



# PANVA GAS HOLDINGS LIMITED

百江燃氣控股有限公司\*

*(Incorporated in the Cayman Islands with limited liability)*

## Acquisition of equity interest in Foshan Gas and Acquisition of equity interest in Dayi Gas

Reference is made to the announcement made by Panva Gas Holdings Limited (“**Panva**” or the “**Company**”, together with its subsidiaries, the “**Group**”) dated 19 November 2003 (the “**First Announcement**”) which announced that, on 14 November 2003, Panriver Investments Company Limited (“**Panriver Investments**”), a wholly-owned subsidiary of the Company, established in the People’s Republic of China (the “**PRC**”), the principal business of which was investments holding, had entered into a non-legally binding (save for certain provisions relating to confidentiality and exclusivity) memorandum of understanding (the “**Foshan MOU**”) with Foshan Construction and Transportation Assets Management Company Limited (佛山市建設交通資產經營有限公司) (“**Foshan CTAM**”) and Foshan Gas Company (佛山市燃氣總公司) (“**Foshan Gas**”) in relation to the acquisition of a 45% equity interest in Foshan Gas.

The Board of Directors (the “**Board**”) is pleased to announce that on 30 December 2003, Foshan CTAM, Panriver Investments and Sinolink Power Investment Limited (“**Sinolink Power**”), another wholly-owned subsidiary of the Company, the principal business of which is investments holding, had entered into a Share Transfer Agreement (the “**Foshan Share Transfer Agreement**”), pursuant to which Panriver Investments and Sinolink Power, agreed to acquire 30% and 15% of the equity interests of Foshan Gas respectively (the “**Equity Interests**”) from Foshan CTAM at an aggregate cash consideration of RMB75,420,000. The Foshan Share Transfer Agreement is conditional upon, among other things, approval of the relevant PRC authorities.

Both Foshan CTAM and Foshan Gas are independent third parties who are not connected with any of the directors, chief executive, substantial shareholders, initial management shareholders of the Company or any of its respective associates as defined in the Rules Governing the Listing of Securities (the “**GEM Listing Rules**”) on Growth Enterprise Market (“**GEM**”) of the Stock Exchange of Hong Kong Limited.

The Board is also pleased to announce that on 20 December 2003, the Finance Bureau of Dayi County (大邑縣財政局) (the “**Dayi Finance Bureau**”) and Panriver Investments entered into a Share Transfer Agreement (the “**Dayi Share Transfer Agreement**”), pursuant to which Panriver Investments, agreed to acquire the entire equity interest of Dayi Gas Company (大邑縣天然氣公司) (“**Dayi Gas**”) and 50 years of exclusive operation rights in respect of the supply of natural gas in the Dayi County at a cash consideration of RMB13,000,000. Completion of the Dayi Share Transfer Agreement took place on 29 December 2003.

Both the Dayi Finance Bureau and Dayi Gas are independent third parties who are not connected with any of the directors, chief executive, substantial shareholders, initial management shareholders of the Company or any of its respective associates as defined in the GEM Listing Rules.

Foshan CTAM and Dayi Finance Bureau are independent of each other.

As neither the transaction under the Foshan Share Transfer Agreement nor the transaction under the Dayi Share Transfer Agreement constitute a transaction discloseable under Chapter 19 of the GEM Listing Rules, disclosure relating to the Foshan Share Transfer Agreement and the Dayi Share Transfer Agreement in this announcement by the Company is for information purpose only.

Reference is made to the First Announcement which announced that, on 14 November 2003, Panriver Investments, a wholly-owned subsidiary of the Company, established in the PRC, the principal business of which was investments holding, had entered into the Foshan MOU with Foshan CTAM and Foshan Gas in relation to the acquisition of a 45% equity interest in Foshan Gas. The Board is pleased to announce that on 30 December 2003, Foshan CTAM, Panriver Investments and Sinolink Power, another wholly-owned subsidiary of the Company, established in the British Virgin Islands, the principal business of which is investments holding, have entered into the Foshan Share Transfer Agreement. Details of the Foshan Share Transfer Agreement are as follows:

## **FOSHAN SHARE TRANSFER AGREEMENT**

**Date** 30 December 2003

### **Parties**

Foshan CTAM	the vendor, a company established in the PRC, which is wholly-owned and operated by the Municipal Government of the municipality of Foshan, Guangdong Province of the PRC (the “ <b>Foshan Government</b> ”). Foshan CTAM is responsible for the management of the assets of the Foshan Government.
Panriver Investments	the purchaser, a wholly-owned subsidiary of the Company.
Sinolink Power	the purchaser, a wholly-owned subsidiary of the Company.

## Equity interest to be sold and consideration

Foshan CTAM will sell 30% of the equity interest in Foshan Gas to Panriver Investments at RMB50,280,000. Foshan CTAM will sell 15% of the equity interest in Foshan Gas to Sinolink Power at RMB25,140,000.

The respective proportions of equity interests held in Foshan Gas before and after completion of the Foshan Share Transfer Agreement are as follows:

<b>Shareholders</b>	<b>Proportion of equity interests in Foshan Gas immediately before the completion of the transfer of the Equity Interests</b>	<b>Proportion of equity interests in Foshan Gas immediately after the completion of the transfer of the Equity Interests</b>
Foshan CTAM	76%	31%
Employees of Foshan Gas	24%	24%
Panriver Investments	—	30%
Sinolink Power	—	15%
Total	<u>100%</u>	<u>100%</u>

The aggregate consideration of RMB75,420,000 (the “**Consideration**”) is based on 45% of the revalued net assets value (the “**Base Amount**”) of Foshan Gas as at 31 May 2003 (the “**Cut-off Date**”) (such revalued net assets value being RMB93,072,191) plus a premium equivalent to approximately 80% of the Base Amount (such premium being RMB33,537,514). The consideration is determined based on the valuation of the net assets value conducted by a recognised PRC valuer approved by the Foshan National Administrative Bureau of State-Owned Property, which is an independent third party not connected with any of the directors, chief executive, substantial shareholders, initial management shareholders of the Company or any of its respective associates as defined in the GEM Listing Rules, and not connected with Foshan CTAM or Foshan Gas.

Based on the net tangible assets of Foshan Gas, the potential market development of Foshan, the existing customer base of Foshan Gas, the consideration and the proportion held by each of the parties was determined as a result of negotiation between the parties on an arm’s length basis and on normal commercial terms, taking into account of their respective internal resources and the future development of the Foshan Panva Gas.

The directors of Panva (including the independent non-executive directors) are of the opinion that the Consideration is fair and reasonable.

## Conditions of the Foshan Share Transfer Agreement

Completion of the Foshan Share Transfer Agreement is conditional upon, among others, the following conditions precedent being satisfied:

- (1) The governing body of each of the parties have approved the transfer of the Equity Interests and agreed that Panriver Investments and Sinolink Power will, after being transferred the Equity Interests pursuant to the terms of the Foshan Share Transfer Agreement, be entitled to all the rights and benefits (including but not limited to the voting rights, rights to receive dividends and rights to appoint directors and other senior management) as shareholders of Foshan Gas;
- (2) All the parties have entered into an equity joint venture agreement and articles of association in respect of Foshan Gas;
- (3) The State-owned Asset Management Department of the city of Foshan has approved the transfer of the Equity Interests by Foshan CTAM to Panriver Investments and Sinolink Power;
- (4) The Foreign Trade and Economic Department with relevant jurisdiction has:
  - (a) approved the acquisition of the Equity Interests from Foshan CTAM by Panriver Investments and Sinolink Power;
  - (b) approved the equity joint venture agreement and the articles of association in respect of Foshan Gas;
  - (c) approved the transformation of Foshan Gas into a sino-foreign equity joint venture;
  - (d) approved the renaming of Foshan Gas to “Foshan Panva Gas Group Limited” (佛山百江燃氣集團有限公司, “**Foshan Panva Gas**”); and
  - (e) granted the foreign-investment enterprise approval certificate;
- (5) The Administration Bureau for Industry and Commerce with relevant jurisdiction has:
  - (a) registered the transfer of the Equity Interests;
  - (b) approved the transformation of Foshan Gas into a sino-foreign equity joint venture;
  - (c) approved the renaming of Foshan Gas to Foshan Panva Gas; and
  - (d) issued the business licence to Foshan Panva Gas.

There is no long stop date specified in the Foshan Share Transfer Agreement which will cause the Foshan Share Transfer Agreement to be terminated if the conditions precedent are

not fulfilled by that date. In the unlikely event that the conditions precedent are not fulfilled, the Equity Interests cannot be transferred to Panriver Investments and Sinolink Power. The board of Panva believes that there is no reason why the conditions precedent cannot be fulfilled since there is no abnormal and unforeseeable circumstances and the completion of the Foshan Share Transfer Agreement should proceed as planned.

### **Payment Terms and Business Registration Procedure**

The parties are required to complete the payment for the transfer of the Equity Interests and business registration procedures according to the following timetable:

- (1) Within 5 days after the signing of the Foshan Share Transfer Agreement, Panriver Investments and Sinolink Power shall respectively deposit 10% of the Consideration attributable to it into the designated account of Foshan CTAM;
- (2) All parties shall complete all matters relating to government approval as referred to in (3) and (4) under the section headed “Conditions of the Foshan Share Transfer Agreement” above within 50 days after the signing of the Foshan Share Transfer Agreement;
- (3) Within 10 days after fulfilling the conditions referred to in (3) and (4) under the section headed “Conditions of the Foshan Share Transfer Agreement” above, Panriver Investments and Sinolink Power shall respectively deposit 70% of the Consideration attributable to it into the designated account of Foshan CTAM;
- (4) All parties shall complete the business registration matters as referred to in (5) under the section headed “Conditions of the Foshan Share Transfer Agreement” above within 20 days after the fulfilment of the payment obligation by Panriver Investments and Sinolink Power in (3) above; and
- (5) Within 5 days of the fulfilment of (5) under the section headed “Conditions of the Foshan Share Transfer Agreement”, Panriver Investments and Sinolink Power shall respectively deposit 20% of the Consideration attributable to it into the designated account of Foshan CTAM.

### **Funding**

The Consideration is primarily financed from the proceeds of the 5-year convertible bonds and the internal resources of Panva. As at 30 September 2003, Panva had approximately HK\$423,260,000 cash and bank balances. After deducting the Consideration and the amount already paid under the Dayi Share Transfer Agreement as described below, Panva’s cash and bank balances will be approximately HK\$333,064,000.

Out of the US\$50 million proceeds from the issue of the 5-year convertible bonds, approximately US\$40 million has been and will be utilised (including for the purpose of the funding of the acquisitions under the Foshan Share Transfer Agreement and the Dayi Share Transfer Agreement as described below). The remaining approximately US\$10 million unutilised proceeds are placed at banks in Hong Kong and the PRC as interest-bearing deposits.

## **Duration of Foshan Panva Gas**

The duration of Foshan Panva Gas is 50 years from the date of the issue of business licence of Foshan Panva Gas.

## **Exclusive Operation Rights**

Foshan CTAM has an obligation to assist the obtaining of the grant of 50 years of exclusive operating rights to the city gas pipeline network in the city of Foshan.

## **Existing and Proposed Business Activities of Foshan Panva Gas**

The existing and proposed business activities of Foshan Panva Gas are to set up and operate a piped gas network in the city of Foshan 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 natural gas and liquefied petroleum gas (“**LP Gas**”) and LP Gas related services. The Company had no existing similar business in Foshan.

## **Other Key Terms of the Foshan Share Transfer Agreement**

### *1. The Composition of the board of Foshan Panva Gas*

The board shall be made up of 7 directors of which 3 directors shall be nominated by Foshan CTAM, 2 directors by Panriver Investments, 1 director shall be nominated by Sinolink Power and 1 director by the employees of Foshan Panva Gas.

The Company will not have control over the board of directors of Foshan Panva Gas. The composition of the board was determined as a result of negotiation between the parties on an arm’s length basis.

### *2. Profit Sharing*

The profits of Foshan Panva Gas, after deducting taxation and all necessary expenses, shall be distributed to the parties in accordance with their respective proportional contribution to the registered capital of Foshan Panva Gas. The amount of profits to be distributed shall be determined by resolution of the board of directors of Foshan Panva Gas.

### *3. Duties and Responsibilities*

The main responsibilities of Foshan CTAM shall be to handle the PRC approvals and registration for the transfer of the Equity Interests (that is, the conditions referred to in (3) and (4) under the section headed “Conditions of the Foshan Share Transfer Agreement” above); to assist the obtaining of the grant of 50 years of exclusive operating rights to the city gas pipeline network in the city of Foshan; to assist Foshan Gas to apply for preferential tax treatment; to assist Foshan Gas to liaise with PRC governmental authorities; and to

nominate directors and management officers of Foshan Gas. The main responsibilities of Panriver Investments and Sinolink Power are to assist Foshan CTAM in relation to the PRC approvals and registration for the transfer of the Equity Interests; and to nominate directors and management officers of Foshan Gas.

### **Further Information on Foshan Gas**

Established in 1993 and based in the city of Foshan, Foshan Gas was originally a department of the Foshan City Infrastructure Bureau (佛山市建委) which was incorporated as an unlimited liability company and renamed Foshan Gas in 1999. Foshan Gas currently owns approximately 320 kilometres of gas pipelines supplying approximately 60,000 residential household customers, 23 industrial customers, and more than 400 commercial customers at a piped gas penetration rate of approximately 27%. In addition, Foshan Gas is supplying to over 130,000 LP Gas cylinders users. Foshan Gas has a 76% market share in the city of Foshan. Foshan Gas is classified as a state-owned enterprise and does not have a board of directors.

### **Benefit of the Transaction under the Foshan Share Transfer Agreement**

Foshan, an industrial city located approximately 15 kilometres from the city of Guangzhou, Guangdong province of the PRC, is known for its silk and porcelain manufacturers. Foshan covers an area of 3,813.64 square kilometers and boasts a population of 3,358,500. By acquiring a stake in Foshan Gas, the Group can further strengthen its LP Gas business as well as the piped gas business and develop and expand its end-user customer base and market share in the richest province in the PRC.

### **General**

Both Foshan CTAM and Foshan Gas are independent third parties who are not connected with any of the directors, chief executive, substantial shareholders, initial management shareholders of the Company or any of its respective associates as defined in the GEM Listing Rules.

Foshan CTAM is independent of Dayi Finance Bureau.

The Consideration of RMB75,420,000 (equivalent to approximately HK\$70,550,000) represents approximately 14.23% of the audited consolidated net tangible asset value of the Company as at 31 December 2002, as adjusted in accordance with the GEM Listing Rules.

Upon completion of the Foshan Share Transfer Agreement, Foshan Gas will be accounted for as an associate of Panva in the consolidated accounts of Panva.

As the transaction under the Foshan Share Transfer Agreement does not constitute a transaction discloseable under Chapter 19 of the GEM Listing Rules, disclosure relating to Foshan Share Transfer Agreement in this announcement by the Company is for information purpose only.

# DAYI SHARE TRANSFER AGREEMENT

**Date** 20 December 2003

## **Parties**

Dayi Finance Bureau the vendor, the legal representative of the Municipal Government of Dayi County, Sichuan Province of the PRC

Panva Investments the purchaser, a wholly owned subsidiary of the Company

**Consideration** RMB13,000,000

## **Assets acquired**

The entire equity interest of Dayi Gas and 50 years of the exclusive operation rights in respect of the supply of natural gas in the Dayi County.

The consideration of RMB13,000,000 was determined based on the net tangible assets of Dayi Gas, the potential market development of Dayi, the existing customer base of Dayi and was as a result of negotiation between the parties on an arm's length basis and on normal commercial terms. The directors of Panva (including the independent non-executive directors) are of the opinion that the consideration of RMB13,000,000 was fair and reasonable.

## **Completion**

Completion of the Dayi Share Transfer Agreement took place on 29 December 2003.

## **Funding**

The acquisition under the Dayi Share Transfer Agreement was primarily financed from the proceeds of the 5-year convertible bonds and the internal resources of Panva. As at 30 September 2003, Panva had approximately HK\$423,260,000 cash and bank balances. After deducting the Consideration under the Foshan Share Transfer Agreement and the amount already paid under the Dayi Share Transfer Agreement, Panva's cash and bank balances will be approximately HK\$333,064,000.

Out of the US\$50 million proceeds from the issue of the 5-year convertible bonds, approximately US\$40 million has been and will be utilised (including for the purpose of the funding of the acquisitions under the Foshan Share Transfer Agreement and the Dayi Share Transfer Agreement). The remaining approximately US\$10 million unutilised proceeds are placed at banks in Hong Kong and the PRC as interest-bearing deposits.

## **Information on Dayi Gas**

Dayi Gas is a state-owned corporation established in the PRC under the PRC Company Law. Dayi Gas is principally engaged in the supply of natural gas, and the installation of natural gas as well as the sale of natural gas supporting facilities, relating to processing, transportation, storage, retails, operation of natural gas automobile refilling stations and logistic services of natural gas related services.



## **Benefit of the Transaction under the Dayi Share Transfer Agreement**

Dayi is a county located approximately 37 kilometres from the city of Chengdu, the provincial capital of the Sichuan province of the PRC. The closest airport is just 35 kilometres away. Dayi covers an area of 1,548 square kilometers and boasts a population of 500,000. The municipal government of Dayi has issued a city development plan and intends to develop two new cities in Dayi in the next six to seven years.

Currently, there are approximately 17 kilometres of natural gas pipelines supplying mostly to residential household customers, at a piped gas penetration rate of approximately 43%. As currently there are relatively few customers of natural gas in Dayi, Dayi offers significant capacity for the development of natural gas business. By acquiring a stake in Dayi Gas, the Group can further strengthen its LP Gas business as well as the piped gas business and develop and expand its end-user customer base and market share in the Sichuan province in the PRC. The Company had no existing business in Dayi prior to the completion of the Dayi Share Transfer Agreement.

### **General**

Both the Dayi Finance Bureau and Dayi Gas are independent third parties who are not connected with any of the directors, chief executive, substantial shareholders, initial management shareholders of the Company or any of its respective associates as defined in the GEM Listing Rules.

Both the Dayi Finance Bureau and Dayi Gas are independent of Yuechi Gas, Yibin Gas, Jianyang Gas and Pingchang Gas (as defined in the announcement of Panva dated 18 November 2003).

Dayi Finance Bureau is independent of Foshan CTAM.

The consideration under the Dayi Share Transfer Agreement of RMB13,000,000 (equivalent to approximately HK\$12,161,000) represents approximately 2.45% of the audited consolidated net tangible asset value of the Company as at 31 December 2002, as adjusted in accordance with the GEM Listing Rules.

Dayi Gas will be accounted for as a subsidiary of Panva in the consolidated accounts of Panva.

As the directors of Panva were of the view that the transaction under the Dayi Share Transfer Agreement did not give rise to any disclosure obligation under Rule 17.10 of the GEM Listing Rules and as the transaction did not constitute a transaction discloseable under Chapter 19 of the GEM Listing Rules, disclosure relating to Dayi Share Transfer Agreement in this announcement by the Company was not made on 20 December 2003 and is now disclosed for information purpose only.

Panva is principally engaged in the sale and distribution of natural gas and LP Gas in the Eastern, Central, Southern and Southwestern regions of the PRC. Panva's main activities include the sale of LP Gas in bulk and in cylinders, the provision of piped natural gas and LP Gas, the construction of gas pipelines, the operation of city gas pipeline networks, the operation of natural gas and LP Gas automobile refilling stations, and the sale of natural gas and LP Gas household appliances.

The Company confirms that the parties to the Sichuan, Foshan and Dayi transactions recently announced and announced in this announcement by the Company are all individual and separate parties.

*For the purpose of this announcement, unless otherwise indicated, the exchange rates at HK\$1 = RMB1.069 have been used, where applicable, for purpose of illustration only and not constitute a representation that any amounts have been, could have been or may be exchanged.*

By order of the Board  
**PANVA GAS HOLDINGS LIMITED**  
**Chen Wei**  
*Managing Director*

30 December 2003, Hong Kong

*\* For identification purpose only*

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

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the website of Panva at [www.panva-gas.com](http://www.panva-gas.com).*