

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **PANVA GAS HOLDINGS LIMITED**

**百江燃氣控股有限公司\***

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

**Stock code on Main Board: 1083**

**Stock code on GEM: 8132**

### **ANNOUNCEMENT CLARIFICATION OF CERTAIN FINANCIAL INFORMATION DISCLOSED IN THE SECOND QUARTERLY REPORT**

The board of directors (the “Board”) of Panva Gas Holdings Limited (the “Company”) refers to the unaudited second quarterly results for the period ended June 30, 2005 issued by the Company on August 12, 2005 (the “2nd Quarterly Report”) and the audited accountants’ report of the Group (the “Accountants’ Report”) for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005 (which includes the unaudited financials for the six months ended June 30, 2004) as set out in Appendix I to the listing document to be issued by the Company (the “Listing Document”) in relation to, inter alia, the proposed listing of the entire issued share capital of the Company on the Main Board of The Stock Exchange of Hong Kong Limited by way of introduction. The Board notes that certain financial information disclosed in the Accountants’ Report are different from the financial information disclosed in the 2nd Quarterly Report.

Both the Accountants’ Report and the 2nd Quarterly Report have been prepared in accordance with the new Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations (hereinafter collectively referred to as the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants. The 2nd Quarterly Report also included the audited consolidated balance sheet of the Group as at December 31, 2004 as restated for the effect of the new HKFRSs.

For the purpose of preparation of the Accountants’ Report for inclusion in the Listing Document, the Company’s auditors and reporting accountants have examined the audited consolidated financial statements of the Company, and made such adjustments as they considered appropriate for the three years ended December 31, 2002, 2003 and 2004, and the six months ended June 30, 2005. These adjustments mainly arose as a result of the adoption of the new HKFRSs and changes in accounting policies of the Group. Certain of these adjustments were not made in the 2nd Quarterly Report prepared by the Company and as a result, certain financial information disclosed in the 2nd Quarterly Report was different from

those disclosed in the Accountants' Report. The Board therefore set out below such differences in the balance sheets, profit and loss statements and cash flow statements, together with the relevant reconciliation of such balance sheets, profit and loss statements and cash flow statements.

### **Balance sheets**

The Board notes that (i) the total equity of the Company and its subsidiaries (the "Group") as at December 31, 2004 and June 30, 2005 were HK\$1,855,208,000 and HK\$1,913,783,000 respectively in the 2nd Quarterly Report but were stated to be HK\$1,855,288,000 and HK\$1,913,863,000 respectively in the Listing Document; (ii) derivative financial instruments as at June 30, 2005 were treated as non-current liabilities in the 2nd Quarterly Report but were treated as current liabilities in the Listing Document; (iii) the minority interests of the Group as at December 31, 2004 and June 30, 2005 were HK\$333,026,000 and HK\$355,567,000 respectively in the 2nd Quarterly Report but were stated to be HK\$333,074,000 and HK\$355,615,000 respectively in the Listing Document; (iv) the equity attributable to equity holders of parent as at December 31, 2004 and June 30, 2005 were HK\$1,522,182,000 and HK\$1,558,216,000 respectively in the 2nd Quarterly Report but were stated to be HK\$1,522,214,000 and HK\$1,558,248,000 respectively in the Listing Document; (v) the reserves of the Group as at December 31, 2004 and June 30, 2005 were HK\$1,427,957,000 and HK\$1,463,991,000 respectively in the 2nd Quarterly Report but were stated to be HK\$1,427,989,000 and HK\$1,464,023,000 respectively in the Listing Document; (vi) the net assets of the Group as at December 31, 2004 and June 30, 2005 were HK\$1,855,208,000 and HK\$1,913,783,000 respectively in the 2nd Quarterly Report but were stated to be HK\$1,855,288,000 and HK\$1,913,863,000 respectively in the Listing Document; (vii) the total assets less current liabilities of the Group as at June 30, 2005 was HK\$3,881,366,000 in the 2nd Quarterly Report but was stated to be HK\$3,775,278,000 in the Listing Document; (viii) the net current assets of the Group as at June 30, 2005 was HK\$1,756,031,000 in the 2nd Quarterly Report but was stated to be HK\$1,649,863,000 in the Listing Document; (ix) current liabilities of the Group as at June 30, 2005 was HK\$368,002,000 but was stated to be HK\$474,170,000 in the Listing Document; and (x) the non-current assets of the Group as at June 30, 2005 was HK\$2,125,335,000 but was stated to be HK\$2,125,415,000 in the Listing Document.

Set out below is the reconciliation of consolidation balance sheets for the year ended December 31, 2004:-

	<b>As per 2nd Quarterly Report HK\$'000</b>	<b>Adjustment of depreciation and amortisation for 2002 and 2003 HK\$'000 (Note 1)</b>	<b>Conversion of HK\$100 million convertible note in 2003 HK\$'000 (Note 2)</b>	<b>As per the Accountants' Report HK\$'000</b>
<b>Non-current assets</b>				
Property, plant and equipment .....	1,019,782	14		1,019,796
Intangible assets .....	9,160			9,160
Goodwill .....	24,485			24,485
Interests in associates.....	70,795			70,795
Investments in securities.....	10,415			10,415
Lease premium for land - non current portion...	36,150	66		36,216
Pledged bank deposits ....	<u>77,950</u>			<u>77,950</u>
	<u>1,248,737</u>			<u>1,248,817</u>
<b>Current assets</b>				
Inventories .....	39,677			39,677
Trade receivables .....	187,451			187,451
Other receivables, deposits and prepayments .....	401,905			401,905
Lease premium for land - current portion.....	1,266			1,266
Bank balances and cash..	<u>2,096,553</u>			<u>2,096,553</u>
	<u>2,726,852</u>			<u>2,726,852</u>
<b>Current liabilities</b>				
Trade payables .....	24,076			24,076
Other payables & accrued charges .....	131,443			131,443
Taxation .....	47,020			47,020
Amount due to minority shareholders .....	16,495			16,495
Borrowings - amount due within one year ....	<u>29,420</u>			<u>29,420</u>
	<u>248,454</u>			<u>248,454</u>

	<b>As per 2nd Quarterly Report HK\$'000</b>	<b>Adjustment of depreciation and amortisation for 2002 and 2003 HK\$'000 (Note 1)</b>	<b>Conversion of HK\$100 million convertible note in 2003 HK\$'000 (Note 2)</b>	<b>As per the Accountants' Report HK\$'000</b>
Net current assets.....	<u>2,478,398</u>			<u>2,478,398</u>
Total assets less current liabilities.....	<u>3,727,135</u>			<u>3,727,215</u>
Non-current liabilities				
Borrowings - amount due after one year .....	<u>1,871,927</u>			<u>1,871,927</u>
	<u>1,871,927</u>			<u>1,871,927</u>
Net assets.....	<u><u>1,855,208</u></u>			<u><u>1,855,288</u></u>
Capital and reserves				
Share capital .....	94,225			94,225
Share premium reserve...	712,337		10,497	722,834
Exchange reserve .....	(4,456)			(4,456)
Employee share-based compensation reserve ..	2,733			2,733
Capital reserve .....	1,101			1,101
General reserve .....	5,558			5,558
Convertible bonds reserve .....	48,350			48,350
Retained earnings.....	<u>662,334</u>	32	(10,497)	<u>651,869</u>
Equity attributable to equity holders of parent.....	1,522,182			1,522,214
Minority interests.....	<u>333,026</u>	48		<u>333,074</u>
Total equity.....	<u><u>1,855,208</u></u>			<u><u>1,855,288</u></u>

Set out below is the reconciliation of consolidation balance sheets for the six months ended June 30, 2005:-

	As per 2nd Quarterly Report <i>HK\$'000</i>	Adjustment of depreciation and amortisation for 2002 and 2003 <i>HK\$'000</i> (Note 1)	Conversion of HK\$100 million convertible note in 2003 <i>HK\$'000</i> (Note 2)	Reclassification <i>HK\$'000</i> (Note 3)	As per the Accountants' Report <i>HK\$'000</i>
<b>Non-current assets</b>					
Property, plant and equipment .....	1,226,129	14			1,226,143
Intangible assets .....	9,132				9,132
Goodwill .....	46,449				46,449
Interests in associates .....	454,030				454,030
Available-for-sale investments .....	208,999				208,999
Lease premium for land - non current portion .....	44,028	66			44,094
Pledged bank deposits.....	<u>136,568</u>				<u>136,568</u>
	<u>2,125,335</u>				<u>2,125,415</u>
<b>Current assets</b>					
Inventories.....	59,241				59,241
Trade receivables.....	235,426				235,426
Other receivables, deposits and prepayments .....	483,665				483,665
Lease premium for land - current portion .....	1,482				1,482
Bank balances and cash ....	<u>1,344,219</u>				<u>1,344,219</u>
	<u>2,124,033</u>				<u>2,124,033</u>
<b>Current liabilities</b>					
Trade payables.....	79,318				79,318
Other payables & accrued charges .....	177,428				177,428
Taxation .....	53,881				53,881
Amount due to minority shareholders .....	21,687				21,687
Derivatives financial instruments .....	—			106,168	106,168
Borrowings - amount due within one year.....	<u>35,688</u>				<u>35,688</u>
	<u>368,002</u>				<u>474,170</u>
Net current assets .....	<u>1,756,031</u>				<u>1,649,863</u>
Total assets less current liabilities .....	<u>3,881,366</u>				<u>3,775,278</u>

	As per 2nd Quarterly Report <i>HK\$'000</i>	Adjustment of depreciation and amortisation for 2002 and 2003 <i>HK\$'000</i> <i>(Note 1)</i>	Conversion of HK\$100 million convertible note in 2003 <i>HK\$'000</i> <i>(Note 2)</i>	Reclassification <i>HK\$'000</i> <i>(Note 3)</i>	As per the Accountants' Report <i>HK\$'000</i>
Non-current liabilities					
Borrowings - amount due after one year .....	1,861,415				1,861,415
Derivatives financial instruments .....	<u>106,168</u>			(106,168)	<u>—</u>
	<u>1,967,583</u>				<u>1,861,415</u>
Net assets .....	<u>1,913,783</u>				<u>1,913,863</u>
Capital and reserves					
Share capital.....	94,225				94,225
Share premium reserve .....	712,337		10,497		722,834
Exchange reserve.....	(5,600)				(5,600)
Employee share-based compensation reserve .....	12,771				12,771
Capital reserve.....	1,101				1,101
General reserve.....	5,815				5,815
Convertible bonds reserve.	48,350				48,350
Retained earnings .....	<u>689,217</u>	32	(10,497)		<u>678,752</u>
Equity attributable to equity holders of the parent.....	1,558,216				1,558,248
Minority interests .....	<u>355,567</u>	48			<u>355,615</u>
Total equity .....	<u>1,913,783</u>				<u>1,913,863</u>

*Notes:*

1. The difference in the property, plant and equipment and lease premium for land - non current portion of the Group as at December 31, 2004 and June 30, 2005 represents adjustments in respect of depreciation and amortisation for land and buildings made in the years ended December 31, 2003 and 2004 as a result of change in accounting policy of land and buildings from valuation basis to cost basis. These adjustments also have an impact on the retained earnings as well as minority interests.
2. The difference in the share premium reserve of the Group as at December 31, 2004 and June 30, 2005 represents adjustments in respect of the conversion of the HK\$100 million convertible note in 2003 as a result of the adoption of HKAS 32 Financial Instruments: Disclosure and Presentation and HKAS 39 Financial Instruments: Recognition and Measurement. This adjustment also has an impact on the retained earnings.
3. The derivative financial instruments were treated as current liabilities in the Listing Document since the interest rate swap arrangements were not accounted for as effective hedging instruments and were accordingly classified as held for trading. These derivative financial instruments were classified as non-current liabilities in the 2nd Quarterly Report by reference to the expiry date of the contracts for the interest rate arrangements. The Board considered that the current classification of these derivative financial instruments as current liabilities was more appropriate to reflect the substance of the interest rate swap arrangements as held for trading derivative financial instruments.

## Profit and loss statements

The Board notes that for the six months ended June 30, 2004, an amount of HK\$2,433,000 has been reclassified from other operating income and presented as a gain on partial disposal of interest in a subsidiary in the Accountants' Report. This reclassification reflects a better presentation of financial information.

## Cash flow statements

The Board notes that for the six months ended June 30, 2005, the net cash used in operating activities used in operating activities, the net cash used in investing activities and the net cash (used in) from financing activities stated in the 2nd Quarterly Report were (HK\$46,020,000), (HK\$679,777,000) and (HK\$25,393,000) respectively but was stated to be HK\$38,061,000, (HK\$767,273,000) and (HK\$21,978,000) respectively in the Listing Document.

Set out below is the reconciliation of consolidation cash flow statements for the six months ended June 30, 2005:-

	<b>As per 2nd Quarterly Report HK\$'000</b>	<b>Increase in pledged bank deposits HK\$'000 (Note 1)</b>	<b>Increase in amounts due to minority interests HK\$'000 (Note 2)</b>	<b>Interest income received HK\$'000 (Note 3)</b>	<b>As per the Accountants' Report HK\$'000</b>
Net cash (used in) from operating activities .....	(46,020)	58,618	5,192	20,271	38,061
Net cash used in investing activities.....	(679,777)	(58,618)	(8,607)	(20,271)	(767,273)
Net cash used in financing activities.....	(25,393)	—	3,415	—	(21,978)

The differences are due to reclassifications for better presentation of the financial information.

### Notes:

1. Pledged bank deposits was reclassified as investing activities to reflect a more accurate presentation in the Listing Document from operating activities presented in the 2nd Quarterly Report.
2. The cash flow resulting from changes in amounts due to minority interests was classified in accordance with the nature of the outstanding balances in the 2nd Quarterly Report. However, the changes in amounts due to minority interests in the Listing Document was classified as one item under operating activities for a consistent presentation throughout the periods.
3. Interest received from the interest rate swaps was set off against interest paid in the Listing Document instead of presenting the gross amount of interest income and interest expense for a better presentation of the value of the instruments.

The Company expects to use the financial information as set out in the Accountants' Report as the basis for the preparation of future accounts of the Group.

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

Hong Kong, November 4, 2005

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

*Executive Directors*

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

*Non-executive Directors*

FOK Kin-ning, Canning  
TO Chi Keung, Simon  
(*alternate director to FOK Kin-ning, Canning*)

*Independent Non-executive Directors*

CHEUNG Hon Kit  
GE Ming  
LI Xiao Ru

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 (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.*

\* *For identification purpose only*