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PANVA GAS HOLDINGS LIMITED

百江燃氣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08132)

NON-BINDING FRAMEWORK AGREEMENT

in respect of

**the establishment of a joint venture in
the People's Republic of China**

The Company refers to the Previous Announcement. The Board is pleased to announce that on 15th May, 2004, Panriver Investments, a wholly owned subsidiary of the Company established in the PRC, has entered into the Benxi Framework Agreement with Benxi Public Utility, an Independent Third Party in relation to the proposed establishment of the Benxi Joint Venture in the city of Benxi, Liaoning Province of the PRC.

On 9th December, 2003, Panriver Investments had already entered into a non-binding Benxi MOU in respect of the matters described in the Benxi Framework Agreement. Details of this Benxi MOU was described in the Previous Announcement which was issued by the Company for information purpose only. The Benxi Framework Agreement supersedes the Benxi MOU. However, the Benxi Framework Agreement would not be a legally binding agreement either. It has also been preliminarily agreed by both parties that the Formal Agreement replacing the Benxi Framework Agreement is expected to be signed by both parties by 15th September, 2004. If Panriver Investments and Benxi Public Utility do not enter into the Formal Agreement on or before the Deadline, the Benxi Framework Agreement will be cancelled with either party having no liability to each other. Upon its signing, the Formal Agreement will be a legally binding agreement and conditional upon the approval from the relevant PRC authorities for the establishment of the Benxi Joint Venture.

As the Group has not yet entered into a legally binding agreement with Benxi Public Utility in respect of the Benxi Framework Agreement, there is not yet a discloseable transaction under Chapter 19 of the GEM Listing Rules at this stage. Upon the signing of the Formal Agreement, the Company will comply with Chapter 19 of the GEM Listing Rules and issue separate announcement and circular to disclose the details of the Formal Agreement and the transaction contemplated thereunder if they constitute notifiable transactions of Panva.

INTRODUCTION

Pursuant to Rule 17.10 of the GEM Listing Rules, the Board is pleased to announce that on 15th May, 2004, Panriver Investments, a wholly owned subsidiary of the Company has entered into a non-binding Benxi Framework Agreement with Benxi Public Utility, an Independent Third Party in relation to the proposed establishment of the Benxi Joint Venture in the city of Benxi, Liaoning Province of the PRC.

BENXI FRAMEWORK AGREEMENT

Date : 15th May, 2004

Parties : (1) Benxi Public Utility

(2) Panriver Investments

Once Benxi Joint Venture has been established, it will be treated as a subsidiary of the Company. It is also provided in the Benxi Framework Agreement that once Benxi Joint Venture has been established, it will have seven directors, four of which will be nominated by Panriver Investments and three of which will be nominated by Benxi Public Utility. However, it is not confirmed at this stage who such directors are.

Establishment of the Benxi Joint Venture

The parties to the Benxi Framework Agreement intend to enter into the Formal Agreement to establish the Benxi Joint Venture. It is proposed that Benxi Public Utility will own 47.8% interest in the Benxi Joint Venture and Panriver Investments will hold the remaining 52.2% interest in the Benxi Joint Venture. The Benxi Joint Venture will preliminarily have a total investment of RMB300 million, with a registered capital of RMB230 million, subject to the Formal Agreement. It is currently expected that the differences between the total investment and the registered capital will be financed by one of the following ways:–

- (i) internally generation profit of the Benxi Joint Venture;
- (ii) external borrowings by the Benxi Joint Venture; and
- (iii) further contribution by parties to the Benxi Joint Venture in proportion to their equity interests in the Benxi Joint Venture.

Capital Contribution

The registered capital of the Benxi Joint Venture to be contributed by both parties will be as follows:

- (1) the Company's portion of capital contribution (i.e. RMB120,000,000) will be in the form of cash; and
- (2) Benxi City Government's portion of capital contribution (i.e. RMB110,000,000) will be in the form of its contribution of ownership in Benxi Gas and Hua Qiang Gas, which are Independent Third Parties.

Proposed term of the Benxi Joint Venture

30 years from the date of the issue of business licence of the Benxi Joint Venture.

Proposed Business Scope of the Benxi Joint Venture

Based on the requirement of the city planning of the city of Benxi, Benxi Joint Venture will design and plan the development of the piped gas market in the city of Benxi, Liaoning Province of the PRC, operate and manage the gas pipeline network, transform and maintain the Benxi city pipeline network, and to ensure uninterrupted supply of gas fuel to the piped gas users at the highest level of safety standard. The Board is of the view that the proposed scope of the Benxi Joint Venture is consistent with the existing business scope of the Company.

Information of Benxi Gas and Hua Qiang Gas

As far as the Board is aware, Benxi Gas was established in 1975 and is 100% owned by Benxi Public Utility. Its major business is management of piped gas operation in the city of Benxi, Liaoning Province of the PRC. Benxi Gas owns and operates the Benxi city gas pipeline network exclusively covering more than 265 kilometres of gas pipelines supplying over 142,000 household users.

As far as the Board is aware, Hua Qiang Gas was established in 1995 and is 93% owned by Benxi Public Utility and 7% owned by the employees of Hua Qiang Gas. Its major business is management of piped LPG operation in the city of Benxi, Liaoning Province of the PRC. Hua Qiang Gas owns and operates the Benxi city LPG pipeline network exclusively covering more than 6.1 kilometres of gas pipelines supplying over 3,500 household users.

The city of Benxi has a registered population of approximately over 1.57 million with a registered population of approximately over 963,200 in its city centre.

REASONS FOR ENTERING INTO THE BENXI FRAMEWORK AGREEMENT

The Board is of the opinion that, by establishing the Benxi Joint Venture in Benxi, Liaoning Province of the PRC, which is also one of the largest cities in the PRC covering an area of approximately 8,420 square kilometres, the Company can further strengthen its piped gas business as well as its LP Gas distribution business by establishing a foothold in the north-east region of the PRC. In relation to the same subject matter, although Panriver Investments had on 9th December, 2003, already entered into the Benxi MOU, the entering into of the Benxi Framework Agreement further strengthen each party's intent and goodwill to enter into the Formal Agreement with the extension of the Deadline by mutual agreement of both parties.

GENERAL

The Benxi Framework Agreement is a non-legally binding document and is disclosed by the Company for information purpose only. If, however, the parties to the Benxi Framework Agreement do not enter into the Formal Agreement on or before the Deadline, the Benxi Framework Agreement shall be cancelled with either party having no liability to the other. Upon its signing, the Formal Agreement will be a legally binding agreement and conditional upon the approval from the relevant PRC authorities for the establishment of the Benxi Joint Venture.

As the Group has not yet entered into a legally binding agreement with Benxi Public Utility in respect of the Benxi Framework Agreement, there is not yet a discloseable transaction under Chapter 19 of the GEM Listing Rules at this stage. Upon the signing of the Formal Agreement, the Company will comply with Chapter 19 of the GEM Listing Rules and issue separate announcement and circular to disclose the details of the Formal Agreement and the transaction contemplated thereunder if they constitute notifiable transactions of Panva.

The Company is principally engaged in the sale and distribution of natural gas and LP Gas in the Eastern, Central and Southwestern regions of the PRC. The Company'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.

DEFINITIONS

- “Benxi Framework Agreement” a framework agreement entered into between Benxi Public Utility and Panriver Investments on 15th May, 2004 replacing the Benxi MOU
- “Benxi Gas” Benxi City Gas Company (本溪市煤氣總公司)
- “Benxi Joint Venture” a joint venture to be established by the Company with Benxi Public Utility in the city of Benxi, Liaoning Province of the PRC

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| “Benxi MOU” | a non-legally binding memorandum of understanding entered into between Benxi Public Utility and Panriver Investments on 9th December, 2003, details of which has been announced in the Previous Announcement |
| “Benxi Public Utility” | 本溪市公益事業國有資產經營有限公司(Benxi Public Utility State-Owned Assets Management Company Limited, a PRC state-owned enterprise) |
| “Board” | the board of directors of the Company |
| “Company” or “Panva” | Panva Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Growth Enterprise Market of the Stock Exchange |
| “Deadline” | 15th September, 2004, or such other date as may be mutually agreed by Benxi Public Utility and Panriver Investments |
| “Formal Agreement” | a formal agreement to be entered into between Benxi Public Utility and Panriver Investments replacing the Benxi Framework Agreement |
| “GEM Listing Rules” | Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange |
| “Group” | the Company and its subsidiaries |
| “Hua Qiang Gas” | Hua Qiang Gas Company (華強燃氣有限公司) |
| “Independent Third Party(ies)” | the independent third party or parties who is/are not connected or acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with any of the directors, chief executive, initial management shareholders of the Company or any of its respective associates (as defined in the GEM Listing Rules) |
| “LP Gas” | liquefied petroleum gas |
| “Panriver Investments” | Panriver Investments Company Limited, a wholly owned subsidiary of the Company |
| “PRC” | the People’s Republic of China |

“Previous Announcement” an announcement made by the Company on 9th December, 2003 in relation to the Benxi MOU

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

As at the date of this announcement, the Board comprises of:

Executive Directors:

Ou Yaping (*Chairman*)

Chen Wei (*Managing Director*)

Li Fujun

Shen Lian Jin

Tang Yui Man, Francis

Zhang Keyu

Non-executive Directors:

Fok Kin-Ning, Canning

To Chi Keung, Simon

(alternate director to

Mr. Fok Kin-Ning, Canning)

Independent Non-executive Directors:

Cheung Hon Kit

Li Xiao Ru

17th May, 2004, 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 for at least 7 days from the date of its posting and on the website of Panva Gas at www.panva-gas.com.