

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **PANVA GAS HOLDINGS LIMITED**, you should at once hand this circular, together with the form of proxy, to the purchaser or 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)

**PROPOSED GENERAL MANDATES TO ISSUE,
REPURCHASE SHARES AND
REFRESHMENT OF SHARE OPTION SCHEME MANDATE LIMIT**

The notice convening an annual general meeting of the Company to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 3:30 p.m. on Wednesday, 21 April 2004, is set out on pages 81 to 84 of the annual report of the Company for the year ended 31 December 2003 dated 15 March 2004. Shareholders are advised to read the notice and to complete and return the proxy form enclosed therein in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Completing and return of the proxy form will not preclude you from attending and voting at the meeting should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for 7 days from the date of its posting and on the website of the Company at www.panva-com.

29 March 2004

* For identification purpose only

CHARACTERISTICS OF GEM

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 a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded 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 announcements 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:

“AGM Notice”	the notice for convening the Annual General Meeting set out in the Annual Report dated 15 March 2004
“Annual General Meeting”	the annual general meeting of the Company to be held at Kennedy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Wednesday, 21 April 2004 at 3:30 p.m., notice of which is set out on pages 81 to 84 of the Annual Report
“Annual Report”	the annual report of the Company for the year ended 31 December 2003
“Board”	the board of Directors
“Company”	Panva Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability and listed on the GEM
“Directors”	directors of the Company
“Existing Share Option Scheme”	the existing Share Option Scheme adopted by the Company for full-time employees of the Group pursuant to the resolutions of the Shareholders dated 4 April 2001
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM
“Group”	the Company and its Subsidiaries
“Latest Practicable Date”	26 March 2004, being the latest practicable date prior to the printing of this circular
“Share(s)”	fully paid-up share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong Special Administrative Region
“%”	Per cent



PANVA GAS HOLDINGS LIMITED

百江燃氣控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Executive Directors:

Ou Yaping (*Chairman*)
Chen Wei (*Managing Director*)
Lai Wen Guang
Lau Shi Wa
Li Fujun
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)*
Zheng Dunxun

Independent Non-Executive Directors:

Cheung Hon Kit
Li Xiao Ru

Registered office:

Ugland House, P.O. Box 309,
George Town, Grand Cayman
Cayman Islands
British West Indies

*Head office and principal place
of business in Hong Kong:*

Room 2501-2502
Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

29 March 2004

To the shareholders

Dear Sir or Madam,

**PROPOSED GENERAL MANDATES TO ISSUE,
REPURCHASE SHARES AND
REFRESHMENT OF SHARE OPTION SCHEME MANDATE LIMIT**

INTRODUCTION

The purpose of this circular is to provide you with information in respect of, and to seek your approval for the proposed general mandates to issue and repurchase Shares and refreshment of Share Option Scheme mandate limit (“Scheme Mandate Limit”) at the Annual General Meeting.

* *For identification purpose only*

LETTER FROM THE BOARD

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

At the annual general meeting of the Company held on 24 April 2003, resolutions of the Shareholder were passed giving general unconditional mandates to the Directors to:

- (1) allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of such resolution;
- (2) to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of such resolution; and
- (3) add to the general mandate for issuing Shares as mentioned in paragraph (1) above an amount representing the total nominal amount of the share capital of the Company repurchased by the Company under the general mandate granted to the Directors to repurchase Shares as mentioned in paragraph (2) above.

The above general mandates will lapse at the conclusion of the Annual General Meeting. It is therefore proposed to seek your approval of the ordinary resolutions to be proposed at the Annual General Meeting to give fresh general mandates to the Directors.

ANNUAL GENERAL MEETING

At the Annual General Meeting, separate ordinary resolutions will be proposed to give to the Directors a fresh general mandate to:

- (i) allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of the ordinary resolution no. 4 (“Resolution No. 4”) in the AGM Notice; and
- (ii) to repurchase Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of the ordinary resolution no. 5 (“Resolution No. 5”) in the AGM Notice (“Repurchase Mandate”);

during the period from the date of the passing of the Resolution No. 4 and Resolution No. 5 up to: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of the Caymans Islands to be held; or (c) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by Resolution No. 4 and/or Resolution No. 5, whichever occurs first; and

- (iii) to add to such general mandate so granted to the Directors to allot, issue and deal with Shares an amount representing the aggregate nominal amount of the share capital of the

LETTER FROM THE BOARD

Company (up to a maximum of 10% of the aggregate nominal amount of the then issued share capital of the Company) repurchased under the Repurchase Mandate. The relevant resolution is set out as ordinary resolution no. 6 (“Resolution No. 6”) in the AGM Notice.

EXPLANATORY STATEMENT

An explanatory statement containing all relevant information relating to the proposed general mandate to repurchase Shares is set out in the Appendix to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Directors the Repurchase Mandate.

REFRESHMENT OF SHARE OPTION SCHEME MANDATE LIMIT

Under the Existing Share Option Scheme and the applicable GEM Listing Rules, the Board has the right to grant to the eligible participants options to subscribe for up to a maximum of 50,000,000 Shares, representing 10% of the issued share capital of the Company as at 20 April 2001, being the date of the initial listing of the Company on GEM.

As at the Latest Practicable Date, 18,982,000 share options under the Existing Share Option Scheme had been granted. The Directors consider that the Company should refresh the Scheme Mandate Limit so that the Company has greater flexibility to provide incentives to, and recognise the contributions of, the Group’s employees.

A resolution will therefore be put to the Shareholders at the Annual General Meeting to refresh the Scheme Mandate Limit so as to allow the Directors to grant share options entitling holders thereof to subscribe for up to 10% of the issued share capital of the Company as at the date of passing the relevant resolution at the Annual General Meeting.

The number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Existing Share Option Schemes must not, in aggregate, exceed 30% of the issue share capital of the Company from time to time. The Directors consider that the refreshment of the Scheme Mandate Limit is in the interests of the Company and Shareholders as a whole.

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:– (i) the information contained in this circular 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 circular misleading; and (iii) all opinions 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.

LETTER FROM THE BOARD

GENERAL INFORMATION

The AGM Notice is set out in the Annual Report which is despatched to the Shareholders together with this circular.

A form of proxy for the Annual General Meeting is enclosed with the 2003 Annual Report. Whether or not you are able to attend the Annual General Meeting in person, please complete and return the form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited at Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the Annual General 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 at the Annual General Meeting or any adjourned meeting (as the case may be) should you so wish.

RECOMMENDATION

The Directors are of the opinion that the proposals referred to in this circular are in the best interests of the Company and its Shareholders and therefore recommend you to vote in favour of the Resolutions Nos. 4 to 7 to be proposed at the Annual General Meeting.

Yours faithfully,
By Order of the Board
Panva Gas Holdings Limited
Tang Yui Man, Francis
Executive Director

This is an explanatory statement given to all Shareholders relating to the Resolution No. 5 to be proposed at the Annual General Meeting authorising the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 13.08 of the GEM Listing Rules which is set out as follows:

1. EXERCISE OF THE REPURCHASE MANDATE

As at the Latest Practicable Date, the issued share capital of the Company comprised of 941,650,891 Shares.

Subject to the passing of the Resolutions No. 5 and on the basis that no further Shares are issued or repurchased by the Company prior to the Annual General Meeting, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 94,165,089 Shares during the period from the date of the passing of the Resolution No. 5 as set out in the AGM Notice up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws of Cayman Islands to be held; or (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

2. REASONS FOR REPURCHASES

The Directors believe that the Repurchase Mandate is in the best interests of the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share of the Company and will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum and Articles of Association and the applicable laws and regulations of the Cayman Islands. The Company may not purchase securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

4. GENERAL

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited financial statements contained in the Annual Report) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the GEM during each of the previous twelve months were as follows:

	Shares	
	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
March 2003	3.275	2.975
April 2003	3.400	3.150
May 2003	3.350	3.175
June 2003	3.600	3.175
July 2003	3.950	3.425
August 2003	3.950	3.725
September 2003	3.775	3.450
October 2003	3.800	3.225
November 2003	5.000	3.500
December 2003	4.925	3.925
January 2004	4.300	3.950
February 2004	4.125	3.700

6. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Memorandum and Articles of Association of the Company and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, their associates, have any present intention to sell any Shares to the Company under the Repurchase Mandate if such is approved by the Shareholders.

No connected person (as defined in the GEM Listing Rules) has notified the Company that it has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

7. THE HONG KONG CODE ON TAKEOVERS AND MERGERS

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, the number of Shares held by Sinolink Worldwide Holdings Limited (“Sinolink”), the controlling shareholder of the Company, is 598,789,987 Shares which represents approximately 63.59% of the aggregate shareholding in the Company prior to the exercise of the Repurchase Mandate. Upon exercise in full of the Repurchase Mandate, the percentage shareholding of Sinolink in the Company shall increase from approximately 63.59% to 70.65%. As Sinolink (together with its associates and other Shareholders acting in concert (within the meaning under the Takeovers Code), if any), holds more than 50% shareholding in the Company, they will not be obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. The Directors have undertaken to the Listing Division of the Stock Exchange that they will only exercise the Repurchase Mandate to the extent that a minimum of 20% shareholding in the Company are kept in public hands.

8. SHARE PURCHASE MADE BY THE COMPANY

No purchases of Shares have been made by the Company in the previous six months, whether on the Stock Exchange or otherwise.