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If you have sold or transferred all your shares in **Panva Gas Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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PANVA GAS HOLDINGS LIMITED

百江燃氣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

**MAJOR TRANSACTION
AND
CONNECTED TRANSACTION
PLACING OF EXISTING SHARES
AND
SUBSCRIPTION FOR NEW SHARES**

Independent Financial Adviser to the Independent Board Committee

COMMERZBANK 
Commerzbank AG Hong Kong Branch

This Circular will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for 7 days from the day of its posting and on the website of Panva Gas Holdings Limited at <http://www.panva-gas.com>.

18 December 2003

CHARACTERISTICS OF GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is risk that securities traded on GEM may be more susceptible to high market volatility than securities trading on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities trading on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

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

“Announcement”	the joint announcement dated 5 December 2003 issued by the Company and Sinolink in respect of, among other things, the Placing and the Subscription.
“associate”	has the meaning ascribed to it under the GEM Listing Rules.
“Commerzbank”	Commerzbank AG, through its Hong Kong Branch, the independent financial adviser to the Independent Board Committee in respect of the Subscription.
“Company”	Panva Gas Holdings Limited, a company incorporated under the laws of the Cayman Islands whose Shares are listed on GEM.
“Conversion Shares”	the 169,491,525 Shares issued to Supreme All Investments Limited on 9 December 2003 as a result of the conversion of the Convertible Note.
“Convertible Note”	the HK\$100 million convertible note issued by the Company to Supreme All Investments Limited, a wholly owned subsidiary of Sinolink, on 4 April 2001, convertible into Shares at HK\$0.59 per Share.
“Directors”	the director(s) of the Company.
“EGM”	the extraordinary general meeting of the Company to be held on 5 January 2004 for the approval of the Subscription.
“GEM”	the Growth Enterprise Market of the Stock Exchange.
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM.
“Group”	the Company and its subsidiaries.
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC.
“Hutchison”	Hutchison International Limited, a company which holds 4.97% of the Company as at the Latest Practicable Date.
“Independent Board Committee”	the committee of Directors, consisting of Cheung Hon Kit and Li Xiao Ru, being the independent non-executive Directors, formed to advise the Independent Shareholders in respect of the terms of the Subscription.

DEFINITIONS

“Independent Shareholders”	Shareholders other than the Vendor and its associates.
“Latest Practicable Date”	15 December 2003, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange.
“Morgan Stanley”	Morgan Stanley & Co. International Limited.
“Other Placing Agents”	Merrill Lynch Far East Limited.
“Placing”	the placing of 155,200,000 existing Shares pursuant to the Placing Agreement.
“Placing Agents”	Morgan Stanley and the Other Placing Agents.
“Placing Agreement”	the placing agreement dated 4 December 2003 entered into between the Vendor, the Company and the Placing Agents.
“Placing Price”	the placing price of HK\$4.00 per Share.
“Placing Shares”	155,200,000 existing Shares.
“PRC”	the People’s Republic of China.
“SFO”	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong.
“Shareholders”	shareholders of the Company.
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company.
“Sinolink”	Sinolink Worldwide Holdings Limited, a company incorporated under the laws of Bermuda whose shares are listed on the Stock Exchange.
“Sinolink Group”	Sinolink and its subsidiaries.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Subscription”	the subscription of the Subscription Shares by the Vendor.

DEFINITIONS

“Subscription Agreement”	the subscription agreement dated 4 December 2003 entered into between the Vendor and the Company.
“Subscription Price”	the subscription price of HK\$4.00 per Share.
“Subscription Shares”	155,200,000 new Shares.
“Vendor” or “Kenson”	Kenson Investment Limited, an investment holding company incorporated in the British Virgin Islands, and a wholly-owned subsidiary of Sinolink.



PANVA GAS HOLDINGS LIMITED

百江燃氣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Mr. Ou Yaping (*Chairman*)
Mr. Chen Wei (*Managing Director*)
Mr. Lai Wen Guang
Mr. Lau Shi Wa
Mr. Li Fujun
Mr. Tang Yui Man, Francis
Mr. Zhang Keyu

Non-Executive Directors:

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

Independent Non-Executive Directors:

Mr. Cheung Hon Kit
Mr. Li Xiao Ru

To the Shareholders

Dear Sir or Madam,

Registered office:

P.O. Box 309, Uglan House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Head Office and Principal

Place of Business:

25th Floor
Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

18 December 2003

**MAJOR TRANSACTION AND CONNECTED TRANSACTION
PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES**

1 INTRODUCTION

On 4 December 2003, the Vendor, a wholly owned subsidiary of Sinolink, and the Company entered into the Placing Agreement with the Placing Agents, pursuant to which the Placing Agents agreed, on a several basis, to purchase or procure purchasers to acquire, and the Vendor agreed to sell, 155,200,000 existing Shares at the Placing Price of HK\$4.00 per Share. At the same time, the Vendor and the Company entered into the Subscription Agreement pursuant to which the Vendor agreed, subject to certain conditions being fulfilled which include the approval by the Shareholders (other than the Vendor and its associates) of the Subscription, to subscribe for the same number of new Shares at a price equal to the Subscription Price.

* For identification purpose only

LETTER FROM THE BOARD

Simultaneously with the completion of the Placing, 169,491,525 Conversion Shares were issued to Supreme All Investments Limited, a wholly owned subsidiary of Sinolink, as a result of the conversion of the Convertible Note. The Conversion Shares represent approximately 21.88% of the existing issued share capital of the Company as enlarged by the issue of the Conversion Shares.

On 4 December 2003, pursuant to the Subscription Agreement entered into between the Vendor and the Company, the Vendor has conditionally agreed to subscribe for 155,200,000 Subscription Shares at the Subscription Price of HK\$4.00 per Share, which is the same as the Placing Price. The Subscription Shares represent approximately 25.65% of the issued share capital of the Company as at the date of the Subscription Agreement and approximately 16.69% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and by the Subscription.

The Subscription constitutes a major transaction and a connected transaction for the Company under the GEM Listing Rules and is subject to the approval of the Shareholders at the EGM. The Vendor and its associates are required to abstain from voting on the Subscription. Hutchison, which holds approximately 6.36% of the Company's then existing issued share capital prior to the issue of the Conversion Shares and the Placing, and 4.97% of the Company's issued share capital as enlarged by the issue of the Conversion Shares, has unconditionally and irrevocably undertaken to exercise any voting right attaching to the Shares they will hold in the Company as at the date of the EGM in favour of the resolution to approve the Subscription in the EGM.

The purpose of this circular is to provide you with information on the Subscription and the EGM in compliance with the GEM Listing Rules.

2 PLACING AGREEMENT DATED 4 DECEMBER 2003

Parties

- (i) The Vendor, Kenson Investment Limited, a wholly-owned subsidiary of Sinolink. As at the date of the Placing Agreement, the Vendor held 429,298,462 Shares, representing approximately 70.95% of the Company's existing issued share capital of 605,076,000 Shares as at the date of the Placing Agreement.
- (ii) Panva Gas Holdings Limited.
- (iii) Morgan Stanley & Co. International Limited, as the sole bookrunner and lead manager in respect of the Placing.
- (iv) Other Placing Agents, together with Morgan Stanley, as agents and underwriters (on a several basis) of the Placing.

The Placing Agents and their beneficial owners are independent of and not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any associate of any of them, and are independent of and not connected with the directors, chief executive or substantial shareholders of Sinolink or any of its subsidiaries or any associate of any of them.

LETTER FROM THE BOARD

Number of Shares placed

155,200,000 Shares. This was approximately 25.65% of the Company's issued share capital prior to the issue of Conversion Shares and the Placing; approximately 20.04% of the Company's existing issued share capital as enlarged by the issue of the Conversion Shares and approximately 16.69% of the Company's issued share capital as enlarged by the issue of the Conversion Shares and by the Subscription.

Placees

78 independent professional, institutional and/or individual investors were procured by the Placing Agents. To the best knowledge of the Company and Sinolink, the placees and their beneficial owners are independent of and do not act in concert with the Vendor or any person acting in concert with it; and they are also independent of and not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any associate of any of them, and are independent of and not connected with the directors, chief executive or substantial shareholders of Sinolink or any of its subsidiaries or any associate of any of them.

Placing Price

HK\$4.00 per Placing Share. This was determined on an arm's length basis. The total consideration for the Placing Shares was HK\$620,800,000 and has been paid by the placees in cash. The value of the Placing Shares, as calculated by reference to the closing price of HK\$4.875 per Share as quoted on the Stock Exchange on 3 December 2003, was HK\$756,600,000.

The Placing Price represented:

- (1) a discount of about 17.95% to the closing price of HK\$4.875 per Share as quoted on the Stock Exchange on 3 December 2003;
- (2) a discount of about 17.44% to the average closing price of HK\$4.845 per Share as quoted on the Stock Exchange from 27 November 2003 to 3 December 2003, both dates inclusive, being the last five trading days immediately prior to the date of the Placing Agreement;
- (3) a discount of about 16.54% to the average closing price of HK\$4.7925 per Share as quoted on the Stock Exchange from 20 November 2003 to 3 December 2003, both dates inclusive, being the last 10 trading days immediately prior to the date of the Placing Agreement;
- (4) a premium of about 0.63% to the closing price of HK\$3.975 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (5) a discount of about 0.37% to the average closing price of HK\$4.015 per Share as quoted on the Stock Exchange from 8 December 2003 to 12 December 2003, both dates inclusive, being the last 5 trading days immediately prior to the Latest Practicable Date; and

LETTER FROM THE BOARD

- (6) a discount of about 9.71% to the average closing price of HK\$4.43 per Share as quoted on the Stock Exchange from 27 November 2003 to 12 December 2003, both dates inclusive, being the last 10 trading days immediately prior to the Latest Practicable Date.

The Placing Price represented a premium of about 6 times to the net tangible asset per Share of HK\$0.547 as at 30 June 2003.

The directors of the Company and Sinolink were of the opinion that the Placing Price was fair and reasonable and was in the best interests of the Company.

The Vendor entered into the Placing Agreement to facilitate the raising of funds by the Company. The proceeds of the Placing will be used by the Vendor for the Subscription in accordance with the terms, and subject to the conditions, of the Subscription Agreement.

Rights

The Placing Shares were sold free of any third party rights. The placees are entitled to receive all dividends and distributions declared, made or paid after completion of the Placing.

Completion of Placing

Completion of the Placing took place on 9 December 2003.

3 CONVERSION OF CONVERTIBLE NOTE

Supreme All Investments Limited, a wholly owned subsidiary of Sinolink, has exercised its rights under the Convertible Note to fully convert it into 169,491,525 new Shares. Conversion is not conditional on completion of the Subscription. The Conversion Shares rank pari passu with other issued Shares and represent approximately 21.88% of the existing issued share capital of the Company as enlarged by the issue of the Conversion Shares. Completion of the issue of the Conversion Shares and completion of the Placing took place simultaneously on 9 December 2003. After the simultaneous completion of the issue of the Conversion Shares and the Placing, Sinolink and its associates hold in total 455,671,587 Shares representing a decrease from 72.95% of the issued share capital of the Company before the issue of the Conversion Shares to 58.83% of the existing issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Company is of the view that Supreme All Investments Limited is not, upon completion of the conversion, under any obligation to make a general offer for all of the Shares of the Company.

The Convertible Note was issued by the Company to Supreme All Investments Limited prior to the listing of the Company on 4 April 2001 as consideration for acquisition by the Company of the loan due from China Pan River Group Ltd., a wholly-owned subsidiary of Sinolink, to Sinolink. The issue and principle terms of the Convertible Note were set out in Appendix III of the prospectus of the Company dated 10 April 2001. The terms of the Convertible Note were fixed at the time of the issue of the Convertible Note and have not been subsequently amended. The exercise of the conversion right is at the absolute discretion of Supreme All Investments Limited and the Company has no control on the exercise of such conversion right.

4 SUBSCRIPTION AGREEMENT DATED 4 DECEMBER 2003

Parties

- (i) The Vendor (as the subscriber).
- (ii) The Company (as the issuer).

Number of Subscription Shares to be subscribed for by Vendor

155,200,000 new Shares. This was approximately 25.65% of the Company's issued share capital of 605,076,000 Shares as at the date of the Subscription Agreement; approximately 20.04% of the Company's existing issued shares capital as enlarged by the issue of the Conversion Shares and approximately 16.69% of the Company's issued share capital as enlarged by the issue of the Conversion Shares and the Subscription.

Prior to the issue of the Conversion Shares, the Placing and the Subscription, the Vendor and its associates owned approximately 72.95% of the issued share capital of the Company as at the date of the Subscription Agreement. Following completion of the issue of the Conversion Shares and completion of the Placing but prior to completion of the Subscription, the aggregate shareholdings of the Vendor and its associates reduced to approximately 58.83% of the existing issued share capital of the Company as enlarged by the issue of the Conversion Shares. If the Subscription is completed, the aggregate shareholdings of the Vendor and its associates will be approximately 65.70% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and the Subscription.

Subscription Price

HK\$4.00 per Subscription Share, which is the same as the Placing Price. The total consideration for the Subscription Shares will be HK\$620,800,000 and will be satisfied in cash.

All the commission, costs and expenses incurred in relation to the Placing and the Subscription will be borne by the Company and interest accrued on the net Placing proceeds from the date of completion of the Placing to the date of completion of the Subscription will be for the account of the Company.

Ranking

The Subscription Shares, when fully paid, will rank equally with the existing issued Shares of the Company.

LETTER FROM THE BOARD

Conditions of the Subscription

The Subscription is conditional upon:

1. the completion of the Placing in accordance with the Placing Agreement;
2. the passing of a resolution approving the issue of the Subscription Shares at the EGM; and
3. the GEM Listing Committee of the Stock Exchange granting listing of and permission to deal in the Subscription Shares.

The Subscription is not conditional on the issue of the Conversion Shares. The Company has applied to the GEM Listing Committee of the Stock Exchange for the listing of and permission to deal in the Subscription Shares.

The Placing was completed on 9 December 2003 in accordance with the Placing Agreement. The Placing Agents placed the Placing Shares, on behalf of the Vendor, to 78 placees, all of whom are independent of and do not act in concert with the Vendor or any person acting in concert with it, are independent of and not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company or any of its subsidiaries or any associate of any of them, and are independent of and not connected with the directors, chief executive or substantial shareholders of Sinolink or any of its subsidiaries or any associate of any of them. Accordingly, condition 1 above has been fulfilled and a joint announcement from the Company and Sinolink in relation to the completion of the Placing was made by the Company and Sinolink on 9 December 2003.

Completion of Subscription

Completion of the Subscription will take place on the second business day after the date upon which the last of the conditions to be satisfied has been so satisfied or such later date as the Company and the Vendor may agree in writing.

5 REASONS FOR THE PLACING AND THE SUBSCRIPTION

The Directors believe the terms of the Placing and the Subscription, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole. In arriving at this view, the Directors have taken into account the fact that the Placing and the Subscription will broaden the shareholder base and the capital base of the Company. The gross proceeds of the Placing and the Subscription amount to approximately HK\$620,800,000. The net proceeds of the Placing and the Subscription amount to approximately HK\$589,800,000. The Company intends to apply such net proceeds to fund expansion in the piped gas business (as to approximately 70%), the liquefied petroleum gas business (as to approximately 20%) and as working capital (as to approximately 10%). The Company has not identified any potential/specific piped gas project for the use of the placing proceeds at this stage and will disclose information regarding any such specific project (if and when so identified) in accordance with the GEM Listing Rules.

LETTER FROM THE BOARD

6 MAJOR TRANSACTION AND CONNECTED TRANSACTION

The Subscription constitutes a major transaction for the Company under the GEM Listing Rules. As the Vendor is a substantial and controlling shareholder of the Company, the Subscription will also constitute a connected transaction for the Company under the GEM Listing Rules. The Subscription does not fall within the exemption from disclosure and shareholders' approval under Rule 20.23(3)(d) of the GEM Listing Rules relating to connected transactions as the Subscription will not be completed within 14 days after the completion of the Placing. The Subscription and the issue of the Subscription Shares are subject to the approval of the Shareholders at the EGM. The Vendor and its associates will be required to abstain from voting on the Subscription. Hutchison, which held approximately 6.36% of the Company's issued share capital prior to the issue of the Conversion Shares and the Placing, and 4.97% of the Company's existing issued share capital as enlarged by the issue of the Conversion Shares, has unconditionally and irrevocably undertaken to exercise any voting right attaching to the Shares they will hold in the Company as at the date of the EGM in favour of the resolution to approve the Subscription in the EGM.

7 EFFECTS ON SHAREHOLDING IN THE COMPANY

The effects of the issue of the Conversion Shares, the Placing and the Subscription on the shareholding structure of the Company was and will be as follows:

	Before completion of the issue of the Conversion Shares and the Placing		After completion of the issue of the Conversion Shares and completion of the Placing but before completion of the Subscription		After completion of the issue of the Conversion Shares and completion of the Placing and the Subscription	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Vendor and its associates	441,380,062	72.95	455,671,587	58.83	610,871,587	65.70
Connected persons of the Company other than the Vendor and its associates	4,320,000	0.71	4,320,000	0.56	4,320,000	0.47
Public	159,375,938	26.34	314,575,938	40.61	314,575,938	33.83
Total	<u>605,076,000</u>	<u>100.00</u>	<u>774,567,525</u>	<u>100.00</u>	<u>929,767,525</u>	<u>100.00</u>

Save for the Shareholders as disclosed in the section headed "Substantial Shareholders" in the Appendix, the Directors are not aware of any persons who, as at Latest Practicable Date, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

8 BUSINESS OF THE GROUP

The Group is principally engaged in the sale and distribution of natural gas and liquefied petroleum gas in the eastern, central and southwest regions of the PRC. The main activities include the sale of liquefied petroleum gas in bulk and in cylinders, the provision of piped natural gas and liquefied petroleum gas, and the sale of natural gas and liquefied petroleum gas household appliances. The profit before taxation and minority interests and net profit after taxation and minority interests of the Group for the nine months ended 30 September 2003 were HK\$157,804,000 (unaudited) and HK\$132,649,000 (unaudited) respectively; the profit before taxation and minority interests and net profit after taxation and minority interests of the Group for the year ended 31 December 2002 were HK\$178,303,000 and HK\$132,538,000 respectively and the profit before taxation and minority interests and net profit after taxation and minority interests of the Group for the year ended 31 December 2001 were HK\$68,499,000 and HK\$31,693,000 respectively. The consolidated net tangible asset values of the Group as at 30 June 2003 and 31 December 2002 were HK\$330,742,000 (unaudited) and HK\$262,995,000 respectively.

As a result of the issue of the Conversion Shares and the Subscription Shares, an aggregate of 324,691,525 new Shares have been/will be allotted and issued. Based on the Group's net profit after taxation and minority interests for the year ended 31 December 2002 of approximately HK\$132,538,000, the outstanding number of Shares as at 31 December 2002 of 605,076,000 Shares and 929,767,525 Shares after the issue of the Conversion Shares and the Subscription Shares, the basic earnings per Share will decrease from approximately HK\$21.90 to approximately HK\$14.25. In addition, the net tangible assets of the Group will increase from approximately HK\$330,742,000 (unaudited) as at 30 June 2002 to approximately HK\$1,020,542,000 (unaudited) and the net tangible assets per Share will increase from approximately HK\$ 0.55 to approximately HK\$1.10.

For the past 12 months, the only fund raising activity that the Company has engaged in was the issue of convertible bonds due 2008 in the aggregate principal amount of US\$50 million (approximately HK\$390 million) on 23 April 2003. Out of the US\$50 million proceeds from the issue of the convertible bonds, approximately US\$30 million (approximately HK\$234 million) has been utilised. Out of the US\$30 million utilised, approximately 70% has been used to fund expansion in the piped gas business, approximately 20% has been used to fund expansion in the liquefied petroleum gas business and approximately 10% has been used for working capital. The remaining unutilised proceeds (US\$20 million, approximately HK\$156 million) are placed at banks in Hong Kong and the PRC as interest-bearing deposits.

9 CURRENT TRADING AND FUTURE PROSPECTS

The Group with strong competitive advantages has been able to tap on the rapidly growing gas consumption in the PRC. The Group has greatly enhanced its asset quality and quantity, capital return, brand value and management resources, which together further strengthen the Group's competitive advantages.

The Group will continue to strengthen its liquefied petroleum gas business, consolidate its existing resources, further develop the natural gas pipelines market through mergers and acquisitions and expand to the related up-and-down stream businesses. The Group will also keep on enhancing its corporate image as a comprehensive and professional gas services provider, expanding its end-user customer base and increasing its core competitiveness in the gas sector.

LETTER FROM THE BOARD

10 THE EGM

A notice convening the EGM to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 5 January 2004 at 10 a.m. is set out on pages 33 to 34 of this circular at which an ordinary resolution will be proposed and, if thought fit, passed to approve the transaction contemplated under the Subscription Agreement. As the Vendor is the subscriber under the Subscription Agreement, the Vendor and its associates will abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the principal place of business of the Company at 25th Floor, Vicwood Plaza, 199 Des Voeux Road, Central, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

11 RECOMMENDATION OF THE INDEPENDENT BOARD COMMITTEE

Commerzbank has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Subscription.

The Independent Board Committee, having taken into account the advice of Commerzbank, considers the Subscription to be in the interests of the Company and the Shareholders as a whole and the terms thereof to be fair and reasonable so far as the Company and the Shareholders are concerned, and considers the Subscription to be in the interests of the Independent Shareholders. Accordingly, the Independent Board Committee recommends that the Independent Shareholders should vote in favour of the ordinary resolution to approve the Subscription at the EGM. The letter from Commerzbank containing its advice and recommendation and the principal factors and reasons taken into account in arriving at its recommendation is set out on pages 15 to 21 of this circular.

12 ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 13 to 14 of this circular, the letter from Commerzbank, the independent financial adviser to the Independent Board Committee in respect of the Subscription, set out on pages 15 to 21 of this circular, the information set out in the Appendix to this circular and the notice of the EGM set out on pages 33 to 34 in this circular.

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



PANVA GAS HOLDINGS LIMITED

百江燃氣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

18 December 2003

To the Independent Shareholders

Dear Sir/Madam,

**MAJOR TRANSACTION AND CONNECTED TRANSACTION
PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES**

We refer to the circular dated 18 December 2003 (the “Circular”) of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context requires otherwise.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to you to set out our opinion in respect of the Subscription. The Independent Board Committee has been set up to advise you as an Independent Shareholder of the Company whether in its view the Subscription is in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Shareholders are concerned, and whether the Subscription is in the interests of the Independent Shareholders.

The terms of the Subscription Agreement are summarised in the “Letter from the Board” set out on pages 4 to 12 of the Circular. In addition, the Independent Board Committee has been advised by Commerzbank in considering the terms of the Subscription. You are strongly urged to read Commerzbank’s letter to the Independent Board Committee, which is set out on pages 15 to 21 of the Circular. As referred to in the “Letter from the Board” in the Circular, the Vendor and its associates (as defined in the Listing Rules) will abstain from voting on the ordinary resolution to be proposed at the EGM to approve the Subscription.

As the Independent Board Committee, we have discussed with the management of the Company the reasons for the Subscription. We have also discussed with Commerzbank the basis upon which its advice has been given to us.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Taking into account the recommendation of Commerzbank, the Independent Board Committee considers that the Subscription is in the interests of the Company and the Shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and the Shareholders are concerned, and the Subscription is in the interests of the Independent Shareholders. We accordingly recommend the Independent Shareholders of the Company to vote in favour of the resolution set out in the EGM Notice convening the EGM as set out on pages 33 to 34 of this circular.

Yours faithfully,

The Independent Board Committee

Cheung Hon Kit

Independent non-executive Director

Li Xiao Ru

Independent non-executive Director

LETTER FROM COMMERZBANK

The following is the text of a letter prepared for the purpose of incorporation in this Circular, received from Commerzbank, the independent financial adviser to the Independent Board Committee.

COMMERZBANK 

(Public Limited Company Incorporated in the Federal Republic of Germany)

HONG KONG BRANCH

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18 December 2003

To the Independent Board Committee
Panva Gas Holdings Limited
Room 2501 – 2502
Vicwood Plaza
199 Des Voeux Road Central
HONG KONG

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee in respect of the Subscription. Details of the Subscription, amongst other things, are set out in the circular dated 18 December 2003 (the “Circular”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context requires otherwise.

On 5 December 2003, the board of directors of the Company announced that the Vendor, a wholly owned subsidiary of Sinolink, and the Company entered into the Placing Agreement with the Placement Agents, pursuant to which the Placing Agents would, on a several basis, purchase or procure independent purchasers to acquire 155,200,000 existing Shares at HK\$4.00 per Share from the Vendor. At the same time, the Vendor and the Company entered into the Subscription Agreement pursuant to which the Vendor will, subject to certain conditions being fulfilled, including obtaining the approval from the Independent Shareholders, subscribe for the same number of new Shares at a price equal to the Subscription Price.

The Placing Shares represent approximately 25.65% of the existing issued share capital of the Company of 605,076,000 Shares and approximately 20.04% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares. The Subscription Shares represent approximately 25.65% of the existing issued share capital of the Company and approximately 16.69% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares and by the Subscription. Upon completion of the issue of the Conversion Shares, the Placing and the Subscription, the aggregate shareholdings of Sinolink and its associates will be decreased from approximately 72.95% to 65.70%.

LETTER FROM COMMERZBANK

The Subscription constitutes a major transaction for the Company under the GEM Listing Rules. By virtue of the fact that the Vendor is a substantial and controlling shareholder of the Company, the Subscription will constitute a connected transaction for the Company under the GEM Listing Rules. The Subscription does not fall within the exemption from disclosure and shareholders' approval under Rule 20.23(3)(d) of the GEM Listing Rules relating to connected transactions as the Subscription will not be completed within 14 days after the completion of the Placing. The Subscription and the issue of the Subscription Shares are subject to approval of the Independent Shareholders at the EGM. The Vendor and its associates will not vote on the resolution approving the Subscription.

Our role as the independent financial adviser to the Independent Board Committee is to give our opinion as to whether the terms of the Subscription are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

In formulating our recommendation, we have relied on the information and facts supplied to us by the Company. We have assumed that all information, opinions and representations contained or referred to in the Circular are true, complete and accurate and we have relied on the same. Also, we have relied on the representations of the Company that having made all due enquiries and careful decisions, and to the best of their knowledge and belief, there is no other fact or representation or the omission of which would make any statement contained in the Circular, including this letter, misleading. We have also assumed that all information and statements and representations made or referred to in the Circular, which have been provided to us by the Company and for which they are wholly responsible, are true, complete and accurate at the time they were made and continue to be so at the date of despatch of the Circular.

We consider that we have reviewed sufficient information to enable us to reach an informed view regarding the terms of the Subscription and to provide us with a reasonable basis for our recommendation. We have no reason to suspect that any material facts have been omitted or withheld, nor are we aware of any facts or circumstances, which would render the information and the representations made to us untrue, inaccurate or misleading. We have not, however, carried out any independent verification of the information provided by the Company, nor have we conducted any independent in-depth investigation into the business and affairs of the Group.

THE SUBSCRIPTION

In assessing the Subscription and giving our independent financial advice to the Independent Board Committee, we have taken into account the following principal factors:

1. Reasons for and benefits of the Subscription

As set out in the letter from the board, the Group is principally engaged in the sale and distribution of natural gas and liquefied petroleum gas in the eastern, central and southwest regions of the PRC. The main activities include the sale of liquefied petroleum gas in bulk and in cylinders, the provision of piped natural gas and liquefied petroleum gas, and the sale of natural gas and liquefied petroleum gas household appliances.

LETTER FROM COMMERZBANK

The Company has continued to pursue its gas distribution and the liquefied petroleum gas business in the PRC. For the past 12 months, the only fund raising activity that the Company has engaged in was the issue of convertible bonds due 2008 in the aggregate principal amount of US\$50 million (approximately HK\$390 million) on 23 April 2003. Out of the US\$50 million proceeds from the issue of the convertible bonds, approximately US\$30 million has been utilised for business expansion and approximately US\$20 million unutilised proceeds are placed at banks in Hong Kong and the PRC as interest-bearing deposits.

The net proceeds from the Placing and the Subscription will amount to approximately HK\$589,800,000. We understand from the Directors that the Company intends to apply such net proceeds to fund expansion in the piped gas business (as to approximately 70%), the liquefied petroleum gas business (as to approximately 20%) and as working capital (as to approximately 10%). Although the Company has not identified any potential/specific piped gas project at this stage, appropriate disclosure will be made once specific projects are identified.

The Directors consider that in order to foster its competitive advantage on this rapidly growing gas consumption market, the Group has to strengthen its liquefied petroleum gas business by consolidating its existing resources and to further develop the natural gas pipelines market through mergers and acquisitions and expansion into related upstream and downstream business. The Company has, through the establishment of joint ventures and acquisitions, greatly enhanced its asset quality and quantity, capital return and brand awareness since its listing in April 2001. We understand from the Directors that the rapidly developing piped gas market and gradually liberalising regulatory policies in the PRC provide the Group with favourable opportunities and huge room for development. Through committed efforts in developing piped gas projects, the strengthening of the PANVA brand name and the continuous improvement in customer service and the management, the Group has attained a stronger position in the intensive competitive PRC gas distribution market and further increase its end-user household customers and hence market penetration. Compared with the corresponding period last year, the Group's turnover and net profit for the nine months ended 30 September 2003 increased by 37% and 77% respectively. Hence, in view of the Company's performance to date, we concur with the view of the Directors that the Subscription will provide additional capital to fund expansion as and when projects are identified in the piped gas business. This will enhance the Company's competitiveness in the rapidly growing gas consumption business in the PRC, which in turn will be of benefit to the Company and will enhance the value of the Shareholders ultimately.

2. Basis of the subscription price

The highest and the lowest prices of the Shares traded on the Stock Exchange for the past 12 months prior to the issue of the Announcement ranged from HK\$2.70 to HK\$5.00. The subscription price of HK\$4.00 per Share represents:

1. a discount of approximately 17.95% to the closing price of HK\$4.875 per Share as quoted on the Stock Exchange on 3 December 2003, being the last trading day prior to suspension on 4 December 2003;

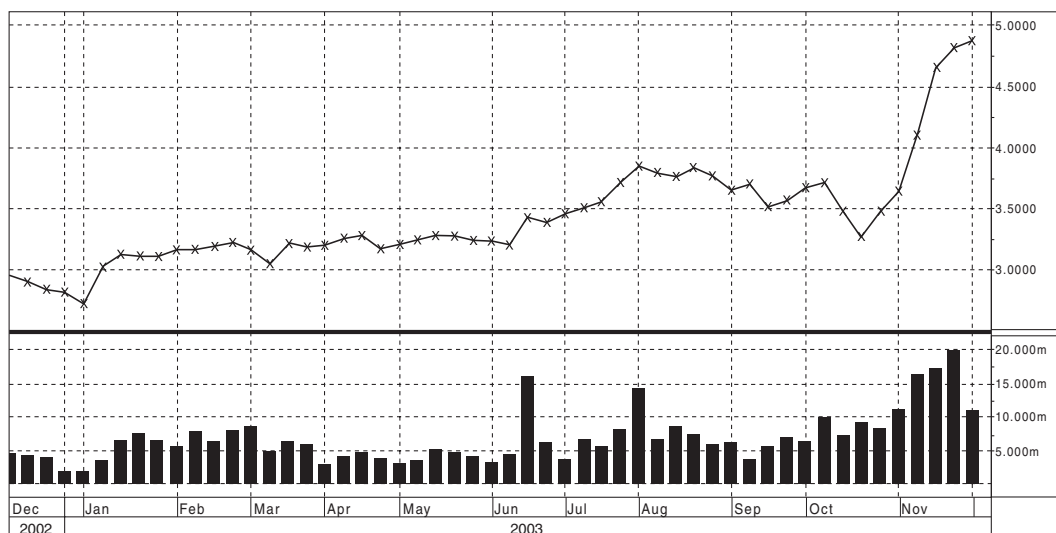
LETTER FROM COMMERZBANK

2. a discount of approximately 16.54% to the average closing price of HK\$4.79 per Share as quoted on the Stock Exchange from 20 November 2003 to 3 December 2003, both dates inclusive, being the last 10 trading days immediately prior to the issue of the Announcement;
3. a premium of approximately 4.43% to the average closing price of HK\$3.83 per Share as quoted on the Stock Exchange from 3 September 2003 to 3 December 2003, both dates inclusive, being the past 3 months immediately prior to the issue of the Announcement;
4. a premium of approximately 7.75% to the average closing price of HK\$3.71 per Share as quoted on the Stock Exchange from 3 June 2003 to 3 December 2003, both dates inclusive, being the past 6 months immediately prior to the issue of the Announcement;
5. a premium of approximately 16.76% to the average closing price of HK\$3.43 per Share as quoted on the Stock Exchange from 3 December 2002 to 3 December 2003, both dates inclusive, being the past 12 months immediately prior to the issue of the Announcement;
6. approximately 9.02 times of the consolidated net asset value per share of approximately HK cents 44.35 as at 31 December 2002, being the date of the latest audited financial statements of the Company; and approximately 8.41 times of the consolidated net asset value per share of HK cents 47.56 as at 31 December 2002 adjusted for the issue of the Conversion Shares;
7. approximately 7.21 times of the unaudited consolidated net asset value per share of approximately HK cents 55.51 as at 30 June 2003, being the date of the unaudited financial statements of the Company; and approximately 7.11 times of the consolidated net asset value per share of HK cents 56.27 as at 30 June 2003 adjusted for the issue of Conversion Shares; and
8. a price to earnings multiple of 18.26 based on the basic earnings per share of HK cents 21.90 before issue of Convertible Shares (being the consolidated net profit for the year ended 31 December 2002 divided by number of shares in issue as at 31 December 2002) and a price to earnings multiple of 23.38 after the issue of Conversion Shares (being the basic earnings per share of HK cents 17.11 divided by the enlarged number of shares upon completion of the issue of the Conversion Shares.

The average turnover of the Shares for the past 12 months recorded from December 2002 to November 2003 was thin, with an average daily turnover and monthly turnover of approximately 1.45 million and 29.91 million Shares respectively. The most active month being November 2003, with an aggregate monthly turnover of approximately 64.92 million Shares.

LETTER FROM COMMERZBANK

Set out below is a chart illustrating the Company's share price movement and its turnover volume for the past 12 months from 3 December 2002 to 3 December 2003 (both dates inclusive).



(source: Bloomberg)

In assessing the fairness and reasonableness of the Subscription Price, we have studied and reviewed the Subscription Price with other comparable listed companies in the gas industry in Hong Kong. Having considered the above parameters as a whole and the size of the Subscription, we are of the view that the Subscription Price is in line with the other comparable listed companies in the gas industry in Hong Kong and is fair and reasonable so far as the Independent Shareholders are concerned.

3. Shareholding dilution

Following completion of the Placing and the issue of the Conversion Shares, the aggregate shareholding of the Vendor and its associates will be decreased from approximately 72.95% to approximately 58.83%, while the existing aggregate public shareholdings will be decreased from 26.34% to 20.58%. All existing Independent Shareholders will be subject to an approximate 21.88% dilution to their existing shareholdings, as enlarged by the Conversion Shares.

Upon completion of the issue of Conversion Shares, Placing and Subscription, the existing aggregate shareholding of the Vendor and its associates will be decreased from approximately 72.95% to approximately 65.70%, while the existing aggregate public shareholdings will be decreased from 26.34% to 17.14%. All existing Independent Shareholders will be subject to an approximate 34.92% dilution to their existing shareholdings.

The basic earnings per Share for the year ended 31 December 2002 of HK\$132,538,000 will decrease from approximately HK cents 21.90 to approximately HK cents 17.11 following the issue of Conversion Shares and HK cents 14.25 subsequent to the issue of the Subscription Shares.

LETTER FROM COMMERZBANK

As set out in the letter from the board, Supreme All Investments Limited, a wholly owned subsidiary of Sinolink, has exercised its right to fully convert the Convertible Note into 169,491,525 new Shares. The Convertible Note was issued by the Company to Supreme All Investments Limited prior to the listing of the Company on the Stock Exchange in April 2001 with a maturity date of 1 April 2004. Details of the terms of the Convertible Note was set out in the prospectus at the time of listing and have not been subsequently amended. The Conversion Shares are issued pursuant to the exercise of the Convertible Note which is not conditional on completion of the Subscription.

The conversion right is at the absolute discretion of Supreme All Investments Limited and the Company has no control on the exercise of such conversion.

As the issue of the Conversion Shares and the Subscription are not inter-conditional, therefore, without taking into consideration the issue of the Conversion Shares, upon completion of the Placing and Subscription, the aggregate shareholding of the Vendor and its associates will be decreased from approximately 72.95% to approximately 58.06%, while the existing aggregate public shareholdings will be decreased from 26.34% to 20.96%. All existing Independent Shareholders will be subject to an approximate 20.41% dilution to their existing shareholdings.

Hutchison, which holds approximately 6.36% of the Company's existing issued share capital, and 4.97% of the Company's issued share capital as enlarged by the issue of the Conversion Shares, has unconditionally and irrevocably undertaken to vote in favour of the Subscription as at the date of the Company's EGM.

We understand from the Directors that subsequent to the successful issue of the US\$50 million convertible bond in April 2003, the Group has accelerated its project development in the piped gas sector and the cylinder liquefied petroleum gas sector with satisfactory progress. The continued growth in end-user household customers reflected the Group's success and laid a solid foundation for the Group to achieve more favourable results and to generate higher returns for Shareholders. Notwithstanding such dilution in the shareholdings of the existing Independent Shareholders, the new funding will provide the Company with necessary capital to expand its piped gas business in the PRC market to foster its growth and enhance its competitiveness. On such basis, we are of the view that the Subscription is fair and reasonable so far as the Independent Shareholders are concerned.

4. Financial Impact

The consolidated net tangible asset value of the Company as at 31 December 2002 was approximately HK\$262,995,000. Upon completion of the Subscription, the pro forma net tangible asset per Share will be increased by approximately 143% from approximately HK\$0.43 to HK\$1.02.

Based on the audited consolidated financial results of the Company for the year ended 31 December 2002, the current assets and current liabilities of the Company were approximately HK\$357,236,000 and HK\$151,499,000 respectively. The working capital ratio, being the current assets divided by current liabilities as at 31 December 2002 of the Company, would be improved from 2.36 to 6.25 after considering the cash inflow from the Subscription. Gearing ratio, being the

LETTER FROM COMMERZBANK

Company's total debt as at 31 December 2002 divided by shareholders' equity as at 31 December 2002, would be improved from 42.70% to 1.52% following the decrease in total debt upon the conversion of the Convertible Note into equity calculated on the enlarged capital upon completion of the issue of the Conversion Shares and the Subscription Shares.

Having considered the above as a whole, we are of the view that the financial impact of the Subscription is positive and is in the interests of the Independent Shareholders.

Having considered the principal factors referred to above, we are of the view that the Subscription is in the interests of the Company and its shareholders as a whole and the terms thereof are fair and reasonable so far as the Company and its shareholders are concerned, and is in the interests of the Independent Shareholders. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription and the allotment and issue of the new Shares.

Yours faithfully,

For and on behalf of

Commerzbank AG Hong Kong Branch

Johnson Fu

Regional Head of Corporate Finance

Helen Ho

Head of Corporate Finance – M&A Advisory

1 RESPONSIBILITY STATEMENT

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

- (a) the information contained in this circular (other than those relating to the knowledge of Sinolink or its associates) is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement contained in this circular misleading; and
- (c) all opinions (other than those relating to the opinions of Sinolink or its directors) expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2 DISCLOSURE OF INTERESTS

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

As at Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO); or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of Directors	Capacity	Interest in Shares			Interest in underlying Shares pursuant to share options	Aggregate interest/ (Short positions)	Approximate percentage of the Company's issued share capital
		Personal interest	Corporate interest	Total interest in Shares			
Mr. Chen Wei	Beneficial owner	2,160,000	-	2,160,000	5,040,000	7,200,000	0.93%
Mr. Lai Wen Guang	Beneficial owner	-	-	-	3,360,000	3,360,000	0.43%
Mr. Lau Shi Wa	Beneficial owner	-	-	-	1,200,000	1,200,000	0.15%
Mr. Li Fujun	Beneficial owner	720,000	-	720,000	2,880,000	3,600,000	0.46%
Mr. Ou Yaping	Interest of controlled corporation	-	610,871,587 (38,461,538) (Note 1)	610,871,587 (38,461,538)	3,600,000 (Note 2)	614,471,587 (38,461,538)	79.33% (4.97%)
Mr. Tang Yui Man, Francis	Beneficial owner	1,440,000	-	1,440,000	960,000	2,400,000	0.31%

Notes:

1. The 610,871,587 Shares represent (i) 598,789,987 Shares held by Kenson. 65.44% interests of Sinolink are held by Asia Pacific Promotion Limited (“Asia Pacific”). Mr. Ou is the sole beneficial owner of Asia Pacific). Mr. Ou is deemed under the SFO to be interested in these Shares; (ii) 12,081,600 Shares held by Asia Pacific directly and (iii) 155,200,000 Subscription Shares. The entire issued share capital of Asia Pacific are legally and beneficially held by Mr. Ou.

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

2. The 3,600,000 Shares represent 3,600,000 share options held by Mr. Ou.

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

Directors' rights to acquire Shares

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

Name of Directors	Date of grant	Exercisable period	Exercise price HK\$	Number of Shares subject to outstanding options as at Latest Practicable Date	Approximate percentage of the Company's issued share capital
Mr. Chen Wei	04.04.2001	01.01.2003-03.04.2011	0.475	1,800,000	0.23%
	04.04.2001	01.01.2004-03.04.2011	0.475	1,800,000	0.23%
	13.11.2001	13.11.2002-13.02.2007	0.94	1,440,000	0.19%
Mr. Lai Wen Guang	04.04.2001	01.01.2003-03.04.2011	0.475	1,200,000	0.15%
	04.04.2001	01.01.2004-03.04.2011	0.475	1,200,000	0.15%
	13.11.2001	13.02.2002-13.02.2007	0.94	288,000	0.04%
	13.11.2001	13.05.2002-13.02.2007	0.94	288,000	0.04%
	13.11.2001	13.11.2002-13.02.2007	0.94	384,000	0.05%
Mr. Lau Shi Wa	04.04.2001	01.01.2003-03.04.2011	0.475	600,000	0.08%
	04.04.2001	01.01.2004-03.04.2011	0.475	600,000	0.08%
Mr. Li Fujun	04.04.2001	01.01.2003-03.04.2011	0.475	1,200,000	0.15%
	04.04.2001	01.01.2004-03.04.2011	0.475	1,200,000	0.15%
	13.11.2001	13.11.2002-13.02.2007	0.94	480,000	0.06%
Mr. Ou Yaping	04.04.2001	01.01.2003-03.04.2011	0.475	1,800,000	0.23%
	04.04.2001	01.01.2004-03.04.2011	0.475	1,800,000	0.23%
Mr. Tang Yui Man, Francis	13.11.2001	13.11.2002-13.02.2007	0.94	960,000	0.12%

No share option was exercised by the above Directors to subscribe for Shares in the Company during the period from 1 January 2003 to the Latest Practicable Date.

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

DIRECTORS' INTERESTS OR SHORT POSITION IN SHARES IN ASSOCIATED CORPORATIONS

Name of directors	Name of associated corporation	Capacity	Nature of Interest			Aggregate Interest	Approximate percentage of the issued share of associated corporation
			Corporate Interest	Personal Interest	Family Interest		
Mr. Ou Yaping	Sinolink	Interest of controlled corporation	1,245,185,000	-	5,396,600	1,250,581,600 (Note)	65.44%
	Enerchina Holdings Limited	Interest of controlled corporation	587,961,451	-	-	587,961,451 (Note)	76.50%
	Asia Pacific	Personal	-	1	-	1	100.00%
	Supreme All Investments Limited	Corporate	1	-	-	1	100.00%

None of the directors has any interest of short positions in Shares or underlying Shares of the Company.

Note: These shares are held by Asia Pacific Promotion Limited, a company incorporated in the British Virgin Islands, which is legally and beneficially owned by Mr. Ou Yaping, Chairman of the Company.

Interests in options to subscribe for shares of associated corporation

Name of Directors	Name of associated corporation	Date of grant	Exercise period	Exercise price HK\$	Number of share options held
		14.03.2002	01.12.2002-01.12.2005	0.67	6,000,000
Mr. Tang Yui Man, Francis	Sinolink	14.03.2002	01.09.2002-01.09.2004	0.67	1,900,000
		14.03.2002	01.12.2002-01.12.2005	0.67	1,900,000

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

Save as disclosed above, none of the Directors or chief executives or their respective associates (as defined in the GEM Listing Rules) had any interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which require notification to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO; or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Interests in Assets

As at the Latest Practicable Date, none of the Directors had had any direct or indirect interest in any assets which have been, since 31 December 2002, 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, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Contracts of Significance

As at the Latest Practicable Date, Mr. Ou Yaping had indirect interests in the following arrangements of significance through his interests (deemed or otherwise) in the relevant companies:

Name of related party	Nature of transaction
Sinolink (<i>Note a</i>)	Licence fee expense
Shenzhen Sinolink Enterprises Co., Limited (<i>Note b</i>)	Rental expense (<i>Note c</i>)

Notes:

- (a) Mr. Ou Yaping, a director and shareholder of the Company, has direct and indirect beneficial interest in this company.
- (b) This company, being a fellow subsidiary of the Company, has Mr. Ou Yaping as a director.
- (c) Rental expense was determined by the Directors based on the Directors' estimates of fair market value.

Save as disclosed above, no contract or arrangement of significance to which the Company, its holding company, fellow subsidiaries or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

Substantial Shareholders

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

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

Name of shareholders	Capacity	Interest in Shares				Interest in underlying Shares pursuant to share options/debentures	Aggregate interest/(short position)	Approximate percentage of the Company's issued share capital
		Personal interest	Corporate interest	Family interest	Total interest in Shares			
Kenson	Beneficial owner	- 598,789,987 - (38,461,538)		- 598,789,987 - (38,461,538)		- 598,789,987 - (38,461,538)	77.31% (4.97%)	
Supreme All Investments Limited	Beneficial owner	- 169,491,525		- 169,491,525		- 169,491,525	21.88%	
Sinolink	Interest of controlled corporation	- 598,789,987 - (38,461,538)		- 598,789,987 - (38,461,538)		- 598,789,987 - (38,461,538)	77.31% (4.97%)	
Asia Pacific	Beneficial owner and interest of controlled corporation	- 610,871,587 - (38,461,538)		- 610,871,587 - (38,461,538)		- 610,871,587 - (38,461,538)	78.87% (4.97%)	
Mr. Ou Yaping	Interest of controlled corporation	- 610,871,587 - (38,461,538)		- 610,871,587 - (38,461,538)	3,600,000	614,471,587 - (38,461,538)	79.33% (4.97%)	
Hutchison International Limited	Beneficial owner	- 38,461,538		- 38,461,538	38,461,538	76,923,076	9.93%	
Hutchison Whampoa Limited	Interest of controlled corporation	- 38,461,538		- 38,461,538	38,461,538	76,923,076	9.93%	
Cheung Kong (Holdings) Limited	Interest of controlled corporation	- 38,461,538		- 38,461,538	38,461,538	76,923,076	9.93%	
Mr. Li Ka-shing	Interest of controlled corporation	- 38,461,538		- 38,461,538	38,461,538	76,923,076	9.93%	

Notes:

1. Sinolink is interested in the entire issued share capital of Kenson and Supreme All Investments Limited. Therefore, by virtue of Section 310 of Part XV of the SFO, the Shares in which Kenson and Supreme All Investments Limited are shown as being interested are included in and duplicate with interest in the Shares of the Company held by Sinolink and Asia Pacific. Mr. Ou is the sole beneficial shareholder of Asia Pacific. Mr. Ou is deemed under Part XV of the SFO to have an interest in the Shares held by Kenson and Supreme All Investments Limited.

Kenson is under an obligation to transfer 38,461,538 Shares to Hutchison upon full exchange of the Note held by Hutchison in accordance with the terms and conditions of the Note.

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

Hutchison is a wholly owned subsidiary of Hutchison Whampoa Limited (“Hutchison Whampoa”). By virtue of Part XV of the SFO, Hutchison Whampoa is deemed to be interested in 76,923,076 Shares.

3. Cheung Kong (Holdings) Limited and Mr. Li Ka-shing are deemed to be interested in 76,923,076 Shares held by Hutchison by virtue of their deemed interest in Hutchison Whampoa.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the GEM Listing Rules.

Save for the Shareholders as disclosed herein, the Directors are not aware of any persons who, as at the Latest Practicable Date, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Competing Interests

None of the Directors or management shareholders of the Company have any interest in any business, which may compete with the business of the Group.

Sponsor’s Interests

As at the Latest Practicable Date, none of the Company’s sponsor, Tai Fook Capital Limited, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the Shares, underlying Shares or debentures of the Company or any right to subscribe for or to nominate persons to subscribe for the Shares, underlying Shares or debentures of the Company or any member of the Group.

Pursuant to the agreement dated 9 April 2001 and entered into between the Company and Tai Fook Capital Limited, Tai Fook Capital Limited is entitled to receive usual sponsorship fee for acting as the Company’s retained sponsor for the period from 20 April 2001 to 31 December 2003.

3 MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (i) the subscription agreement dated 10 April 2003 and entered into by the Company and Morgan Stanley relating to the subscription of the convertible bonds due 2008 up to an aggregate principal amount of US\$50 million to be issued by the Company (the “Convertible Bonds”);
- (ii) the price determination agreement entered into between the Company and Morgan Stanley on 11 April 2003 setting out, inter alia, the final pricing terms (including the conversion price) of the Convertible Bonds;
- (iii) the trust deed entered into by the Company and DB Trustees (Hong Kong) Limited on 23 April 2003;
- (iv) the Placing Agreement; and
- (v) the Subscription Agreement.

4 INDEBTEDNESS

As at 31 October 2003, being the latest practicable date in relation to this indebtedness statement prior to the Latest Practicable Date, the Group had outstanding secured bank borrowings of approximately HK\$9,454,000 secured by fixed assets of the Group, unsecured bank borrowings of approximately HK\$13,789,000, unsecured and non-interest bearing advances from minority shareholders amounting to approximately HK\$7,792,000. A HK\$100,000,000 at 3% per annum redeemable convertible note due on 1 April 2004 issued by the Company to a subsidiary of Sinolink (which was subsequently converted into shares of the company on 9 December 2003) and convertible bonds due 2008 in the aggregate principal amount of US\$50,000,000 (equivalent to approximately HK\$390,000,000) at 2% per annum.

Save as aforesaid and apart from intra-group liabilities, the Group did not have as at 31 October 2003 any material outstanding liabilities in respect of mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, or hire purchase commitments or any guarantees or other contingent liabilities.

5 WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that taking into account the net proceeds from the Subscription, the Group has sufficient working capital for its present requirements.

6 NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2002, being the date of the latest published audited accounts of the Group.

7 LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and, so far as the Directors are aware, no litigation or arbitration or claim of material importance was known to the Directors is pending or threatened against the Company.

8 EXPERT

The following is the qualification of the expert which has given its opinion contained in this circular:

Name	Qualification
Commerzbank	a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)

Commerzbank has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

Commerzbank confirms that as at the Latest Practicable Date it does not have any shareholdings in the Company to any of its subsidiaries or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Commerzbank also confirms that it does not have any interest, direct or indirect, in any assets which have been, since 31 December 2002 (being the date to which the latest published audited accounts of the Company were made up) up to (and including) the Latest Practicable Date, 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.

9 GENERAL

- (a) The registered office of the Company is at P.O. Box 309, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies.
- (b) The principal place of business of the Company in Hong Kong is 25th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong.
- (c) The Company's branch share register and transfer office in Hong Kong is Room 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The qualified accountant and secretary of the Company is Mr. Chan Wai Chuen, Ricky, *MCF, FCCA, AHKSA*.
- (e) The compliance officer of the Company is Mr. Li Fujun who is also an executive director of the Company.
- (f) There is no existing or proposed service contracts of Directors or proposed Directors of the Company which are required to be disclosed under Rule 19.52(8) of the GEM Listing Rules.
- (g) The English text of this circular shall prevail over the Chinese text.
- (h) The Company has established an Audit Committee with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Company and also reviewing the draft annual report and accounts, half-year report and quarterly reports of the Company and providing advice and comments thereon.

The Audit Committee comprises two members, being two independent non-executive Directors, namely Mr. Cheung Hon Kit and Mr. Li Xiao Ru. The background of the members are set out below:

Mr. Cheung Hon Kit, aged 49, has over 25 years experience in the real estate development, property business and corporate finance. Mr. Cheung graduated from the University of London with a bachelor of arts degree. He has worked in key executive position 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 and the executive vice chairman of Rosedale Hotel Group Limited and the managing director of Wing On Travel (Holdings) Limited. He is also a director of Hanny Holdings Ltd, Cyber On-Air Group Company Ltd., Billybala Holdings Limited and Skynet (International Group) Holdings Limited. He has been an independent non-executive director since January 2001.

Mr. Li Xiao Ru, aged 46, was educated in Shanghai Foreign Language University in the PRC and received his Bachelor of Arts from Columbia University, the USA and Juris Doctor from New York University, the USA. Prior to joining Morrison & Forester, he worked at major international law firms in both New York and Hong Kong and became a partner at Morrison & Forester's Hong Kong office in 2003. He was the managing director of Hong Kong Construction (Holdings) Limited, a listed company in Hong Kong during the period from March 1998 to July 2001. As at the Latest Practicable Date, Mr. Li was an independent non-executive director of TechCap Holdings Limited, Jilin Chemical Industrial Co. Ltd and Great Wall Technology Co. Ltd.

10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at 25th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong during normal business hours on days on which banks are generally open for business in Hong Kong from the date of this circular up to and including 5 January 2004:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 December 2002 and 31 December 2001;
- (c) the material contracts as referred to in paragraph 3 of this Appendix;
- (d) the letter from Commerzbank dated 18 December 2003, the text of which is set out on pages 15 to 21 of this circular;
- (e) a copy of the circular issued by the Company dated 30 April 2003 in relation to the issue of convertible bonds due 2008; and
- (f) a copy of the circular issued by the Company dated 26 November 2003 in relation to a discloseable transaction.



PANVA GAS HOLDINGS LIMITED

百江燃氣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “Meeting”) of Panva Gas Holdings Limited (the “Company”) will be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Monday, 5 January 2004 at 10 a.m., for the purpose of considering and, if thought fit, passing of the following resolution (with or without modifications) as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the subscription agreement dated 4 December 2003 (the “Subscription Agreement”) between Kenson Investment Limited (“Kenson”) and the Company, a copy of which has been initialled by the chairman of this meeting and for the purpose of identification marked “A”, pursuant to which, inter alia, Kenson has agreed to subscribe and the Company has agreed to issue 155,200,000 ordinary shares of HK\$0.10 each in the share capital of the Company (the “New Shares”) to Kenson at HK\$4.00 per New Share, is hereby generally and unconditionally approved and the directors of the Company are hereby authorised to do all such further acts and things and execute such further documents and take all such steps which in their opinion may be necessary, desirable or expedient to implement and/or give effect to the terms of the Subscription Agreement, including the allotment of the New Shares to Kenson.”

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

Hong Kong, 18 December 2003

Head office and principal place of business:

25th Floor
Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

NOTICE OF THE EGM

Notes:

- (1) A member of the Company entitled to attend and vote at the Extraordinary General Meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of such member. A proxy need not be a member of the Company.
- (2) Completion and return of the form of proxy will not preclude a shareholder from attending and voting at the meeting if the member so desires.
- (3) In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority must be deposited with the principal place of business of the Company at Room 2501-2502, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjournment thereof.