas user. The Group also records a depreciation expense representing the amortized amount of the capitalized cost of gas pipelines as an expense under cost of sales. The Group capitalizes the cost of construction of the trunk line, the district network and estate network. Because the Group only expenses the portion of the gas pipeline infrastructure installed in the premises of the piped gas end users, the cost of sales attributable to its gas pipeline construction business reflects only this limited portion of the piped gas infrastructure. Depreciation charge on the capitalised cost of pipeline infrastructure is included as part of the cost of sales of the provision of piped gas business and not in the cost of sales of the gas pipelines construction business. As a result, the Group's gross margins of its gas pipeline construction business tend to be relatively high compared to its other businesses.

The relatively high margins the Group earns on connection fees mean that the Group's overall operating margins are significantly affected by its piped gas businesses. Any fluctuation in the operating results of the subsidiaries engaging in pipeline construction would significantly affect the Group's reported operating profit. The Group believes its ability to maintain or increase its current growth levels depends in large part on its ability to continue to add customers and to receive connection fees in its existing piped gas markets as well as on its ability to enter new piped gas markets in the future.

Each of the piped gas networks acquired by the Group from SOEs has inherited the existing connection fee structure that had previously been granted to the acquired state-owned piped gas operator. There can be no assurance that the current connection fees in the Group's existing piped gas markets will continue to be allowed by local governments, or that governments in new piped gas markets will approve connection fees comparable to those currently charged by the Group in its existing markets. In addition, because connection fees are charged only once to each customer, they will eventually decline in the Group's markets as those markets become saturated, a trend that is likely to be offset somewhat by continued population growth in those markets. The Group believes that because penetration rates in its existing markets are still relatively low, and because it plans to expand its piped gas business into new markets, connection fees will continue to provide the Group with an important source of revenue for the next five to 10 years before those markets reach capacity. Eventually, the Group expects turnover from the provision of piped gas to surpass turnover from connection fees by a significant margin.

Sale of household gas products

Sale of household LPG, natural gas and SNG gas products, such as cooking equipment and other appliances which the Group sells through its retail shops, represented 1.5%, 0.5%, 1.7%, 1.6% and 3.0% of turnover in 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 respectively. The Group sources such products from third party manufacturers.

Results of Operations

Turnover

The following table sets forth, for the periods indicated, the Group's turnover by business line in Hong Kong dollars and as a percentage of total turnover:

	Year ended December 31						Six months ended June 30			
	2002		2003		2004		2004		2005	
							(unaudited)			
	HK$'000	% of total turnover	HK$'000	% of total turnover	HK$'000	% of total turnover	HK$'000	% of total turnover	HK$'000	% of total turnover
Turnover										
Bulk sales of LPG	710,241	61.7%	756,264	51.9%	858,589	47.7%	469,035	55.3%	418,944	43.7%
Retail sales of LPG	241,798	21.0%	343,738	23.6%	412,498	22.9%	181,198	21.3%	256,117	26.8%
Provision of piped gas	14,713	1.3%	30,379	2.1%	66,467	3.7%	33,747	4.0%	54,833	5.7%
Gas pipeline construction	166,482	14.5%	319,760	21.9%	431,589	24.0%	150,743	17.8%	199,197	20.8%
Sale of household gas products	17,088	1.5%	7,491	0.5%	31,110	1.7%	13,911	1.6%	28,962	3.0%
Total	1,150,322	100.0%	1,457,632	100.0%	1,800,253	100.0%	848,634	100.0%	958,053	100.0%

Cost of sales and gross profit margin

The following tables set forth, for the periods indicated, the Group's cost of sales by business line in Hong Kong dollars and the Group's gross profit margin by business line.

	Year ended December 31			Six months ended June 30	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Cost of sales					
Bulk sales of LPG	643,435	700,837	832,035	458,403	405,950
Retail sales of LPG	208,286	290,528	363,449	154,878	229,848
Provision of piped gas	10,502	20,348	52,181	29,549	42,874
Gas pipeline construction	15,520	55,298	81,294	26,512	38,625
Sale of household gas products	10,684	6,278	24,423	7,876	15,720
Total	888,427	1,073,289	1,353,382	677,218	733,017

	Year ended December 31			Six months ended June 30	
	2002	2003	2004	2004	2005
				(unaudited)	
Gross profit margin					
Bulk sales of LPG	9.4%	7.3%	3.1%	2.3%	3.1%
Retail sales of LPG	13.9%	15.5%	11.9%	14.5%	10.3%
Provision of piped gas	28.6%	33.0%	21.5%	12.4%	21.8%
Gas pipeline construction	90.7%	82.7%	81.2%	82.4%	80.6%
Sale of household gas products	37.5%	16.2%	21.5%	43.4%	45.7%
Overall gross profit margin	22.8%	26.4%	24.8%	20.2%	23.5%

REVIEW OF HISTORICAL OPERATING RESULTS

The following discussion is based on the Group's historical results of operations. As a result of the factors discussed above, such results of operations may not be indicative of the Group's future operating performance.

Turnover represents sales of goods at invoiced value to customers, net of returns and discounts. Sales of goods are recognized when goods are delivered and title has been passed. Gas pipeline construction revenue is recognized when the outcome of a gas connection contract can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably. Revenue from gas connection contracts is recognized on the percentage of completion method because such contracts are long term construction contracts, measured by reference to the value of work carried out during the period.

In practice, at the end of each reporting period, management of the Group ascertains how many pipeline construction works are still in progress and, as each period has its own contract and budget, what percentage of the overall budgeted cost has been incurred on each such contract. The Group recognizes the same percentage of revenue for such contract in that period. Most of the Group's customers for its pipeline connection services are property developers and SOEs who are party to the contract for the pipeline project and who have agreed to pay the connection fees upon completion pursuant to the applicable contract. The Group's management does not consider that it exercises significant discretion or judgment in applying its revenue recognition policy in its pipeline construction business, and the Group has in the past received the full revenue amounts owed to it by its pipeline connection customers upon completion of the connection contracts. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognized only to the extent of contract cost incurred that is likely to be recoverable.

Cost of sales primarily represents the cost of purchase of natural gas and LPG from suppliers. Cost of sales also includes other direct expenses including depreciation of assets directly involved in the Group's operations, transportation costs for gas purchased from suppliers, wages and salaries, sales commissions and rent and the costs of household gas products and gas pipeline equipment for which title passes to customers.

Distribution expenses include costs associated with wages, benefits and salaries for shopkeepers and distribution personnel, transportation of LPG from filling stations to retail outlets, sales commissions, advertising and promotion and other distribution costs. Distribution expenses also include depreciation of assets used to transport LPG to the Group's bulk and retail LPG outlets. Distribution expenses have increased as the Group's business has grown and will likely continue to increase as the Group further expands its business.

Administrative expenses primarily include wages, salaries and benefits for administrative personnel. Administrative expenses also include depreciation of the Group's administrative facilities. Administrative expenses have increased as the Group's business has grown and will likely continue to increase as the Group further expands its business.

Investment income represents the interest earned on the Group's bank deposits.

Taxation includes tax payable by the Group in the PRC. The Cayman Islands levies no tax on income of the Group. The Company is subject to Hong Kong tax on Hong Kong-source income, but has not had any Hong Kong-source income to date. Tax is calculated on an operating subsidiary basis. Most of the Group's PRC subsidiaries are, or have been, entitled to PRC foreign-invested enterprise income tax holidays for the first two years commencing from their first profit-making year of operation. Thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years.

In compliance with the requirements under the GEM Listing Rules, the Company announced its second quarterly results on August 12, 2005 which includes audited financial information of the Group for the year ended December 31, 2004 and unaudited financial information of the Group for the six months ended June 30, 2005. Certain financial information of the Group included in the consolidated balance sheet as at December 31, 2004 and June 30, 2005 respectively and in the consolidated cash flow statement for the six months period ended June 30, 2005 in the results announcement differ from the audited financial information in the accountants' report of the Group set out in Appendix I to this document. Details of the differences and reconciliation of the differences will be disclosed in an announcement of the Company of the same date as this document.

Six months ended June 30, 2005 compared to six months ended June 30, 2004

Results of operations. Turnover increased approximately 12.9%, to HK$958.1 million in the six months ended June 30, 2005 from HK$848.6 million in the same period in 2004. The Group's gross profit margin increased to 23.5% in the six months ended June 30, 2005 from 20.2% in the same period in 2004. The increase in gross profit margin was primarily attributable to increases in the proportion of turnover attributable to the pipeline construction business, which generally has higher margins than the Group's other business segments. Profit attributable to the equity holders of parent increased 34.0% to HK$128.2 million in the six months ended June 30, 2005 from HK$95.7 million in the same period in 2004.

Turnover. Turnover increased 12.9%, to HK$958.1 million in the six months ended June 30, 2005 from HK$848.6 million in the same period in 2004, primarily as a result of increases in the price and sales volumes of both retail LPG and piped gas and increases in the number of households connected to gas pipeline networks operated by the Group. Turnover from bulk sales of LPG decreased 10.7%, to HK$418.9 million in the six months ended June 2005 from HK$469.0 million in the same period in 2004, primarily due to a supplier of the Group undergoing a regular maintenance overhaul resulting in less LPG being available for sale during the period. The increase in turnover was slower than in prior periods due to the decline in turnover from bulk sales of LPG as well as slower growth in the rate of pipeline construction.

Turnover from retail sales of LPG increased 41.3%, to HK$256.1 million in the six months ended June 30, 2005 from HK$181.2 million in the same period in 2004, primarily due to increases in the price of LPG and the volume of retail LPG sold. The price of LPG increased in response to the increased cost of LPG caused by higher market prices for crude oil. The volume of retail LPG sold increased mainly due to an increase in the number of users during the year as a result of the Group's strategic focus during that period on increasing market share through enhanced services, and an emphasis on branding rather than competing on price.

Turnover from the provision of piped gas increased 62.6%, to HK$54.8 million in the six months ended June 30, 2005 from HK$33.7 million in the same period in 2004, as a result of increases in the number of households connected as well as a general increase in the consumption of piped gas.

Turnover from gas pipeline construction increased 32.2%, to HK$199.2 million in the six months ended June 30, 2005 from HK$150.7 million in the same period in 2004, due to increased revenue from connection fees, resulting from increases in the number of households connected to the Group's existing natural gas pipeline networks and an increase in the number of gas pipeline projects.

Turnover from sales of household gas products increased 108.6%, to HK$29.0 million in the six months ended June 30, 2005 from HK$13.9 million in the same period in 2004, primarily because of additional operating subsidiaries acquired during the year and an increase in the number of customers connected to gas pipelines during the year.

Cost of sales and gross profit. Cost of sales increased 8.2%, to HK$733.0 million in the six months ended June 30, 2005 from HK$677.2 million in the same period in 2004, due to the increased cost of LPG.

Gross profit increased 31.3%, to HK$225.0 million in the six months ended June 30, 2005 from HK$171.4 million in the same period in 2004, largely as a result of increases in the price and sales volumes of LPG and an increase in the sales volumes of piped gas, as well as an increase in the number of households connected to the Group's gas pipeline networks. Gross profit margin increased from 20.2% at six months ended June 30, 2004 to 23.5% in the same period in 2005 as a result of increases in the proportion of turnover attributable to the pipeline construction business, which generally has higher margins than the Group's other business segments.

Distribution expenses. Distribution expenses increased 18.0%, to HK$22.9 million in the six months ended June 2005 from HK$19.4 million in the same period in 2004, as the Group's business expanded. Specifically, commission payments paid to staff increased 20.5%, from HK$4.4 million in the six months ended June 30, 2004 to HK$5.3 million in the six months ended June 30, 2005, and wages, benefits and salaries increased 14.5%, from HK$6.9 million in the six months ended June 30, 2004 to HK$7.9 million in the six months ended June 30, 2005.

Administrative expenses. Administrative expenses increased 71.0%, to HK$60.2 million in six months ended June 30, 2005 from HK$35.2 million in the same period in 2004, primarily because amortisation of share option expenses increased from nil in the six months ended June 30, 2004 to HK$10.0 million in the six months ended June 30, 2005 in connection with share options granted in November 2004, depreciation expense increased 218.5%, from HK$2.7 million in the six months ended June 30, 2004 to HK$8.6 million in the six months ended June 30, 2005 and wages, benefits and salaries increased 35.6%, from HK$13.2 million in the six months ended June 30, 2004 to HK$17.9 million in the six months ended June 30, 2005.

Finance costs. Finance costs increased 628.9%, to HK$37.9 million in the six months ended June 30, 2005 from HK$5.2 million in the same period in 2004, primarily as a result of finance costs incurred in connection with servicing the Guaranteed Senior Notes and the Convertible Bonds as well as HK$4.8 million incurred in connection with interest rate swaps.

Profit before taxation. Profit before taxation increased 39.8%, to HK$160.4 million in the six months ended June 30, 2005 from HK$114.7 million in the same period in 2004.

Taxation. Taxation increased 159.7%, to HK$16.1 million in the six months ended June 30, 2005 from HK$6.2 million in the same period in 2004, as a result of the expiration of tax relief periods at a number of operating subsidiaries and an increase in the number of operating subsidiaries.

Profit attributable to the equity holders of parent. Profit attributable to the equity holders of parent increased 34.0%, to HK$128.2 million in the six months ended June 30, 2005 from HK$95.7 million in the same period in 2004. Profit margin attributable to the equity holders of parent increased slightly from 11.3% for the six months ended June 30, 2004 to 13.4% in the same period in 2005. The 35.1% increase in diluted earnings per Share, to HK cents 12.75 in the six months ended June 30, 2005 from HK cents 9.44 in the same period in 2004, was largely due to increases in turnover, gross profit and share of results of associates.

Year ended December 31, 2004 compared to year ended December 31, 2003

Results of operations. Turnover increased approximately 23.5%, to HK$1,800.3 million in 2004 from HK$1,457.6 million in 2003. The Group's gross profit margin decreased to 24.8% in 2004 from 26.4% in 2003. The decrease in gross profit margin was primarily attributable to an increase in direct expenses resulting mainly from an increase in depreciation expense of 203.4% and an increase in salaries and wages of operational personnel of 94.6%, largely as a result of the growth in the Group's business across all business lines as well as a general increase in the cost of LPG in response to higher market prices for crude oil. Profit attributable to the equity holders of parent increased 33.4%, to HK$285.4 million in 2004 from HK$213.9 million in 2003.

Turnover. Turnover increased 23.5%, to HK$1,800.3 million in 2004 from HK$1,457.6 million in 2003, primarily as a result of increases in the price and sales volumes of both LPG and piped gas and increases in the number of households connected to gas pipeline networks operated by the Group. Turnover from bulk sales of LPG increased 13.5%, to HK$858.6 million in 2004 from HK$756.3 million in 2003, primarily due to increases in the price of LPG and an increase in the volume of bulk LPG sold.

Turnover from retail sales of LPG increased 20%, to HK$412.5 million in 2004 from HK$343.7 million in 2003, primarily due to increases in the price of LPG and an increase in the volume of retail LPG sold. The price of LPG increased in response to the increased cost of LPG caused by higher market prices for crude oil. The volume of retail LPG sold increased mainly due to an increase in the number of users during the year as a result of the Group's strategic focus during that period on increasing market share through enhanced services and an emphasis on branding rather than competing on price.

Turnover from the provision of piped gas increased 118.8%, to HK$66.5 million in 2004 from HK$30.4 million in 2003, as a result of increases in the number of gas pipeline networks operated by the Group and continued build-out of the Group's existing networks.

Turnover from gas pipeline construction increased 35.0%, to HK$431.6 million in 2004 from HK$319.8 million in 2003, due to increased revenue from connection fees, resulting from increases in the number of households connected to the Group's existing natural gas pipeline networks and an increase in the number of gas pipeline projects.

Turnover from sales of household gas products increased 314.7%, to HK$31.1 million in 2004 from HK$7.5 million in 2003, primarily because of additional operating subsidiaries acquired during the year and an increase in the number of customers connected to gas pipelines during the year.

Cost of sales and gross profit. Cost of sales increased 26.1%, to HK$1,353.4 million in 2004 from HK$1,073.3 million in 2003, due to a 16.6% increase in the cost of gas supplied, primarily because of an increase in the cost of LPG in response to higher market prices for crude oil and an increase in the volume of LPG and piped gas supplied, as well as a 47% increase in gas pipeline construction costs, and an increase in direct expenses resulting mainly from an increase in depreciation expense of 203.4% and an increase in salaries and wages of operational personnel of 94.6%, largely as a result of the growth in business across all business lines.

Gross profit increased 16.3%, to HK$446.9 million in 2004 from HK$384.3 million in 2003, largely as a result of increases in the price and sales volumes of LPG and an increase in the sales volumes of piped gas, as well as an increase in the number of households connected to the Group's gas pipeline networks. Gross profit margin decreased from 26.4% in 2003 to 24.8% in 2004 as cost of sales increased slightly faster than turnover for the reasons described above as well as the fact that a higher number of connections during 2004 were made in cities where connection fees were at the lower end of the range.

Distribution expenses. Distribution expenses increased 13.0%, to HK$40.1 million in 2004 from HK$35.5 million in 2003, as the Group's business expanded. Specifically, commission payments paid to staff in connection with LPG sales increased 64.2%, to HK$8.7 million in 2004 from HK$5.3 million in 2003 and wages, benefits and salaries increased to HK$12.9 million in 2004 from HK$11.7 million in 2003.

Administrative expenses. Administrative expenses increased 28.6%, to HK$85.4 million in 2004 from HK$66.4 million in 2003. Specifically, wages, salaries and benefits increased 37.4%, to HK$28.3 million in 2004 from HK$20.6 million in 2003, entertainment increased 67.6%, to HK$6.2 million in 2004 from HK$3.7 million in 2003, and traveling expenses increased 8.0%, to HK$5.4 million in 2004 from HK$5.0 million in 2003, in each case due to the growth of the Group's business. In addition, amortisation of share option expenses increased from nil in 2003 to HK$2.7 million in 2004 due to the issuance of share options in November 2004.

Finance costs. Finance costs increased 83.1%, to HK$27.1 million in 2004 from HK$14.8 million in 2003, primarily as a result of interest expenses incurred in connection with servicing the Guaranteed Senior Notes and the Convertible Bonds.

Profit before taxation. Profit before taxation increased 18.9%, to HK$331.8 million in 2004 from HK$279.0 million in 2003.

Taxation. Taxation decreased 14.0%, to HK$19.7 million in 2004 from HK$22.9 million in 2003, because certain of the Group's LPG businesses, which were generally subject to higher tax rates than the Group's piped gas businesses during the Track Record Period, were not as profitable in 2004 due to delays in passing along price increases in LPG to their customers. Because the Group's LPG business generally predates its piped gas business, its LPG subsidiaries tend to be somewhat older than its subsidiaries engaged in the piped gas business. As a result, the PRC foreign invested enterprise income tax holidays in the PRC were more likely to have expired with respect to its LPG subsidiaries than its piped gas subsidiaries.

Minority interests. Minority interests, which represent the interests of joint venture partners in the Group's operating subsidiaries, decreased 36.7%, to HK$26.7 million in 2004 from HK$42.2 million in 2003, primarily because a higher proportion of the Group's minority interests are held in the Group's LPG businesses than in the Group's piped gas businesses, and the Group's LPG businesses were generally less profitable in 2004 than the Group's piped gas businesses due to delays in passing along price increases in LPG to customers.

Profit attributable to the equity holders of parent. Profit attributable to the equity holders of parent increased 33.4%, to HK$285.4 million in 2004 from HK$213.9 million in the year 2003. Profit margin attributable to the equity holders of parent increased slightly from 14.7% in 2003 to 15.9% in 2004. The 8.8% decrease in diluted earnings per Share, to HK cents 28.33 in 2004 from HK cents 31.05 in 2003, was largely due to an increase in the Group's share capital as a result of the Group's share placing in 2004.

Year ended December 31, 2003 compared to year ended December 31, 2002

Results of operations. Turnover increased approximately 26.7%, to HK$1,457.6 million in 2003 from HK$1,150.3 million in 2002. The Group's gross profit margin increased to 26.4% in 2003 from 22.8% in 2002, reflecting increased turnover in each of the Group's business segments, which more than offset increased cost of sales. The increase in gross profit margin was primarily attributable to an increase in turnover to HK$319.8 million in 2003 from HK$166.5 million in 2002 in the higher margin gas pipeline construction business and growth in the proportion of the higher margin retail LPG business relative to the bulk LPG business. Profit attributable to the equity holders of parent increased 53.7% to HK$213.9 million in 2003 from HK$139.2 million in 2002.

Turnover. Turnover increased 26.7%, to HK$1,457.6 million in 2003 from HK$1,150.3 million in 2002, primarily as a result of increases in the number of the Group's operating subsidiaries, gas pipeline construction activities and sales of LPG. Turnover from bulk sales of LPG increased 6.5%, to HK$756.3 million in 2003 from HK$710.2 million in 2002, primarily due to increases in the price of LPG due to higher LPG costs in response to higher market prices for crude oil.

Turnover from retail sales of LPG increased 42.2%, to HK$343.7 million in 2003 from HK$241.8 million in 2002, primarily due to the Group's continuing focus on developing its sales of retail LPG and increases in the price of LPG due to higher LPG costs in response to higher market prices for crude oil. The volume of LPG sold to retail customers increased 43.0% in 2003 as a result of the continued growth in end-user household customers, enhancement in customer service and the growth of the Group's customer base.

Turnover from the provision of piped gas increased 106.8%, to HK$30.4 million in 2003 from HK$14.7 million in 2002, as the Group's customer base broadened considerably as it acquired additional piped gas networks and continued to build out existing networks.

Turnover from gas pipeline construction increased 92.1%, to HK$319.8 million in 2003 from HK$166.5 million in 2002, due to increased revenue from connection fees resulting primarily from increases in the number of customers due to the increased number of gas pipeline networks operated by the Group.

Turnover from sales of household gas products decreased 56.1%, to HK$7.5 million in 2003 from HK$17.1 million in 2002.

Cost of sales and gross profit. Cost of sales increased 20.8%, to HK$1,073.3 million in 2003 from HK$888.4 million in 2002, primarily due to a 39.5% increase in the cost of gas supplied as the volume of products sold increased and the price of LPG increased in response to rising crude oil prices, as well as a 256.3% increase in gas pipeline construction costs. Gross profit increased 46.7%, to HK$384.3 million in 2003 from HK$261.9 million in 2002, largely as a result of the increase in the proportion of the Group's turnover attributable to the Group's gas pipeline construction business and retail sales of LPG. Gross profit margin increased to 26.4% in 2003 from 22.8% in 2002, primarily due to an increase in turnover to HK$319.8 million in 2003 from HK$166.5 million in 2002 in the higher margin gas pipeline construction business and growth in the proportion of the higher margin retail LPG business relative to the bulk LPG business.

Distribution expenses. Distribution expenses increased 31.5%, to HK$35.5 million in 2003 from HK$27.0 million in 2002, as the Group continued to add new piped gas and other operating subsidiaries. Specifically, commission payments increased 211.8%, to HK$5.3 million in 2003 from HK$1.7 million in 2002, as the number of operating subsidiaries increased, and depreciation increased 27.3%, to HK$2.8 million in 2003 from HK$2.2 million in 2002, due to an increase in fixed assets, primarily consisting of gas pipelines, resulting from the Group's expansion.

Administrative expenses. Administrative expenses increased 24.1%, to HK$66.4 million in 2003 from HK$53.5 million in 2002. Specifically, wages, salaries and benefits increased 12.0%, to HK$20.6 million in 2003 from HK$18.4 million 2002, depreciation increased 47.2%, to HK$7.8 million in 2003 from HK$5.3 million in 2002 and entertainment increased 42.3%, to HK$3.7 million in 2003 from HK$2.6 million in 2002, as the Group expanded its operations and acquired or formed additional subsidiaries Chizhou Panva, Lezhi Panva, Pingchang Panva and Yangzhou Panva. Provision for bad debts increased 363.6%, to HK$5.1 million in 2003 from HK$1.1 million in 2002, as the Group wrote off certain acquired indebtedness incurred in connection with the acquisition of operating subsidiaries.

Finance costs. Finance costs increased 120.9%, to HK$14.8 million in 2003 from HK$6.7 million in 2002. The increase was primarily due to interest expenses incurred for servicing the Company's outstanding Convertible Bonds.

Profit before taxation. Profit before taxation increased 50.8%, to HK$279.0 million in 2003 from HK$185.0 million in 2002.

Taxation. Taxation increased 169.4%, to HK$22.9 million in 2003 from HK$8.5 million in 2002, due to the expiration of tax relief periods for a number of operating subsidiaries and higher profit before taxation.

Minority interests. Minority interests increased 13.4%, to HK$42.2 million in 2003 from HK$37.2 million in 2002, primarily due to an increase in the number of non-wholly-owned operating subsidiaries as the Group expanded its operations.

Profit attributable to the equity holders of parent. Profit attributable to the equity holders of parent increased 53.7%, to HK$213.9 million in 2003 from HK$139.2 million in 2002. Profit margin attributable to the equity holders of parent increased from 12.1% in 2002 to 14.7% in 2003, primarily because of the contribution from the higher margin connection fee income, which increased during the year. Earnings per Share increased 65.6%, to HK cents 31.05 in 2003 from HK cents 18.75 in 2002.

LIQUIDITY AND CAPITAL RESOURCES

The Group's primary cash requirements are to fund capital expenditures, including investments in acquired businesses, and to finance working capital requirements. Historically, the Group has funded its operations through operating cash flows, the proceeds of the Company's HK$100 million convertible note issued to Supreme All (then a wholly-owned subsidiary of Sinolink) in 2001, proceeds from the Company's Share placing in 2001, proceeds from the Convertible Bonds issued in 2003, proceeds from the Company's HK$620.8 million Share placing in 2004, bank borrowings and other loans. Current sources of liquidity to meet funding needs include operating cash flows, cash on hand, proceeds from the Convertible Bonds, proceeds from the Guaranteed Senior Notes and bank borrowings.

The following table presents selected cash flow data from the Group's consolidated cash flow statements for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005.

Cash flow data

	Year ended December 31			Six months ended June 30	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**	**HK$'000**
Net cash from (used in) operating activities	55,731	114,955	125,137	(18,866)	38,061
Net cash used in investing activities	(127,039)	(211,310)	(499,422)	(165,727)	(767,273)
Net cash before financing activities	(71,308)	(96,355)	(374,285)	(184,593)	(729,212)
Net cash from (used in) financing activities	26,750	356,025	2,117,208	682,070	(21,978)
Cash and cash equivalents	98,224	356,809	2,096,553	854,286	1,344,219

Cash flows from operating activities. The Group recorded net cash from operating activities of HK$55.7 million, HK$115.0 million, HK$125.1 million and HK$38.1 million for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005 respectively and net cash used in operating activities of HK$18.9 million in the six months ended June 30, 2004. In 2002, operating cash flows before movements in working capital were HK$200.5 million. The decrease of HK$141.9 million was primarily a result of a decrease in other payables and accrued charges of HK$106.7 million due to the decrease of receipts-in-advance for gas pipeline construction works upon completion and fewer construction works orders on hand as at the year end, an increase in other receivables, deposits and prepayments of HK$42.2 million due to the prepayment of deposits to LPG suppliers to secure a source of supply for the coming year and an increase of HK$37.2 million in amounts due from minority shareholders due to an increase in the current accounts with shareholders of certain subsidiaries, partly offset by an increase in trade payables of HK$67.0 million.

In 2003, operating cash flows before movements in working capital were HK$304.4 million. The decrease of HK$177.6 million was primarily due to an increase in other receivables, deposits and prepayments of HK$91.8 million due to the prepayment of refundable good faith deposits during the negotiations for some of the Group's larger projects and a decrease in trade receivables of HK$90.2 million.

In 2004, operating cash flows before movements in working capital were HK$362.8 million. The decrease of HK$224.6 million was primarily due to an increase in other receivables, deposits and prepayments of HK$137.3 million due to the prepayment of refundable good faith deposits during the negotiations for some of the Group's larger projects, a decrease in trade payables of HK$57.6 million and a decrease in other payables and accrued charges of HK$37.5 million due to the decrease of receipts-in-advance for gas pipeline constructions works upon completion and fewer construction works orders on hand as at the year end.

In the six months ended June 30, 2005, operating cash flows before movements in working capital were HK$184.9 million. The decrease of HK$109.1 million was primarily due to an increase in other receivables, deposits and prepayments of HK$115.6 million due to the repayment of refundable good faith deposits during the negotiation for some of the Group's larger acquisitions, deposits for investments pending completion, and deposits paid to securities brokers, a decrease of HK$47.7 million in trade receivables and interest paid of HK$28.1 million, partly offset by an increase in trade payables of HK$54.1 million.

Cash flows from investing activities. The Group had net cash outflows from investing activities of HK$127.0 million, HK$211.3 million, HK$499.4 million and HK$767.3 million in 2002, 2003 and 2004 and the six months ended June 30, 2005, respectively, primarily due to purchases of property, plant and equipment of HK$88.8 million, HK$187.2 million, HK$285.0 million and HK$180.4 million in connection with the expansion of the Group's natural gas operations and costs incurred in connection with the acquisition of subsidiaries of HK$33.3 million, HK$15.2 million, HK$80.7 million and HK$45.5 million in 2002, 2003 and 2004 and the six months ended June 30, 2005, respectively, as the Group acquired Pengxi Panva and Weiyuan Panva in 2002, Lezhi Panva and Pingchang Panva in 2003, Cangxi Panva, Dayi Panva, Yuechi Panva and Zhongjiang Panva in 2004 and Jianyang Panva and Pengshan Panva in the six months ended June 30, 2005. In 2004, the Group incurred costs for the acquisition of an associated company of HK$70.7 million.

Cash flows from financing activities. The Group had net cash inflows from financing activities of HK$26.8 million, HK$356.0 million and HK$2,117.2 million in 2002, 2003 and 2004, respectively and a cash outflow of HK$22.0 million for the six months ended June 30, 2005. Specifically, the Company issued a convertible note to Supreme All (then a wholly-owned subsidiary of Sinolink) in April 2001 in the amount of HK$100.0 million, which was later converted into Shares in December 2003. On April 23, 2003, the Group issued the Convertible Bonds due 2008 in the amount of US$50 million. The cash flows in 2003 were primarily attributable to the proceeds of subscription monies of HK$389.8 million as a result of the Convertible Bond offering in 2003. The cash flows in 2004 were primarily attributable to proceeds of HK$1,559.0 million from the issue of the Guaranteed Senior Notes, and HK$625.6 million from the January 2004 share placing and the issue of shares upon the exercise of share options. Other cash inflows from financing activities include new bank loans of HK$12.2 million, HK$26.1 million and HK$46.8 million in 2002, 2003 and 2004, respectively; and contributions from minority shareholders of HK$11.6 million in 2003 and HK$45.8 million in 2004. Cash outflows for the six months ended June 30, 2005 was mainly due to the repayment of bank and other loans amounted to HK$20.9 million.

Cash inflows from financing activities were partly offset by repayment of bank loans of HK$32.3 million, HK$85.3 million and HK$20.9 million in 2003 and 2004 and the six months ended June 30, 2005, respectively; repayments to minority shareholders of HK$20.1 million in 2003; expenses of HK$35.6 million incurred in connection with the issue of the Guaranteed Senior Notes in 2004 and HK$32.0 million incurred in connection with the issue of new Shares in 2004 and pledged bank deposits of HK$136.6 million in the six months ended June 30, 2005.

As at June 30, 2005, the Group had outstanding borrowings with an aggregate principal amount outstanding of HK$1,897.1 million, comprising HK$26.3 million of bank borrowings secured by property, plant and equipment having an aggregate net book value of HK$56.1 million as of June 30, 2005, HK$9.4 million of unsecured borrowings, HK$332.8 million of Convertible Bonds issued in April 2003 and HK$1,526.4 million of Guaranteed Senior Notes. All borrowings are denominated in Renminbi, save for the Convertible Bonds and the Guaranteed Senior Notes, which are denominated in U.S. dollars, and all of the Group's receipts and all of the Group's payments with respect to such borrowings are denominated in Renminbi.

The Group's short-term borrowings were HK$14.6 million at December 31, 2002 and HK$32.5 million at December 31, 2003. The Group's short-term borrowings decreased to HK$29.4 million at December 31, 2004 and then increased to HK$35.7 million in the six months ended June 30, 2005.

INVENTORIES, OTHER RECEIVABLES AND OTHER PAYABLES

Inventory

As of June 30, 2005, the Group's inventories consisted primarily of the following items.

	June 30, 2005
	HK$'000
Gas	16,737
Consumable stores	42,504
	59,241

Consumable stores consist primarily of gas pipelines, gas meters, gauges and various items kept by the Group for the repair and maintenance of the Group's gas pipeline network infrastructure. Set out below is an aging analysis of the Group's inventories for the three years ended December 31, 2004 and the six months ended June 30, 2005:

Age category	2002	2003	2004	June 30, 2005
	HK$'000	HK$'000	HK$'000	HK$'000
1 month to 1 year	11,512	23,442	14,430	16,737
More than 1 year	11,474	12,933	25,247	42,504
Total	22,986	36,375	39,677	59,241

The basis for provision policy for inventories is the specific identification basis. Approximately 71.7% of the Group's inventories as at June 30, 2005 was aged over one year. These inventories consisted of consumable stores, as described above. Such items can be kept for a number of years before becoming obsolete, and therefore making a provision for these items was considered unnecessary.

Inventory turnover days

Inventory turnover days of the Group for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005, were approximately 9 days, 12 days, 11 days, 9 days and 15 days respectively, reflecting a relatively stable trend. The inventory turnover days were calculated as the average inventory of the Group for the years ended December 31, 2002, 2003 and 2004 divided by the total cost of sales in the respective year, multiplied by 365 days; or as the average inventory for the six months ended June 30, 2004 and 2005, divided by the total cost of sales in the respective period, multiplied by 181 days.

Other receivables, deposits and prepayments

Other receivables, deposits and prepayments increased from HK$218.4 million as of December 31, 2003 to HK$401.9 million as of December 31, 2004 and to HK$483.7 million as of June 30, 2005. Other receivables, deposits and prepayments include deposits paid to suppliers in order to secure supply of gas, prepaid expenses, deposits paid for acquisitions or for the establishment of joint ventures awaiting regulatory approvals prior to completion, deposits paid as good faith monies for those projects in negotiations upon the commencement of the Group's formal due diligence process or as deposits paid for the tender of potential projects.

The significant increase in other receivables, deposits and prepayments from 2003 to 2004 and the six months ended June 30, 2005 was mainly attributable to the deposits paid on several relatively larger projects such as Anshan Panva, Changchun Panva, Chengdu Panva, Jinan LPG Panva and Qiqihar Panva as well as the good faith monies deposited for potential acquisition targets and interest income accrued. The consideration of all acquisitions and joint venture capital contributions were either accounted for as capital commitments or deposits paid or prepaid in other receivables. As at June 30, 2005, total consideration for projects not yet completed amounted to approximately HK$216.3 million, of which approximately HK$34.5 million was accounted for as capital commitments and the remaining balance was accounted for as other receivables.

As of December 31, 2002, 2003 and 2004 and June 30, 2005, the Group had the following other receivables, deposits and prepayments:

	As of December 31			As of June 30
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Prepayments	95,432	109,409	89,651	95,400
Prepayments for the acquisition of fixed assets	—	—	1,474	—
Prepayments for the acquisition of land	—	—	1,860	—
Prepaid expenses	2,820	5,274	4,834	7,410
Deposits for investments pending completion	—	20,580	145,898	181,734
Good faith deposits for potential projects	—	74,836	70,253	102,058
Interest receivable	28	109	28,869	26,488
Deposits paid to securities broker	—	—	—	28,543
Loans receivable	—	—	8,419	10,275
Others	3,084	8,203	50,647	31,757
	101,364	218,411	401,905	483,665

The deposits for investments pending completion of approximately HK$181.7 million as at June 30, 2005 relates to investments in Anshan Panva (HK$70.2 million), Jinan LPG Panva (HK$39.3 million) and Qiqihar Panva (HK$72.2 million). Such deposits paid are non-refundable unless the relevant PRC authorities do not approve the transactions. It is expected that the above investments will be completed by the end of 2005.

The good faith deposits for potential projects of approximately HK$102.1 million as at June 30, 2005 relates to five potential acquisitions of piped gas businesses in the PRC. As at the Latest Practicable Date, the Company has not entered into any legally binding contract with any third parties in respect of such potential acquisitions and the deposits paid are refundable. It is expected that the Company will enter into legally binding contracts for such acquisitions by the end of 2005 or early 2006.

The deposits paid to securities broker of approximately HK$28.5 million as at June 30, 2005 relates to deposits paid by the Group for the trading of shares and PRC Government bonds in the PRC.

Other payables and accrued charges

Other payables and accrued charges increased from HK$68.7 million as of December 31, 2003 to HK$131.4 million as of December 31, 2004 and to HK$177.4 million as of the six months ended June 30, 2005. Other payables and accrued charges include prepayments received for the sale of LPG, deposits received for the supply of piped gas, prepayments received for gas pipeline construction works, various taxes and tariffs payable (other than profits tax), salaries and staff welfare payables, and accrued interest expenses. The increase in other payables and accrued charges from 2003 to 2004 and the six months ended June 30, 2005 was mainly attributable to a significant increase in interest expenses payable resulting from the issue of the Guaranteed Senior Notes in September 2004, as well as an increase in the deposits received for the supply of piped gas and for the gas pipeline construction business because of an increase in the number of subsidiaries engaged in the piped gas business in 2004.

As of December 31, 2002, 2003 and 2004 and June 30, 2005, the Group had the following other payables and accrued charges:

	As of December 31			As of June 30
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Receipts in advance	4,187	24,439	15,320	31,380
Local taxes and levies payable	584	207	2,416	1,721
Salaries, wages and other staff welfare payable	1,242	10,017	12,322	15,929
Accrued expenses	1,779	7,184	4,886	5,349
Interests payable	2,260	1,506	36,081	36,081
Gas pipelines materials cost	—	4,432	34,634	37,220
Deposits received	3,595	8,870	13,953	24,853
Other payables	3,078	12,054	11,831	24,895
	16,725	68,709	131,443	177,428

Debtors' turnover days and creditors' turnover days

The following table shows the debtors' turnover days and creditors' turnover days as of December 31, 2002, 2003 and 2004 and June 30, 2004 and 2005:

	As of December 31			As of June 30	
	2002	2003	2004	2004	2005
Debtors' turnover days	30	35	38	35	40
Creditors' turnover days	37	29	14	15	13

The debtors' turnover days were calculated based on the average debtors balances during the years ended December 31, 2002, 2003 and 2004 divided by the turnover in the respective year, multiplied by 365 days; or on the average debtors balance for the six months ended June 30, 2004 and 2005, divided by the turnover in the respective period, multiplied by 181 days. The fluctuations in the debtors' turnover days during the Track Record Period were due to fluctuations in the debtors' turnover days for the gas pipeline construction business, resulting from differences in time required for construction of pipeline networks of different sizes and varied terms of payments by customers of the Group.

The creditors' turnover days were calculated based on the average creditors balances during the three years ended December 31, 2002, 2003 and 2004 divided by the purchases in the respective year, multiplied by 365 days; or on the average creditors balance for the six months ended June 30, 2005, divided by the purchases in that period, multiplied by 181 days. The fluctuations in the creditors' turnover days were due to fluctuations in the creditors' turnover days for the piped gas construction business, resulting from differences in time required for construction of pipeline networks of different sizes and varied terms of payments to the suppliers of the Group.

Operating leases

As of June 30, 2005 the Group had commitments of HK$30.1 million for future minimum lease payments in respect of property, plant and equipment under non-cancellable operating leases, of which HK$5.2 million, HK$11.2 million and HK$13.7 million related to operating leases falling due within one year, in the second to fifth years inclusive and over five years, respectively. The Group has no finance leases.

Capital commitments

At June 30, 2005, the Group had contractual capital commitments of approximately HK$34.5 million, being the amount payable for the acquisition of interests in Anshan Panva. As at the Latest Practicable Date, the Group had contractual capital commitments of approximately HK$220.1 million, being the amounts payable for the acquisition of interests in Anshan Panva and capital contribution for Shandong Panva. The expected source of funding for such capital commitments is existing cash resources of the Group.

The Group also expects to have additional capital expenditures of approximately RMB500 million for 2005, consisting principally of amounts to be paid for the potential acquisition of new operating subsidiaries and other equity interests, which it anticipates will be largely met out of existing cash resources, including primarily proceeds from the issuance of the Guaranteed Senior Notes. The additional projects to be acquired or invested in consist of certain piped gas projects and LPG (bulk and cylinder) projects. The acquisitions or investments with respect to these additional projects are still in negotiation. The Group has not yet agreed or proposed to acquire any of these additional projects.

It is possible that the Group will not be able to consummate sufficient acquisitions to complete all of these capital expenditures within the time period identified. The Group continues to evaluate opportunities for expansion and may in the future enter into capital commitments with respect to additional acquisitions or infrastructure investments, which may require significant further capital expenditures.

INDEBTEDNESS

Borrowings

As of December 31, 2002, 2003, 2004 and the six months ended June 30, 2005, and as of the close of business on August 31, 2005, being the latest practicable date for the purpose of indebtedness, the Group had the following outstanding interest bearing borrowings:

	As of December 31			As of June 30	As of August 31
	2002	2003	2004	2005	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)
Short-term loans					
Secured bank loans	2,438	30,992	26,941	26,333	25,096
Unsecured bank loans	12,161	1,310	1,544	—	—
Unsecured other loans	—	224	935	9,355	9,597
Total	14,599	32,526	29,420	35,688	34,693
Long-term loans					
Secured bank loans	—	1,871	—	—	—
Unsecured bank loans	—	3,929	17,306	—	—
Unsecured other loans	—	748	—	2,152	2,207
Convertible note	95,411	—	—	—	—
Convertible Bonds	—	323,666	329,911	332,835	357,723
Guaranteed Senior Notes	—	—	1,524,710	1,526,428	1,527,022
Total	95,411	330,214	1,871,927	1,861,415	1,886,952
	110,010	362,740	1,901,347	1,897,103	1,921,645

The Group's long-term bank loans during the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005 borne interest primarily at fixed rates ranging from 5.575% to 8.25% per annum. The Group's bank borrowings are denominated principally in Renminbi, whereas the Convertible Bonds and the Guaranteed Senior Notes are denominated in US dollars.

The Group's bank borrowings are primarily for working capital purposes, whereas the Convertible Bonds and Guaranteed Senior Notes are primarily intended to be used for acquisitions. Most of the Group's short-term loans relate to bank loans from PRC lenders who generally prefer short-term maturities.

As at the close of business on August 31, 2005, being the latest practicable date for the purpose of indebtedness, the Group had banking facilities which have not been utilised of approximately RMB663.8 million, of which approximately RMB56.1 million were secured by fixed assets and approximately RMB663.8 million were guaranteed by the Company.

Convertible Bonds

On April 23, 2003, the Company, issued the Convertible Bonds in the aggregate principal amount of US$50 million. The Convertible Bonds, bearing interest at the rate of 2% per annum, are convertible into Shares at an initial conversion price of HK$3.9169 per Share (subject to adjustment) from and including June 7, 2003 up to the close of business on April 9, 2008. The Convertible Bonds were listed on the Luxembourg Stock Exchange on April 15, 2003. The Company has undertaken to the Stock Exchange that it will promptly notify the Stock Exchange upon it becoming aware of any dealings in the Convertible Bonds by any connected persons of the Company.

As at the close of business on August 31, 2005, being the latest practicable date for the purpose of indebtedness, a total of 4,530,366 Shares have been converted from the Convertible Bonds. As at August 31, 2005, based on the adjusted conversion price of HK$3.8043 per Share, the Convertible Bonds were convertible into a maximum of 97,851,115 Shares.

Guaranteed Senior Notes

On September 23, 2004, the Company issued the Guaranteed Senior Notes in the aggregate principal amount of US$200 million due 2011, which were jointly arranged by Merrill Lynch International and Morgan Stanley & Co. International Limited as initial purchasers. The net proceeds to the Company from the Guaranteed Senior Notes were approximately US$195.5 million. The proceeds of the Guaranteed Senior Notes have been, and will continue to be, used by the Company to expand its piped gas and LPG business and for general working capital purposes. The Guaranteed Senior Notes bear interest payable semi-annually in arrears at a rate of 8.25% per annum on March 23 and September 23 of each year, commencing March 23, 2005, with a maturity date on September 23, 2011, and are redeemable at the option of the Company prior to September 23, 2007, in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Guaranteed Senior Notes at a redemption price of 108.25%, plus accrued and unpaid interest to the redemption date, with the proceeds of one or more equity offerings.

The Guaranteed Senior Notes contain covenants that limit the Company's ability and the ability of certain of its subsidiaries (the "Restricted Subsidiaries") to, among other things, incur additional indebtedness; declare dividends on capital stock or purchase or redeem capital stock; make investments or other specified restricted payments; issue or sell capital stock of restricted subsidiaries; guarantee indebtedness; sell assets; create liens; enter into sale and leaseback transactions; enter into agreements that limit the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; enter into transactions with equity holders or affiliates; and effect a consolidation or merger. Since the issuance of the Guaranteed Senior Notes, the Company has been in compliance with the foregoing covenants.

The Guaranteed Senior Notes are senior obligations of the Company guaranteed by all of certain of its subsidiaries (the "Subsidiary Guarantors") other than those organized under the laws of PRC (the "PRC Subsidiaries"). The Company and certain Subsidiary Guarantors have agreed to pledge the capital stock of the Subsidiary Guarantors to secure the Guaranteed Senior Notes and any guarantee(s) and indemnity(ies) of the obligations of the Company under an indenture governing the Guaranteed Senior Notes.

The Guaranteed Senior Notes (i) rank at least pari passu with all other unsecured, unsubordinated indebtedness of the Company and the Subsidiary Guarantors (subject to priority rights under applicable law); (ii) are effectively subordinated to all obligations of the PRC Subsidiaries; and (iii) are effectively subordinated to secured obligations of the Company and the Subsidiary Guarantors, to the extent of the assets serving as security therefor.

The Guaranteed Senior Notes are listed and trade on the Singapore Exchange Securities Trading Limited.

Contractual obligations

The following table sets out the Group's contractual obligations as of August 31, 2005. The Group expects to fund such contractual obligations principally from internal resources.

	Payments due by period			
	Total	Less than 1 year	1-5 years	More than 5 years
	HK$'000	HK$'000	HK$'000	HK$'000
Total debt obligations	1,921,645	34,693	359,930	1,527,022
Operating lease obligations	28,244	5,430	10,264	12,550
Total	1,949,889	40,123	370,194	1,539,572

The Group's total debt obligations consist mainly of the Guaranteed Senior Notes (HK$1,527.0 million) and the Convertible Bonds (HK$357.7 million).

Gearing ratio

For the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005, the Group's gearing ratio, which is calculated based on net debt at the end of the year/period divided by total equity multiplied by 100%, were approximately 2%, 1%, net cash position, net cash position and 22%. The low ratios for 2002 and 2003 were due to a low level of borrowings. The net cash position in 2004 was due to the Company's Share placing during the year. The increase in the ratio to 22% for the six months ended June 30, 2005 was due to the decrease in cash upon payments for certain acquisitions of the Group during the period.

Disclaimers

Save as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities outstanding as at August 31, 2005.

The Directors confirm that there have been no material changes in the Group's indebtedness and contingent liabilities since August 31, 2005, being the latest practicable date for the purpose of indebtedness.

NET CURRENT ASSETS

As at December 31, 2004 and June 30, 2005, the Group had net current assets of approximately HK$2,478.4 million and HK$1,649.9 million, respectively. Current assets comprised cash and bank deposits of approximately HK$2,096.6 million and HK$1,344.2 million, inventories of approximately HK$39.7 million and HK$59.2 million, prepayments, deposits and other current assets of approximately HK$401.9 million and HK$483.7 million and accounts receivable of approximately HK$187.5 million and HK$235.4 million. Current liabilities comprised short-term bank borrowings of approximately HK$29.4 million and HK$35.7 million, accounts payable of approximately HK$24.1 million and HK$79.3 million, accruals and other payables of approximately HK$131.4 million and HK$177.4 million and taxation payable of approximately HK$47.0 million and HK$53.9 million, respectively.

FINANCIAL INFORMATION OF CHANGCHUN PANVA GROUP

On January 26, 2005, the Group acquired a 48% equity interest in Changchun Panva. Since then, Changchun Panva has been an associated company of the Group. At the time when the acquisition was entered into, the acquisition constituted a major transaction of the Company according to the GEM Listing Rules and a circular of the Company was issued to the Shareholders on April 25, 2005 in relation to the acquisition. Changchun Panva holds 60.22% of the total issued capital of Changchun Listed whose shares are listed on the Shanghai Stock Exchange.

The accountants' report in respect of the consolidated financial information of Changchun Panva Group, from the commencement of the Track Record Period, being January 1, 2002, to January 26, 2005 is set out in Appendix II to this document. The financial information of Changchun Panva Group from January 27, 2005 to the end of the Track Record Period, being June 30, 2005, is equity accounted for in the Group's financial information as set out in the accountants' report of the Group in Appendix I to this document.

The accountants' report of Changchun Panva Group in Appendix II to this document contains a qualified opinion of the reporting accountants and was prepared on the basis of the consolidated management accounts of Changchun Panva Group. Such consolidated management accounts were prepared by the Directors in accordance with HK GAAP but based on the audited accounts of Changchun Panva and Changchun Listed, both prepared in accordance with PRC GAAP.

The following is a summary of the financial information of Changchun Panva Group on a consolidated basis for each of the three financial years ended December 31, 2004 and the period from January 1, 2005 to January 26, 2005:

	Year ended December 31			January 1 to January 26
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	442,134	763,966	1,092,745	104,128
Profit before taxation	117,761	185,049	251,632	13,349
Profit attributable to equity holders of the parent	59,252	92,651	129,649	6,805
Non-current assets	705,343	861,351	899,093	897,638
Net current assets	230,810	170,711	302,652	315,469
Net assets	840,153	951,062	1,138,745	1,150,107

FINANCIAL INFORMATION OF ANSHAN PANVA

Acquisition of Anshan Panva

On March 22, 2005, Panriver Investments entered into an asset transfer agreement with 鞍山市公用事業管理局 (Anshan City Public Utilities Management Bureau*) ("Anshan City Bureau") to acquire 81% of the equity interests in Anshan Panva ("Anshan Acquisition") for a consideration of RMB112.0 million. As at the Latest Practicable Date, the Anshan Acquisition has not been completed. Anshan Panva is principally engaged in the provision of coal gas, natural gas and LPG and piped gas business in Anshan city of Liaoning province.

The Anshan Acquisition is part of the Company's strategy to expand through mergers and acquisitions. Anshan, with an urban population of 3.6 million, is the third largest city in Liaoning province and is the third city in the northeastern part of the PRC where the Group has operations following the cities of Changchun and Qiqihar. The Anshan Acquisition will help enhance the Company's earnings and assets base. However, the Anshan Acquisition will not have any immediate material impact on either the earnings or the assets and liabilities of the Company.

Review of operating results

During the Track Record Period, Anshan Panva's turnover declined or remained flat and Anshan Panva had consistently incurred losses.

Turnover and cost of sales. The turnover of Anshan Panva was approximately RMB128.5 million, RMB113.9 million, RMB107.9 million, RMB55.7 million and RMB56.6 million for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 respectively. The decline in turnover from 2002 to 2003 and from 2003 to 2004 was primarily due to a decrease in the sale of retail LPG as a result of its strategy to concentrate developments of its piped gas business. The LPG retail business ceased in 2004.

The cost of sales of Anshan Panva during the Track Record Period mainly comprised the cost of purchasing coal gas, natural gas and LPG from suppliers. Cost of sales also includes other direct expenses including depreciation of assets directly involved in Anshan Panva's operations, transportation costs for gas purchased from suppliers, wages and salaries, sales commissions, rent and the costs of household gas products and gas pipeline equipment which title will pass to customers.

Gross profit/(loss). The gross profits of Anshan Panva amounted to approximately RMB5.1 million, RMB4.5 million and RMB4.3 million and the gross profit margins were approximately 4.0%, 4.2% and 7.7% for the year ended December 31, 2002 and 2004 and the six months ended June 30, 2004 respectively. Anshan Panva had losses of RMB1.5 million for the year ended December 31, 2003 and RMB41,000 for the six months ended June 30, 2005 as the cost of sales grew faster than turnover due to an increase in repairs and maintenance charges of approximately 343% from RMB2 million in 2002 to RMB9 million in 2003 and an increase in depreciation charges in the six months ended June 30, 2005 of approximately 25%.

Net loss for the year/period. Anshan Panva had a net loss of RMB21.4 million, RMB31.7 million, RMB15.0 million, RMB6.6 million and RMB8.4 million for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 respectively due to relatively high distribution, administrative and other operating expenses, which in turn were driven by excessive staffing and staffing benefits commonly associated with an SOE.

Trade receivables and other receivables, deposits and prepayments. Trade receivables and other receivables, deposits and prepayments of Anshan Panva primarily represented amounts due from gas fuel suppliers and piped gas customers. The credit term offered to customers by Anshan Panva is around one month.

Trade payables and other payables and accrued charges. Trade payables and other payables and accrued charges mainly represented amounts due to suppliers of coal gas, natural gas and LPG. Generally, the payment period is around one month.

Inventory. During the Track Record Period, the inventory of Anshan Panva mainly comprised gas pipelines, gas meters, gauges and various items kept by Anshan Panva for the repair and maintenance of its gas pipeline infrastructure.

For details of the financial information of Anshan Panva, please refer to the section headed "F. Subsequent Events — 1. Anshan City Gas Company" in the accountants' report of the Group in Appendix I to this document.

FINANCIAL INFORMATION OF QIQIHAR PANVA GROUP

Acquisition of Qiqihar Panva Group

Panriver Investments entered into an assets transfer agreement with 齊齊哈爾市建設局 (Qiqihar City Construction Bureau*) on November 10, 2004 to acquire 61.67% (after adjustment) of the equity interests in Qiqihar Panva ("Qiqihar Acquisition") for a consideration of RMB77.2 million. As at the Latest Practicable Date, the Qiqihar Acquisition has not been completed. Qiqihar Panva is principally engaged in the operation of the city gas pipeline network in Qiqihar city of Heilongjiang province.

Qiqihar Panva owns the entire equity interest of Qiqihar LPG, which is part of the acquired interests under the Qiqihar Acquisition. Qiqihar LPG is principally engaged in the provision of LPG in Qiqihar city of Heilongjiang province.

The Qiqihar Acquisition is part of the Company's plan to expand through mergers and acquisitions. Qiqihar, with an urban population of 5.6 million, is a major city in Heilongjiang province and serves as a major hub for the northeastern part of the PRC. The Qiqihar Acquisition will help the Company establish its presence in Heilongjiang province, expand its piped gas operations and serve as a springboard in its future business development in the northeastern part of the PRC. However, the Qiqihar Acquisition will not have any immediate material impact on either the earnings or the assets and liabilities of the Company.

Review of operating results of Qiqihar Panva Group

During the Track Record Period, Qiqihar Panva Group's turnover had volatile movements while its profits remained stable.

Turnover and cost of sales. The turnover of Qiqihar Panva Group was approximately RMB44.3 million, RMB58.3 million, RMB67.1 million, RMB34.2 million and RMB41.5 million for the years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 respectively. Turnover increased from 2002 to 2003 due to the acquisition of Qiqihar LPG in 2003 and turnover increased from 2003 to 2004 primarily as a result of an increase in the number of residential households connected to piped gas as well as an increase in industrial and commercial users of piped gas. The higher turnover of Qiqihar Panva Group of approximately RMB41.5 million for the six months ended June 30, 2005 as compared to approximately RMB34.2 million for the corresponding period in 2004 was also mainly due to an increase in the number of residential, industrial and commercial piped gas users.

The cost of sales of Qiqihar Panva Group mainly comprised the cost of natural gas and LPG from suppliers. Cost of sales also includes other direct expenses including depreciation of assets directly involved in Qiqihar Panva Group's operations, transportation costs for gas purchased from suppliers, wages and salaries, sales commissions, rent and the costs of gas pipeline equipment which title will pass to customers.

Gross profit. The gross profits of Qiqihar Panva Group amounted to approximately RMB18.1 million, RMB19.6 million, RMB22.8 million, RMB12.7 million and RMB16.6 million respectively, and the gross profit margins were approximately 40.9%, 33.7%, 34.0%, 37.1% and 40.0% for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 respectively. The gross profit margins of Qiqihar Panva Group have remained stable throughout the Track Record Period.

Profit for the year/period. Profit for the year/period of Qiqihar Panva Group was approximately RMB2.5 million, RMB0.4 million, RMB1.7 million and RMB4.3 million for the years ended December 31, 2002 and 2003 and the six months ended June 30, 2004 and 2005 respectively. Qiqihar Panva Group recorded a loss of RMB1.7 million for the year ended December 31, 2004. The volatility of Qiqihar Panva Group's profit during the Track Record Period was primarily due to the fluctuations in other operating income comprising income attributable to gas pipeline construction, which changes as a result of completion of projects.

Other receivables, deposits and prepayments. Other receivables, deposits and prepayments of Qiqihar Panva Group represented primarily amounts prepaid for gas pipeline construction and deposits paid for staff quarters.

Other payables and accrued charges. Other payables and accrued charges mainly represent prepayments by customers for gas pipeline connections.

Inventory. During the Track Record Period, the inventory of Qiqihar Panva Group mainly comprised gas pipelines, gas meters, gauges and various items kept by the Qiqihar Panva Group for the repair and maintenance of the Qiqihar Panva Group's gas pipeline infrastructure, as well as LPG and natural gas.

For details of the financial information of Qiqihar Panva Group, please refer to the section headed "F. Subsequent Events — 2. Qiqihar Natural Gas Company" in the accountants' report of the Group in Appendix I to this document.

WORKING CAPITAL

The Directors are of the opinion that after taking into account the existing financial resources available to the Group and the expected internally generated funds, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors confirm that as at the Latest Practicable Date, the Directors were not aware of any circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

DISTRIBUTABLE RESERVES

Pursuant to the Companies Law and the Articles of Association, share premium of the Company is distributable to its shareholders, subject to meeting certain conditions. As at June 30, 2005, the Company's distributable reserves, comprising share premium account, net of accumulated losses, amounted to approximately HK$533.3 million.

TAXATION

PRC profits tax has been provided for the Group at the rate of 33 per cent. for the years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005, on the estimated assessable profits of the Group for these periods. Taxation on profits of subsidiaries in the PRC has been provided for at the range of 15% to 33%, being the rates of taxation prevailing in the PRC. Most of the Group's PRC subsidiaries are, or have been, entitled to PRC foreign-invested enterprise income tax holidays for the first two years commencing from their first profit-making year of operation. Thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC enterprise income tax for the following three years. For details, please refer to the section headed "Risk Factors — Risks related to conducting business in the PRC — Changes in favourable taxation treatments could reduce the Group's profits."

The effective tax rates for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005 were 4.6%, 8.2%, 5.9%, 5.4% and 10% respectively. The fluctuation in effective tax rate during these periods occurred for several reasons. In 2002, most taxable profits were attributable to the Group's LPG operations as most of the Group's piped gas operations, as part of a newer business, were still entitled to the tax holidays described above. In 2003, as some of these piped gas enterprises begin paying taxes, taxable profit, and therefore the effective tax rate, increased as well. In 2004, fluctuations in crude oil prices affected the price of LPG, adversely impacting the Group's taxable profits for the year and leading to a lower effective tax rate. In the six months ended June 30, 2005, the tax relief periods of a number of operating subsidiaries expired. As a result, the effective tax rate increased as well.

PROPERTY INTERESTS

Details of properties owned, leased or contracted to be leased by the Group are set out in Appendix IV to this document. DTZ, an independent valuer, has valued the property interests of the Group as at August 31, 2005. Details of the valuation and the text of the letter from DTZ are set out in Appendix IV to this document.

Land title certificates and building ownership certificates

As at the Latest Practicable Date, the Group did not have title certificates in respect of certain properties in the PRC which are currently occupied or used by Cangxi Panva, Changde Panva, Chenzhou Panva, Chizhou Panva, Dayi Panva, Jianyang Panva, Nanjing Panva, Pengxi Panva, Pingchang Panva, Southwest Panva, Weiyuan Panva, Wuhu Panva, Xiangtan Panva, Yangzhou Panva, Yuechi Panva, Yunnan Panva, Ziyang Panva and Zunyi Panva ("Properties Group I"). Details of Properties Group I are set out in valuation certificate nos. 1, 2, 4, 5, 6, 8, 10, 11, 13, 14, 15, 16, 17, 18, 20, 22, 25 and 26 in the valuation report set out in Appendix IV to this document. No commercial value has been attributed to Properties Group I in the valuation of the properties. As at the Latest Practicable Date, the Group had not obtained land title certificates or building ownership certificates for approximately 49 parcels of land with a total area of approximately 73,894 square metres and various buildings with an aggregate gross floor area of approximately 29,941 square metres currently occupied or used by it. The Group is in the process of applying, or will apply, for the title certificates in respect of eight out of the 49 parcels of land with no title certificate. The Group is also in the process of applying, or will apply, for the relevant title certificate in respect of seven out of those buildings with no title certificate. However, there is no assurance that the Group will obtain title certificates for any of such properties. The Group will not apply for the relevant title certificates for the rest of properties with no title certificate. These properties are mainly office units, staff quarters, ancillary gas supply stations, warehouses or retail shops.

According to the PRC legal advisers to the Company, Haiwen & Partners, whether there is any legal impediment for the Group to obtain title certificates for the relevant properties is determined on a case by case basis depending on the factual circumstances in each case. In addition, according to the relevant state laws of PRC, for land without the relevant title certificate, it may be confiscated by the relevant local government authority, and at the same time a maximum penalty of RMB30 per square metre may be imposed. However, the local government has discretion as to whether or what amount of penalty will be imposed, so long as any such imposition does not exceed the above statutory maximum penalty. For a building without the relevant title certificate, it may be (i) confiscated or demolished (as the case may be) by the relevant PRC Government authority, or (ii) if the relevant government authority considers the building does not seriously affect the overall city planning, the relevant government authority may require the responsible party to carry out correction works to the buildings and impose a penalty on the responsible party. However, the relevant state laws and regulations do not specify how the penalty should be calculated.

No commercial value has been attributed to the land or buildings in respect of which the Group has not obtained title certificates in the valuation of such properties. None of the Properties Group I properties makes any contribution to the operating profits of the Group as a whole. The Directors also believe that none of such properties is, individually, essential to the business operations of the Group as they are office units, staff quarters, ancillary gas supply stations, warehouses, retail shops or other establishments that are not crucial to the operation of the Group's business as a whole. The Directors also believe that alternative premises of standards comparable to such properties are widely available in the relevant regions should the Group require them. On the basis of the above, the Directors consider that the impact of any loss of the Group's ability to use any of such properties on the Group's overall operation would be immaterial.

In addition, as at the Latest Practicable Date, there were certain properties currently occupied or used by Jianyang Panva and Pengshan Panva with a total site area of approximately 37,969.48 square metres and a total gross floor area of approximately 9,581.42 square metres the title certificates for which are registered under their respective names before their restructuring from an SOE to a limited liability company ("Properties Group II"). Details of Properties Group II are set out in valuation certificate nos. 4 and 24 in the valuation report in Appendix IV to this document. No commercial value has been attributed to Properties Group II in the valuation of the properties. Each of Jianyang Panva and Pengshan Panva was restructured from an SOE to a limited liability company in March 2005 and June 2005, respectively, however, Properties Group II were still registered under the names of Jianyang Panva or Pengshan Panva (as the case may be) before they were restructured. The Directors confirm that the Group is applying or will apply (as the case may be) to the relevant PRC authorities for transfer of the registration of the title of Properties Group II to the names of Jianyang Panva and Pengshan Panva (as the case may be). Haiwen & Partners have advised that the vesting of the title certificates under the former names of Jianyang Panva and Pengshan Panva before the restructuring does not affect the respective legal rights of Jiangyang Panva and Pengshan Panva to occupy and use Properties Group II in any material respect and there should be no legal impediment for the Group to obtain approval for the registration of the relevant title to Jianyang Panva and Pengshan Panva.

Allocated properties

As at the Latest Practicable Date, the Group had been allocated certain properties in the PRC by the PRC Government which details are set out in valuation certificate nos. 1, 4, 10, 11, 20 and 24 in the valuation report in Appendix IV to this document. No commercial value has been assigned to such allocated properties. According to Haiwen & Partners, the Group is entitled to the land use rights to occupy and use the allocated properties. The Directors consider that such allocated properties are immaterial to the Group's overall operations as the financial impact on the Group as a whole that may result from any loss of such rights and any consequential disruption of gas supply facilities operating on such allocated properties would be insignificant to the Group as a whole.

Leases

As at the Latest Practicable Date, the Group had leased certain properties in the PRC, which details are set out in the section headed "Group II — Property interests leased by the Group in the PRC" in Appendix IV to this document. No commercial value has been assigned to such leased properties. The relevant tenancy agreements in respect of all such leases have not been registered with the relevant PRC Government authorities. Such properties are used by the Group as, inter alia, retail shops, office and staff quarters. According to Haiwen & Partners, the relevant tenancy agreements are valid and legally binding on the parties notwithstanding that they have not been registered. The Directors confirm that such leased properties are not crucial to the business operations of the Group and alternative premises with a comparable standard are widely available in the PRC.

Property interests and valuation of properties

For the purpose of the listing of the Shares on the Main Board, the capital value in existing state of the Group's properties attributable to the Group were revalued at approximately RMB37.3 million (HK$35.9 million) as at August 31, 2005 by DTZ. Details of the valuation are summarised in the valuation report set out in Appendix IV to this document. There is a net revaluation surplus, representing the excess market value of the properties over their book value, of approximately HK$4.2 million of which will not be included in the Group's accounts for the year ending December 31, 2005. In accordance with the Group's accounting policy, all properties are stated at cost less accumulated depreciation. As such, the net revaluation surplus arising from the valuation of properties has not been included in the net tangible assets statement under the section headed "Financial Information — Net Tangible Assets Attributable to Equity Holders of Parent" in this document. Had the properties been stated at such valuation, additional depreciation of approximately HK$83,000 per annum would have been incurred.

Disclosure of the reconciliation of the property interests of the Group and the valuation of such property interests as required under Rule 5.07 of Listing Rules is set out below.

	HK$'000	HK$'000
Valuation of properties as at August 31, 2005 as set out in the valuation report in Appendix IV (RMB57,230,000)		55,029
Net book value of the following properties as at June 30, 2005 as set out in the accountants' report of the Group in Appendix I		
Properties	70,396	
Lease prepayments	45,576	
	115,972	
Add: Adjustment for effect of changes in foreign currency translation	3,234	
Less: Amortization of lease prepayments and depreciation of properties during the period from July 1, 2005 to August 31, 2005 (unaudited)	(1,310)	
Less: Net book value of properties not subject to valuation and assigned as having no commercial value as set out in the valuation report in Appendix IV	(67,037)	
Net book value of properties as at August 31, 2005 subject to valuation as set out in the valuation report in Appendix IV		50,859
Net revaluation surplus		4,170

NET TANGIBLE ASSETS ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT

The following statement shows the Group's net tangible assets attributable to equity holders of parent as at June 30, 2005 as extracted from the accountants' report of the Group set out in Appendix I to this document.

Audited net tangible assets attributable to equity holders of parent as at June 30, 2005 *(Note 1)*	HK$1,417,750,000
Audited net tangible asset value per Share *(Note 2)*	HK$ 1.50

Notes:

1. The intangible assets not accounted in the net tangible assets include the carrying value of intangible assets, goodwill and goodwill on acquisition of an associate as set out in the accountants' report of the Group in Appendix I to this document.

2. The audited net tangible asset value per Share is calculated on the basis of 942,250,891 Shares in issue as at June 30, 2005.

NO MATERIAL ADVERSE CHANGE

The Directors have confirmed that since June 30, 2005 (being the date to which the Group's latest consolidated financial results were prepared as set out in the accountants' report of the Group in Appendix I to this document), there has been no material adverse change in the financial or trading position of the Company or any of its subsidiaries.

DIVIDENDS

During the years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005, no dividends were paid by the Company.

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

4 November 2005

The Directors
Panva Gas Holdings Limited
Merrill Lynch (Asia Pacific) Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") relating to Panva Gas Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2002, 2003 and 2004 and the six months ended 30 June 2005 (the "Relevant Periods") for inclusion in the listing document of the Company dated 4 November 2005 (the "Listing Document").

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 16 November 2000 under the Companies Law, Cap. 22 (Law of 3 of 1961, as consolidated and revised) of the Cayman Islands. The Group underwent a corporate reorganisation (the "Corporate Reorganisation") in preparation for the public listing of the Company's shares on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), details of which are set out in appendix V to the prospectus dated 10 April 2001 (the "Prospectus") issued by the Company, which was completed on 4 April 2001. Following the Corporate Reorganisation, the Company became the holding company of the Group. The shares of the Company were listed on the GEM of the Stock Exchange with effect from 20 April 2001. The Company has proposed to withdraw its listing on the GEM of the Stock Exchange so as to arrange its shares to be listed on the Main Board of the Stock Exchange.

At the date of this report, the Company has direct and indirect interests in the following subsidiaries:

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activities
Directly-owned subsidiary					
China Pan River Group Ltd.	6 January 1998	British Virgin Islands ("BVI") - Limited liability company	US$12,821	100%	Investment holding
Indirectly-owned subsidiaries					
Cangxi Panva Gas Co., Ltd. 蒼溪百江燃氣有限公司	27 October 2004	Mainland China (the "PRC") - Limited liability company	RMB8,000,000	100%	Provision of natural gas and related services and gas pipeline construction

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activities
Changsha Pan River Enterprises Co., Ltd. 長沙百江能源實業有限公司	16 January 1998	PRC - Sino-foreign equity joint venture	RMB40,000,000	60%	Wholesaling and retailing of liquefied petroleum gas ("LPG")
Chenzhou Pan River Gas Industry Co., Ltd. 郴州百江燃氣實業有限公司	16 July 1998	PRC - Sino-foreign equity joint venture	RMB9,000,000	60%	Wholesaling and retailing of LPG
China Overlink Holdings Co., Limited	4 February 1998	BVI - Limited liability company	US$1	100%	Investment holding
Dayi Panva Gas Co., Ltd. 大邑百江燃氣有限公司	8 June 2004	PRC - Limited liability company	RMB3,300,000	100%	Provision of natural gas and related services and gas pipeline construction
Jianyang Panva Gas Co., Ltd. 簡陽百江燃氣有限公司	14 September 1992	PRC - Limited liability Company	RMB1,790,000	100%	Provision of natural gas and related services and gas pipeline construction
Jinan Panva Gas Co., Ltd. 濟南百江燃氣有限公司	27 February 2004	PRC - Sino-foreign equity joint venture	RMB100,000,000	51%	Provision of natural gas and related services and gas pipeline construction
Lezhi Panva Gas Co., Ltd. 樂至百江燃氣有限公司	22 December 2003	PRC - Limited liability company	RMB6,960,000	100%	Provision of natural gas and related services and gas pipeline construction
Nanjing Panva LPG Co. Ltd. 南京百江液化氣有限公司	16 August 2000	PRC - Sino-foreign equity joint venture	US$6,000,000	55%	Wholesaling and retailing of LPG
Nanjing Panva Pipeline Gas Co., Ltd. 南京百江管道燃氣有限公司	18 April 2002	PRC - Sino-foreign equity joint venture	US$1,010,000	100%	Provision of LPG and related services and gas pipeline construction
Pan River Enterprises (Changde) Co., Ltd. 常德百江能源實業有限公司	26 October 1998	PRC - Sino-foreign equity joint venture	RMB6,000,000	85%	Wholesaling and retailing of LPG
Pan River Enterprises (Hengyang) Co., Ltd. 衡陽百江能源實業有限公司	14 November 1998	PRC - Sino-foreign equity joint venture	RMB6,000,000	84%	Wholesaling and retailing of LPG
Pan River Enterprises (Wuhu) Co., Ltd. 蕪湖百江能源實業有限公司	25 March 1998	PRC - Sino-foreign equity joint venture	RMB32,000,000	55%	Wholesaling and retailing of LPG
Pan River Enterprises (Yongzhou) Co., Ltd. 永州百江能源實業有限公司	18 December 1998	PRC - Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LPG

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activities
Pan River Gas (China Southwest) Co., Ltd. ("Southwest Panva") 百江西南燃氣有限公司	25 December 1998	PRC - Sino-foreign equity joint venture	RMB57,500,000	50.1%	Wholesaling and retailing of LPG
Pan River Gas (Zunyi) Co., Ltd. 遵義百江燃氣有限公司	5 June 2002	PRC - Limited liability company	RMB4,200,000	50.1%	Wholesaling and retailing of LPG
Panriver Investments Company Limited 百江投資有限公司	10 March 2000	PRC - Limited liability company	US$30,000,000	100%	Investment holding
Panva (Chizhou) Gas Co., Ltd. 池州百江燃氣有限公司	1 September 2003	PRC - Sino-foreign equity joint venture	RMB20,000,000	60%	Provision of LPG and related services and gas pipeline construction
Panva Gas (Yunnan) Co., Ltd. 雲南百江燃氣有限公司	19 September 2001	PRC - Sino-foreign equity joint venture	RMB58,840,000	28.53% (Note 1)	Wholesaling and retailing of LPG
Pengshan Panva Gas Co., Ltd. 彭山百江燃氣有限公司	1 June 2005	PRC - Sino-foreign equity joint venture	RMB9,000,000	70%	Provision of natural gas and related services and gas pipeline construction
Pengxi Panva Gas Co., Ltd. 蓬溪百江燃氣有限公司	14 May 2003	PRC - limited liability company	RMB3,590,000	90%	Provision of natural gas and related services and gas pipeline construction
Pingchang Panva Gas Co., Ltd. 平昌百江燃氣有限公司	8 May 2004	PRC - Limited liability company	RMB4,900,000	90%	Provision of natural gas and related services and gas pipeline construction
Sichuan Ziyang Hengyuan Compressed Natural Gas Co., Ltd. 四川省資陽恒源壓縮天然氣有限公司	2 August 2000	PRC - Limited liability company	RMB800,000	66.6%	Provision of compressed natural gas, petroleum and petroleum products to automobiles
Singkong Investments Limited 盛港投資有限公司	4 June 1992	Hong Kong - Limited liability company	HK$10,000	100%	Investment holding
Sinolink LPG Investment Limited	16 March 1999	BVI - Limited liability company	US$1	100%	Investment holding
Sinolink Power Investment Limited	30 December 1997	BVI - Limited liability company	US$1	100%	Investment holding
Weiyuan Panva Gas Co., Ltd. 威遠百江燃氣有限公司	25 December 2002	PRC - Limited liability company	RMB5,000,000	99.5%	Provision of natural gas and related services and gas pipeline construction

Name of company	Date of incorporation/ establishment	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group	Principal activities
Xiang Tan Pan River Energy Industry Co., Ltd. 湘潭百江能源實業有限公司	17 June 1998	PRC - Sino-foreign equity joint venture	RMB10,000,000	60%	Wholesaling and retailing of LPG
Yangzhou YPC & Panva Gas Co., Ltd. 揚州揚子石化百江燃氣有限公司	10 November 2003	PRC - Limited liability company	RMB10,000,000	27.5% (Note 2)	Wholesaling and retailing of LPG
Yiyang Pan River Enterprises Co., Ltd. 益陽百江能源實業有限公司	13 August 1998	PRC - Sino-foreign equity joint venture	RMB5,000,000	60%	Wholesaling and retailing of LPG
YPC & Panva Energy Co., Ltd. ("Yangzi Panva") 揚子石化百江能源有限公司	13 September 1999	PRC - Sino-foreign equity joint venture	US$7,230,000	50% (Note 3)	Wholesaling and retailing of LPG
Yuechi Panva Gas Co., Ltd. 岳池百江燃氣有限公司	3 August 2004	PRC - Sino-foreign equity joint venture	RMB8,000,000	90%	Provision of natural gas and related services and gas pipeline construction
Zhongjiang Panva Gas Co., Ltd. 中江百江燃氣有限公司	29 March 2005	PRC - Limited liability company	RMB8,000,000	100%	Provision of natural gas and related services and gas pipeline construction
Zhongjian Pingan Petroleum and Gas Limited Liability Company 中江縣平安氣油有限責任公司	18 February 2000	PRC - Limited liability company	RMB3,000,000	55%	Provision of compressed natural gas to automobiles
Ziyang Panva Gas Co., Ltd. 資陽百江燃氣有限公司	16 July 2002	PRC - Limited liability company	RMB18,890,000	90%	Provision of natural gas and related services and gas pipeline construction

Notes:

1. Southwest Panva holds a 56.94% equity interest.

2. Yangzi Panva holds a 55% equity interest.

3. Yangzi Panva is a subsidiary of the Company as the Group has control over its board of directors.

The statutory financial statements of the following subsidiaries established in the PRC for each of the three years ended 31 December 2004, or since their respective dates of establishment or acquisition, where this is a shorter period, were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC and were audited by certified public accountants registered in the PRC referred to as below.

Name of subsidiary	Financial period	PRC Auditors
Cangxi Panva Gas Co., Ltd. 蒼溪百江燃氣有限公司	Period ended 31 December 2004	Sichuan Hengzheng Office for Chartered Accountants 四川恒正會計師事務所
Pan River Enterprises (Changde) Co., Ltd. 常德百江能源實業有限公司	Years ended 31 December 2002, 2003 and 2004	The United Office for Chartered Accountants of Deyuan Hunan 湖南德源聯合會計所事務所
Changsha Pan River Enterprises Co., Ltd. 長沙百江能源實業有限公司	Years ended 31 December 2002, 2003 and 2004	Hunan Tongren United Certified Public Accountants' Office 湖南同仁聯合會計師事務所
Chenzhou Pan River Gas Industry Co., Ltd. 郴州百江燃氣實業有限公司	Year ended 31 December 2002	Chenzhou Beicanxin United Certified Public Accountant Firm 郴州具安信聯合會計師事務所
	Years ended 31 December 2003 and 2004	Chenzhou Tongxing Limited Duty Certified Public Accountants 郴州同興有限責任會計師事務所
Dayi Panva Gas Co., Ltd. 大邑百江燃氣有限公司	Period ended 31 December 2004	Chengdu Zhongzheng Chartered Accountant Affairs 成都市中正會計師事務所有限公司
Jinan Panva Gas Co., Ltd. 濟南百江燃氣有限公司	Period ended 31 December 2004	China Audit Certified Public Accountants 中審會計師事務所
Lezhi Panva Gas Co., Ltd. 樂至百江燃氣有限公司	Period/year ended 31 December 2003 and 31 December 2004	Certified Public Accountants Office of Wanzhong Sichuan 四州萬眾會計師事務所
Nanjing Panva LPG Co. Ltd. 南京百江液化氣有限公司	Years ended 31 December 2002, 2003 and 2004	Jiangsu Yonghe Certified Public Accountants 江蘇永和會計師事務所有限公司
Nanjing Panva Pipeline Gas Co., Ltd. 南京百江管道燃氣有限公司	Period/years ended 31 December 2002, 2003 and 2004	Jiangsu Xing Rui Certified Public Accountants Co., Ltd. 江蘇興瑞會計師事務所有限公司

Name of subsidiary	Financial period	PRC Auditors
Pan River Enterprises (Hengyang) Co., Ltd. 衡陽百江能源實業有限公司	Years ended 31 December 2002, 2003 and 2004	Hunan Tianyi Certified Public Account Company Limited 湖南天翼有限責任會計師事務所
Pan River Enterprises (Wuhu) Co., Ltd. 蕪湖百江能源實業有限公司	Years ended 31 December 2002 and 2003	Zhongtian Branch of An Hui Huapu Certified Public Accountants 安徽華普會計師事務所中天分所
	Year ended 31 December 2004	Anhui Pingtai Certified Public Accountants 安徽平泰會計師事務所
Pan River Enterprises (Yongzhou) Co., Ltd. 永州百江能源實業有限公司	Year ended 31 December 2002	Yongzhou Hengxing Certified Public Accountants Ltd. 永州恒興有限責任會計師事務所
	Year ended 31 December 2003	Yong Zhou Hua Lin United Certified Public Accountants 永州華林聯合會計師事務所
	Year ended 31 December 2004	Hunan Yongyi Certified Public Accountants Ltd. 湖南永一會計師事務所有限責任公司
Pan River Gas (China Southwest) Co., Ltd. 百江西南燃氣有限公司	Years ended 31 December 2002 and 2003	Yatai Certified Public Accountants 雲南亞太會計師事務所有限公司貴州分所
	Year ended 31 December 2004	Guizhou Cheng Long Certified Public Accountants Co., Ltd. 貴州城隆會計師事務所有限公司
Pan River Gas (Zunyi) Co., Ltd. 遵義百江燃氣有限公司	Period/year ended 31 December 2002 and 2003	Yatai Certified Public Accountants 雲南亞太會計師事務所有限公司貴州分所
	Year ended 31 December 2004	Guizhou Cheng Long Certified Public Accountants Co., Ltd. 貴州城隆會計師事務所有限公司
Panriver Investments Company Limited 百江投資有限公司	Years ended 31 December 2002 and 2003	Licheng Certified Public Accountants 深圳力城會計師事務所
	Year ended 31 December 2004	Shenzhen Topne Certified Public Accountants 深圳馬洪會計師事務所

Name of subsidiary	Financial period	PRC Auditors
Panva (Chizhou) Gas Co., Ltd. 池州百江燃氣有限公司	Period ended 31 December 2003	Anhui Zhending Certified Public Accountants 安徽正鼎會計師事務所
	Year ended 31 December 2004	Chizhou Shixin Certified Public Accountants 池州實信會計師事務所
Panva Gas (Yunnan) Co., Ltd. 雲南百江燃氣有限公司	Years ended 31 December 2002, 2003 and 2004	Yunnan Yunneng Certified Public Accountants 雲南雲能會計師事務所
Pengxi Panva Gas Co., Ltd. 蓬溪百江燃氣有限公司	Period/year ended 31 December 2003 and 2004	Sichuan Zhongheng Certified Public Accountants 四川中衡會計師事務所
Pingchang Panva Gas Co., Ltd. 平昌百江燃氣有限公司	Period ended 31 December 2004	Pingchang Jingying Accountant Office Limited Company 平昌晶瑩會計師事務所有限公司
Sichuan Ziyang Hengyuan Compressed Natural Gas Company Limited 四川省資陽恒源壓縮天然氣有限公司	Year ended 31 December 2002, 2003 and 2004	Xiandai Sichuan Certified Public Auditors Office 四川陽安會計師事務所
Weiyuan Panva Gas Co., Ltd. 威遠百江燃氣有限公司	Years ended 31 December 2003 and 2004	Sichuan Jiuding Office for Certified Public Accountants 四川玖鼎會計師事務所
Xiang Tan Pan River Energy Industry Co., Ltd. 湘潭百江能源實業有限公司	Year ended 31 December 2002	Xiangtan Shenzhou Certified Public Accountants 湘潭神州有限責任會計師事務所
	Year ended 31 December 2003	Yuehua Jingcheng Certified Public Accountants 岳華精城會計師事務所
	Year ended 31 December 2004	Xiangtan Shenzhou Certified Public Accountants 相潭神州有限責任會計師事務所

Name of subsidiary	Financial period	PRC Auditors
Yangzhou YPC & Panva Gas Co., Ltd. 揚州揚子石化百江燃氣有限公司	Period ended 31 December 2003	Jiangsu Suzhong Certified Public Accountants Co., Ltd. 江蘇蘇中會計師事務所有限公司
	Year ended 31 December 2004	Yangzhou Huicheng Union Certified Public Accountants 揚州滙城聯合會計師事務所
Yiyang Pan River Enterprises Co., Ltd. 益陽百江能源實業有限公司	Year ended 31 December 2002	Yiyang Zhongtian Certified Public Accountants Ltd. 益陽中天會計師事務所有限責任公司
	Years ended 31 December 2003 and 2004	Yiyang Lingyun Certified Public Accountants Ltd. 益陽淩雲有限責任會計師事務所
YPC & Panva Energy Co., Ltd. 揚子石化百江能源有限公司	Years ended 31 December 2002, 2003 and 2004	Jiangsu Talent Certified Public Accountants 江蘇天衡會計師事務所有限公司
Yuechi Panva Gas Co., Ltd. 岳池百江燃氣有限公司	Period ended 31 December 2004	Hengtong Certified Public Accountants 四川恒通會計師事務所
Zhongjiang Pingan Petroleum and Gas Limited Liability Company 中江縣平安氣油有限責任公司	Years ended 31 December 2002, 2003 and 2004	Sichuan Zhongyuan Certified Public Accountants Co. Ltd. 四川中源會計師事所有限公司
Ziyang Panva Gas Co., Ltd. 資陽百江燃氣有限公司	Period/years ended 31 December 2002, 2003 and 2004	Sichuan Straight Sun Certified Public Accountants 四川正陽會計師事務所

Note: No audited financial statements have been prepared for Zhongjiang Panva Gas Co., Ltd. 中江百江燃氣有限公司, Jianyang Panva Gas Co. Ltd. 簡陽百江燃氣有限公司 and Pengshan Panva Gas Co., Ltd 彭山百江燃氣有限公司 since their respective dates of establishment.

We have acted as the auditors of the Company since its date of incorporation. The consolidated financial statements of the Company for each of the three years ended 31 December 2004 and the six months ended 30 June 2005 were prepared in accordance with accounting principles generally accepted in Hong Kong. No audited financial statements have been prepared for those companies incorporated in the BVI since their respective dates of incorporation as there are no statutory audit requirements.

We have examined the audited consolidated financial statements of the Company (the "Underlying Financial Statements") for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information of the Group for the Relevant Periods set out in this report has been prepared from the Underlying Financial Statements, after making such adjustments as we consider appropriate for the purpose of preparing our report for inclusion in the Listing Document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are responsible for the contents of the Listing Document in which this report is included. It is our responsibility to compile the Financial Information set out on this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and the Company as at 31 December 2002, 2003, 2004 and 30 June 2005 and of the consolidated results and cash flows of the Group for each of the three years ended 31 December 2004 and six months ended 30 June 2005.

The comparative consolidated income statement, cash flow statement and statement of changes in equity of the Group for the six months ended 30 June 2004 together with the notes thereon have been extracted from the Group's consolidated financial statements for the same period (the "30 June 2004 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2004 Financial Information in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by HKICPA. Our review consisted principally of making enquiries of group management and applying analytical procedures to the 30 June 2004 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 30 June 2004 Financial Information. On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the 30 June 2004 Financial Information.

A. FINANCIAL INFORMATION OF THE GROUP

Consolidated Income Statements

	NOTES	Year ended 31 December 2002	Year ended 31 December 2003	Year ended 31 December 2004	Six months ended 30 June 2004	Six months ended 30 June 2005
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Turnover	4	1,150,322	1,457,632	1,800,253	848,634	958,053
Cost of sales		(888,427)	(1,073,289)	(1,353,382)	(677,218)	(733,017)
Gross profit		261,895	384,343	446,871	171,416	225,036
Other operating income	5	12,118	12,874	38,066	2,248	28,592
Distribution expenses		(27,015)	(35,541)	(40,086)	(19,440)	(22,901)
Administrative expenses		(53,465)	(66,418)	(85,441)	(35,232)	(60,160)
Other operating expenses	6	(1,818)	(1,134)	(2,655)	(1,574)	(823)
Profit from operations	7	191,715	294,124	356,755	117,418	169,744
Gain on partial disposal of interest in a subsidiary		—	541	2,433	2,433	—
Loss on disposal of subsidiaries		—	(788)	(374)	—	—
Finance costs	9	(6,691)	(14,846)	(27,099)	(5,155)	(37,860)
Share of results of associates		—	—	83	—	28,561
Profit before taxation		185,024	279,031	331,798	114,696	160,445
Taxation	10	(8,545)	(22,875)	(19,711)	(6,206)	(16,055)
Profit for the year/period		176,479	256,156	312,087	108,490	144,390
Attributable to:						
Equity holders of the parent		139,235	213,947	285,368	95,699	128,249
Minority interests		37,244	42,209	26,719	12,791	16,141
		176,479	256,156	312,087	108,490	144,390
		HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share						
Basic	11	23.08	34.77	30.41	10.24	13.61
Diluted	11	18.75	31.05	28.33	9.44	12.75

Consolidated Balance Sheets

		At 31 December			At 30 June
	NOTES	**2002**	**2003**	**2004**	**2005**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Non-current assets					
Property, plant and equipment	12	339,698	578,544	1,019,796	1,226,143
Intangible assets	13	—	9,662	9,160	9,132
Goodwill	14	15,534	15,534	24,485	46,449
Interests in associates	15	—	—	70,795	454,030
Investments in securities	16	939	7,906	10,415	—
Available-for-sale investments	17	—	—	—	208,999
Lease premium for land - non-current portion	18	25,179	30,069	36,216	44,094
Pledged bank deposits		—	—	77,950	136,568
		381,350	641,715	1,248,817	2,125,415
Current assets					
Inventories	19	22,986	36,374	39,677	59,241
Trade receivables	20	93,386	183,859	187,451	235,426
Other receivables, deposits and prepayments		101,364	218,411	401,905	483,665
Amounts due from minority shareholders	21	17,759	7,832	—	—
Lease premium for land - current portion	18	895	1,092	1,266	1,482
Bank balances and cash		98,224	356,809	2,096,553	1,344,219
		334,614	804,377	2,726,852	2,124,033
Current liabilities					
Trade payables	22	89,341	79,062	24,076	79,318
Other payables and accrued charges		16,725	68,709	131,443	177,428
Taxation		7,317	29,021	47,020	53,881
Amounts due to minority shareholders	21	—	—	16,495	21,687
Derivative financial instruments	24	—	—	—	106,168
Borrowings - amount due within one year	26	14,599	32,526	29,420	35,688
		127,982	209,318	248,454	474,170
Net current assets		206,632	595,059	2,478,398	1,649,863
Total assets less current liabilities		587,982	1,236,774	3,727,215	3,775,278
Non-current liabilities					
Borrowings - amount due after one year	26	95,411	330,214	1,871,927	1,861,415
Net assets		492,571	906,560	1,855,288	1,913,863
Capital and reserves					
Share capital	27	60,508	77,910	94,225	94,225
Reserves		218,228	565,822	1,427,989	1,464,023
Equity attributable to equity holders of the parent		278,736	643,732	1,522,214	1,558,248
Minority interests		213,835	262,828	333,074	355,615
Total equity		492,571	906,560	1,855,288	1,913,863

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the parent											
	Share capital	Share premium	Exchange reserve	Asset revaluation reserve	Employee share-based compensation reserve	Capital reserve	General reserve	Convertible notes/bonds reserve	Retained earnings	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2002												
As originally stated	50,000	55,329	(107)	4,973	—	1,101	1,212	—	18,640	131,148	182,103	313,251
Effects of changes in accounting policies	—	—	—	(4,973)	—	—	—	10,497	(1,858)	3,666	(1,857)	1,809
As restated	50,000	55,329	(107)	—	—	1,101	1,212	10,497	16,782	134,814	180,246	315,060
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	(85)	—	—	—	—	—	—	(85)	—	(85)
Profit for the year	—	—	—	—	—	—	—	—	139,235	139,235	37,244	176,479
Total recognised income and expense for the year	—	—	(85)	—	—	—	—	—	139,235	139,150	37,244	176,394
Issue of shares	505	4,267	—	—	—	—	—	—	—	4,772	—	4,772
Bonus shares dividend	10,003	(10,003)	—	—	—	—	—	—	—	—	—	—
Transfer	—	—	—	—	—	—	865	—	(865)	—	—	—
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	376	376
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	1,282	1,282
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(5,313)	(5,313)
At 31 December 2002	60,508	49,593	(192)	—	—	1,101	2,077	10,497	155,152	278,736	213,835	492,571
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	(1,085)	—	—	—	—	—	—	(1,085)	—	(1,085)
Profit for the year	—	—	—	—	—	—	—	—	213,947	213,947	42,209	256,156
Total recognised income and expense for the year	—	—	(1,085)	—	—	—	—	—	213,947	212,862	42,209	255,071
Issue of shares on conversion of convertible note	16,949	10,497	—	—	—	—	—	(10,497)	—	16,949	—	16,949
Issue of shares on conversion of convertible bonds	453	—	—	—	—	—	—	—	—	453	—	453
Addition during the year	—	—	—	—	—	—	883	—	—	883	—	883
Premium arising on issue of shares	—	100,332	—	—	—	—	—	—	—	100,332	—	100,332
Expenses incurred in connection with the issue of convertible bonds	—	(14,833)	—	—	—	—	—	—	—	(14,833)	—	(14,833)
Recognition of equity component of convertible bonds	—	—	—	—	—	—	—	48,350	—	48,350	—	48,350
Transfer	—	—	—	—	—	—	1,350	—	(1,350)	—	—	—
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	11,635	11,635
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	1,273	1,273
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(4,319)	(4,319)
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	(139)	(139)
Changes in minority interests on partial disposal of interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(1,666)	(1,666)
At 31 December 2003	77,910	145,589	(1,277)	—	—	1,101	4,310	48,350	367,749	643,732	262,828	906,560

	Attributable to equity holders of the parent											
	Share capital	Share premium	Exchange reserve	Asset revaluation reserve	Employee share-based compensation reserve	Capital reserve	General reserve	Convertible notes/bonds reserve	Retained earnings	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	77,910	145,589	(1,277)	—	—	1,101	4,310	48,350	367,749	643,732	262,828	906,560
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	(3,179)	—	—	—	—	—	—	(3,179)	—	(3,179)
Profit for the year	—	—	—	—	—	—	—	—	285,368	285,368	26,719	312,087
Total recognised income and expense for the year	—	—	(3,179)	—	—	—	—	—	285,368	282,189	26,719	308,908
Issue of shares on placing and subscription arrangements	15,520	—	—	—	—	—	—	—	—	15,520	—	15,520
Issue of shares on the exercise of share options	795	—	—	—	—	—	—	—	—	795	—	795
Premium arising on issue of shares	—	609,277	—	—	—	—	—	—	—	609,277	—	609,277
Expenses incurred in connection with the issue of shares	—	(32,032)	—	—	—	—	—	—	—	(32,032)	—	(32,032)
Recognition of equity-settled share based payments	—	—	—	—	2,733	—	—	—	—	2,733	—	2,733
Transfer	—	—	—	—	—	—	1,248	—	(1,248)	—	—	—
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	(31)	(31)
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	45,837	45,837
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	3,252	3,252
Changes in minority interests on partial disposal of interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(375)	(375)
Reduction in minority interests on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	—	—	(1,472)	(1,472)
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(3,684)	(3,684)
At 31 December 2004	94,225	722,834	(4,456)	—	2,733	1,101	5,558	48,350	651,869	1,522,214	333,074	1,855,288
Effect of adoption of HKAS 39	—	—	—	—	—	—	—	—	(101,109)	(101,109)	—	(101,109)
As restated	94,225	722,834	(4,456)	—	2,733	1,101	5,558	48,350	550,760	1,421,105	333,074	1,754,179
Exchange differences arising on translation of foreign operations recognised directly in equity	—	—	(1,144)	—	—	—	—	—	—	(1,144)	—	(1,144)
Profit for the period	—	—	—	—	—	—	—	—	128,249	128,249	16,141	144,390
Total recognised income and expense for the period	—	—	(1,144)	—	—	—	—	—	128,249	127,105	16,141	143,246
Recognition of equity-settled share based payments	—	—	—	—	10,038	—	—	—	—	10,038	—	10,038
Transfer	—	—	—	—	—	—	257	—	(257)	—	—	—
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	7,488	7,488
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	—	—	(1,088)	(1,088)
At 30 June 2005	94,225	722,834	(5,600)	—	12,771	1,101	5,815	48,350	678,752	1,558,248	355,615	1,913,863

	Attributable to equity holders of the parent									
	Share capital	Share premium	Exchange reserve	Capital reserve	General reserve	Convertible bonds reserve	Retained earnings	Total	Minority interests	Total
	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)	HK$'000 (unaudited)
At 1 January 2004	77,910	145,589	(1,277)	1,101	4,310	48,350	367,749	643,732	262,828	906,560
Profit for the period	—	—	—	—	—	—	95,699	95,699	12,791	108,490
Issue of shares on placing and subscription arrangements	15,520	—	—	—	—	—	—	15,520	—	15,520
Issue of shares on the exercise of share options	795	—	—	—	—	—	—	795	—	795
Premium arising on issue of shares	—	609,277	—	—	—	—	—	609,277	—	609,277
Expenses incurred in connection with issue of shares	—	(32,032)	—	—	—	—	—	(32,032)	—	(32,032)
Transfer	—	—	—	—	409	—	(409)	—	—	—
Capital contribution from minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	45,837	45,837
Acquired on acquisition of subsidiaries	—	—	—	—	—	—	—	—	3,252	3,252
Changes in minority interests on partial disposal of interest in a subsidiary	—	—	—	—	—	—	—	—	(375)	(375)
Reduction in minority interests on acquisition of additional interest in a subsidiary	—	—	—	—	—	—	—	—	(1,472)	(1,472)
Dividends paid to minority shareholders of subsidiaries	—	—	—	—	—	—	—	—	(3,684)	(3,684)
At 30 June 2004	94,225	722,834	(1,277)	1,101	4,719	48,350	463,039	1,332,991	319,177	1,652,168

Consolidated Cash Flow Statements

		Year ended 31 December			Six months ended 30 June	
	NOTES	2002	2003	2004	2004	2005
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
OPERATING ACTIVITIES						
Profit before taxation		185,024	279,031	331,798	114,696	160,445
Adjustments for:						
Interest income		(1,806)	(3,303)	(13,126)	(1,557)	(19,552)
Finance costs		6,645	14,765	26,979	5,111	37,792
Gain on partial disposal of interest in a subsidiary		—	(541)	(2,433)	(2,433)	—
Gain on disposal of available-for-sale investments		—	—	—	—	(1,952)
Loss on disposal of subsidiaries		—	788	374	—	—
Amortisation of lease premium for land		709	1,013	1,471	725	782
Amortisation of intangible asset		—	373	502	251	28
Share based payment expense		—	—	2,733	—	10,038
Depreciation and amortisation of property, plant and equipment		18,376	20,500	36,936	14,458	25,806
Loss on disposal of property, plant and equipment		1,009	889	628	318	68
Share of result of associates		—	—	(83)	—	(28,561)
Discounts on acquisition		(9,485)	(9,084)	(22,967)	(321)	—
Operating cash flows before movements in working capital		200,472	304,431	362,812	131,248	184,894
Decrease (increase) in inventories		3,161	(11,410)	(1,591)	3,141	(19,031)
(Increase) decrease in trade receivables		(25,922)	(90,237)	(1,827)	52,859	(47,685)
Increase in other receivables, deposits and prepayments		(42,172)	(91,842)	(137,288)	(162,741)	(115,618)
(Increase) decrease in amounts due from minority shareholders		(37,217)	30,030	11,246	11,246	—
Increase (decrease) in trade payables		66,987	(11,295)	(57,645)	(47,800)	54,057
(Decrease) increase in other payables and accrued charges		(106,727)	(2,856)	(37,452)	(517)	14,003
Increase in amounts due to minority shareholders		—	—	—	—	5,192
Cash generated from (used in) operations		58,582	126,821	138,255	(12,564)	75,812
Interest paid		(1,623)	(10,695)	(11,406)	(5,490)	(28,091)
Income taxes paid		(1,228)	(1,171)	(1,712)	(812)	(9,660)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		55,731	114,955	125,137	(18,866)	38,061

		Year ended 31 December			Six months ended 30 June	
	NOTES	**2002**	**2003**	**2004**	**2004**	**2005**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000** (unaudited)	**HK$'000**
INVESTING ACTIVITIES						
Purchase of property, plant and equipment		(88,796)	(187,215)	(284,999)	(128,831)	(180,383)
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	28	(33,322)	(15,173)	(80,662)	(44,626)	(45,458)
Purchase of lease premium for land		(9,317)	(3,290)	(656)	(656)	(261)
Interest received		2,545	3,222	10,601	1,650	21,933
Increase in pledged bank deposits		—	—	(77,950)	—	(58,618)
Proceeds from disposal of property, plant and equipment		1,851	5,283	2,423	5,829	97
Purchase of intangible asset		—	(10,035)	—	—	—
Purchase of investments in securities		—	(5,144)	—	—	—
Purchase of available-for-sale investments		—	—	—	—	(229,546)
Acquisition of additional interest in a subsidiary		—	(994)	(1,151)	(1,151)	—
Disposal of subsidiaries (net cash and cash equivalent disposed of)	29	—	(3)	(86)	—	—
Proceeds from partial disposal of interest in a subsidiary		—	1,852	2,058	2,058	—
Redemption of PRC bonds		—	187	—	—	—
Acquisition of an associate		—	—	(70,712)	—	(307,951)
Proceeds from disposal of investments in securities		—	—	1,712	—	—
Proceeds from disposal of available-for-sale investments		—	—	—	—	32,914
NET CASH USED IN INVESTING ACTIVITIES		(127,039)	(211,310)	(499,422)	(165,727)	(767,273)

	NOTES	Year ended 31 December			Six months ended 30 June	
		2002	2003	2004	2004	2005
		HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
FINANCING ACTIVITIES						
Advance from (repayment to) minority shareholders		16,250	(20,103)	(3,414)	3,134	—
New bank and other loans raised		12,161	26,146	46,773	46,773	—
Proceeds from issue of convertible bonds		—	389,750	—	—	—
Proceeds from issue of shares		4,772	—	625,592	625,592	—
Capital contribution from minority shareholders of subsidiaries		376	11,635	45,837	45,837	—
Dividends paid to minority shareholders of subsidiaries		(5,313)	(4,319)	(3,684)	(3,684)	(1,088)
Repayment of bank and other loans		(1,496)	(32,251)	(85,304)	(3,550)	(20,890)
Expenses paid in connection with the issue of convertible bonds		—	(14,833)	—	—	—
Proceeds from issue of guaranteed senior notes		—	—	1,559,000	—	—
Expenses paid in connection with the issue of guaranteed senior notes		—	—	(35,560)	—	—
Expenses paid in connection with the issue of shares		—	—	(32,032)	(32,032)	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES		26,750	356,025	2,117,208	682,070	(21,978)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(44,558)	259,670	1,742,923	497,477	(751,190)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		142,867	98,224	356,809	356,809	2,096,553
EFFECT OF FOREIGN EXCHANGE RATES CHANGES		(85)	(1,085)	(3,179)	—	(1,144)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY						
Bank balances and cash		98,224	356,809	2,096,553	854,286	1,344,219

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands on 16 November 2000 as an exempted company with limited liability under the Companies Law (Revised) Chapter 22 of the Cayman Islands.

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

The functional currency of the Group is Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Hong Kong Dollars, the presentation currency for the consolidated financial statements.

2. CHANGES IN ACCOUNTING POLICIES/SIGNIFICANT ACCOUNTING POLICIES

(A) CHANGES IN ACCOUNTING POLICIES

Starting from the period of six months ended 30 June 2005, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the consolidated income statement, consolidated balance sheet and the consolidated statement of changes in equity. In particulars, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the Relevant Periods are prepared and presented.

HKAS 17 Leases

The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings were previously carried at valuation less accumulated depreciation. In accordance with the provisions of HKAS 17, a lease of land and building should be split into a lease of land and a lease of building in proportion to the relative fair values at the leasehold interest in the land element and the building element of the lease at the inception of the lease. The lease premium for land is stated at cost and recognised to the profit or loss over the period of the lease. The change in this accounting policy has been applied retrospectively with financial information of the Group for the years ended 31 December 2002, 2003 and 2004 restated accordingly.

HKAS 32 Financial Instruments: Disclosure and Presentation
HKAS 39 Financial Instruments: Recognition and Measurement

The adoption of HKAS 32 and HKAS 39 has resulted in change in accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Convertible notes/bonds

HKAS 32 requires an issuer of a compound financial instruments (that contains both financial liability and equity components) to separate the compound financial instrument into its liability and equity components on its initial recognition and to account for these components separately. In subsequent periods, the liability component is carried at amortised cost using the effective interest method.

The principal impact of HKAS 32 on the Group is in relation to convertible notes/bonds issued by the Company that contain both liability and equity components. Previously, convertible notes/bonds were classified as liabilities on the balance sheet. The Group has made a retrospective application in accordance with the requirements of HKAS 32 and financial information of the Group for the years ended 31 December 2002, 2003 and 2004 was restated accordingly.

Classification and measurement of financial assets and financial liabilities

Prior to the accounting period beginning on 1 January 2005, the Group classified and measured its investment in equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 Accounting for Investments in Securities ("SSAP 24"). Under SSAP 24, the Group classified its investment in equity securities as investment securities, which were securities held for an identified long-term strategic purpose, and were measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary. From 1 January 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Available-for-sale financial assets are carried at fair value with changes in fair values recognition in equity. Investment in equity securities that do not have quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method. Accordingly, an adjustment to increase the Group's retained earnings and to reduce the carrying amount of the Group's guaranteed senior loan notes on 1 January 2005 of HK$226,000 was made in accordance with the transitional provision of HKAS 39.

Derivatives and hedging

From 1 January 2005 onwards, all derivatives that are within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. Under HKAS 39, derivatives (including embedded derivatives separately accounted for from the host contracts) are deemed as held-for-trading financial assets or financial liabilities, unless they qualify and are designated as effective hedging instruments. The corresponding adjustments on changes in fair values would depend on whether the derivatives are designated as effective hedging instruments, and if so, the nature of the item being hedged. For derivatives that are deemed as held for trading, changes in fair values of such derivatives are recognised in the profit or loss for the period in which they arise. For derivatives that are not held for hedging purposes, on 1 January 2005, the Group recognised derivatives at fair value on that day amounting to HK$101,335,000 with a corresponding debit to retained earnings.

HKFRS 2 Share-based Payments

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. The principal impact of HKFRS 2 on the Group is related to the expensing of the fair value of directors, and employees' share options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised. The Group has applied HKFRS 2 to share options granted on or after 1 January 2005. In relation to share options granted before 1 January 2005, the Group has not applied HKFRS 2 to share options granted on or before 7 November 2002 and share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions. However, the Group is still required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. As a result, the financial information of the Group for the year ended 31 December 2004 was restated accordingly. There was no impact on the financial information of the Group for the years ended 31 December 2002 and 2003.

HKFRS 3 Business Combination

The Group resolved to early adopt HKFRS 3 for business combinations with agreement date on or after 1 January 2002. The adoption of HKFRS 3 has resulted in a change in accounting policy for accounting of goodwill and negative goodwill. Prior to the adoption of HKFRS 3, goodwill was amortised on a straight line basis over a period of not exceeding 20 years and assessed for the impairment at each balance sheet date. Negative goodwill was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted.

In accordance with the transitional provisions of HKFRS 3, the Group ceased amortisation of goodwill from 1 January 2002 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place. The Group has derecognised all negative goodwill previously presented as deduction from assets with a corresponding increase to retained earnings.

HKAS 16 Property, plant and equipment

The Company has changed its accounting policy and elected for stating the leasehold buildings of the Group at cost less accumulated depreciation rather than at their revalued amount. The change in this accounting policy has been applied retrospectively with financial information of the Group for the years ended 31 December 2002, 2003 and 2004 restated accordingly. As the value of properties within the Group have not experienced any material fluctuation in the past, the Company believes that by stating its building at cost would reflect a more accurate position to user of the financial statements.

The effects of changes in the accounting policies on the Group's equity are summarised as follows:

	HKAS 8 & HKAS 17	HKFRS 2	HKAS 32 & HKAS 39	HKFRS 3, HKAS 36 & HKAS 38	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2002					
Increase (decrease) in equity					
Retained earnings	—	—	(1,858)	—	(1,858)
Convertible notes/bonds reserve	—	—	10,497	—	10,497
Asset revaluation reserve	(4,973)	—	—	—	(4,973)
Minority interests	(1,857)	—	—	—	(1,857)
At 1 January 2003					
Increase (decrease) in equity					
Retained earnings	16	—	(5,333)	10,156	4,839
Convertible notes/bonds reserve	—	—	10,497	—	10,497
Asset revaluation reserve	(4,973)	—	—	—	(4,973)
Minority interests	(1,833)	—	—	—	(1,833)
At 1 January 2004					
Increase (decrease) in equity					
Retained earnings	607	—	(10,497)	19,602	9,712
Share premium	—	—	10,497	—	10,497
Convertible notes/bonds reserve	—	—	48,350	—	48,350
Asset revaluation reserve	(4,881)	—	—	—	(4,881)
Minority interests	(1,809)	—	—	—	(1,809)
At 1 January 2005					
Increase (decrease) in equity					
Retained earnings	623	(2,733)	(110,879)	42,872	(70,117)
Share premium	—	—	10,497	—	10,497
Convertible bonds/notes reserve	—	—	48,350	—	48,350
Asset revaluation reserve	(4,881)	—	—	—	(4,881)
Employee share-based compensation reserve	—	2,733	—	—	2,733
Minority interests	(1,785)	—	—	—	(1,785)

The effects of changes in accounting policies on the consolidated income statement are summarised as follows:

	HKAS 8 & HKAS 17	HKFRS 2	HKAS 32 & HKAS 39	HKFRS 3, HKAS 36 & HKAS 38	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2002					
Decrease in amortisation and depreciation of property, plant and equipment	40	—	—	—	40
Increase in minority interests' share of results for the year	(24)	—	—	—	(24)
Decrease in amortisation of goodwill	—	—	—	790	790
Increase in release of negative goodwill to consolidated income statement	—	—	—	9,366	9,366
Increase in effective interest on convertible notes	—	—	(3,475)	—	(3,475)
	16	—	(3,475)	10,156	6,697
For the year ended 31 December 2003					
Decrease in amortisation and depreciation of property, plant and equipment	40	—	—	—	40
Increase in minority interests' share of results for the year	(24)	—	—	—	(24)
Decrease in amortisation of goodwill	—	—	—	790	790
Increase in release of negative goodwill to consolidated income statement	—	—	—	8,656	8,656
Increase in effective interest on convertible notes	—	—	(4,589)	—	(4,589)
	16	—	(4,589)	9,446	4,873
For the year ended 31 December 2004					
Increase in staff costs and related expenses	—	(2,733)	—	—	(2,733)
Decrease in amortisation and depreciation of property, plant and equipment	40	—	—	—	40
Increase in minority interests' share of results for the year	(24)	—	—	—	(24)
Decrease in amortisation of goodwill	—	—	—	1,167	1,167
Increase in release of negative goodwill to consolidated income statement	—	—	—	22,103	22,103
Decrease in effective interest on the Group's borrowings	—	—	727	—	727
	16	(2,733)	727	23,270	21,280

	HKAS 8 & HKAS 17	HKFRS 2	HKAS 32 & HKAS 39	HKFRS 3, HKAS 36 & HKAS 38	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the six months ended 30 June 2005					
Increase in staff costs and related expenses	—	(10,038)	—	—	(10,038)
Decrease in amortisation and depreciation of property, plant and equipment	20	—	—	—	20
Increase in minority interests' share of results for the period	(12)	—	—	—	(12)
Decrease in amortisation of goodwill	—	—	—	2,373	2,373
Increase in release of negative goodwill to consolidated income statement	—	—	—	(692)	(692)
Decrease in effective interest on the Group's borrowings	—	—	1,158	—	1,158
Increase in negative fair value of derivatives	—	—	(4,833)	—	(4,833)
	8	(10,038)	(3,675)	1,681	(12,024)

(B) SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with the Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKAS") and Interpretations (hereinafter collectively referred to as "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial information incorporates the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year/period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial information of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant inter-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the consolidation. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Goodwill

Goodwill arising on the acquisition of a subsidiary or an associate represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess of acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary and an associate represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the financial information using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after the assessment is recognised immediately in the profit or loss.

Where a group entity transacts with an associate of the Group, profit and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sale of goods are recognised when goods are delivered and title has been passed.

Income from gas pipelines construction, representing gas connection revenue, is recognised when the outcome of a gas connection contract can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably. Revenue from gas connection contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that is probable to be recoverable.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less depreciation, amortisation and any impairment losses.

Depreciation and amortisation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Buildings	3% to 6%
Furniture and fixtures	18% to 20%
Gas pipelines	3%
Leasehold improvements	15%
Motor vehicles	6% to 18%
Plant and equipment	6% to 10%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Construction in progress

Construction in progress, which includes all development expenditure and other direct costs attributable to such projects, is stated at cost less any accumulated impairment losses. It is not depreciated until completion of construction. The costs of completed construction works are transferred to other categories of property, plant and equipment.

Lease premium for land

Lease premium for land are up-front payments to acquire long-term leasehold land interest. The premiums are stated at cost and are charged to the income statement over the period of the lease on a straight-line basis.

Exclusive operating right for city pipeline network

Exclusive operating right for city pipeline network is stated at cost less accumulated amortisation and any identified impairment loss. The cost incurred for the acquisition of exclusive operating right is capitalised and amortised on a straight line basis over the estimated useful life of twenty years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Construction contracts

When the outcome of a construction contract can be estimated reliably and the stage of contract completion at the balance sheet date can be measured reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contracts costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets excluding goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group has become a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Investments in equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less identified impairment losses (if any). An impairment loss is recognised in profit or loss when there is objective evidence that an asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction cost) and the settlement or redemption of borrowings is recognised over the terms of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Convertible bonds

Convertible bonds are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the bonds into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible bonds.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in interest rates.

The Group uses derivative financial instruments (primarily interest rates swap) to hedge its risks associated with interest rate fluctuations relating to certain of the Group's borrowings.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

Share options granted to supplier/consultants

The fair values of the services received is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the time when the equity instruments are forfeited or are still not exercised at the expiry date of the share options, the amount previously recognised in equity will be transferred to retained earnings.

Cash-settled share-based payment transactions

For cash-settled share-based payments, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. At each balance sheet date, the liability is remeasured at its fair value until the liability is settled, with any changes in fair value recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Foreign currencies

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rate of exchanges prevailing on the dates of transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on translating monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting the consolidated financial statements of the Group, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefits cost

Payments to defined contribution retirement benefits schemes are charged as expenses as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. KEY SOURCES OF ESTIMATION

In the process of applying the Group's accounting policies, management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that can significantly affect the amounts recognised in the financial information are disclosed below.

Depreciation and amortisation

The Group's net book value of property, plant and equipment as at 30 June 2005 was HK$1,226,143,000. The Group depreciates the property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method, at 3% to 20% per annum. The estimated useful life reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Allowances for inventories

The management of the Group reviews an aged analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and consumables based primarily on the latest invoice prices and current market conditions.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 30 June 2005, the carrying amount of goodwill is HK$131,366,000 (including an amount of HK$84,917,000 included under interests in associates). Details of the recoverable amount calculation are disclosed in notes 14 and 15.

Income taxes

As at 30 June 2005, no deferred tax assets was recognised in the Group's balance sheet in relation to the unused tax losses of HK$63,278,000. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax assets may arise, which would be recognised in the income statement for the period in which such a recognition takes place.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

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

Sale and distribution of gas fuel and related products	—	Sale of LPG in bulk and in cylinders, provision of piped LPG and natural gas, and sale of LP Gas and natural gas household appliances
Gas pipeline construction	—	Construction of gas pipelines

The Group's operation by business segment is as follows:

	Sale and distribution of gas fuel and related products	Gas pipeline construction	Consolidated
	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2002			
REVENUE			
External	983,840	166,482	1,150,322
SEGMENT RESULTS	55,791	128,338	184,129
Other operating income			12,118
Unallocated corporate expenses			(4,532)
Profit from operations			191,715
Finance costs			(6,691)
Profit before taxation			185,024
Taxation			(8,545)
Profit for the year			176,479

	Sale and distribution of gas fuel and related products	Gas pipeline construction	Consolidated
	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2003			
REVENUE			
External	1,137,872	319,760	1,457,632
SEGMENT RESULTS	67,201	224,866	292,067
Other operating income			12,874
Unallocated corporate expenses			(10,817)
Profit from operations			294,124
Gain on partial disposal of interest in a subsidiary			541
Loss on disposal of subsidiaries			(788)
Finance costs			(14,846)
Profit before taxation			279,031
Taxation			(22,875)
Profit for the year			256,156
For the year ended 31 December 2004			
REVENUE			
External	1,368,664	431,589	1,800,253
SEGMENT RESULTS	129,614	225,717	355,331
Other operating income			38,066
Unallocated corporate expenses			(36,642)
Profit from operations			356,755
Gain on partial disposal of interest in a subsidiary			2,433
Loss on disposal of subsidiaries			(374)
Finance costs			(27,099)
Share of results of an associate			83
Profit before taxation			331,798
Taxation			(19,711)
Profit for the year			312,087
For the six months ended 30 June 2004 (unaudited)			
REVENUE			
External	700,119	148,515	848,634
SEGMENT RESULTS	32,887	87,035	119,922
Other operating income			2,248
Unallocated corporate expenses			(4,752)
Profit from operations			117,418
Gain on partial disposal of interest in a subsidiary			2,433
Finance costs			(5,155)
Profit before taxation			114,696
Taxation			(6,206)
Profit for the period			108,490

	Sale and distribution of gas fuel and related products	Gas pipeline construction	Consolidated
	HK$'000	HK$'000	HK$'000
For the six months ended 30 June 2005			
REVENUE			
External	758,856	199,197	958,053
SEGMENT RESULTS	106,365	101,090	207,455
Other operating income			28,592
Unallocated corporate expenses			(66,303)
Profit from operations			169,744
Finance costs			(37,860)
Share of results of associates			28,561
Profit before taxation			160,445
Taxation			(16,055)
Profit for the period			144,390

As over 90% of the assets of the Group are attributable to sale and distribution of gas fuel and related products, an analysis of segment assets and liabilities is not presented.

Geographical segments

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

5. OTHER OPERATING INCOME

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Interest income	1,806	3,303	13,126	1,557	19,552
Gain on disposals of available-for-sale investments	—	—	—	—	1,952
Discounts on acquisition	9,485	9,084	22,967	—	—
Net exchange gain	—	—	614	657	—
Sundry	827	487	1,359	34	7,088
	12,118	12,874	38,066	2,248	28,592

6. OTHER OPERATING EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Loss on disposal of property, plant and equipment	1,009	889	628	318	68
Donations	2	14	1,015	979	4
Net exchange loss	—	—	—	—	228
Sundry	807	231	1,012	277	523
	1,818	1,134	2,655	1,574	823

7. PROFIT FROM OPERATIONS

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit from operations has been arrived at after charging:					
Directors' remuneration *(Note 8)*	3,238	3,580	4,473	2,145	4,201
Other staff costs	30,614	30,717	41,172	21,852	24,142
Retirement benefits scheme contribution	4,508	3,751	5,118	1,861	2,777
Total staff costs	38,360	38,048	50,763	25,858	31,120
Amortisation of intangible asset (included under administrative expenses)	—	373	502	251	28
Amortisation of lease premium for land	709	1,013	1,471	725	782
Auditors' remuneration	1,077	1,392	1,549	228	449
Depreciation and amortisation of property, plant and equipment	18,376	20,500	36,936	14,458	25,806
Operating lease rentals in respect of land and buildings	3,834	7,593	7,194	3,293	3,438

8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Directors' emoluments:					
Fees:					
Executive directors	—	—	—	—	—
Non-executive directors	—	—	—	—	—
Independent non-executive directors	—	—	639	300	—
	—	—	639	300	—
Other emoluments for executive directors:					
Salaries and other benefits	2,897	3,189	3,705	1,765	2,460
Bonus	250	300	30	30	1,700
Retirement benefits scheme contributions	91	91	99	50	41
	3,238	3,580	3,834	1,845	4,201
Other emoluments for non-executive directors	—	—	—	—	—
Other emoluments for independent non-executive directors	—	—	—	—	—
	3,238	3,580	4,473	2,145	4,201

Employees' emoluments:

The five highest paid individuals of the Group included three, four, five, four and four directors of the Company for each of the three years ended 31 December 2002, 2003 and 2004 and the six months ended 30 June 2004 and 2005 respectively, details of their emoluments are included above.

The emoluments of the remaining highest paid individuals for each of the three years ended 31 December 2002, 2003, 2004 and the six months ended 30 June 2004 and 2005, representing salaries and other benefits paid, amounted to HK$326,000, HK$603,000, nil and HK$316,000 and HK$341,000 respectively.

During the Relevant Periods and the six months ended 30 June 2004, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during the Relevant Periods and the six months ended 30 June 2004.

9. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Interest on:					
bank and other borrowings wholly repayable within five years	170	1,958	11,047	1,492	13,976
bank and other borrowings not wholly repayable within five years	—	—	28,486	—	56,144
Effective interest on convertible notes/bonds	6,475	12,807	13,685	3,619	6,645
Change in fair value of derivative financial instruments	—	—	—	—	4,833
	6,645	14,765	53,218	5,111	81,598
Net interest receivable on interest rate swaps	—	—	(26,239)	—	(43,806)
	6,645	14,765	26,979	5,111	37,792
Bank charges	46	81	120	44	68
	6,691	14,846	27,099	5,155	37,860

10. 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 other 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 has been provided for after taking these tax incentives into account.

The charge for the Relevant Periods can be reconciled to the profit in the consolidated income statement as follows:

	Year ended 31 December						Six months ended 30 June			
	2002		2003		2004		2004		2005	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000 (unaudited)	%	HK$'000	%
Profit before taxation	185,024		279,031		331,798		114,696		160,445	
Tax at the applicable tax rate	61,058	33.0	92,080	33.0	109,493	33.0	37,850	33.0	52,947	33.0
Tax effect of expenses that are not deductible for tax purposes	6,392	3.4	8,633	3.1	13,508	4.1	3,712	3.2	15,803	9.8
Tax effect of income that is exempted from PRC enterprise income tax in determining taxable profit	(48,906)	(26.4)	(61,300)	(22.0)	(80,865)	(24.4)	(24,289)	(21.2)	(30,674)	(19.1)
Effect of different tax rates of subsidiaries entitled to a 50% reduction in PRC enterprise income tax rates and operating in different provinces	(12,085)	(6.5)	(21,909)	(7.8)	(23,594)	(7.1)	(10,685)	(9.3)	(15,078)	(9.4)
Tax effect of share of results of associates	—	—	—	—	(27)	—	—	—	(9,425)	(5.9)
Tax effect of utilisation of tax losses not previously recognised	—	—	—	—	—	—	(839)	(0.7)	(477)	(0.2)
Tax effect of tax losses not recognised	2,086	1.1	5,371	1.9	1,196	0.3	457	0.4	2,959	1.8
Tax charge for the year	8,545	4.6	22,875	8.2	19,711	5.9	6,206	5.4	16,055	10.0

At 31 December 2002, 2003 and 2004 and 30 June 2005, the Group has estimated unused tax losses of HK$28,430,000, HK$43,304,000, HK$49,559,000 and HK$63,278,000 respectively available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire within five years from the date of origination.

11. EARNINGS PER SHARE

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

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Earnings for the purposes of basic earnings per share, being net profit attributable to equity holders of the Company	139,235	213,947	285,368	95,699	128,249
Effect of dilutive potential shares:					
Effective interest on convertible note	6,475	—	—	—	—
Effective interest on convertible bonds	—	5,408	13,685	3,619	6,645
Earnings for the purposes of diluted earnings per share	145,710	219,355	299,053	99,318	134,894

	Number of shares				
	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
				(unaudited)	
Weighted average number of shares for the purposes of basic earnings per share	603,272,000	615,401,000	938,499,000	934,705,000	942,251,000
Effect of dilutive potential shares:					
Options	4,197,000	25,884,000	19,341,000	20,023,000	17,671,000
Convertible note	169,492,000	—	—	—	—
Convertible bonds	—	65,234,000	97,851,000	97,851,000	97,851,000
Weighted average number of shares for the purposes of diluted earnings per share	776,961,000	706,519,000	1,055,691,000	1,052,579,000	1,057,773,000

The adjustment to comparative basic and diluted earnings per share, arising from the changes in accounting policies is as follows:

	Year ended 31 December			Six months ended 30 June
	2002	2003	2004	2004
	HK cents	HK cents	HK cents	HK cents
Reconciliation of basic earnings per share:				
Reported figures before adjustments	21.97	33.97	28.14	10.20
Adjustments arising from the changes in accounting policies	1.11	0.80	2.27	0.04
Restated	23.08	34.77	30.41	10.24
Reconciliation of diluted earnings per share:				
Reported figures before adjustments	17.44	30.36	26.38	9.40
Adjustments arising from the changes in accounting policies	1.31	0.69	1.95	0.04
Restated	18.75	31.05	28.33	9.44

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings in the PRC	Leasehold improvements	Furniture and fixtures	Gas pipelines	Motor vehicles	Plant and equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST								
At 1 January 2002	37,590	18	4,357	—	24,655	137,762	23,523	227,905
Additions	1,131	—	726	—	2,156	23,419	61,364	88,796
On acquisition of subsidiaries	3,726	—	15	348	127	3,339	69,604	77,159
Disposals	(48)	—	(62)	—	(854)	(1,011)	(1,790)	(3,765)
Reclassification	—	—	—	17,036	—	(17,036)	—	—
Transfer	—	—	—	139,627	—	836	(140,463)	—
At 31 December 2002	42,399	18	5,036	157,011	26,084	147,309	12,238	390,095
Additions	3,501	2,806	3,616	136,509	5,770	4,696	30,317	187,215
On acquisition of subsidiaries	3,027	—	245	28,527	200	1,376	46,518	79,893
Disposals	—	—	(71)	(2)	(4,775)	(111)	(4,044)	(9,003)
On disposal of subsidiaries	(840)	(18)	(24)	—	(242)	(925)	—	(2,049)
Transfer	3,559	—	210	24,436	85	2,687	(30,977)	—
At 31 December 2003	51,646	2,806	9,012	346,481	27,122	155,032	54,052	646,151
Additions	1,885	1,159	2,364	—	5,538	2,247	271,806	284,999
On acquisition of subsidiaries	7,832	—	538	173,854	725	2,735	9,801	195,485
Disposals	(18)	—	(347)	(629)	(2,405)	(1,039)	—	(4,438)
On disposal of subsidiaries	—	—	(27)	—	(90)	(139)	—	(256)
Reclassification	—	—	—	212	—	(212)	—	—
Transfer	530	—	(31)	300,502	—	357	(301,358)	—
At 31 December 2004	61,875	3,965	11,509	820,420	30,890	158,981	34,301	1,121,941
Additions	3,021	—	443	160,053	1,350	5,701	9,815	180,383
On acquisition of subsidiaries	11,147	—	418	39,177	584	356	253	51,935
Disposals	—	—	(52)	—	(464)	(28)	(19)	(563)
Transfer	234	—	75	12,612	—	239	(13,160)	—
Reclassification	2,806	(2,806)	762	3,028	—	(3,790)	—	—
At 30 June 2005	79,083	1,159	13,155	1,035,290	32,360	161,459	31,190	1,353,696
DEPRECIATION AND AMORTISATION								
At 1 January 2002	2,701	4	1,275	—	7,785	21,161	—	32,926
Provided for the year	1,334	2	771	2,743	3,213	10,313	—	18,376
Eliminated on disposals	(8)	—	(42)	—	(600)	(255)	—	(905)
Reclassification	—	—	—	2,370	—	(2,370)	—	—
At 31 December 2002	4,027	6	2,004	5,113	10,398	28,849	—	50,397
Provided for the year	1,449	21	923	6,790	3,224	8,093	—	20,500
Eliminated on disposals	—	—	(18)	—	(2,803)	(10)	—	(2,831)
Eliminated on disposal of subsidiaries	(84)	(5)	(20)	—	(76)	(274)	—	(459)
At 31 December 2003	5,392	22	2,889	11,903	10,743	36,658	—	67,607
Provided for the year	1,915	296	1,669	20,583	3,476	8,997	—	36,936
Eliminated on disposals	(1)	—	(245)	(5)	(1,672)	(368)	—	(2,291)
Eliminated on disposal of subsidiaries	—	—	(8)	—	(60)	(39)	—	(107)
Reclassification	—	—	—	(212)	—	212	—	—
At 31 December 2004	7,306	318	4,305	32,269	12,487	45,460	—	102,145
Provided for the period	1,238	174	1,222	17,113	1,969	4,090	—	25,806
Eliminated on disposals	—	—	(41)	—	(357)	—	—	(398)
Reclassification	143	(143)	—	2,767	—	(2,767)	—	—
At 30 June 2005	8,687	349	5,486	52,149	14,099	46,783	—	127,553
NET BOOK VALUES								
At 31 December 2002	38,372	12	3,032	151,898	15,686	118,460	12,238	339,698
At 31 December 2003	46,254	2,784	6,123	334,578	16,379	118,374	54,052	578,544
At 31 December 2004	54,569	3,647	7,204	788,151	18,403	113,521	34,301	1,019,796
At 30 June 2005	70,396	810	7,669	983,141	18,261	114,676	31,190	1,226,143

At the respective balance sheet dates, the Group pledged certain of its property, plant and equipment and lease premium for land with an aggregate net book value of approximately HK$8,135,000, HK$43,963,000, HK$56,472,000 and HK$56,145,000 to secure banking facilities granted to the Group.

13. INTANGIBLE ASSETS

	At 31 December			At 30 June
	2002	**2003**	**2004**	**2005**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
COST				
At beginning of the year/period	—	—	10,035	10,035
Acquired during the year/period	—	10,035	—	—
At end of the year/period	—	10,035	10,035	10,035
AMORTISATION				
At beginning of the year	—	—	373	875
Provided for the year/period	—	373	502	28
At end of the year/period	—	373	875	903
NET BOOK VALUE				
At end of the year/period	—	9,662	9,160	9,132

The Group's exclusive operating right for city pipeline network was purchased from third parties.

14. GOODWILL

	HK$'000
COST	
At 1 January 2002	13,340
Elimination of accumulated amortisation upon the application of HKFRS3.	(267)
Arising on acquisition of subsidiaries	2,461
At 31 December 2002 and 31 December 2003	15,534
Arising on acquisition of subsidiaries	8,951
At 31 December 2004.	24,485
Arising on acquisition of subsidiaries	21,964
At 30 June 2005.	46,449

The goodwill, which arose from acquisition of subsidiaries, is not amortised commencing from 1 January 2002 in accordance with the transitional provision of HKFRS3.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated under "sale and distribution of gas fuel and related products" segment and "Gas pipeline construction" segment.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates of 12% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates of 5% are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecast derived from the most recent financial budgets approved by management for the next 5 years. The directors considered no impairment loss is necessary at 31 December 2002, 2003, 2004 and 30 June 2005.

15. INTERESTS IN ASSOCIATES

	At 31 December			At 30 June
	2002	**2003**	**2004**	**2005**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Share of net assets	—	—	35,377	369,113
Goodwill on acquisition of an associate *(Note)*	—	—	35,418	84,917
	—	—	70,795	454,030

Details of the Group's associates as at 30 June 2005 are as follows:

Name of associate	**Place of establishment and operations**	**Percentage of equity interest attributable to the Group**	**Principal activities**
佛山市燃氣集團有限公司 Foshan Panva Gas Co., Ltd.	PRC - Sino-foreign equity joint venture	45%	Provision of LPG, natural gas and related services and gas pipeline construction
長春燃氣控股有限公司 Changchun Gas Holdings Limited	PRC - Sino-foreign equity joint venture	48%	Production and/or distribution of natural gas, coal gas, LPG, metallurgical coke and coke oil

Summarised financial information in respect of the Group's associates is set out below:

	31 December 2004	30 June 2005
	HK$'000	HK$'000
Total assets	277,919	2,036,963
Total liabilities	(198,963)	(844,249)
Net assets	78,956	1,192,714
Revenue	44,553	49,183
Profit for the year/period	185	79,025

Note:

Details of movements of goodwill on acquisition of associates are as follows:

	HK$'000
COST	
At 1 January 2002 and 31 December 2002 and 31 December 2003	—
Arising from acquisition of an associate	35,418
At 31 December 2004	35,418
Arising from acquisition of an associate during the period	49,499
At 30 June 2005	84,917

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates of 12% using pre-tax rates that reflect current marked assessments of the time value of money and the risks specific to the business. The growth rates of 5% are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecast derived from the most recent financial budgets approved by management for the next 5 years. The directors considered no impairment loss is necessary at 31 December 2004 and 30 June 2005.

16. INVESTMENTS IN SECURITIES

	At 31 December			At 30 June
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Investment securities				
Unlisted shares in the PRC, at cost	752	7,906	10,415	—
PRC bonds, at costs	187	—	—	—
	939	7,906	10,415	—

17. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December			At 30 June
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Listed shares in Hong Kong	—	—	—	37,961
Unlisted shares in the PRC, at cost	—	—	—	171,038
	—	—	—	208,999

As at the balance sheet date, all available-for-sale investments were stated at fair value, except for those unlisted equity investments of which their fair values cannot be measured reliably. Fair values of listed securities have been determined by reference to quoted market bid prices.

Investments in unlisted equity securities issued by private entities incorporated in the PRC are measured at cost less impairment at each balance sheet date because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

18. LEASE PREMIUM FOR LAND

	At 31 December			At 30 June
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at beginning of the year/period	16,896	26,074	31,161	37,482
Additions	9,317	3,290	656	261
On acquisition of subsidiaries	570	2,961	8,040	8,615
Disposals	—	—	(904)	—
On disposal of subsidiaries	—	(151)	—	—
Charge for the year/period	(709)	(1,013)	(1,471)	(782)
Balance at end of the year/period	26,074	31,161	37,482	45,576
Current portion	(895)	(1,092)	(1,266)	(1,482)
Non-current portion	25,179	30,069	36,216	44,094

The amount represented medium-term land use rights situated in the PRC.

19. INVENTORIES

	At 31 December			At 30 June
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Finished goods	11,512	23,442	14,430	16,737
Consumables	11,474	12,932	25,247	42,504
	22,986	36,374	39,677	59,241

All inventories were stated at cost.

20. TRADE RECEIVABLES

The Group has a policy of allowing an average credit period ranging from 0 to 90 days to its customers. The following is an aged analysis of trade receivables at the respective balance sheet dates:

	At 31 December			At 30 June
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
0 to 90 days	84,343	132,853	184,318	225,265
91 to 180 days	4,373	46,872	841	2,080
181 to 360 days	1,607	2,430	1,798	2,161
Over 360 days	3,063	1,704	494	5,920
	93,386	183,859	187,451	235,426

The fair value of the Group's trade receivables determine based on estimated cash flows discounted at the prevailing market rate at each of the balance sheet dates approximates to the corresponding carrying amounts.

21. AMOUNTS DUE FROM/TO MINORITY SHAREHOLDERS

The amounts are unsecured, interest-free and are repayable on demand.

The fair values of the amounts due from/to minority shareholders determined based on estimated cash flows discounted at the prevailing market rate at each of the balance sheet dates approximate to the corresponding carrying amounts.

22. TRADE PAYABLES

The following is an aged analysis of trade payables at the respective balance sheet dates:

	At 31 December			At 30 June
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
0 to 90 days	80,940	72,702	16,537	69,982
91 to 180 days	115	1,133	2,762	2,983
181 to 360 days	64	763	3,167	1,087
Over 360 days	8,222	4,464	1,610	5,266
	89,341	79,062	24,076	79,318

The fair value of the Group's trade payables determined based on estimated cash flows discounted at the prevailing market rate at each of the balance sheet dates approximates to the corresponding carrying amounts.

23. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's major financial instruments include equity investments, trade and other receivables, trade and other payables, bank loans, convertible notes/bonds and senior loan notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how the Group mitigate these risks are set out below:

Currency risk

Several subsidiaries of the Company have foreign currency sales, which expose the Group to foreign currency risk. However, the directors of the Company consider that currency risk associated with Group's transactions is not significant. Therefore, it is the Group's policy not to enter into forward contracts to mitigate the foreign currency risk.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group enters into interest rate swap in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount.

Credit risk

The Group's credit risk primarily relates to the Group's trade receivables. In order to minimise the risk, the management of the Group has delegated a team responsible for closely monitoring overdue trade debts. The recoverable amount of each individual trade debt is reviewed at each balance sheet date and adequate impairment losses have been made for irrecoverable amounts. In this regard, the directors of the Company consider that credit risk associated with the Group's trade receivables is significantly reduced.

Price risk

The Group's available-for-sale investments are measured at fair value, except for those unlisted equity investments of which fair values cannot be measured reliably, at each balance sheet date. Therefore, the Group is exposed to equity and debt security price risk. The Group is not exposed to any commodity price risk.

24. DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments relate to the interest rate swaps arrangements entered by the Group to manage its exposure to interest rate fluctuation on certain bank borrowings. Major terms of the interest rate swaps are set out below:

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

* Where:

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

US$ 30 year CMS - US$ 2 year CMS

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

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

The fair value of swaps entered into at 30 June 2005 is estimated at HK$106,168,000. These amounts are based on market prices quoted from financial institutions for equivalent instruments at the balance sheet date. Changes in the fair value of interest rate swaps during the six months ended 30 June 2005 of HK$4,833,000 have been recognised to the consolidated income statement.

25. FINANCIAL LIABILITIES

The fair values of other payables and amounts due to minority shareholders determined based on estimated cash flow discounted at the prevailing market rate at each of the balance sheet dates approximate to the corresponding carrying amounts.

26. BORROWINGS

	As at 31 December			At 30 June
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Bank loans - secured	2,438	32,863	26,941	26,333
Bank loans - unsecured	12,161	5,239	18,850	—
Other loans - secured	—	—	—	9,355
Other loans - unsecured	—	972	935	2,152
Convertible note *(Note a)*	95,411	—	—	—
Convertible bonds *(Note b)*	—	323,666	329,911	332,835
Guaranteed senior notes *(Note c)*	—	—	1,524,710	1,526,428
	110,010	362,740	1,901,347	1,897,103
The maturity profile of the above borrowings is as follows:				
On demand or within one year	14,599	32,526	29,420	35,688
More than one year but not exceeding two years	95,411	3,929	17,306	2,152
More than two years but not exceeding five years	—	326,285	329,911	332,835
More than five years	—	—	1,524,710	1,526,428
	110,010	362,740	1,901,347	1,897,103
Less: Amount due within one year shown under current liabilities	(14,599)	(32,526)	(29,420)	(35,688)
Amount due after one year	95,411	330,214	1,871,927	1,861,415

Notes:

(a) The convertible note was issued on 4 April 2001. The note was convertible into shares of the Company from the date of issue up to the third anniversary of the date of issuance. The price at which each share shall be issued upon conversion was HK$0.59 per share (adjusted to account for the effect of the issue of additional new shares). Interest of 3% was payable per annum. The convertible note was fully converted to shares of the Company. Please refer to Note 27 for details.

(b) The convertible bonds were issued on 23 April 2003. The bonds are convertible into shares of the Company on or after 7 June 2003 and up to 9 April 2008. The conversion price at which each share shall be issued upon conversion is HK$3.8043 per share (adjusted to account for the effect of the issue of additional new shares). The outstanding unconverted principal amount of the bonds will be redeemed on 23 April 2008 at 108.119%. Interest of 2% is payable per annum.

(c) The Group issued US$200,000,000 8.25% guaranteed senior notes due 2011 (the "Guaranteed Senior Notes") on 23 September 2004. The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited. The Guaranteed Senior Notes bear interest at 8.25% per annum, payable semi-annually in arrears. At any time prior to 23 September 2007, the Company may redeem up to 35% of the principal amount of the Guaranteed Senior Notes with the net cash proceeds of one or more sales of the Company's shares in an offering at a redemption price of 108.25% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date.

(d) The bank and other loans carry interest at the prevailing market rates at a range of 2.0%-4.8%.

The directors consider that the carrying amount of borrowings approximates their fair value.

27. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Shares of HK$0.1 each		
Authorised:		
At 1 January 2002, 31 December 2002, 31 December 2003, 31 December 2004 and 30 June 2005	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2002	500,000,000	50,000
Issue of shares on the exercise of share options	5,043,000	505
Issue of shares	100,033,000	10,003
At 31 December 2002	605,076,000	60,508
Issue of shares on conversion of convertible note	169,491,525	16,949
Issue of shares on conversion of convertible bonds	4,530,366	453
At 31 December 2003	779,097,891	77,910
Issue of shares on placing and subscription arrangements	155,200,000	15,520
Issue of shares on the exercise of share options	7,953,000	795
At 31 December 2004 and 30 June 2005	942,250,891	94,225

Changes in the share capital of the Company during the year ended 31 December 2002 were as follows:

(a) On 26 April 2002, the Company issued 100,033,000 shares of HK$0.1 each in the Company as bonus issue of shares on the basis of one new share of HK$0.1 each for every five existing shares held by the shareholders of the Company by the way of capitalising of the sum of HK$10,003,300 standing to the credit of the share premium account of the Company.

(b) The subscription rights attached to 165,000 shares and 4,878,000 share options were exercised at the exercise prices of HK$1.13 and HK$0.94 per share respectively resulting in the issue of 5,043,366 shares of HK$0.1 each in the Company for a total cash consideration, before expenses, of HK$4,772,000.

Changes in the share capital of the Company during the year ended 31 December 2003 were as follows:

(a) In December 2003, the Company issued 169,491,525 shares of HK$0.1 each in the Company upon conversion of HK$100,000,000 convertible note by the noteholder at a conversion price of HK$0.59.

(b) 4,530,366 shares of HK$0.1 each in the Company were issued for a total consideration of HK$17,744,991 to the convertible bondholders at the conversion price of HK$3.9169.

Changes in the share capital of the Company during the year ended 31 December 2004 were as follows:

(c) On 8 January 2004, the Company issued 155,200,000 shares of HK$0.1 each pursuant to the agreements in respect of placing and subscription of shares of the Company that Sinolink Worldwide Holdings Limited ("Sinolink") placed 155,200,000 existing shares of the Company to independent investors at HK$4.00 per share and subscribed for the same number of new shares issued by the Company at the same price per share.

The Company intended to use the net proceeds from the new issue of shares to further develop the Group's business and for general working capital purposes.

(d) The Company allotted and issued a total of 5,770,000 and 2,183,000 shares of HK$0.1 each for cash at the exercise prices of HK$0.475 and HK$0.94 per share respectively as a result of the exercise of share options.

All the shares which were issued during the Relevant Periods rank pari passu with the existing shares in all respects.

28. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2002, the Group acquired 90% and 99.5% of the registered capital of Pengxi Panva Gas Co., Ltd. and Weiyuan Panva Gas Co., Ltd. respectively for an aggregate consideration of HK$34,355,000. These acquisitions have been accounted for by the acquisition method of accounting. The aggregate amount of goodwill and discount on acquisition arising as a result of the acquisitions was HK$2,461,000 and HK$9,485,000 respectively.

During the year ended 31 December 2003, the Group acquired 100%, and 90% of the registered capital of Lezhi Panva Gas Co., Ltd. and Pingchang Panva Gas Co., Ltd. respectively for an aggregate consideration of HK$19,457,000. These acquisitions have been accounted for by the acquisition method of accounting. The aggregate amount of discount on acquisition arising as a result of the acquisitions was HK$1,195,000 and HK$5,759,000, respectively.

During the year ended 31 December 2004, the Group acquired 100% registered capital of Cangxi Panva Gas Co., Ltd., Daiyi Panva Gas Co., Ltd., and Zhongjiang Panva Gas Co., Ltd.. The Group also acquired 90% of the registered capital of Yuechi Panva Gas Co., Ltd.. Aggregate consideration for these acquisitions amounted to HK$100,562,000. These acquisitions have been accounted for by the acquisition method of accounting. The aggregate amount of goodwill and discount on acquisition arising as a result of the acquisitions was HK$8,951,000 and HK$22,646,000 respectively.

During the period ended 30 June 2004, the Group acquired 90% and 100% of the registered capital of Yuechi Panva Gas Company Limited and Daiyi Panva Gas Company Limited respectively for an aggregate consideration of HK$46,772,000. These acquisitions have been accounted for by the acquisition method of accounting. The aggregate amount of goodwill arising as a result of the acquisitions was HK$8,951,000.

In January 2005, the Group acquired 70% and 100% of the registered capital of Pengshan Panva Gas Co., Ltd. and Jiangyang Panva Gas Co., Ltd. respectively for an aggregate consideration of HK$46,305,000. These transactions have been accounted for by the acquisition method of accounting. The aggregate amount of goodwill arising as a result of the acquisition was HK$21,964,000.

	At 31 December			At 30 June	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Net assets acquired:					
Property, plant and equipment	77,159	79,893	195,485	82,816	51,935
Investments in securities	344	2,010	4,221	74	—
Lease premium for land	570	2,961	8,040	3,632	8,615
Inventories	126	2,092	1,749	367	533
Trade receivables	782	288	1,794	1,177	290
Other receivables, deposits and prepayments	1,386	24,188	17,615	13,521	15,246
Bank balances and cash	1,033	543	3,405	2,146	847
Trade payables	(3,119)	(2,077)	(2,659)	(1,442)	(1,185)
Other payables and accrued charges	(34,960)	(51,634)	(65,958)	(26,537)	(31,982)
Taxation	—	—	—	—	(466)
Borrowings	(660)	(30,580)	(46,183)	(34,681)	(12,004)
Minority interests	(1,282)	(1,273)	(3,252)	(3,252)	(7,488)
	41,379	26,411	114,257	37,821	24,341
Goodwill	2,461	—	8,951	8,951	21,964
Discount on acquisition	(9,485)	(6,954)	(22,646)	—	—
Total consideration	34,355	19,457	100,562	46,772	46,305
Satisfied by					
Cash	34,355	15,716	84,067	46,772	46,305
Amounts due to minority shareholders	—	3,741	16,495	—	—
	34,355	19,457	100,562	46,772	46,305
Net cash outflow arising on acquisition:					
Cash consideration	(34,355)	(15,716)	(84,067)	(46,772)	(46,305)
Bank balances and cash acquired	1,033	543	3,405	2,146	847
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	(33,322)	(15,173)	(80,662)	(44,626)	(45,458)

The acquirees' carrying amount of net assets before combination approximates to its fair value. Accordingly, no fair value adjustments are required.

The subsidiaries acquired during the year ended 31 December 2002, 31 December 2003 and 31 December 2004, and six months ended 30 June 2004 and 30 June 2005 contributed HK$71,036,000, HK$79,027,000, HK$191,346,000 and HK$37,520,000 (unaudited) and HK$36,668,000 to the Group's turnover respectively, and HK$56,329,000, HK$63,966,000, HK$128,405,000 and HK$23,158,000 (unaudited) and HK$14,094,000 to the Group's profit from operations respectively.

If the acquisitions made during the year ended 31 December 2002 had been completed on 1 January 2002, total group revenue for the year would have been HK$1,254 million, and profit for the year would have been HK$214 million. The pro forma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2002, nor is it intended to be a projection of future results.

If the acquisitions made during the year ended 31 December 2003 had been completed on 1 January 2003, total group revenue for the year would have been HK$1,628 million, and profit for the year would have been HK$340 million. The pro forma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2003, nor is it intended to be a projection of future results.

If the acquisitions made during the year ended 31 December 2004 had been completed on 1 January 2004, total group revenue for the year would have been HK$1,867 million, and profit for the year would have been HK$330 million. The pro forma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2004, nor is it intended to be a projection of future results.

If the acquisitions made during the period ended 30 June 2004 had been completed on 1 January 2004, total group revenue for the period would have been HK$856 million, and profit for the period would have been HK$100 million. The pro forma information is for illustrative purposes only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on 1 January 2004, nor is it intended to be a projection of future results.

29. DISPOSAL OF SUBSIDIARIES

	At 31 December			At 30 June	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Net assets disposed of:					
Property, plant and equipment	—	1,590	149	—	—
Lease premium for land	—	151	—	—	—
Inventories	—	114	37	—	—
Trade receivables	—	52	29	—	—
Other receivables, deposits and prepayments	—	94	173	—	—
Bank balances and cash	—	3	126	—	—
Trade payables	—	(1,061)	—	—	—
Other payables and accrued charges	—	(16)	(69)	—	—
Minority interests	—	(139)	(31)	—	—
	—	788	414	—	—
Loss on disposal	—	(788)	(374)	—	—
Total consideration	—	—	40	—	—
Net cash inflow arising on disposal:					
Proceeds received on disposal	—	—	40	—	—
Bank balances and cash disposed of	—	(3)	(126)	—	—
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	(3)	(86)	—	—

30. MAJOR NON-CASH TRANSACTIONS

On 26 April 2002, the Company issued 100,033,000 shares of HK$0.1 each in the Company as bonus issue of shares on the basis of one new share of HK$0.1 each for every five existing shares held by the shareholders of the Company by the way of capitalising of the sum of HK$10,003,300 standing to the credit of the share premium account of the Company.

On 5 December 2003, the Company issued 169,492,000 shares of HK$0.1 each in the Company upon exercise of HK$100,000,000 convertible note held by Supreme All Investments Limited ("Supreme All"), a wholly-owned subsidiary of Sinolink.

31. RELATED PARTY TRANSACTIONS

(a) During the Relevant Periods, the following related party transactions took place:

		Year ended 31 December			Six months ended 30 June	
Name of related party	**Nature of transactions**	**2002**	**2003**	**2004**	**2004**	**2005**
		HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
					(unaudited)	
Sinolink *(Note a)*	Licence fee expense *(Note d)*	374	374	460	187	273
Shenzhen Sinolink Enterprises Co., Limited *(Note b)*	Rental expense *(Note d)*	370	380	325	163	163
Supreme All *(Note c)*	Convertible note interest *(Note e)*	3,000	2,811	—	—	—

Notes:

(a) Mr. Ou Yaping, director and shareholder of the Company, has a direct beneficial interest in this company.

(b) It is a fellow subsidiary of the Company, of which Mr. Ou Yaping is a director.

(c) It is a wholly-owned subsidiary of Sinolink.

(d) Licence fee expense and rental expense were determined by the directors based on the directors' estimates of fair market value.

(e) Interest of 3% is payable per annum.

The directors of the Company represented that other than the convertible note interest paid to Supreme All which was ceased upon the conversion of convertible note in 2003, the related party transactions for the year ended 31 December 2004 would continue after the listing of the Company's shares on the Main Board of Stock Exchange.

(b) Compensation of key management personal

The remuneration of directors and other members of key management during the year/period was as follows:

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Short-term benefits	3,147	3,489	4,374	2,095	4,160
Post-employment benefits	91	91	99	50	41
Share-based payments	—	—	1,560	—	7,362
	3,238	3,580	6,033	2,145	11,563

32. OPERATING LEASE COMMITMENTS

At the respective balance sheet dates, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	As at 31 December			At 30 June
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	4,558	4,088	4,979	5,228
In the second to fifth years inclusive	9,602	12,602	10,602	11,166
Over five years	20,724	18,719	14,518	13,733
	34,884	35,409	30,099	30,127

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated for terms up to 30 years.

33. CAPITAL COMMITMENTS

	As at 31 December			At 30 June
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the financial information in respect of unpaid capital contribution of investment projects	87,618	186,361	526,008	34,520

34. SHARE OPTIONS

The Company's Pre-GEM Share Option Scheme (the "Pre-GEM Share Option Scheme") and share option scheme (the "Scheme") were adopted pursuant to resolutions passed on 4 April 2001 for providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, expired on 19 April 2001 and, will expire on 3 April 2011 respectively. Under the Pre-GEM Share Option Scheme and the Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company, any of its subsidiaries, to subscribe for shares in the Company.

Movements of the share options, which were all held by directors and senior management, during the Relevant Periods were as follows:

	Number of share options					
	Outstanding at the beginning of year/period					
	Before adjustment	After adjustment	Granted during the year/period	Exercised during the year/period	Lapsed during the year/period	Outstanding at the end of year/period
For the year ended 31 December 2002						
Pre-GEM Listing options	20,900,000	24,840,000	—	—	(1,000,000)	23,840,000
2001 options	15,650,000	18,780,000	—	(5,076,000)	(400,000)	13,304,000
	36,550,000	43,620,000	—	(5,076,000)	(1,400,000)	37,144,000
For the year ended 31 December 2003						
Pre-GEM Listing options	23,440,000	23,440,000	—	—	(2,800,000)	20,640,000
2001 options	13,704,000	13,704,000	—	—	(2,880,000)	10,824,000
	37,144,000	37,144,000	—	—	(5,680,000)	31,464,000
For the year ended 31 December 2004						
Pre-GEM Listing options	20,640,000	20,640,000	—	(5,770,000)	—	14,870,000
2001 options	10,824,000	10,824,000	—	(2,183,000)	(1,072,000)	7,569,000
2004 options	—	—	21,200,000	—	—	21,200,000
	31,464,000	31,464,000	21,200,000	(7,953,000)	(1,072,000)	43,639,000

	Number of share options					
	Outstanding at the beginning of year/period					
	Before adjustment	After adjustment	Granted during the year/period	Exercised during the year/period	Lapsed during the year/period	Outstanding at the end of year/period
For the six months ended 30 June 2005						
Pre-GEM Listing options .	13,870,000	13,870,000	—	—	—	13,870,000
2001 options	8,569,000	8,569,000	—	—	(440,000)	8,129,000
2004 options	21,200,000	21,200,000	—	—	—	21,200,000
	43,639,000	43,639,000	—	—	(440,000)	43,199,000
Weighted average exercise price	0.672	1.041	3.500	0.734	0.734	1.419

Had all the outstanding share options been fully exercised on 31 December 2002, 2003, 2004 and 30 June 2005, the Company would have received cash proceeds of HK$102,146,000, HK$19,979,000, HK$89,572,000 and HK$88,430,000 respectively. Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price	
			Before adjustment	After adjustment
			HK$	HK$
Pre-GEM Listing option .	04.04.2001	01.01.2004 - 03.04.2011	0.570	0.475
	04.04.2001	01.01.2004 - 03.04.2011	0.570	0.475
2001	13.11.2001	13.02.2002 - 13.02.2007	1.130	0.940
	13.11.2001	13.05.2002 - 13.02.2007	1.130	0.940
	13.11.2001	13.11.2002 - 13.02.2007	1.130	0.940
2004	19.11.2004	31.12.2005 - 30.03.2011	N/A	3.500
	19.11.2004	31.12.2006 - 30.03.2011	N/A	3.500
	19.11.2004	31.12.2007 - 30.03.2011	N/A	3.500

Nominal consideration for options granted during the Relevant Periods was received.

The number of share options outstanding at the beginning of 2002 and the exercise prices have been adjusted to reflect the effect of bonus share dividend issued during the year ended 31 December 2002. The market prices of the shares on the dates of exercise of the share options were HK$1.66, HK$2.10 and HK$4.05 respectively.

The market price of the shares of the Company on the dates of exercise of the share options during the year ended 31 December 2004 was at a range of HK$3.82 to HK$4.01 per share.

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

The estimated fair value of the options granted during the year ended 31 December 2004 was HK$1.68 per share.

The above fair value was calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	At 31 December 2004
Weighted average share price	3.5
Weighted average exercise price	3.5
Expected volatility	42.54%
Expected life	6.5
Risk free rate	0%
Expected dividend yield	3.358%

The Group recognised total expenses of HK$2,733,000 and HK$10,038,000 related to equity-settled share-based payment transactions during the year ended 31 December 2004 and the six months ended 30 June 2005 respectively.

35. RETIREMENT BENEFITS SCHEMES

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Group is required to make specific contributions to the retirement schemes at a rate of 12 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions paid or payable for each of the three years ended 31 December 2002, 2003 and 2004, and the six months ended 30 June 2004 and 2005 amounted to approximately HK$4,407,000, HK$3,740,000 and HK$5,113,000, and HK$1,765,000 (unaudited) and HK$2,726,000 respectively.

The Group has joined a MPF Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. During the each of the three years ended 31 December 2002, 2003 and 2004, and the six months ended 30 June 2004 and 2005, the Group made retirement benefits scheme contributions amounting to HK$192,000, HK$102,000 and HK$104,000, and HK$46,000 (unaudited) and HK$51,000 respectively.

B. FINANCIAL INFORMATION OF THE COMPANY

The balance sheets of the Company at 31 December 2002, 2003 and 2004 and 30 June 2005 are as follows:

Balance Sheet

	NOTES	At 31 December 2002	At 31 December 2003	At 31 December 2004	At 30 June 2005
		HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets					
Property, plant and equipment	1	—	10	1,410	1,188
Investments in subsidiaries	2	64,100	64,100	64,100	64,100
Available-for-sales investments	3	—	—	—	160,663
		64,100	64,110	65,510	225,951
Current assets					
Other receivables, deposits and prepayments		1,063	1,633	28,646	27,478
Amounts due from subsidiaries	2	128,447	296,372	1,260,453	1,440,308
Bank balances and cash		6,060	197,758	1,342,825	983,885
		135,570	495,763	2,631,924	2,451,671
Current liabilities					
Other payables and accrued charges		3,612	3,203	39,333	36,293
Derivative financial instruments	4	—	—	—	106,168
		3,612	3,203	39,333	142,461
Net current assets		131,958	492,560	2,592,591	2,309,210
Total assets less current liabilities		196,058	556,670	2,658,101	2,535,161
Non-current liabilities					
Borrowings - amount due after one year	5	95,411	323,666	1,854,621	1,859,263
Net assets		100,647	233,004	803,480	675,898
Capital and reserves					
Share capital		60,508	77,910	94,225	94,225
Reserves	6	40,139	155,094	709,255	581,673
Shareholders' funds		100,647	233,004	803,480	675,898

1. **Property, plant and equipment**

	Plant and equipment
	HK$'000
COST	
Additions during the year and at 31 December 2003	13
Additions	1,623
At 31 December 2004 and 30 June 2005	1,636
DEPRECIATION	
Provided for the year and at 31 December 2003	3
Provided for the year	223
At 31 December 2004	226
Provided for the period	222
At 30 June 2005	448
NET BOOK VALUES	
At 31 December 2003	10
At 31 December 2004	1,410
At 30 June 2005	1,188

2. **Investments in subsidiaries/amounts due from subsidiaries**

	At 31 December 2002, 2003 & 2004 and 30 June 2005
	HK$'000
Unlisted investments, at cost	64,100

The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

The directors consider that the carrying amounts due from subsidiaries approximate to their fair values.

3. **Available-for-sales investments**

At 30 June 2005, the available-for-sales investments of the Company represent unlisted shares in the PRC.

Investments in unlisted equity securities issued by private entities incorporated in the PRC are measured at cost less impairment at the balance sheet date because the directors of the Company are of the opinion that their fair values cannot be measured reliably.

4. **Derivative financial instruments**

Details of the derivative financial instruments are set out in note 24 of Financial Information of the Group.

5. **Borrowings**

	At 31 December			At 30 June
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Convertible note	95,411	—	—	—
Convertible bonds	—	323,666	329,911	332,835
Guaranteed senior notes	—	—	1,524,710	1,526,428
	95,411	323,666	1,854,621	1,859,263
The maturity profile of the above borrowings is as follows:				
On demand or within one year	—	—	—	—
More than one year but not exceeding two years	95,411	—	—	—
More than two years but not exceeding five years	—	323,666	329,911	332,835
More than five years	—	—	1,524,710	1,526,428
Amount due after one year	95,411	323,666	1,854,621	1,859,263

Details of terms of the borrowings are set out in note 26 of Financial Information of the Group.

6. **Reserves**

	Share premium	Convertible note/bonds reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2002				
As originally stated	55,329	—	(4,416)	50,913
Effect of changes in accounting policies	—	10,497	—	10,497
As restated	55,329	10,497	(4,416)	61,410
Premium arising on issue of shares	4,267	—	—	4,267
Capitalisation of share premium for the bonus issue of shares	(10,003)	—	—	(10,003)
Loss for the year	—	—	(15,535)	(15,535)
At 31 December 2002	49,593	10,497	(19,951)	40,139
Premium arising on issue of shares	100,332	—	—	100,332
Issue of shares on conversion of convertible notes	10,497	(10,497)	—	—
Expenses incurred in connection with the issue of convertible bonds	(14,833)	—	—	(14,833)
Recognition of equity component of convertible bonds	—	48,350	—	48,350
Loss for the year	—	—	(18,894)	(18,894)
At 31 December 2003	145,589	48,350	(38,845)	155,094
Premium arising on issue of shares	609,277	—	—	609,277
Expenses incurred in connection with the issue of shares	(32,032)	—	—	(32,032)
Loss for the year	—	—	(23,084)	(23,084)
At 31 December 2004	722,834	48,350	(61,929)	709,255
Loss for the period	—	—	(127,582)	(127,582)
At 30 June 2005	722,834	48,350	(189,511)	581,673

The Company's reserves available for distribution represent the share premium and accumulated profits. Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution or dividend the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can be distributed out of the share premium, net of accumulated losses of the Company of HK$29,642,000, HK$106,744,000, HK$660,905,000 and HK$533,323,000 at 31 December 2002, 2003, 2004 and 30 June 2005 respectively.

C. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Asia Pacific Promotion Limited, a private limited company incorporated in the British Virgin Islands.

D. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Relevant Periods.

Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ended 31 December 2005 is approximately HK$6,000,000.

E. RECONCILIATION OF FINANCIAL INFORMATION

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Reconciliation on net profit attributable to equity holder of the parent as a result of changes in accounting polices					
Balance as per published annual/ interim report	132,538	209,074	264,088	95,356	128,249
Adjustment in respect of effective interest on Group's convertible notes which were redeemed in 2003	(3,475)	(4,589)	—	—	—
Adjustment in respect of depreciation and amortisation of the Group's land and buildings, as adjusted for the effect of minority interests	16	16	16	8	—
Adjustment in respect of share-based payments	—	—	(2,733)	—	—
Adjustment in respect of effective interest on the Group's borrowings	—	—	727	—	—
Adjustment in respect of goodwill and discount on acquisition	10,156	9,446	23,270	335	—
Balance as per accountants' report	139,235	213,947	285,368	95,699	128,249

	At 31 December			At 30 June
	2002	2003	2004	2005
	HK$'000	HK$'000	HK$'000	HK$'000
Reconciliation on net assets as a result of changes in accounting policies				
Balance as per published annual/ interim report	484,041	844,691	1,769,382	1,913,783
Adjustment in respect of effective interest on the Group's convertible notes which were redeemed in 2003	(5,908)	—	—	—
Adjustment in respect of the Group's land and buildings	(6,215)	(6,083)	(6,043)	80
Adjustment in respect of recognition of equity component of convertible notes and bonds	10,497	48,350	48,350	—
Adjustment in respect of effective interest on the Group's borrowings	—	—	727	—
Adjustment in respect of goodwill and discount on acquisition	10,156	19,602	42,872	—
Balance as per accountants' report	492,571	906,560	1,855,288	1,913,863

F. SUBSEQUENT EVENTS

The Group entered into an acquisition agreement to acquire 61.04% (subject to adjustment and subsequently amended to 61.67%) interest in Qiqihar Natural Gas Company 齊齊哈爾市天然氣公司 ("Qiqihar Panva") on 10 November 2004. In addition, the Group also entered into an acquisition agreement to acquire 51% interest in Anshan City Gas Company 鞍山市煤氣總公司 ("Anshan Panva") on 23 December 2004. Such agreement was subsequently terminated before completion and the Group entered into another agreement to acquire 81% interest in Anshan Panva on 22 March 2005 (hereinafter collectively refer to as the "Acquired Companies"). These acquisitions are still pending for completion as at the date of this report.

The Company also made announcements in respect of the acquisitions of the Acquired Companies, which are discloseable transactions under the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange as referred to in the announcements, on 11 November 2004, 23 December 2004 and 23 March 2005 respectively.

The income statements of the Acquired Companies for each of the three years ended 31 December 2004 and six months ended 30 June 2005 and the balance sheets of the Acquired Companies as at 31 December 2002, 2003, 2004 and 30 June 2005 are presented as follows:

1. Anshan City Gas Company 鞍山市煤氣總公司

Income Statements

	Year ended 31 December			Six months ended 30 June	
	2002	2003	2004	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Turnover	128,527	113,910	107,916	55,678	56,568
Cost of sales	(123,394)	(115,437)	(103,451)	(51,402)	(56,609)
Gross profit (loss)	5,133	(1,527)	4,465	4,276	(41)
Other operating income	11,191	14,714	18,412	5,866	8,662
Distribution expenses	(4,463)	(5,104)	(6,618)	(2,448)	(2,374)
Administrative expenses	(25,801)	(24,773)	(22,091)	(10,866)	(11,080)
Other operating expenses	(5,054)	(11,811)	(4,998)	(1,394)	(1,294)
Loss form operations	(18,994)	(28,501)	(10,830)	(4,566)	(6,127)
Finance costs	(2,464)	(3,276)	(4,015)	(1,948)	(2,111)
Share of results of associates	57	44	(144)	(129)	(181)
Loss before taxation	(21,401)	(31,733)	(14,989)	(6,643)	(8,419)
Taxation	—	—	—	—	—
Loss for the year/period	(21,401)	(31,733)	(14,989)	(6,643)	(8,419)

Balance Sheets

	At 31 December			At 30 June
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	51,219	38,483	23,750	17,697
Investment properties	50,106	50,106	50,106	52,216
Interests in associates	2,213	2,925	2,220	2,039
	103,538	91,514	76,076	71,952
Current assets				
Inventories	4,030	2,288	1,714	1,485
Trade receivables	93	467	2,655	3,940
Other receivables, deposits and prepayments	8,151	2,873	2,343	4,127
Amounts due from associates	1,069	4,758	2,256	2,256
Pledged bank deposits	—	—	400	—
Bank balances and cash	7,914	8,905	5,347	5,448
	21,257	19,291	14,715	17,256
Current liabilities				
Trade payables	14,559	19,033	18,105	16,557
Other payables and accrued charges	49,451	50,654	54,339	60,831
Amounts due to associates	108	155	221	798
Borrowings - amount due within one year	50,000	50,000	60,000	60,000
	114,118	119,842	132,665	138,186
Net current liabilities	(92,861)	(100,551)	(117,950)	(120,930)
Total assets less current liabilities	10,677	(9,037)	(41,874)	(48,978)
Non-current liabilities				
Long term payable	11,388	13,407	5,559	6,874
Borrowings - amount due after one year	—	10,000	—	—
	11,388	23,407	5,559	6,874
Net liabilities	(711)	(32,444)	(47,433)	(55,852)
Capital and reserves				
Share capital	99,890	99,890	99,890	99,890
Reserves	(100,601)	(132,334)	(147,323)	(155,742)
Deficiency in shareholder's funds	(711)	(32,444)	(47,433)	(55,852)

2. **Qiqihar Natural Gas Company 齊齊哈爾市天然氣公司**

Consolidated Income Statements*

	Year ended 31 December			Six months ended 30 June	
	2002	**2003**	**2004**	**2004**	**2005**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Turnover	44,289	58,307	67,135	34,172	41,473
Cost of sales	(26,222)	(38,686)	(44,290)	(21,438)	(24,923)
Gross profit	18,067	19,621	22,845	12,734	16,550
Other operating income	628	776	1,144	340	493
General and administrative expenses	(14,081)	(17,650)	(22,771)	(9,773)	(10,218)
Other operating expenses	(923)	(858)	(1,636)	(204)	(366)
Profit (loss) from operations	3,691	1,889	(418)	3,097	6,459
Finance costs	—	(133)	(162)	(91)	(25)
Profit (loss) before taxation	3,691	1,756	(580)	3,006	6,434
Taxation	(1,218)	(1,330)	(1,091)	(1,266)	(2,180)
Profit (loss) for the year/period	2,473	426	(1,671)	1,740	4,254

* The consolidated financial information of Qiqihar Panva incorporates the financial information of Qiqihar Panva and its subsidiary, Qiqihar Liquefied Petroleum Gas Company 齊齊哈爾市液化氣公司 .

Consolidated Balance Sheets*

	At 31 December			At 30 June
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	648	11,152	12,866	12,506
Intangible assets	224	177	165	179
Available-for-sale investments	—	100	100	100
	872	11,429	13,131	12,785
Current assets				
Inventories	603	1,929	742	850
Trade receivables	—	118	1,145	596
Other receivables, deposits and prepayments	8,327	3,955	2,997	4,127
Amount due from a related party	1,027	—	—	—
Tax recoverable	960	300	164	—
Bank balances and cash	22,163	37,685	43,040	58,568
	33,080	43,987	48,088	64,141
Current liabilities				
Trade payables	620	933	781	579
Other payables and accrued charges	28,525	40,018	47,799	59,327
Taxation	—	—	—	1,652
Borrowings - amount due within one year	—	3,000	2,000	—
	29,145	43,951	50,580	61,558
Net current assets (liabilities)	3,935	36	(2,492)	2,583
Total assets less current liabilities	4,807	11,465	10,639	15,368
Non-current liabilities				
Deferred tax liabilities	562	1,208	2,050	2,528
Net assets	4,245	10,257	8,589	12,840
Capital and reserves				
Share capital	3,602	3,602	3,602	3,602
Reserves	643	6,655	4,987	9,238
Total equity	4,245	10,257	8,589	12,840

* The consolidated financial information of Qiqihar Panva incorporates the financial information of Qiqihar Panva and its subsidiary, Qiqihar Liquefied Petroleum Gas Company 齊齊哈爾市液化氣公司.

G. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies of the Group subsequent to 30 June 2005.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

Deloitte.
德勤

4 November 2005

The Directors

Panva Gas Holdings Limited
28th Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

Dear Sirs,

We set out below our report on the financial information ("Financial Information") of Changchun Gas Holdings Limited ("Changchun Panva") and its subsidiary, Changchun Gas Company Limited ("Changchun Listed" and hereinafter together with Changchun Panva collectively referred to as the "Changchun Panva Group") for each of the three years ended 31 December 2004 and the period from 1 January 2005 to 26 January 2005 (the date prior to the effective date of acquisition of Changchun Panva) (the "Relevant Periods") for inclusion in the listing document of Panva Gas Holdings Limited (the "Company") dated 4 November 2005 (the "Listing Document") in connection with the proposed listing of the shares of the Company to be listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Changchun Panva was established in the Peoples' Republic of China (the "PRC") on 25 March 2004 as a limited liability company with an initial registered capital of RMB30,000,000. Pursuant to an equity transfer agreement dated 28 April 2004, the registered capital of Changchun Panva was increased to RMB589,781,467 as a result of the transfer of 244,800,000 shares of Changchun Listed at a value of RMB559,781,467, calculated by reference to the net assets value of Changchun Listed as at 31 December 2003 as set out in the published financial statements prepared in accordance with the accounting principles and the relevant financial regulations applicable to PRC companies, from 長春市建設投資公司 on 28 July 2004. The statutory financial statements of Changchun Panva for the period from 25 March 2004 (date of establishment) to 31 December 2004 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC and were audited by Jilin Beitai Certified Public Accountants Ltd. 吉林北泰會計師事務所有限公司.

As at the date of this report, Changchun Panva directly holds, as its sole investment, approximately 60% interest in Changchun Listed. Changchun Listed was a company established in the PRC, the A shares of which are listed on the Shanghai Stock Exchange. The financial statements of Changchun Listed for each of the three years ended 31 December 2004, which were prepared in accordance with the accounting principles and the relevant financial regulations applicable to PRC companies, were audited by 武漢眾環會計師事務所有限責任公司 (Wuhan Zhonghuan CPA Company Ltd.), certified public accountants registered in the PRC. The principal businesses of Changchun Panva Group are operation of the piped gas network in the city of Changchun, including the construction of the main trunk, sub-branch networks and the connection into individual households, the supply of piped gas to industrial, commercial and residential users, and the processing, transportation, storage, wholesale, retail and logistic services of coal gas, natural gas and liquefied petroleum gas and related services.

For the purposes of this report, the management of the Company has prepared the consolidated management accounts of Changchun Panva Group in accordance with accounting principles generally accepted in Hong Kong for each of the Relevant Periods (the "Consolidated Management Accounts").

The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statement of the Changchun Panva Group for each of the Relevant Periods and the consolidated balance sheets of the Changchun Panva Group as at each of the period end of the Relevant Periods together with the notes thereon set out in this report have been prepared from the Consolidated Management Accounts.

The Consolidated Management Accounts are the responsibility of the directors of the Company. The directors of the Company are also responsible for the contents of the Listing Document in which this report is included.

We were engaged to examine the Consolidated Management Accounts in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). However, we were unable to perform procedures, in accordance with the Hong Kong Standard on Auditing issued by HKICPA, we considered necessary for the purpose of this engagement on the Consolidated Management Accounts.

As we were unable to perform procedures, in accordance with the Hong Kong Standard on Auditing issued by HKICPA, we considered necessary for the purposes of this engagement on the Consolidated Management Accounts, we are unable to form an opinion as to whether the Financial Information gives a true and fair view of the affairs of the Changchun Panva Group as at 31 December 2002, 31 December 2003, 31 December 2004 and 26 January 2005 and of the consolidated results and cash flows of the Changchun Panva Group for each of the three years ended 31 December 2004 and the period from 1 January 2005 to 26 January 2005.

A. FINANCIAL INFORMATION

Consolidated Income Statements

		Year ended 31 December			From 1 January to 26 January
	NOTES	2002	2003	2004	2005
		RMB'000	RMB'000	RMB'000	RMB'000
Turnover	3	442,134	763,966	1,092,745	104,128
Cost of sales		(301,175)	(506,115)	(716,732)	(83,555)
Gross profit		140,959	257,851	376,013	20,573
Other operating income		21,840	15,587	3,411	1
Interest income		555	626	913	4
Distribution expenses		(12,392)	(33,225)	(64,884)	(4,170)
Administrative expenses		(26,561)	(34,517)	(47,609)	(2,807)
Other operating expenses		(1,929)	(17,556)	(14,927)	(250)
Profit from operations	4	122,472	188,766	252,917	13,351
Finance costs		(6,099)	(5,810)	(5,401)	(2)
Share of result of an associate		1,388	2,093	4,116	—
Profit before taxation		117,761	185,049	251,632	13,349
Taxation	5	(18,037)	(30,186)	(32,967)	(1,987)
Profit for the year/period		99,724	154,863	218,665	11,362
Attributable to:					
Equity holders of the parent		59,252	92,651	129,649	6,805
Minority interests		40,472	62,212	89,016	4,557
		99,724	154,863	218,665	11,362

Consolidated Balance Sheets

	NOTES	At 31 December 2002	At 31 December 2003	At 31 December 2004	At 26 January 2005
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	6	583,271	747,104	791,240	790,661
Intangible asset	7	65,000	55,000	45,000	44,167
Goodwill	8	—	592	592	592
Interest in associates	9	22,363	24,456	28,572	28,572
Available-for-sale investments	10	19,400	19,400	19,400	19,400
Lease premium for land - non current portion		15,309	14,799	14,289	14,246
		705,343	861,351	899,093	897,638
Current assets					
Inventories	11	81,438	142,673	196,985	193,609
Trade receivables		212,964	141,599	192,341	182,277
Other receivables, deposits and prepayments		61,605	116,741	176,460	306,374
Lease premium for land - current portion		510	510	510	510
Bank balances and cash		99,970	118,375	97,751	47,377
		456,487	519,898	664,047	730,147
Current liabilities					
Trade payables		188,169	295,678	299,004	151,413
Other payables and accrued charges		20,305	29,493	37,697	243,278
Taxation		13,203	9,016	6,694	1,987
Borrowings - amount due within one year		4,000	15,000	18,000	18,000
		225,677	349,187	361,395	414,678
Net current assets		230,810	170,711	302,652	315,469
Total assets less current liabilities		936,153	1,032,062	1,201,745	1,213,107
Non-current liabilities					
Borrowings - amount due after one year		96,000	81,000	63,000	63,000
Net assets		840,153	951,062	1,138,745	1,150,107
Capital and reserves					
Paid-in capital	12	244,813	244,813	589,781	589,781
Reserves		252,614	320,783	98,742	105,547
Equity attributable to equity holders of the parent		497,427	565,596	688,523	695,328
Minority interests		342,726	385,466	450,222	454,779
Total equity		840,153	951,062	1,138,745	1,150,107

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the parent							
	Paid-in capital	General reserve	Capital reserve	Special reserve	Accumulated profits	Total	Minority interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2002	144,008	14,254	225,010	—	69,304	452,576	311,767	764,343
Transfer	—	8,139	—	—	(8,139)	—	—	—
Profit for the year	—	—	—	—	59,252	59,252	40,472	99,724
Dividend	—	—	—	—	(14,401)	(14,401)	(9,513)	(23,914)
Capitalisation issue of shares	100,805	—	(100,805)	—	—	—	—	—
At 31 December 2002	244,813	22,393	124,205	—	106,016	497,427	342,726	840,153
Transfer	—	13,229	—	—	(13,229)	—	—	—
Profit for the year	—	—	—	—	92,651	92,651	62,212	154,863
Dividend	—	—	—	—	(24,482)	(24,482)	(19,472)	(43,954)
At 31 December 2003	244,813	35,622	124,205	—	160,956	565,596	385,466	951,062
Transfer	—	19,269	—	—	(19,269)	—	—	—
Issue of new shares	30,000	—	—	—	—	30,000	—	30,000
Arising from the transfer of shares of Changchun Listed	314,968	—	—	(314,968)	—	—	—	—
Profit for the year	—	—	—	—	129,649	129,649	89,016	218,665
Dividend	—	—	—	—	(36,722)	(36,722)	(24,260)	(60,982)
At 31 December 2004	589,781	54,891	124,205	(314,968)	234,614	688,523	450,222	1,138,745
Profit for the period	—	—	—	—	6,805	6,805	4,557	11,362
At 26 January 2005	589,781	54,891	124,205	(314,968)	241,419	695,328	454,779	1,150,107

Consolidated Cash Flow Statements

	Year ended 31 December			From 1 January to 26 January
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
OPERATING ACTIVITIES				
Profit before taxation	117,761	185,049	251,632	13,349
Adjustments for:				
Interest income	(555)	(626)	(913)	(4)
Finance costs	6,099	5,810	5,401	2
Amortisation of lease premium for land	510	510	510	43
Amortisation of intangible asset	10,000	10,000	10,000	833
Depreciation and amortisation on property, plant and equipment	26,968	30,963	43,450	3,644
Loss on disposal of property, plant and equipment	5,094	16,036	274	—
Share of result of an associate	(1,388)	(2,093)	(4,116)	—
Operating cash flows before movements in working capital	164,489	245,649	306,238	17,867
(Increase) decrease in inventories	(34,998)	(61,235)	(54,312)	3,375
(Increase) decrease in trade receivables	(735)	71,365	(50,742)	10,064
Increase in other receivables, deposits and prepayments	(21,307)	(55,136)	(59,719)	(129,913)
Increase (decrease) in trade payables	27,497	107,509	3,326	(147,591)
(Decrease) increase in other payables and accrued charges	(6,443)	9,188	8,204	205,581
Cash generated from (used in) operations	128,503	317,340	152,995	(40,617)
Interest paid	(6,099)	(5,810)	(5,401)	(2)
Income taxes paid	(14,790)	(34,373)	(35,289)	(6,694)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	107,614	277,157	112,305	(47,313)

	Year ended 31 December			From 1 January to 26 January
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(84,398)	(216,276)	(88,345)	(3,065)
Interest received	555	626	913	4
Proceeds from disposal of property, plant and equipment	—	5,444	485	—
Purchase of investments in securities	—	(592)	—	—
NET CASH USED IN INVESTING ACTIVITIES	(83,843)	(210,798)	(86,947)	(3,061)
FINANCING ACTIVITIES				
New bank and other loans raised	24,851	—	—	—
Repayment of bank and other loans	(20,000)	(4,000)	(15,000)	—
Dividend paid	(14,401)	(24,482)	(36,722)	—
Dividends paid to minority shareholders of a subsidiary	(9,513)	(19,472)	(24,260)	—
Increase in share capital	—	—	30,000	—
NET CASH USED IN FINANCING ACTIVITIES	(19,063)	(47,954)	(45,982)	—
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,708	18,405	(20,624)	(50,374)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	95,262	99,970	118,375	97,751
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCES AND CASH	99,970	118,375	97,751	47,377

NOTES TO THE FINANCIAL INFORMATION

1. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis and in accordance with accounting principles generally accepted in Hong Kong ("HKGAAP") which include Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The principal accounting policies adopted are as follows:

Basis of consolidation

Pursuant to an equity transfer agreement in connection with the transfer of shares of Changchun Listed, Changchun Panva became the holding company of the Changchun Panva Group in July 2004 (the "Reorganisation"). The Changchun Panva Group resulting from the above transaction is regarded as a continuing entity and such transaction was accounted for using merger accounting in accordance with Statement of Standard Accounting Practice No. 27 "Accounting for Group Reconstructions" issued by the Hong Kong Institute of Certified Public Accountants.

The consolidated financial information incorporates the Financial Information of the Changchun Panva and its subsidiaries made up to the reporting date.

The results of subsidiaries and associate acquired and disposed of during the year/period are included in the consolidated income statement from their effective dates of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances have been eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Changchun Panva Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the consolidation. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Changchun Panva Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of subsidiaries other than the Reorganisation is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Changchun Panva Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Changchun Panva Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Changchun Panva Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

The Changchun Panva Group resolved to early adopted HKFRS 3 for business combinations with agreement date entered on or after 1 January 2002. The adoption of HKFRS 3 has resulted in a change in accounting policy for goodwill and negative goodwill. Prior to this, goodwill was amortised on a straight line basis over a period of not exceeding 20 years and assessed for the impairment at each balance sheet date. Negative goodwill was presented as a deduction from assets and released to income based on an analysis of the circumstances from which the balance resulted.

In accordance with the transitional provisions of HKFRS 3, the Changchun Panva Group ceased amortisation of goodwill from 1 January 2002 onwards and goodwill will be tested for impairment at least annually or in the financial year in which the acquisition takes place.

Goodwill

Goodwill arising on the acquisition of a subsidiary other than the Reorganisation or an associate represents the excess of the cost of acquisition over the Changchun Panva Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or associate recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Changchun Panva Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess of acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over cost ("discount on acquisitions")

A discount on acquisition arising on an acquisition of a subsidiary and an associate represents the excess of the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination. Discount on acquisition is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate or a jointly controlled entity (which is accounted for using the equity method) is included as income in the determination of the investor's share of results of the associate or jointly controlled entity in the period in which the investment is acquired.

Interests in associates

An associate is an entity over which the Changchun Panva Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over its policies.

The results and assets and liabilities of associates are incorporated in the Financial Information using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Changchun Panva Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Changchun Panva Group's interest in that associate (which includes any long-term interests that, in substance, from part of the Changchun Panva Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Changchun Panva Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Changchun Panva Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after the assessment is recognised immediately in the profit or loss.

Where a group entity transacts with an associate of the Changchun Panva Group, profit and losses are eliminated to the extent of the Changchun Panva Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has been passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable, which is the rate that exactly discounts estimated future cash receipt through the expected life of the financial asset to that asset's net carrying amount.

Gas pipelines construction revenue is recognised when the outcome of a gas connection contract can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably. Revenue from gas connection contracts is recognised on the percentage of completion method, measured by reference to the value of work carried out during the period. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that is probable to be recoverable.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less depreciation and any impairment losses.

Depreciation and amortisation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Buildings	2.11% to 6.3%
Plant and equipment	9.5% to 11.875%
Furniture, fixtures and equipment	19%
Motor vehicles	9.5%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Construction in progress

Construction in progress, which includes all development expenditure and other direct costs, including any interest expenses attributable to such projects, is stated at cost less any accumulated impairment losses. It is not depreciated until completion of construction. Costs on completed construction works are transferred to other categories of property, plant and equipment.

Lease premium for land

Lease premium for land are up-front payments to acquire long-term leasehold land interest. The premiums are stated at cost and are charged to the income statement over the period of the lease on a straight-line basis.

Construction contracts

When the outcome of a construction contract can be estimated reliably and the stage of contract completion at the balance sheet date can be measured reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date on the same basis as contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contracts costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Changchun Panva Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Changchun Panva Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised on the Changchun Panva Group's balance sheet when the Changchun Panva Group has become a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Investments in equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less identified impairment losses (if any). An impairment loss is recognised in profit or loss when there is objective evidence that an asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Changchun Panva Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction cost) and the settlement or redemption of borrowings is recognised over the terms of the borrowings in accordance with the Changchun Panva Group's accounting policy for borrowing costs.

Provisions

Provisions are recognised when the Changchun Panva Group has a present obligation as a result of a past event, and it is probable that the Changchun Panva Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years/period, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

The Financial Information of the Changchun Panva Group are presented in Renminbi ("RMB") the currency of the primary economic environment in which Changchun Panva operates (its functional currency). For the purposes of the consolidated financial statements, the results and financial position of each entity of the Changchun Panva Group are also expressed in RMB, which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in its functional currency at the rate of exchanges prevailing on the dates of transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on translating monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Retirement benefits cost

Payments to defined contribution retirement benefits schemes are charged as expenses as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

2. KEY SOURCES OF ESTIMATION

In the process of applying the Changchun Panva Group's accounting policies, management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty that can significantly affect the amounts recognised in the financial information are disclosed below.

Depreciation and amortisation

The Changchun Panva Group's net book value of property, plant and equipment as at 26 January 2005 was RMB790,661,000. The Changchun Panva Group depreciates the property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method, at 2.11% to 19% per annum. The estimated useful life reflects the directors' estimate of the periods that the Changchun Panva Group intends to derive future economic benefits from the use of the Changchun Panva Group's property, plant and equipment. The residual values reflect the directors' estimated amount that the Changchun Panva Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Allowance for bad and doubtful debts

The provision policy for bad and doubtful debts of the Changchun Panva Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgments. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer.

If the financial conditions of customers of the Changchun Panva Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Allowances for inventories

The management of the Changchun Panva Group reviews an aging analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods and consumables based primarily on the latest invoice prices and current market conditions.

3. TURNOVER

The Changchun Panva Group is principally engaged in the operation of the piped gas network, including the construction of the main trunk, sub-branch networks and the connection into individual households, the supply of piped gas to industrial, commercial, and residential users, and the processing, transportation, storage, wholesale, retail and logistic services of coal gas, natural gas and liquefied petroleum gas ("LP Gas") and related services and by products in the PRC. Turnover recognised during the Relevant Periods is as follows:

	Year ended 31 December			From 1 January to 26 January
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
Gas fuel and related products	173,131	202,369	285,562	31,660
Coking coal and related products	172,555	386,963	676,150	72,468
Gas pipeline construction	96,448	174,634	131,033	—
	442,134	763,966	1,092,745	104,128

4. PROFIT FROM OPERATIONS

	Year ended 31 December			From 1 January to 26 January
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Profit from operations has been arrived at after charging:				
Other staff costs	14,040	22,490	40,204	3,089
Retirement benefit scheme contribution	4,222	4,010	6,836	711
Total staff cost	18,262	26,500	47,040	3,800
Operating lease rentals in respect of land and buildings	717	838	3,764	131

5. TAXATION

The tax rate applicable for companies comprising the Changchun Panva Group ranges from 15% to 33%.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries are entitled to PRC enterprise income tax reduction at a reduced tax rate of 15%. PRC enterprise income tax has been provided for after taking these tax incentives into account.

The charge for the year/period can be reconciled to the net profit in the consolidated income statements as follows:

	Year ended 31 December			From 1 January to 26 January
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Profit before taxation	117,761	185,049	251,632	13,349
Tax at the applicable tax rate of 33%	38,861	61,066	83,039	4,405
Tax effect of income tax on concessionary rate	(20,824)	(30,880)	(50,388)	(2,458)
Tax effect of tax losses not recognised	—	—	316	40
Taxation	18,037	30,186	32,967	1,987

There was no significant temporary differences arising during the year/period or at the balance sheet dates.

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2002	132,228	896	16,195	435,286	75,893	660,498
Additions	40,264	1,544	2,353	15,383	24,854	84,398
Disposals	—	(435)	(647)	(296)	(4,464)	(5,842)
Transfer	35,000	—	—	55,405	(90,405)	—
At 31 December 2002	207,492	2,005	17,901	505,778	5,878	739,054
DEPRECIATION AND AMORTISATION						
At 1 January 2002	(35,406)	(408)	(7,448)	(86,301)	—	(129,563)
Provided for the year	(9,745)	(249)	(1,700)	(15,274)	—	(26,968)
Disposal	—	347	321	80	—	748
At 31 December 2002	(45,151)	(310)	(8,827)	(101,495)	—	(155,783)
NET BOOK VALUE						
At 31 December 2002	162,341	1,695	9,074	404,283	5,878	583,271
COST						
At 1 January 2003	207,492	2,005	17,901	505,778	5,878	739,054
Additions	7,336	762	8,238	179,513	20,427	216,276
Disposals	(6,414)	(103)	(3,003)	(15,114)	(50)	(24,684)
Transfer	—	—	—	19,839	(19,839)	—
At 31 December 2003	208,414	2,664	23,136	690,016	6,416	930,646
DEPRECIATION AND AMORTISATION						
At 1 January 2003	(45,151)	(310)	(8,827)	(101,495)	—	(155,783)
Provided for the year	(11,632)	(433)	(1,370)	(17,528)	—	(30,963)
Disposal	748	24	1,940	492	—	3,204
At 31 December 2003	(56,035)	(719)	(8,257)	(118,531)	—	(183,542)
NET BOOK VALUE						
At 31 December 2003	152,379	1,945	14,879	571,485	6,416	747,104
COST						
At 1 January 2004	208,414	2,664	23,136	690,016	6,416	930,646
Additions	3,308	835	2,695	7,324	74,183	88,345
Disposals	—	(27)	(1,727)	(660)	—	(2,414)
Transfer	—	—	—	7,637	(7,637)	—
At 31 December 2004	211,722	3,472	24,104	704,317	72,962	1,016,577

	Leasehold buildings	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
DEPRECIATION AND AMORTISATION						
At 1 January 2004	(56,035)	(719)	(8,257)	(118,531)	—	(183,542)
Provided for the year	(12,398)	(602)	(2,757)	(27,693)	—	(43,450)
Disposal	—	16	1,064	575	—	1,655
At 31 December 2004	(68,433)	(1,305)	(9,950)	(145,649)	—	(225,337)
NET BOOK VALUE						
At 31 December 2004	143,289	2,167	14,154	558,668	72,962	791,240
COST						
At 1 January 2005	211,722	3,472	24,104	704,317	72,962	1,016,577
Additions	—	—	151	—	2,914	3,065
Transfer	584	—	—	5	(589)	—
At 26 January 2005	212,306	3,472	24,255	704,322	75,287	1,019,642
DEPRECIATION AND AMORTISATION						
At 1 January 2005	(68,433)	(1,305)	(9,950)	(145,649)	—	(225,337)
Provided for the period	(1,037)	(60)	(162)	(2,385)	—	(3,644)
At 26 January 2005	(69,470)	(1,365)	(10,112)	(148,034)	—	(228,981)
NET BOOK VALUE						
At 26 January 2005	142,836	2,107	14,143	556,288	75,287	790,661

7. INTANGIBLE ASSET

	At 31 December			At 26 January
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At beginning and end of the year/period	80,000	80,000	80,000	80,000
AMORTISATION				
At beginning of the year/period	5,000	15,000	25,000	35,000
Provided for the year/period	10,000	10,000	10,000	833
At end of the year/period	15,000	25,000	35,000	35,833
NET BOOK VALUE				
At end of the year/period	65,000	55,000	45,000	44,167

Note: In June 2001, the Changchun Panva Group invested RMB80,000,000 in the construction works of the Changchun Western Suburb Sewage Treatment Plant (長春西郊污水處理廠). Pursuant to the investment agreement, the investment project shall be proceeded on the basis of preferential revenue interests as a buy-out project. The Changchun Panva Group does not have any rights in its assets or liabilities or its profits and losses. However, the Changchun Panva Group will be entitled to all sewage treatment fees received by the Changchun Western Suburb Sewage Treatment Plant for a 8 year period starting from the date of investment.

The intangible asset is amortised on a straight line basis over a period of 8 years.

8. GOODWILL

	RMB'000
COST	
At 1 January 2002 and 31 December 2002	—
Arising on acquisition of a subsidiary	592
At 31 December 2003, 31 December 2004 and 26 January 2005	592

9. INTERESTS IN ASSOCIATES

	At 31 December			At 26 January
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Share of net assets	8,148	10,241	14,357	14,357
Goodwill on acquisition of an associate	14,215	14,215	14,215	14,215
	22,363	24,456	28,572	28,572

Details of Changchun Panva Group's associate as at 26 January 2005 are as follows:

Name of associate	Place of establishment and operations	Percentage of equity interest attributable to the Changchun Panva Group	Principal activities
Beijing Zhong Chang Shi Ji Information Technology Co. Ltd. 北京中長石基信息技術有限公司	PRC - Limited liability company	20%	Information technology development and related services

10. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December			At 26 January
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares in the PRC, at cost	19,400	19,400	19,400	19,400

As at the balance sheet date, all available-for-sale investments are stated at cost less impairment because the directors of the Changchun Panva are of the opinion that their fair values cannot be measured reliably.

11. INVENTORIES

	At 31 December			At 26 January
	2002	2003	2004	2005
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	30,967	56,239	52,661	53,284
Work in progress	43,475	59,922	100,175	98,755
Finished goods	6,889	26,431	44,148	41,496
Consumables	107	81	1	74
	81,438	142,673	196,985	193,609

All inventories were carried at cost at the respective balance sheet dates.

12. PAID-IN CAPITAL

The paid-in capital as at 31 December 2002 and 2003 represented the registered capital of Changchun Listed as at the respective dates attributable to Changchun Panva. The paid-in capital as at 31 December 2004 and as at 26 January 2005 represented the registered capital of Changchun Panva as at those dates.

13. CONTINGENT LIABILITIES

The Changchun Panva Group had no material contingent liabilities as at 26 January 2005.

14. CAPITAL COMMITMENTS

The Changchun Panva Group had no material capital commitment as at 26 January 2005.

15. RETIREMENT BENEFITS SCHEME

The Changchun Panva Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. All PRC employees are entitled to an annual pension equal to a fixed portion of their ending basic salaries at their retirement dates. The Changchun Panva Group is required to make specific contributions to the retirement schemes at a rate of 12 to 25 percent of basic salary of its PRC employees and have no further obligation for postretirement benefits beyond the annual contributions made.

16. PRINCIPAL SUBSIDIARIES

Particulars of the subsidiaries of Changchun Panva as at 26 January 2005 are as follows:

Name of company	Place of establishment and operation	Issued paid up registered capital	Percentage of and equity interest attributable to the Changchun Group	Principal activities
Directly-owned subsidiary				
Changchun Listed 長春燃氣股份有限公司	PRC - Limited liability company	RMB406,531,200	60.22%	Operation of the piped gas network and the processing, transportation, storage, wholesale, retail and logistic services of coal gas, natural gas and LP Gas and related services
Indirectly-owned subsidiaries				
長春振威燃氣安裝發展有限公司	PRC - Limited liability company	RMB2,000,000	45.17%	Conversion of coal gas pipelines to use LP Gas and natural gas and the construction of gas pipelines
長春汽車燃氣發展有限公司	PRC - Limited liability company	RMB5,000,000	54.45%	Provision of gas fuel for automobiles
延吉盛世光華燃氣有限公司	PRC - Limited liability company	RMB3,500,000	65.56%	Operation of the piped gas network and the processing, transportation, storage, wholesale, retail and logistic services of coal gas, natural gas and LP Gas and related services
延吉盛世光華管道安裝有限公司	PRC - Limited liability company	RMB5,000,000	60.10%	Construction of gas pipelines

None of the subsidiaries had any outstanding debts securities as at the balance sheet dates.

B. RECONCILIATION OF FINANCIAL INFORMATION

The cumulative effects of the application of the new HKFRSs during the Relevant Periods and summarised as follows:

Reconciliation on profit attributable to equity holder of the parent

	Year ended 31 December		
	2002	**2003**	**2004**
	RMB'000	**RMB'000**	**RMB'000**
As per accountants' report dated 25 April 2005	57,853	91,203	128,178
Reversal of goodwill amortisation and write off of negative goodwill since 2001 due to the early adoption of HKFRS 3	1,399	1,448	1,471
	59,252	92,651	129,649

Reconciliation on net assets

	As at 31 December		
	2002	**2003**	**2004**
	RMB'000	**RMB'000**	**RMB'000**
Balance as per accountants' report dated 25 April 2005	493,060	559,781	681,237
Reversal of goodwill amortisation and write off of negative goodwill since 2001 due to the early adoption of HKFRS 3	4,368	5,814	7,286
Reclassification of minority interest to shareholders' fund	342,725	385,467	450,222
	840,153	951,062	1,138,745

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Changchun Panva or any of the companies now comprising the Changchun Panva Group in respect of any period subsequent to 31 December 2004.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED PANVA GAS GROUP

The following is a summary of the unaudited pro forma statement of assets and liabilities of the Panva Gas Holdings Limited (the "Company") and its subsidiaries (the "Panva Gas Group") and its investments in Anshan City Gas Company 鞍山市煤氣總公司 ("Anshan Panva") and Qiqihar Natural Gas Company 齊齊哈爾市天然氣公司 ("Qiqihar Panva") (hereinafter collectively referred to as the "Enlarged Panva Gas Group") in connection to the proposed acquisition of the 81% and 61.67% interest in Anshan City and Qiqihar Natural Gas respectively (the "Acquisitions") assuming that the Acquisitions had been completed as at 30 June 2005 for the purpose of illustrating how the Acquisitions might have affected the financial position of the Panva Gas Group.

The unaudited pro forma statement of assets and liabilities of the Enlarged Panva Gas Group is prepared based on the Accountants' Report of the Company as set out in Appendix I to the listing document and adjusted for the transactions resulting from the Acquisitions.

The unaudited pro forma statement of assets and liabilities is prepared to provide financial information on the Enlarged Panva Gas Group as a result of completion of the Acquisitions. As it is prepared for illustrative purpose only, it may not purport to represent what the assets and liabilities of the Enlarged Panva Gas Group shall be on the actual completion of the Acquisitions.

	Panva Gas Group	Anshan Panva	Qiqihar Panva	Total	Pro forma adjustment	Enlarged Panva Gas Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		Note (a)	Note (a)		Note (b)	
Non-current assets						
Property, plant and equipment	1,226,143	16,555	11,699	1,254,397		1,254,397
Investment properties	—	48,846	—	48,846		48,846
Intangible assets	9,132	—	167	9,299		9,299
Goodwill	46,449	—	—	46,449	211,879	258,328
Interests in associates	454,030	1,907	—	455,937		455,937
Available-for-sale investments	208,999	—	94	209,093		209,093
Lease premium for land - non-current portion	44,094	—	—	44,094		44,094
Pledged bank deposits	136,568	—	—	136,568		136,568
	2,125,415	67,308	11,960	2,204,683		2,416,562
Current assets						
Inventories	59,241	1,389	795	61,425		61,425
Trade receivables	235,426	3,686	557	239,669		239,669
Other receivables, deposits and prepayments	483,665	3,861	3,861	491,387	(142,445)	348,942
Lease premium for land - current portion	1,482	—	—	1,482		1,482
Amounts due from associates	—	2,110	—	2,110		2,110
Bank balances and cash	1,344,219	5,096	54,788	1,404,103	(34,521)	1,369,582
	2,124,033	16,142	60,001	2,200,176		2,023,210
Current liabilities						
Trade payables	79,318	15,488	542	95,348		95,348
Other payables and accrued charges	177,428	56,905	55,498	289,831		289,831
Taxation	53,881	—	1,545	55,426		55,426
Amounts due to associates	—	747	—	747		747
Amounts due to minority shareholders	21,687	—	—	21,687		21,687
Derivative financial instruments	106,168	—	—	106,168		106,168
Borrowings - amount due within one year	35,688	56,127	—	91,815		91,815
	474,170	129,267	57,585	661,022		661,022
Net current assets (liabilities)	1,649,863	(113,125)	2,416	1,539,154		1,362,188

	Panva Gas Group	Anshan Panva	Qiqihar Panva	Total	Pro forma adjustment	Enlarged Panva Gas Group
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		Note (a)	Note (a)		Note (b)	
Total assets less current liabilities	3,775,278	(45,817)	14,376	3,743,837		3,778,750
Non-current liabilities						
Long term payable	—	6,430	—	6,430		6,430
Deferred tax liabilities	—	—	2,365	2,365		2,365
Borrowings - amount due after one year	1,861,415	—	—	1,861,415		1,861,415
	1,861,415	6,430	2,365	1,870,210		1,870,210
Net assets (liabilities)	1,913,863	(52,247)	12,011	1,873,627		1,908,540

Notes:

(a) For the purpose of this unaudited pro forma financial information, the financial information of Anshan Panva and Qiqihar Panva is converted into HKD using an exchange rate of RMB1.069 = HKD1.

(b) The adjustment reflects the recognition of goodwill, which is the excess of the cost over the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities, of HK$211,879,000 arising from the acquisition of the 81% interest in Anshan Panva and 61.67% interest in Qiqihar Panva for an aggregate consideration of HK$176,966,000, with the assumption that the fair values of the identifiable assets, liabilities and contingent liabilities of Anshan Panva and Qiqihar Panva are the same as the carrying amount of the net liabilities of HK$52,247,000 of Anshan Panva and the carrying amount of the net assets of HK$12,011,000 of Qiqihar Panva respectively.

2. LETTER FROM REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

The following is the text of a report, prepared for the purpose of inclusion in this listing document, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

4 November 2005

The Directors
Panva Gas Holdings Limited
Merrill Lynch (Asia Pacific) Limited

Dear Sirs,

We report on the unaudited pro forma assets and liabilities statement of Panva Gas Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out in Appendix III ("Pro Forma Assets and Liabilities Statement") to the listing document of the Company dated 4 November 2005 in connection with the proposed listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited by way of introduction, which has been prepared by the directors of the Company, as if the acquisitions of the 81% and 61.67% interest in Anshan City Gas Company 鞍山市煤氣總公司 ("Anshan Panva") and Qiqihar Natural Gas Company 齊齊哈爾市天然氣公司 ("Qiqihar Panva") respectively ("Acquisitions") had been completed as at 30 June 2005 for illustrative purposes only, to provide information about how the Acquisitions might have affected the relevant assets and liabilities of the Group.

Responsibilities

It is solely the responsibility of the directors of the Company to prepare the Pro Forma Assets and Liabilities Statement in accordance with paragraph 29 of the Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the Pro Forma Assets and Liabilities Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Assets and Liabilities Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the listing rules" issued by the Auditing Practices Board in the United Kingdom. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Assets and Liabilities Statement with the directors of the Company.

Our work does not constitute an audit or a review made in accordance with Hong Kong Standards of Auditing, Hong Kong Standards of Review Engagement or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the Pro Forma Assets and Liabilities Statement.

The Pro Forma Assets and Liabilities Statement has been complied in accordance with the basis set out in the first paragraph of this letter for illustrative purposes only and, because of its nature, it may not give an indicative financial position of the Group had the Acquisitions completed as at 30 June 2005 or at any future date.

Opinion

In our opinion:

a. the Pro Forma Assets and Liabilities Statement has been properly compiled on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Pro Forma Assets and Liabilities Statement as disclosed pursuant to paragraph 29 of Chapter 4 of the Listing Rules.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from DTZ, an independent property valuer, in connection with its valuation as at August 31, 2005 of the property interests of the Group.

DTZ Debenham Tie Leung
戴德梁行
International Property Advisers
National Grade A Real Estate Valuation Company in China
National Land Valuation Company in China

10th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

November 4, 2005

The Directors
Panva Gas Holdings Limited
28th Floor
Vicwood Plaza
199 Des Voeux Road Central
Central
Hong Kong

Dear Sirs,

RE: PORTFOLIO VALUATIONS

INSTRUCTIONS, PURPOSE & DATE OF VALUATION

In accordance with the instructions of Panva Gas Holdings Limited ("the Company") for us to value the property interests, held by the Company and its subsidiaries (together referred to as "the Group") in the People's Republic of China ("the PRC") and in The Hong Kong Special Administrative Region of the PRC ("Hong Kong"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the value of these property interests as at August 31, 2005 ("the date of valuation").

BASIS OF VALUATION

Our valuation of each of the property interests is our opinion of the market value which we would define as intended to mean the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

VALUATION ASSUMPTION

Our valuations of the respective properties have been made on the assumption that the owner sells the respective properties on the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement, or any similar arrangement which would serve to increase the value of the respective properties.

In valuing the properties of granted land use rights nature which are situated in the PRC, we have assumed that transferable land use rights in respect of the properties for respective specific terms at nominal annual land use fees have been granted and, unless otherwise stated, that any premium payable has already been fully paid. We have also assumed that the grantees or the users of the respective properties have free and uninterrupted rights to use or to assign the respective properties for the whole of the unexpired term as granted. We have relied on the advice given by the Group and its legal adviser on PRC law, Haiwen & Partners, regarding the title to the respective properties.

In valuing property interests with allocated nature, we have not assigned value to the property interest as it is allocated land which cannot be freely transferred.

In valuing property interests with the title not in the name of the Group, and where applications regarding change of title of the certificate to the Group have not yet been proceeded with or not yet been completed, we have not assigned value to the property interests as the Group has not obtained the title document.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the respective properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the respective properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect value.

In valuing the property interests, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Properties published by The Hong Kong Institute of Surveyors.

METHOD OF VALUATION

In valuing the properties in Group I which are held by the Group in the PRC, we have valued the land element of the respective properties by Direct Comparison Method with reference to comparable land prices and site transactions in the relevant market. In respect of the building elements, we have valued them by Depreciated Replacement Cost Method by taking into account the current reinstatement cost of similar building structures, depreciated with consideration of the functional and physical obsolescence of the same.

Properties in Groups II and III which are leased by the Group in the PRC and Hong Kong respectively, have no commercial value due to the prohibition against assignment or otherwise due to the lack of substantial profit rent.

SOURCE OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and related parties and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, age of buildings, site and floor areas, particulars of occupancy and tenancies and all other relevant matters. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information supplied.

Dimension, measurements and areas included in the valuation certificate attached are based on information provided to us and are therefore only approximations. No on-site measurement has been taken.

TITLE INVESTIGATION

We have been provided by the Group with copies of documents in relation to the title to the respective properties. However, we have not been able to search the original documents to verify the ownership of the respective properties and to ascertain any amendment which may not appear on the copies handed to us.

SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the respective properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the respective properties are free of rot, infestation or other structural defects nor were any tests carried out on any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurement to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of the documents handed to us are correct.

CURRENCY AND EXCHANGE RATES

Unless otherwise stated, all money amounts stated in our valuation are in Renminbi, the official currency of the PRC.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K. F. Chan
China Real Estate Appraiser
Registered Professional Surveyor
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Director

Notes: Mr. Andrew K. F. Chan is a Registered Professional Surveyor with about 17 years of experience in property valuation in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Group I — Property interests held and occupied by the Group in the PRC

	Property	Capital value in existing state as at August 31, 2005 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at August 31, 2005 (RMB)
1.	Property interests held by Nanjing Panva Pipeline Gas Co., Ltd.	No commercial value	100%	No commercial value
2.	Property interests held by Pan River Enterprises (Wu-hu) Co., Ltd.	1,530,000	55%	841,500
3.	Property interests held by Pan River Enterprises (Hengyang) Co., Ltd.	1,600,000	84%	1,344,000
4.	Property interests held by Jianyang Panva Gas Co., Ltd.	No commercial value	100%	No commercial value
5.	Property interests held by Yuechi Panva Gas Co., Ltd.	4,710,000	90%	4,239,000
6.	Property interests held by Dayi Panva Gas Co., Ltd.	1,410,000	100%	1,410,000
7.	Property interests held by Zhongjiang Panva Gas Co., Ltd.	4,440,000	100%	4,440,000
8.	Property interests held by Cangxi Panva Gas Co., Ltd.	4,450,000	100%	4,450,000
9.	Property interests held by Lezhi Panva Gas Co., Ltd.	2,160,000	100%	2,160,000
10.	Property interests held by Ziyang Panva Gas Co., Ltd.	190,000	90%	171,000
11.	Property interests held by Weiyuan Panva Gas Co., Ltd.	No commercial value	99.5%	No commercial value
12.	Property interests held by YPC & Panva Energy Co., Ltd.	13,580,000	50%	6,790,000
13.	Property interests held by Xiang Tan Pan River Energy Industry Co., Ltd.	2,380,000	60%	1,428,000

	Property	Capital value in existing state as at August 31, 2005 (RMB)	Interest attributable to the Group (%)	Capital value in existing state attributable to the Group as at August 31, 2005 (RMB)
14.	Property interests held by Pingchang Panva Gas Co., Ltd.	No commercial value	90%	No commercial value
15.	Property interests held by Pengxi Panva Gas Co., Ltd.	740,000	90%	666,000
16.	Property interests held by Panva (Chizhou) Gas Co., Ltd.	1,940,000	60%	1,164,000
17.	Property interests held by Pan River Enterprises (Changde) Co., Ltd.	No commercial value	85%	No commercial value
18.	Property interests held by Panva Gas (Yunnan) Co., Ltd.	9,010,000	28.53%	2,570,553
19.	Property interests held by Changsha Pan River Enterprises Co., Ltd.	5,000,000	60%	3,000,000
20.	Property interests held by Chenzhou Pan River Gas Industry Co., Ltd.	No commercial value	60%	No commercial value
21.	Property interests held by Nanjing Panva LPG Co., Ltd.	290,000	55%	159,500
22.	Property interests held by Yangzhou YPC & Panva Gas Co., Ltd.	No commercial value	27.5%	No commercial value
23.	Property interests held by Pan River Enterprises (Yongzhou) Co., Ltd.	1,720,000	60%	1,032,000
24.	Property interests held by Pengshan Panva Gas Co., Ltd.	1,760,000	70%	1,232,000
25.	Property interests held by Pan River Gas (Zunyi) Co., Ltd.	No commercial value	50.10%	No commercial value
26.	Property interests held by Pan River Gas (China Southwest) Co., Ltd.	No commercial value	50.10%	No commercial value
27.	Property interests held by Zhongjiang Pingan Petroleum and Gas Limited Liability Company	320,000	55%	176,000
	Grand Total	57,230,000		37,273,553

SUMMARY OF VALUATIONS

Group II — Property interests leased by the Group in the PRC

	Property	Capital value in existing state attributable to the Group as at August 31, 2005
1.	A retail shop on Level 1, Wuhu Fruit Market, Wuhu, Anhui Province	No commercial value
2.	Retail shop No. A2-102, Tianmen Garden, Wuhu, Anhui Province	No commercial value
3.	A retail shop on Level 1, No. 29 Middle Entrance, Wuhu 29th Secondary School, No. 144 Changjiang Road, Wuhu, Anhui Province	No commercial value
4.	A retail shop on Level 1, No. 427 Limin Road, Wuhu, Anhui Province	No commercial value
5.	A retail shop on Level 1, No. 16 Jihe Road, Wuhu, Anhui Province	No commercial value
6.	A retail shop on Level 1, opposite to Wanli Agricultural Trade Market, Wuhu, Anhui Province	No commercial value
7.	A retail shop on Level 1, No. 94 Dongjiao Road, Wuhu, Anhui Province	No commercial value

	Property	Capital value in existing state attributable to the Group as at August 31, 2005
8.	A retail shop, No. 202 Huangshan Central Road, Wuhu, Anhui Province	No commercial value
9.	A retail shop on Level 1, opposite to Qiaolou Agricultural Trade Market, Wuhu, Anhui Province	No commercial value
10.	A retail shop, No. 73 Queshan Road, Wuhu, Anhui Province	No commercial value
11.	A retail shop on Level 1, No. 3-1-2 Yanhe Small Zone, Wuhu, Anhui Province	No commercial value
12.	Retail shop Unit 1-1-102, Jihe Small Zone, Jihe Road, Wuhu, Anhui Province	No commercial value
13.	A retail shop on Level 1, situated the west side of No. 69 Tuanjie Road, Wuhu Anhui Province	No commercial value
14.	A retail shop on Level 1, No. 86 Shizishan Road, Wuhu, Anhui Province	No commercial value
15.	A retail shop on Level 1, opposite to Gejiang Village Food Market, Wuhu, Anhui Province	No commercial value

	Property	Capital value in existing state attributable to the Group as at August 31, 2005
16.	A retail shop, No. 132 Limin East Road, Wuhu, Anhui Province	No commercial value
17.	A retail shop, Zhoucheng Factory, Wuhu, Anhui Province	No commercial value
18.	A retail shop, No. 73 Heshan Road, Wuhu, Anhui Province	No commercial value
19.	A retail shop, Jiulong Changhang Food Market, Wuhu, Anhui Province	No commercial value
20.	3 buildings situated at Dongfang LPG storage station, No. 195 Changjiang Road, Wuhu, Anhui Province	No commercial value
21.	9 office units on Level 5 of office building, No. 49 Zhengxiang North Road, Hengyang, Hunan Province	No commercial value
22.	A retail shop on Level 1, Yanwu Road, Hengyang, Hunan Province	No commercial value
23.	A retail shop on Level 1, No. 84 Hubei Road, Hengyang, Hunan Province	No commercial value

	Property	Capital value in existing state attributable to the Group as at August 31, 2005
24.	A retail shop on Level 1, No. 55 Huangbai Road, Yanfeng District, Hengyang, Hunan Province	No commercial value
25.	A retail shop on Level 1, No. 113-2, Honghu Small Zone, Hengyang, Hunan Province	No commercial value
26.	A retail shop on Level 1, No. 73 Xiaojiashan, Yanfeng District, Hengyang, Hunan Province	No commercial value
27.	Retail shop Nos.1-2 on Level 1, Copper Material Factory, No. 131 Huangcha Road, Yanfeng District, Hengyang, Hunan Province	No commercial value
28.	A retail shop on Level 1, No. 53 Dongfeng Road, Zhuhui District, Hengyang, Hunan Province	No commercial value
29.	A retail shop on Level 1, Composite Building of No. 9 Lixin Group, Lixin Development Zone, Hengyang, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
30. A retail shop on Level 1, No. 251 Dongfeng Road, Hengyang, Hunan Province	No commercial value
31. A retail shop on Level 1, Tongde Building, Fangguang Road, Nanyue District, Hengyang, Hunan Province	No commercial value
32. A retail shop, No. 184 Hongjun Middle Road, Cangxi County, Sichuan Province	No commercial value
33. An office unit on the whole of Level 6, No. 177-8, Jiwang Road, Lixia District, Jinan, Shandong Province	No commercial value
34. An office unit, No. 177-8, Jiwang Road, Lixia District, Jinan, Shandong Province	No commercial value
35. An office unit on Level 6, Bank of China Building, No. 2419 Lingyan Road, Changqing District, Jinan, Shandong Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
36. Residential unit No. 30, Block 2, No. 78 Longjing Road, Tianchi Town, Ziyang, Sichuan Province	No commercial value
37. An office unit on Level 1, District 3, East Line of Maxiangzi Street, Ziyang, Sichuan Province	No commercial value
38. Four office units Nos. 2, 3, 4 and 6, District 3, East Line of Maxiangzi Street, Ziyang, Sichuan Province	No commercial value
39. An office unit No. 5, District 3, East Line of Maxiangzi Street, Ziyang, Sichuan Province	No commercial value
40. A retail shop on Level 1, Zhongcheng Road, Yanjiang Town, Yanjiang District, Ziyang, Sichuan Province	No commercial value
41. A retail shop on Level 1, No. 93 Jianshe North Road, Yanjiang District, Ziyang, Sichuan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
42. Residential unit 210, Block 1, No. 66 West Road, Yangling Town, Weiyuan County, Neijiang, Sichuan Province	No commercial value
43. An industrial complex at Xinhua Road; 3 LPG storage stations at Jingliu Road, Dachang District; No. 3 Fangshuilu, Changlu Town; and Zhongshan Village, Getang Town, Nanjing, Jiangsu Province	No commercial value
44. A retail shop on Level 1, No. 14-15 Tianjie, Tonghua Small Zone, Liuhe District, Nanjing, Jiangsu Province	No commercial value
45. Retail shop No. 2 on Level 1, Agricultural Trade Market, Liuhe Fangzhou Garden, Liuhe District, Nanjing, Jiangsu Province	No commercial value
46. A retail shop on Level 1, No. 24 Lizhu Road, Baofeng Street, Xiangtan, Hunan Province	No commercial value
47. The 8th shop from the East Side, Youyi Building, Renmin Road, Xiangtan, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
48. A retail shop on Level 1, Xiangtan City Maintenance and Management Office, Dafuqiao, Xiangtan, Hunan Province	No commercial value
49. A retail shop on Level 1, No. 32 Guangji Road, Xianfeng Village, Xianfeng Village Jianxin Village Management Committee, Yuhu District, Xiangtan, Hunan Province	No commercial value
50. A retail shop on Level 1, No. 8 Fanhu Road, Xiangtan, Hunan Province	No commercial value
51. A retail shop on Level 1, No. 3 Xiaotang Road, Xiangtan, Hunan Province	No commercial value
52. A retail shop, Minfu Road, Qingzhen City, Guiyang, Guizhou Province	No commercial value
53. A retail shop, Sanhu 14, No. 21 Zhangtan Road, Shuguang Resident Management Committee, Yuekuang District Construction Office, Xiangtan, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
54. A retail shop on Level 1, Annex No. 1, Bantang Agriculture Trade Market, Bantangpu, Xiangtan, Hunan Province	No commercial value
55. A retail shop on Level 1, Shijintangwan, Xiangtan, Hunan Province	No commercial value
56. A retail shop, Shaziling, Xiangtan, Hunan Province	No commercial value
57. A retail shop, No. 140 Pingfang, Jianshe Village, Xiashesi, Xiangtan, Hunan Province	No commercial value
58. Retail shop No. 502, Unit 3, Block 2, Qinyuan Small Zone, Baoqing Road, Xiangtan, Hunan Province	No commercial value
59. A retail shop on Level 1, No.23 Donghu Village, Donghu Road, Xiangtan, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
60. Retail shop No.118 on Level 1, Block 4, Funong Vegetable Market, Furong Road, Xiangtan, Hunan Province	No commercial value
61. Retail shop Nos. 10 and 11 on Level 1, situated in Liyuan Hospital, Xiangtan, Hunan Province	No commercial value
62. Office for Engineering Department and the warehouse, Level 1, the Backyard, Jianshe Building, Xinhua Road, Jiangkou Town, Pingchang County, Bazhong, Sichuan Province	No commercial value
63. A LPG storage station, Niulangguan Warehouse, Guiyang City Materials and Resources General Company, Guiyang, Guizhou Province	No commercial value
64. A retail shop, No. 4 Xintian Avenue, Guiyang, Guizhou Province	No commercial value
65. Retail shop Nos. 10 and 11, No. 108 Jinjiang Road, Xiaohe Economic Development Zone, Guiyang, Guizhou Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
66. A retail shop on Level 1, No. 62 Wuhuxiang, Ganyintang, Guiyang, Guizhou Province	No commercial value
67. A retail shop, No. 3364 Baoshan South Road, Guiyang, Guizhou Province	No commercial value
68. Retail shop No. 1-2, Block A, Xixia Small Zone, Guiyang, Guizhou Province	No commercial value
69. A retail shop, No. 1 Xianhe Road, Guiyang, Guizhou Province	No commercial value
70. A retail shop, situated at Lannigou, Jinzhu Town, Guiyang, Guizhou Province	No commercial value
71. A retail shop, No. 197 Huangjin Road, Guiyang, Guizhou Province	No commercial value
72. A retail shop on Level 1, Bridge No. 3, Guiyang, Guizhou Province	No commercial value
73. A retail shop on Level 1, No. 29 Tieyixiang, Guiyang, Guizhou Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
74. A retail shop on Level 1, No. 37 Xinglong Road, Guiyang, Guizhou Province	No commercial value
75. A retail shop, No. 17 Baiyun South Road, Guiyang, Guizhou Province	No commercial value
76. A retail shop, No. 8 Taiping Road, Guiyang, Guizhou Province	No commercial value
77. A retail shop on Level 1, No. 188 North Ring Road, Guiyang, Guizhou Province	No commercial value
78. A retail shop on Level 1, Yangguang Garden, No. 115 Shanlin Road, Guiyang, Guizhou Province	No commercial value
79. A retail shop on Level 1, No. 262 East Ring Road, Guiyang, Guizhou Province	No commercial value
80. A retail shop on Level 1, No. 269 Jianlong Road, Guiyang, Guizhou Province	No commercial value
81. A retail shop on Level 1, No. 78 Zhaiji Small Zone, Guiyang, Guizhou Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
82. A retail shop, No. 71 Songhuajiang Road, Guiyang, Guizhou Province	No commercial value
83. A retail shop on Level 1, No. 364 Baoshan South Road, Guiyang, Guizhou Province	No commercial value
84. A retail shop on Level 1, Jintang Road, Baiyun District, Guiyang, Guizhou Province	No commercial value
85. A retail shop on Level 1, No. 168 Fuyuan Road, Guiyang, Guizhou Province	No commercial value
86. A retail shop on Level 1, No. 42 Baihua Avenue, Guiyang, Guizhou Province	No commercial value
87. A retail shop on Level 1, No. 29 Middle School, Shachong Road, Guiyang, Guizhou Province	No commercial value
88. A retail shop on Level 1, No. 88 Jiefang Road, Guiyang, Guizhou Province	No commercial value
89. A LPG storage station situated at a site near railway exclusive line, Niulangguan, Guiyang, Guizhou Province	No commercial value

	Property	Capital value in existing state attributable to the Group as at August 31, 2005
90.	A retail shop on Level 1, Xujiachongxiang, Huaxi District, Guiyang, Guizhou Province	No commercial value
91.	A garage in Block B, Shuijingwan, Chicheng Town, Pengxi County, Suining, Sichuan Province	No commercial value
92.	A retail shop on Level 1, Block 10, Xingji Small Zone, Qiupu Dong Road, Chizhou, Anhui Province	No commercial value
93.	A retail shop, No. 53 Changjiang North Road, Chizhou, Anhui Province	No commercial value
94.	A retail shop, The Community Center, No. 7 Huquan Road, Chiyang, Chizhou, Anhui Province	No commercial value
95.	A retail shop on Level 1, Residence of Zhangguilan, Tuanjie Small Zone, Qiupu West Road, Chizhou, Anhui Province	No commercial value

	Property	Capital value in existing state attributable to the Group as at August 31, 2005
96.	Ten LPG storage stations situated at different points in Nanjing, Jiangsu Province	No commercial value
97.	Three industrial complexes at No. 10 Wanshou Village and No. 3 Jiangwang Miao, Nanjing, Jiangsu Province	No commercial value
98.	A retail shop, No. 46 Lingjiaoshi, Nanjing, Jiangsu Province	No commercial value
99.	A retail shop situated at 3 single-storey rooms and their front door site, Tongji Hospital, No. 734 Factory, Xiaguan District, Nanjing, Jiangsu Province	No commercial value
100.	A retail shop, No. 71 Changying Village, Nanjing, Jiangsu Province	No commercial value
101.	A retail shop, Xinhua Ship Factory, Xinhe No. 2 Village, Xiaguan District, Nanjing, Jiangsu Province	No commercial value
102.	A retail shop, West side of No. 1 Gongqingtuan Road, Yuhua District, Nanjing, Jiangsu Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
103. A retail shop, No. 366 Xiaoxingli, Yuhua District, Nanjing, Jiangsu Province	No commercial value
104. A retail shop situated at North of the Backyard, No. 48 Xitong Bridge, Gaoqiaomen, Baixia District, Nanjing, Jiangsu Province	No commercial value
105. 3 single-storey retail shops at No. 97 Hengba, Shuangzha Village, Yuhua District, Nanjing, Jiangsu Province	No commercial value
106. A retail shop on Level 1, No. 6-8, Block 10, Sifang New Village No. 7, Nanjing, Jiangsu Province	No commercial value
107. A retail shop at No. 279 Jianning Road, Xiaguan District, Nanjing, Jiangsu Province	No commercial value
108. A retail shop on Level 1, Liquefy Gas Station, Qilun No. 4 Village, Nanjing, Jiangsu Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
109. A retail shop on Level 1, Front-left of the Office Building, Banqiao Transportation Branch, Transportation Department, Yuhuatai District, Nanjing, Jiangsu Province	No commercial value
110. A retail shop at the original facilities room, No. 57 Hebei Avenue, Shangxin River, Jianye District, Nanjing, Jiangsu Province	No commercial value
111. A retail shop, No. 177 Baixia Road, Nanjing, Jiangsu Province	No commercial value
112. A retail shop at Qiankun Village, Baguazhou, Nanjing, Jiangsu Province	No commercial value
113. A retail shop, Yaohua Fire Control Team, East of Xintang Yaochen Community, Nanjing, Jiangsu Province	No commercial value
114. A retail shop at Xuanyi Road, Qilin Town, Jiangning District, Nanjing, Jiangsu Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
115. A retail shop, No. 128 North Street, Guli Town, Jiangning District, Nanjing, Jiangsu Province	No commercial value
116. A retail shop at No. 9 Moling Old Street, Moling Town, Nanjing, Jiangsu Province	No commercial value
117. A retail shop at Erling Road, Dongshanqiao Town, Jiangning District, Nanjing, Jiangsu Province	No commercial value
118. A retail shop at No. 135 Hengyunnan Middle Road, Hengxi Town, Nanjing, Jiangsu Province	No commercial value
119. A retail shop, Lishui County Construction Department, Lishui County, Nanjing, Jiangsu Province	No commercial value
120. A retail shop, No. 14 Wangyan Street, Tiexinqiao Town, Yuhuatai District, Nanjing, Jiangsu Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
121. A retail shop at Houzhongyu, No. 3 Xinglong Village, Longtan Town, Xixia District, Nanjing, Jiangsu Province	No commercial value
122. A retail shop on Level 1, No. 52 Beijing East Road, Nanjing, Jiangsu Province	No commercial value
123. A retail shop at Jiexi Village, Chunhua Town, Jiangning, Nanjing, Jiangsu Province	No commercial value
124. 6 LPG storage stations at No. 108 Furong Road, Dongshan District; including Honglou Shopping Centre, Taowu; No. 30 Ningli Highway, Lukou; Nongminxin Street, Wushu; inside Er Gangfangguansuo, Longxi Road, Xishanqiao; No. 49 Dongxia Road, Fang Shan, Nanjing, Jiangsu Province	No commercial value
125. A retail shop at No. 25 2nd Lane, Gulou, Nanjing, Jiangsu Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
126. A LPG changing station, Dali Xinzheng Village, Shangfang Town, Jiangning District, Nanjing, Jiangsu Province	No commercial value
127. A 2-storey retail shop, Chengxi Lane, Xifeng Central Road, Lishui County, Nanjing, Jiangsu Province	No commercial value
128. Retail shop No. 17 on Level 1, Liangyun Vehicle Group, Renmin West Road, Changde, Hunan Province	No commercial value
129. A retail shop on Level 1, No. 33 Puzhen Street, Guanxi Town, Changde, Hunan Province	No commercial value
130. A retail shop on Level 1, Deshan Lianchi Market, Changde, Hunan Province	No commercial value
131. A retail shop on Level 1, at a junction of Caijiagang Town, Changde, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
132. A retail shop on Level 1, Wuyi Village, Dongyan Road, Deshan Town, Changde, Hunan Province	No commercial value
133. Retail shop No. B-25, Tangjiufushicheng, The Train Station Market, Changde, Hunan Province	No commercial value
134. A retail shop at Hongmiao Street, Nanzhushan, Changde, Hunan Province	No commercial value
135. A retail shop at Changle Residential Committee, Changde, Hunan Province	No commercial value
136. A retail shop on Level 1, No. 99 Jianshe East Road, Changde, Hunan Province	No commercial value
137. A retail shop on Level 1, Moli Village, Dongting Avenue, Changde, Hunan Province	No commercial value
138. A retail shop at No. 127 Shuangtan Road, Qiaotou Residential Committee, Changde, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
139. A retail shop on Level 1, Group 2, Sanlu Village, Dongjiao Town, Changde, Hunan Province	No commercial value
140. Retail shop No. 3 and No. 4, No. 729 Chuanjin Road, Panlong District, Kunming, Yunnan Province	No commercial value
141. A retail shop on Level 1, No. 65 Kunfu Road, Heilinpu, Kunming, Yunnan Province	No commercial value
142. A retail shop on Level 1, No. 114 Tudui Village, Xishan District, Kunming, Yunnan Province	No commercial value
143. A retail shop No. 6-7 on Level 1, Zhangguanying, Panlong District, Kunming, Yunnan Province	No commercial value
144. A retail shop on Level 1, No. 1 Block A, Honghai Commercial House, Yanjiadi, Xishan District, Kunming, Yunnan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
145. A retail shop on Level 1, No. 544 Renmin West Road, Wuhua District, Kunming, Yunnan Province	No commercial value
146. A retail shop on Level 1, No. 445 Xiba New Village, Xishan District, Kunming, Yunnan Province	No commercial value
147. A retail shop on Level 1, Block 12, Donghua Development, Panlong District, Kunming, Yunnan Province	No commercial value
148. Retail shop No. 15 and No. 16, No. 23 Ciba Road, Panlong District, Kunming, Yunnan Province	No commercial value
149. A retail shop on Level 1, No. 542 Xuefu Road, Wuhua District, Kunming, Yunnan Province	No commercial value
150. A retail shop on Level 1, No. 89 Guanling Road, Guandu District, Kunming, Yunnan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
151. A retail shop on Level 1, Nos. 73 and 75 Lianmeng Road, Panlong District, Kunming, Yunnan Province	No commercial value
152. A retail shop, No. 68 Jiaochang East Road, Jiaoyi Road, Wuhua District, Kunming, Yunnan Province	No commercial value
153. A retail shop on Level 1, No. 35 Wangjiaqiao Road, Kunming, Yunnan Province	No commercial value
154. A retail shop at Niujiezhuang, Dongjiao, Guandu District, Kunming, Yunnan Province	No commercial value
155. A retail shop, Kunming Electrical Factory, Dianji Road, Xishan District, Kunming, Yunnan Province	No commercial value
156. A retail shop, No. 10 Fuda Road, Guandu District, Kunming, Yunnan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
157. Retail shop Nos. 59 and 60 on Level 1, Lijiadi, Fuhai Village, Xishan District, Kunming, Yunnan Province	No commercial value
158. A retail shop on Level 1 situated inside the yard of No. 312 Haigeng Road, Xishan District, Kunming, Yunnan Province	No commercial value
159. A retail shop on Level 1, No. 115 Cailian Road, Doufuying, Xishan District, Kunming, Yunnan Province	No commercial value
160. A retail shop, situated at Wangcheng Petrol Station, Laohaigeng Road, Xishan District, Kunming, Yunnan Province	No commercial value
161. A retail shop on Level 1, Provincial Ecology Environmental Control Station, Guandu District, Kunming, Yunnan Province	No commercial value
162. A retail shop, Nos. 25 and 27 Xinhuaxiang, Xinying East District, Panlong District, Kunming, Yunnan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
163. A retail shop on Level 1, No. 199 Xiaozhuang Village, Longquan Town, Kunming, Yunnan Province	No commercial value
164. A retail shop on Level 1, Jinmasi Terminal, Panlong District, Kunming, Yunnan Province	No commercial value
165. Retail shop No. 1, Group 3, Zhaojiadui New Village, Lingjiaotang West Road, Wuhua District, Kunming, Yunnan Province	No commercial value
166. A retail shop on Level 1, No. 171 Shuangqiao Village, Guandu District, Kunming, Yunnan Province	No commercial value
167. Retail shop No. 3-7-8, on Level 1, No. 11 Maxianying Village, Panlong District, Kunming, Yunnan Province	No commercial value
168. A retail shop, No. 456 Longquan Road, Wuhua District, Kunming, Yunnan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
169. A retail shop on Level 1, Guandu Village, Guandu District, Kunming, Yunnan Province	No commercial value
170. A retail shop, Nos. 68 and 70 Xinwen Road, Wuhua District, Kunming, Yunnan Province	No commercial value
171. Retail shop Nos. 2 and 3 on Level 1, Row 5, Block 174, Hangtian Industry Company, Guandu District, Kunming, Yunnan Province	No commercial value
172. Retail shop No. 4 on Level 1, Xiaolongtan Public House, Banqiao Village, Guandu District, Kunming, Yunnan Province	No commercial value
173. A retail shop on Level 1, No. 186 Xiaojie, Guandu District, Kunming, Yunnan Province	No commercial value
174. A retail shop, No. 136 Erjiawan, Guandu District, Kunming, Yunnan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
175. A retail shop on Level 1, No. 3 Dragon Street, The Cement Factory, Chenggong County, Kunming, Yunnan Province	No commercial value
176. Retail shop No. 20 on Level 1, No. 116 Fenghuang Village, Panlong District, Kunming, Yunnan Province	No commercial value
177. A retail shop on Level 1, No. 35 Bianran Street, Anning City, Kunming, Yunnan Province	No commercial value
178. A retail shop at Xiangjiqi Station, No. 64 Huilong Road, Yiyang, Hunan Province	No commercial value
179. Retail shops No. 62-4, 5, Wanli Road, Zunyi, Guizhou Province	No commercial value
180. A retail shop, No. 8 Jidian Road, Zunyi, Guizhou Province	No commercial value
181. Retail shop No. 1, Fenghuang District 1, Guanjing Road, Zunyi, Guizhou Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
182. A retail shop on Level 2, Zunyi City Hydro Electric Resources Station, No. 7 Outer Ring Road, Zunyi, Guizhou Province	No commercial value
183. A retail shop at Upper Floor, Xima Road Public Lavatory, Zunyi, Guizhou Province	No commercial value
184. A retail shop, No. 359 Shanghai Road, Zunyi, Guizhou Province	No commercial value
185. A retail shop at Fire Service No. 4, Beihai Road, Zunyi, Guizhou Province	No commercial value
186. A retail shop, No. 38 Zhuangyuan Road, Zunyi, Guizhou Province	No commercial value
187. Retail shop No. 6 of No. 27 Zhenlong Small Zone, Zunyi, Guizhou Province	No commercial value
188. Retail shop No. 103 and 104, situated at Beihu District Residence Office, Chenzhou, Hunan Province	No commercial value
189. A retail shop on Level 1, No. 61-1 Guoxingbei Road 61, Kuimenling, Chenzhou, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
190. A retail shop, No. 10 Fangzheng First Road, No. 61-1 Guoxingbei Road 61, Chenzhou, Hunan Province	No commercial value
191. A retail shop, No. 197 Jiaotong Road, Qingyan Town, Guiyang, Guizhou Province	No commercial value
192. A retail shop on Levels 1 and 2, No. 111 Xianqiao Building, No. 2 Sushi Road, Chenzhou, Hunan Province	No commercial value
193. A retail shop on Level 1, No. 8-50, Workers Union Composite Teaching Building, north west of the Main Entrance inside Chenzhou Teacher College, No.8 Suxian North Road, Chenzhou, Hunan Province	No commercial value
194. A retail shop on Level 1, Yanquan South Road, Chenzhou, Hunan Province	No commercial value
195. Retail shop No. 183 on Level 1, Tongxin Wholesale Market, Tongxin Small District, No. 5 Tongxin Road, Chenzhou, Hunan Province	No commercial value

	Property	Capital value in existing state attributable to the Group as at August 31, 2005
196.	Retail shop No. 7 on Level 1, No. 21-7 Feihong Road, Chenzhou, Hunan Province	No commercial value
197.	Retail shop No. 7 on Level 1, Xiangxue Agricultural Products Market, Chenzhou, Hunan Province	No commercial value
198.	A retail shop on Levels 1 to 3, Yangzi River West District, Yangzhou, Jiangsu Province	No commercial value
199.	Retail shop No. 1013, Block 2, Luoxianmingju, Yanquan Commercial Plaza, Chenzhou, Hunan Province	No commercial value
200.	A retail shop on Level 1, No. 303 Xinghua Road, Zixin, Hunan Province	No commercial value
201.	A LPG storage station, No. 148 Qili Avenue, Chenzhou, Hunan Province	No commercial value
202.	A retail shop at Hedong Logistics Center, Baijiang, Yongzhou, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
203. Retail shop No. 4, Fenghuang Garden, Yongzhou Panva 3rd Zhuanxindian, Baijiang, Yongzhou, Hunan Province	No commercial value
204. A retail shop, Yongzhou Panva 2nd Zhuanxindian, Baijiang, Yongzhou, Hunan Province	No commercial value
205. A retail shop on Level 1, No. 68 Xiaoxiang Middle Road, Zhishan, Baijiang, Yongzhou, Hunan Province	No commercial value
206. A retail shop on Level 1, No. 69 Zhenzhu Road, Yongzhou, Hunan Province	No commercial value
207. An office unit No. 704 on Level 7, Kaihua Building, No. 229 Laodong West Road, Changsha, Hunan Province	No commercial value
208. A retail shop on Level 1, No. 48 Shuguang South Road, Changsha, Hunan Province	No commercial value
209. Two retail shops Nos. 7-8 on Level 1, Nos. 13-15 The Composite Building, Group 5 Huoxing Town, Changsha, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
210. Retail shop No. 2 on Level 1, situated at the opposite of Group 6 Huoxing Town, Changsha Ring Road, Changsha, Hunan Province	No commercial value
211. Retail shop No. 3, Xinkaipu No. 282, Changsha, Hunan Province	No commercial value
212. A retail shop, Hongfeng Road, Qingzhen City, Guiyang, Guizhou Province	No commercial value
213. A retail shop on Level 1, Nos. 57-59 Junpei Lane, Changsha, Hunan Province	No commercial value
214. Retail shop No. 7 on Level 1, Chaoyang No. 2 Village Committee, Changsha, Hunan Province	No commercial value
215. Retail shop No. 2 and 3 on Level 1, Jianxiang New Village, Changsha, Hunan Province	No commercial value
216. A retail shop, Wawu Group, Hongxing Village, Changsha, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
217. A retail shop on Level 1, Community No.1, Tongxin Village, Changsha, Hunan Province	No commercial value
218. A retail shop on Level 1, No. 10 Zhumaxiang, Xiangyi Road, Yuelu District, Changsha, Hunan Province	No commercial value
219. A retail shop on Level 1, No. 26 Hehuachi New Village, Changsha, Hunan Province	No commercial value
220. A retail shop on Level 1, No. 307 Chixiangya Road, Changsha, Hunan Province	No commercial value
221. A retail shop on Level 1, No. 1 Lijiachong, Heishidu, Kaifu District, Changsha, Hunan Province	No commercial value
222. A retail shop on Level 1, No. 13 Bianzhouwei Road, Guanshalin, Changsha, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
223. A retail shop on Level 1, No. 8 Doulin Road, Liuyang River, Kaifu District, Changsha, Hunan Province	No commercial value
224. A retail shop on Level 1, Mawangdui Composite Group No. 2, Changsha, Hunan Province	No commercial value
225. A retail shop on Level 1, No. 27 Sujiaxiang, Furong District, Changsha, Hunan Province	No commercial value
226. A retail shop on Level 1, West side of Guihua Village Block No. 9, Yuhua District, Changsha, Hunan Province	No commercial value
227. A retail shop on Level 1, Shima Village, Yuhuating Village, Yuhua District, Changsha, Hunan Province	No commercial value
228. A retail shop on Level 1, No. 2 Textile Factory, Shilingtang Road, Changsha, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
229. A retail shop on Level 1, No. 2 Textile Factory, Shilingtang Road, Changsha, Hunan Province	No commercial value
230. Retail shop No. 15 on Level 1, Xiangyin Apartment, Juyuan Small Zone, Changsha, Hunan Province	No commercial value
231. A retail shop on Level 1, situated next to Xianjiahu Tumor Hospital, Xianjiahu, Changsha, Hunan Province	No commercial value
232. A retail shop on Level 1, No. 620 Xianjiahu Road, Changsha, Hunan Province	No commercial value
233. A retail shop on Level 1, No. 90 Baisha South Road, Changsha, Hunan Province	No commercial value
234. A retail shop, Yangzishi Hangji, Yangzhou, Jiangsu Province	No commercial value
235. A retail shop on Level 1, No. 20 Guduishan Lane, Nanhu Road, Changsha, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
236. Retail shop No. 5-61, Xingsha Main Market No. 3 District, Xingsha Town, Changsha, Hunan Province	No commercial value
237. A retail shop on Level 1, No. 33 Qingshuitang Road, Changsha, Hunan Province	No commercial value
238. A retail shop on Level 1, No. 218 Hexi Rongwan Town, Changsha, Hunan Province	No commercial value
239. A retail shop on Level 1, No. 347 Lushan South Road, Changsha, Hunan Province	No commercial value
240. Office unit B, Level 18, Cheng Shi Zhi Xin, The First Section of Renmin South Road, Chengdu, Sichuan Province	No commercial value
241. Office unit A, Level 18, Cheng Shi Zhi Xin, The First Section of Renmin South Road, Chengdu, Sichuan Province	No commercial value
242. A retail shop at the east side of Yangyu Road, Yangzhou, Jiangsu Province	No commercial value
243. A retail shop at Xiangyang Road, Yangzhou, Jiangsu Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
244. Office unit Nos. 811-815, Level 8, Time Square, Shenyang, Liaoning Province	No commercial value
245. The Sinolink Group Office Building, No. 28 Taining Road, Luohu District, Shenzhen, Guangdong Province	No commercial value
246. Office units Nos. 301 and 302 on Level 4, Unit 3, Block A, Biliyuan, Guanshui Road, Guiyang, Guizhou Province	No commercial value
247. An office unit situated on Government East Street, Jiancheng Town, Jianguang, Sichuan Province	No commercial value
248. A retail shop at the south side of the road in Yulin Village, Jiangwang Street, Yangzhou, Jiangsu Province	No commercial value
249. A retail shop on Level 1, Resident Management Committee of Taiping Small Zone, Community 2, Hengyang, Hunan Province	No commercial value
250. A retail shop on Level 1, No. 106 Huayuan Road, Huaxin Development Zone, Hengyang, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
251. A retail shop on Level 1, No. 2 Yanjiang North Road, Hengyang, Hunan Province	No commercial value
252. A retail shop incorporated with three rooms of Kunming Tepuruiyibiao Limited, Kunming, Yunnan Province	No commercial value
253. The 3rd/4th retail shop at the south side of the Street Office, Kangfu North Road, Heshan District, Yiyang, Hunan Province	No commercial value
254. A retail shop of Hongjia Village Residential Management Committee, Qingnan Road, Heshan District, Yiyang, Hunan Province	No commercial value
255. A retail shop, Tuanyuan Road, Heshan District, Yiyang, Hunan Province	No commercial value
256. A retail shop of Eyangchi Resident Management Committee, Da Matou Office, Ziyang District, Yiyang, Hunan Province	No commercial value
257. Retail shop No. 13 of Yiyang Police Station, Yiyang, Hunan Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
258. A retail shop, Sanyijiuguo Road, Yiyang, Hunan Province	No commercial value
259. A retail shop at the left side of the east entrance of the original City People's Intermediate Court, Datao South Road, Yiyang, Hunan Province	No commercial value
260. A retail shop on Levels 1 and 2, Composite Building No. 7, Xiamei Bridge, Chenzhou, Hunan Province	No commercial value
261. A retail shop, Yanzi North Road, Chenzhou, Hunan Province	No commercial value
262. A retail shop at No. 69 Luchongguan Road, Yunyan District, Guiyang, Guizhou Province	No commercial value
263. A retail shop, No. 1 Jinding Road, Jingding Shan, Guiyang, Guizhou Province	No commercial value
264. A retail shop, Yeyaxinzhai Village, Wudang District, Guiyang, Guizhou Province	No commercial value

Property	Capital value in existing state attributable to the Group as at August 31, 2005
265. A retail shop, Block 1, No. 14 Lixin Road, Yangzhou, Jiangsu Province	No commercial value
266. A retail shop, Yanbu Road, Jiangwang Town, Yangzhou, Jiangsu Province	No commercial value
267. A retail shop, situated at the south side of Canzhongchang, Yangzhou, Jiangsu Province	No commercial value
268. A retail shop, No. 87 Zhangzhuangzu, Peizhuang Village, Development Zone, Yangzhou, Jiangsu Province	No commercial value

SUMMARY OF VALUATIONS

Group III — Property interest leased by the Group in Hong Kong

	Property	Capital value in existing state attributable to the Group as at August 31, 2005
1.	Portion of 28th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Central, Hong Kong	No commercial value

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
1.	Property interests held by Nanjing Panva Pipeline Gas Co., Ltd.	The property comprises a plot of land with a site area of 6,179.90 sq.m. (66,520 sq.ft.) and an office building and various ancillary buildings with a total gross floor area of 1,244.50 sq.m. (13,396 sq.ft.) completed in 2002. The land use rights of the property has been allocated to Nanjing Panva Pipeline Gas Co., Ltd for an unspecified term for industrial use.	The property is occupied by the Group as a LPG storage station and office and ancillary uses.	No commercial value

Notes:

(1) According to Certificate for Use of State-owned Land No. (2004) 23, the land use rights of a plot of land, comprising a site area of 6,179.90 sq.m., has been allocated to Nanjing Panva Pipeline Gas Co., Ltd. with details as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Uses	Land Use Term
1a-1.	(2004) 23	No. 316-1 Baota Road, Chunxi Town, Gaochun County, Nanjing, Jiangsu Province	Allocated	6,179.90	Industrial	—

(2) As advised by the Group, Nanjing Panva Pipeline Gas Co., Ltd. also owns an office building and various ancillary buildings with a total gross floor area of 1,244.50 sq.m. erected on the above land completed in 2002. However, there is no title document available at the time of our valuation with regard to these buildings.

As advised by the Group, the costs of acquisition of the property in 2004 was about RMB3,440,000.

(3) We have attributed no commercial value to all property interests held by Nanjing Panva Pipeline Gas Co., Ltd. in Notes (1) and (2). For indicative purpose, the capital value of such property interests in existing state as at the date of valuation was RMB3,112,000 assuming all relevant title certificates have been obtained.

(4) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Nanjing Panva Pipeline Gas Co., Ltd. has obtained the allocated land use rights of the property by virtue of obtaining the Certificate for Use of State-owned Land with a site area of 6,179.90 sq.m. for industrial use. Nanjing Panva Pipeline Gas Co., Ltd. is entitled to occupy, use, lease and mortgage the land. The property cannot be freely transferred and the property is free from mortgage and other party's interest. The current use of the land complies with the approved use.

(ii) The Building Ownership Certificate of the buildings is being applied.

(iii) According to Business Licence No. 005811, Nanjing Panva Pipeline Gas Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of US$1,010,000 and an operation period from April 18, 2002 to April 17, 2052.

(5) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes (Allocated land)
Building Ownership Certificate	No
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
2.	Property interests held by Pan River Enterprises (Wu-hu) Co., Ltd.	The property comprises a plot of land with a site area of 12,617.32 sq.m. (135,813 sq.ft.) and various ancillary buildings with a total gross floor area of 300 sq.m. (3,229 sq.ft.) completed in 1998. The land use rights of the property has been granted to Pan River Enterprises (Wu-hu) Co., Ltd. for a term of 30 years for industrial use.	The property is occupied by the Group as a LPG storage station and ancillary uses.	RMB1,530,000 (55% interest attributable to the Group RMB841,500)

Notes:

(1) According to Certificate for Use of State-owned Land No. (98) 079, the land use rights of a plot of land, comprising a site area of 12,617.32 sq.m., has been granted to Pan River Enterprises (Wu-hu) Co., Ltd. with details as follow:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Uses	Land Use Term
2a-1.	(98) 079	Xihua Shipping Base	Granted	12,617.32	Industrial	30 years from 19/6/1998

(2) As advised by the Group, there are some ancillary buildings with a total gross floor area of 300 sq.m. erected on the above land completed in 1998. However, there is no title document available at the time of our valuation with regard to these properties. We have attributed no commercial value to these buildings. For indicative purpose, the total capital value of these properties in existing state as at the date of valuation was RMB140,000 assuming all relevant title certificates have been obtained.

(3) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Pan River Enterprises (Wu-hu) Co., Ltd. has obtained the granted land use rights of the property for a term of 30 years from June 19, 1998 by virtue of obtaining the Certificate for Use of State-owned Land with a site area of 12,617.32 sq.m. for industrial use. Pan River Enterprises (Wu-hu) Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land. The current use of the land complies with the approved use. The land is free from mortgage and other party's interest.

(ii) According to Business Licence No.000308, Pan River Enterprises (Wu-hu) Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB32,000,000 and an operation period from March 25, 1998 to March 24, 2048.

(iii) According to the Equity Joint Venture Contract

Joint Venture Company: Pan River Enterprises (Wu-hu) Co., Ltd.

Party A: Wuhu Changjiang Ship Company (蕪湖長江輪船公司)
Party B: Panriver Investments Company Limited

Profit Sharing: Party A: 45%
Party B: 55%

(4) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	No
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
3.	Property interests held by Pan River Enterprises (Hengyang) Co., Ltd.	The property comprises a plot of land and 2 buildings completed in 2000. The land portion of the property comprises a total site area of 4,255.20 sq.m. (45,803 sq.ft.), while the building portion of the property comprises a total gross floor area of 435.84 sq.m. (4,691 sq.ft.). The land use rights of the property has been granted to Pan River Enterprises (Hengyang) Co., Ltd. for a term due to expire on January 31, 2050 for warehouse use.	The property is occupied by the Group for as a LPG storage station and ancillary office uses.	RMB1,600,000 (84% interest attributable to the Group RMB1,344,000)

Notes:

(1) The Certificate for the Use of State-owned Land and the Building Ownership Certificate for the property interests held by Pan River Enterprises (Hengyang) Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
3a-1.	(2000A) 202102	Group 4, Tuanjie Village, Dongfanghong Fishery, Shijiao District, Hengyang, Hunan Province	Granted	4,255.20	—	Warehouse	Due to expire on 31/1/2050
	00085464	No.125 Caojiayuan, Hengyang, Hunan Province	—	—	261.32	Others	—
	00085465	No.125 Caojiayuan, Hengyang, Hunan Province	—	—	174.52	Office	—
	Total			**4,255.20**	**435.84**		

(2) According to Certificate for Use of State-owned Land in Note (1), the land use rights of a plot of land, comprising a site area of 4,255.20 sq.m., has been granted to Pan River Enterprises (Hengyang) Co., Ltd.

(3) According to 2 Building Ownership Certificates in Note (1), the building ownership of the property, comprising a total gross floor area of 435.84 sq.m., is vested in Pan River Enterprises (Hengyang) Co., Ltd.

(4) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Pan River Enterprises (Hengyang) Co., Ltd. has obtained the granted land use rights of the property for a term due to expire on January 31, 2050 by virtue of obtaining the Certificate for Use of State-owned Land with a site area of 4,255.20 sq.m. for warehouse use. Pan River Enterprises (Hengyang) Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land. The land premium has been fully settled. The current use of the land complies with the approved use. The land is free from mortgage and other party's interest.

(ii) Pan River Enterprises (Hengyang) Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificates, with a total gross floor area of 435.84 sq.m. for others/office uses. Pan River Enterprises (Hengyang) Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the buildings. The current use of the buildings complies with the approved use. The buildings are free from mortgage and other party's interest.

(iii) According to Business Licence No. 000439, Pan River Enterprises (Hengyang) Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB 6,000,000 and an operation period from November 14, 1998 to November 24, 2028.

(iv) According to the Equity Joint Venture Contract

Joint Venture Company: Pan River Enterprises (Hengyang) Co., Ltd.

Party A: Changsha Pan River Enterprises Co., Ltd.
Party B: Panriver Investments Company Limited

Profit Sharing: Party A: 40%
Party B: 60%

(5) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
4.	Property interests held by Jianyang Panva Gas Co., Ltd.	The property comprises 20 plots of land and various buildings completed in 1990 to 1995. The land portion of the property comprises a total site area of 20,355.24 sq.m. (219,104 sq.ft.), while the building portion of the property comprises a total gross floor area of 7,426.91 sq.m. (79,943 sq.ft.). Portion of the land use rights has been granted to Jian Yang City Natural Gas General Company (簡陽市天然氣總公司) for various terms with latest expiry date of April 17, 2042 for residential, publicity and commercial uses. Portion of the land use rights has been allocated to Jian Yang City Natural Gas General Company (簡陽市天然氣總公司), Huaxi General Machine Company (華西通用機器公司) and Retail Branch No. 1 of Shiban Credit Cooperative (石板信用社一門市) for unspecified terms for commercial, residential, warehouse, special property, production workshop, industrial, office, gas transmission station, public facility and other uses.	The property is occupied by the Group as LPG supply station and ancillary office, retail shop, warehouse and staff quarters uses.	No commercial value

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Jianyang Panva Gas Co., Ltd. (in the previous name of Jianyang Panva Gas Co., Ltd. before its restructuring or in names of other parties from whom Jiangyang Panva Gas Co., Ltd. acquired the property interest) are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
4a-1.	(2001) 02949	Government East Street, Jiancheng Town, Jianyang, Sichuan Province	Allocated	416.05	—	Commercial/ Residential	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	(2004) 06383	Government East Street, Jiancheng Town, Jianyang, Sichuan Province	Granted	53.50	—	Commercial	Due to expire on 03/12/2024	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	0007623	No.62 Government East Street, Jiancheng Town, Jianyang, Sichuan Province	—	—	439.83	Commercial	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4a-2.	(2003) 03421	Government East Street, Jiancheng Town, Jianyang, Sichuan Province	Allocated	124.80	—	Commercial/ Warehouse	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	0058192	No.52 Government East Street, Jiancheng Town, Jianyang, Sichuan Province	—	—	1,515.60	Commercial/ Special property	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4a-3.	(2004) 06384	No.62 Government East Street, Jiancheng Town, Jianyang, Sichuan Province	Granted	52.10	—	Commercial	Due to expire on 03/12/2024	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	0007622	No.62 Government East Street, Jiancheng Town, Jianyang, Sichuan Province	—	—	396.68	Commercial	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4b-1.	(2002) 01991	No.1 Heping Road, Shiqiao Town, Jianyang, Sichuan Province	Granted	42.00	—	Residential	Due to expire on 17/04/2042	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	0039543	No.1 Heping Road, Shiqiao Town, Jianyang, Sichuan Province	—	—	358.00	Residential	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
4b-2.	(2002) 01992	No.1 Heping Road, Shiqiao Town, Jianyang, Sichuan Province	Granted	8.60	—	Commercial	Due to expire in 04/2042	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	0039540	No.1 Heping Road, Shiqiao Town, Jianyang, Sichuan Province	—	—	73.30	Commercial	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4c-1.	(2001) 02948	Banbian Street, Zhenjin Town, Jianyang, Sichuan Province	Allocated	836.97	—	Commercial/ Residential	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	0021530	Hongriqiao Road, Zhenjin Town, Jianyang, Sichuan Province	—	—	228.82	Residential/ Office/ Others	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4c-2.	(2002) 12500	No.67 Hongriqiao Road, Zhenjin Town, Jianyang, Sichuan Province	Allocated	62.67	—	Residential	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	0049743	No.67 Hongriqiao Road, Zhenjin Town, Jianyang, Sichuan Province	—	—	220.62	Residential	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4d-1.	(1995) 65-16-2-1-1 (10)	Luduan Town, Jianyang, Sichuan Province	Allocated	995.36	—	Industrial	—	Huaxi General Machine Company (華西通用機器公司)
	(1995) 65-16-2-1-2	Jianren Road, Luduan Town, Jianyang, Sichuan Province	Allocated	42.52	—	Industrial	—	Huaxi General Machine Company (華西通用機器公司)
	0007270	Luduanqiao, Luduan Town, Jianyang, Sichuan Province	—	—	172	Production workshop	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4e-1.	(1991) 65-8-1-90	No.90 Hushan Street, Shibandeng Town, Jianyang, Sichuan Province	Allocated	404.00	—	Residential/ Office	50 years from August 1, 1991	Retail Branch No.1 Shiban Credit Cooperative (石板信用社一門市)
	0007274	No.90 Hushan Street, Shibandeng Town, Jianyang, Sichuan Province	—	—	552.78	Residential	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
4f-1.	(1997) 3381	Hanwei Community 10, Xiangjia Village, Jianyang, Sichuan Province	Allocated	1,029.9	—	Residential/ Office	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4g-1.	(1997) 3480	Panqi Community 11, Qujiang Village, Jianyang, Sichuan Province	Allocated	1,539.04	—	Gas transmission station	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4h-1.	(2000) 08981	Binjiang Road, Jiancheng Town, Jianyang, Sichuan Province	Allocated	6,667.00	—	Public facility	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	0007268	Government East Street, Jiancheng Town, Jianyang, Sichuan Province	—	—	52.83	Production workshop	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4i-1.	(1997) 54-49	Jianshe West Road, Jiancheng Town, Jianyang, Sichuan Province	Allocated	3,409.94	—	Gas transmission station	—	Huaxi General Machine Company (華西通用機器公司)
	0007269	Jianshe West Road, Jiancheng Town, Jianyang, Sichuan Province	—	—	487.80	Production workshop	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4j-1.	(2004) 01327	No.52 Government East Street, Jiancheng Town, Jianyang, Sichuan Province	Granted	319.79	—	Publicity	Due to expire on 23/04/2024	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	0007272	No.52 Government East Street, Jiancheng Town, Jianyang, Sichuan Province	—	—	282.18	Others	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
4j-2.	(2004) 01328	No.52 Government East Street, Jiancheng Town, Jianyang, Sichuan Province	Granted	49.9	—	Commercial	Due to expire on 23/04/2024	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	0007624	No.52 Government East Street, Jiancheng Town, Jianyang, Sichuan Province	—	—	868.82	Office/ Others	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	0027504	No.52 Government East Street, Jiancheng Town, Jianyang, Sichuan Province	—	—	185.38	Commercial	—	Jian Yang City Natural Gas General Company (簡陽市天然氣總公司)
	Total			**16,054.14**	**5,834.64**			

(2) According to 17 Certificates for Use of State-owned Land in Note (1), the land use rights of a portion of the properties, comprising a total site area of 16,054.14 sq.m., has been granted or allocated to Jian Yang City Natural Gas General Company (簡陽市天然氣總公司), Huaxi General Machine Company (華西通用機器公司) and Retail Branch No. 1 of Shiban Credit Cooperative (石板信用社一門市).

Remarks:

(i) As advised by the Group, Jian Yang City Natural Gas General Company (簡陽市天然氣總公司) is the previous name of Jianyang Panva Gas Co., Ltd. before its restructuring. However, applications regarding changes of title of these Certificates to Jianyang Panva Gas Co., Ltd. have not yet proceeded.

(ii) As advised by the Group, Jian Yang City Natural Gas General Company (簡陽市天然氣總公司) has acquired 3 plots of land, comprising a total site area of 4,447.82 sq.m., from Huaxi General Machine Company (華西通用機器公司). However, applications regarding changes of title of corresponding certificates have not yet proceeded.

(iii) According to the notes that Land Resource Bureau stated in the Certificate for the use of State-owned Land, Jian Yang City Natural Gas General Company (簡陽市天然氣總公司) has acquired a plot a land, comprising a site area of 404.00 sq.m., from Retail Branch No. 1, Shiban Credit Cooperative (石板信用社一門市). However, applications regarding change of title of the Certificate have not yet proceeded.

(3) According 14 Building Ownership Certificates in Note (1), the building ownership of a portion of the properties, comprising a total gross floor area of 5,834.64 sq.m., is vested in Jian Yang City Natural Gas General Company (簡陽市天然氣總公司).

Remark:

(i) As advised by the Group, Jian Yang City Natural Gas General Company (簡陽市天然氣總公司) is the previous name of Jianyang Panva Gas Co., Ltd. before its restructuring. However, applications regarding changes of title of these Certificates to Jian Yang Panva Gas Co., Ltd. have not been proceeded.

(4) As advised by the Group, Jianyang Panva Gas Co., Ltd. also owns 3 plots of land with a total site area of 4,301.1 sq.m. and various buildings erected on these land with a total gross floor area of 1,592.27 sq.m. at Qingfeng Xiang, Dongjiageng Xiang and Sancha Town, for LPG storage station use. However, there is no title document available at the time of our valuation with regard to these properties.

As advised by the Group, the costs of acquisition of the property in 2005 was about RMB12,600,000.

(5) We have attributed no commercial value to all property interests held by Jianyang Panva Gas Co., Ltd. For indicative purpose, the total capital value of such property interests in existing state as at the date of valuation was RMB6,200,000 assuming all relevant title certificates have been obtained.

(6) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Jianyang Panva Gas Co., Ltd. advises that they have obtained the allocated land use rights of 11 plots of land of the property, including Nos. 4a-1, 4a-2, 4c-1, 4c-2, 4d-1, 4e-1, 4f-1, 4g-1, 4h-1 and 4i-1 by virtue of obtaining the Certificates for Use of State-owned Land (which are registered in the previous name of Jianyang Panva Gas Co., Ltd. before its restructuring or in names of other parties from whom Jiangyang Panva Gas Co., Ltd. acquired property interests), with a total site area of 15,528.25 sq.m. for commercial/residential/warehouse/industrial/office/gas transmission station/ public facility uses. Jianyang Panva Gas Co., Ltd. may have title problem on the said allocated land.

(ii) Jianyang Panva Gas Co., Ltd. advises that they have obtained the granted land use rights of 6 plots of land of the property including Nos. 4a-1, 4a-3, 4b-1, 4b-2, 4j-1 and 4j-2, for a term of, by virtue of obtaining the Certificates for Use of State-owned Land (which are registered in the previous name of Jianyang Panva Gas Co., Ltd. before its restructuring from whom Jiangyang Panva Gas Co., Ltd. acquired property interests), with a total site area of 525.89 sq.m. for residential/commercial/ public facilities uses. Jianyang Panva Gas Co., Ltd. may have title problem on the said granted land if applications regarding change of titles are not being proceeded.

(iii) Jianyang Panva Gas Co., Ltd. advises that they have obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificates (which are registered in the previous name of Jianyang Panva Gas Co., Ltd. before its restructuring from whom Jiangyang Panva Gas Co., Ltd. acquired property interests), with a total gross floor area of 5,834.64 sq.m. for special property/gas transmission station/warehouse/public facility/commercial/residential/production workshop/office/others uses. Jianyang Panva Gas Co., Ltd. may have title problems on the said building ownership if applications regarding change of title are not being proceeded.

(iv) Jianyang Panva Gas Co., Ltd. should apply for the change of title to its name and no legal obstacle is expected.

(v) The current use of the land and buildings comply with the approved use.

(vi) According to a Mortgage Agreement, land of Certificate for Use of State-owned Land Nos. (2001) 02949, (2001) 06383, (2004) 06384, (2004) 01327 and (2004) 01328 and Building Ownership Certificates Nos. 0007623, 0007622, 0007272, 0007274, 0007624 and 0027504 are subject to a mortgage. Other portions of the property are free from mortgage and other party's interest.

(vii) According to Business Licence No.5139021800208, Jianyang Panva Gas Co., Ltd. has been legally established as a PRC limited liability company with a registered capital of RMB1,790,000.

(7) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land (in previous name of Jianyang Panva Gas Co., Ltd. or in names of other parties from whom Jiangyang Panva Gas Co., Ltd. acquired property interests)	Yes, Partly (Granted/Allocated Land)
Building Ownership Certificate (in previous name of Jianyang Panva Gas Co., Ltd. or in names of other parties from whom Jiangyang Panva Gas Co., Ltd. acquired property interests)	Yes, Partly
Business Licence	Yes
Joint Venture Contract	N/A

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
5.	Property interests held by Yuechi Panva Gas Co., Ltd.	The property comprises 12 plots of land and 8 buildings completed in 2005. The land portion of the property comprises a total site area of 14,121.45 sq.m. (152,003 sq.ft.), while the building portion of the property comprises a total gross floor area of 4,305.53 sq.m. (46,345 sq.ft.). The land use rights of the property has been granted to Yuechi Panva Gas Co., Ltd. for various terms with latest expiry date of December 29, 2054 for commercial, warehouse, mining, industrial, and other industrial uses.	The property is occupied by the Group as LPG supply station and ancillary office, retail, warehouse, staff quarter and duty room uses.	RMB4,710,000 (90% interest attributable to the Group RMB4,239,000)

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Yuechi Panva Gas Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
5a-1.	(2005) 0058	Shangnan Street, Jiulong Town, Yuechi County, Guangan, Sichuan Province	Granted	25.81	—	Commercial	Due to expire on 29/12/2044
	33306	Shangnan Street, Jiulong Town, Yuechi County, Guangan, Sichuan Province	—	—	206.45	Commercial	—

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
5b-1.	(2005) 0063	No.193 Jiulong Avenue, Jiulong Town, Yuechi County, Guangan, Sichuan Province	Granted	18.66	—	Commercial service	Due to expire on 10/12/2042
	33303	Level 1, East Section of Jianshe Road, Jiulong Town, Yuechi County, Guangan, Sichuan Province	—	—	93.32	Commercial	—
5c-1.	(2005) 0059	Level 1, No.33 East Section of Jianshe Road, Jiulong Town, Yuechi County, Guangan, Sichuan Province	Granted	71.18	—	Commercial service	Due to expire on 29/12/2044
	(2005) 0057	Level 2-6, No.33 East Section of Jianshe Road, Jiulong Town, Yuechi County, Guangan, Sichuan Province	Granted	149.58	—	Other commercial service	Due to expire on 29/12/2044
	33304	Level 1, No.33 East Section of Jianshe Road, Jiulong Town, Yuechi County, Guangan, Sichuan Province	—	—	1,324.51	Commercial/ Office	—
5c-2.	(2005) 0064	The Backyard Garage, No.33 East Section of Jianshe Road, Jiulong Town, Yuechi County, Guangan, Sichuan Province	Granted	27.10	—	Warehouse	Due to expire on 23/06/2047
	33305	East Section of Jianshe Road, Jiulong Town, Yuechi County, Guangan, Sichuan Province	—	—	184.67	Warehouse	—

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
5c-3.	(2005) 0055	The Open Space in Yard, No.33 East Section of Jianshe Road, Jiulong Town, Yuechi County, Guangan, Sichuan Province	Granted	2,732.60	—	Other commercial service	Due to expire on 29/12/2044
5c-4.	(2005) 0061	The Open Space in Backyard, No.36 East Section of Jianshe Road, Jiulong Town, Yuechi County, Guangan, Sichuan Province	Granted	1,400.00	—	Other commercial service	Due to expire on 19/4/2048
5d-1.	(2005) 0056	Group 2, Village 4, Baimiao Town, Yuechi County, Guangan, Sichuan Province	Granted	721.80	—	Mining	Due to expire on 29/12/2044
5e-1.	(2005) 0060	Shipu Avenue, Shiya Town, Yuechi County, Guangan, Sichuan Province	Granted	1,480.00	—	Industrial	Due to expire on 19/4/2048
5f-1.	(2005) 0062	Yincheng Avenue, Jiulong Town, Yuechi County, Guangan, Sichuan Province	Granted	3,779.40	—	Commercial	Due to expire on 12/01/2043
5g-1.	(2005) 0101	Group 2, Yuhuanggou Village, Baimiao Town, Yuechi County, Guangan, Sichuan Province	Granted	2,604.00	—	Industrial	Due to expire on 29/12/2054
5h-1.	(2005) 0102	Yincheng South Road, Jiulong Town, Yuechi County, Guangan, Sichuan Province	Granted	1,111.32	—	Other industrial	Due to expire on 29/12/2054
	Total			**14,121.45**	**1,808.95**		

(2) According to 12 Certificates for Use of State-owned Land in Note (1), the land use rights of the property, comprising a total site area of 14,121.45 sq.m., has been granted to Yuechi Panva Gas Co., Ltd.

(3) According to 4 Building Ownership Certificates in Note (1), the building ownership of a portion of the property, comprising a total gross floor area of 1,808.95 sq.m., is vested in Yuechi Panva Gas Co., Ltd.

As advised by the Group, the costs of acquisition of the property in 2004 was about RMB3,980,000.

(4) As advised by the Group, Yuechi Panva Gas Co., Ltd. also owns 4 buildings erected on land 5d-1, 5e-1, 5f-1 and 5g-1 in Note(1) with a total gross floor area of 2,496.58 sq.m.. However, there is no title document available at the time of our valuation with regard to these buildings. We have attributed no commercial value to these buildings. For indicative purpose, the total capital value of such buildings in existing state as at the date of valuation was RMB650,000 assuming all relevant title certificates have been obtained.

(5) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Yuechi Panva Gas Co., Ltd. has obtained the land use rights of the property for various terms with the latest expiry date of December 29, 2054 by virtue of obtaining the Certificate for Use of State-owned Land with a total site area of 14,121.45 sq.m. for commercial/warehourse/mining/industrial/other industrial uses. Yuechi Panva Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land. The land premium has been fully settled.

(ii) Yuechi Panva Gas Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a total gross floor area of 1,808.95 sq.m. for commercial/warehouse/office uses. Yuechi Panva Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the buildings.

(iii) According to a Mortgage Agreement, portion of the property (Nos. 5a-1, 5b-1, 5c-1 and 5c-2 in the table of Note(1)), comprising a total site area of 292.33 sq.m. and a total gross floor area of 1,808.95 sq.m., is subject to a mortgage of RMB2,400,000 in favour of China Agricultural Bank Yuechi County Branch for a term from April 20, 2005 to April 15, 2006.

(iv) The current use of the property complies with the approved use.

(v) According to Business Licence No. 002432, Yuechi Panva Gas Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB8,000,000 and an operation period from August 3, 2004 to August 2, 2034.

(vi) According to the Equity Joint Venture Contract

Joint Venture Company: Yuechi Panva Gas Co., Ltd.

Party A: Sichuan Yuechi Yin Investment (Holding) Company (四川省岳池縣銀投資(控股)公司)
Party B: Panriver Investments Company Limited

Profit Sharing: Party A: 10%
Party B: 90%

(6) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
6.	Property interests held by Dayi Panva Gas Co., Ltd.	The property comprises 2 plots of land and 2 buildings completed in 2004. The land portion of the property comprises a total site area of 3,551.40 sq.m. (38,227 sq.ft.), while the building portion of the property comprises a total gross floor area of 2,054.14 sq.m. (22,111 sq.ft.). The land use rights of the property has been granted to Dayi Panva Gas Co., Ltd. for various term due to expire on May 19, 2017 and January 17, 2055 for office, garage and industrial uses.	The property is occupied by the Group as office/ retail/staff quarter/duty room uses.	RMB1,410,000

Notes:

(1) The Certificate for Use of State-owned Land and Building Ownership Certificate for the property interests held by Dayi Panva Gas Co., Ltd. are summarised as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Floor Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
6a-1	(2004) 38109	No. 39 Changchun East Road, Jinyuan Town, Dayi County, Chengdu, Sichuan Province	Granted	1,619.60	—	Office, Garage	Due to expire on 19/05/2017
	0025137	Fumin Road, Jinyuan Town, Dayi County, Chengdu, Sichuan Province	—	—	1,256.14	Office	—

	Cert. No.	Location	Nature of Land Use Rights	Site Floor Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
6b-1	(2005) 38617	Community 7, Guandu Village, Jinyuan Town, Dayi County, Chengdu, Sichuan Province	Granted	1,931.80	—	Industrial	Due to expire on 17/01/2055
Total				**3,551.40**	**1,256.14**		

(2) According to 2 Certificates for Use of State-owned Land in Note (1), the land use rights of the property, comprising a total site area of 3,551.40 sq.m., has been granted to Dayi Panva Gas Co., Ltd.

(3) According to Building Ownership Certificate in Note (1), the building ownership of a portion of the property, comprising a total gross floor area of 1,256.14 sq.m., is vested in Dayi Panva Gas Co., Ltd.

As advised by the Group, the costs of acquisition of the property in 2004 was about RMB2,290,000.

(4) As advised by the Group, Dayi Panva Gas Co., Ltd. also owns a building with a gross floor area of 798 sq.m. erected on land 6b-1 in Note (1) for staff quarter use. However, there is no title document available at the time of our valuation with regard to this building. We have attributed no commercial value to this building. For indicative purpose, the capital value of such building in existing state as at the date of valuation was RMB280,000 assuming relevant title certificate has been obtained.

(5) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Dayi Panva Gas Co., Ltd. has obtained the land use rights of 2 plots of land of the property for respective term by virtue of obtaining the Certificate for Use of State-owned Land with a total site area of 3,551.40 sq.m. for office/garage/industrial uses. Dayi Panva Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land. The transfer price has been fully settled.

(ii) Dayi Panva Gas Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a gross floor area of 1,256.14 sq.m. for office use. Dayi Panva Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the building.

(iii) The current use of the property complies with the approved use. The property is free from mortgage and other party's interest.

(iv) According to Business Licence No.003405, Dayi Panva Gas Co., Ltd. has been legally established as a wholly foreign-owned enterprise with a registered capital of RMB3,300,000 and an operation period from to June 8, 2004 to June 7, 2034.

(6) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)
Business Licence	Yes
Joint Venture Contract	N/A

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
7.	Property interests held by Zhongjiang Panva Gas Co., Ltd.	The property comprises 8 plots of land and 10 buildings completed between 1999 to 2003. The land portion of the property comprises a total site area of 8,969.94 sq.m. (96,552 sq.ft.) while the building portion of the property comprises a total gross floor area of 6,408.12 sq.m. (68,977 sq.ft.). The land use rights of the property has been granted to Zhongjiang Panva Gas Co., Ltd. for various term with the latest expiry in 2055 for industrial use.	The property is occupied by the Group as LPG supply station and ancillary office, staff quarter, retail shop and warehouse uses.	RMB4,440,000

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Zhongjiang Panva Gas Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
7a-1.	(2005) 017	Community 10 and 18, Feiniao Village, Cangshan Town, Zhongjiang County, Deyang, Sichuan Province	Granted	2,417.08	—	Industrial	Due to expire in 2053
	01811	Community 10 and 18, Feiniao Village, Cangshan Town, Zhongjiang County, Deyang, Sichuan Province	—	—	238.92	—	—

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
7b-1.	(2005) 019	Block 105, Haomiao Small Zone, Kaijiang Town, Zhongjiang County, Deyang, Sichuan Province	Granted	268.31	—	Industrial	Due to expire in 2055
	01340-1	Block 107, Haomiao Small Zone, Kaijiang Town, Zhongjiang County, Sichuan Province	—	—	628.40	—	—
	01338-1	Block 108, Haomiao Small Zone, Kaijiang Town, Zhongjiang County, Sichuan Province	—	—	1,149.19	—	—
7c-1.	(2005) 021	Block 106, Haomiao Small Zone, Kaijiang Town, Zhongjiang County, Deyang, Sichuan Province	Granted	294.32	—	Industrial	Due to expire in 2055
	01340-1	Block 109, Haomiao Small Zone, Kaijiang Town, Zhongjiang County, Deyang, Sichuan Province	—	—	1,776.34	—	—
7d-1.	(2005) 015	Haomiao Avenue, Kaijiang Town, Zhongjiang County, Deyang, Sichuan Province	Granted	373.52	—	Industrial	Due to expire in 2048
	01808	Haomiao Avenue, Kaijiang Town, Zhongjiang County, Deyang, Sichuan Province	—	—	114.32	—	—

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
7e-1.	(2005) 016	Community 2, Dunzigou Village, Nanhua Town, Zhongjiang County, Deyang, Sichuan Province	Granted	1,645.15	—	Industrial	Due to expire in 2048
	01807	Community 2, Dunzigou Village, Nanhua Town, Zhongjiang County, Deyang, Sichuan Province	—	—	145.90	—	—
7f-1.	(2005) 020	Tanjia Street, Nanhua Town, Zhongjiang County, Deyang, Sichuan Province	Granted	1,358.86	—	Industrial	Due to expire in 2055
	01810	Tanjia Street, Nanhua Town, Zhongjiang County, Deyang, Sichuan Province	—	—	739.77	Residential, Warehouse, Guard room	—
7g-1.	(2005) 018	Block 52, Haomiao Small Zone, Kaijiang Town, Zhongjiang Country, Deyang, Sichuan Province	Granted	1,497.69	—	Industrial	Due to expire in 2055
	(2005) 014	No.56 Hehua South Street, Kaijiang Town, Zhongjiang County, Deyang, Sichuan Province	Granted	1,115.01	—	Industrial	Due to expire in 2048

Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
01794	No.56 Hehua South Street, Kaijiang Town, Zhongjiang County, Deyang, Sichuan Province	—	—	1,147.39	—	—
01814	No. 120 Hehua South Street, Kaijiang Town, Zhongjiang County, Deyang, Sichuan Province	—	—	43.12	Duty room	—
01809	No. 120 Hehua South Street, Kaijiang Town, Zhongjiang County, Deyang, Sichuan Province	—	—	424.77	Warehouse	—
Total			**8,969.94**	**6,408.12**		

(2) According to 8 Certificates for Use of State-owned Land in Note (1), the land use rights of the property, comprising a total site area of 8,969.94 sq.m., has been granted Zhongjiang Panva Gas Co., Ltd.

(3) According to 10 Building Ownership Certificates in Note (1), the building ownership of the property, comprising a total gross floor area of 6,408.12 sq.m., is vested in Zhongjiang Panva Gas Co., Ltd.

As advised by the Group, the cost of acquisition of the property in 2005 was about RMB5,140,000.

(4) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Zhongjiang Panva Gas Co., Ltd. advises that they have obtained the granted land use rights of 8 plots of land of the property for various term, by virtue of obtaining the Certificates for Use of State-owned Land, with a total site area of 8,969.94 sq.m. for industrial use. Zhongjiang Panva Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land. The land premium has been fully settled.

(ii) Zhongjiang Panva Gas Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a total gross floor area of 6,408.12 sq.m. Zhongjiang Panva Gas Co., Ltd. is entitled to occupy, use transfer, mortgage and lease the building.

(iii) The current use of the property complies with the approved use.

(iv) According to Business Licence No.000340, Zhongjiang Panva Gas Co., Ltd. has been legally established as a wholly foreign-owned enterprise with a registered capital of RMB8,000,000.

(5) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes
Joint Venture Contract	N/A

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
8.	Property interests held by Cangxi Panva Gas Co., Ltd.	The property comprises 7 plots of land and 12 buildings completed between 2004 and 2005. The land portion of the property comprises a total site area of 13,251.33 sq.m. (142,637 sq.ft.), while the building portion of the property comprises a total gross floor area of 3,203.72 sq.m. (34,485 sq.ft.). The land use rights of the property has been granted to Cangxi Panva Gas Co., Ltd. with various terms due to expire on December 26, 2023 and December 29, 2054 for industrial and commercial uses.	The property is occupied by the Group as LPG supply station and ancillary office, retail, staff quarters, duty room uses.	RMB4,450,000

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Cangxi Panva Gas Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
8a-1.	(2005) 0301	No. 124, West Section of Hongjun Road, Lingjiang Town, Cangxi County, Guangyuan City, Sichuan Province	Granted	102.14	—	Commercial	Due to expire on 26/12/2023
	17202	No. 124, West Section of Hongjun Road, Lingjiang Town, Cangxi County, Guangyuan City, Sichuan Province	—	—	505.94	Commercial	—

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
8a-2.	(2005) 0305	Group 1, Guangming Village, Lingjiang Town, Cangxi County, Guangyuan City, Sichuan Province	Granted	6,944.93	—	Industrial	Due to expire on 29/12/2054
	17199	No. 124, Hongjun Road, Lingjiang Town, Cangxi County, Guangyuan City, Sichuan Province	—	—	74.00 (2 Blocks)	Production workshop	—
	17201	No. 124, Hongjun Road, Lingjiang Town, Cangxi County, Guangyuan City, Sichuan Province	—	—	1,398.59 (5 Blocks)	Production workshop	—
8b-1.	(2005) 0303	Group 9, Maling Village, Lingjiang Town, Cangxi County, Guangyuan City, Sichuan Province	Granted	1,675.00	—	Industrial	Due to expire on 29/12/2054
8c-1.	(2005) 0304	Group 4, Guangming Village, Lingjiang Town, Cangxi County, Guangyuan City, Sichuan Province	Granted	173.59	—	Industrial	Due to expire on 29/12/2054
	17200	Beimengou Road, Lingjiang Town, Cangxi County, Guangyuan City, Sichuan Province	—	—	371.00	Production workshop	—
8d-1.	(2005) 0306	Group 1, Maling Village, Lingjiang Town, Cangxi County, Guangyuan City, Sichuan Province	Granted	863.94	—	Industrial	Due to expire on 29/12/2054
8e-1.	(2005) 0302	Leyuan Street, Wulong Town, Cangxi County, Guangyuan City, Sichuan Province	Granted	1,194.20	—	Industrial	Due to expire on 29/12/2054

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
	17198	Leyuan Street, Wulong Town, Cangxi County, Guangyuan City, Sichuan Province	—	—	563.69	Office	—
8f-1.	(2005) 0307	Group 4, Guangming Village, Lingjiang Town, Cangxi County, Guangyuan City, Sichuan Province	Granted	2,297.53	—	Industrial	Due to expire on 29/12/2054
	Total			**13,251.33**	**2,913.22**		

(2) According to a 7 Certificates for Use of State-owned Land in Note (1), the land use rights of the property, comprising a total site area of 13,251.33 sq.m., has been granted to Cangxi Panva Gas Co., Ltd.

(3) According to 5 Building Ownership Certificates in Note (1), the building ownership of a portion of the property, comprising a total gross floor area of 2,913.22 sq.m., is vested to in Cangxi Panva Gas Co., Ltd.

As advised by the Group, the cost of acquisition of the property in 2004 was about RMB4,420,000.

(4) As advised by the Group, Cangxi Panva Gas Co., Ltd. also owns 2 ancillary buildings erected on land 8d-1 and 8f-1 in Note (1) with a total gross floor area of 290.5 sq.m. However, there is no title document available at the time of our valuation with regard to these buildings. We have attributed no commercial value to these buildings. For indicative purpose, the total capital value of such buildings in existing state as at the date of valuation was RMB112,000 assuming all relevant title certificates have been obtained.

(5) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Cangxi Panva Gas Co., Ltd. has obtained the granted land use rights of the land of the property for various term due to expire on December 26, 2023 and December 29, 2054 by virtue of obtaining the Certificate for Use of State-owned Land with a total site area of 13,251.33 sq.m. for industrial/commercial uses. Cangxi Panva Gas Co., Ltd. is entitled to occupy, use and transfer the land.

(ii) Cangxi Panva Gas Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a gross floor area of 2,913.22 sq.m. for commercial, production workshop and office uses. Cangxi Panva Gas Co., Ltd. is entitled to occupy, use and transfer the building.

(iii) The land premium has been fully settled. The current use of the property complies with the approved use.

(iv) Certificate for Use of State-owned Land No. (2005) 0301 and Building Ownership Certificate No. 17202 are subject to a mortgage of RMB800,000 for a term from January 14, 2004 to January 14, 2005. Certificate for Use of State-owned Land Nos. (2005) 0305 and 0301 and Building Ownership Certificate Nos. 17199, 17201 and 17202 are subject to a mortgage of RMB2,000,000 for a term due to expire on June 19, 2005. The other portions of the property is free from mortgage and other party's interest.

(v) According to Business Licence No. 002450, Cangxi Panva Gas Co., Ltd. has been legally established as a PRC limited liability company with a registered capital of RMB8,000,000 and an operation period from October 27, 2004 to October 26, 2034.

(6) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)
Business Licence	Yes
Joint Venture Contract	N/A

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
9.	Property interests held by Lezhi Panva Gas Co., Ltd.	The property comprises 8 plots of land and 11 buildings completed in 2004. The land portion of the property comprises a site area of 11,685.10 sq.m. (125,778 sq.ft.), while the building portion of the property comprises a total gross floor area of 1,452.20 sq.m. (15,631 sq.ft.). The land use rights of the property has been granted to Lezhi Panva Gas Co., Ltd. with various terms with the latest expiry date of March 27, 2050 for commercial, residential, industrial, office, separate ore mining, public facility uses.	The property is occupied by the Group as retail shop/office/ warehouse/ staff quarter uses.	RMB2,160,000

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Lezhi Panva Gas Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
9a-1.	(2004) 0122	Nongjing Road, Tianchi Town, Lezhi County, Ziyang, Sichuan Province	Granted	2,503.98	—	Commercial service/ Office	Due to expire on 15/09/2023
	200401364	No.78 Nongjing Road, Tianchi Town, Lezhi County, Ziyang, Sichuan Province	—	—	374.90	Office	—
	200311463	No.78 Nongjing Road, Tianchi Town, Lezhi County, Ziyang, Sichuan Province	—	—	247.00	Commercial service	—

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
	200401365	No.78 Nongjing Road, Tianchi Town, Lezhi County, Ziyang, Sichuan Province	—	—	19.59 (2 units)	Commercial service/ Residential	—
	200401359	No.78 Nongjing Road, Tianchi Town, Lezhi County, Ziyang, Sichuan Province	—	—	406.24	Office	—
	200401361	No.78 Nongjing Road, Tianchi Town, Lezhi County, Ziyang, Sichuan Province	—	—	16.89	Unit residential (非成套住宅)	—
9b-1.	(2004) 0123	Changqu No. 3 Road, Tianchi Town, Lezhi County, Ziyang, Sichuan Province	Granted	7,680.07	—	Industrial	Due to expire on 15/09/2023
	200401591	No. 18 Daqing Road, Tianchi Town, Lezhi County, Ziyang, Sichuan Province	—	—	70.80	Residential	—
	200401357	Changqu No. 3 Road, Tianchi Town, Lezhi County, Ziyang, Sichuan Province	—	—	58.30	Production warehouse	—
	200401362	No. 18 Daqing Road, Tianchi Town, Lezhi County, Ziyang, Sichuan Province	—	—	74.10	Residential	—
9c-1.	(2004) 0121	Tongxing Street, Tongjia Town, Lezhi County, Ziyang, Sichuan Province	Granted	29.06	—	Commercial service, Residential	Due to expire on 27/03/2050
	200401360	Tongxing Street, Tongjia Town, Lezhi County, Ziyang, Sichuan Province	—	—	80.20	Residential	—

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
	200401363	Tongxing Street, Tongjia Town, Lezhi County, Ziyang, Sichuan Province	—	—	28.92	Commercial service	—
9d-1.	(2004) 1854	Community 10, Liaojiagou Village, Shifo Town, Lezhi County, Ziyang, Sichuan Province	Granted	860.48	—	Public facility	Due to expire on 15/09/2023
	200401358	Taiyang Street, Shifo Town, Lezhi County, Ziyang, Sichuan Province	—	—	75.26	Commercial service	—
9e-1.	(2004) 0023	Community 2, Woniusi Village, Baoshi Town, Lezhi County, Ziyang, Sichuan Province	Granted	257.24	—	Separate ore mining	Due to expire on 09/05/2024
9f-1.	(2004) 0024	Community 2, Woniusi Village, Baoshi Town, Lezhi County, Ziyang, Sichuan Province	Granted	112.32	—	Separate ore mining	Due to expire on 09/05/2024
9g-1.	(2004) 0124	Community No. 4, 5, 9, Sanli No. 9 Village, Tianchi Town, Lezhi County, Ziyang, Sichuan Province	Granted	121.20	—	Industrial	Due to expire on 15/09/2023
9h-1.	(2004) 6540	Community 3, Shangfeng Village, Xining Town, Suining, Sichuan Province	Granted	120.75	—	Industrial	Due to expire on 08/05/2024
	Total			**11,685.10**	**1,452.20**		

(2) According to 8 Certificates for Use of State-owned Land in Note (1), the land use rights of the property, comprising a total site area of 11,685.10 sq.m., has been granted to Lezhi Panva Gas Co., Ltd.

(3) According to 11 Building Ownership Certificates in Note (1), the building ownership of the property, comprising a total gross floor area of 1,452.20 sq.m., is vested in Lezhi Panva Gas Co., Ltd.

As advised by the Group, the cost of acquisition of the property in 2003 was about 1,850,000.

(4) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Lezhi Panva Gas Co., Ltd. has obtained the granted land use rights of 8 plots of land of the property for respective term due to expire on September 15, 2023, May 8, 2024, May 9, 2024 and March 27, 2050 by virtue of obtaining the Certificates for Use of State-owned Land with a total site area of 11,685.10 sq.m. for commercial/residential/separate ore mining/public facilities/industrial uses. Lezhi Panva Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land.

(ii) Lezhi Panva Gas Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a gross floor area of 1,452.20 sq.m. for commercial/residential/public facility/office/service/unit residential (非成套住宅) uses. Lezhi Panva Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the buildings.

(iii) The land premium is made responsible by the People's Government of Lezhi County. The current use of the property complies with the approved use except No. 9d. However, this does not affect the Company's property right.

(iv) Property No. 9a-1 in Note (i) is subject to a mortgage of RMB2,000,000 in favour of China Industrial and Commercial Bank Lezhi County Branch for a term from June 28, 2004 to June 27, 2005. Other portions of the property are free from mortgage and other party's interest.

(v) According to Business Licence No.5139018000584, Lezhi Panva Gas Co., Ltd. has been legally established as a wholly foreign-owned enterprise with a registered capital of RMB6,960,000.

(5) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes
Joint Venture Contract	N/A

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
10.	Property interests held by Ziyang Panva Gas Co., Ltd.	The property comprises 50 plots of land, and various buildings completed in 1980s to 1990s. The land portion of the property comprises a total site area of 50,229.79 sq.m. (540,673 sq.ft.) while the building portion of the property comprises a total gross floor area of approximately 14,589.54 sq.m. (157,042 sq.ft.) Portion of the land use rights has been granted to Ziyang Panva Gas Co., Ltd for a term due to expire on February 1, 2026 for warehouse use. Portion of the land use rights has been allocated to Ziyang Panva Gas Co., Ltd for unspecified terms for residential use. Portion of the land use rights has been granted or allocated to various PRC parties for unspecified term. Portion of the land use rights has been leased to Ziyang Panva Gas Co., Ltd.	The property is occupied by the Group as office/ retail shop/ warehouse/ residential/ staff quarter uses.	RMB190,000 (90% interest attributable to the Group RMB171,000)

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Ziyang Panva Gas Co., Ltd. (portion of the certificates are in names of other PRC parties from whom Ziyang Panva Gas Co., Ltd. acquired property interest) are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
10a-1.	(2004) AA212252	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	2,950.01	—	Commercial/ Industrial	—	Ziyang Panva Gas Co., Ltd

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
	00378	No.105 Jianshe East Road, Chengguan Town, Ziyang	—	—	277.80	—	—	Ziyang County Meijian Company (資陽縣煤建公司)
	03502	No.105 Jianshe East Road, Chengguan Town, Ziyang	—	—	894.10	—	—	Ziyang County Meijian Company (資陽縣煤建公司)
	00377	No.105 Jianshe East Road, Chengguan Town, Ziyang	—	—	9.50	—	—	Ziyang County Meijian Company (資陽縣煤建公司)
10a-2.	(2004) AB500752	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	17.02	—	Residential	—	Ziyang Panva Gas Co., Ltd
	2003-017790	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	55.50	Residential	—	Ziyang Panva Gas Co., Ltd
10a-3.	(2004) BB220784	Zhizhong Small Zone, Laocheng East District, Ziyang	Granted	65.85	—	Warehouse	Due to expire on 01/02/2026	Ziyang Panva Gas Co., Ltd
	2004-025460	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	495.98	Warehouse	—	Ziyang Panva Gas Co., Ltd
10a-4.	(2004) AB500749	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	14.63	—	Residential	—	Ziyang Panva Gas Co., Ltd
	2003-017783	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	47.70	Residential	—	Ziyang Panva Gas Co., Ltd
10a-5.	(2004) AB500748	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	48.78	—	Office	—	Ziyang Panva Gas Co., Ltd
	(98) 08820	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	159.06	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
10a-6.	(2004) AB500745	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	51.00	—	Residential	—	Ziyang Panva Gas Co., Ltd
	(98) 08823	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	166.32	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10a-7.	(2004) AB500747	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	51.00	—	Residential	—	Ziyang Panva Gas Co., Ltd
	(98) 08821	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	166.32	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10a-8.	(2004) AB500746	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	51.00	—	Residential	—	Ziyang Panva Gas Co., Ltd
	(98) 08822	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	166.32	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10a-9.	(2004) AB500751	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	16.65	—	Residential	—	Ziyang Panva Gas Co., Ltd
	(98) 08824	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	47.70	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10a-10.	(2004) AB500753	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	17.02	—	Residential	—	Ziyang Panva Gas Co., Ltd
	(98) 08825	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	54.30	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10a-11.	(2004) AB500750	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	14.63	—	Residential	—	Ziyang Panva Gas Co., Ltd

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
	(98) 08826	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	55.50	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10a-12.	(2004) AB500755	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	14.68	—	Residential	—	Ziyang Panva Gas Co., Ltd
	(98) 08833	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	69.93	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10a-13.	(2004) AB500834	Zhizhong Small Zone, Laocheng East District, Ziyang	Allocated	14.93	—	Residential	—	Ziyang Panva Gas Co., Ltd
	(98) 08832	No. 105 Jianshe East Road, Yanjiang District, Ziyang	—	—	44.74	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10b-1.	(1990) 4545	No.61 Meiba Road, Chengguan Town, Ziyang	Allocated	2,887.70	—	Commercial	—	Ziyang County Meijian Company (資陽縣煤建公司)
	2003-017785	Unit 1, Block 11, No. 61 Meiba Road, Ziyang	—	—	50.82	Residential	—	Ziyang Panva Gas Co., Ltd
	2003-017791	Unit 43, Block 11, No. 61 Meiba Road, Ziyang	—	—	38.24	Residential	—	Ziyang Panva Gas Co., Ltd
	2003-017789	Unit 2, Block 11, No. 61 Meiba Road, Ziyang	—	—	47.24	Residential	—	Ziyang Panva Gas Co., Ltd
	2003-017788	Unit 7, Block 11, No. 61 Meiba Road, Ziyang	—	—	57.43	Residential	—	Ziyang Panva Gas Co., Ltd
	00383	No. 61 Meiba Road, Ziyang	—	—	660.80	—	—	Ziyang County Meijian Company (資陽縣煤建公司)
	00382	No. 61 Meiba Road, Ziyang	—	—	326.30	—	—	Ziyang County Meijian Company (資陽縣煤建公司)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
	00381	No. 61 Meiba Road, Ziyang	—	—	128.40	—	—	Ziyang County Meijian Company (資陽縣煤建公司)
	03503	No. 61 Meiba Road, Yanjiang Town, Ziyang	—	—	296.00	—	—	Ziyang County Meijian Company (資陽縣煤建公司)
	(98) 08831	No. 61 Meiba Road, Yanjiang Town, Ziyang	—	—	15.29	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
	(98) 08830	No. 61 Meiba Road, Yanjiang Town, Ziyang	—	—	15.29	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
	(98) 08827	No. 61 Meiba Road, Yanjiang Town, Ziyang	—	—	328.50	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
	(98) 08828	No. 61 Meiba Road, Yanjiang Town, Ziyang	—	—	251.45	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
	(98) 08829	No. 61 Meiba Road, Yanjiang Town, Ziyang	—	—	15.29	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10c-1.	(2004) AB500729	Guanzhan Small Zone, Laochengzhong District, Ziyang	Allocated	101.08	—	Office	—	Ziyang Panva Gas Co., Ltd
	(98) 08834	No.120 Chengbeixiang, Yanjiang Town, Ziyang	—	—	201.30	—		Ziyang City Gas General Company (資陽市燃氣總公司)
10c-2.	(2004) AB500730	Guanzhan Small Zone, Laochengzhong District, Ziyang	Allocated	37.86	—	Residential	—	Ziyang Panva Gas Co., Ltd
	(98) 08835	No.120 Chengbeixiang, Yanjiang Town, Ziyang	—	—	75.40	—		Ziyang City Gas General Company (資陽市燃氣總公司)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
10c-3.	(2004) AB500731	Guanzhan Small Zone, Laochengzhong District, Ziyang	Allocated	18.93	—	Residential	—	Ziyang Panva Gas Co., Ltd
	(98) 08836	No.120 Chengbeixiang, Yanjiang Town, Ziyang	—	—	37.70	—		Ziyang City Gas General Company (資陽市燃氣總公司)
10c-4.	(2004) AA112255	Guanzhan Small Zone, Laochengzhong District, Ziyang	Allocated	2,092.76	—	Commercial	—	Ziyang Panva Gas Co., Ltd
10d-1.	(2000) ABABB 00380	No.15 Heping South Road, Yanjiang District, Ziyang	Granted	12.65	—	Retail	Due to expire on 26/09/2020	Ziyang City Gas General Company (資陽市燃氣總公司)
	2000-11638	No.15 Heping South Road, Yanjiang District, Ziyang	—	—	56.68	Commercial	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10e-1.	(2001) BB111588	Songtao Road Small Zone, Yancheng Road, Yanjiang District, Ziyang	Granted	58.10	—	Commercial	Due to expire on 13/8/2026	Ziyang City Gas General Company (資陽市燃氣總公司)
	2001-002348	Section 2, Yancheng Road, Yanjiang District, Ziyang	—	—	280.81	Commercial	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10f-1.	(2000) ABABB 03012	Government East Road, Yanjiang Town, Ziyang	Granted	28.34	—	Commercial	Due to expire in 10/2029	Ziyang City Gas General Company (資陽市燃氣總公司)
	2000-11304	Government East Road, Yanjiang Town, Ziyang	—	—	175.93	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10g-1.	(2000) AAABB 04174	No. 7-11, Xiaxi Street, Yanjiang Town, Ziyang	Allocated	25.10	—	Commercial	—	Ziyang City Gas General Company (資陽市燃氣總公司)
	1999-10612	No.11 Government Street, Yanjiang Town, Ziyang	—	—	61.90	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
10h-1.	(2000) AAABB 04173	No. 7-11, Xiaxi Street, Yanjiang Town, Ziyang	Allocated	9.10	—	Commercial	—	Ziyang City Gas General Company (資陽市燃氣總公司)
	1999-10611	No. 9 Government Street, Yanjiang Town, Ziyang	—	—	22.29	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10i-1.	(2001) AAABB 02296	No. 22 Dabei Street, Yanjiang Town, Ziyang	Allocated	5.80	—	Commercial	—	Ziyang City Gas General Company (資陽市燃氣總公司)
	2001-12078	Block 22, Dabei Street, Yanjiang Town, Ziyang	—	—	39.75		—	Ziyang City Gas General Company (資陽市燃氣總公司)
10i-2.	(2001) AAABB 02295	No. 22 Dabei Street, Yanjiang Town, Ziyang	Allocated	3.35	—	Commercial	—	Ziyang City Gas General Company (資陽市燃氣總公司)
	2001-12079	Block 22, Dabei Street, Yanjiang Town, Ziyang	—	—	23.02	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10j-1.	00385	No.90 Meiba Road, Ziyang	—	—	104.40	—	—	Ziyang County Meijian Company (資陽縣煤建公司)
	00386	No.90 Meiba Road, Ziyang	—	—	120.90	—	—	Ziyang County Meijian Company (資陽縣煤建公司)
10k-1.	(1998) HAAAB 04585	No.143 Danhui Road, Danshan Town, Ziyang	Allocated	3,212.20	—	Residential/ Commercial	—	Ziyang City Gas General Company Danshan Supply Station (資陽市燃氣總公司丹山供應站)
	04627	No.143 Danhui Road, Danshan Town, Ziyang	—	—	614.40	—	—	Ziyang County Meijian Company Danshan Supply Station (資陽縣煤建公司丹山區供應站)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
	04628	No.143 Danhui Road, Danshan Town, Ziyang	—	—	211.30	—	—	Ziyang County Meijian Company Danshan Supply Station (資陽縣煤建公司丹山區供應站)
10l-1.	(1990) 0442	Xinchang Street, Ziyang	Allocated	1,190.00	—	Residential/ Commercial	—	Ziyang City Gas General Company Xinxiang Coal Station (資陽市燃氣總公司新鄉煤點)
	06415	Chang Town, Xinchangxiang, Ziyang	—	—	103.90	—	—	Ziyang County Fuel Construction Equipment Company Danshan Supply Station (資陽縣燃料建築器材公司丹山區供應站)
10m-1.	(1998) JAAAB 04089	Huilongchang, Danshan Town, Ziyang	Allocated	1,772.80	—	Residential/ Commercial	—	Ziyang City Gas General Company Danshan Supply Station (資陽市燃氣總公司丹山供應站)
	06340	Chang Town, Huilongxiang, Danshan Town, Ziyang	—	—	103.80	—	—	Ziyang County Danshan Fuel Supply Station (資陽縣丹山燃料供應站)
	06339	Chang Town, Huilongxiang, Danshan Town, Ziyang	—	—	18.90	—	—	Ziyang County Danshan Fuel Supply Station (資陽縣丹山燃料供應站)
10n-1.	(1998) JAAAB 04088	Lujia Street, Huilongxiang, Danshan Town, Ziyang	Allocated	1,120.00	—	Residential/ Commercial	—	Ziyang City Gas General Company Danshan Supply Station (資陽市燃氣總公司丹山供應站)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
	06341	Lujiachang Town, Huilongxiang, Ziyang	—	—	35.30	—	—	Ziyang County Danshan Fuel Supply Station (資陽縣丹山燃料供應站)
10o-1.	(1998) GAAAB 05065	Fangbi Road, Zhonghe Town, Ziyang	Allocated	2,205.00	—	Commercial	—	Ziyang City Gas General Company Zhonghe Supply Station (資陽市燃氣總公司中和供應站)
	(96) 07545	Fangbi Road, Zhonghe Town, Ziyang	—	—	668.40	—	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10p-1.	(1998) EAAAB 00081	No.96 Hebin Street, Baohe Town, Ziyang	Allocated	3,555.00	—	Residential/ Commercial	—	Ziyang County Gas Company Baohe Supply Station (資陽市燃氣總公司(保和供應站)
	06059	No.96 Hebin Street, Baohe Town, Ziyang	—	—	653.70	—	—	Sichuan Ziyang County Fuel Construction Equipment Company Baohe Supply Station (四川省資陽縣燃料建築器材公司保和供應站)
	04445	No.96 Hebin Street, Baohe Town, Ziyang	—	—	309.20	—	—	Sichuan Ziyang County Fuel Construction Equipment Company Baohe Supply Station (四川省資陽縣燃料建築器材公司保和供應站)
	04447	No.96 Hebin Street, Baohe Town, Ziyang	—	—	11.20	—	—	Sichuan Ziyang County Meijian Company Baohe Coal Station (四川省資陽縣煤建公司保和區供應站)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
	04446	No.96 Hebin Street, Baohe Town, Ziyang	—	—	9.40	—	—	Sichuan Ziyang County Meijian Company Baohe Coal Station (四川省資陽縣煤建公司保和區供應站)
10q-1.	(1999) FAAAB 00708	Community 7, Shuanghe Village, Laojun Town, Ziyang	Allocated	1,362.50	—	Warehouse	—	Ziyang City Gas General Company Baohe Supply Station Changle Coal Station (資陽市燃氣總公司保合供應站長樂煤點)
10r-1.	(1997) EAAAB 00178	Community 6, Wenxiu Village, Baohe Town, Ziyang	Allocated	1,755.00	—	Residential/ Commercial	—	Sichuan Ziyang Gas General Company Baohe Coal Station Zihui Coal Station 四川省資陽市燃氣總公司(保合煤站紫徽煤點)
10s-1.	(1999) KAAAB 02978	Longxiangchang Town, Xiaoyuan Town, Ziyang	Allocated	1,400.00	—	Commercial	—	Ziyang City Gas General Company Xiaoyuan Supply Station (資陽市燃氣總公司小院供應站)
	06708	Longxiangchang Town, Xiaoyuan Town, Ziyang	—	—	91.20	—	—	Ziyang City Gas General Company Xiaoyuan Supply Station (資陽市燃氣總公司小院供應站)
	1999-10684	Longxiangchang Town, Xiaoyuan Town, Ziyang	—	—	269.00	Residential/ Commercial	—	Ziyang City Gas General Company Xiaoyuan Supply Station (資陽市燃氣總公司小院供應站)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
10t-1.	(1998) KAAAB 01154	No.36 South Street, Xiaoyuan Town, Ziyang	Allocated	2,405.00	—	Residential/ Commercial	—	Ziyang City Gas General Company Xiaoyuan Supply Station (資陽市燃氣總公司小院供應站)
	04116	No.32 South Street, Xiaoyuan Town, Ziyang	—	—	170.20	—	—	Sichuan Ziyang County Meijian Company Xiaoyuan Supply Station (四川省資陽縣煤建公司小院供應站)
	04115	No.32 South Street, Xiaoyuan Town, Ziyang	—	—	90.80	—	—	Sichuan Ziyang County Meijian Company Xiaoyuan Supply Station (四川省資陽縣煤建公司小院供應站)
	04114	No.32 South Street, Xiaoyuan Town, Ziyang	—	—	971.50	—	—	Sichuan Ziyang County Meijian Company Xiaoyuan Supply Station (四川省資陽縣煤建公司小院供應站)
	08807	No.36 South Street, Xiaoyuan Town, Ziyang	—	—	334.67	—	—	Ziyang City Gas General Company Xiaoyuan Supply Station (資陽市燃氣總公司小院供應站)
10u-1.	(1997) LAAAB 500165	Chang Town, Kanjia Town, Ziyang	Allocated	752.16	—	Commercial/ Office	—	Ziyang City Gas General Company Kanjia Town Coal Station (資陽市燃氣總公司堪加鎮煤點)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
	06715	Chang Town, Kanjia Town, Ziyang	—	—	99.00	—	—	Ziyang City Gas General Company Xiaoyuan Supply Station (資陽市燃氣總公司小院供應站)
	(97) 08015	Chang Town, Kanjia Town, Ziyang	—	—	190.24	—	—	Ziyang City Gas General Company Xiaoyuan Supply Station (資陽市燃氣總公司小院供應站)
10v-1.	(1999) MAAAB 02244	Shoumin Street, Wuhuang Town, Ziyang	Allocated	4,188.90	—	Residential/ Commercial	—	Ziyang City Gas General Company (資陽市燃氣總公司)
	04202	No.2 Peifang Street, Wuhuang Town, Ziyang	—	—	978.10	—	—	Ziyang County Meijian Company Wuhuang Supply Station (資陽縣煤建公司伍隍區供應站)
10w-1.	(1998) OAABB 00665	Dongfengchang Town, Ziyang	Allocated	265.00	—	Residential/ Commercial	—	Ziyang City Gas General Company (資陽市燃氣總公司)
	1999-10811	Dongfengchang Town, Ziyang	—	—	379.11	Residential/ Commercial	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10w-2.	(1998) OAAB 00645	Dongfengchang Town, Ziyang	Allocated	653.00	—	Commercial	—	Ziyang City Gas General Company (資陽市燃氣總公司)
10x-1.	(1998) NAAAB 03505	Jindaichang Town, Ziyang	Allocated	1,788.00	—	Commercial	—	Sichuan Ziyang City Gas General Company (四川省資陽市燃氣總公司)
10y-1.	(1998) NAAAB 00853	Community 4, Peide Village, Shiling Town, Ziyang	Allocated	1,747.50	—	Residential/ Commercial	—	Sichuan Ziyang City Gas General Company (四川省資陽市燃氣總公司)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
10z-1.	(1990) 5108	No.81 Jinguang Road, Nanjin Town, Ziyang	Allocated	3,830.20	—	Residential/ Commercial	—	Ziyang County Meijian Company Nanjin Supply Station (資陽縣煤建公司南津供應站)
	04694	No.81 Jinguang Road, Nanjin Town, Ziyang	—	—	550.60	—	—	Sichuan Ziyang County Meijian Company Nanjin Supply Station (四川省資陽縣煤建公司南津區供應站)
	04693	No.81 Jinguang Road, Nanjin Town, Ziyang	—	—	224.70	—	—	Sichuan Ziyang County Meijian Company Nanjin Supply Station (四川省資陽縣煤建公司南津區供應站)
10aa-1.	05865	Jinxi Road, Nanjin Town, Ziyang	—	—	143.50	—	—	Sichuan Ziyang County Fuel Construction Equipment Company (四川省資陽縣燃料建築器材公司)
10ab-1.	(1989) 0687	Group 1, Village 3, Qingshuixiang, Ziyang	Allocated	992.50	—	Commercial/ Residential/ Office	—	Nanjin Coal Station — Qingshui Coal Station (南津煤站 - 清水煤點)
	07173	Community 1, Qingshuixiang Village, Qingshuixiang, Ziyang	—	—	65.10	—	—	Sichuan Ziyang City Gas General Company (四川省資陽市燃氣總公司)
10ac-1.	(1990) 4258	Community 8, Qingning Village, Liujiaxiang, Ziyang	Allocated	2,942.00	—	Commercial/ Residential	—	Ziyang County Meijian Company Nanpan Supply Station (資陽縣煤建公司南洋區供應站)
10ad-1.	(1990) 2805	No.51 Shunyu North Road, Fengyu Town, Ziyang	Allocated	1,750.00	—	Commercial/ Residential	—	Ziyang County Meijian Company (資陽縣煤建公司)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
	04578	No.51 Shunyu North Road, Fengyu Town, Ziyang	—	—	158.50	—	—	Sichuan Ziyang County Meijian Company Fengyu Supply Station (四川省資陽縣煤建公司豐裕區供應站)
	04577	No.51 Shunyu North Road, Fengyu Town, Ziyang	—	—	71.70	—	—	Sichuan Ziyang County Meijian Company Fengyu Supply Station (四川省資陽縣煤建公司豐裕區供應站)
	04579	No.51 Shunyu North Road, Fengyu Town, Ziyang	—	—	10.50	—	—	Sichuan Ziyang County Meijian Company Fengyu Supply Station (四川省資陽縣煤建公司豐裕區供應站)
10af-1.	03707	No.10 Baima Street, Xiangfu Town, Ziyang	—	—	329.10	—	—	Sichuan Ziyang County Meijian Company (四川省資陽縣煤建公司)
	03708	No.10 Baima Street, Xiangfu Town, Ziyang	—	—	11.70	—	—	Sichuan Ziyang County Meijian Company (四川省資陽縣煤建公司)
10ag-1.	(1989) 2174	Community 4, Yuanshan Village, Kunliuxiang, Ziyang	Allocated	1,251.90	—	Commercial/ Residential	—	Ziyang County Meijian Company (資陽縣煤建公司)
	Total			**48,746.63**	**14,020.82**			

(2) According to 17 Certificates for Use of State-owned Land in Note (1), including Nos. 10a-1 to 10a-13 and 10c-1 to 10c-4, portion of the land use rights of the properties, comprising a total site area of 5,577.83 sq.m., has been granted/allocated to Ziyang Panva Gas Co., Ltd. (資陽百江燃氣有限公司).

(3) According to 7 Building Ownership Certificates in Note (1), including Nos. 10a-2 to 10a-4 and 10b-1, portion of the building ownership of the properties, comprising a total gross floor area of 792.91 sq.m., is vested in Ziyang Panva Gas Co., Ltd (資陽百江燃氣有限公司).

(4) According to 29 Certificates for the Use of State-owned Land in Note (1), portion of the land use rights of the properties, comprising a total site area of 43,168.80 sq.m., has been granted/allocated to other PRC parties (which are the former names before the restructuring from an SOE to a limited liability company), including Ziyang County Meijian Company, Ziyang City Gas General Company, Sichuan Ziyang City Gas General Company, Sichuan Ziyang County Meijian Company and Nanjin Coal Station, for unspecified terms.

Remarks:

As advised by the Group, portion of the land use rights of the property has been granted/ allocated to other PRC parties. However, applications regarding changes of title of the certificate to Ziyang Panva Gas Co., Ltd have not yet been proceeded.

(5) A portion of land with a site area of 380 sq.m., which refers to 10j-1 in Note (1), is leased to Ziyang Panva Gas Co., Ltd (資陽百江燃氣有限公司).

(6) According to 63 Building Ownership Certificates in Note (1), portion of the building ownership of the property, comprising a total gross floor area of approximately 13,227.71 sq.m., is vested in other PRC parties including Ziyang County Meijian Company, Ziyang City Gas General Company, Ziyang County Fuel Construction Equipment Company, Sichuan Ziyang County Fuel Construction Equipment Company, Sichuan Ziyang County Meijian Company, Sichuan Ziyang City Gas General Company and Ziyang County Danshan Fuel Supply Station.

Remarks:

As advised by the Group, portion of the building ownership of the property is vested in other PRC parties. However, applications regarding changes of title of the certificate to Ziyang Panva Gas Co., Ltd have not yet been proceeded.

(7) As advised by the Group, Ziyang Panva Gas Co., Ltd. also owns 3 other plots of land with a total site area of 1,103.16 sq.m. and various buildings, which are erected on land referring to 10q-1, 10r-1, 10x-1, 10y-1, 10ag-1 in Note (1) and 10ae (land without title certificate), with a total gross floor area of 568.72 sq.m..

However, there is no title document available at the time of our valuation with regard to the above-mentioned 3 plots of land and the buildings.

As advised by the Group, the costs of acquisition of the property in 2002 was about RMB5,210,000.

(8) We have attributed no commercial value to all property interests held by Ziyang Panva Gas Co., Ltd. except for the granted land with a site area of 65.85 sq.m. and the respective building with a gross floor area of 495.98 sq.m. registered in the name of Ziyang Panva Gas Co., Ltd. For indicative purpose, the total capital value of such property interests in existing state as at the date of valuation was RMB13,890,000 assuming all relevant title certificates have been obtained.

(9) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Ziyang Panva Gas Co., Ltd. has obtained the allocated land use rights of 16 plots of land of the property, including Nos. 10a-1 to 10a-2, 10a-4 to 10a-13 and 10c-1 to 10c-4, by virtue of obtaining the Certificate for the Use of State-owned Land, with a total site area of 5,511.98 sq.m. for residential/commercial/office/industrial uses. Ziyang Panva Gas Co., Ltd. is entitled to occupy, use, and lease the land. The land is not freely transferable. The land is free from mortgage and other party's interest.

(ii) Ziyang Panva Gas Co., Ltd. has obtained the granted land use rights of No. 10a-3, by virtue of obtaining the Certificate for the Use of State-owned Land, with a total site area of 65.85 sq.m. for warehouse use. Ziyang Panva Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land. The land premium has been fully settled. The land is free from mortgage and other party's interest.

(iii) Ziyang Panva Gas Co., Ltd. has obtained the building ownership of the property, including Nos. 10a-2 to 10a-4 and 10b-1, by virtue of obtaining the Building Ownership Certificate with a total gross floor area of 792.91 sq.m. Ziyang Panva Gas Co., Ltd. is entitled to occupy, use and lease the buildings.

(iv) Ziyang Panva Gas Co., Ltd. advises that they have obtained the allocated/granted land use rights of various plots of land of the property, by virtue of obtaining the Certificate for the Use of State-owned Land (which are registered in names of various PRC Parties from whom Ziyang Panva Gas Co., Ltd. acquired property interests). Ziyang Panva Gas Co., Ltd. may have title problem on the said allocated land.

(v) Ziyang Panva Gas Co., Ltd. advises that they have obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate (which are registered in names of PRC Parties from whom Ziyang Panva Gas Co., Ltd. acquired property interests) with a total gross floor area of 13,227.91 sq.m. Ziyang Panva Gas Co., Ltd. may have title problem on the said granted land if applications regarding change of titles are not being proceeded.

(vi) The current use of the property complies with the approved use. The property is free from mortgage and other party's interest.

(vii) According to Business Licence No.5139001800139, Ziyang Panva Gas Co., Ltd. has been legally established as a PRC limited liability company with a registered capital of RMB18,890,000.

(10) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes (Partly) (Granted/Allocated Land)
Building Ownership Certificate	Yes (Partly)
Certificate for Use of State-owned Land (in name of other PRC Parties)	Yes
Building Ownership Certificate (in name of other PRC parties)	Yes
Business Licence	Yes
Joint Venture Contract	N/A

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
11.	Property interests held by Weiyuan Panva Gas Co., Ltd.	The property comprises 6 plots of land and 5 buildings and various ancillary buildings completed in 2003. The land portion of the property comprises a total site area of 12,790.25 sq.m. (137,674 sq.ft.) while the building portion of the property comprises a total gross floor area of 2,752.61 sq.m. (29,629 sq.ft.). The land use rights of 2 plots of land of the property has been allocated to Weiyuan Panva Gas Co., Ltd. for unspecified terms for industrial and public facilities uses. The land use rights of 1 plot of land of the property has been granted to Weiyuan Panva Gas Co., Ltd. for public facilities use.	The property is occupied by the Group as office/ residential uses.	No commercial value

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Weiyuan Panva Gas Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
11a-1.	(2003) 8-2-2137	No. 54 North Street, Yanling Town, Weiyuan County, Neijiang, Sichuan Province	Allocated	1,156.90	—	Public facilities	—
	0042439	No. 54 North Street, Yanling Town, Weiyuan County, Neijiang, Sichuan Province	—	—	444.40	Office	—

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
11b-1.	(2003) 8-6-1441	Nanta Shan, Yanling Town, Weiyuan County, Neijiang, Sichuan Province	Allocated	3,376.15	—	Industrial	—
	0042438	No. 135 Nanta Shan, Yanling Town, Weiyuan County, Neijiang, Sichuan Province	—	—	101.48	Office	—
11c-1.	(2003) 8-10-2641	Shuncheng Street, Yanling Town, Weiyuan County, Neijiang, Sichuan Province	Granted	3,060.01	—	Public facilities	Expired in 2004 and a new land use term is being applied.
11d-1.	0042437	No. 59 North Street, Yanling Town, Weiyuan County, Neijiang, Sichuan Province	—	—	786.00	Office	—
11e-1.	0053850	No. 133 Nanta Shan, Yanling Town, Weiyuan County, Neijiang, Sichuan Province	—	—	73.67	Residential	—
	Total			**7,598.05**	**1,405.55**		

(2) According to 3 Certificates for Use of State-owned Land in Note(1), the land use rights of the property, comprising a total site area of 7,598.05 sq.m., has been granted or allocated to Weiyuan Panva Gas Co., Ltd.

(3) According to Building Ownership Certificate in Note(1), portion of the building ownership of the property, comprising a total gross floor area of 1,405.55 sq.m. is vested in Weiyuan Panva Gas Co., Ltd.

(4) As advised by the Group, the Group also owns a plot of land with a site area of 4,666.2 sq.m., 2 plots of land with a total site area of 531 sq.m. of 11d & 11e and various buildings erected on land 11c-1 in Note (1) and land without title certificates with a total gross floor area of 2,206.73 sq.m. (90 sq.m. of 11c-1, 786 sq.m. of 11d-1, 73.67 sq.m. of 11e-1 and 1,257.06 sq.m. of 11f-1). However, there is no title document available at the time of our valuation with regard to these properties.

As advised by the Group, the cost of acquisition of the property in 2003 was about RMB4,850,000.

(5) We have attributed no commercial value to all property interests held by Weiyuan Panva Gas Co., Ltd. For indicative purpose, the total value of such property interests as at the date of valuation was RMB4,410,000 assuming all relevant title certificates have been obtained.

(6) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Weiyuan Panva Gas Co., Ltd. has obtained the allocated land use rights of the property by virtue of obtaining the Certificate for Use of State-owned Land with a total site area of 4,533.05 sq.m. for industrial and public facilities uses. Weiyuan Panva Pipeline Gas Co., Ltd. is entitled to occupy and use the land. The land is not freely transferable.

(ii) Weiyuan Panva Gas Co., Ltd. has obtained the granted land use rights of the property by virtue of obtaining the Certificate for Use of State-owned Land with a site area of 5,675.11 sq.m. for public facilities use. Weiyuan Panva Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land subject to renewal of Real Estate Title Certificate. The land premium has been settled in full.

(iii) Weiyuan Panva Gas Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a gross floor area of 1,405.55 sq.m. Weiyuan Panva Gas Co., Ltd. is entitled to occupy and use the buildings.

(iv) The current use of the property complies with the approved use. The property (except for the office building below) is free from mortgage and other party's interest.

(v) Weiyuan Panva Gas Co., Ltd. also held an office building in Sanhe Road, Weiyuan. No title document is available and change of title name to Weiyuan Panva Gas Co., Ltd. has not been proceeded. The office building is also subject to third party's interest and may affect Weiyuan Panva Gas Co., Ltd. in occupying or using the office building.

(vi) According to Business Licence No.5110241800699, Weiyuan Panva Gas Co., Ltd. has been legally established as a PRC limited liability company with a registered capital of RMB5,000,000.

(7) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)
Business Licence	Yes
Joint Venture Contract	N/A

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
12.	Property interests held by YPC & Panva Energy Co., Ltd.	The property comprises a plot of land, levels 1 to 3 of a building and level 1 of the other 14 buildings completed between 1994 and 2002. The land portion of the property comprises a site area of 26,587.40 sq.m. (286,187 sq.ft.), while the building portion of the property comprises a total gross floor area of 3,486.71 sq.m. (37,531 sq.ft.). The land use rights of the property has been granted to YPC & Panva Energy Co., Ltd. for a term due to expire on September 12, 2029 for industrial use.	The property is occupied by the Group as a LPG storage station and ancillary office and warehouse use.	RMB13,580,000 (50% interest attributable to the Group RMB6,790,000)

Notes:

(1) The Certificate for Use of State-owned Land and Building Ownership Certificate for the property interests held by YPC & Panva Energy Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
12a-1	(2001) 03632	Changlu, Dachang District, Yangzhou, Jiangsu Province	Granted	26,587.40	—	Industrial	Industrial due to expire on 12/9/2029
	201458	No. 99 Fangshui Road, Nanjing Chemistry Industrial Park, Liuhe District, Yangzhou, Jiangsu Province	—	—	2,045.30	—	—

Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
201459	No. 99 Fangshui Road, Nanjing Chemistry Industrial Park, Liuhe District, Yangzhou, Jiangsu Province	—	—	557.89	—	—
201460	No. 99 Fangshui Road, Nanjing Chemistry Industrial Park, Liuhe District, Yangzhou, Jiangsu Province	—	—	883.52	—	—
Total			**26,587.40**	**3,486.71**		

(2) According to Certificate for Use of State-owned Land No. (2001) 03632 in Note (1), the land use rights of a plot of land, comprising a site area of 26,587.40 sq.m., has been granted to YPC & Panva Energy Co., Ltd.

(3) According to 3 Building Ownership Certificates in Note (1), the building ownership of the property, comprising a total gross floor area of 3,486.71 sq.m., is vested in YPC & Panva Energy Co., Ltd.

As advised by the Group, the acquisition cost of the property in 2003 was about RMB21,680,000

(4) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) YPC & Panva Energy Co., Ltd. has obtained the granted land use right of the land of the property for a term due to expire on September 12, 2029 by virtue of obtaining the Certificate for Use of State-owned Land with a total site area of 26,587.40 sq.m. for industrial use. YPC & Panva Energy Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land.

(ii) YPC & Panva Energy Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a total gross floor area of 3,486.71 sq.m. YPC & Panva Energy Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the buildings.

(iii) The land premium has been fully settled. The current use of the property complies with the approved use. The property is free from mortgage and other party's interest.

(iv) According to Business Licence No. 004938, YPC & Panva Energy Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of US$7,230,000 and an operation period from September 13, 1999 to September 12, 2029.

(v) According to the Equity Joint Venture Contract

Joint Venture Company: YPC & Panva Energy Co., Ltd.

Party A: Nanjing Yangzi Petrol Chemical Extraction Limited Company
(南京揚子石煉化工有限責任公司)
Party B: Sinolink LPG Investment Limited

Profit Sharing: Party A: 50%
Party B: 50%

(5) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
13.	Property interests held by Xiang Tan Pan River Energy Industry Co., Ltd.	The property comprises a plot of land and 6 buildings completed in 1992. The land portion of the property comprises a site area of 8,135.10 sq.m. (87,566 sq.ft.), while the building portion of the property comprises a total gross floor area of 1,367.41 sq.m. (14,719 sq.ft.). The land use rights of the property has been granted to Xiang Tan Pan River Energy Industry Co., Ltd. for an unspecified term for industrial use.	The property is occupied by the Group as ancillary office/warehouse uses.	RMB2,380,000 (60% interest attributable to the Group RMB1,428,000)

Notes:

(1) The Certificate for Use of State-owned Land and Building Ownership Certificate for property interests held by Xiang Tan Pan River Energy Industry Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq. m.)	Gross Floor Area (sq.m.)	No. of Storey	Uses	Land Use Term
13a-1.	(2000) 10508	Heping Village, Changcheng Town, Yuhu District, Xiangtan, Hunan Province	Granted	8,135.10	—	—	Industrial	—
	125901	No. 112 Xiangheng Road, Yaowan Street, Yuhu District	—	—	23.96	1	Industrial	—
	125948	No. 112 Xiangheng Road, Yaowan Street, Yuhu District	—	—	307.73	1	Industrial	—

Cert. No.	Location	Nature of Land Use Rights	Site Area (sq. m.)	Gross Floor Area (sq.m.)	No. of Storey	Uses	Land Use Term
125950	No. 112 Xiangheng Road, Yaowan Street, Yuhu District	—	—	72.31	1	Industrial	—
125949	No. 112 Xiangheng Road, Yaowan Street, Yuhu District	—	—	523.41	1	Industrial	—
Total			**8,135.10**	**927.41**			

(2) According to Certificate for Use of State-owned Land in Note (1), the land use rights of a plot of land, comprising a site area of 8,135.10 sq.m., has been granted to Xiang Tan Pan River Energy Industry Co., Ltd.

(3) According to 4 Building Ownership Certificates in Note (1), portion of the building ownership of the property, comprising a total gross floor area of 927.41 sq.m., is vested in Xiang Tan Pan River Energy Industry Co., Ltd.

(4) As advised by the Group, Xiang Tan Pan River Energy Industry Co., Ltd. also owns 2 buildings erected on land 13a-1 in Note (1) with a total gross floor area of 440 sq.m. However, there is no title document available at the time of our valuation with regard to these buildings. We have attributed no commercial value to these buildings. For indicative purpose, the total capital value of such buildings in existing state as at the date of valuation was RMB120,000 assuming all relevant title certificates have been obtained.

(5) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Xiang Tan Pan River Energy Industry Co., Ltd. has obtained the granted land use right of the land of the property for an unspecified term by virtue of obtaining the Certificate for Use of State-owned Land with a total site area of 8,135.10 sq.m. for industrial use. Xiang Tan Pan River Energy Industry Co., Ltd. is entitled to occupy, use, lease, mortgage and transfer the land.

(ii) Xiang Tan Pan River Energy Industry Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a total gross floor area of 927.41 sq.m. Xiang Tan Pan River Energy Industry Co., Ltd. is entitled to occupy, use, lease, mortgage and transfer the buildings.

(iii) The land premium has been fully settled. The current use of the property complies with the approved use. The property is free from mortgage and other party's interest.

(iv) According to Business Licence No. 000216, Xiang Tan Pan River Energy Industry Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB10,000,000 and an operation period from June 17, 1998 to June 16, 2028.

(v) According to the Equity Joint Venture Contract

Joint Venture Company: Xiang Tan Pan River Energy Industry Co., Ltd.

Party A: Xiangtan Gas Company (湘潭市煤氣公司)
Party B: Changsha Pan River Enterprises Co., Ltd.

Profit Sharing: Party A: 45%
Party B: 55%

(6) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
14.	Property interests held by Pingchang Panva Gas Co., Ltd.	The property comprises 5 plots of land and 5 buildings completed in 1995. The land portion of the property comprises a total site area of 5,306.52 sq.m., while the building portion of the property has a total gross floor area of 947.75 sq.m. (10,202 sq.ft.). The land use rights of the property is not specified.	The property is occupied by the Group as LPG supply station and office, retail and staff quarter uses.	No commercial value

Notes:

(1) As advised by the Group, Pingchang Panva Gas Co., Ltd. owns 5 plots of land with a total site area of 5,306.52 sq.m. at Hanwangmiao Small Zone, Jiangkou Town, and Community 6, Village 1, Sian Town, Pingchang County as LPG storage station. However, there is no title document available at the time of our valuation with regard to these plots of land.

(2) According to 2 Building Ownership Certificates, the building ownership of the property is vested in Pingchang Panva Gas Co., Ltd. with details as follows:

Cert. No.	Location	No. of Storey	Gross Floor Area (sq.m.)	Uses
0012376	Hanwangmiao Small Zone, Xicheng New District	1/2	287.11	Office
0012396	Xinhua Street, Jiangkou Town	1/2	660.64	Office/ Operation
Total			**947.75**	

As advised by the Group, the costs of acquisition of the property in 2004 was about RMB4,580,000.

(3) We have attributed no commercial value to all property interests held by Pingchang Panva Gas Co., Ltd. For indicative purpose, the total value of such property interests as at the date of valuation was RMB1,992,000 assuming all relevant title certificates have been obtained.

(4) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Pingchang Panva Gas Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a total gross floor area of 947.75 sq.m.. Pingchang Panva Gas Co., Ltd. is entitled to occupy, use and lease the buildings subject to Pingchang Panva obtaining the Certificate for the Use of State-Owned Land.

(ii) Pingchang Panva Gas Co., Ltd. also held 5 plots of land in Huangmiao Small Zone, Jiangkou Town, and Community 6, Village 1, Sian Town, Pingchang County. No title document is available and change of title name to Pingchang Panva Gas Co., Ltd. is being proceeded.

(iii) According to Business Licence No. 5137231800471, Pingchang Panva Gas Co., Ltd. has been legally established as a PRC limited liability company with an operation period from May 8, 2004 to May 7, 2007.

(5) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	No
Building Ownership Certificate	Yes
Business Licence	Yes
Joint Venture Contract	N/A

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
15.	Property interests held by Pengxi Panva Gas Co., Ltd.	The property comprises 4 plots of land and 8 buildings completed in 1997. The land portion of the property comprises a total site area of 7,723.35 sq.m. (83,134 sq.ft.), while the building portion of the property comprises a total gross floor area of 1,921.60 sq.m. (20,684 sq.ft.). The land use rights of the property has been granted to Pengxi Panva Gas Co., Ltd. for various terms due to expire on February 2, 2044 and February 2, 2054 for industrial and commercial uses.	The property is occupied by the Group as a LPG supply station/office/ retail shop/staff quarters uses.	RMB740,000 (90% interest attributable to the Group RMB666,000)

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Pengxi Panva Gas Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Owner
15a-1.	(2004) 0314	Group 2, Chengnan Residence Committee, Chengnan New Area, Pengxi County, Suining, Sichuan Province	Granted	4,056.40	—	Industrial	Due to expire on 02/02/2054	Pengxi Panva Gas Co., Ltd.
	0003143	The Gas Distribution Station, Anzigou, Chicheng Town, Pengxi County, Suining, Sichuan Province	—	—	10.56	Equipment room	—	Pengxi Panva Gas Co., Ltd.

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Owner
	0003142	The Gas Distribution Station, Anzigou, Chicheng Town, Pengxi County, Suining, Sichuan Province	—	—	1,026.17 (5 Blocks)	Residential, Storage, Factory storage, Portor's lodge	—	Pengxi Panva Gas Co., Ltd.
15b-1.	(2004) 0311	Right side of Block C, East Street, Chicheng Town, Pengxi County, Suining, Sichuan Province	Granted	593.69	—	Commercial	Due to expire on 02/02/2044	Pengxi Panva Gas Co., Ltd. and 50 other parties
	006659	Block C, East Street, Chicheng Town, Pengxi County, Suining, Sichuan Province	—	—	25.03	Commercial	—	Pengxi Panva Gas Co., Ltd.
15c-1.	(2004) 0312	No. 72 South Street, Chicheng Town, Pengxi County, Suining, Sichuan Province	Granted	399.93	—	Commercial	Due to expire on 02/02/2044	Pengxi Panva Gas Co., Ltd. and 12 other parties
	006660	No. 72 South Street, Chicheng Town, Pengxi County, Suining, Sichuan Province	—	—	859.84	Commercial, Residential, Office	—	Pengxi Panva Gas Co., Ltd.
	Total			**5,050.02**	**1,921.60**			

(2) According to 3 Certificates for Use of State-owned Land in Note (1), a portion of the land use rights of the property, comprising a total site area of 5,050.02 sq.m., has been granted to Pengxi Panva Gas Co., Ltd.

(3) According to 4 Building Ownership Certificates in Note (1), the building ownership of the property, comprising a total gross floor area of 1,921.60 sq.m., is vested in Pengxi Panva Gas Co., Ltd.

(4) As advised by the Group, Pengxi Panva Gas Co., Ltd. also owns a plot of land with a site area of 2,673.33 sq.m.. However, there is no title document available at the time of our valuation with regard to this land.

As advised by the Group, the costs of acquisition of the property in 2003 was about RMB1,290,000.

(5) In respect of property interests Nos. 15b-1 and 15c-1, the interest attributable to the Group is not certain. We have attributed no commercial value to capital value of such property interests. For indicative purpose, the total capital value of such property interests in existing state as at the date of valuation was RMB1,430,000 assuming all relevant title certificates have been obtained.

(6) The opinion of the Group's legal adviser states, inter alia, that:

(i) Pengxi Panva Gas Co., Ltd. has obtained the granted land use rights of a plot of land of the property for respective term due to expire on February 2, 2054 by virtue of obtaining the Certificate for Use of State-owned Land with a site area of 4,056.40 sq.m. for industrial use. Pengxi Panva Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land.

(ii) Pengxi Panva Gas Co., Ltd. and 12 other parties collectively have obtained the granted land use rights of a plot of land of the property for respective term due to expire on February 2, 2044 by virtue of obtaining the Certificate for Use of State-owned Land with a site area of 399.93 sq.m. for commercial use. Pengxi Panva Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land.

(iii) Pengxi Panva Gas Co., Ltd. and 50 other parties collectively have obtained the granted land use rights of a plot of land of the property for respective term due to expire on February 2, 2044 by virtue of obtaining the Certificate for Use of State-owned Land with a site area of 593.69 sq.m. for commercial use. Pengxi Panva Gas Co., Ltd. and 50 other parties collectively is entitled to occupy, use, transfer, mortgage and lease the land.

(iv) Pengxi Panva Gas Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a gross floor area of 1,921.60 sq.m. for commercial, residential, office, equipment room, storage, factory storage and portor's lodge uses. Pengxi Panva Gas Co., Ltd. is entitled to occupy and use the buildings.

(iii) The land premium has been fully settled. The current use of the property complies with the approved use. The property is free from mortgage and other party's interest.

(iv) According to Business Licence No.5109211800360, Pengxi Panva Gas Co., Ltd. has been legally established as a PRC limited liability company with a registered capital of RMB3,590,000.

(7) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes (Partly)
Certificate for Use of State-owned Land (in the name of other PRC parties)	Yes
Building Ownership Certificate	Yes
Business Licence	Yes
Joint Venture Contract	N/A

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
16.	Property interests held by Panva (Chizhou) Gas Co., Ltd.	The property comprises 2 plots of land and 4 buildings completed in 2000. The land portion of the property comprises a site area of 5,764.625 sq.m. (62,650 sq.ft.), while the buildings portion comprise a total gross floor area of 1,400.98 sq.m. (15,080 sq.ft.). The land use rights of the property has been granted to Panva (Chizhou) Gas Co., Ltd. for terms due to expire on December 11, 2048 and October 17, 2050 for LPG station use.	The property is occupied by the Group for a LPG storage station with ancillary office and warehouse use.	RMB1,940,000 (60% interest attributable to the Group RMB1,164,000)

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Panva (Chizhou) Gas Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
16a-1.	(2002) 6172-188	Nanhu Road, Guichi District, Chizhou, Anhui Province	Granted	5,344.625	—	LPG station	Due to expire on 17/10/2050
	014243B	Junction of Changjiang South Road and Nanhu Road, Guichi District, Chizhou, Anhui Province	—	—	1,180.98	Industrial/ Office	—
16b-1.	(2003) 168/2003	Cuiwei Yuan, Chizhou, Anhui Province	Granted	420.00	—	LPG station	Due to expire on 11/12/2048
	Total			**5,764.625**	**1,180.98**		

(2) According to 2 Certificates for Use of State-owned Land in Note (1), the land use rights of the property, comprising a total site area of 5,764.625 sq.m., has been granted to Panva (Chizhou) Gas Co., Ltd.

(3) According to the Building Ownership Certificate in Note (1), portion of the building ownership of the property, comprising a total gross floor area of 1,180.98 sq.m., is vested in Panva (Chizhou) Gas Co., Ltd.

As advised by the Group, the costs of acquisition of the property in 2003 was about RMB2,230,000.

(4) As advised by the Group, Panva (Chizhou) Gas Co., Ltd. also owns 2 buildings erected on land 16a-1 and 16b-1 in Note(1) with a total gross floor area of 220 sq.m.. However, there is no title document available at the time of our valuation. We have attributed no commercial value to these buildings. For indicative purpose, the total capital value of such buildings in existing state, as at the date of valuation was RMB61,000 assuming all relevant title certificates have been obtained.

(5) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Panva (Chizhou) Gas Co., Ltd. has obtained the granted land use rights of the land of the property for a term due to expire on October 17, 2050 and December 11, 2048 by virtue of obtaining the Certificate for Use of State-owned Land with a site area of 5,764.625 sq.m. for LPG station use. Panva (Chizhou) Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land.

(ii) Panva (Chizhou) Gas Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a gross floor area of 1,180,98 sq.m. Panva (Chizhou) Gas Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the building.

(iii) The land premium has been fully settled. The current use of the property complies with the approved use. The property is free from mortgage and other party's interest.

(iv) According to Business Licence No. 002076, Panva (Chizhou) Gas Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB20,000,000 and an operation period from September 1, 2003 to September 1, 2053.

(v) According to the Equity Joint Venture Contract

Joint Venture Company: Panva (Chizhou) Gas Co., Ltd.

Party A: Chizhou Fuel Limited Company (池州市燃氣有限責任公司)
Party B: Panriver Investment Company Limited

Profit Sharing: Party A: 40%
Party B: 60%

(6) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
17.	Property interests held by Pan River Enterprises (Changde) Co., Ltd.	The property comprises a plot of leased land and a warehouse building and ancillary buildings completed in 1999. The leased land portion of the property comprises a site area of 8,073.50 sq.m. (86,903 sq.ft.), while the building portion of the property comprises a total gross floor area of 791 sq.m. (8,514 sq.ft.).	The property is occupied by the Group for warehouse use.	No commercial value

Notes:

(1) The land situated at Xinan Village, Dongjiao, with a site area of 8,073.50 sq.m. is leased to Pan River Enterprises (Changde) Co., Ltd. for a term due to expire on June 8, 2014 at an annual rent of RMB60,000 for the first five years, RMB70,000 for the second five years and RMB80,000 for the last five years.

(2) According to the Provisional Construction Project Planning Permit No. 9912009, a warehouse with gross floor area of 136 sq.m. has been permitted to be constructed.

(3) Pan River Enterprises (Changde) Co., Ltd. also owns various ancillary buildings erected on the above leased land with a total gross floor area of 655 sq.m. However, there is no title document available at the time of our valuation.

(4) We have attributed no commercial value to all property interests held by Pan River Enterprises (Changde) Co., Ltd. For indicative purpose, the total capital value of the building portion of the property interests in existing state as at the date of valuation was RMB286,000 assuming all relevant title certificates have been obtained.

(5) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Pan River Enterprises (Changde) Co., Ltd. has obtained the Provisional Construction Project Planning Permit for a warehouse of 136 sq.m.. As the Provisional Construction Project Planning Permit has expired, the warehouse may be required to be demolished.

Other ancillary buildings may be required to be demolished.

(ii) According to Business Licence No. 000338, Pan River Enterprises (Changde) Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB6,000,000 and an operation period from October 26, 1998 to October 26, 2028.

(iii) According to the Equity Joint Venture Contract

Joint Venture Company: Pan River Enterprises (Changde) Co., Ltd.

Party A: Changde Petrol Company (常德市石油公司)
Party B: Singkong Investments Limited
Party C: Changsha Pan River Enterprises Co., Ltd.

Profit Sharing: Party A: 5%
Party B: 70%
Party C: 25%

(6) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	No
Building Ownership Certificate	No
Provisional Construction Project Planning Permit	Yes
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
18.	Property interests held by Panva Gas (Yunnan) Co., Ltd.	The property comprises 3 plots of land and various buildings completed in 2002. The land portion of the property comprises a total site area of 47,396.18 sq.m. (510,172 sq.ft.), while the building portion of the property comprise a total gross floor area of 3,346.38 sq.m. (36,020 sq.ft.). The land use rights of the property is held by Panva Gas (Yunnan) Co., Ltd. for terms due to expire on July 9, 2052 and April 2, 2052 for industrial use.	The property is occupied by the Group for a LPG station and ancillary office and warehouse uses.	RMB9,010,000 (28.53% interest attributable to the Group RMB2,570,553)

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Panva Gas (Yunnan) Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
18a-1.	(2002) 00367	Qingyutang Village, Haikou Town, Yunnan Province	Granted (Transfer)	31,329.80	—	Industrial	Due to expire on 9/7/2052
18b-1.	(2002) 00370	Xichong, Dabanqiao Town, Guandu District, Kunming City	Transfer	15,701.00	—	Industrial	Due to expire on 2/4/2052
18c-1.	200231604	No. 17 Chuncheng Road, Kunming City, Yunnan Province	—	—	714.18	Composite building	—
	Total			**47,030.80**	**714.18**		

(2) According to 2 Certificates for Use of State-owned Land in Note (1), the land use rights of the property, comprising a total site area of 47,030.80 sq.m., has been granted or transferred to Panva Gas (Yunnan) Co., Ltd.

(3) According to Building Ownership Certificate in Note (1), a portion of the building ownership of the property comprising a gross floor area of 714.18 sq.m. is vested in Panva Gas (Yunnan) Co., Ltd.

As advised by the Group, the cost of acquisition of the property in 2002 was about RMB20,760,000.

(4) Panva Gas (Yunnan) Co., Ltd. also owns various buildings erected on land 18a-1 and 18b-1 in Note(1) with a total gross floor area of 2,632.20 sq.m. and a plot of land with a site area of 365.38 sq.m. of 18c-1. However, there is no title documents available at the time of our valuation.

(5) We have attributed no commercial value to the building portion of the property interests as no Certificate for Use of State-owned Land or no Building Ownership Certificate has been produced. For indicative purpose, the total capital value of the building portion of the property interests in existing state as at the date of valuation was RMB1,620,000, assuming all relevant title certificates have been obtained.

(6) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Panva Gas (Yunnan) Co., Ltd. has obtained the granted land use rights of 2 plots of land of the property for respective term due to expire on April 2, 2052 and July 9, 2052 by virtue of obtaining the Certificate for Use of State-owned Land with a total site area of 47,030.80 sq.m. for industrial use. Panva Gas (Yunnan) Co., Ltd. is entitled to occupy, transfer, mortgage and use the land.

(ii) Panva Gas (Yunnan) Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a gross floor area of 714.18 sq.m. for composite use. Panva Gas (Yunnan) Co., Ltd. is entitled to occupy, transfer, mortgage and use the building subject to Panva Gas (Yunnan) Co., Ltd. obtaining Certificate for the Use of State-owned Land.

(iii) The land premium is made responsible by the PRC joint venture partner of Panva Gas (Yunnan) Co., Ltd. The current use of the property complies with the approved use.

(iv) According to a Mortgage Agreement No. 2003012-2, properties under Certificates for Use of State-owned Land No. (2002)00367 and No. (2002)00370, and Building Ownership Certificate No. 200231604 are subject to a mortgage in favour of Guangdong Development Bank Kunming Branch for a term from December 26, 2003 to December 26, 2004.

(v) According to Business Licence No.001298, Panva Gas (Yunnan) Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of US$7,089,200 and an operation period from September 19, 2001 to September 18, 2051.

(vi) According to the Equity Joint Venture Contract

Joint Venture Company: Panva Gas (Yunnan) Co., Ltd.

Party A: Kunming Gas General Company (昆明煤氣總公司)
Party B: Yunnan Gelei Gas Company Limited (雲南格雷燃氣有限公司)
Party C: Pan River Gas (China Southwest) Co., Ltd.

Profit Sharing: Party A: 22.94%
Party B: 20.12%
Party C: 56.94%

(7) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes (Partly)
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
19.	Property interests held by Changsha Pan River Enterprises Co., Ltd.	The property comprises a plot of land and 4 buildings completed in 1996. The land portion of the property comprises a site area of 16,413 sq.m. (176,670 sq.ft.), while the buildings comprise a total gross floor area of 946.95 sq.m. (10,192.97 sq.ft.). The land use rights of the property has been granted to Changsha Pan River Enterprises Co., Ltd. for 50 years for LPG station and commercial uses.	The property is occupied by the Group as LPG storage station with ancillary office and staff quarter uses.	RMB5,000,000 (60% interest attributable to the Group RMB3,000,000)

Notes:

(1) The Certificate for Use of State-owned Land and Building Ownership Certificate for property interests held by Changsha Pan River Enterprises Co., Ltd. are summarized as follows:

	Cert. No.	Location	No. of Storey	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
19a-1	99-003	Maotang Village, Ansha Town, Changsha, Hunan Province	—	Granted	16,413	—	LPG station/ Commercial	50 years from 1/11/1999
	99-0044	Maotang Village, Ansha Town, Changsha, Hunan Province	1	Transfer	—	41.10	Pump room	—
	99-0046	Maotang Village, Ansha Town, Changsha, Hunan Province	1	Transfer	—	299.12	Loading/ Unloading platform	—
	99-0045	Maotang Village, Ansha Town, Changsha, Hunan Province	1	Transfer	—	69.70	Plant room	—
	99-0043	Maotang Village, Ansha Town, Changsha, Hunan Province	1	Transfer	—	537.03	Composite uses	—
	Total				**16,413**	**946.95**		

(2) According to Certificate for Use of State-owned Land in Note(1), the land use rights of the property, comprising a site area of 16,413 sq.m., has been granted and transferred to Changsha Pan River Enterprises Co., Ltd.

(3) According to 4 Building Ownership Certificates in Note(1), the Building Ownership of the property, comprising a total gross floor area of 946.95 sq.m., is vested in Changsha Pan River Enterprises Co., Ltd.

(4) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Changsha Pan River Enterprises Co., Ltd. has obtained the granted land use rights of the land of the property for a term of 50 years by virtue of obtaining the Certificate for Use of State-owned Land with a site area of 16,413 sq.m. for LPG station and commercial uses. Changsha Pan River Enterprises Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land.

(ii) Changsha Pan River Enterprises Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificates with a total gross floor area of 946.95 sq.m. Changsha Pan River Enterprises Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the buildings.

(iii) The land premium has been fully settled. The current use of the property complies with the approved use. The property is free from mortgage and other party's interest.

(iv) According to Business Licence No. 000601, Changsha Pan River Enterprises Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB40,000,000 and an operation period from January 16, 1998 to January 16, 2028.

(v) According to the Equity Joint Venture Contract

Joint Venture Company: Changsha Pan River Enterprises Co., Ltd.

Party A: Baling Petro Changling General Chemical Oil Refining Factory (巴陵石化長嶺煉油化工總廠)
Party B: Singkong Investments Limited

Profit Sharing: Party A: 40%
Party B: 60%

(5) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
20.	Property interests held by Chenzhou Pan River Gas Industry Co., Ltd.	The property comprises 4 plots of land and 6 buildings and various ancillary buildings completed in 1989 and 2000 respectively. The land portion of the property comprises a total site area of 17,091.67 sq.m. (183,974 sq.ft.), while the buildings portion of the property comprise a total gross floor area of 2,044.71 sq.m. (22,009 sq.ft.). Portion of the land use rights has been allocated to Chenzhou Pan River Gas Industry Co., Ltd. for 50 years for steel container inspection station. Portion of the land use rights has been allocated to Chenzhou Pan River Gas Industry Co., Ltd. for long term for LPG storage station. Portion of the land is leased to Chenzhou Pan River Gas Industry Co., Ltd.	The property is occupied by the Group as a LPG storage station and ancillary office and staff quarter uses.	No commercial value

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Chenzhou Pan River Gas Industry Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
20a-1.	(98) 030002	Xifengdu Town, Suxian District, Chenzhou City, Hunan Province	Allocated	6,633.67	—	LPG storage station	Long Term
	081	Unit No. 101, 102, 103, Xifengdu Village, Xifengdu Town, Suxian District, Chenzhen, Hunan Province	—	—	57.72	Office	—

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
	082	Unit No. 101, 102, Xifengdu Village, Xifengdu Town, Suxian District, Chenzhen, Hunan Province	—	—	208.55	Composite	—
20a-2.	(98) 030595	Group 10, Xifengdu Village, Xifengdu Town, Suxian District, Chenzhou City, Hunan Province	Allocated	1,332.00	—	Steel container inspection station	50 years
	079	Unit No. 101-301, Xifengdu Village, Xifengdu Town, Suxian District, Chenzhou, Hunan Province	—	—	157.72	Steel container factory	
	080	Unit No. 101-102, Xifengdu Village, Xifengdu Town, Suxian District, Chenzhou, Hunan Province	—	—	907.60	Steel container inspection station	
20a-3.	083	Chezhan Road, Xifengdu Town, Suxian District, Chenzhou, Hunan Province	—	—	21.56	—	—
	084	Chezhan Road, Xifengdu Town, Suxian District, Chenzhou, Hunan Province	—	—	21.56	—	—
	Total			**7,965.67**	**1,374.71**		

(2) According to 2 Certificates for Use of State-owned Land in Note (1), portion of the land use rights of the property, comprising a total site area of 7,965.67 sq.m., has been allocated to Chenzhou Pan River Gas Industry Co., Ltd.

(3) A plot of land with a site area of 1,800 sq.m., which is referred to in 20a-3 in Note (1), is leased to Chenzhou Pan River Gas Industry Co., Ltd.

(4) According to 6 Building Ownership Certificates in Note (1), portion of the building ownership of the property, comprising a total gross floor area of 1,374.71 sq.m., is vested in Chenzhou Pan River Gas Industry Co., Ltd.

(5) As advised by the Group, Chenzhou Pan River Industry Co., Ltd. also owns various ancillary buildings erected on another piece of leased land of 7,326 sq.m. with a total gross floor area of 670 sq.m. at 148 Qili Avenue, Chenzhou, which were completed in 2000. However, there is no title document available at the time of our valuation with regard to these buildings.

(6) We have attributed no commercial value to all property interests held by Chenzhou Pan River Gas Industry Co., Ltd. For indicative purpose, the total capital value of such property interests in existing state as at the date of valuation was RMB3,025,000 assuming all relevant title certificates have been obtained.

(7) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Chenzhou Pan River Gas Industry Co., Ltd. has obtained the allocated land use rights of the land of the property for long term and a term of 50 years by virtue of obtaining the Certificates for Use of State-owned Land with a site area of 7,965.67 sq.m. for LPG storage station and steel container inspection station uses. Chenzhou Pan River Gas Industry Co., Ltd. is entitled to occupy, use, lease and mortgage the land.

(ii) Chenzhou Pan River Gas Industry Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificates with a total gross floor area of 1,374.71 sq.m. Chenzhou Pan River Gas Industry Co., Ltd. is entitled to occupy, use, lease and mortgage the buildings. But the properties under Building Ownership Certificates No. 83 and No. 84 are subject to the decision of the Government or Railway Authority to claim back the land on which the properties are erected.

(iii) According to Real Estate Encumbrances Certificate No. (2003)2130 as well as a Mortgage Agreement dated November 19, 2004, properties under Building Ownership Certificate No. 080, 081 and Certificates for Use of State-owned Land No. (98) 030595 and No. (98) 030002 are subject to a mortgage in favour of Industrial and Commercial Bank of China Beihu District Branch of RMB900,000 for a term from November 19, 2003 to November 18, 2004.

(iv) The current use of the property complies with the approved use.

(v) According to Business Licence No. 000214, Chenzhou Pan River Gas Industry Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB9,000,000 and an operation period from July 16, 1998 to July 15, 2028.

(vi) According to the Equity Joint Venture Contract

Joint Venture Company: Chenzhou Pan River Gas Industry Co., Ltd.

Party A: Changsha Pan River Enterprises Co., Ltd.
Party B: Panriver Investments Company Limited
Party C: China Petroleum Group Changling Oil Refinery Chemical Co., Ltd.
(中國石化集團長嶺煉油化工有限責任公司)

Profit Sharing: Party A: 45%
Party B: 33%
Party C: 22%

(8) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes (Allocated land)
Building Ownership Certificate	Yes (Party)
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
21.	Property interests held by Nanjing Panva LPG Co., Ltd.	The property comprises a plot of land and a flat unit of a building completed in 1999. The land portion of the property comprises a site area of 62.40 sq.m. (672 sq.ft.), while the building portion of the property comprises a total gross floor area of 93 sq.m. (1,001 sq.ft.). The land use rights of the property has been granted to Nanjing Panva LPG Company Ltd. for a term due to expire on February 9, 2069 for residential use.	The property is occupied by the Group as office and staff quarters uses.	RMB290,000 (55% interest attributable to the Group RMB159,500)

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Nanjing Panva LPG Co., Ltd. are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term
21a-1.	(2002) 10777	Unit 501, Block 1, Yintong Real Estate, Shengtai Road, Dongshan Town, Jiangning District, Nanjing, Jiangsu Province	Granted	62.40	—	Residential	Due to expire on 9/2/2069
	01041229	Unit 501, Block 1, Yintong Commercial Residential House, Shengtai Road, Jiangning Development Zone, Jiangning District, Nanjing, Jiangsu Province	—	—	93.00	Residential	—
	Total			**62.40**	**93.00**		

(2) According to Certificate for Use of State-owned Land in Note (1), the corresponding land use rights of the property, comprising a site area of 62.40 sq.m., has been granted to Nanjing Panva LPG Co., Ltd.

(3) According to Building Ownership Certificate in Note (1), the building ownership of the property, comprising a total gross floor area of 93 sq.m., is vested in Nanjing Panva LPG Co., Ltd.

As advised by the Group, the cost of acquisition of the property in 2002 was about RMB200,000.

(4) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Nanjing Panva LPG Co., Ltd. has obtained the granted land use rights of the land of the property for a term due to expire on February 9, 2069 by virtue of obtaining the Certificate for Use of State-owned Land with a site area of 62.40 sq.m. for residential use. Nanjing Panva LPG Company Ltd. is entitled to occupy, use, transfer, mortgage and lease the land.

(ii) Nanjing Panva LPG Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a total gross floor area of 93 sq.m. Nanjing Panva LPG Company Ltd. is entitled to occupy, use, transfer, mortgage and lease the building.

(iii) The land premium has been fully settled. The current use of the property complies with the approved use. The property is free from mortgage and other party's interest.

(iv) According to Business Licence No.005212, Nanjing Panva LPG Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB50,000,000 and an operation period from August 16, 2000 to August 15, 2030.

(v) According to the Equity Joint Venture Contract

Joint Venture Company: Nanjing Panva LPG Co., Ltd.

Party A: Nanjing Liquefy Petroleum Gas Limited Company (南京市液化石油氣有限公司)
Party B: Panriver Investments Company Limited

Profit Sharing: Party A: 45%
Party B: 55%

(5) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	Yes
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
22.	Property interests held by Yangzhou YPC & Panva Gas Co., Ltd.	The property comprises 2 plots of land and 7 buildings completed between 1989 and 1998. The land portion of the property comprises a total site area of 11,034.10 sq.m. (118,771 sq.ft.) while the buildings portion of the property comprise a total gross floor area of 2,185.17 sq.m. (23,521 sq.ft.). The land use rights of the property is not specified.	The property is occupied by the Group as LPG storage station, office and warehouse uses.	No commercial value

Notes:

(1) According to 2 Building Ownership Certificates, the building ownership of the property, comprising a total gross floor area of 2,185.17 sq.m., is vested in Yangzhou YPC & Panva Gas Co., Ltd. with details as follows:

Cert. No.	Location	Gross Floor Area (sq.m.)	Uses
0011088745	No. 41 Hangou Road, Yangzhou, Jiangsu Province	954.50 (2 Blocks)	Non-Residential
0011088744	Suzhuang Village, Tangwang Town, Yangzhou, Jiangsu Province	1,230.67 (5 Blocks)	Non-Residential
Total		**2,185.17**	

(2) Yangzhou YPC & Panva Gas Co., Ltd. also owns of 2 plots of land with a total site area of 11,034.10 sq.m. However, there is no title document available at the time of our valuation.

As advised by the Group, the costs of acquisition of the property in 2003 was about RMB3,000,000

(3) We have attributed no commercial value to all property interests held by Yangzhou YPC & Panva Gas Co., Ltd. as the Certificates for Use of State-owned Land have not been obtained. For indicative purpose, the total capital value of such property interests in existing state as at the date of valuation was RMB4,800,000 assuming all relevant title certificates have been obtained.

(4) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Yangzhou YPC & Panva Gas Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificates with a total gross floor area of 2,185.17 sq.m. However, the respective Certificates for Use of State-owned Land have not been obtained, Yangzhou YPC & Panva Gas Co., Ltd. may have title problem on the said buildings.

(ii) According to Business Licence No. 3210021400225, Yangzhou YPC & Panva Gas Co., Ltd. has been legally established as a PRC limited liability company with a registered capital of RMB10,000,000 and an operation period from November 10, 2003 to November 9, 2028.

(iii) According to the Equity Joint Venture Contract

Joint Venture Company: Yangzhou YPC & Panva Gas Co., Ltd.

Party A: Yangzhou Liquify Petroleum Gas General Company (揚州市液化氣總公司)
Party B: YPC & Panva Energy Co., Ltd.

Profit Sharing: Party A: 45%
Party B: 55%

(5) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	No
Building Ownership Certificate	Yes
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
23.	Property interests held by Pan River Enterprises (Yongzhou) Co., Ltd.	The property comprises a plot of land with a site area of 10,000 sq.m. (107,640 sq.ft.). Certain structures for LPG storage erected on the land are excluded from our property valuation. The land use rights of the property has been granted to Pan River Enterprises (Yongzhou) Co., Ltd. for a term due to expire in January 2039 for industrial use.	The property is occupied by the Group as LPG storage station use.	RMB1,720,000 (60% interest attributable to the Group RMB1,032,000)

Notes:

(1) According to Certificate for Use of State-owned Land No. (1999) 0365, the land use rights of the property, comprising a site area of 10,000 sq.m., has been granted to Pan River Enterprises (Yongzhou) Co., Ltd. with details as follow:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Uses	Land Use Term
23a-1.	(1999) 0365	Mianhuatang Village, Renwan Town, Yonglengshuitan District, Yongzhou City, Hunan Province	Granted	10,000	Industrial	Due to expire in 1/2039

(2) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Pan River Enterprises (Yongzhou) Co., Ltd. has obtained the granted land use rights of the land of the property for a term due to expire in January, 2039 by virtue of obtaining the Certificate for Use of State-owned Land with a site area of 10,000 sq.m. for industrial use. Pan River Enterprises (Yongzhou) Co., Ltd. is entitled to occupy, use, transfer, mortgage and lease the land without payment to the relevant authority of any land premium or other substantial sum.

(ii) The land premium has been fully settled. The current use of the land complies with the approved use. The property is free from mortgage and other party's interest.

(iii) According to Business Licence No. 000210, Pan River Enterprises (Yongzhou) Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB5,000,000 and an operation period from December 18, 1998 to December 17, 2028.

(iv) According to the Equity Joint Venture Contract

Joint Venture Company: Pan River Enterprises (Yongzhou) Co., Ltd.

Party A: Hunan Petrol General Company Yongzhou Branch (湖南省石油總公司永州市公司)
Party B: Panriver Investments Company Limited

Profit Sharing: Party A: 40%
Party B: 60%

(3) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Building Ownership Certificate	N/A
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
24.	Property interests held by Pengshan Panva Gas Co., Ltd.	The property comprises 10 plots of land and 8 buildings completed between 1994-2003. The land portion of the property comprises a total site area of 21,062.63 sq.m. (226,718 sq.ft.), while the building portion of the property comprises a total gross floor area of 3,746.78 sq.m. (40,330 sq.ft.). Portion of the land use rights has been granted to Pengshan County Natural Gas Company (彭山縣天燃氣公司) with various terms due to expire on June 22, 2054 for industrial use. Portion of the land use rights has been allocated to Pengshan County Natural Gas Company (彭山縣天燃氣公司) for unspecified term for office, residential, garage, warehouse, public facility, duty room and commercial uses. Portion of the land use rights has been granted to Pengshan Panva Gas Co., Ltd. (彭山百江燃氣有限公司) with various terms due to expire on November 24, 2044, August 9, 2045, June 22, 2054 and August 9, 2055 for residential, commercial service, industrial and public facility uses.	The property is occupied by the Group as LPG supply station/office/ retail shop/ warehouse/ staff quarter uses.	RMB1,760,000 (70% interest attributable to the Group RMB1,232,000)

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Pengshan Panva Gas Co., Ltd. (in previous name of Pengshan Panva Gas Co., Ltd. before its restructuring) are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
24a-1.	(2005) 1727	Yihuan West Road, Fengming Town, Pengshan County, Meishan, Sichuan Province	Granted	3,480.62	—	Public facility	Due to expire on 09/08/2055	Pengshan Panva Gas Co., Ltd. (彭山百江燃氣有限公司)
	P01 071007428	North Section of Pengzu Avenue, Pengshan County, Meishan, Sichuan Province	—	—	2,285.55	Office	—	Pengshan County Natural Gas Company (彭山縣天燃氣公司)
	P01 071007429	North Section of Pengzu Avenue, Pengshan County, Meishan, Sichuan Province	—	—	466.98	Garage	—	Pengshan County Natural Gas Company (彭山縣天燃氣公司)
	P01 071007431	North Section of Pengzu Avenue, Pengshan County, Meishan, Sichuan Province	—	—	308.54	Commercial	—	Pengshan County Natural Gas Company (彭山縣天燃氣公司)
24b-1.	(2005) 1728	Community 4, Caishan Village, Pengshan County, Meishan, Sichuan Province	Granted	7,174.68	—	Warehouse	—	Penshan Panva Gas Co., Ltd. (彭山百江燃氣有限公司)
24c-1.	(2005) 391	Qinglong Town, Pengshan County, Meishan, Sichuan Province	Allocated	5,330.00	—	Warehouse	—	Pengshan County Natural Gas Company (彭山縣天燃氣公司)
24d-1.	(2005) 1729	Community 10, Wenchang Village, Guanyin Town, Pengshan County, Meishan, Sichuan Province	Granted	1,421.28	—	Residential	Due to expire on 09/08/2055	Penshan Panva Gas Co., Ltd. (彭山百江燃氣有限公司)
	P06 051007421	Wenchang Village, Guangyin Town, Pengshan County, Meishan, Sichuan Province	—	—	297.69	Residential	—	Pengshan County Natural Gas Company (彭山縣天燃氣公司)
	P06 051007430	Community 10, Wenchang Village, Guanyin Town, Pengshan County, Meishan, Sichuan Province	—	—	103.68	Duty room	—	Pengshan County Natural Gas Company (彭山縣天燃氣公司)

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Registered Owner
24e-1.	(2004) 703	North Section of Pengzu Avenue, Pengshan County, Meishan, Sichuan Province	Granted	1,914.56	—	Industrial	Due to expire on 22/06/2054	Pengshan County Natural Gas Company (彭山縣天燃氣公司)
24f-1.	(2005) 1726	South Section of Pengzu Avenue, Pengshan County, Meishan, Sichuan Province	Granted	1,000.00	—	Industrial	Due to expire on 22/06/2054	Penshan Panva Gas Co., Ltd. (彭山百江燃氣有限公司)
24g-1.	(2005) 1770	South Section of Pengzu Avenue, Fengming Town, Pengshan County, Meishan, Sichuan Province	Granted	32.09	—	Commercial service	Due to expire on 09/08/2045	Pengshan Panva Gas Co., Ltd. (彭山百江燃氣有限公司)
	P01 (091009409)	Ziwei Road, Fengming Town, Pengshan County, Meishan, Sichuan Province	—	—	160.47	Commercial	—	Pengshan County Natural Gas Company (彭山縣天燃氣公司)
24h-1.	(2005) 1768	Yingbin Road, Lingshi Town, Pengshan County, Meishan, Sichuan Province	Granted	13.14	—	Commercial service	Due to expire on 24/11/2044	Pengshan Panva Gas Co., Ltd. (彭山百江燃氣有限公司)
	P01 (091021486)	Xincun South Road, Fengming Town, Pengshan County, Meishan, Sichuan Province	—	—	78.83	Commercial	—	Pengshan County Natural Gas Company (彭山縣天燃氣公司)
24h-2.	(2005) 1769	Yingbin Road, Lingshi Town, Pengshan County, Meishan, Sichuan Province	Granted	7.51	—	Commercial service	Due to expire on 24/11/2044	Pengshan Panva Gas Co., Ltd. (彭山百江燃氣有限公司)
	P01 (091021487)	Xincun South Road, Fengming Town, Pengshan County, Meishan, Sichuan Province	—	—	45.04	Commercial	—	Pengshan County Natural Gas Company (彭山縣天燃氣公司)
24i.	(2005) 1771	North Section of Pengzu Avenue, Fengming Town, Pengshan County, Meishan, Sichuan Province	Granted	688.75	—	Public facility	Due to expire on 09/08/2055	Pengshan Panva Gas Co., Ltd. (彭山百江燃氣有限公司)
	Total			**21,062.63**	**3,746.78**			

(2) According to 10 Certificates for Use of State-owned Land in Note (1), the land use rights of the property, comprising a total site area of 21,062.63 sq.m., has been granted or allocated to Pengshan County Natural Gas Company (彭山縣天燃氣公司) and Pengshan Panva Gas Co., Ltd.

Remark:

As advised by the Group, Pengshan County Natural Gas Company (彭山縣天燃氣公司) is the previous name of Pengshan Panva Gas Co., Ltd. before its restructuring. However, applications regarding changes of title of some of these certificates to Pengshan Panva Gas Co., Ltd have not yet been completed.

(3) According to 8 Building Ownership Certificates in Note (1), the building ownership of the property, comprising a total gross floor area of 3,746.78 sq.m. is vested in Pengshan County Natural Gas Company (彭山縣天燃氣公司).

Remark:

As advised by the Group, Pengshan County Natural Gas Company (彭山縣天燃氣公司) is the previous name of Pengshan Panva Gas Co., Ltd. before its restructuring. However, applications regarding changes of title of these certificates to Pengshan Panva Gas Co., Ltd have not yet been completed.

(4) We have attributed no commercial value to all property interests held by Pengshan Panva Gas Co., Ltd. Except plots of granted land with a total site area of 13,818.07 sq.m. For indicative purpose, the total capital value of such property interests in existing state as at the date of valuation was RMB3,150,000 assuming all relevant title certificates have been obtained.

As advised by the Group, the costs of acquisition of the property in 2005 was about RMB8,220,000.

(5) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Pengshan Panva Gas Co., Ltd. advises that they have obtained the allocated/granted land use rights of the land of the property by virtue of obtaining the Certificates for Use of State-owned Land (which are registered in the previous name of Pengshan Panva Gas Co., Ltd. before its restructuring from whom Pengshan Panva Gas Co., Ltd. acquired property interests), with a total site area of 21,062.63 sq.m. for industrial/commercial/office/residential/warehouse/public facility/garage/duty room uses. Pengshan Panva Gas Co., Ltd. may have title problem on the said land if the title is not transferred in their name. Except plots of granted land with a total site area of 13,818.07 sq.m..

(ii) Pengshan Panva Gas Co., Ltd. advises that they have obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificates (which are registered in the previous name of Pengshan Panva Gas Co., Ltd. before its restructuring from whom Pengshan Panva Gas Co., Ltd. acquired property interests) with a total gross floor area of 3,746.78 sq.m. Pengshan Panva Gas Co., Ltd. may have title problem on the said buildings if the title is not transferred in their name.

(iii) The current use of the property complies with the approved use.

The land of Certificate Nos. (2005) 1728 and (2005) 391 and Building Ownership Certificate No. 091009409 are subject to a mortgage in favour of China Industrial and Commerce Bank Pengshan Branch for a term from September 1, 2002 to December 30, 2004.

The land of Certificate No. (2005) 1770 and Building Ownership Certificate No. P01-091009409 are subject to a mortgage in favour of China Industrial and Commerce Bank Pengshan Branch for a term from September 1, 2002 to December 30, 2004. The remaining portions of the property are free from mortgage and other party's interest.

(iv) Pengshan Panva Gas Co., Ltd. is entitled to occupy and use the property. Change of title name to Pengshan Panva Gas Co., Ltd. has not been completed. Except plots of granted land with a total site area of 13,818.07 sq.m..

(v) According to Business Licence No. 002513, Pengshan Panva Gas Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB9,000,000 and an operation period from June 1, 2005 to May 31, 2035.

(vi) According to the Equity Joint Venture Contract

Joint Venture Company: Pengshan Panva Gas Co., Ltd.

Party A: Panriver Investments Company Limited

Party B: Yonghe Gas Co., Ltd. (永和燃氣有限公司)

Profit Sharing: Party A: 70%
Party B: 30%

(6) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land (in previous name of Pengshan Panva Gas Co., Ltd. from whom Pengshan Panva Gas Co., Ltd. acquired property interests)	Yes (Granted/Allocated Land)
Certificate for Use of State-owned Land (in name of Pengshan Panva Gas Co., Ltd.)	Yes (Granted)
Building Ownership Certificate (in previous name of Pengshan Panva Gas Co., Ltd. from whom Pengshan Panva Gas Co., Ltd. acquired property interests)	Yes
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
25.	Property interests held by Pan River Gas (Zunyi) Co., Ltd.	The property comprises a level 2 and a level 1 of 2 flat units completed in 2000. The property comprises a total gross floor area of 474.36 sq.ft. (5,106 sq.m.). The land use rights of the property is not specified.	The property is occupied by the Group as office/ staff quarters uses.	No commercial value

Notes:

(1) According to 2 Building Ownership Certificates, the building ownership of the property, comprising a total gross floor area of 474.36 sq.m. is vested in Pan River Gas (Zunyi) Co., Ltd. with details as follows:

	Cert. No.	Location	Gross Floor Area (sq.m.)	No. of Storeys	Use
1.	00060174	2nd Floor, Block D, Minxin Commercial Podium, Haier Avenue, Honghuagang District, Zunyi, Guizhou Province	349.20	9	Office
2.	00060181	1st Floor, Block D, Minxin Commercial Podium, Haier Avenue, Honghuagang District, Zunyi, Guizhou Province	125.16	9	Residential
Total			**474.36**		

As advised by the Group, the cost of acquisition of the property in 2002 was about RMB800,000.

We have attributed no commercial value to all property interests held by Pan River Gas (Zunyi) Co., Ltd. as no Certificate for Use of State-owned Land has been provided. For indicative purpose, the total capital value of such property interests in existing state as at the date of valuation was RMB651,000 assuming all relevant title certificates have been obtained.

(2) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) Pan River Gas (Zunyi) Co., Ltd. has obtained the building ownership of the property by virtue of obtaining the Building Ownership Certificate with a total gross floor area of 474.36 sq.m. Pan River Gas (Zunyi) Co., Ltd. is entitled to occupy, use the building.

(ii) The property is free from mortgage and other party's interest.

(iii) According to Business Licence No. 000877, Pan River Gas (Zunyi) Co., Ltd. has been legally established as a PRC limited liability company with a registered capital of RMB4,200,000 and an operation period from June 5, 2002 to June 5, 2032.

(3) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	No
Building Ownership Certificate	Yes
Business Licence	Yes
Joint Venture Contract	N/A

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
26.	Property interests held by Pan River Gas (China Southwest) Co., Ltd.	The property comprises 2 plots of leased land and various buildings completed in 1993. The leased land portion of the property comprises a total site area of 28,125.3 sq.m. (302,741 sq.ft.), while the building portion of the property comprises a total gross floor area of 3,177.18 sq.m. (34,199 sq.ft.).	The property is occupied by the Group as LPG storage station use.	No commercial value

Notes:

(1) As advised by the Group, no title document of the property is available for the building portion. The land portion of the property is leased to the Group (see note 4 (i) below).

(2) As advised by the Group, the costs of acquisition of the building portion of the property in 2004 was about RMB190,000.

(3) We have attributed no commercial value to the building portion of the property. For indicative purpose, the total capital value of the building portion of the property in existing state as at the date of valuation was RMB916,000 assuming all relevant title certificates have been obtained.

(4) The opinion of the Group's PRC legal adviser states, inter alia, that:

(i) The land situated at Niulongguan, Guiyang, Guizhou is leased to Pan River Gas (China Southwest) for a term due to expire on August 31, 2008 at a monthly rent of RMB7,275.

The other land situated, at Electricity Pole Factory, North Gate, Pingba County, Guiyang, Guizhou Province, is leased to Pan River Gas (China Southwest) Co., Ltd. for a term of 10 years from June 18, 2003 at an annual rent of RMB 20,000 for the first two years. The rent review is subject to further agreement between the landlord and Pan River Gas (China Southwest) Co., Ltd.

(ii) The Building Ownership Certificate cannot be obtained for the buildings of a total gross floor area of 3,177.18 sq.m.

(iii) According to Business Licence No. 000315, Pan River Gas (China Southwest) Co., Ltd. has been legally established as a sino-foreign equity joint venture company with a registered capital of RMB16,000,000 and an operating period from December 25, 1998 to December 24, 2028.

(iv) According to the Equity Joint Venture Contract

Joint Venture Company: Pan River Gas (China Southwest) Co., Ltd.

Party A: Guiyang Gas Company
Party B: Panriver Investments Company Limited

Profit Sharing: Party A: 49.9%
Party B: 50.1%

(5) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	No (Leased Land)
Building Ownership Certificate	No
Business Licence	Yes
Joint Venture Contract	Yes

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Group in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at August 31, 2005
27.	Property interests held by Zhongjiang Pingan Petroleum and Gas Limited Liability Company (中江縣平安油氣有限責任公司)	The property comprises a plot of land with a total site area of 2,691.37 sq.m. (28,970 sq.ft.). Certain structures for gas supply erected on site are excluded from our valuation. The land use rights of the property has been granted to Zhongjiang Pingan Petroleum and Gas Limited Liability Co. for a term due to expire on October 30, 2048 for gas supply station use.	The property is currently occupied by the Group as gas supply station use.	RMB320,000 (55% interest attributable to the Group RMB176,000)

Notes:

(1) The Certificate for Use of State-owned Land and the Building Ownership Certificate for the property interests held by Zhongjiang Pingan Petroleum and Gas Limited Liability Company are summarized as follows:

	Cert. No.	Location	Nature of Land Use Rights	Site Area (sq.m.)	Gross Floor Area (sq.m.)	Uses	Land Use Term	Owner
27a.	(2004) 010	Next to Costume City, Haoshen Avenue, Haijiang Town, Sichuan Province	Granted	2,691.37	—	Gas supply station	Due to expire on 30/10/2048	Zhongjiang Pingan Petroleum and Gas Limited Liability Company (中江縣平安油氣有限責任公司)
	Total			**2,691.37**				

(2) According to a Certificate for Use of State-owned Land in Note (1), the land use rights of the property, comprising a total site area of 2,691.37 sq.m., has been granted to Zhongjiang Pingan Petroleum and Gas Limited Liability Company.

As advised by the Group, the costs of acquisition of the property in 2004 was about RMB300,000.

(3) The opinion of the Group's PRC legal adviser states, *inter alia*, that:

(i) Zhongjiang Pingan Petroleum and Gas Limited Liability Company (中江縣平安油氣有限責任公司) has obtained the land use rights of the property for a term to be expired on October 30, 2048, by virtue of obtaining the Certificate for Use of State-owned Land, with site area of 2,691.37 sq.m. for gas supply station use. Zhongjiang Pingan Petroleum and Gas Limited Liability Company is entitled to occupy, use, transfer, mortgage and lease the land. The land premium has been fully settled.

(ii) The current use of the land complies with the approved use.

(iii) According to Business Licence No. 5106231816051, Zhongjiang Pingan Petroleum and Gas Limited Liability Company has been legally established as a PRC limited liability company with a registered capital of RMB3,000,000.

(4) In accordance with the information provided by the Group and the aforesaid legal opinion, the status of the title and grant of major approvals and licences are as follows:

Certificate for Use of State-owned Land	Yes
Business Licence	Yes

Group II — Property interests leased by the Group in the PRC

	Property	Description and tenancy particulars	Capital value in existing state as at August 31, 2005
1-268	Various properties leased by the Group in 9 Provinces in the PRC	The properties comprise 268 premises completed in 1976 to 2004 for use as industrial complexes, LPG storage stations, offices, garage, staff quarters and retail shops located in 9 Provinces (Anhui, Hunan, Shandong, Sichuan, Jiangsu, Guizhou, Yunnan, Liaoning and Guangdong).	No commercial value

Details of the total gross floor area of the properties are as follows:

Use	Total gross floor area sq.m.	Site area sq.m.
Industrial Complex	15,683	118,959
LPG Storage Stations	1,379.54	66,575.13
Offices	3,685.09	—
Garage	43	—
Staff Quarters	252.72	—
Retail Shops	13,626.11	3,950
Total:	34,669.46	189,484.13

The properties are leased to the Group under various tenancy agreements for different terms with the latest tenancy due to expire in 2020 at a total monthly rent of approximately RMB550,000.

Note:

(1) The opinion of the Group's PRC legal adviser states, inter alia that:

(i) The Group has not been provided with any building ownership certificate and these leases have not been registered with the local administration. The tenancy agreements comply with the relevant PRC law and are binding on both parties of the tenancy agreements. The Group is advised to register the tenancy agreements or the real estate administration department may require the procedures of registration be proceeded and impose penalty.

Group III — Property interest leased by the Group in Hong Kong

	Property	Description and tenancy particulars	Capital value in existing state as at August 31, 2005
1.	Portion of 28th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Central, Hong Kong	The property comprises a portion of the 28th level of a 34-storey commercial building plus a basement completed in 1987. The property has a gross floor area of approximately 92.90 sq.m. (1,000 sq.ft.) and is currently occupied by the Group for office purpose. The property is currently leased to the Group for a term of 1½ years from July 1, 2004 to December 31, 2005 at a rental of HK$24,650, exclusive of rates and management fees.	No commercial value

Set out below is a summary of certain provisions of the Memorandum of Association and the Articles of Association and of certain aspects of the Companies Law.

I. SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. Memorandum of Association

The Memorandum of Association was adopted on April 4, 2001 and states, *inter alia*, that the liability of members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VIII in the section headed "Documents available for inspection".

2. Articles of Association

The new articles of association of the Company (the "New Articles") will be put before the Shareholders at the Extraordinary General Meeting and will include provisions to the following effect:

(i) Classes of shares

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date hereof is, and at the date of adoption of the New Articles will be HK$200,000,000 divided into 2,000,000,000 Shares of HK$0.10 each.

(ii) Directors

(a) *Power to allot and issue shares*

Subject to the provisions of the Companies Law and the Memorandum of Association and the New Articles, the unissued shares (whether forming part of the Company's original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the New Articles and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) ***Power to dispose of the assets of the Company or any subsidiary of the Company***

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the New Articles expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the New Articles or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the New Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the New Articles, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) ***Compensation or payment for loss of office***

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) ***Loans to Directors***

There are provisions in the New Articles prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Law.

(e) ***Financial assistance to purchase shares***

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) ***Disclosure of interest in contracts with the Company or any of its subsidiaries***

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates, to the knowledge of such Director, has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(1) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(2) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(3) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(4) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates is/are not in aggregate, beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;

(5) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to the Directors, any of their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(C) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

The Company may by ordinary resolution ratify any transaction not duly authorised by reason of a contravention of provisions in the New Articles relating to the interests of Directors and their associates provided that no Director or any of his associates who is materially interested in such transaction shall vote upon such ordinary resolution in respect of any shares in the Company in which he/they is/are interested.

(g) ***Remuneration***

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) ***Retirement, appointment and removal***

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at that meeting.

The Company may by special resolution remove any Director (including a managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the New Articles or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(1) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(2) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(3) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(4) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(5) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the New Articles;

(6) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office; or

(7) if he shall be removed from office by a special resolution of the members of the Company under the New Articles.

Notwithstanding any contractual or other terms on which any Director may be appointed or engaged or any other provisions in the New Articles, at every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) will be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) ***Borrowing powers***

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

(j) ***Proceedings of the Board***

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(iii) **Alteration to constitutional documents**

Subject always to the Companies Law, no alteration or amendment to the Memorandum of Association or the New Articles may be made except by special resolution.

(iv) **Variation of rights of existing shares or classes of shares**

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the New Articles relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person(or in the case of corporation, by its duly authorised representative) or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(v) **Alteration of capital**

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and

(c) sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Companies Law.

(vi) **Special resolution - majority required**

A "special resolution" is defined in the New Articles to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy or in the case of a corporation by their duly authorised representative at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the New Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the New Articles and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

(vii) **Voting rights (generally, on a poll and right to demand a poll)**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where the Company has knowledge that any member of the Company is, under any applicable laws and the Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the New Articles or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands 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 or otherwise required under the Listing Rules. 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 in the case of a corporation, by its duly authorised representative) or by proxy and entitled to vote; or

(c) any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meetings; or

(d) any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) 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.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

(viii) **Annual general meetings**

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

(ix) **Accounts and audit**

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting be sent at the same time as notices may be served by the Company as provided in the New Articles to every member of the Company and every holder of debentures of the Company, provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(x) **Notice of meetings and business to be conducted thereat**

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the New Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(a) the declaration and sanctioning of dividends;

(b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;

(c) the election of Directors in place of those retiring;

(d) the appointment of auditors;

(e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

(f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and

(g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

(xi) **Transfer of shares**

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve, which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such sum as the Directors may from time to time determine but subject to the maximum amount as the Stock Exchange may from time to time determine to be payable is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the New Articles, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

(xii) **Power of the Company to purchase its own shares**

The Company is empowered by the Companies Law and the New Articles to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission.

(xiii) **Power of any subsidiary of the Company to own shares**

There are no provisions in the New Articles relating to the ownership of shares by a subsidiary.

(xiv) **Dividends and other methods of distributions**

Subject to the Companies Law and New Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

(xv) **Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(xvi) **Calls on shares and forfeiture of shares**

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

(xvii) **Inspection of register of members**

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the New Articles be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

(xviii) **Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the New Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph (iv) above.

(xix) **Rights of minorities in relation to fraud or oppression**

There are no provisions in the New Articles concerning the rights of minority shareholders in relation to fraud or oppression.

(xx) **Procedure on liquidation**

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

(xxi) **Untraceable members**

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the New Articles, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

II. SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 16, 2000 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3. Share capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(iv) writing-off the preliminary expenses of the company;

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(vi) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for further details).

5. **Shareholders' suits**

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (i) an act which is *ultra vires* the company or illegal; (ii) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company; and (iii) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. **Protection of minorities**

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. **Disposal of assets**

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. **Accounting and auditing requirements**

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(ii) all sales and purchases of goods by the company; and

(iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. Register of members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. Inspection of books and records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. Special resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12. Subsidiary owning shares in parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75 per cent. in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court of the Cayman Islands is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

14. **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

15. **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

16. **Liquidation**

A company is placed in liquidation either by an order of the court or by a special resolution (or, in certain circumstances, an ordinary resolution) of its members. A liquidator is appointed whose duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

17. **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

18. **Taxation**

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor in Cabinet:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax to be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(a) on or in respect of the shares, debentures or other obligations of the Company; or

(b) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concession Law (1999 Revision).

The undertaking is for a period of twenty years from December 5, 2000.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

19. **Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

20. **General**

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VIII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

I. CONVERTIBLE BONDS

The principal terms of the Convertible Bonds of US$1,000 each in the aggregate principal amount of US$50,000,000 which were issued by the Company pursuant to a subscription agreement dated April 10, 2003 entered into between the Company and Morgan Stanley & Co. International Limited are summarized as follows:

Issuer:	the Company
Lead manager and sole bookrunner:	Morgan Stanley & Co. International Limited
Principal amount of the Convertible Bonds:	The aggregate principal amount of the Convertible Bonds was US$50,000,000 (approximately HK$390,000,000) (the "Principal Amount").
Form and denomination:	The Convertible Bonds were originally issued in registered form in the minimum denomination of US$1,000. The Convertible Bonds were offered, sold, transferred, converted and redeemed in a principal amount of US$1,000 or an integral multiple thereof. Convertible Bonds which were offered and sold in reliance on Regulation S under the US Securities Act of 1933 (as amended) are represented by beneficial interests in the Global Certificate (the "Global Certificate"), which are registered in the name of a nominee of, and deposited on or about the Closing Date (as defined below) with a common depositary for, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificate are shown on, and transfers thereof are effected only through, records maintained by Euroclear and Clearstream, Luxembourg and their participants.
Closing date:	April 23, 2003 (the "Closing Date")
Maturity date:	April 23, 2008
Issue price:	100% of the Principal Amount
Interest:	2% per annum, payable semi-annually in arrear on April 23 and October 23 in each year commencing October 23, 2003 (each an "Interest Payment Date").

Conversion rights:	The Convertible Bonds may be converted into Shares at the option of the holders of Convertible Bonds (the "Convertible Bondholders") at any time from and including June 7, 2003 up to and including April 9, 2008 or, if the Convertible Bonds shall have been called for redemption before April 9, 2008, up to the date seven business days prior to the date fixed for redemption thereof ("Conversion Rights"). The number of Shares to be issued on conversion of a Convertible Bond will be determined by dividing the principal amount of the Convertible Bond to be converted (translated into Hong Kong dollars at the fixed rate of HK$7.80 = US$1.00) by the Conversion Price (as defined below).
Conversion period:	June 7, 2003 to April 9, 2008 (both days inclusive) or if such Convertible Bond shall have been called for redemption before April 9, 2008, then to the date seven business days prior to the date fixed for redemption.
Conversion Price:	The initial conversion price is HK$3.9169 per Share with a fixed rate of exchange on conversion of HK$7.80 = US$1.00. The conversion price ("Conversion Price") will be subject to adjustment for, amongst other things, subdivision or consolidation of Shares, bonus issues, rights issues and other dilutive events, more particularly set out in this Appendix.
Conversion Shares:	The Shares issued upon conversion of the Convertible Bonds will in all respects rank *pari passu* with the Shares in issue on the date the person or persons designated for the purpose in the conversion notice is/are registered as such in the Company's register of members.
Redemption on maturity:	Unless previously redeemed, converted or purchased and cancelled as provided in the terms and conditions of the Convertible Bonds as provided in the Trust Deed (as defined below) (the "Terms and Conditions"), the Company will redeem each Convertible Bond at 108.119% of its principal amount on the Maturity Date. Interest shall also be due and payable on such date in accordance with the Terms and Conditions. The Company may not redeem the Convertible Bonds at its option prior to that date except upon the occurrence of the circumstances provided under the headings "Redemption at the option of the Company" and "Redemption for taxation reasons" below (but without prejudice to events of default as provided in the Terms and Conditions).

Redemption at the option of the Company:

The Company may, having given not less than 30 days' but not more than 60 days' notice to the Convertible Bondholders, at its option at any time on or after April 23, 2005, redeem all or some only of the Convertible Bonds from time to time, at their Early Redemption Amount (as defined below), if the closing price of the Shares, translated into US dollars at the prevailing rate, for each of any 20 dealing days within a period of 30 consecutive dealing days, the last day of which period occurs no more than five dealing days prior to the date upon which notice of such redemption is given, is a price such that the value of the aggregate number of Shares deliverable on conversion of one Convertible Bond on such dealing day is at least 120% of the Early Redemption Amount in respect of one Convertible Bond applicable on the day such notice is given.

In addition, the Company may at any time on or after June 7, 2003, having given not less than 30 days' but not more than 60 days' notice to the Convertible Bondholders, at its option at any time, redeem all (but not some only) of the Convertible Bonds at their Early Redemption Amount, in US dollars, if at least 90% of the principal amount of the Convertible Bonds has already been converted or redeemed or repurchased and cancelled.

Redemption at the option of the Convertible Bondholders:

Each Convertible Bondholder may on April 23, 2006 require the Company to redeem all or some only of such Convertible Bondholder's Convertible Bonds at 104.702% of the principal amount of each such Convertible Bond.

Redemption for taxation reasons:

The Company may at any time redeem all (but not some only) of the Convertible Bonds at their Early Redemption Amount in the event of certain changes in Cayman Islands, Hong Kong or PRC taxation.

Early Redemption Amount:

The early redemption amount ("Early Redemption Amount") in respect of a Convertible Bond shall be its principal amount plus an amount of premium determined in accordance with the following formula: US$1,000 x 0.08119 x (Days elapsed/1,800) where "Days elapsed" means the number of days from, and including, the Closing Date to, but excluding, the date for redemption, or as the case may be, the date on which such Convertible Bond became due and payable due to an event of default as provided in the Terms and Conditions, calculated on the basis of a year of 360 days consisting of 12 months of 30 days each, and, in the case of an incomplete month, the number of days elapsed.

Interest upon redemption:	Upon redemption of a Convertible Bond, interest will be payable on the redemption date of such Convertible Bond in addition to the Early Redemption Amount due and payable on such date in respect of such Convertible Bond. If such redemption date falls on or after the interest record date (being the 15th day before the due date for the payments of principal and interest on the Convertible Bonds due on an Interest Payment Date) (the "Interest Record Date") immediately preceding the relevant Interest Payment Date and on or prior to such Interest Payment Date, interest will be paid in arrear on such Interest Payment Date. If the date for redemption of such Convertible Bond falls prior to the Interest Record Date in the relevant Interest Period, interest accrued to such redemption date will be payable on such date.
Status:	The Convertible Bonds are direct, unconditional, unsubordinated and unsecured debt obligations, ranking pari passu among themselves and, subject to the Company's negative pledge covenant, at least equally with all the Company's other present and future unsecured and unsubordinated obligations.
Governing law:	English law
Trustee:	DB Trustees (Hong Kong) Limited (the "Trustee")
Trust Deed:	The trust deed entered into by the Company and the Trustee on April 23, 2003 ("Trust Deed").
Negative pledge:	So long as any Convertible Bond remains outstanding, the Company will not create or permit to subsist, and the Company will procure that no subsidiary creates or permits to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any bonds, debentures, notes or other investment securities with a maturity of not less than one year which are for the time being, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange, quotation system or over-the-counter market or other securities market outside Hong Kong (the "International Investment Securities") or to secure any guarantee of or indemnity in respect of any International Investment Securities unless, at the same time or prior thereto, the Company's obligations under the Convertible Bonds and the Trust Deed (i) are secured equally and rateably therewith to the satisfaction of the Trustee; or (ii) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Convertible Bondholders or as shall be approved by an Extraordinary Resolution (as described in the Trust Deed) of the Convertible Bondholders.

Listing:	The Company has obtained approval for the listing of the Convertible Bonds on the Luxembourg Stock Exchange. The approval for the listing of the Shares upon conversion of the Convertible Bonds on the GEM was granted on April 22, 2003. The Company has also obtained the approval for the listing of any Shares upon conversion of the Convertible Bonds on the Main Board pursuant to the Introduction.
Undertakings:	The Company has undertaken in the Trust Deed that so long as any Conversion Rights remain exercisable it will use all reasonable endeavors (i) to maintain a listing for all the issued Shares on GEM; (ii) to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights attaching to the Convertible Bonds on the GEM; and (iii) if the Company is unable to obtain or maintain such listing, to obtain and maintain a listing for all the Shares issued on the exercise of the Conversion Rights on any other stock exchanges (each an "Alternative Stock Exchange") as the Company may from time to time (with the written consent of the Trustee) determine and will forthwith give notice to the Convertible Bondholders in accordance with the Terms and Conditions of the listing or delisting of the Shares (as a class) by any of such stock exchanges.

The Conversion Price will be subject to adjustment in certain events as provided in the Terms and Conditions, a summary of which is set out below:

(i) any alteration to the par value of the Shares as a result of consolidation, subdivision or reclassification;

(ii) the issue of Shares by the Company credited as fully paid to Shareholders (as defined in the Trust Deed) by way of capitalization of profits or reserves (including any share premium account), including Shares paid up out of distributable profits or reserves and/or share premium account, save where the Shares are issued in lieu of the whole or any part of a specifically declared cash dividend (a "Scrip Dividend"), being a dividend which the Shareholders concerned would otherwise have received in cash and where the Market Value (as defined below) of such Shares does not exceed such declared cash dividend and so long as such declared dividend does not constitute a Capital Distribution (as defined below);

(iii) the making or payment of a capital distribution or other distribution to the holders of Shares of (a) evidences of indebtedness of the Company, (b) capital stock (other than Shares) of the Company, (c) assets (other than annual or interim dividends in cash not constituting a Capital Distribution) or (d) options, rights or warrants to subscribe for or purchase Shares or securities (a "Capital Distribution");

(iv) the issue of Shares to all or substantially all Shareholders as a class by the Company by way of rights, or issue or grant to all or substantially all Shareholders as a class, by way of rights, of options, warrants or other rights to subscribe for or purchase any Shares, in each case at less than 95% of the Current Market Price (as defined below) per Share on the last dealing day preceding the date of the announcement of the terms of such issue or grant;

(v) the issue of any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares) to all or substantially all Shareholders as a class by the Company, by way of rights, or the grant to all or substantially all Shareholders as a class, by way of rights, of any options, warrants or other rights to subscribe for or purchase any securities (other than Shares or options, warrants or other rights to subscribe or purchase Shares);

(vi) the issue (otherwise than as mentioned in sub-paragraph (iv) above) by the Company wholly for cash of any Shares (other than Shares issued on the exercise of Conversion Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, Shares) or the issue or grant of (otherwise than as mentioned in sub-paragraph (iv) above) options, warrants or other rights to subscribe or purchase Shares in each case at a price per Share which is less than 90% of the Current Market Price on the last dealing day preceding the date of announcement of the terms of such issue;

(vii) save in the case of an issue of securities arising from a conversion or exchange of other securities in accordance with the terms applicable to such securities themselves falling within the provisions of this sub-paragraph (vii), the issue wholly for cash by the Company or any subsidiary (otherwise than as mentioned in sub-paragraph (iv), (v) or (vi) above) or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other company, person or entity of any securities (other than the Convertible Bonds) which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than 90% of the Current Market Price on the last dealing day preceding the date of announcement of the terms of issue of such securities;

(viii) any modification of the rights of conversion, exchange or subscription attaching to any such securities as are mentioned in sub-paragraph (vii) above (other than in accordance with the terms applicable to such securities) so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is less than 95% of the Current Market Price on the last dealing day preceding the date of announcement of the proposals for such modification;

(ix) the issue, sale or distribution by or on behalf of the Company or any subsidiary or (at the direction or request of or pursuant to any arrangements with the Company or any subsidiary) any other company, person or entity of any securities in connection with an offer by or on behalf of the Company or any subsidiary or such other company, person or entity pursuant to which offer the Shareholders generally (meaning for these purposes the holders of at least 60% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under any of sub-paragraphs (iv), (v), (vi) and (vii) above); and

(x) if the Company determines (with the prior written approval of the Trustee) that an adjustment should be made to the Conversion Price as a result of one or more events or circumstances not referred to in sub-paragraphs (i) to (x), the Company shall at its own expense request the auditors for the time being of the Company or, in the event of their being unable or unwilling to carry out any action requested of them pursuant to the terms of the Trust Deed, such other firm of certified accountants of internationally recognized standing as the Trustee may in writing nominate or approve for the purpose (the "Auditors"), to determine (acting as experts) as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Conversion Price, and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination,

provided that where the circumstances giving rise to any adjustment pursuant to the sub-paragraphs (i) to (x) have already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of circumstances which have already given rise or will give rise to an adjustment to the Conversion Price, such modification (if any) shall be made to the operation of the provisions of the sub-paragraphs (i) to (x) as may be advised by the Auditors to be in their opinion appropriate to give the intended result. If any adjustment is required to be made as set forth in sub-paragraph (iii) above as a result of a distribution that is a cash dividend, such adjustment shall be based upon the amount by which such distribution exceeds the amount of the cash dividend permitted to be excluded pursuant to such sub-paragraph (iii).

On any adjustment, the resultant Conversion Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than 1% of the Conversion Price then in effect. Any adjustment not required to be made, and any amount by which the Conversion Price has not been rounded down, shall be carried forward and taken into account in any subsequent adjustment. Notice of any adjustment shall be given to the holders of the Convertible Bonds in accordance with the terms of the Trust Deed as soon as practicable after the determination thereof.

The Conversion Price may not be reduced so that, on conversion of Convertible Bonds, Shares would fall to be issued at a discount to their par value.

Where more than one event which gives or may give rise to an adjustment to the Conversion Price occurs within such a short period of time that in the opinion of the Auditors the foregoing provisions would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by the Auditors to be in their opinion appropriate in order to give such intended result.

No adjustment will be made to the Conversion Price when Shares or other securities (including rights or options) are issued, offered or granted to employees (including directors) of the Company or any subsidiary of the Company pursuant to any Share Option Scheme (as defined in the Trust Deed) (and which Share Option Scheme is in compliance with the listing rules of GEM or, if applicable, those of an Alternative Stock Exchange).

No adjustment involving an increase in the Conversion Price will be made, except in the case of a consolidation of the Shares as referred to in sub-paragraph (i) above.

For the purposes of this Appendix:

(i) "Capital Distribution" means any cash dividend, distribution of cash, distribution of assets in specie or payment on redemption, or for the purchase, of, capital stock of the Company made by the Company for any fiscal year which:

(a) exceeds (when taken together with all dividends, distributions by the Company of cash or assets and payments on redemption, or for the purchase, of capital stock previously made in respect of such fiscal year) the amount shown below in respect of such fiscal year as a percentage of the market capitalization of the Company on the date that the Shareholders approve the making of such dividend or distribution; and

Fiscal year ending on	Dividend
December 31, 2003	2.00%
December 31, 2004	3.00%
December 31, 2005	5.00%
December 31, 2006	5.00%
December 31, 2007	5.00%
December 31, 2008	5.00%

(b) exceeds 130% of (when taken together with all other dividends or distributions by the Company of cash or assets and payments on redemption, or for the purchase, of capital stock made or paid in respect of such fiscal year) the aggregate amount of dividends (excluding stock dividends) and distributions on such class of capital charged or provided for in the Company's accounts for the immediately preceding fiscal year and has a value of more than 150% of the average of all dividends and distributions made by the Company in the two fiscal years prior to the announcement of such dividend or distribution, and in computing such amounts, the value of such dividends and distributions and adjustments as are in the opinion of the Auditors appropriate to the circumstances shall be taken into account; and

(c) if any such payment is a payment on redemption, or for the purchase, of capital stock of the Company, the average price (before expenses) in any one day in respect of such purchase or redemption exceeds by more than 5% the Current Market Price either (1) on that day; or (2) in a situation in which an announcement has been made of the intention to purchase or redeem Shares at some future date at a specified price, on the dealing day immediately preceding the date of such announcement.

(ii) "Current Market Price" means in respect of a Share at a particular date the average of the closing prices published in GEM's daily quotations sheet (the "Daily Quotations Sheet") for shares traded on the GEM which is available at the GEM's website at *www.hkgem.com* (or the equivalent quotations sheet of an Alternative Stock Exchange, as the case may be) for one Share (assuming a transaction in a board lot) for the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five dealing days the Shares shall have been quoted ex-dividend and during some other part of that period the Shares shall have been quoted cum-dividend then:

(a) if the Shares to be issued or purchased do not rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share; and

(b) if the Shares to be issued or purchased rank for the dividend in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the amount of that dividend per Share;

and provided further that if the Shares on each of the said five dealing days have been quoted cum-dividend in respect of a dividend which has been declared or announced but the Shares to be issued or purchased do not rank for that dividend, the quotations on each of such dates shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the amount of that dividend per Share.

(iii) A "dealing day" means a day when the GEM (or such other stock exchange on which the Shares may have their primary listing, as the case may be) is open for business.

(iv) "Market Value" means, in relation to a Scrip Dividend, the price or value per Share stated in or calculated in accordance with the provisions of the circular or other document relating to the relevant Scrip Dividend issued by the Company to the Shareholders and used for the purpose of determining the nominal amount of Shares to be issued by way of such Scrip Dividend but, if no such price or value per Share is so stated or calculated or if such price or value per Share as so stated or calculated was not determined or calculated as being the average of the closing price(s) of the Shares as derived from the Daily Quotations Sheet of the GEM or the equivalent quotation sheet of an Alternative Stock Exchange on one or more dealing days during the period commencing 35 days prior to and ending 10 days after the date of such circular or other document, "Market Value" shall mean the Current Market Price per Share on the date on which such Scrip Dividend is announced.

II. KENSON NOTE

The principal terms of the Kenson Note are summarized as follows:

Issuer:	Kenson
Guarantor:	Sinolink and Enerchina *(Note)*
Date of issue:	November 1, 2004
Subscriber:	Hutchison International Limited, a wholly-owned subsidiary of Hutchison Whampoa Limited
Principal amount:	HK$62,500,000
Interest:	2% per annum, payable semi-annually in arrears
Exchange price:	HK$3.25 (subject to adjustments) per Share
Maximum exchange amount:	Not less than HK$1,000,000 per conversion on each exchange
Maturity date:	Second anniversary of the date of issuance of the Kenson Note where any unexchanged portion of the Kenson Note will be redeemed at its principal amount together with all interest accrued thereon
Transfer:	The Kenson Note is transferable in denominations of not less than HK$2,500,000
Listing:	No listing has been or will be sought for the Kenson Note

Note: By a supplemental deed dated as of June 2, 2005 entered into between Kenson, Sinolink, Enerchina and Hutchison International Limited, Enerchina agreed, *inter alia*, to become a joint and several guarantor with Sinolink in relation to the obligations under the Kenson Note.

I. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation

The Company was incorporated in the Cayman Islands in the name of Panva Holdings Limited under the Companies Law as an exempted company with limited liability on November 16, 2000. On March 22, 2001, the Company changed its name to Panva Gas Holdings Limited. 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. The Company was registered on January 12, 2001 as an oversea company in Hong Kong under Part XI of the Hong Kong Companies Ordinance, with Mr. Ou of 28th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and to its constitution which comprises the Memorandum of Association and the Articles of Association. A summary of various provisions of the Company's constitution and certain relevant aspects of the Companies Law are set out in Appendix V to this document.

2. Changes in the share capital of the Company

As at the Latest Practicable Date, the authorised share capital of the Company was HK$200,000,000 divided into 2,000,000,000 Shares and the issued share capital of the Company was HK$94,225,089.10 divided into 942,250,891 Shares fully paid or credited as fully paid, with 1,057,749,109 Shares remaining unissued.

The following changes in the issued share capital of the Company have taken place within the two years preceding the Latest Practicable Date:

(i) on December 9, 2003, the Company issued 169,491,525 Shares upon conversion of HK$100,000,000 convertible note by Supreme All at a conversion price of HK$0.59;

(ii) during the year ended December 31, 2003, 4,530,366 Shares were issued to the holders of the Convertible Bonds at the conversion price of HK$3.9169 for a total consideration of approximately HK$17,744,991;

(iii) on January 8, 2004, the Company issued 155,200,000 Shares pursuant to share placing and subscription agreements whereby Sinolink placed 155,200,000 existing Shares to independent investors at HK$4.00 per Share and subscribed for the same number of new Shares issued by the Company at the same price per Share; and

(iv) on January 6, 2004 and May 25, 2004, the Company issued 5,770,000 Shares and 2,183,000 Shares for cash at the exercise price of HK$0.475 and HK$0.94 per Share respectively as a result of the exercise of share options.

Other than pursuant to any options which have been granted under the Pre-GEM Listing Share Option Scheme and the Old GEM Share Option Scheme or pursuant to any options which may be granted under the New GEM Share Option Scheme and the Proposed Share Option Scheme, or pursuant to the exercise of power under the general mandate of the Directors to issue Shares if the same is approved by the Shareholders, or pursuant to the exercise of conversion rights under the Convertible Bonds, the Company has no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein, there has been no change in the share capital of the Company within the two years preceding the date of this document.

3. **Changes in the share capital/registered capital of subsidiaries and associated companies of the Company**

The Company's principal subsidiaries are referred to in the accountants' report of the Group, the text of which is set out in Appendix I to this document.

The following changes in the share capital/registered capital of the subsidiaries and associated companies of the Company have taken place within the two years preceding the date of this document:

(i) The registered capital of Panriver Investments was increased from US$30,000,000 to US$80,000,000 on October 9, 2004 and was further increased from US$80,000,000 to US$200,000,000 on March 11, 2005. As at the Latest Practicable Date, US$98,000,000 of the registered capital of Panriver Investments was fully and timely paid with the remainder to be paid before February 4, 2008.

(ii) Yangzhou Panva was incorporated on November 10, 2003 with a registered capital of RMB10,000,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(iii) Lezhi Panva was incorporated on December 22, 2003 with a registered capital of RMB6,960,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(iv) Jinan Panva was incorporated on February 27, 2004 with a registered capital of RMB100,000,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(v) Pingchang Panva was incorporated on May 8, 2004 with a registered capital of RMB4,900,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(vi) Dayi Panva was incorporated on June 8, 2004 with a registered capital of RMB3,300,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(vii) Yuechi Panva was incorporated on August 3, 2004 with a registered capital of RMB8,000,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(viii) Cangxi Panva was incorporated on October 27, 2004 with a registered capital of RMB8,000,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(ix) Foshan Panva was incorporated on November 3, 2004 with a registered capital of RMB83,800,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(x) Changchun Panva was incorporated on February 1, 2005 with a registered capital of RMB589,781,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(xi) Zhongjiang Panva was incorporated on March 29, 2005 with a registered capital of RMB8,000,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(xii) Jianyang Panva was incorporated on March 31, 2005 with a registered capital of RMB1,790,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(xiii) Pengshan Panva was incorporated on June 1, 2005 with a registered capital of RMB9,000,000 which has been fully and timely paid, with no alteration in its registered capital up to the Latest Practicable Date.

(ix) Panva LPG was incorporated on September 1, 2005 with an authorised share capital of US$50,000, with one share of US$1.00 issued to the Company on September 1, 2005.

Save as disclosed herein, there has been no change in the share capital/registered capital of the subsidiaries and associated companies of the Company within the two years preceding the date of this document.

4. **Information on the PRC entities within the Group**

(i)

Name:	Cangxi Panva
Nature:	WFOE
Legal representative:	Zhang Keyu (張克宇)
Registered capital:	RMB8,000,000 (fully and timely paid)
Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 100%
Term of the entity:	from October 27, 2004 to October 26, 2034

(ii)

Name:	Changchun Panva
Nature:	sino-foreign equity joint venture company
Legal representative:	Chen Wei (陳巍)
Registered capital:	RMB589,781,000 (fully and timely paid)
Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 48%
Name of the other joint venture partners and percentage of equity interest owned by the partners:	深圳市華孚能源投資有限公司 (Shenzhen Huafu Energy Investment Co., Ltd.*): 2% 長春市人民政府國有資產監督管理委員會 (Changchun Municipality State-owned Assets Administrative Bureau*): 50%
Term of the entity:	from February 1, 2005 to January 31, 2035

(iii)

Name:	Changde Panva
Nature:	sino-foreign equity joint venture company
Legal representative:	Sun Wu Ying (孫武英)

	Registered capital:	RMB6,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 70% Changsha Panva: 25%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	湖南省石油總公司常德市公司 (Hunan Oil Company Changde City Company*): 5%
	Term of the entity:	from October 26, 1998 to October 26, 2028
(iv)	Name:	Changsha Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Shen Lian Jin (沈聯進)
	Registered capital:	RMB40,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 60%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	Changling Refinery: 40%
	Term of the entity:	from January 16, 1998 to January 16, 2028
(v)	Name:	Chenzhou Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Sun Wu Ying (孫武英)
	Registered capital:	RMB9,000,000 (fully and timely paid)

	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 33% Changsha Panva: 45%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	Changling Refinery: 22%
	Term of the entity:	from July 16, 1998 to July 15, 2028
(vi)	Name:	Chizhou Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Shen Lian Jin (沈聯進)
	Registered capital:	RMB20,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 60%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	池州市燃氣有限責任公司 (Chizhou City Fuel Gas Limited Liability Company*): 40%
	Term of the entity:	from September 1, 2003 to September 1, 2053
(vii)	Name:	Dayi Panva
	Nature:	WFOE
	Legal representative:	Zhang Keyu (張克宇)
	Registered capital:	RMB3,300,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 100%
	Term of the entity:	from June 8, 2004 to June 7, 2034

(viii)	Name:	Foshan Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Ou Zhi Chang (歐志常)
	Registered capital:	RMB83,800,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 30% Sinolink Power: 15%
	Name of the other joint venture partners and percentage of equity interest owned by the partners:	佛山市公盈投資控股有限公司 (Foshan Gongying Investment Holdings Co., Ltd.*): 31% 佛山市眾成投資有限公司 (Foshan City Zhongcheng Investments Co., Ltd.*): 24%
	Term of the entity:	from November 3, 2004 to September 30, 2034
(ix)	Name:	Hengyang Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Sun Wu Ying (孫武英)
	Registered capital:	RMB6,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 60% Changsha Panva: 40%
	Term of the entity:	from November 14, 1998 to November 14, 2028
(x)	Name:	Jianyang Panva
	Nature:	limited liability company
	Legal representative:	Zhang Keyu (張克宇)
	Registered capital:	RMB1,790,000 (fully and timely paid)

	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 90% Lezhi Panva: 10%
	Term of the entity:	indefinite term from March 31, 2005
(xi)	Name:	Jinan Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Wang Jian Jun (王建軍)
	Registered capital:	RMB100,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 51%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	濟南市煤氣公司 (Jinan City Gas Company*): 49%
	Term of the entity:	from February 27, 2004 to February 26, 2054
(xii)	Name:	Lezhi Panva
	Nature:	limited liability company (re-investment by WFOE)
	Legal representative:	Li Feng (李峰)
	Registered capital:	RMB6,960,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 100%
	Term of the entity:	indefinite term from December 22, 2003

(xiii)	Name:	Nanjing Panva
	Nature:	WFOE
	Legal representative:	Li Zi Hong (李紫紅)
	Registered capital:	US$1,010,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 100%
	Term of the entity:	from April 18, 2002 to April 17, 2052
(xiv)	Name:	Nanjing LPG Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Shen Lian Jin (沈聯進)
	Registered capital:	US$6,000,000 (approximately RMB50,000,000) (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 55%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	南京市液化石油氣公司 (Nanjing LPG Company*): 45%
	Term of the entity:	from August 16, 2000 to August 15, 2030
(xv)	Name:	Panriver Investments
	Nature:	WFOE
	Legal representative:	Chen Wei (陳巍)
	Registered capital:	US$200,000,000 (US$98,000,000 fully and timely paid with the remainder to be paid before February 4, 2008)

	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	China Panva: 100%
	Term of the entity:	from March 10, 2000 to March 9, 2050
(xvi)	Name:	Pengshan Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Zhang Keyu (張克宇)
	Registered capital:	RMB9,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 70%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	永和燃氣有限公司 (Yonghe Gas Co., Ltd.*): 30%
	Term of the entity:	from June 1, 2005 to May 31, 2035
(xvii)	Name:	Pengxi Panva
	Nature:	limited liability company
	Legal representative:	Li Feng (李峰)
	Registered capital:	RMB3,590,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 90%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	蓬溪縣天然氣公司工會委員會 (Pengxi Gas Company Trade Union Committee*): 10%
	Term of the entity:	indefinite term from May 14, 2003

(xviii) Name: Pingchang Panva

Nature: limited liability company

Legal representative: Zhang Keyu (張克宇)

Registered capital: RMB4,900,000 (fully and timely paid)

Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member: Panriver Investments: 90%

Name of the other joint venture partner and percentage of equity interest owned by the partner: 平昌縣建設投資開發有限責任公司 (Pingchang Construction, Investment and Development Limited Liability Company*): 10%

Term of the entity: 3 years from May 8, 2004 to May 7, 2007

(xix) Name: Southwest Panva

Nature: sino-foreign equity joint venture company

Legal representative: Shi Wei Guo (石維國)

Registered capital: RMB57,500,000 (fully and timely paid)

Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member: Panriver Investments: 50.1%

Name of the other joint venture partner and percentage of equity interest owned by the partner: 貴陽市煤氣公司 (Guiyang City Gas Company*): 49.9%

Term of the entity: from December 25, 1998 to December 24, 2028

(xx)	Name:	Weiyuan Panva
	Nature:	limited liability company
	Legal representative:	Li Feng (李峰)
	Registered capital:	RMB5,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 95% Ziyang Panva: 5%
	Term of the entity:	indefinite term from December 25, 2002
(xxi)	Name:	Wuhu Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative :	Li Zi Hong (李紫紅)
	Registered capital:	RMB32,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 55%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	蕪湖長江輪船公司 (Wuhu Changjiang Shipping Company*): 45%
	Term of the entity:	from March 25, 1998 to March 25, 2048

(xxii)	Name:	Xiangtan Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Sun Wu Ying (孫武英)
	Registered capital:	RMB10,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 33% Changsha Panva: 45%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	Changling Refinery: 22%
	Term of the entity:	from June 17, 1998 to June 16, 2028
(xxiii)	Name:	Yangzhou Panva
	Nature:	limited liability company
	Legal representative:	Li Fu Fang (李富芳)
	Registered capital:	RMB10,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Yangzi Panva: 55%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	揚州市液化氣總公司 (Yangzhou City LPG Corporation*): 45%
	Term of the entity:	from November 10, 2003 to November 9, 2028

(xxiv)	Name:	Yangzi Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Yang Wen Hua (楊文化)
	Registered capital:	US$7,230,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 50%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	南京揚子石化實業總公司 (Nanjing Yangzi Petrochemical Industrial Company*): 50%
	Term of the entity:	from September 13, 1999 to September 12, 2029
(xxv)	Name:	Yiyang Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Sun Wu Ying (孫武英)
	Registered capital:	US$620,000 (approximately RMB5,000,000) (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 60%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	Changling Refinery: 40%
	Term of the entity:	from August 13, 1998 to August 12, 2028

(xxvi)	Name:	Yongzhou Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Sun Wu Ying (孫武英)
	Registered capital:	RMB5,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 60%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	湖南省石油總公司永州市公司 (Hunan Oil Company Yongzhou Branch*): 40%
	Term of the entity:	from December 18, 1998 to December 17, 2028

(xxvii)	Name:	Yuechi Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Zhang Keyu (張克宇)
	Registered capital:	RMB8,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 90%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	四川省岳池縣銀泰投資(控股)有限公司 (Sichuan Province Yuechi Yin Tai Investment (Holdings) Co., Ltd.*): 10%
	Term of the entity:	from August 3, 2004 to August 2, 2034

(xxviii)	Name:	Yunnan Panva
	Nature:	sino-foreign equity joint venture company
	Legal representative:	Chen Wei (陳巍)
	Registered capital:	US$7,090,000 (approximately RMB58,840,000) (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Southwest Panva: approximately 56.94%
	Name of the other joint venture partners and percentage of equity interest owned by the partners:	昆明煤氣總公司 (Kunming Gas Head Company*): approximately 22.94% 雲南省國有資產經營有限責任公司 (Yunnan Province State-owned Assets Operation Limited Liability Company*): approximately 20.12%
	Term of the entity:	from September 19, 2001 to September 18, 2051
(xxix)	Name:	Zhongjiang Panva
	Nature:	WFOE
	Legal representative:	Zhang Keyu (張克宇)
	Registered capital:	RMB8,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 100%
	Term of the entity:	from March 29, 2005 to March 28, 2035

(xxx)	Name:	Zhongjiang Pingan
	Nature:	limited liability company
	Legal representative:	Zheng Hua (鄭華)
	Registered capital:	RMB3,000,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Zhongjiang Panva: 55%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	四川省中江運輸集團公司 (Sichuan Province Zhongjiang Transportation Group Company*): 45%
	Term of entity:	from April 1, 2003 to March 31, 2008

(xxxi)	Name:	Ziyang Hengyuan
	Nature:	limited liability company
	Legal representative:	Wang Quan Zhong (王泉忠)
	Registered capital:	RMB800,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Ziyang Panva: 74%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	西南石油局井下工程處 (Southwest Bureau of Petroleum Well Engineering Division*): 26%
	Term of entity:	indefinite term from August 2, 2000

(xxxii)	Name:	Ziyang Panva
	Nature:	limited liability company
	Legal representative:	Li Feng (李峰)
	Registered capital:	RMB18,890,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Panriver Investments: 90%
	Name of the other joint venture partner and percentage of equity interest owned by the partner:	資陽市城市管理局 (Ziyang City Management Bureau*): 10%
	Term of the entity:	indefinite term from July 16, 2002
(xxxiii)	Name:	Zunyi Panva
	Nature:	WFOE
	Legal representative:	Chen Wei (陳巍)
	Registered capital:	RMB4,200,000 (fully and timely paid)
	Name of Group member which is interested in the entity and percentage of equity interest owned by the Group member:	Southwest Panva: 100%
	Term of the entity:	from June 5, 2002 to June 5, 2032

5. Repurchase by the Company of its own securities

This section includes the information required by the Stock Exchange to be included in this document concerning the repurchase by the Company of its own securities.

(i) Existing and proposed share issue and share repurchase mandates

At the Company's annual general meeting held on April 26, 2005, the Directors were granted general unconditional mandates to:

(a) allot, issue and deal with additional Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution on April 26, 2005;

(b) repurchase such number of Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the relevant resolution on April 26, 2005; and

(c) extend the general mandate granted to the Directors to allot, issue and deal with additional Shares as mentioned in paragraph (a) above by the amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the general mandate granted to the Directors as mentioned in paragraph (b) above.

The above general mandates do not apply to situations where the Directors allot, issue or deal with Shares under (i) a rights issue; (ii) the grant or exercise of any option under any share option scheme of the Company or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or its subsidiaries of Shares or rights to acquire Shares; (iii) a scrip dividend or similar arrangement; or (iv) the exercise of rights of subscription or conversion of existing securities of the Company which carry rights to subscribe for or are convertible into Shares.

These general mandates will expire:

(a) at the end of the Company's next annual general meeting;

(b) at the expiration of the period within which the next annual general meeting of the Company is required by any applicable law of the Cayman Islands or the Articles of Association to be held; or

(c) when varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

Since the existing general mandates to issue Shares and repurchase Shares referred to above make specific references to GEM and in light of the Introduction, the Directors propose to seek the approval of the Shareholders at the Extraordinary General Meeting to grant the Directors new general mandates to issue Shares and to repurchase Shares (the "Share Repurchase Mandate") on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange of up to 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of such resolution at any time until:

(a) the conclusion of the next annual general meeting of the Company;

(b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or

(c) the revocation, variation or renewal of the Share Repurchase Mandate by passing of an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

The Share Repurchase Mandate has similar terms to the existing general mandates save that:

(a) the Share Repurchase Mandate caters for the situation that the Shares are listed on GEM or the Main Board; and

(b) the maximum aggregate nominal amount of the Shares that may be issued and repurchased under the Share Repurchase Mandate will be determined on the basis of the aggregate nominal amount of the Shares in issue as at the end of the Extraordinary General Meeting (instead of the date of the last annual general meeting of the Company which was on April 26, 2005).

(ii) **Regulations of the Listing Rules**

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) *Shareholders' approval*

All repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

(b) *Source of funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the memorandum and articles of association of the company and the applicable laws and regulations of the Cayman Islands.

(c) *Trading restrictions*

A company is authorised to repurchase on the Stock Exchange or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. In addition, a company shall not repurchase its shares on the Stock Exchange if the purchase price is higher than 5% or more than the average closing market price for the 5 preceding trading days on which the shares in the company were traded on the Stock Exchange. A company is also prohibited from making securities repurchases on the Stock Exchange if the result of the repurchases would be that the number of the listed securities in public hands would fall below the relevant prescribed minimum percentage as required by the Stock Exchange, which is currently 25% in the case of the Company. A company shall procure that any broker appointed by it to effect the purchase of securities shall disclose to the Stock Exchange such information with respect to purchases made on behalf of the company as the Stock Exchange may request.

(d) *Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly, although the authorised share capital of the company will not be reduced.

(e) *Suspension of repurchase*

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (ii) the deadline for the company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, purchase its securities on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(f) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange in the prescribed form not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the business day following any day on which the company makes a repurchase of shares. In addition, a company's annual report and accounts are required to disclose details regarding securities repurchases made during the financial year under review, including the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the aggregate prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases.

(g) *Connected parties*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person (as defined under the Listing Rules) and a connected person shall not knowingly sell securities in the company to the company on the Stock Exchange.

(iii) **Exercise of the Share Repurchase Mandate**

On the basis of 942,250,891 Shares in issue as at the Latest Practicable Date and assuming the number of Shares in issue remains unchanged up to the date of the Extraordinary General Meeting, the exercise in full of the Share Repurchase Mandate could accordingly result in up to 94,225,089 Shares being repurchased by the Company during the period until (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or (iii) the revocation, variation or renewal of the Share Repurchase Mandate by ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

(iv) **Reasons for repurchases**

The Directors believe that the Share Repurchase Mandate is in the best interests of the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

(v) **Funding of repurchases**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and the Articles of Association and the applicable laws and regulations of the Cayman Islands. The Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(vi) **General**

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this document) in the event that the Share Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Share Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Share Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands from time to time in force.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective associates, has any present intention, if the Share Repurchase Mandate is approved by the Shareholders, to sell any Shares to the Company.

No connected person of the Company has notified the Company that he or she has a present intention to sell any Shares to the Company or has undertaken not to do so, if the Share Repurchase Mandate is approved by the Shareholders and becomes effective.

No repurchases of Shares have been made by the Company in the six months preceding the Latest Practicable Date, whether on the Stock Exchange or otherwise.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code. Save as aforesaid, the Directors are not aware of any other consequence which would arise under the Code as a result of any repurchases of Shares pursuant to the Share Repurchase Mandate.

6. Share prices

The highest and lowest prices at which the Shares have been traded on GEM during each of the previous twelve months before the Latest Practicable Date were as follows:

	Share price	
	Highest	**Lowest**
	HK$	**HK$**
November 2004	3.600	3.300
December 2004	3.525	3.350
January 2005	3.475	3.325
February 2005	3.425	3.175
March 2005	3.300	3.200
April 2005	3.300	3.025
May 2005	3.225	3.025
June 2005	3.250	3.000
July 2005	3.200	3.120
August 2005	3.550	3.100
September 2005	3.625	3.550
October 2005	3.650	3.575
As at the Latest Practicable Date	3.625	3.625

II. FURTHER INFORMATION ABOUT THE COMPANY'S BUSINESS

1. Summary of material contracts

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Group within two years preceding the Latest Practicable Date and are or may be material:

(i) a sino-foreign equity joint venture agreement dated November 3, 2003 entered into between Panriver Investments and 濟南市煤氣公司 (Jinan City Gas Company*) in relation to the setting up and operation of Jinan Panva.

(ii) a share placing agreement dated December 4, 2003 entered into between the Company, Kenson, Morgan Stanley & Co. International Limited and Merrill Lynch Far East Limited, whereby Morgan Stanley & Co. International Limited and Merrill Lynch Far East Limited, collectively acting as placing agents agreed to procure purchasers or to purchase themselves as principal a total of 155,200,000 existing Shares at HK$4.00 per Share.

(iii) a subscription agreement dated December 4, 2003 entered into between Kenson as subscriber and the Company as issuer, whereby Kenson agreed to subscribe for 155,200,000 Shares at HK$4.00 per Share.

(iv) a transfer agreement dated December 20, 2003 as supplemented by a supplemental agreement dated December 20, 2003 entered into between Panriver Investments and 大邑縣財政局 (Finance Bureau of Dayi County*), whereby Panriver Investments agreed to acquire, *inter alia*, the entire equity interest in Dayi Panva (formerly known as 大邑縣天然氣公司 (Dayi Natural Gas Company*)) at a consideration of RMB13,000,000.

(v) a transfer agreement dated December 30, 2003 entered into between Panriver Investments, 佛山市建設交通資產經營有限公司 (Foshan Construction and Transportation Assets Management Co., Ltd.*) and Sinolink Power, whereby Panriver Investments and Sinolink Power agreed to acquire a 30% and a 15% equity interest respectively in 佛山市燃氣總公司 (Foshan Gas Company*) at a consideration of RMB50,280,000 and RMB25,140,000 respectively.

(vi) a transfer agreement dated January 14, 2004 and a supplemental agreement dated January 14, 2004 entered into between Panriver Investments and 四川省岳池縣人民政府 (Municipal Government of the Municipality of Yuechi, Sichuan Province*), whereby Panriver Investments agreed to acquire, *inter alia*, a 90% equity interest in Yuechi Panva (formerly known as 岳池縣天燃氣有限責任公司 (Yuechi Natural Gas Limited Liability Company*)) at a consideration of RMB37,000,000.

(vii) a transfer agreement dated April 1, 2004 entered into between Panriver Investments, 佛山市公盈投資控股有限公司 (Foshan Gongying Investment Holdings Co., Ltd.*) and Sinolink Power, whereby Panriver Investments and Sinolink Power agreed to acquire a 30% and a 15% equity interest respectively in Foshan Panva at a consideration of RMB50,280,000 and RMB25,140,000 respectively.

(viii) a transfer agreement dated August 27, 2004 entered into between 長春市人民政府國有資產監督管理委員會 (Changchun Municipality State-owned Assets Administrative Bureau*), Panriver Investments and 深圳市華孚能源投資有限公司 (Shenzhen Huafu Energy Investment Co., Ltd.*) ("Shenzhen Huafu"), whereby Panriver Investments and Shenzhen Huafu agreed to acquire a 48% and a 2% equity interest in Changchun Panva at a consideration of RMB379,200,000 and RMB15,800,000 respectively.

(ix) a purchase agreement dated September 16, 2004 entered into between the Company, Merrill Lynch International and Morgan Stanley & Co. International Limited, whereby Merrill Lynch International and Morgan Stanley & Co. International Limited agreed to purchase the Guaranteed Senior Notes.

(x) a transfer agreement dated November, 10, 2004 entered into between Panriver Investments and 齊齊哈爾市建設局 (Qiqihar City Construction Bureau*) whereby Panriver Investments agreed to acquire a 61.67% (after adjustment) equity interest in 齊齊哈爾市天然氣公司 (Qiqihar City Natural Gas Company*) at a consideration of RMB70,560,000 (after adjustment).

(xi) a sino-foreign equity joint venture agreement dated November 19, 2004 entered into between Panriver Investments and 黑龍江省鶴城建設投資發展有限公司 (Heilongjiang Province Hecheng City Construction and Investments Development Co., Ltd.*) in relation to the setting up and operation of Qiqihar Panva.

(xii) a transfer agreement dated November 30, 2004 entered into between the Company and 成都城建投資管理集團有限責任公司 (Chengdu City Development and Investment Management Group Limited Liability Company*), whereby the Company agreed to purchase a 13% equity interest in Chengdu Panva at a consideration of RMB170,352,000.

(xiii) a transfer agreement dated December 23, 2004 entered into between Panriver Investments, 上海建世海嘉投資有限公司 (Shanghai Jianshi Haijia Investment Co., Ltd.*) ("Shanghai Jianshi") and 鞍山市公用事業管理局 (Anshan City Public Utilities Management Bureau*), whereby Panriver Investments and Shanghai Jianshi agreed to acquire a 51% and a 30% equity interest in Anshan Panva at a consideration of RMB70,490,000 and RMB41,470,000 respectively.

(xiv) a share mortgage dated December 24, 2004 entered into between the Company, China Panva, China Overlink Holdings Company Limited ("China Overlink") and The Bank of New York, whereby the Company, China Panva and China Overlink, collectively as beneficial owners, agreed to mortgage by way of first equitable mortgage and to provide mortgage and charge in favour of The Bank of New York as security trustee, all present and future ordinary shares in the capital of each of China Panva, China Overlink, Sinolink Power, Sinolink LPG Investment Limited and Singkong Investments as a continuing security for the payment and discharge of all debts and monetary liabilities of the Company, China Panva and China Overlink to The Bank of New York and DB Trustees (Hong Kong) Limited.

(xv) a security trust deed dated December 24, 2004 entered into between the Company, China Panva, China Overlink, DB Trustees (Hong Kong) Limited and The Bank of New York whereby The Bank of New York agreed to hold all the covenants, undertakings, charges, assignments and any other security created or arising as security for any debts and monetary liabilities of the Company, China Panva and China Overlink to The Bank of New York and DB Trustees (Hong Kong) Limited made, given under or pursuant to this security trust deed or the share mortgage referred to in paragraph (xiv) above upon trust for DB Trustees (Hong Kong) Limited and The Bank of New York in their own respective capacity and as the trustee for the holders of the Convertible Bonds and the Guaranteed Senior Notes respectively.

(xvi) a share transfer agreement dated March 18, 2005 entered into between Panriver Investments and Nanjing LPG Panva, whereby Panriver Investments agreed to acquire a 49% of the equity interests in Nanjing Panva from Nanjing LPG Panva at a consideration of RMB4,096,287.30.

(xvii) a transfer agreement dated March 22, 2005 and a supplemental agreement dated March 22, 2005 entered into between Panriver Investments and 鞍山市公用事業管理局 (Anshan City Public Utilities Management Bureau*), whereby Panriver Investments agreed to acquire an 81% equity interest in Anshan Panva at a consideration of RMB111,960,000.

(xviii) a sino-foreign equity joint venture agreement dated August 16, 2005 entered into between Panriver Investments, 濟南市煤氣公司 (Jinan City Gas Company*) and 深圳市華信聯投資有限公司 (Shenzhen Huaxinlian Investment Limited Liability Company*) in relation to the setting up and operation of Shandong Panva.

(xix) a supplemental agreement dated October 20, 2005 entered into between the Company, Computershare Hong Kong Investor Services Limited and Butterfield Fund Services (Cayman) Limited, pursuant to which the parties have agreed to amend and supplement a sub-registrar and transfer agent agreement dated April 10, 2001.

(xx) a supplemental agreement dated October 20, 2005 entered into between the Company and Butterfield Fund Services (Cayman) Limited, pursuant to which the parties have agreed to amend and supplement a registrar and transfer agent agreement dated April 10, 2001.

(xxi) a supplemental deed dated October 28, 2005 entered into between the Company, Sinolink and Kenson, pursuant to which Sinolink has given non-competition undertakings in favour of the Company.

2. **Intellectual property**

(i) *Trademarks*

As at the Latest Practicable Date, the Group was the registered owner of the following trademarks which are material in relation to the Group's business:

Trademark	Class *(Note)*	Registered owner	Place of registration	Registration number	Period of validity
百江	6	Panriver Investments	PRC	1347083	December 21, 1999 to December 20, 2009
百江	39	Panriver Investments	PRC	1327285	October 21, 1999 to October 20, 2009
百江	37	Panriver Investments	PRC	1332342	November 7, 1999 to November 6, 2009
百江	35	Panriver Investments	PRC	1329855	October 28, 1999 to October 27, 2009
百江	11	Panriver Investments	PRC	1332003	November 7, 1999 to November 6, 2009
百江	4	Panriver Investments	PRC	1328046	October 28, 1999 to October 27, 2009
PANVA	4	Panriver Investments	PRC	1328045	October 28, 1999 to October 27, 2009
PANVA	6	Panriver Investments	PRC	2019790	December 28, 2002 to December 27, 2012
PANVA	11	Panriver Investments	PRC	1332002	November 7, 1999 to November 6, 2009
PANVA	37	Panriver Investments	PRC	1332340	November 7, 1999 to November 6, 2009

Trademark	Class (*Note*)	Registered owner	Place of registration	Registration number	Period of validity
PANVA	39	Panriver Investments	PRC	1327283	October 21, 1999 to October 20, 2009
	4	Panriver Investments	PRC	1328044	October 28, 1999 to October 27, 2009
	6	Panriver Investments	PRC	1347082	December 21, 1999 to December 20, 2009
	11	Panriver Investments	PRC	1341889	December 7, 1999 to December 6, 2009
	35	Panriver Investments	PRC	1329856	October 28, 1999 to October 27, 2009
	37	Panriver Investments	PRC	1332341	November 7, 1999 to November 6, 2009
	39	Panriver Investments	PRC	1327284	October 21, 1999 to October 20, 2009

Note: The numbers of the class represent the product or service categories in which the trademarks have been registered. The detailed product or service categories corresponding to these classes are listed in the certificate by the 國家工商行政管理局商標局 (Trademark Bureau under the State Industrial and Commercial Bureau*) of the PRC.

(ii) *Domain names*

As at the Latest Practicable Date, the Group was the registered proprietor and/or had been using the following domain names which are material in relation to the Group's business:

Domain name	Registrant	Registration date	Expiry date
china-panva.com	China Panva	November 23, 1999	November 23, 2006
panva.com.cn	Panriver Investments	April 8, 2000	April 8, 2006
panva-gas.com	China Panva	November 18, 1999	November 18, 2006

Save as disclosed above, there are no other trademarks, domain names or other intellectual property rights which are material in relation to the Group's business.

III. FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

1. Directors' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests or 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 the SFO (including interests or 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 required to be kept therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(i) *Directors' interests and short positions in Shares*

	Interest in Shares Long positions /(Short positions)					
Name of Director	**Beneficial owner**	**Interest of controlled corporations**	**Total interest in Shares**	**Interest in underlying Shares pursuant to share options**	**Aggregate interest/ (Short positions)**	**Approximate percentage of the Company's issued share capital**
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%
Mr. Ou	—	575,806,587	575,806,587 *(Note 1)*	3,600,000	579,406,587	61.49%
	—	(19,230,769)	(19,230,769) *(Note 2)*	—	(19,230,769)	(2.04%)
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%

Notes:

1. The 575,806,587 Shares represent the aggregate of (i) 401,233,462 Shares held by Kenson and 169,491,525 Shares held by Supreme All, both wholly-owned subsidiaries of Enerchina; and (ii) 5,081,600 Shares held by Asia Pacific. As approximately 74.79% of the issued share capital of Enerchina is held by Sinolink, approximately 58.40% interests of Sinolink are held by Asia Pacific and Mr. Ou is the sole beneficial owner of Asia Pacific, Mr. Ou is deemed under the SFO to be interested in such 575,806,587 Shares.

2. Kenson is under an obligation to transfer up to 19,230,769 Shares to Hutchison International Limited ("Hutchison International") upon full exchange of the Kenson Note held by Hutchison International in accordance with the terms and conditions of the Kenson Note.

(ii) *Directors' interest in share options granted by the Company*

(a) Pursuant to the Pre-GEM Listing Share Option Scheme, certain Directors were granted options to subscribe for Shares. Details of the 9,620,000 options granted pursuant to the Pre-GEM Listing Share Option Scheme which were outstanding as at the Latest Practicable Date were as follows:

Name of Director	Date of grant	Exercise period	Exercise price	Number of Shares subject to outstanding options as at the Latest Practicable Date	Approximate percentage of the Company's issued share capital
			HK$		
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%
				3,600,000	0.38%
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%
				2,120,000	0.23%
Mr. Ou	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%
				3,600,000	0.38%
Shen Lian Jin	04.04.2001	01.01.2004-03.04.2011	0.475	300,000	0.03%
				300,000	0.03%
				9,620,000	1.02%

(b) Pursuant to the Old GEM Share Option Scheme, certain Directors were granted options to subscribe for Shares. Details of the 15,280,000 options granted pursuant to the Old GEM Share Option Scheme which were outstanding as at the Latest Practicable Date were as follows:

Name of Director	Date of grant	Exercise period	Exercise price	Number of Shares subject to outstanding options as at the Latest Practicable Date	Approximate percentage of the Company's issued share capital
			HK$		
Chen Wei	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%
				4,440,000	0.48%
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%
				800,000	0.09%
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%
				800,000	0.09%
Li Fujun	13.11.2001	13.11.2002-13.02.2007	0.940	480,000	0.05%
				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%
				800,000	0.09%
Shen Lian Jin	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%
				2,000,000	0.20%
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%
				3,960,000	0.43%

Name of Director	Date of grant	Exercise period	Exercise price	Number of Shares subject to outstanding options as at the Latest Practicable Date	Approximate percentage of the Company's issued share capital
			HK$		
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%
				2,000,000	0.20%
				15,280,000	1.63%

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.

(iii) *Directors' interests in shares of associated corporations*

Name of Director	Interest in shares				Interest in underlying shares pursuant to outstanding options	Aggregate interest	Approximate percentage of the issued share capital of the associated corporation
	Name of associated corporation	Interest of controlled corporations	Family Interest	Total interest in shares			
Chen Wei	Sinolink	—	—	—	12,000,000	12,000,000	0.51%
Mr. Ou	Sinolink	1,374,222,000 *(Note 1)*	6,475,920	1,380,697,920	—	1,380,697,920	58.67%
	Enerchina	3,617,895,635 *(Note 2)*	—	3,617,895,635	2,288,000	3,620,183,635	74.83%
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	0.08%

Notes:

1. The 1,374,222,000 shares in Sinolink are held by Asia Pacific, which is wholly-owned by Mr. Ou.

2. The 3,617,895,635 shares in Enerchina represent the aggregate of (i) 3,393,905,282 shares held by Sinolink (Mr. Ou through his wholly-owned company, Asia Pacific, holds approximately 58.40% of the issued share capital of Sinolink and is therefore deemed to be interested in such shares in which Sinolink is interested); and (ii) 223,990,353 shares held by Smart Orient Investments Limited ("Smart Orient") (Sinolink holds 100% of the issued share capital of Smart Orient and is therefore deemed to be interested in such shares in which Smart Orient is interested).

(iv) *Directors' 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 the options which were outstanding as at the Latest Practicable Date were as follows:

Name of Director	Name of associated corporation	Date of grant	Exercise period	Exercise price	Number of shares subject to outstanding options as at the Latest Practicable Date	Approximate percentage of the issued share capital of the associated corporation
				HK$		
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%
					12,000,000	0.50%
Mr. Ou	Enerchina	09.06.2004	09.06.2004-08.06.2014	0.440	2,288,000	0.04%
					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%
					3,000,000	0.13%
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%
					19,000,000	0.80%
	Enerchina	09.06.2004	09.06.2004-08.06.2014	0.440	22,880,000	0.47%
					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%
					2,000,000	0.09%

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.

2. **Particulars of service agreements**

Each of Mr. Ou, Mr. Tang Yui Man Francis, Mr. Chen Wei, Mr. Li Fujun and Mr. Zhang Keyu, being executive Directors, has entered into a service agreement with the Company. Each of Mr. Ou, Mr. Tang Yui Man Francis and Mr. Chen Wei has also entered into a supplemental service agreement with the Company. Mr. Shen Lian Jin, being an executive Director, has also entered into a service agreement with China Panva. Particulars of these agreements, except as indicated, are in all material respects identical and are set out below:

(i) each service agreement of Mr. Ou and Mr. Tang Yui Man Francis is of an initial term of three years commencing on January 1, 2004 and shall be terminated by either party thereto giving to the other six months' notice in writing or payment in lieu;

(ii) each service agreement of Mr. Chen Wei and Mr. Li Fujun is of an initial term of three years commencing on April 1, 2004 and shall be terminated by either party thereto giving to the other six months' notice in writing or payment in lieu;

(iii) the service agreement of Mr. Zhang Keyu is of an initial term of three years commencing on September 17, 2003 and shall be terminated by either party thereto giving to the other one month's notice in writing or payment in lieu;

(iv) the service agreement of Mr. Shen Lian Jin is of an initial term of three years commencing on January 3, 2004 and shall be terminated by either party thereto giving to the other one month's notice in writing or payment in lieu; and

(v) the annual salary for each of Mr. Ou, Mr. Tang Yui Man Francis, Mr. Chen Wei, Mr. Li Fujun, Mr. Zhang Keyu and Mr. Shen Lian Jin shall be HK$260,000, HK$260,000, HK$2,100,000, HK$532,000, RMB400,000 and RMB220,000 respectively.

Pursuant to their respective service agreements, each of Mr. Ou, Mr. Tang Yui Man Francis, Mr. Chen Wei, Mr. Li Fujun, Mr. Zhang Keyu and Mr. Shen Lian Jin is entitled to a discretionary management bonus, the amount of which shall be determined by reference to the operating results of the Group and the performance of the relevant Director. The aggregate amount of the bonus payable to each of Mr. Ou, Mr. Tang Yui Man Francis, Mr. Chen Wei, Mr. Li Fujun and Mr. Zhang Keyu in respect of any financial year shall not exceed 5% of the audited consolidated profits after taxation and minority interest and before extraordinary items of the Company for the relevant financial year. Each of Mr. Ou, Mr. Tang Yui Man Francis, Mr. Chen Wei and Mr. Li Fujun will be entitled to all reasonable out-of-pocket expenses.

Save as disclosed above, none of the Directors has 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)).

3. Directors' interests in competing business

Mr. Fok Kin-ning, Canning, a non-executive Director, is also the co-chairman of Husky Energy Inc. ("Husky"). Husky is an integrated energy and energy related company listed and based in Canada, with its operations divided into three business segments, namely (i) upstream, which includes production, development and exploration of crude oil and natural gas from Western Canada, offshore Canadian East Coast, in the South and East China Seas, offshore Indonesia and other international areas; (ii) midstream, which includes upgrading of heavy crude oil into premium quality synthetic crude oil, pipeline transportation, gas storage, cogeneration and commodities marketing including crude oil, natural gas, natural gas liquids, sulphur and petroleum coke; and (iii) refined products, which involves the refining, marketing and distribution of gasoline, diesel, asphalt, ethanol and ancillary services in Canada and the United States.

Although some of the businesses carried on by Husky are similar to the businesses carried on by the Company, Husky's operations mainly take place in North America and the South China Sea, where the Company has no operations.

According to Husky's 2004 annual report, its net earnings for the year ended December 31, 2004 after income taxes was approximately CAD1,006,000,000 (approximately HK$6,287,500,000) and net asset value (excluding minority interests) as at December 31, 2004 was approximately CAD6,478,000,000 (approximately HK$40,387,500,000). In comparison, the Company's net earnings for the year ended December 31, 2004 were approximately HK$285,368,000 and net asset value (excluding minority interests) as at December 31, 2004 was HK$1,855,288,000.

In view of the differences between the businesses of Husky and the Company in terms of size, scope and operation location, the Directors believe that Husky is not in any direct competition with the Company and that the Company is capable of carrying on its business independently of, and at arms length from, Husky.

Save as disclosed above, none of the Directors had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly with the Group's business.

4. Directors' remuneration

(i) The Company's policy concerning remuneration of executive Directors is as follows:

   (a) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;

   (b) non-cash benefits may be provided to the Directors under their remuneration package; and

   (c) the executive Directors may be granted, at the discretion of the Board, options pursuant to the share option schemes of the Company, as part of their remuneration package.

(d) An aggregate of approximately HK$3,238,000, HK$3,580,000, HK$4,473,000 and HK$4,201,000 was paid in cash to the Directors as remuneration for the years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005. Further information in respect of the Directors' remuneration is set out in note 8 headed "Directors' and Employees' Emoluments" in the accountants' report of the Group in Appendix I of this document.

(e) The aggregate remuneration payable to the Directors from the Group in respect of the year ending December 31, 2005 pursuant to the present arrangement (without taking into account any discretionary bonus) so far as can be estimated as at the Latest Practicable Date will be not less than HK$6,000,000.

(f) An aggregate of approximately HK$250,000, HK$300,000, HK$30,000 and HK$1,700,000 respectively was paid to the Directors as bonuses for each of the years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005 respectively.

(g) The Directors' emoluments during the Track Record Period are set out as follows:

	Year ended 31 December			Six months ended 30 June	
	2002	**2003**	**2004**	**2004**	**2005**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**	**HK$'000**
Directors' emoluments:					
Fees:					
Executive Directors	—	—	—	—	—
Non-executive Directors	—	—	—	—	—
Independent non-executive Directors	—	—	639	300	—
	—	—	639	300	—
Other emoluments for executive Directors:					
Salaries and other benefits	2,897	3,189	3,705	1,765	2,460
Bonus	250	300	30	30	1,700
Retirement benefits scheme contributions	91	91	99	50	41
	3,238	3,580	3,834	1,845	4,201
Other emoluments for non-executive Directors	—	—	—	—	—
Other emoluments for independent non-executive Directors	—	—	—	—	—
	3,238	3,580	4,473	2,145	4,201

(h) None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005 (i) as inducement to join or upon joining the Group; or (ii) as compensation for loss of office.

(i) There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005.

(j) The independent non-executive Directors have no fixed term of office but are subject to the provisions of retirement and rotation of Directors under the Articles of Association. The independent non-executive Directors, namely Mr. Cheung Hon Kit, Mr. Li Xiao Ru and Mr. Ge Ming received a director's fee of HK$300,000, HK$300,000 and HK$39,452 respectively, for the year ended December 31, 2004. No director's fees were paid to the independent non-executive Directors for the six months ended June 30, 2005.

(k) The five highest paid individuals of the Group included three, four, five, and four Directors for each of the three years ended December 31, 2002, 2003, 2004 and the six months ended June 30, 2005 respectively. Particulars of emoluments paid to such individuals are set out in note 8 headed "Directors' and Employees' Emoluments" in the accountants' report of the Group in Appendix I to this document.

5. **Disclaimers**

Save as disclosed in this document, as at the Latest Practicable Date:

(i) none of the Directors or chief executive of the Company had interests and short positions in the Shares, underlying Shares and debentures of the Company or 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 the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, to be notified to the Company and the Stock Exchange;

(ii) none of the Directors nor any of the persons whose names are listed in the section headed "X. Other Information — 6. Consents of experts" in this Appendix was interested in the promotion of the Company, or in any assets which have within the two years immediately preceding the issue of this document been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(iii) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this document and which is significant in relation to the business of the Group; and

(iv) none of the Directors had entered or had proposed to enter into any service agreements with the Company or any members of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

IV. INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS

1. Interests in the Company

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons (not being a Director or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which is required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who had direct or indirect interests of 10% or more in the issued share capital of the Company were as follows:

Name	Nature of interest or capacity	Interest in Shares long positions/ (short positions)	Interest in underlying Shares pursuant to debentures	Aggregate interest/ (short positions)	Approximate percentage of the Company's issued share capital
Asia Pacific	Interest of controlled corporation	575,806,587 (19,230,769)	—	575,806,587 (19,230,769) *(Note 1)*	61.11% (2.04%)
Sinolink	Interest of controlled corporation	570,724,987 (19,230,769)	—	570,724,987 (19,230,769) *(Note 1)*	60.57% (2.04%)
Enerchina	Interest of controlled corporation	570,724,987 (19,230,769)	—	570,724,987 (19,230,769) *(Note 1)*	60.57% (2.04%)
Kenson	Beneficial owner	401,233,462 (19,230,769)	—	401,233,462 (19,230,769) *(Notes 1 and 2)*	42.58% (2.04%)
Supreme All	Beneficial owner	169,491,525	—	169,491,525 *(Note 1)*	17.99%
Deutsche Bank Aktiengesellschaft	Beneficial owner and holder of security interest in shares	24,394,282	48,081,000	72,475,282 *(Note 3)*	7.69%
Hutchison International Limited	Beneficial owner	38,461,538	19,230,769	57,692,307 *(Note 4)*	6.12%
Hutchison Whampoa Limited	Interest of controlled corporation	38,461,538	19,230,769	57,692,307 *(Note 4)*	6.12%
Cheung Kong (Holdings) Limited	Interest of controlled corporation	38,461,538	19,230,769	57,692,307 *(Note 5)*	6.12%

Name	Nature of interest or capacity	Interest in Shares long positions/ (short positions)	Interest in underlying Shares pursuant to debentures	Aggregate interest/ (short positions)	Approximate percentage of the Company's issued share capital
Li Ka-shing	Interest of controlled corporation and as founder of discretionary trusts	38,461,538	19,230,769	57,692,307 *(Note 5)*	6.12%
Li Ka-Shing Unity Trustee Company Limited	Trustee	38,461,538	19,230,769	57,692,307 *(Note 5)*	6.12%
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	38,461,538	19,230,769	57,692,307 *(Note 5)*	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 5)*	6.12%
Value Partners Limited	Investment manager	48,000,000	—	48,000,000 *(Note 6)*	5.09%
Cheah Cheng Hye	Interest of controlled corporation	48,000,000	—	48,000,000 *(Note 6)*	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 58.40% by Asia Pacific. Therefore, by virtue of Part XV of the SFO, the 401,233,462 Shares and 169,491,525 Shares in which Kenson and Supreme All are interested duplicate with the interests in the Shares of Enerchina, Sinolink and Asia Pacific. Mr. Ou is the sole beneficial shareholder of Asia Pacific and is also deemed under Part XV of the SFO to have an interest in the Shares held by Kenson and Supreme All. In addition, Asia Pacific is directly interested in 5,081,600 Shares, representing approximately 0.54% of the entire issued share capital of the Company.

2 Kenson is under an obligation to transfer up to 19,230,769 Shares to Hutchison International Limited ("Hutchison International") upon full exchange of the Kenson Note held by Hutchison International in accordance with the terms and conditions of the Kenson Note.

3. Deutsche Bank Aktiengesellschaft, an independent institutional investor of the Company, is a public Shareholder and its shareholding interest in the Company forms part of the 37.77% shareholding interest held by the public.

4. Hutchison International is interested in 38,461,538 Shares and in the Kenson Note which is exchangeable into existing Shares held by Kenson at the exchange price of HK$3.25 (subject to adjustment) per Share on or before November 1, 2006. Upon full exchange of the Kenson Note at the initial exchange price, Hutchison International shall be entitled up to 19,230,769 Shares and is accordingly interested in an aggregate of 57,692,307 Shares.

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

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

   Li Ka-Shing Unity Holdings Limited ("LKS Holdings"), 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, LKS Holdings 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 is all deemed to be interested in the 38,461,538 Shares and in the Kenson Note representing 19,230,769 underlying Shares both held by Hutchison International.

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

2. Interests in subsidiaries of the Company

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, the persons (not being a Director or chief executive of the Company) who had direct or indirect interest of 10% or more in the issued capital of the subsidiaries of the Company (excluding those wholly-owned subsidiaries which the Group is not owner of their registered capital) were as follows:

Name of subsidiary	Name of owner of interests	Approximate percentage of interests in the subsidiary
Changde Panva	Changling Refinery	10% *(Note 1)*
Changsha Panva	Changling Refinery	40%
Chenzhou Panva	Changling Refinery	40% *(Note 2)*
Chizhou Panva	池州市燃氣有限責任公司 (Chizhou City Fuel Gas Limited Liability Company*)	40%
Hengyang Panva	Changling Refinery	16% *(Note 3)*
Jinan Panva	濟南市煤氣公司 (Jinan City Gas Company*)	49%
Nanjing LPG Panva	南京市液化石油氣公司 (Nanjing LPG Company*)	45%

Name of subsidiary	Name of owner of interests	Approximate percentage of interests in the subsidiary
Pengshan Panva	永和燃氣有限公司 (Yonghe Gas Co., Ltd.*)	30%
Pengxi Panva	蓬溪縣天然氣公司工會委員會 (Pengxi Gas Company Trade Union Committee*)	10%
Pingchang Panva	平昌縣建設投資開發有限責任公司 (Pingchang Construction, Investment and Development Limited Liability Company*)	10%
Southwest Panva	貴陽市煤氣公司 (Guiyang City Gas Company*)	49.9%
Wuhu Panva	蕪湖長江輪船公司 (Wuhu Changjiang Shipping Company*)	45%
Xiangtan Panva	Changling Refinery	40% *(Note 4)*
Yangzhou Panva	揚州市液化氣總公司 (Yangzhou City LPG Corporation*)	45%
	南京揚子石化實業總公司 (Nanjing Yangzi Petrochemical Industrial Company*)	27.5% *(Note 5)*
Yangzi Panva	南京揚子石化實業總公司 (Nanjing Yangzi Petrochemical Industrial Company*)	50%
Yiyang Panva	Changling Refinery	40%
Yongzhou Panva	湖南省石油總公司永州市公司 (Hunan Oil Company Yongzhou Branch*)	40%
Yuechi Panva	四川省岳池縣銀泰投資(控股)有限公司 (Sichuan Province Yuechi Yin Tai Investment (Holdings) Co., Ltd.*)	10%
Yunnan Panva	昆明煤氣總公司 (Kunming Gas Head Company*)	22.94%
	雲南省國有資產經營有限責任公司 (Yunnan Province State-owned Assets Operation Limited Liability Company*)	20.12%
	貴陽市煤氣公司 (Guiyang City Gas Company*)	28.41% *(Note 6)*

Name of subsidiary	Name of owner of interests	Approximate percentage of interests in the subsidiary
Zhongjiang Pingan	四川省中江運輸集團公司 (Sichuan Province Zhongjiang Transportation Group Company*)	45%
Ziyang Hengyuan	西南石油局井下工程處 (Southwest Bureau of Petroleum Well Engineering Division*)	26%
Ziyang Panva	資陽城市管理局 (Ziyang City Management Bureau*)	10%
Zunyi Panva	貴陽市煤氣公司 (Guiyang City Gas Company*)	49.9% *(Note 7)*

Notes:

1. Changling Refinery is interested in 10% of the equity interests of Changde Panva by virtue of its 40% equity interest in Changsha Panva which holds 25% of the equity interests of Changde Panva.

2. Changling Refinery is interested in (i) 22% of the equity interests of Chenzhou Panva; and (ii) 18% of the equity interests of Chenzhou Panva by virtue of its 40% equity interest in Changsha Panva which holds 45% of the equity interests of Chenzhou Panva.

3. Changling Refinery is interested in 16% of the equity interests of Hengyang Panva by virtue of its 40% equity interest in Changsha Panva which holds 40% of the equity interests of Hengyang Panva.

4. Changling Refinery is interested in (i) 22% of the equity interests of Xiangtan Panva; and (ii) 18% of the equity interests of Xiangtan Panva by virtue of its 40% equity interest in Changsha Panva which holds 45% of the equity interests of Xiangtan Panva.

5. 南京揚子石化實業總公司 (Nanjing Yangzi Petrochemical Industrial Company*) is interested in 27.5% of equity interests of Yangzhou Panva by virtue of its 50% equity interest in Yangzi Panva which holds 55% of the equity interests of Yangzhou Panva.

6. 貴陽市煤氣公司 (Guiyang City Gas Company*) is interested in 28.41% of the equity interests of Yunnan Panva by virtue of its 49.9% equity interest in Southwest Panva which holds 56.94% of the equity interests of Yunnan Panva.

7. 貴陽市煤氣公司 (Guiyang City Gas Company*) is interested in 49.9% of the equity interests of Zunyi Panva by virtue of its 49.9% equity interest in Southwest Panva which directly holds the entire share capital of Zunyi Panva.

3. Disclaimer

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person who had 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, or who was interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

V. SUMMARY OF THE PRINCIPAL TERMS OF THE PROPOSED SHARE OPTION SCHEME

The following is a summary of the principal terms of the rules of the Proposed Share Option Scheme proposed to be adopted at the Extraordinary General Meeting. The adoption of the Proposed Share Option Scheme is conditional on, *inter alia*, the Listing Committee granting approval of the listing of, and permission to deal in, the Shares on the Main Board.

1. **Purpose**

The purpose of the Proposed Share Option Scheme is for the Company to provide the people and the parties working for the interests of the Group and the Group's associated companies ("associated companies") with an opportunity to obtain an equity interest in the Company, thus linking their interests with the interests of the Group and the associated companies, providing them with incentives to work for the interests of the Group and the associated companies and rewarding them for their contribution and support to the Group and the associated companies.

2. **Who may join and basis of eligibility**

The Board may, at its discretion, invite any (i) employee (whether full-time or part-time) of the Company or any of its subsidiaries or associated companies; (ii) chief executive, director (whether executive director or non-executive director or independent non-executive director) of the Company or any of its subsidiaries or associated companies; (iii) supplier of goods and/or services to the Company or any of its subsidiaries or associated companies; (iv) customer of the Company or any of its subsidiaries or associated companies; (v) person or entity that provides research, development or other technical support to the Company or any of its subsidiaries or associated companies; (vi) adviser or consultant (technological, technical, financial, legal or otherwise) engaged by the Company or any of its subsidiaries or associated companies; and (vii) joint venture partner or counter-party to any business operation or business arrangements of the Company or any of its subsidiaries or the associated companies to be a participant; provided that the Board shall have the absolute discretion to determine whether one falls within the aforesaid categories ("participant"). No performance target is required to be achieved before an option can be exercised. In determining the basis of eligibility of each participant, the Board would mainly take into account such factors as the Board may at its absolute discretion consider appropriate.

3. **Conditions**

The Proposed Share Option Scheme is conditional upon (i) the passing of ordinary resolutions by the Shareholders and by the respective shareholders of Sinolink and Enerchina at their respective general meetings to approve the termination of the New GEM Share Option Scheme; (ii) the passing of ordinary resolutions to approve the adoption of the Proposed Share Option Scheme by the Shareholders and by the shareholders of Sinolink and Enerchina at their respective general meetings to be convened on the same day as the Extraordinary General Meeting and to authorize the Directors to grant options thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Proposed Share Option Scheme; and (iii) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of options under the Proposed Share Option Scheme.

4. **Offer and grant of options**

An offer shall be made to a participant by letter in such form as the Board may from time to time determine specifying the number of Shares, the subscription price and the option period as the Board thinks appropriate that must be achieved by the grantee before an option can be exercised, and requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Proposed Share Option Scheme and shall remain open for acceptance by the participant concerned for a period of 28 days from the date upon which the offer is made, provided that no such offer shall be open for acceptance after the 10th anniversary from the adoption of the Proposed Share Option Scheme or after the Proposed Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.

5. **Restrictions on the time of grant of options**

No offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board (as such date is first notified by the Company to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option may be granted. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

6. **Time of exercise of option**

An option may be exercised in accordance with the terms of the Proposed Share Option Scheme at any time during such period as determined by the Board at its absolute discretion and notified by the Board to each grantee, such period shall not be longer than 10 years from the date upon which any particular option is granted in accordance with the Proposed Share Option Scheme.

7. **Subscription price**

Subject to any adjustments made pursuant to paragraph 19 below, the subscription price in respect of each Share issued pursuant to the exercise of options granted under the Proposed Share Option Scheme shall be a price determined by the Board and notified to a participant and shall be at least the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the offer date, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the offer date; and (iii) the nominal value of a Share.

8. **Maximum number of Shares available for subscription**

(i) Subject to sub-paragraph (iv) below, the total number of Shares which may be issued upon exercise of all options to be granted under the Proposed Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue, or 94,225,089 Shares as at the date of the approval by the Shareholders of the Proposed Share Option Scheme assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the date of approval, unless the Company obtains a fresh approval from the Shareholders pursuant to sub-paragraph (ii) below. Options lapsed shall not be counted for the purpose of calculating such 10% limit.

(ii) Subject to sub-paragraph (iv) below, the Company may seek approval by the Shareholders in general meeting to refresh the 10% limit set out in sub-paragraph (i) above such that the total number of Shares which may be issued upon exercise of all options to be granted under the Proposed Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit.

(iii) Subject to sub-paragraph (iv) below, the Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit set out in sub-paragraph (i) or (ii) above (as the case may be) provided the options in excess of such limit are granted only to participants specifically identified by the Company before such approval is sought.

(iv) Notwithstanding any provisions in sub-paragraph (i) to sub-paragraph (iii) above and subject to paragraph 19 below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Proposed Share Option Scheme and any other share option schemes (including the Pre-GEM Listing Share Option Scheme, the Old GEM Share Option Scheme and the New GEM Share Option Scheme) of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time. No options may be granted under the Proposed Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30% limit being exceeded.

9. **Maximum entitlement of Shares of each participant**

(i) The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(ii) Any further grant of options to a participant in excess of the 1% limit referred to in sub-paragraph (i) above shall be subject to the separate approval of the Shareholders in general meeting, at which such participant and his associates shall abstain from voting. A circular shall be sent to the Shareholders with disclosure of the identity of the participant, the number and terms of the options to be granted and any options previously granted to such participant. The number and terms of the options (including the exercise price) to be granted to such participant shall be fixed before the approval of Shareholders and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the subscription price.

(iii) In the event of any alteration in the capital structure of the Company whether by way of capitalization issue, right issue, consolidation, subdivision or reduction of the share capital of the Company or otherwise howsoever (other than as a result of an issue of Shares as consideration in a transaction) and whilst any option remains exercisable, the maximum number of Shares referred to in paragraphs 8, 9(i), 9(ii), 10(i) and 10(ii) will be adjusted in such manner which must give a grantee the same proportion of the issued share capital of the Company as to which the grantee was previously entitled, provided that no such alteration shall be made to the effect which would enable a Share to be issued at less than its nominal value. No adjustments to the exercise price or number of Shares should be made to the participants without specific prior approval by the Shareholders. An independent financial adviser or the auditors (acting as experts and not as arbitrators) shall confirm to the Directors in writing to be fair and reasonable and that the alterations satisfy the requirements mentioned above in this sub-paragraph and those set out in the Listing Rules and any applicable practice notes, supplementary guidance or other regulations issued by the Stock Exchange from time to time.

10. **Granting options to connected persons**

(i) Any grant of options to a participant who is a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director of the Company who is the relevant grantee).

(ii) Where the Board proposes to grant any option to a participant who is a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates, would result in the number of Shares issued and to be issued upon exercise of options granted and to be granted under the Proposed Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to such participant in the 12-month period up to and including the date of such grant:

(a) representing in aggregate more than 0.1% of the total number of Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000,

such proposed grant of options must be approved by the Shareholders by poll in general meeting. In such a case, the Company shall send a circular to the Shareholders containing all those terms as required under the Listing Rules. All connected persons of the Company must abstain from voting in favour at such general meeting (except that any connected person may vote against such proposed grant at the general meeting provided that his intention to do so has been stated in the circular issued to the Shareholders).

11. **Rights are personal to grantee**

An option shall be personal to the grantee and shall not be assignable or transferable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any option or enter into any agreement to do so. Where the grantee is a company, any change of its major shareholder or any substantial change in its management (to be determined by the Board at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid. Any breach of the foregoing by a grantee shall render any option or part thereof granted to such grantee (to the extent that it has not already been exercised) be automatically cancelled.

12. **Time of acceptance**

An offer shall be deemed to have been accepted by the grantee and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein accompanied with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within 28 days from the date of the offer. Such remittance shall in no circumstances be refundable nor deemed to be part of the subscription price.

13. **Performance target**

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer, there is neither any performance target that need to be achieved by the grantee before an option can be exercised nor any minimum period for which an option must be held before the option can be exercised.

14. **Rights on ceasing employment or death**

In the event that the grantee, if an individual, dies before exercising the option in full, and none of the events which would be a ground for termination of the grantee's employment, directorship or engagement under paragraph 15 below arises, the personal representative(s) of the grantee shall be entitled within a period of 12 months from the date of death or such longer period as the Board may determine, to exercise the option up to the entitlement of such grantee as at the date of death (to the extent that it has become exercisable and has not already been exercised), failing which the option will lapse.

In the event that the grantee ceases to be a participant for any reason other than on his death or the termination of his employment, directorship or engagement on one or more of the grounds set out in paragraph 15 below, the grantee may exercise the option up to his entitlement at the date of cessation (to the extent which has become exercisable and has not already been exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation. Such date of cessation shall be, in the case of an employee, a director, a consultant, professional or other advisers, the last actual working day with the relevant member of the Group or the associated companies whether salary is paid in lieu of notice or not, or the last date of office or appointment, or in the case of a supplier, customer, joint venture partner or business counter-party, the date of expiry of the relevant contract governing their relationship with the relevant member of the Group or the associated companies, and such date of cessation as determined by a resolution of the board of directors or governing body of the relevant member of the Group or the associated companies shall be conclusive, failing which the option will lapse.

15. **Rights on termination of employment, directorship or engagement**

If the grantee ceases to be a participant by reason of termination of his employment, directorship or engagement on the grounds that he has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract, service contract, supply contract or engagement contract (as the case may be), or has stopped payment to creditors generally or been unable to pay or have no reasonable prospect to pay debts within the meaning of any applicable legislation in relation to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board or the board of the relevant member of the Group or the associated companies, as the case may be) on any other ground on which an employer, a sourcing party or an engaging party would be entitled to terminate his employment or directorship or engagement at common law or pursuant to any applicable laws or under his employment contract, service contract, supply contract or engagement contract (as the case may be) with the relevant member of the Group or the associated companies, in such event a resolution of the board of directors or governing body of the relevant member of the Group or the associated companies to the effect that the employment, directorship or engagement of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive.

16. **Rights on a general offer, compromise or arrangement**

If a general offer by way of take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) with the terms of the offer having been approved by the holders of not less than nine-tenths in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the Company shall forthwith give notice thereof to the grantee and the grantee (or the grantee's personal representative(s)) may by notice in writing to the Company within 21 days of the notice of the Company exercise the option (to the extent which has become exercisable on the date of the notice of the offeror and has not been already exercised) to its full extent or to the extent specified in such notice.

If a general offer by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall give notice thereof and the grantee (or the grantee's personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the option (to the extent that it has become exercisable and has not already been exercised) to its full extent or to the extent specified in such notice;

If a compromise or arrangement between the Company and the Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or the grantee's personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the court, exercise any of the grantee's options (to the extent that it has become exercisable and has not already been exercised) whether in full or in part but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Proposed Share Option Scheme.

17. **Rights on winding-up**

In the event a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the Shareholders' meeting, give notice thereof to all grantees. Each grantee (or the grantee's legal personal representative(s)) may by notice in writing to the Company (such notice to be received by the Company no later than two business days prior to the proposed general meeting), exercise the option (to the extent which has become exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice. Such notice shall be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

18. **Ranking of Shares**

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Memorandum of Association and the Articles of Association for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue, other than any dividends or other distributions previously declared, recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

19. **Reorganisation of capital structure**

In the event of a capitalization issue, rights issue, sub-division or consolidation of the Shares or reduction of the share capital of the Company excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party, corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the option so far as unexercised; and/or

(ii) the subscription price,

as an independent financial adviser appointed by the Company or the auditors of the Company shall certify in writing to the Directors, either generally or as regards any particular grantee, to be in their opinion fair and reasonable and that any such alteration shall satisfy the requirements set out in the Listing Rules and any supplementary guidance or practice notes issued by the Stock Exchange in respect thereof, that shall give a grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled, but so that no such alterations shall be made to the effect which would enable any Share to be issued at less than its nominal value.

20. **Alterations of the Proposed Share Option Scheme**

The Proposed Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Proposed Share Option Scheme as to matters set out in Rule 17.03 of the Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of the participants except with the prior approval of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected grantees as would be required of the Shareholders under the Articles of Association for the time being of the Company for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Proposed Share Option Scheme which are of a material nature or any change to the terms of the options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Proposed Share Option Scheme. Any alterations to the terms and conditions of the Proposed Share Option Scheme which are to be approved by the Shareholders and/or independent non-executive Directors of the Company, must simultaneously be approved by the respective shareholders and/or independent non-executive directors of Sinolink and Enerchina.

The amended terms of the Proposed Share Option Scheme or the options must comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any change to the authority of the Directors or administrator(s) of the Proposed Share Option Scheme in relation to any alteration to the terms of the Proposed Share Option Scheme must be approved by the Shareholders in general meeting.

21. **Cancellation of options**

With the consent of the relevant grantee, the Board may at any time at its absolute discretion cancel any option granted but not exercised. Where the Company cancels any options and makes an offer of the grant of new options to the same option holder, the offer of such new options may only be made under the Proposed Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph 8 above.

22. **Termination**

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Proposed Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Proposed Share Option Scheme shall remain in full force and effect.

23. **Lapse of options**

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the expiry of the option period;

(ii) the expiry of the periods or dates as mentioned in paragraphs 14, 15, 16 and 17 above;

(iii) subject to paragraph 17, the date of the commencement of the winding-up of the Company;

(iv) the date on which the grantee commits a breach of paragraph 11; or

(v) the date on which the Option is cancelled by the Board as provided in paragraph 21.

The Company shall owe no liability to any grantee for the lapse of any option under this paragraph 23.

24. **Period of the Proposed Share Option Scheme**

The Proposed Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption of the Proposed Share Option Scheme, after which period no further options will be granted but in all other respects, the provisions of the Proposed Share Option Scheme shall remain in full force and effect and options which were granted during the life of the Proposed Share Option Scheme may continue to be exercised in accordance with their terms of grant.

VI. SUMMARY OF THE PRINCIPAL TERMS OF THE OLD GEM SHARE OPTION SCHEME

The following is a summary of the principal terms of the rules of the Old GEM Share Option Scheme which was conditionally approved by written resolution of the then sole Shareholder on April 4, 2001 and which was conditionally terminated by the Shareholders at the annual general meeting of the Company held on April 26, 2005. Notwithstanding the termination of the Old GEM Share Option Scheme, the outstanding options previously granted but not yet exercised under the Old GEM Share Option Scheme will remain valid and exercisable in accordance with the provisions of the Old GEM Share Option Scheme.

1. Who may join

The Board may, at its discretion, invite any full-time employee including any executive director of any company in the Group ("Employee") to take up options at HK$1.00 per option to subscribe for Shares at a price calculated in accordance with paragraph 4 below.

2. Grant of options

Any grant of options must not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules. In particular, during the period of one month immediately preceding the preliminary announcement of annual results or the publication of interim results, no option should be granted until such information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules.

3. Payment on acceptance of option offer

HK$1.00 is payable by the Employee to the Company on acceptance of the option offer.

4. Price of Shares

The subscription price for Shares under the Old GEM Share Option Scheme will be a price determined by the Board and notified to each grantee and will be the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

5. Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under (i) the Old GEM Share Option Scheme and (ii) any other share option scheme(s) of the Company, shall not in aggregate exceed 10% of the entire issued ordinary share capital of the Company from time to time. In determining the said 10% limit, the following Shares of the entire issued ordinary share capital of the Company shall be excluded:

(i) Shares issued pursuant to the Old GEM Share Option Scheme and any other schemes including the Pre-GEM Listing Share Option Scheme; and

(ii) any pro rata entitlements to subscribe for further Shares pursuant to the issue of Shares mentioned in (i) above.

No option may be granted to any one person which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25% of the number of Shares issued and issuable under all the options which may be granted under the Old GEM Share Option Scheme at the time it is proposed to grant the relevant options to that person.

6. **Requirements on granting options to connected persons**

Any grant of options to an Employee who is a connected person (as such term is defined in the GEM Listing Rules) of the Company must be approved by the independent non-executive Directors.

Where the Board proposes to grant any option to an Employee who is a substantial shareholder (as defined in the GEM Listing Rules) or an associate of any substantial shareholder (as so defined) of the Company and such option which is exercised in full, would result in such Employee becoming entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued, and issuable, to him or her pursuant to all the options granted to him or her in the 12 month period up to and including the date on which such proposed grant is made by the Board (the "Relevant Date"):

(i) representing in aggregate more than 0.1% of the total number of Shares in issue at the Relevant Date; and

(ii) having a value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date and if the Relevant Date is not a trading day, the trading day immediately preceding the Relevant Date, in excess of HK$5,000,000,

such proposed grant of options must be approved by the Shareholders in general meeting with the Employee concerned and all other connected persons (as defined in the GEM Listing Rules) of the Company abstaining from voting (except where any connected person (as defined) intends to vote against such proposed grant).

7. **Time of exercise of option**

An option may be exercised in accordance with the terms of the Old GEM Share Option Scheme at any time during a period of not less than 3 years and not more than 10 years to be notified by the Board to each grantee which period of time shall commence on the date of the grant of the option and expire on the last day of such period as determined by the Board and the exercisable period is not less than 3 years.

8. **Rights are personal to grantee**

An option may not be transferred or assigned and is personal to the grantee.

9. **Rights on ceasing employment**

If the grantee of an option ceases to be an Employee for any reasons other than death, misconduct or certain other grounds, the grantee may exercise the option up to the grantee's entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of one month following the date of such cessation, which date shall be the last actual working day with the relevant company in the Group whether salary is paid in lieu of notice or not failing which the option will lapse.

If the grantee of an option leaves the service of the Group by reason of misconduct or on other grounds, his or her option (to the extent such has become exercisable but not already exercised) will immediately lapse.

10. **Rights on death**

If the grantee of an option dies before exercising the option in full and none of certain events which would be a ground for termination of his or her employment arises, his or her personal representative(s) may exercise the option in full (to the extent which has become exercisable and not already exercised) within a period of 12 months from the date of death or such longer period as the Board may determine, failing which the option will lapse.

11. **Effects of alterations to capital**

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of the Company as fair and reasonable will be made in the subject matter of the option so far as unexercised and/or the subscription price and/or the method of the exercise of the option, provided that no such alteration shall be made so that a Share would be issued at less than its nominal value or which would give a grantee a different proportion of the issued share capital of the Company as that to which he or she was previously entitled and no alteration shall be made if any alteration in the capital structure of the Company is the result of an issue of Shares in the capital of the Company as consideration in a transaction.

12. **Rights on take-over**

If a general offer by way of take-over is made to all Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) with the terms of the offer having been approved by the holders of not less than nine-tenths in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the grantee (or his or her personal representative(s)) may by notice in writing to the Company within 21 days of such notice exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.

13. **Rights on a compromise or arrangement**

If a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the grantee on the same date as it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his or her personal representative(s)) may until the expiry of the period commencing with such date and ending with the earlier of the date two months thereafter and the date on which such compromise or arrangement is sanctioned by the court exercise any of his or her options whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Old GEM Share Option Scheme. The Company may require the grantee (or his or her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

14. **Rights on winding up**

In the event a notice is given by the Company to its members to convene a shareholders' meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to convene the shareholders' meeting, give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

15. **Lapse of option**

An option shall lapse automatically and not be exercisable (to the extent which has become exercisable and not already exercised) on the earliest of:

(i) the expiry of the option period;

(ii) the expiry of the periods referred to in paragraphs 9, 10 or 12 respectively;

(iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph 13;

(iv) the date on which the grantee of an option ceases to be an Employee by reason of the termination of his or her employment on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;

(v) the date of the commencement of the winding-up of the Company; or

(vi) the date on which the grantee sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option in breach of the Old GEM Share Option Scheme.

16. **Ranking of Shares**

The Shares to be allotted upon the exercise of an option will be subject to the Articles of Association for the time being in-force and will rank pari passu with the fully paid Shares in issue on the date of exercise of the option and in particular will rank in full for all dividends or other distributions declared paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of exercise of the option.

Unless the context otherwise requires, references to "Shares" in the Old GEM Share Option Scheme include references to Shares in the Company of any such nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

17. **Cancellation of options granted**

Any cancellation of options granted but not exercised must be approved by shareholders of the Company (and also by shareholders of any holding company which is listed on GEM and the Main Board) in general meeting, with participants and their associates abstaining from voting. Any vote taken at the meeting to approve such cancellation must be taken by poll.

18. **Period of scheme**

The Old GEM Share Option Scheme will remain valid for a period of 10 years commencing on April 4, 2001 after which period no further options will be granted but the provisions of the Old GEM Share Option Scheme shall in all other respects remain in full force and effect and options which were granted during the life of the Old GEM Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

19. **Alteration to scheme**

The Old GEM Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their associates to abstain from voting). No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles of Association for the time being for a variation of the rights attached to the Shares.

Any alteration to the terms and conditions of the Old GEM Share Option Scheme, which are of a material nature, must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Old GEM Share Option Scheme.

20. **Administration of scheme**

The Old GEM Share Option Scheme will be administered by the Board.

VII. SUMMARY OF THE PRINCIPAL TERMS OF THE PRE-GEM LISTING SHARE OPTION SCHEME

The principal terms of the Pre-GEM Listing Share Option Scheme, conditionally approved by written resolution of the then sole Shareholder dated April 4, 2001 which lapsed before listing of the Shares on GEM in April 2001, are substantially the same as the terms of the Old GEM Share Option Scheme except that:

(i) the subscription price for Shares is fixed at HK$0.57 per Share in all cases;

(ii) the total number of Shares subject to the Pre-GEM Listing Share Option Scheme is 23,400,000 and there are no similar requirements on granting options to connected persons as summarized in paragraph 6 of the section headed "Summary of the principal terms of the Old GEM Share Option Scheme" above;

(iii) the definition of "Employee" includes any employee and director of the Group or the Sinolink Group; and

(iv) save for the options which have been conditionally granted, no further options will be offered or granted, as the right to do so ended upon the listing of the Shares on GEM back in April 2001.

The outstanding options granted pursuant to the Pre-GEM Listing Share Option Scheme, but not yet exercised will remain valid and exercisable in accordance with the terms of the Pre-GEM Listing Share Option Scheme.

VIII. SUMMARY OF THE PRINCIPAL TERMS OF THE NEW GEM SHARE OPTION SCHEME

The following is a summary of the principal terms of the New GEM Share Option Scheme which was approved by the Shareholders at the annual general meeting of the Company held on April 26, 2005 and which is proposed to be terminated upon approval by the Shareholders at the Extraordinary General Meeting. The Directors have confirmed that the Company will not grant any options under the New GEM Share Option Scheme prior to its termination upon approval by the Shareholders at the Extraordinary General Meeting.

1. Purpose

The purpose of the New GEM Share Option Scheme is for the Company to provide the people and the parties working for the interests of the Group with an opportunity to obtain equity interest in the Company, thus linking their interests with the interests of the Group and thereby providing them with incentives to work better for the interests of the Group and/or rewards for their contribution and support to the Group.

2. Basis of eligibility of the participants

The Board may, at its discretion, invite participants to take up options to subscribe for Shares. No performance target is required to be achieved before an option can be exercised. In determining the basis of eligibility of each participant, the Directors would mainly take into account of the experience of the participant in the Group's business, the length of service of the participant with the Group (if the participant is an employee or a director of any member of the Group), the length of business relationship the participant has established with the Group (if the participant is a supplier, an adviser or a consultant engaged by or worked for of any member of the Group), the amount of support, assistance, guidance, advice, efforts and contributions the participant has exerted and given towards the success of the Group and/or the amount of potential support, assistance, guidance, advice, efforts and contributions the participant is likely to be able to give or make towards the success of the Group in the future.

3. Grant of options

On and subject to the terms of the New GEM Share Option Scheme, the Board shall be entitled at any time within 10 years after the adoption of the New GEM Share Option Scheme to make an offer to any participant as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may (subject to paragraph 4 below) determine at the subscription price (as described in paragraph 6 below).

4. Maximum number of Shares available for subscription

(i) Subject to sub-paragraph (iv) below, the total number of Shares which may be issued upon exercise of all options to be granted under the New GEM Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% ("Scheme Mandate Limit") of the total number of Shares in issue as at the date of approval of the Company unless the Company obtains a fresh approval from Shareholders pursuant to sub-paragraph (ii) below. Options lapsed shall not be counted for the purpose of calculating the Scheme Mandate Limit.

(ii) Subject to sub-paragraph (iv) below, the Company may seek approval of Shareholders in general meeting to refresh the 10% limit set out in sub-paragraph (i) above such that the total number of Shares in respect of which options may be granted under the New GEM Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 94,225,089 Shares being 10% of the issued share capital of the Company at the date of approval to refresh such limit.

(iii) Subject to sub-paragraph (iv) below, the Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit or, if applicable, the refreshed limit provided the options in excess of such limit are granted only to participants specifically identified by the Company before such approval is sought.

(iv) Notwithstanding any other provisions of the New GEM Share Option Scheme, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New GEM Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time. No options may be granted under any schemes of the Company if this will result in the aforesaid 30% limit being exceeded.

5. **Maximum entitlement for any one eligible participant**

(i) The maximum number of Shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the New GEM Share Option Scheme and any other share option schemes of the Company to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

(ii) Any further grant of options to a participant in excess of the 1% limit referred to in sub-paragraph (i) above shall be subject to the separate approval of the Shareholders in general meeting, at which such participant and his associates shall abstain from voting. A circular shall be sent to the Shareholders with disclosure of the identity of the participant, the number and terms of the options granted and to be granted and any options previously granted to such participant. The number of Shares subject to the options to be granted and the terms of the options to be granted to such participant shall be fixed before the approval of Shareholders in general meeting. The date of the Board meeting of the Company for proposing such further grant shall be taken as the offer date for the purpose of calculating the subscription price (as described in paragraph 6 below).

6. **Subscription price**

The subscription price in respect of each Share issued pursuant to the exercise of options granted under the New GEM Share Option Scheme shall be a price determined by the Board and notified to a participant and shall be no less than the highest of: (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the offer date, which must be a trading day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive trading days immediately preceding the offer date; and (iii) the nominal value of a Share.

7. **Granting options to connected persons**

(i) Any grant of options to a participant who is a director, chief executive, management shareholder, or substantial shareholder (each as defined in the GEM Listing Rules) of the Company or any of their respective associates must be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director who is the relevant grantee).

(ii) Where the Board proposes to grant options to a participant who is a substantial shareholder (as defined in the GEM Listing Rules) or any independent non-executive Director of the Company or any of their respective associates, and such option which if exercised in full would result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such participant in the 12-month period up to and including the date of such grant:

(a) representing in aggregate more than 0.1% of the total number of Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000,

such further grant of options must be approved by the Shareholders on a poll in general meeting. The Company must send a circular to the Shareholders. All other connected persons (as defined in the GEM Listing Rules) of the Company abstaining from voting (except that any connected person may vote against such proposed grant at the general meeting provided that his intention to do so has been stated in the circular issued to the Shareholders).

8. **Restrictions on the time of grant of option**

Any grant of options must not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of: (i) the date of the Board meeting for the approval of the Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (ii) the deadline for the Company to publish announcement of its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the relevant results announcement, no option may be granted.

9. **Rights are personal to grantee**

An option shall be personal to the grantee and shall not be assignable or transferrable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so.

10. **Time of acceptance**

An offer shall be deemed to have been accepted, and the option to which the offer relates shall be deemed to have been granted, when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein accompanied with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within 28 days from the date of the offer.

11. **Performance target**

Unless otherwise determined by the Board, there is no minimum period for which an option must be held before it can be exercised and there is no performance target that needs to be achieved by the grantee before an option can be exercised.

12. **Rights on ceasing employment/death**

(i) In the event the grantee dies before exercising the option in full, and none of the events which would be a ground for termination of his employment, directorship or engagement under paragraph 13 below, the personal representative(s) of the grantee shall be entitled within a period of 12 months from the date of death or such longer period as the Board may determine, to exercise the option up to the entitlement of such grantee as at the date of death (to the extent that it has become exercisable and has not already been exercised), failing which, the option will lapse.

(ii) In the event that the grantee ceases to be a participant for any reason other than on his death or the termination of his employment, directorship or engagement on one or more of the grounds set out in paragraph 13 below, the grantee may exercise the option up to his entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of one month following the date of such cessation, which date shall be the last actual working day with the relevant member of the Group whether salary is paid in lieu of notice, failing which, the option will lapse.

13. **Rights on termination of employment, directorship or engagement**

If the grantee of an option ceases to be a participant by reason of termination of his employment, directorship or engagement on the grounds that he has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract, service contract, supply contract or engagement contract, or has stopped payment to creditors generally or been unable to pay his debts within the meaning of any applicable legislation relating to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence concerning his integrity or honesty or (if so determined by the Board or the board of the relevant subsidiary of the Company, as the case may be) on any other ground on which an employer, a sourcing party or an engaging party would be entitled to terminate his employment or directorship or engagement at common law or pursuant to any applicable laws or under the grantee's employment contract or service contract with the Company or the relevant subsidiary of the Company (as the case may be), the option shall lapse automatically (to the extent that it has not already been exercised).

14. **Rights on a general offer, compromise or arrangement**

(i) if a general offer by way of take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) with the terms of the offer having been approved by the holders of not less than nine-tenths in value of the Shares comprised in the offer within six months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the grantee (or his personal representative(s)) may by notice in writing to the Company within 21 days of the notice of the offeror exercise the option to its full extent or to the extent specified in such notice;

(ii) if a general offer by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary majority of Shareholders at the requisite meetings, the grantee (or his personal representatives) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the option (to the extent that it has become exercisable and has not already been exercised) to its full extent or to the extent specified in such notice;

(iii) if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the grantee on the same date as it despatches the notice which is sent to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the Court, exercise any of his options (to the extent that it has become exercisable and has not already been exercised) whether in full or in part. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the New GEM Share Option Scheme.

15. **Rights on winding-up**

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise the option, subject to the provisions of all applicable law, within two trading days prior to the proposed general meeting of the Company, by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the trading day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

16. **Ranking of Shares**

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of exercise of the option other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

17. **Reorganization of capital structure**

In the event of a capitalisation issue, rights issue, sub-division or consolidation of the Shares or reduction of capital in the Company (excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party), or in the event of any distribution of the Company's capital assets to the Shareholders on a pro rata basis (whether in cash or in specie) other than dividend paid out of the net profits attributable to the Shareholders for each financial year of the Company, whilst any option remains exercisable in either case, such corresponding alterations shall be made to:

(i) the number or nominal amount of Shares subject to the option so far as unexercised;

(ii) the subscription price; and/or

(iii) the method of exercise of the option (if applicable),

or any combination thereof, as an independent financial adviser appointed by the Company or the auditors shall certify in writing to the Directors, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided that any such alterations shall give a grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled, but so that no such alterations shall be made the effect of which would be to enable any Share to be issued at less than its nominal value.

18. **Alterations of the New GEM Share Option Scheme**

(i) The New GEM Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the New GEM Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or participants except with the prior approval of a resolution of the Company in general meeting, with grantees and their associates abstaining from voting. No such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the articles of association for the time being of the Company for a variation of the rights attached to the Shares.

(ii) Any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the New GEM Share Option Scheme must be approved by the Shareholders. Any alterations to the terms and conditions of the New GEM Share Option Scheme, which are of a material nature, shall be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the New GEM Share Option Scheme.

(iii) The terms of the New GEM Share Option Scheme, as it may from time to time be amended, must comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.

19. **Cancellation of options**

With the consent of the relevant grantee, the Board may by resolution at any time cancel any options granted but not exercised. Where the Company cancels options and offers to holders of such options new options, the offer of such new options may only be made under the New GEM Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph 4 above.

20. **Termination**

The Company by resolution in general meeting or the Board may at any time terminate the operation of the New GEM Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the New GEM Share Option Scheme shall remain in full force and effect.

21. **Period of the New GEM Share Option Scheme**

The New GEM Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption, after which period no further options will be granted but in respect of all options which remain exercisable at the end of such period, the provisions of the New GEM Share Option Scheme shall remain in full force and effect.

IX. OUTSTANDING SHARE OPTIONS

As at the Latest Practicable Date, the Shares held in public hands represented approximately 37.77% of the issued share capital of the Company, without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Pre-GEM Listing Share Option Scheme, the Old GEM Share Option Scheme or the New GEM Share Option Scheme or any Shares which may be issued by the Company upon conversion of the Convertible Bonds. Assuming that all of the outstanding options granted under the Pre-GEM Listing Share Option Scheme and the Old GEM Share Option Scheme were exercised in full on the Latest Practicable Date, the shareholding interest of the public would have been increased from approximately 37.77% to approximately 37.92% of the issued share capital of the Company, assuming that the issued share capital of the Company remained unchanged as at the Latest Practicable Date other than pursuant to the exercise of outstanding options granted under the Pre-GEM Listing Share Option Scheme or the Old GEM Share Option Scheme. In the event that the outstanding options under the Pre-GEM Listing Share Option Scheme and the Old GEM Share Option Scheme as at the Latest Practicable Date are exercised in full or in part, the earnings per Share and the shareholding interests of the then existing Shareholders would be diluted.

1. Pre-GEM Listing Share Option Scheme

As at the Latest Practicable Date, options to subscribe for an aggregate of 13,570,000 Shares (including options to subscribe for 9,620,000 Shares granted to Mr. Chen Wei, Mr. Li Fujun, Mr. Ou and Mr. Shen Lian Jin as disclosed above in the section headed "III. Further Information about Directors, Senior Management and Staff — 1. Directors' interests and short positions in shares, underlying shares and debentures") at a subscription price of HK$0.475 per Share granted pursuant to the Pre-GEM Listing Share Option Scheme were outstanding. These options under the Pre-GEM Listing Share Option Scheme were granted to 20 persons who were employees of the Group at the date of grant. All of these options have a duration of 10 years from April 4, 2001, but shall lapse when the relevant grantee ceases to be employed by the Group.

Details of such outstanding options granted pursuant to the Pre-GEM Listing Share Option Scheme as at the Latest Practicable Date were as follows:

Name of grantee	Date of grant	Address	Exercise period	Exercise price	No. of Shares subject to outstanding options as at the Latest Practicable Date	Approximate percentage of the Company's issued share capital
				HK$		
Directors						
CHEN Wei	04.04.2001	Sinolink Building	01.01.2003 - 03.04.2011	0.475	1,800,000	0.190%
		28 Taining Road	01.01.2004 - 03.04.2011	0.475	1,800,000	0.190%
		Shenzhen				
		China			3,600,000	0.380%
LI Fujun	04.04.2001	Sinolink Building	01.01.2003 - 03.04.2011	0.475	920,000	0.100%
		28 Taining Road	01.01.2004 - 03.04.2011	0.475	1,200,000	0.130%
		Shenzhen				
		China			2,120,000	0.230%
OU Yaping	04.04.2001	28th Floor	01.01.2003 - 03.04.2011	0.475	1,800,000	0.190%
		Vicwood Plaza	01.01.2004 - 03.04.2011	0.475	1,800,000	0.190%
		199 Des Voeux				
		Road Central			3,600,000	0.380%
		Hong Kong				
SHEN Lian Jin	04.04.2001	Sinolink Building	01.01.2003 - 03.04.2011	0.475	300,000	0.030%
		28 Taining Road				
		Shenzhen			300,000	0.030%
		China				
Employees						
LAW Sze Lai	04.04.2001	Sinolink Building	01.01.2003 - 03.04.2011	0.475	80,000	0.010%
		28 Taining Road	01.01.2004 - 03.04.2011	0.475	480,000	0.050%
		Shenzhen				
		China			560,000	0.060%
LAI Wen Guang	04.04.2001	Sinolink Building	01.01.2003 - 03.04.2011	0.475	400,000	0.040%
		28 Taining Road	01.01.2004 - 03.04.2011	0.475	1,200,000	0.130%
		Shenzhen				
		China			1,600,000	0.170%
LAU Shi Wa	04.04.2001	Sinolink Building	01.01.2004 - 03.04.2011	0.475	600,000	0.060%
		28 Taining Road				
		Shenzhen			600,000	0.060%
		China				

Name of grantee	Date of grant	Address	Exercise period	Exercise price	No. of Shares subject to outstanding options as at the Latest Practicable Date	Approximate percentage of the Company's issued share capital
				HK$		
LUO Lei	04.04.2001	Sinolink Building 28 Taining Road Shenzhen China	01.01.2004 - 03.04.2011	0.475	600,000	0.060%
					600,000	0.060%
YU Man To, Gerald	04.04.2001	28th Floor Vicwood Plaza 199 Des Voeux Road Central Hong Kong	01.01.2003 - 03.04.2011	0.475	340,000	0.040%
					340,000	0.040%
SUN Wu Ying	04.04.2001	Sinolink Building 28 Taining Road Shenzhen China	01.01.2004 - 03.04.2011	0.475	40,000	0.004%
					40,000	0.004%
TANG Xi Yong	04.04.2001	Sinolink Building 28 Taining Road Shenzhen China	01.01.2004 - 03.04.2011	0.475	120,000	0.010%
					120,000	0.010%
LI Zi Hong	04.04.2001	Sinolink Building 28 Taining Road Shenzhen China	01.01.2004 - 03.04.2011	0.475	10,000	0.001%
					10,000	0.001%
ZHOU Xiao Ben	04.04.2001	Sinolink Building 28 Taining Road Shenzhen China	01.01.2004 - 03.04.2011	0.475	40,000	0.004%
					40,000	0.004%
ZHU Yi Min	04.04.2001	Sinolink Building 28 Taining Road Shenzhen China	01.01.2004 - 03.04.2011	0.475	40,000	0.004%
					40,000	0.004%
					13,570,000	1.440%

2. Old GEM Share Option Scheme

As at the Latest Practicable Date, options to subscribe for an aggregate of 28,959,000 Shares (including options to subscribe for 15,280,000 Shares granted to Mr. Chen Wei, Mr. Cheung Hon Kit, Mr. Ge Ming, Mr. Li Fujun, Mr. Li Xiao Ru, Mr. Shen Lian Jin, Mr. Tang Yui Man Francis and Mr. Zhang Keyu as disclosed above in the section headed "III. Further Information about Directors, Senior Management and Staff — 1. Directors' interests and short positions in shares, underlying shares and debentures") granted pursuant to the Old GEM Share Option Scheme were outstanding. Details of such outstanding options granted pursuant to the Old GEM Share Option Scheme as at the Latest Practicable Date were as follows:

Date of grant	No. of Shares subject to outstanding options as at the Latest Practicable Date	Number of employees	Exercise price	Exercise period
			HK$	
13.11.2001	900,000	6	0.940	13.02.2002 - 13.02.2007
13.11.2001	1,498,000	19	0.940	13.05.2002 - 13.02.2007
13.11.2001	5,361,000	22	0.940	13.11.2002 - 13.02.2007
19.11.2004	6,360,000	16	3.500	31.12.2005 - 30.03.2011
19.11.2004	6,360,000	16	3.500	31.12.2006 - 30.03.2011
19.11.2004	8,480,000	16	3.500	31.12.2007 - 30.03.2011
	28,959,000			

X. OTHER INFORMATION

1. Estate duty and other tax indemnities

Pursuant to a deed of indemnity dated April 9, 2001, Sinolink and Kenson, the controlling shareholders of the Company at the time when the Company was listed on GEM in 2001, have provided to the Company indemnities in connection with, among others, (i) any liabilities for Hong Kong estate duty which might be payable by any of the then members of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any of the then members of the Group on or before the date on which the placing of the Shares made by the Company at the time when it was listed on GEM became unconditional; and (ii) any taxation which might be payable by any of the then members of the Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the placing of the Shares made by the Company at the time when it was listed on GEM became unconditional. Such indemnities will continue to be effective after the commencement of trading of the Shares on the Main Board.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of the Cayman Islands, the BVI and the PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

2. **Sponsor**

Merrill Lynch (Asia Pacific) Limited has made an application on behalf of the Company to the Listing Committee for the listing of, and permission to deal in, on the Main Board (i) the 942,250,891 Shares in issue; (ii) 13,570,000 Shares which may be issuable upon the exercise of the outstanding options which were granted under the Pre-GEM Listing Share Option Scheme; (iii) 28,959,000 Shares which may be issuable upon the exercise of the outstanding options which were granted under the Old GEM Share Option Scheme; (iv) any Shares which may be issuable upon the exercise of any options which may be granted under the Proposed Share Option Scheme; and (v) any Shares which may be issuable upon the exercise of the conversion rights under the Convertible Bonds.

3. **Litigation**

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

4. **Expenses**

The expenses of the Company in relation to the Introduction are estimated to be approximately HK$17,348,000 and are payable by the Company.

5. **Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
Deloitte Touche Tohmatsu	certified public accountants
DTZ Debenham Tie Leung Limited	professional surveyors and valuers
Haiwen & Partners	PRC legal advisers
Maples and Calder	Cayman Islands attorneys-at-law
Merrill Lynch (Asia Pacific) Limited	licenced to conduct types 1, 4, 6 and 7 regulated activities under the SFO

6. **Consents of experts**

Each of Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Haiwen & Partners, Maples and Calder and Merrill Lynch (Asia Pacific) Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

7. **Miscellaneous**

Save as disclosed in this document, as at the Latest Practicable Date:

(i) within the two years preceding the date of this document:

(a) no share or loan capital of the Company or any of its subsidiaries had been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash or for consideration other than cash;

(b) no commissions, discounts, brokerages or other special terms had been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries;

(c) no share or loan capital of the Company or any of its subsidiaries was under option or was agreed conditionally or unconditionally to be put under option.

(ii) none of the persons whose names are listed in the section headed "X. Other Information — 6. Consents of experts" in this Appendix had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(iii) there had not been any interruption in the business of the Group which may have had a significant effect on the financial position of the Group in the 12 months preceding the date of this document;

(iv) neither the Company nor any of its subsidiaries had issued or agreed to issue any founder shares, management shares, deferred shares or any debentures;

(v) all necessary arrangements had been made with HKSCC for the Shares to continue to be accepted as eligible securities of CCASS; and

(vi) the Directors were not aware of any person who is directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including options in respect of such capital) carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries.

The English text of this document shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents 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 to and including the date which is 14 days from the date of this document:

(i) the Memorandum of Association;

(ii) the existing Articles of Association;

(iii) the Articles of Association proposed to be adopted by the Company at the Extraordinary General Meeting;

(iv) the accountants' report of the Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;

(v) the accountants' report of Changchun Panva Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this document;

(vi) the unaudited pro forma financial information on the Group and the comfort letter on the same information prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix III to this document;

(vii) the letter, summary of valuations and the valuation certificates relating to the Group's property interests prepared by DTZ, the summary of which is set out in Appendix IV to this document;

(viii) the PRC legal opinions (with certified English translations) issued by Haiwen & Partners, the Company's legal advisers on PRC law;

(ix) the letter prepared by Maples and Calder, the Company's legal advisers on Cayman Islands law, summarizing certain aspects of Cayman Islands company law referred to in Appendix V to this document;

(x) the Companies Law;

(xi) the material contracts (with certified English translations (if in Chinese)) referred to in the section headed "II. Further Information about the Company's Business — 1. Summary of material contracts" in Appendix VII to this document;

(xii) the written consents referred to in the section headed "X. Other Information — 6. Consents of experts" in Appendix VII to this document;

(xiii) the respective rules of the Pre-GEM Listing Share Option Scheme, the Old GEM Share Option Scheme, the New GEM Share Option Scheme and the Proposed Share Option Scheme; and

(xiv) the directors' service agreements and supplemental agreements referred to in the section headed "III. Further Information about Directors, Senior Management and Staff — 2. Particulars of service agreements" in Appendix VII to this document.