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PANVA GAS HOLDINGS LIMITED

百江燃氣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8132)

Discloseable Transaction

TRANSACTION IN RELATION TO THE ACQUISITION OF INTEREST IN QIQIHAR NATURAL GAS

The Board is pleased to announce that on 10th November, 2004, Panriver Investments, a wholly owned subsidiary of the Company has entered into the Sale and Purchase Agreement with Qiqihar Government whereby Panriver Investments shall acquire 61.04% (subject to adjustment as described below) of Qiqihar Natural Gas from Qiqihar Government for a consideration of RMB77,215,300.

Qiqihar Natural Gas is currently a stated-owned enterprise incorporated in the PRC which is principally engaged in the provision of natural gas and LP Gas to domestic and commercial users and the operation of the city gas pipeline network in the city of Qiqihar of Heilongjiang Province, PRC. Upon completion of the Acquisition, Qiqihar Natural Gas will be converted into a sino-foreign equity joint venture company and a subsidiary of the Company.

As each of the percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

A circular containing further details of the Acquisition shall be despatched to the shareholders of the Company within 21 days from the date of this announcement.

INTRODUCTION

The Board is pleased to announce that on 10th November, 2004, Panriver Investments, a wholly-owned subsidiary of the Company entered into the Sale and Purchase Agreement with Qiqihar Government. The Company confirms that, to the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, Qiqihar Government is a third party independent of the Company and is not a connected person of the Company and is independent of the connected persons of the Company.

* *For identification purpose only*

SALE AND PURCHASE AGREEMENT

Date: 10th November, 2004

Parties:

The seller Qiqihar Government, being the legal and beneficial owner of 100% shareholding in Qiqihar Natural Gas

The purchaser Panriver Investments, a wholly-owned subsidiary of the Company

The Sale and Purchase Agreement shall be effective and binding upon obtaining the approval from the relevant government authorities in the PRC and the Company anticipates that such approval would be obtained before the end of this year.

Pursuant to the Sale and Purchase Agreement, Qiqihar Government will transfer 61.04% of its shareholdings in Qiqihar Natural Gas to Panriver Investments for a consideration of RMB77,215,300, subject to the final valuation of the assets of Qiqihar Natural Gas which will be prepared as at the date of completion of the said valuation as stated below. It was also agreed pursuant to the Sale and Purchase Agreement that upon completion of the transfer, Qiqihar Government will transfer the remaining 38.96% to an entity which is an Independent Third Party and is held by the existing employees of Qiqihar Natural Gas. Valuation of the assets is to be carried out by a valuer appointed jointly by Panriver Investments and Qiqihar Government, and the said valuer shall be a party independent of the Company and Qiqihar Government and is a recognized PRC valuer approved by the National Administrative Bureau of State Owned Property, and shall be completed within six months from the date when the Sale and Purchase Agreement become effective. The consideration payable by the Company for the Acquisition is fixed at RMB77,215,300 but the percentage of the shareholding shall be adjusted based on the outcome of the valuation. Therefore, the eventual percentage of the shareholding in Qiqihar Natural Gas shall be RMB77,215,300 divided by the outcome of the new valuation, but Panriver Investments' shareholding in Qiqihar Natural Gas shall in any event not less than 51% and not more than 77%. Upon completion of the Acquisition, Qiqihar Natural Gas will be accounted for as a subsidiary of the Company. If there will be any adjustment, the shareholding ratio of Panriver Investments and the entity representing the employees will adjust accordingly (i.e. there will always be Panriver Investments and such entity as shareholders only). The consideration, which was determined after arms-length negotiation between Panriver Investments and Qiqihar Government, was based on (i) the valuation report on the assets of Qiqihar Natural Gas (inclusive of Qiqihar Liquefied Gas) as at 30th April, 2003 which includes all the natural gas and LP Gas pipe networks, land and machinery relating to the operation of the supply of natural gas and LP Gas and the 30-year exclusive right of operation and (ii) the revised valuation report as at 30th April, 2004 on the said assets mentioned above. In respect of the said valuation report as at 30th April, 2004, the net asset value amount was RMB126,490,000 and it was prepared on the basis of the 30-year exclusive right of operation, and the purpose of preparing such report is to provide a basis for the parties to negotiate the Acquisition.

PAYMENT TERMS

In accordance with the Sale and Purchase Agreement the payment terms for Panriver Investments are as following:–

- RMB23,164,600 representing 30% of the consideration shall be paid within ten (10) working days after the taking effect of the Sale and Purchase Agreement; and
- RMB54,050,700 representing 70% of the consideration shall be paid within six (6) months after the completion of the conversion of Qiqihar Natural Gas into a sino-foreign joint venture and the transfer of the relevant assets into the joint venture;

The parties to the Sale and Purchase Agreement further agree that within 6 months from the effective date of the agreement and as conditions for the payment of the second instalment, Qiqihar Government shall (i) obtain the release of the guarantee in the sum of RMB29,218,000 (being the maximum liability of Qiqihar Natural Gas is exposed to under such guarantee) provided by Qiqihar Natural Gas in favour of a bank as security for the repayment of a loan made by the said bank to Yang Guang Group Company (陽光熱力集團公司), an Independent Third Party owned by Qiqihar Government and acquaint with Qiqihar Natural Gas; (ii) the obtaining of all necessary approvals and licences (including the business licence for the operation of Qiqihar Natural Gas as a sino-foreign equity joint venture company) for the Acquisition from the relevant PRC government authority. In the event that the guarantee provided by Qiqihar Natural Gas as aforementioned is enforced by the said bank due to default of repayment by Yang Guang Group Company, Panriver Investments shall be entitled to deduct the amount payable under the said guarantee from the amount payable as the second instalment.

COMPLETION

There is no long-stop date to the completion but Qiqihar Government shall procure the completion of the transfers and handovers in relation to Acquisition within 15 business days after the full payment of the consideration.

FUNDING

The consideration of the Acquisition will primarily be financed out of the internal resources of the Company.

INFORMATION ON QIQIHAR NATURAL GAS AND QIQIHAR GOVERNMENT

Qiqihar Government is Qiqihar City Development Bureau (齊齊哈爾市建設局), a local government authority responsible for the development of the City of Qiqihar.

Qiqihar Natural Gas is currently a state-owned enterprise incorporated in the PRC on 1st January, 1976 which is principally engaged in the provision of natural gas and LP Gas to domestic and commercial users and the operation of the city gas pipeline network in the city of Qiqihar of Heilongjiang Province, PRC, and it owns the entire equity interests of Qiqihar Liquefied Gas which is principally engaged in the provision of LP Gas to domestic and commercial users in the city of Qiqihar of Heilongjiang Province, PRC. Upon completion of the Acquisition, Qiqihar Natural Gas will become a sino-foreign equity joint venture company and a subsidiary of the Company. Prior to such completion, Panriver Investments and Qiqihar Government will negotiate in relation to the reformation of Qiqihar Natural Gas as a sino-foreign equity joint venture company, and Panriver Investments and the independent entity held by the existing employees of Qiqihar Natural Gas as stated above will enter into a relevant joint venture agreement relating Qiqihar Natural Gas upon its reformation as a sino-foreign equity joint venture company. It is expected and understood at present that Panriver Investments shall control the composition of the board of directors of Qiqihar Natural Gas upon completion, and as to the number of directors representing Panriver Investments, it will also reflect Panriver Investments's eventual shareholding in Qiqihar Natural Gas.

Qiqihar Natural Gas has a registered share capital of RMB126,490,000 with an audited net asset value of RMB164,714,900 as at 30th April 2004. For the purpose of valuation as referred to above, it is prepared on the basis that all the material commitment has been provided for. Therefore, apart from what is provided for in the above valuation, there should be no material outstanding commitment. The net losses (before taxation and extraordinary items) of the Qiqihar Natural Gas for the two (2) financial years ended 31st December, 2002 and 31st December, 2003 is RMB3,398,399 and RMB2,582,593 respectively, and the net losses (after taxation and extraordinary items) of the Qiqihar Natural Gas for the two (2) financial years ended 31st December, 2002 and 31st December, 2003 is RMB3,676,926 and RMB3,121,271 respectively.

REASONS FOR THE ACQUISITION

The Company is engaged in the downstream operations of the gas sector in the PRC and as part of its strategy in business development, the Company expands through mergers and acquisitions. In addition to its current operation in eight provinces in the PRC, the Company through the Acquisition establishes its presence in the province of Heilongjiang, PRC and further expands its piped gas operations. Qiqihar is a major city in Heilongjiang province, with urban population of 5.6 million people, and serves as the major hub for the north eastern part of the PRC. The Acquisition will serve as the springboard for the Company in its future business development in the north eastern part of the PRC. The Board believes that the Acquisition is fair and reasonable and in the interests of the shareholders of the Company as a whole because (i) the valuation reflects a true and fair value of Qiqihar Natural Gas; and (ii) although Qiqihar Natural Gas has been making losses for the years 2002 and 2003, the Company expects that, with its special skills in managing this kind of business and the fact that it has a 30 years' right of exclusive operation, it would be able to turnaround Qiqihar Natural Gas and thus making a profit contribution to its shareholders.

GENERAL

As each of the percentage ratios (as defined under the GEM Listing Rules) in respect of the Acquisition is less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

A circular, containing further details of the Acquisition shall be despatched to the shareholders of the Company within 21 days from the date of this announcement.

DEFINITIONS

“Acquisition”	the acquisition of 61.04% shareholding in the Qiqihar Natural Gas under the Sale and Purchase Agreement
“Board”	the board of directors (including the independent non-executive directors) of the Company
“Company”	Panva Gas Holdings Limited (百江燃氣控股有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange
“Independent Third Party”	an independent third party which is not connected with the chief executive, directors and substantial shareholder(s) of the Company or any of its subsidiaries and their respective associates
“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
“Qiqihar Government”	Qiqihar City Development Bureau (齊齊哈爾市建設局)
“Qiqihar Liquefied Gas”	Qiqihar Liqueified Gas Company (齊齊哈爾市液化氣公司), a company established in the PRC which is, as at the date of this announcement, wholly-owned by Qiqihar Natural Gas
“Qiqihar Natural Gas”	Qiqihar Natural Gas Company (齊齊哈爾市天然氣公司), a company established in the PRC and operated by the Municipal Government of the municipality of Heilongjiang province, the PRC

“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement entered into on 10th November, 2004 by Panriver Investments and Qiqihar Government whereby Qiqihar Government agrees to transfer 61.04% of the interests in Qiqihar Natural Gas to Panriver Investments
“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 comprise of:

Executive Directors:

OU Yaping (*Chairman*)
TANG Yui Man, Francis (*Vice Chairman*)
CHEN Wei (*Managing Director*)
LI Fujun
ZHANG Keyu
SHEN Lian Jin

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
GE Ming

11th November, 2004, Hong Kong

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 no 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.

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