

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 (the “Company”), you should at once hand this circular and the accompanying 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)

Stock code on Main Board: 1083

Stock code on GEM: 8132

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING
ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED,
PROPOSED REDUCTION OF THE MINIMUM NOTICE PERIOD
IN RESPECT OF THE PROPOSED WITHDRAWAL,
PROPOSED TERMINATION OF THE EXISTING SHARE OPTION SCHEME,
PROPOSED ADOPTION OF THE PROPOSED SHARE OPTION SCHEME,
PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION IN SUBSTITUTION
OF THE EXISTING ARTICLES OF ASSOCIATION,
PROPOSED GRANT OF NEW GENERAL MANDATES
AND PROPOSED REVOCATION OF EXISTING GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES**

Sponsor



Merrill Lynch
Merrill Lynch (Asia Pacific) Limited

A notice convening an extraordinary general meeting of the Company (the “EGM”) to be held at 28th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong at 10:00 a.m. on November 28, 2005 is set out on pages 53 to 58 of this circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the office of the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th 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 the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) 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 day of its posting.

* For identification purpose only

November 4, 2005

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 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:

“Anshan Panva”	鞍山市煤氣總公司 (Anshan City Gas Company*), a PRC state-owned enterprise which will be restructured to become a sino-foreign equity joint venture company incorporated in the PRC with limited liability 鞍山市百江燃氣有限公司 (Anshan Panva Gas Co., Ltd.*) and owned indirectly as to 81% by the Company after completion of the transfer agreement dated March 22, 2005 between 百江投資有限公司 (Panriver Investments Co., Ltd.*) and 鞍山市公用事業管理局 (Anshan City Public Utilities Management Bureau*)
“associate(s)”	has the meaning given to it by the Main Board Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“Companies Law”	the Companies Law (2004 Revision) of the Cayman Islands
“Company”	Panva Gas Holdings Limited (百江燃氣控股有限公司*), a company incorporated with limited liability under the laws of the Cayman Islands on November 16, 2000 and whose shares are listed on GEM
“connected person(s)”	has the meaning given to it by the Main Board Listing Rules
“Convertible Bonds”	the US\$50 million convertible bonds issued by the Company, due 2008, further details of which are set out in the section headed “Financial Information — Indebtedness — Convertible Bonds” in the Listing Document and in the section headed “I. Convertible Bonds” in Appendix VI to the Listing Document
“Director(s)”	the director(s) of the Company
“Effective Date”	expected to be on December 8, 2005, the date on which the Proposed Withdrawal and the Proposed Introduction become effective
“EGM”	an extraordinary general meeting of the Company to be held at 28th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong on November 28, 2005 at 10:00 a.m. or any adjournment thereof

DEFINITIONS

“EGM Notice”	the notice convening the EGM, which is set out on pages 53 to 58 of this circular
“Enerchina”	Enerchina Holdings Limited (威華達控股有限公司*) (stock code: 622), a company incorporated in Bermuda with limited liability on July 26, 1991 and whose shares are listed on the Main Board
“Existing Articles”	the existing articles of association of the Company as amended from time to time
“Existing General Mandates”	the general mandates to issue Shares and repurchase Shares granted to the Directors pursuant to resolution Nos. 3 and 4 respectively passed at the annual general meeting of the Company held on April 26, 2005
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended from time to time
“Grantee”	any Participant who accepts an offer of the grant of an Option made by the Board in accordance with the terms of the Proposed Share Option Scheme or (where the context so permits) a person who is entitled to any such Option in consequence of the death of such Participant
“Group”	the Company and its subsidiaries (as defined in the GEM Listing Rules)
“Guaranteed Senior Notes”	the guaranteed senior notes in the aggregate principal amount of US\$200 million issued by the Company on September 23, 2004, due 2011 and jointly arranged by Merrill Lynch International and Morgan Stanley & Co. International Limited, further details of which are set out in the section headed “Financial Information — Indebtedness — Guaranteed Senior Notes” in the Listing Document
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kenson”	Kenson Investment Limited, a company incorporated in the British Virgin Islands with limited liability on October 17, 2000, a wholly-owned subsidiary of Enerchina

DEFINITIONS

“Kenson Note”	HK\$62,500,000 exchangeable redeemable note issued by Kenson to Hutchison International Limited, a wholly-owned subsidiary of Hutchison Whampoa Limited, on November 1, 2004 which is exchangeable into the existing issued Shares held by Kenson at the exercise price of HK\$3.25 per Share (subject to adjustments), further details of which are set out in the section headed “II. Kenson Note” in Appendix VI to the Listing Document
“Latest Practicable Date”	November 1, 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Document”	the listing document dated November 4, 2005 to be issued by the Company in connection with the Proposed Introduction
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time, and any applicable practice notes, supplementary guidance or other regulations issued by the Stock Exchange
“LPG”	liquefied petroleum gas
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“Memorandum of Association”	the memorandum of association of the Company
“New Articles”	the new articles of association proposed to be adopted at the EGM, a summary of the principal terms of which is set out in Appendix II to this circular
“New GEM Share Option Scheme”	the share option scheme adopted by the Company pursuant to a resolution passed by the Shareholders on April 26, 2005
“Offer”	the offer of the grant of an Option made by the Board in accordance with the terms of the Proposed Share Option Scheme
“Offer Date”	the date (which must be a Business Day) on which an Offer is made to a Participant

DEFINITIONS

“Old GEM Share Option Scheme”	the share option scheme adopted by the Company pursuant to a resolution passed by the then sole Shareholder on April 4, 2001 for the benefit of directors or employees of the Company or its subsidiaries and which was terminated by the Shareholders at the annual general meeting of the Company held on April 26, 2005
“Option”	a right to subscribe for Shares pursuant to the terms of the Proposed Share Option Scheme
“Participant(s)”	any (i) employee (whether full-time or part-time) of the Company or any of its subsidiaries or associated companies; (ii) chief executive, director (whether executive director or non-executive director or independent non-executive director) of the Company or any of its subsidiaries or associated companies; (iii) supplier of goods and/or services to the Company or any of its subsidiaries or associated companies; (iv) customer of the Company or any of its subsidiaries or associated companies; (v) person or entity that provides research, development or other technical support to the Company or any of its subsidiaries or associated companies; (vi) adviser or consultant (technological, technical, financial, legal or otherwise) engaged by the Company or any of its subsidiaries or associated companies; and (vii) joint venture partner or counter-party to any business operation or business arrangements of the Company or any of its subsidiaries or the associated companies, provided that the Board shall have the absolute discretion to determine whether one falls within the aforesaid categories
“PRC”	the People’s Republic of China, which for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-GEM Listing Share Option Scheme”	the share option scheme adopted by the Company pursuant to a resolution passed by its then sole Shareholder on April 4, 2001 for the benefit of certain directors and employees of members of the Group and members of Sinolink Group which lapsed before listing of the Shares on GEM on April 20, 2001
“Proposed Introduction”	the proposed listing of the Shares on the Main Board by way of introduction pursuant to the Main Board Listing Rules
“Proposed Share Option Scheme”	the proposed share option scheme to be conditionally adopted at the EGM, a summary of the principal terms of which is set out in Appendix I to this circular

DEFINITIONS

“Proposed Withdrawal”	the proposed voluntary withdrawal of the listing of the Shares on GEM
“Repurchase Mandate”	a general mandate proposed to be granted to the Directors to exercise the power of the Company 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 the passing of the relevant ordinary resolution as set out in the EGM Notice
“RMB”	Renminbi, the lawful currency for the time being of the PRC
“Shandong Panva”	山東百江燃氣有限公司 (Shandong Panva Gas Co., Ltd.*), a sino-foreign equity joint venture company to be incorporated in the PRC with limited liability and owned indirectly as to 48% by the Company after completion of the joint venture agreement dated August 16, 2005 entered into between 百江投資有限公司 (Panriver Investments Company Limited*), 濟南市煤氣公司 (Jinan City Gas Company*) and 深圳市華信聯投資有限公司 (Shenzhen Huaxinlian Investment Co., Ltd.*)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Share Issue Mandate”	a general mandate proposed to be granted to the Directors to allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of the relevant ordinary resolution as set out in the EGM Notice
“Sinolink”	Sinolink Worldwide Holdings Limited (百仕達控股有限公司*) (stock code: 1168), a company incorporated in Bermuda with limited liability on December 15, 1997 and whose shares are listed on the Main Board
“Sinolink Group”	save for the Group, Sinolink, its subsidiaries and its associated companies
“Sponsor”	Merrill Lynch (Asia Pacific) Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option
“substantial shareholder(s)”	has the meaning given to it by the Main Board Listing Rules

DEFINITIONS

“Supreme All”	Supreme All Investments Limited, a company incorporated in the British Virgin Islands on December 20, 2000, a wholly-owned subsidiary of Enerchina
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

* *For identification purpose only*

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief:

- (i) the information contained in this circular is accurate and complete in all material aspects and not misleading;
- (ii) there are no other matters the omission of which would make any statement herein 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.

EXPECTED TIMETABLE

The expected timetable for the Proposed Withdrawal and the Proposed Introduction is set out below:

Despatch of this circular, the EGM Notice
and the related forms of proxy
to the Shareholders Friday, November 4, 2005

Despatch of the Listing Document to
the Shareholders Friday, November 4, 2005

Latest time for lodgement of related
forms of proxy for the EGM 10:00 a.m. on Saturday, November 26, 2005

EGM 10:00 a.m. on Monday, November 28, 2005

Date of the announcement of results of the
EGM which are to be published in
The Standard (in English), Hong Kong
Economic Times (in Chinese)
and on the GEM website Tuesday, November 29, 2005

Last day of dealing in the Shares on GEM Wednesday, December 7, 2005

Withdrawal of listing of the Shares on GEM
effective from 9:30 a.m. on Thursday, December 8, 2005

Dealings in the Shares on the Main Board
to commence on 9:30 a.m. on Thursday, December 8, 2005

Notes:

1. All times and dates refer to Hong Kong local times and dates.
2. Shareholders will be informed by public announcement of any changes in the above expected timetable.



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

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

Registered office:

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

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

28th Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

November 4, 2005

To the Shareholders

Dear Sir or Madam,

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING
ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED,
PROPOSED REDUCTION OF THE MINIMUM NOTICE PERIOD
IN RESPECT OF THE PROPOSED WITHDRAWAL,
PROPOSED TERMINATION OF THE EXISTING SHARE OPTION SCHEME,
PROPOSED ADOPTION OF THE PROPOSED SHARE OPTION SCHEME,
PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION IN SUBSTITUTION
OF THE EXISTING ARTICLES OF ASSOCIATION,
PROPOSED GRANT OF NEW GENERAL MANDATES
AND PROPOSED REVOCATION OF EXISTING GENERAL MANDATES
TO ISSUE AND REPURCHASE SHARES**

LETTER FROM THE BOARD

INTRODUCTION

On May 3, 2005, the Board announced that the Sponsor had on behalf of the Company submitted an application to the Stock Exchange for the Proposed Introduction and informed the Stock Exchange of the intention of the Company to implement the Proposed Withdrawal, conditional upon the conditions set out in the paragraph headed “Conditions of the Proposed Withdrawal and the Proposed Introduction” below.

In connection with the Proposed Introduction, the Directors propose to the Shareholders to terminate the New GEM Share Option Scheme and adopt the Proposed Share Option Scheme, adopt the New Articles in substitution of the Existing Articles, and grant the Share Issue Mandate and the Repurchase Mandate and to revoke the Existing General Mandates, to comply with the requirements under the Main Board Listing Rules.

The purpose of this circular is to give you further information on, *inter alia*, the Proposed Withdrawal, the Proposed Introduction, the proposed termination of the New GEM Share Option Scheme, the proposed adoption of the Proposed Share Option Scheme, the proposed adoption of the New Articles in substitution of the Existing Articles, the proposed grant of the Share Issue Mandate and the Repurchase Mandate, the proposed revocation of the Existing General Mandates, and to seek Shareholders’ approval of the resolutions in respect of the aforesaid at the EGM as described in the paragraph headed “The EGM” below. The EGM Notice is set out on pages 53 to 58 of this circular.

THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

On May 3, 2005, the Sponsor had on behalf of the Company submitted an advance booking form to the Stock Exchange for the listing of, and permission to deal in, on the Main Board (i) the 942,250,891 Shares in issue; (ii) 13,570,000 Shares which may be issuable upon the exercise of the outstanding options which were granted under the Pre-GEM Listing Share Option Scheme; (iii) 28,959,000 Shares which may be issuable upon the exercise of the outstanding options which were granted under the Old GEM Share Option Scheme; (iv) any Shares which may be issuable upon the exercise of any options which may be granted under the Proposed Share Option Scheme; and (v) any Shares which may be issuable upon the exercise of the conversion rights under the Convertible Bonds.

The Stock Exchange informed the Sponsor on November 2, 2005 that the Listing Committee had granted an approval in principle of the listing of, and permission to deal in, the Shares on the Main Board. Immediately following the Proposed Withdrawal, the listing of the Shares on the GEM will be withdrawn and the Shares as mentioned in the immediately preceding paragraph will be listed on the Main Board.

LETTER FROM THE BOARD

WAIVER FROM STRICT COMPLIANCE WITH THE MINIMUM NOTICE PERIOD IN RESPECT OF THE PROPOSED WITHDRAWAL

Pursuant to Rule 9.19 of the GEM Listing Rules, an issuer that has an alternative listing on another regulated, regularly operating, open stock exchange or securities market recognised for this purpose by the Stock Exchange, may not voluntarily withdraw its listing on GEM unless:

- (i) the prior approval of the shareholders of the issuer has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer; and
- (ii) the issuer has given its shareholders at least three months' notice of the proposed withdrawal of listing.

In connection with the Proposed Withdrawal, the Company has applied to, and the Stock Exchange has granted, a waiver from strict compliance with the minimum three months' notice required under Rule 9.19 of the GEM Listing Rules, subject to the fulfillment of the following conditions:

- (i) the prior approval of the Shareholders for the reduction in the notice period for the Proposed Withdrawal to a minimum period of five clear Business Days shall have been obtained;
- (ii) in respect of the Shares, there is no change in the board lot size, the share certificates, the share registrar and the trading currency in connection with the proposal to transfer its listing status; and
- (iii) there is no other fact that leads the Stock Exchange to believe that the reduced notice period is not feasible.

Accordingly, the EGM is convened to seek the approval of the Shareholders for, amongst other things, the Proposed Withdrawal and the proposed reduction in the notice period for the Proposed Withdrawal. After Shareholders' approval shall have been obtained, a notice of the Proposed Withdrawal will be published not less than five clear Business Days prior to the Effective Date.

The Directors consider that it is in the best interests of the Shareholders and the Company as a whole that the notice period for the Proposed Withdrawal be reduced so that the Proposed Withdrawal and the Proposed Introduction can be carried out as soon as practicable after obtaining the relevant approvals from the Shareholders at the EGM.

LETTER FROM THE BOARD

CONDITIONS OF THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

The implementation of the Proposed Withdrawal and the Proposed Introduction are conditional upon, amongst other things:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares on the Main Board as mentioned under the paragraph headed “The Proposed Withdrawal and the Proposed Introduction” above;
- (ii) the passing of an ordinary resolution by the Shareholders at the EGM to approve, amongst other things, the Proposed Withdrawal and the proposed reduction in the notice period for the Proposed Withdrawal;
- (iii) the publication of a notice of the Proposed Withdrawal after obtaining the approval of Shareholders referred to in condition (ii) above on a date that is not less than five clear Business Days prior to the Effective Date; and
- (iv) the obtaining of all other relevant consents which are required in connection with the implementation of the Proposed Withdrawal and the Proposed Introduction and fulfillment of all conditions which may be attached to such consents, including but not limited to, (a) the consents to the Proposed Withdrawal and the Proposed Introduction of (1) the holder of the Kenson Note; and (2) DB Trustees (Hong Kong) Limited, the trustee of the Convertible Bonds; (b) the publication of a notice to the holders of the Convertible Bonds; and (c) satisfying any other applicable requirements relating to the Kenson Note and the Convertible Bonds.

EFFECTS OF THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

Subject to the fulfillment of the conditions set out in the immediately preceding paragraph, it is expected that dealings in the Shares on GEM will cease at 9:30 a.m. on the Effective Date and dealings in the Shares on the Main Board will commence at 9:30 a.m. on the Effective Date. The Company will make an announcement after the EGM to publish the results of the EGM and other information on the Proposed Withdrawal and the trading arrangements of the Shares with respect to the Proposed Withdrawal and the Proposed Introduction.

The Proposed Withdrawal and the Proposed Introduction will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and will not involve any transfer or exchange of the existing share certificates. The Directors propose no change to be made to the board lot size, trading currency of the Shares and the share registrar of the Shares in connection with the Proposed Withdrawal and the Proposed Introduction. **Please note that if and when the Shares are listed on the Main Board, you may be required to sign a new client agreement with your stockbrokers.**

LETTER FROM THE BOARD

Please also note that the continuing obligations of listed issuers under the Main Board Listing Rules and the GEM Listing Rules are not the same. Under the GEM Listing Rules, the Company is required to publish its quarterly results on the internet website operated by the Stock Exchange. Upon the listing of the Shares on the Main Board, the Company will cease the practice of quarterly reporting and will follow the relevant requirements of the Main Board Listing Rules which include, amongst other things, through paid announcements in newspapers generally circulated in Hong Kong, publish its interim results and annual results within three months and four months from the end of the relevant period or financial year-end respectively. The Directors are of the view that following the reporting requirements under the Main Board Listing Rules will provide investors and the Shareholders with a high degree of transparency and a more complete picture of the performance of the Group during the relevant period. The Directors also believe that the cessation of quarterly reporting would save significant publishing costs and other related expenses, and enable management to devote greater management time to other key aspects of the operation of the Company's business.

REASONS FOR THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

The Group is principally engaged in the sale of LPG to bulk and retail sale customers, the construction of gas pipelines, the provision of piped gas and the sale of household gas products in the PRC. Since the listing of the Shares on GEM in April 2001, the Group has experienced significant growth and has established strong market positions in each of its primary business segments. Nevertheless, the Directors believe that the listing of the Shares on the Main Board will help to enhance the profile of the Group and increase the trading liquidity of the Shares. The Directors consider that the listing of the Shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Company. No change in the business of the Group is contemplated by the Directors following the Proposed Introduction.

The Proposed Introduction will involve no issue of new Shares by the Company.

WAIVERS FROM STRICT COMPLIANCE WITH RULES 10.07 AND 10.08 OF THE MAIN BOARD LISTING RULES

In connection with the Proposed Introduction, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the restrictions on further issues of securities within six months of listing on the Main Board as required by Rule 10.08 of the Main Board Listing Rules and a consequential waiver from strict compliance with the restrictions under Rule 10.07 of the Main Board Listing Rules in respect of the deemed disposal of Shares by the controlling shareholders upon the issue of securities by the Company within six months of listing on the Main Board subject to the following conditions:

- (i) any issue of Shares (or convertible securities) during the first six months after listing on the Main Board must be either for cash to fund a specific acquisition or as part or full consideration for an acquisition; and

LETTER FROM THE BOARD

- (ii) the acquisition must be for assets or business(es) that will contribute to the growth of the operations of the Group.

Save and except for the deemed disposal of Shares by the controlling shareholders of the Company upon the issue of securities by the Company, the controlling shareholders have confirmed that they will comply with the restrictions on the disposal of securities under Rule 10.07 of the Main Board Listing Rules.

The Company has applied to the Stock Exchange for waivers from strict compliance with Rules 10.07 and 10.08 of the Main Board Listing Rules for the following reasons:

- (i) the Company will not raise any new funds pursuant to the Proposed Introduction. Therefore, the Shareholders would not suffer any dilution of their interests as a result of the Company's listing on the Main Board;
- (ii) when the Shares were listed on GEM in April 2001, Sinolink owned approximately 77.96% of the Company's issued share capital. As at the Latest Practicable Date, Sinolink, through its 74.79% owned subsidiary Enerchina, owned indirectly approximately 60.57% of the Company's issued share capital, thus demonstrating that Sinolink, as a controlling shareholder, has not been actively disposing of the Shares; and
- (iii) the interests of the Shareholders are protected since any further issue of Shares by the Company would be subject to Shareholders' approval as required under Rule 13.36 of the Main Board Listing Rules.

FINANCIAL INFORMATION ON THE GROUP

Liquidity and capital resources

The Group's primary cash requirements are to fund capital expenditures, including investments in acquired businesses, and to finance working capital requirements. Historically, the Group has funded its operations through operating cash flows, the proceeds of the Company's HK\$100 million convertible note issued to Supreme All (then a wholly owned subsidiary of Sinolink) in 2001, proceeds from the Company's Share placing in 2001, proceeds from the Convertible Bonds issued in 2003, proceeds from the Company's HK\$620.8 million Share placing in 2004, bank borrowings and other loans. Current sources of liquidity to meet funding needs include operating cash flows, cash on hand, proceeds from the Convertible Bonds, proceeds from the Guaranteed Senior Notes and bank borrowings.

LETTER FROM THE BOARD

The following table presents selected cash flow data from the Group's consolidated cash flow statements for the three years ended December 31, 2002, 2003 and 2004 and the six months ended June 30, 2004 and 2005.

Cash flow data

	Year ended December 31			Six months ended June 30	
	2002	2003	2004	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net cash from (used in) operating activities.....	55,731	114,955	125,137	(18,866)	38,061
Net cash used in investing activities ...	(127,039)	(211,310)	(499,422)	(165,727)	(767,273)
Net cash before financing activities ...	(71,308)	(96,355)	(374,285)	(184,593)	(729,212)
Net cash from (used in) financing activities.....	26,750	356,025	2,117,208	682,070	(21,978)
Cash and cash equivalents.....	98,224	356,809	2,096,553	854,286	1,344,219

Operating leases

As of June 30, 2005 the Group had commitments of HK\$30.1 million for future minimum lease payments in respect of property, plant and equipment under non-cancellable operating leases, of which HK\$5.2 million, HK\$11.2 million and HK\$13.7 million related to operating leases falling due within one year, in the second to fifth years inclusive and over five years, respectively. The Group has no finance leases.

Capital commitments

At June 30, 2005, the Group had contractual capital commitments of approximately HK\$34.5 million, being the amount payable for the acquisition of interests in Anshan Panva. As at the Latest Practicable Date, the Group had contractual capital commitments of approximately HK\$220.1 million, being the amounts payable for the acquisition of interests in Anshan Panva and capital contribution for Shandong Panva. The expected source of funding for such capital commitments is existing cash resources of the Group.

The Group also expects to have additional capital expenditures of approximately RMB500 million for 2005, consisting principally of amounts to be paid for the potential acquisition of new operating subsidiaries and other equity interests, which it anticipates will be largely met out of existing cash resources, including primarily proceeds from the issuance of the Guaranteed Senior Notes. The additional projects to be acquired or invested in consist of certain piped gas projects and LPG (bulk and cylinder) projects. The acquisitions or investments with respect to these additional projects are still in negotiation. The Group has not yet agreed or proposed to acquire any of these additional projects.

LETTER FROM THE BOARD

Indebtedness

Borrowings

As of December 31, 2002, 2003 and 2004 and the six months ended June 30, 2005, and as of the close of business on August 31, 2005, being the latest practicable date for the purpose of indebtedness, the Group had the following outstanding interest bearing borrowings:

	As of December 31			As of June 30	As of August 31
	2002	2003	2004	2005	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(unaudited)
Short-term loans					
Secured bank loans ...	2,438	30,992	26,941	26,333	25,096
Unsecured bank loans	12,161	1,310	1,544	—	—
Unsecured other loans	—	224	935	9,355	9,597
Total	<u>14,599</u>	<u>32,526</u>	<u>29,420</u>	<u>35,688</u>	<u>34,693</u>
Long-term loans					
Secured bank loans	—	1,871	—	—	—
Unsecured bank loans	—	3,929	17,306	—	—
Unsecured other loans	—	748	—	2,152	2,207
Convertible note	95,411	—	—	—	—
Convertible Bonds	—	323,666	329,911	332,835	357,723
Guaranteed Senior Notes	—	—	1,524,710	1,526,428	1,527,022
Total	<u>95,411</u>	<u>330,214</u>	<u>1,871,927</u>	<u>1,861,415</u>	<u>1,886,952</u>
	<u>110,010</u>	<u>362,740</u>	<u>1,901,347</u>	<u>1,897,103</u>	<u>1,921,645</u>

As at the close of business on August 31, 2005 being the latest practicable date for the purpose of indebtedness, the Group had banking facilities which have not been utilised of approximately RMB663.8 million, of which approximately RMB56.1 million were secured by fixed assets and approximately RMB663.8 million were guaranteed by the Company.

LETTER FROM THE BOARD

Contractual obligations

The following table sets out the Group's contractual obligations as of August 31, 2005. The Group expects to fund such contractual obligations principally from internal resources.

	Payments due by period			
	Total	Less than	1-5 years	More than
	HK\$'000	1 year	1-5 years	5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total debt obligations	1,921,645	34,693	359,930	1,527,022
Operating lease obligations	28,244	5,430	10,264	12,550
Total	<u>1,949,889</u>	<u>40,123</u>	<u>370,194</u>	<u>1,539,572</u>

The Group's total debt obligations consist mainly of the Guaranteed Senior Notes (HK\$1,527.0 million) and the Convertible Bonds (HK\$357.7 million).

Disclaimers

Save as otherwise disclosed herein or in the Listing Document, and apart from intra-group liabilities, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitments, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities outstanding as at August 31, 2005.

Working capital

The Directors are of the opinion that after taking into account the existing financial resources available to the Group and the expected internally generated funds, the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of the Listing Document.

LETTER FROM THE BOARD

Net tangible assets attributable to equity holders of parent

The following statement shows the Group's net tangible assets attributable to equity holders of parent as at June 30, 2005 as extracted from the accountants' report of the Group set out in Appendix I to the Listing Document.

Audited net tangible assets attributable to equity holders of parent as at June 30, 2005 (<i>Note 1</i>)	<u>HK\$1,417,750,000</u>
Audited net tangible asset value per Share (<i>Note 2</i>).....	<u>HK\$ 1.50</u>

Notes:

1. The intangible assets not accounted in the net tangible assets include the carrying value of intangible assets, goodwill and goodwill on acquisition of an associate as set out in the accountants' report of the Group in Appendix I to the Listing Document.
2. The audited net tangible asset value per Share is calculated on the basis of 942,250,891 Shares in issue as at June 30, 2005.

ADOPTION OF THE PROPOSED SHARE OPTION SCHEME AND TERMINATION OF THE NEW GEM SHARE OPTION SCHEME

In connection with the Proposed Introduction, the Directors propose to the Shareholders the adoption of the Proposed Share Option Scheme, the provisions of which will comply with the requirements of Chapter 17 of the Main Board Listing Rules. A summary of the principal terms of the Proposed Share Option Scheme is set out in Appendix I to this circular. The Directors believe that by offering Options to the Participants under the flexible terms under the Proposed Share Option Scheme, in particular that there is no minimum period for which an Option must be held before it can be exercised, no performance target is needed to be achieved by the Participants before Options can be exercised and the Subscription Price will be determined with reference to the market value of the Shares, so that the Participants may exercise their Options at any time within the option period to acquire a monetary gain or ownership interest in the Company which may in turn achieve the purpose of the Proposed Share Option Scheme as set out in Appendix I to this circular.

The Company has applied to the Listing Committee for the listing of, and permission to deal in, on the Main Board, any Shares which may be issuable upon the exercise of any Options which may be granted under the Proposed Share Option Scheme.

The adoption of the Proposed Share Option Scheme is conditional upon:

- (i) the passing of ordinary resolutions by the Shareholders at the EGM and by the respective shareholders of Sinolink and Enerchina at their respective general meetings approving the termination of the New GEM Share Option Scheme;

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- (ii) the passing of ordinary resolutions approving the adoption of the Proposed Share Option Scheme by the Shareholders at the EGM and by the shareholders of Sinolink and Enerchina at their respective general meetings, and authorizing the Directors to grant Options thereunder and to allot, issue and deal with Shares pursuant to the exercise of any Options to be granted pursuant to the Proposed Share Option Scheme; and
- (iii) the Listing Committee granting approval of the listing of, and permission to deal in, on the Main Board for any Shares which may be issued pursuant to the exercise of Options pursuant to the Proposed Share Option Scheme.

It is proposed that subject to the approval of the Shareholders at the EGM and the approvals by the shareholders of Sinolink and Enerchina at their respective general meetings for the adoption of the Proposed Share Option Scheme, the New GEM Share Option Scheme will be terminated upon the adoption of the Proposed Share Option Scheme after all the conditions have been fulfilled.

As at the Latest Practicable Date, no option had been granted to subscribe for Shares pursuant to the New GEM Share Option Scheme and the Board confirms that prior to the EGM, it will not grant any options under the New GEM Share Option Scheme. Upon termination of the New GEM Share Option Scheme, no further options may be offered. Besides the New GEM Share Option Scheme, there was no other subsisting share option scheme of the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, the issued share capital of the Company comprised 942,250,891 Shares. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date and the date of adoption of the Proposed Share Option Scheme, the number of Shares issuable pursuant to the Proposed Share Option Scheme and any other share option schemes of the Company on the date of adoption of the Proposed Share Option Scheme will be 94,225,089 Shares, representing approximately 10% of the total number of Shares in issue as at the date of approval of the Proposed Share Option Scheme.

The Board considers it inappropriate to state the value of the options as if they had been granted pursuant to the Proposed Share Option Scheme on the Latest Practicable Date given that a number of variables which are necessary for the calculation of the value of the options cannot be ascertained at this stage. Such variables include the exercise price, exercise period, interest rate, expected stock price volatility and other relevant variables. The Board believes that any calculation of such value of any options on the Latest Practicable Date would be based on a number of speculative assumptions and would therefore not be meaningful but would instead be misleading to the Shareholders.

LETTER FROM THE BOARD

ADOPTION OF THE NEW ARTICLES

In connection with the Proposed Introduction and to remove references to GEM and to make other immaterial changes to the Existing Articles, the Board proposes to seek the approval of the Shareholders for the adoption of the New Articles in substitution of the Existing Articles at the EGM. The provisions of the New Articles will comply with the relevant requirements of the Main Board Listing Rules. A summary of the principal terms of the New Articles is set out in Appendix II to this circular.

The adoption of the New Articles is conditional upon:

- (i) the passing of a special resolution by the Shareholders at the EGM to approve and adopt the New Articles in substitution of the Existing Articles; and
- (ii) the commencement of dealings in the Shares on the Main Board.

GENERAL MANDATES

The Directors are of the view that as the Existing General Mandates make specific references to GEM, in connection with the Proposed Introduction on the Main Board, ordinary resolutions will be proposed at the EGM to revoke the Existing General Mandates and to grant to the Directors the Share Issue Mandate and the Repurchase Mandate. Both the Share Issue Mandate and the Repurchase Mandate will expire upon the earliest of (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 the Cayman Islands to be held; or (iii) the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors by the relevant resolutions. The relevant resolutions relating to the Share Issue Mandate and the Repurchase Mandate are set out as resolution Nos. 3 and 4 in the EGM Notice.

A further ordinary resolution will also be proposed at the EGM to add to the amount of Shares to be allotted and issued under the Share Issue Mandate by an amount representing the aggregate nominal amount of the share capital of the Company (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 the relevant resolution) to be repurchased under the Repurchase Mandate. The relevant resolution is set out as resolution No. 5 in the EGM Notice.

An explanatory statement containing all relevant information relating to the Repurchase Mandate is set out in Appendix III 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.

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The Directors confirm that they have not exercised the Existing General Mandates to issue or repurchase Shares after they were granted to the Directors pursuant to resolutions passed at the annual general meeting of the Company held on April 26, 2005 and that they have no present intention to exercise the Existing General Mandates prior to the Proposed Introduction.

THE EGM

The EGM Notice is set out on pages 53 to 58 of this circular. Ordinary resolutions will be proposed at the EGM to consider and, if thought fit, approve, amongst other things, the following:

- (i) the Proposed Withdrawal;
- (ii) the proposed reduction in the notice period for the Proposed Withdrawal;
- (iii) the proposed termination of the New GEM Share Option Scheme;
- (iv) the proposed adoption of the Proposed Share Option Scheme;
- (v) the proposed revocation of the Existing General Mandates; and
- (vi) the proposed granting of the Share Issue Mandate and the Repurchase Mandate to the Directors.

In addition, a special resolution will be proposed at the EGM to consider and, if thought fit, approve the New Articles in substitution of the Existing Articles.

A form of proxy for the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th 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 the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM (or any adjournment thereof) should you so wish.

RIGHT TO DEMAND A POLL

Pursuant to the Existing Articles, at any general meeting of the Company a resolution put to the vote of the meeting shall be decided on a show of hand unless a poll is taken as may from time to time be required under the GEM Listing Rules or any other applicable laws, rules or regulations or unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

- (i) the chairman of the meeting;

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- (ii) at least five members of the Company present in person or by proxy and entitled to vote or who represent in the aggregate not less than one-tenth of the total voting rights of all members having the right to attend and vote at the meeting; or
- (iii) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Listing Document is enclosed with this circular, for information purposes only, and will also be available for inspection at the offices of the Sponsor at 17th Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong and at the EGM.

Copies of the rules of the Proposed Share Option Scheme and the New Articles will be available for inspection at the offices of Woo, Kwan, Lee & Lo at 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours for a period of 14 days from the date of despatch of this circular and will also be available for inspection at the EGM.

RECOMMENDATION

The Board considers that the Proposed Withdrawal, the proposed reduction in the notice period for the Proposed Withdrawal, the proposed termination of the New GEM Share Option Scheme, the proposed adoption of the Proposed Share Option Scheme, the proposed revocation of the Existing General Mandates, the proposed grant of the Share Issue Mandate and the Repurchase Mandate and the proposed adoption of the New Articles in substitution of the Existing Articles, to be in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the ordinary and special resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this circular.

Yours faithfully,
By Order of the Board
Panva Gas Holdings Limited
Chen Wei
Managing Director

The following is a summary of the principal terms of the rules of the Proposed Share Option Scheme proposed to be adopted at the EGM. The adoption of the Proposed Share Option Scheme is conditional on, *inter alia*, the Listing Committee granting approval of the listing of, and permission to deal in, the Shares on the Main Board.

1. Purpose

The purpose of the Proposed Share Option Scheme is for the Company to provide the people and the parties working for the interests of the Group and the Group's associated companies ("associated companies") with an opportunity to obtain an equity interest in the Company, thus linking their interests with the interests of the Group and the associated companies, providing them with incentives to work better for the interests of the Group and the associated companies and rewarding them for their contribution and support to the Group and the associated companies.

2. Who may join and basis of eligibility

The Board may, at its discretion, invite Participants to take up Options to subscribe for Shares. No performance target is required to be achieved before an Option can be exercised. In determining the basis of eligibility of each Participant, the Board would mainly take into account such factors as the Board may at its absolute discretion consider appropriate.

3. Conditions

The Proposed Share Option Scheme is conditional upon (i) the passing of ordinary resolutions by the Shareholders and by the respective shareholders of Sinolink and Enerchina at their respective meetings to approve the termination of the New GEM Share Option Scheme; (ii) the passing of ordinary resolutions to approve the adoption of the Proposed Share Option Scheme by the Shareholders and by the shareholders of Sinolink and Enerchina at their respective general meetings to be convened on the same day as the EGM and to authorise the Directors to grant Options thereunder and to allot, issue and deal with Shares pursuant to the exercise of any Options granted under the Proposed Share Option Scheme; and (iii) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of Options under the Proposed Share Option Scheme.

4. Offer and grant of Options

An Offer shall be made to a Participant by letter in such form as the Board may from time to time determine specifying the number of Shares, the Subscription Price and the option period as the Board thinks appropriate that must be achieved by the Grantee before an Option can be exercised, and requiring the Participant to undertake to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the Proposed Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of 28 days from the date upon which the Offer is made, provided that no such Offer shall be open for acceptance after the 10th anniversary from the adoption of the Proposed Share Option Scheme or after the Proposed Share Option Scheme has been terminated in accordance with the provisions hereof, whichever is earlier.

5. Restrictions on the time of grant of Options

No Offer shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published pursuant to the requirements of the Main Board Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of the Board (as such date is first notified by the Company to the Stock Exchange in accordance with the Main Board Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Main Board Listing Rules); and (ii) the deadline for the Company to publish an announcement of its results for any year or half-year under the Main Board Listing Rules, or quarterly or any other interim period (whether or not required under the Main Board Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement.

6. Time of exercise of Option

An Option may be exercised in accordance with the terms of the Proposed Share Option Scheme at any time during such period as determined by the Board at its absolute discretion and notified by the Board to each Grantee, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Proposed Share Option Scheme.

7. Subscription Price

Subject to any adjustments made pursuant to paragraph 19 below, the Subscription Price in respect of each Share issued pursuant to the exercise of Options granted under the Proposed Share Option Scheme shall be a price determined by the Board and notified to a Participant and shall be at least the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Offer Date, which must be a Business Day; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the Offer Date; and (iii) the nominal value of a Share.

8. Maximum number of Shares available for subscription

- (i) Subject to sub-paragraph (iv) below, the total number of Shares which may be issued upon exercise of all Options to be granted under the Proposed Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of Shares in issue, or 94,225,089 Shares as at the date of the approval by the Shareholders of the Proposed Share Option Scheme assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the date of approval, unless the Company obtains a fresh approval from the Shareholders pursuant to sub-paragraph (ii) below. Options lapsed shall not be counted for the purpose of calculating such 10% limit.

- (ii) Subject to sub-paragraph (iv) below, the Company may seek approval by the Shareholders in general meeting to refresh the 10% limit set out in sub-paragraph (i) above such that the total number of Shares which may be issued upon exercise of all options to be granted under the Proposed Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed 10% of the total number of Shares in issue as at the date of approval to refresh such limit.
- (iii) Subject to sub-paragraph (iv) below, the Company may seek separate approval by the Shareholders in general meeting for granting Options beyond the 10% limit set out in sub-paragraph (i) or (ii) above (as the case may be) provided the Options in excess of such limit are granted only to Participants specifically identified by the Company before such approval is sought.
- (iv) Notwithstanding any provisions in sub-paragraph (i) to sub-paragraph (iii) above and subject to paragraph 19 below, the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Proposed Share Option Scheme and any other share option schemes (including the Pre-GEM Listing Share Option Scheme, the Old GEM Share Option Scheme and the New GEM Share Option Scheme) of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Main Board Listing Rules) of the total number of Shares in issue from time to time. No Options may be granted under the Proposed Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30% limit being exceeded.

9. Maximum entitlement of Shares of each Participant

- (i) The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.
- (ii) Any further grant of Options to a Participant in excess of the 1% limit referred to in sub-paragraph (i) above shall be subject to the separate approval of the Shareholders in general meeting, at which such Participant and his associates shall abstain from voting. A circular shall be sent to the Shareholders with disclosure of the identity of the Participant, the number and terms of the Options to be granted and any Options previously granted to such Participant. The number and terms of the Options (including the exercise price) to be granted to such Participant shall be fixed before the approval of Shareholders and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the Subscription Price.
- (iii) In the event of any alteration in the capital structure of the Company whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of the Company or otherwise howsoever (other than as a result of an issue of Shares as consideration in a transaction) whilst any Option remains exercisable, the maximum number of Shares referred to in paragraphs 8, 9(i), 9(ii), 10(i) and 10(ii) will be adjusted

in such manner which must give a Grantee the same proportion of the issued share capital of the Company as to which the Grantee was previously entitled, provided that no such alteration shall be made to the effect which would be enable a Share to be issued at less than its nominal value. No adjustments to the exercise price or number of Shares should be made to the Participants without specific prior approval by the Shareholders. An independent financial adviser or the auditors (acting as experts and not as arbitrators) shall confirm to the Directors in writing to be fair and reasonable and that the alterations satisfy the requirements mentioned above in this sub-paragraph and those set out in the Main Board Listing Rules.

10. Granting Options to connected persons

- (i) Any grant of Options to a Participant who is a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors of the Company (excluding any independent non-executive Director of the Company who is the relevant Grantee);
- (ii) Where the Board proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive Director of the Company or any of their respective associates, would result in the number of Shares issued and to be issued upon exercise of options granted and to be granted under the Proposed Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to such Participant in the 12-month period up to and including the date of such grant:
 - (a) representing in aggregate more than 0.1% of the total number of Shares in issue; and
 - (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000,

such proposed grant of Options must be approved by the Shareholders by poll in general meeting. In such a case, the Company shall send a circular to the Shareholders containing all those terms as required under the Main Board Listing Rules. All connected persons of the Company must abstain from voting in favour at such general meeting (except that any connected person may vote against such proposed grant at the general meeting provided that his intention to do so has been stated in the circular issued to the Shareholders).

11. Rights are personal to Grantee

An Option shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interests in favour of any third party over or in relation to any Option or enter into any agreement to do so. Where the Grantee is a company, any change of its major shareholder or any substantial change in its

management (to be determined by the Board at its absolute discretion) will be deemed to be a sale or transfer of interest aforesaid. Any breach of the foregoing by a Grantee shall render any Option or part thereof granted to such Grantee (to the extent that it has not already been exercised) be automatically cancelled.

12. Time of acceptance

An Offer shall be deemed to have been accepted by the Grantee, and the Option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein accompanied with a remittance in favour of the Company of HK\$1.00 by way of consideration for the granting thereof is received by the Company within 28 days from the date of the offer. Such remittance shall in no circumstances be refundable nor deemed to be part of the Subscription Price.

13. Performance target

Unless otherwise determined by the Board and specified in the offer letter at the time of the offer, there is neither any performance target that need to be achieved by the Grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised.

14. Rights on ceasing employment or death

In the event that the Grantee, if an individual, dies before exercising the Option in full, and none of the events which would be a ground for termination of the Grantee's employment, directorship or engagement under paragraph 15 below arises, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death or such longer period as the Board may determine, to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent that it has become exercisable and has not already been exercised), failing which the Option will lapse.

In the event that the Grantee ceases to be a Participant for any reason other than on his death or the termination of his employment, directorship or engagement on one or more of the grounds set out in paragraph 15 below, the Grantee may exercise the Option up to his entitlement at the date of cessation (to the extent which has become exercisable and has not already been exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation. Such date of cessation shall be, in the case of an employee, a director, a consultant, professional or other advisers, the last actual working day with the relevant member of the Group or the associated companies whether salary is paid in lieu of notice or not, or the last date of office or appointment, or in the case of a supplier, customer, joint venture partner or business counter-party the date of expiry of the relevant contract governing their relationship with the relevant member of the Group or the associated companies, and such date of cessation as determined by a resolution of the board of directors or governing body of the relevant member of the Group or the associated companies shall be conclusive, failing which the Option will lapse.

15. Rights on termination of employment, directorship or engagement

If the Grantee ceases to be a Participant by reason of termination of his employment, directorship or engagement on the grounds that he has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract, service contract, supply contract or engagement contract (as the case may be), or has stopped payment to creditors generally or been unable to pay or have no reasonable prospect to pay debts within the meaning of any applicable legislation in relation to bankruptcy or insolvency, or has become bankrupt or insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board or the board of the relevant member of the Group or the associated companies, as the case may be) on any other ground on which an employer, a sourcing party or an engaging party would be entitled to terminate his employment or directorship or engagement at common law or pursuant to any applicable laws or under his employment contract, service contract, supply contract or engagement contract (as the case may be) with the relevant member of the Group or the associated companies, in such event a resolution of the board of directors or governing body of the relevant member of the Group and the associated companies to the effect that the employment, directorship or engagement of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive.

16. Rights on a general offer, compromise or arrangement

If a general offer by way of take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) with the terms of the offer having been approved by the holders of not less than nine-tenths in value of the Shares comprised in the offer within four months from the date of the offer and the offeror thereafter gives a notice to acquire the remaining Shares, the Company shall forthwith give notice thereof to the Grantee and the Grantee (or the Grantee's personal representative(s)) may by notice in writing to the Company within 21 days of the notice of the Company exercise the Option (to the extent which has become exercisable on the date of the notice of the offeror and has not already been exercised) to its full extent or to the extent specified in such notice.

If a general offer by way of scheme of arrangement is made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall give notice thereof and the Grantee (or the Grantee's personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the Option (to the extent that it has become exercisable and has not already been exercised) to its full extent or to the extent specified in such notice.

If a compromise or arrangement between the Company and the Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to the Grantee on the same date as it despatches the notice which is sent to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon

the Grantee (or the Grantee's personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of two calendar months thereafter and the date on which such compromise or arrangement is sanctioned by the court, exercise any of the Grantee's Options (to the extent that it has become exercisable and has not already been exercised) whether in full or in part but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Proposed Share Option Scheme.

17. Rights on winding-up

In the event a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company other than for the purposes of a reconstruction, amalgamation or scheme of arrangement, the Company shall on the same date as or soon after it despatches such notice to convene the Shareholders' meeting, give notice thereof to all Grantees. Each Grantee (or the Grantee's personal representative(s)) may by notice in writing to the Company (such notice to be received by the Company no later than two Business Days prior to the proposed general meeting), exercise the Option (to the extent which has become exercisable and has not already been exercised) either to its full extent or to the extent specified in such notice. Such notice shall be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

18. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Memorandum of Association and the articles of association of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of their allotment and issue, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue, other than any dividends or other distributions previously declared, or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment and issue.

19. Reorganisation of capital structure

In the event of a capitalization issue, rights issue, sub-division, consolidation of the Shares or reduction of the share capital of the Company excluding any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in respect of a transaction to which the Company is a party, corresponding alterations (if any) shall be made to:

- (i) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or
- (ii) the Subscription Price,

as an independent financial adviser appointed by the Company or the auditors of the Company shall certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alteration shall satisfy the requirements set out in the Main Board Listing Rules, that shall give a Grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled, but so that no such alterations shall be made to the effect which would enable any Share to be issued at less than its nominal value.

20. Alterations of the Proposed Share Option Scheme

The Proposed Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Proposed Share Option Scheme as to matters set out in Rule 17.03 of the Main Board Listing Rules shall not be altered to extend the class of persons eligible for the grant of Options or to the advantage of the Participants except with the prior approval of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the affected Grantees as would be required of the Shareholders under the articles of association of the Company for the time being for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Proposed Share Option Scheme which are of a material nature or any change to the terms of the Options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Proposed Share Option Scheme. Any alterations to the terms and conditions of the Proposed Share Option Scheme which are to be approved by the Shareholders and/or independent non-executive Directors of the Company, must simultaneously be approved by the respective shareholders and/or independent non-executive directors of Sinolink and Enerchina.

The amended terms of the Proposed Share Option Scheme or the Options must comply with the relevant requirements of Chapter 17 of the Main Board Listing Rules.

Any change to the authority of the Directors or administrator(s) of the Proposed Share Option Scheme in relation to any alteration to the terms of the Proposed Share Option Scheme must be approved by the Shareholders in general meeting.

21. Cancellation of Options

With the consent of the relevant Grantee, the Board may at any time at its absolute discretion cancel any Option granted but not exercised. Where the Company cancels any Options and makes an Offer of the grant of new Options to the same Option holder, the Offer of such new Options may only be made under the Proposed Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by the Shareholders as mentioned in paragraph 8 above.

22. Termination

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Proposed Share Option Scheme and in such event no further Options will be offered but in all other respects the provisions of the Proposed Share Option Scheme shall remain in full force and effect.

23. Lapse of Options

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of the periods or dates as mentioned in paragraphs 14, 15, 16 and 17 above;
- (iii) subject to paragraph 17, the date of the commencement of the winding-up of the Company;
- (iv) the date on which the Grantee commits a breach of paragraph 11; or
- (v) the date on which the Option is cancelled by the Board as provided in paragraph 21.

The Company shall owe no liability to any Grantee for the lapse of any Option under this paragraph 23.

24. Period of the Proposed Share Option Scheme

The Proposed Share Option Scheme shall be valid and effective for a period of 10 years commencing from the adoption of the Proposed Share Option Scheme, after which period no further Options will be granted but in all other respects, the provisions of the Proposed Share Option Scheme shall remain in full force and effect and options which were granted during the life of the Proposed Share Option Scheme may continue to be exercised in accordance with their terms of grant.

In connection with the Proposed Introduction and to remove references to GEM in the Existing Articles, the Board proposes to seek the approval of the Shareholders for the adoption of the New Articles. The provisions of the New Articles will comply with the requirements of the Main Board Listing Rules.

The following is a summary of the principal terms of the New Articles proposed to be adopted by the Company at the EGM:

ARTICLES OF ASSOCIATION

The New Articles to be proposed for approval by the Shareholders at the EGM will include provisions to the following effect:

(i) **Classes of shares**

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date hereof is, and at the date of adoption of the New Articles will be HK\$200,000,000 divided into 2,000,000,000 Shares of HK\$0.10 each.

(ii) **Directors**

(a) *Power to allot and issue shares*

Subject to the provisions of the Companies Law and the Memorandum of Association and the New Articles, the unissued shares (whether forming part of the Company's original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the New Articles and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such time and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any Shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary of the Company*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the New Articles expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the New Articles or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions

of the Companies Law and of the New Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the New Articles, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the New Articles prohibiting the making of loans to Directors and associates which are equivalent to the restrictions imposed by the Companies Law.

(e) *Financial assistance to purchase shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall he be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates, to the knowledge of such Director, has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (1) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (2) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (3) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (4) any proposal concerning any other company in which the Director or any of his associates is/are interested only, whether directly or indirectly, as an officer, executive or shareholder or in which the Director or any of his associates is/are beneficially interested in shares of that company, provided that the Director and any of his associates, are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of any of his associates is derived) or of the voting rights;
- (5) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit;
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to the Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
 - (C) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

The Company may by ordinary resolution ratify any transaction not duly authorized by reason of a contravention of provisions in the New Articles relating to the interests of Directors and their associates provided that no Director or any of his associates who is materially interested in such transaction shall vote upon such ordinary resolution in respect of any shares in the Company in which he/they is/are interested.

(g) ***Remuneration***

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) ***Retirement, appointment and removal***

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the Board) and shall then be eligible for re-election at that meeting.

The Company may by special resolution remove any Director (including a managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the New Articles or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (1) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (2) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (3) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (4) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (5) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the New Articles;
- (6) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office; or

- (7) if he shall be removed from office by a special resolution of the members of the Company under the New Articles.

Notwithstanding any contractual or other terms on which any Director may be appointed or engaged or any other provisions in the New Articles at every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, will retire from office by rotation provided that every Director (including those appointed for a specific term) will be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) ***Borrowing powers***

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

The rights of the Directors to exercise these powers may only be varied by a special resolution.

(j) ***Proceedings of the Board***

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(iii) **Alteration to constitutional documents**

Subject always to the Companies Law, no alteration or amendment to the Memorandum of Association or the New Articles may be made except by special resolution.

(iv) **Variation of rights of existing shares or classes of shares**

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the New Articles relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any

adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person (or in the case of corporation, by its duly authorised representative) or by proxy may demand a poll.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(v) Alteration of capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the Shareholders to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares of any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the Shareholders resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any manner authorised and subject to any conditions prescribed by the Companies Law.

(vi) Special resolution - majority required

A “special resolution” is defined in the New Articles to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy or in the case of a corporation by their duly authorized representative at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the New Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the New Articles and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

(vii) Voting rights (generally, on a poll and right to demand a poll)

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member of the Company who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) shall have one vote, and on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where the Company has knowledge that any member of the Company is, under any applicable laws and the Main Board Listing Rules, required to abstain from voting on any particular resolution or is restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so and such person may vote on a poll by proxy.

Save as expressly provided in the New Articles or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be counted in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded or otherwise required under the Main Board Listing Rules. A poll may be demanded by:

- (a) the chairman of the meeting; or
- (b) at least five members of the Company present in person or by proxy and entitled to vote; or
- (c) any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all members of the Company having the right to attend and vote at the meetings; or
- (d) any member or members of the Company present in person (or in the case of a corporation, by its duly authorised representative) or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

On a poll votes may be given either personally or by proxy.

If a recognised clearing house (or its nominee) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee) which he represents as that recognised clearing house (or its nominee) could exercise if it were an individual member of the Company holding the number and class of shares specified in such authorisation.

(viii) Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

(ix) Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date at which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent at the same time as notices may be served by the Company as provided in the New Articles to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

(x) Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which

it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the New Articles or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Main Board Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

(xi) Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such sum as the Directors may from time to time determine but subject to the maximum amount as the Stock Exchange may from time to time determine to be payable is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the instrument of transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in the newspaper or, subject to the Main Board Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the New Articles, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

(xii) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the New Articles to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong.

(xiii) Power of any subsidiary of the Company to own shares

There are no provisions in the New Articles relating to the ownership of shares by a subsidiary.

(xiv) Dividends and other methods of distributions

Subject to the Companies Law and the New Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited

as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of Shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

(xv) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

(xvi) Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment) pay to the Company at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be sold, re-allotted or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

(xvii) Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement in the newspapers, or subject to the Main Board Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the New Articles be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Main Board Listing Rules) as the Directors may determine for each inspection.

(xviii) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the New Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in sub-paragraph (iv) above.

(xix) Rights of minorities in relation to fraud or oppression

There are no provisions in the New Articles concerning the rights of minority Shareholders in relation to fraud or oppression.

(xx) Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator

may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

(xxi) Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Main Board Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the New Articles, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

This is an explanatory statement given to all Shareholders relating to resolution No. 4 to be proposed at the EGM authorising the Repurchase Mandate.

This explanatory statement contains the information required pursuant to Rule 10.06 of the Main Board 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 942,250,891 Shares.

Subject to the passing of resolution No. 4 in the EGM Notice and on the basis that no further Shares are issued or repurchased by the Company prior to the EGM, the Company will be authorized under the Repurchase Mandate to repurchase a maximum of 94,225,089 Shares during the period from the date of the passing of resolution No. 4 as set out in the EGM 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 the 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 is the earliest.

2. Reasons for repurchases

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the 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 its earnings per Share and will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders.

3. Funding of repurchases

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its Memorandum of Association and the New Articles and the applicable laws and regulations of the Cayman Islands. The Company may not purchase Shares on the Stock Exchange 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 may be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the Listing Document) 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 have been traded on GEM during each of the previous twelve months before the Latest Practicable Date were as follows:

	Share price	
	Highest	Lowest
	HK\$	HK\$
November 2004.....	3.600	3.300
December 2004.....	3.525	3.350
January 2005.....	3.475	3.325
February 2005.....	3.425	3.175
March 2005.....	3.300	3.200
April 2005.....	3.300	3.025
May 2005.....	3.225	3.025
June 2005.....	3.250	3.000
July 2005.....	3.200	3.120
August 2005.....	3.550	3.100
September 2005.....	3.625	3.550
October 2005.....	3.650	3.575
As at the Latest Practicable Date.....	3.625	3.625

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 Main Board Listing Rules and the applicable laws and regulations of the Cayman Islands in force from time to time.

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

No connected person of the Company has notified the Company that he or she has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is approved by the Shareholders and becomes effective.

7. Takeovers Code

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 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 on the interest of the Shareholder(s), 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. Save as aforesaid, the Directors are not aware of any other consequence which would arise under the Takeovers Code as a result of any repurchases of Shares pursuant to the Repurchase Mandate.

8. Share repurchases by the Company

No repurchases of Shares have been made by the Company in the six months preceding the Latest Practicable Date, whether on the Stock Exchange or otherwise.



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

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of Panva Gas Holdings Limited (the “Company”) will be held at 28th Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong on November 28, 2005 at 10:00 a.m. for the purposes of considering and, if thought fit, with or without modification, passing the following resolutions each as an ordinary or special resolution (as the case may be) of the Company:

ORDINARY RESOLUTIONS

1. **“THAT** conditional upon (1) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval of the listing of, and permission to deal in, on the main board (the “Main Board”) of the Stock Exchange (i) the 942,250,891 shares of HK\$0.10 each in the issued share capital of the Company (the “Shares”); (ii) 13,570,000 Shares which may be issuable upon the exercise of the outstanding options which were granted under the pre-listing share option plan adopted by the Company on April 4, 2001 (the “Pre-GEM Listing Share Option Scheme”); (iii) 28,959,000 shares which may be issuable upon the exercise of the outstanding options which were granted under the share option scheme adopted by the Company on April 4, 2001 (the “Old GEM Share Option Scheme”); (iv) any Shares which may be issuable upon the exercise of any options which may be granted under the Proposed Share Option Scheme (as defined in resolution No. 2 set out in this notice), if the same having been approved; and (v) any Shares which may be issuable upon the exercise of the conversion rights attaching to the US\$50 million convertible bonds (the “Convertible Bonds”) which are due in 2008 as constituted by a trust deed made between the Company and DB Trustees (Hong Kong) Limited (the “Trustee”) (the “Proposed Introduction”); (2) the publication by the Company of a notice in respect of the proposed withdrawal of listing of the Shares on the Growth Enterprise Market of the Stock Exchange (“GEM”) (the “Proposed Withdrawal”) which shall be published not less than such period as the shareholders of the Company shall approve in this resolution No. 1, prior to the date on which the Proposed Withdrawal is effective; (3) the obtaining of all other relevant consents which are required in connection with the implementation of the Proposed Withdrawal and the Proposed Introduction and the fulfillment of all conditions which may be attached to such consents, including but not limited to the consents to the Proposed Withdrawal and the Proposed Introduction of (a) the holder of the HK\$62,500,000 exchangeable redeemable note issued by Kenson Investment Limited on November 1, 2004 (the “Kenson Note”) and (b) the Trustee; (4) the publication of a notice to the holders of the Convertible Bonds; and (5) satisfying any other applicable requirements relating to the

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Kenson Note and the Convertible Bonds, the listing of the Shares on GEM shall cease with effect from such date and time as the directors of the Company (“Directors”) may designate and any Director or the company secretary of the Company be and is hereby authorised generally to do all such acts for and on behalf of the Company as he/she may deem necessary, desirable or expedient to effect and implement the foregoing; and the notice period required under Rule 9.19(3) of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange in connection with the Proposed Withdrawal be reduced to a minimum period of five clear days on which the Stock Exchange is open for the business of dealing in securities from the date on which the shareholders of the Company shall have approved the Proposed Withdrawal.”

2. “**THAT** conditional upon the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, on the Main Board (i) the Shares (as defined in resolution No. 1 set out in this notice); (ii) any Shares which may be issuable upon the exercise of any options which were granted under the Pre-GEM Listing Share Option Scheme or the Old GEM Share Option Scheme (both as defined in resolution No. 1 set out in this notice); (iii) any Shares which may be issuable upon the exercise of any options which may be granted under the new share option scheme (the “Proposed Share Option Scheme”) (the rules of which are set out in the document marked “A” produced to this meeting and initialled by the Chairman of this meeting for the purpose of identification); and (iv) any Shares which may be issuable upon the exercise of the conversion rights attaching to the Convertible Bonds (as defined in resolution No. 1 set out in this notice):
 - (a) the Proposed Share Option Scheme be and is hereby approved and adopted by the Company and the Directors be and are hereby authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with any Shares pursuant to the exercise of the subscription rights under any options which may be granted under the Proposed Share Option Scheme and to do all such acts as it may in its absolute discretion consider necessary or expedient in order to give full effect to the Proposed Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same; and
 - (b) the share option scheme adopted by the Company pursuant to a resolution passed by the shareholders of the Company on April 26, 2005 be and is hereby terminated with effect from the date on which the Proposed Share Option Scheme becomes unconditional and effective.”

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3. “THAT

- (a) subject to paragraph (c) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional Shares (as defined in resolution No. 1 set out in this notice) in the share capital of the Company and to make or grant offers, arrangements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this Resolution shall authorize the Directors during the Relevant Period to make or grant offers, agreements or options which might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this Resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the grant or exercise of any option under any share option schemes of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue of Shares or rights to acquire Shares; or (iii) any scrip dividend or similar arrangement providing for the allotment and issue Shares in lieu of the whole or part of dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into Shares, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of this Resolution and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly;
- (d) For the purposes of this Resolution, “Relevant Period” means the period from the date of passing this Resolution until whichever is the earliest of:
 - (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 law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution.

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“Rights Issue” means an offer of shares in the capital of the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their holding of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognized regulatory body or any stock exchange applicable to the Company); and

- (e) the general mandate to issue Shares granted to the Directors pursuant to resolution No. 3 as set out in the notice of the annual general meeting of the Company held on April 26, 2005 be and is hereby revoked.”

4. “**THAT**

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase its Shares on the Stock Exchange (as defined in resolution No. 1 set out in this notice) or any other stock exchange on which the Shares may be listed and recognized by the Securities and Futures Commission of Hong Kong (the “Securities and Futures Commission”) and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares authorized to be repurchased by the Company pursuant to the approval in paragraph (a) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly;
- (c) for the purposes of this Resolution, “Relevant Period” means the period from the date of passing this Resolution until whichever is the earliest of:
 - (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 law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

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(d) the general mandate to repurchase Shares granted to the Directors pursuant to resolution No. 4 as set out in the notice of the annual general meeting of the Company held on April 26, 2005 be and is hereby revoked.”

5. “**THAT** conditional upon resolutions Nos. 3 and 4 set out in this notice being passed, the general mandate granted to the Directors to allot, issue and deal with additional Shares (as defined in resolution No. 1 set out in this notice) and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to resolution No. 3 set out in this notice be and is hereby increased and extended by the additional thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to resolution No. 4 set out in this notice, provided that such amount shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this Resolution.”

SPECIAL RESOLUTION

6. “**THAT** conditional upon the listing of the Shares (as defined in resolution No. 1 set out in this notice) on the Main Board of the Stock Exchange, the articles of association contained in the document marked “B” produced to this meeting and initialled by the Chairman of this meeting for the purpose of identification be and are hereby approved and adopted as the new articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company, with effect from the date on which dealings in the Shares on the Main Board of the Stock Exchange commences.”

By Order of the Board
Panva Gas Holdings Limited
LO Tai On
Company Secretary

Hong Kong, November 4, 2005

Registered office:

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

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

28th Floor
Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

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Notes:

1. A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote instead of such member. A proxy need not be a member of the Company.
2. Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the meeting if the member so desires.
3. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.