
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about 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 Dong Fang Gas Holdings Limited, you should at once hand this circular with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



DONG FANG GAS HOLDINGS LIMITED

東方燃氣集團有限公司*

(Incorporated in Bermuda with limited liability)

**PROPOSED SHARE CONSOLIDATION,
CHANGE IN BOARD LOT SIZE,
ADOPTION OF CHINESE NAME,
TERMINATION OF EXISTING SHARE OPTION SCHEME,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
GRANT OF GENERAL MANDATES**

A notice convening the special general meeting of Dong Fang Gas Holdings Limited to be held at 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong at 10:30 a.m. on Monday, 17th March, 2003 is set out on pages 25 to 29 of this circular. Whether or not shareholders are able to attend such meeting, shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the branch share registrar of Dong Fang Gas Holdings Limited in Hong Kong, Standard Registrar Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting or any adjourned meeting should shareholders so wish.

* For identification purpose only

21st February, 2003

CONTENTS

	<i>Page</i>
Definitions	1
Responsibility Statement	4
Expected Timetable	5
Letter From The Board	6
Introduction	6
Share Consolidation	7
Adoption of Chinese name	10
Termination of Existing Scheme and Adoption of New Scheme	10
General Mandates to Issue and Purchase Shares	12
Application for Listing	12
Recommendation	12
Document available for Inspection	13
Appendix I – Explanatory Statement	14
Appendix II – Summary of the Principal Terms of the Scheme	17
Notice of Special General Meeting	25

DEFINITION

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Adoption Date”	the date on which the Scheme is adopted by ordinary resolution of the Company at the SGM
“associate”	has the meaning ascribed thereto in Rule 1.01 of the Listing Rules
“Auditors”	at any time means the auditors of the Company for the time being of the Company at that time
“Board”	at any time means the board of Directors at that time or a duly authorised committee thereof
“Business Day”	a day (excluding a Saturday) on which banks are generally open for business in Hong Kong
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Dong Fang Gas Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Stock Exchange
“connected person”	a person who is a “connected person” of the Company as the term “connected person” is defined in the Listing Rules
“Consolidated Share(s)”	share(s) of HK\$0.40 each in the share capital of the Company immediately following the Share Consolidation becoming unconditional and effective
“Date of Grant”	in respect of an Option, the Business Day on which the Board resolves to make an Offer to a Participant
“Director(s)”	the director(s) of the Company
“Existing Share(s)”	existing share(s) of HK\$0.01 each in the share capital of the Company

DEFINITION

“Existing Scheme”	the share option scheme of the Company adopted pursuant to a resolution passed on 13th October, 1998 and became effective on 24th December, 1999
“General Mandates”	the general mandates to issue and to repurchase shares to be granted to the Director(s) at the SGM
“Grantee”	any Participant who accepts the offer of the grant of an Option in accordance with the terms of the Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee
“Group”	at any time, the Company and its Subsidiaries at that time
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	18th February, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the date on which the grant of an Option is offered to a Participant pursuant to the Scheme
“Option”	an option to subscribe for Shares granted pursuant to the Scheme
“Option Period”	a period to be notified by the Board to each Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant
“Participant”	any directors (including executive directors, non-executive directors and independent non-executive directors) of the Group and full-time or part-time employees (including executives and officers) of the Group and any advisors and consultants providing advisory, consultancy or other services to the Group, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers and those staff under secondment to the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group

DEFINITION

“Registrar”	the Registrar of Companies of Hong Kong
“Scheme”	the new share option scheme to be adopted by the Company at the SGM
“SGM”	the special general meeting of the Company to be held at 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong on Monday, 17th March, 2003 at 10:30 a.m., notice of which is set out herein
“Share(s)”	(i) as used in the context of the Scheme and the explanatory statement for share repurchases set out in Appendix I, Consolidated Shares of HK\$0.40 each in the share capital of the Company or, if there has been a sub-division, reduction, consolidation, reclassification of or reconstruction of the share capital of the Company, the shares forming part of the ordinary equity share capital of the Company and (ii) in the context of the Scheme only, if the Share Consolidation becomes unconditional and effective, Consolidated Shares of HK\$0.40 each in the share capital of the Company or otherwise, Existing Shares of HK\$0.01 each or, if there has been a sub-division, reduction, consolidation, reclassification of or reconstruction of the share capital of the Company, the shares forming part of the ordinary equity share capital of the Company
“Share Consolidation”	the consolidation of every forty Existing Shares into one Consolidated Share
“Shareholder(s)”	at any time means holders of Share(s) at that time
“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 pursuant to the Scheme
“Subsidiaries”	at any time means a subsidiary (within the meaning of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) or the Companies Law) of the Company at that time whether incorporated in Hong Kong, Bermuda or elsewhere
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“%”	per cent.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards 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, there are no other facts the omission of which would make any statement contained in this circular misleading.

EXPECTED TIMETABLE

2003

Latest time for lodging forms of proxy for the SGM	10:30 a.m. on 15th March
SGM	10:30 a.m. on 17th March
Effective date of the Share Consolidation	18th March
Existing counter for trading in Existing Shares in board lots of 2,000 shares closes	9:30 a.m. on 18th March
Temporary counter for trading in Consolidated Shares in board lots of 50 Consolidated Shares (in the form of existing share certificate(s)) opens	9:30 a.m. on 18th March
First day for free exchange of share certificate(s) and odd lots trading for the Consolidated Shares	18th March
Existing counter for trading in Consolidated Shares in board lots of 5,000 Consolidated Shares (in the form of new share certificate(s)) reopens	9:30 a.m. on 1st April
Parallel trading in Consolidated Shares (in the form of new share certificate(s) and existing share certificate(s)) commences	9:30 a.m. on 1st April
Temporary counter for trading in Consolidated Shares in board lots of 50 Consolidated Shares (in the form of existing share certificates) closes	4:00 p.m. on 24th April
Parallel trading in Consolidated Shares (in the form of new share certificates and existing share certificates) ends	4:00 p.m. on 24th April
Last day of odd lots trading arrangement	24th April
Last day for free exchange of existing share certificate(s) for new share certificate(s) for the Consolidated Shares	29th April

LETTER FROM THE BOARD



DONG FANG GAS HOLDINGS LIMITED

東方燃氣集團有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Dr. CHAN Kwok Keung, Charles

Dr. YAP, Allan

Mr. CHAN Kwok Hung

Ms. CHAN Ling, Eva

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent Non-executive Directors:

Mr. NG Wai Hung

Mr. TSANG Link Carl, Brian

Principal place of business in Hong Kong:

9/F., Paul Y. Centre

51 Hung To Road

Kwun Tong

Kowloon

Hong Kong

21st February, 2003

To the Shareholders

Dear Sir or Madam,

**PROPOSED SHARE CONSOLIDATION,
CHANGE IN BOARD LOT SIZE,
ADOPTION OF CHINESE NAME,
TERMINATION OF EXISTING SHARE OPTION SCHEME,
ADOPTION OF NEW SHARE OPTION SCHEME
AND
GRANT OF GENERAL MANDATES**

INTRODUCTION

In the announcement dated 22nd January, 2003, the Board announced proposals relating to the Share Consolidation, change in board lot size, adoption of Chinese name, termination of the Existing Scheme, adoption of the Scheme and grant of the General Mandates. Details of such proposals are set out in this circular.

* For identification purpose only

LETTER FROM THE BOARD

SHARE CONSOLIDATION

It is proposed that, subject to the conditions set out below, every forty Existing Shares of HK\$0.01 each be consolidated into one Consolidated Share of HK\$0.40. Any fraction of Consolidated Shares that arises from the Share Consolidation will be aggregated and sold for the benefit of the Company. The Consolidated Shares will rank pari passu in all respects with the Existing Shares and with each other.

Upon the Share Consolidation becoming unconditional and effective, the board lot of the Consolidated Shares will be changed from 2,000 Existing Shares to 5,000 Consolidated Shares.

Conditions of the Share Consolidation

The Share Consolidation is conditional upon:–

- (i) the passing of an ordinary resolution approving the Share Consolidation at the SGM; and
- (ii) the Listing Committee of the Stock Exchange granting approval of (either unconditionally or subject to conditions to which the Company shall not unreasonably object) the listing of, and permission to deal in, the Consolidated Shares in issue.

Trading arrangements

From 9:30 a.m. on 18th March, 2003, the existing counter for trading in the Existing Shares in board lots of 2,000 shares will be temporarily closed. A temporary counter will be established for trading in the Consolidated Shares in board lots of 50 Consolidated Shares. Beige coloured certificates for Existing Shares may only be traded at this temporary counter.

With effect from 1st April, 2003, the existing counter for trading in Existing Shares will be reopened for trading in the Consolidated Shares in board lots of 5,000 Consolidated Shares in the form of new peach coloured certificates for Consolidated Shares.

From 1st April, 2003 to 24th April, 2003, both days inclusive, there will be parallel trading at the above two counters.

The temporary counter for trading in the Consolidated Shares in board lots of 50 Consolidated Shares will be removed after the close of trading on 24th April, 2003. Thereafter, trading will be in new peach coloured certificates for Consolidated Shares in board lots of 5,000 Consolidated Shares only and the existing beige coloured share certificates for Existing Shares will cease to be valid for trading and settlement purposes. However, share certificates for Existing Shares will remain effective as documents of title on the basis of forty Existing Shares for one Consolidated Share.

LETTER FROM THE BOARD

In order to facilitate the trading of odd lots of Consolidated Shares, the Company has procured a broker to arrange for the sale and purchase of odd lots of Consolidated Shares on behalf of the Shareholders, at prevailing market prices. Based on the current expected timetable, the odd lots trading arrangement will be available from 18th March, 2003 to 24th April, 2003 (both dates inclusive). Shareholders should note that the sale and purchase of odd lots of Consolidated Shares are not guaranteed and all related transaction costs and commission shall be payable by the Shareholders. Holders of odd lots of Consolidated Shares who wish to take advantage of this facility in order to dispose of odd lots or to top-up odd lots to board lots should contact Ms. Samantha Chan of Tai Fook Securities Company Limited at 25th Floor, New World Tower, 16-18 Queen's Road Central, Hong Kong (telephone no. 2160 9928) within the aforesaid period. If Shareholders are in any doubt, you are recommended to consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If the Share Consolidation results in any Shareholder becoming entitled to fractions of a Consolidated Share, all such fractions will, after the end of the odd lots trading arrangement, be aggregated and sold by an agent appointed by the Directors for that purpose, and the proceeds of such sale will be retained for the benefit of the Company.

Free exchange of certificates for shares and trading arrangement

Subject to the Share Consolidation becoming unconditional and effective, Shareholders may, during business hours from 18th March, 2003 to 29th April, 2003 (both dates inclusive), submit their beige coloured certificates for Existing Shares to the Company's branch registrar in Hong Kong, Standard Registrar Limited, at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, in exchange for the peach coloured certificates for Consolidated Shares (on the basis of every forty Existing Shares for one Consolidated Share) free of charge. Thereafter, the existing beige coloured share certificates for the Consolidated Shares will be accepted for exchange only on payment of a fee of HK\$2.50 (or such higher amount as may from time to time be allowed by the Stock Exchange) for each peach coloured certificate issued for the Consolidated Shares.

Notwithstanding the implementation of the above arrangement, all the existing certificates for the shares will continue to be effective as documents of title for the shares on the basis of forty Existing Shares for one Consolidated Share.

LETTER FROM THE BOARD

Details of the share capital of the Company before and after the Share Consolidation

The table below shows the authorised and issued share capital of the Company as at the Latest Practicable Date and immediately after the Share Consolidation becoming unconditional and effective (based on the number of issued shares as at the Latest Practicable Date).

	As at the Latest Practicable Date	Immediately after the Share Consolidation becoming unconditional and effective
<i>Number of issued and unissued shares</i>	60,000,000,000	1,500,000,000
<i>Authorised share capital (HK\$)</i>	600,000,000.00	600,000,000.00
<i>Number of shares in issue</i>	46,450,616,240	1,161,265,406
<i>Issued and fully paid up share capital (HK\$)</i>	464,506,162.40	464,506,162.40

Reasons for the Share Consolidation

The Board believes that the Share Consolidation is beneficial to the Company and its shareholders as a whole as the transaction costs based on dollar value for dealings in the shares of the Company will be reduced.

In addition, the Board believes that the proposed Share Consolidation and change in board lot size will result in the shares of the Company being traded in a more reasonable board lot value and size. Based on the closing price of HK\$0.014 per Existing Share as quoted on the Stock Exchange on 22nd January, 2003, the value of a board lot of 2,000 Existing Shares is approximately HK\$28. After the completion of the Share Consolidation, based on the closing price of HK\$0.010 per Existing Share as quoted on the Stock Exchange on the Latest Practicable Date, the theoretical market price of a Consolidated Share is approximately HK\$0.400 per share and the theoretical market value of a board lot of 5,000 Consolidated Shares is approximately HK\$2,000.

Effect of the Share Consolidation

The Board is of the view that save for the expenses to be incurred, the implementation of the Share Consolidation will not, by itself, alter the net asset value, business operations, management or financial position of the Group and is in the interests of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

ADOPTION OF CHINESE NAME

The Board proposes to adopt “東方燃氣集團有限公司” as the Chinese name of the Company for registration under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong).

The proposed adoption of the Chinese name of the Company is subject to the passing of a special resolution to approve the adoption of the Chinese name at the SGM.

The Chinese name has already been used by the Company for identification purpose only since the registration of the Company in its existing English name in Hong Kong in 2002. Since the existing share certificates of the Company bear both the English and Chinese names, it is not necessary for the Company to issue any new share certificates for the purpose of the adoption of the Chinese name only. However new share certificates issued for the Consolidated Shares will no longer have the notation of “for identification purpose only” next to the Chinese name. Notwithstanding the implementation of the above arrangement, all the existing certificates for the shares of the Company will continue to be effective as documents of title for the Consolidated Shares on the basis of forty Existing Shares for one Consolidated Share but will cease to be valid for trading and settlement purpose after the day when parallel trading ends, which is expected to be on 24th April, 2003 .

There is also no change to the existing English and Chinese stock short names of the Company used in the trading system of the Stock Exchange.

Provided that the adoption of the Chinese name is approved at the SGM, the Company will apply for the registration of the Company’s Chinese name with the Registrar within 21 days of passing the special resolution at the SGM. If the approval of the Registrar for the adoption of the Company’s Chinese name cannot be obtained, further announcement will be made by the Company.

TERMINATION OF EXISTING SCHEME AND ADOPTION OF NEW SCHEME

The Stock Exchange announced certain amendments to Chapter 17 (share option schemes) of the Listing Rules on 23rd August, 2001 which came into effect on 1st September, 2001. The Board proposes that the Company’s Existing Scheme be replaced to comply with the revised rules. A summary of the principal terms of the Scheme is set out in Appendix II to this circular.

The purpose of the Scheme is to enable the Company to grant Options to Participants as incentives or rewards for their contribution to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

The Scheme neither specifies a minimum period for which an Option must be held nor a performance target which must be achieved before an Option can be exercised. However, the rules of the Scheme provide that the Board may determine, at its sole discretion, such term(s) on the grant of an Option, which decision may vary on a case by case basis. The basis for determination of the subscription price is also specified precisely in the rules of the Scheme. The Directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage the Participants to acquire proprietary interests in the Company.

The Directors consider that it is not appropriate to state the value of all Options that can be granted under the Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Options' value have not been determined. Such variables include the exercise price, exercise period, any performance targets set and other relevant variables. The Directors believe that any calculation of the value of the Options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

The Scheme will take effect subject to (i) the passing of an ordinary resolution by the Shareholders to approve and adopt the Scheme, to authorise the Directors to grant Options under the Scheme and to allot and issue Shares pursuant to the exercise of any Options, and (ii) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of Options representing 10% of the issued share capital of the Company at the Adoption Date. If all of the above conditions are not satisfied on or before the date following 90 days after the Adoption Date, the Scheme will determine immediately, and any Option granted or agreed to be granted pursuant to the Scheme and any offer of such grant shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Scheme.

On termination of the Existing Scheme, no further Options may be granted under the Existing Scheme but the provisions of the Existing Scheme will in all other respects remain in force and options granted pursuant to the Existing Scheme prior to such termination shall continue to be valid and exercisable in accordance with the Existing Scheme, subject to compliance with the Listing Rules.

As at the Latest Practicable Date, there are no outstanding Options granted under the Existing Scheme.

As at the Latest Practicable Date, the issued share capital of the Company comprised 46,450,616,240 Existing Shares. On the basis that no further Existing Shares are issued or purchased between the Latest Practicable Date and the SGM and taking no account of the effect of the Share Consolidation proposal, the maximum number of Shares that the Company would be allowed to issue upon exercise of the Options that may be granted under the Scheme will be 4,645,061,624 Existing Shares.

LETTER FROM THE BOARD

GENERAL MANDATES TO ISSUE AND PURCHASE SHARES

Subject to the Share Consolidation becoming unconditional and effective, the Board would like to propose an ordinary resolutions at the SGM to grant to the Directors new general mandates:

- (i) to allot, issue and otherwise deal with new Consolidated Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the proposed resolution at the SGM; and
- (ii) to purchase Consolidated Shares with an aggregate nominal amount not exceeding 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing the proposed resolution at the SGM.

The Board will also propose a separate ordinary resolution at the SGM to add to the mandate to issue those shares purchased by the Company pursuant to the purchase mandate granted to the Directors at the SGM.

APPLICATION FOR LISTING

The Company will apply to the Listing Committee of the Stock Exchange for approval of the listing of, and permission to deal in (i) the Consolidated Shares and (ii) the shares to be issued upon the exercise of the Options to be granted under the Scheme.

Subject to the granting of listing of and permission to deal in the Consolidated Shares on the Stock Exchange, the Consolidated Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Consolidated Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

RECOMMENDATION

The Directors are of the opinion that the proposals relating to the Share Consolidation, adoption of Chinese name, termination of the Existing Scheme, the adoption of the Scheme and the grant of the General Mandates are in the interests of the Company and the Shareholders as a whole, and so recommend Shareholders to vote in favour of all the resolutions to be proposed at the SGM.

LETTER FROM THE BOARD

DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Scheme is available for inspection during business hours at the Company's principal place of business in Hong Kong at 9/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Hong Kong from the date of this circular up to 7th March, 2003 (both days inclusive). Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Dong Fang Gas Holdings Limited
Chan Ling, Eva
Executive Director

This section includes explanatory statements required by the Stock Exchange to be presented to Shareholders concerning the mandate to repurchase Shares proposed to be granted to the Directors.

1. LISTING RULES FOR REPURCHASES OF SECURITIES

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which is summarised below:

The Listing Rules provide that all proposed repurchases of securities by a company with a primary listing on the Stock Exchange must be approved by Shareholders in advance by an ordinary resolution, either by way of a general mandate or by a specific approval of a particular transaction and that the securities to be repurchased must be fully paid up.

2. FUNDING OF REPURCHASES

Any repurchases will be made out of funds which are legally available for the purpose in accordance with the memorandum of association and bye-laws of the Company and the Companies Act 1981 of Bermuda.

As compared with the financial position of the Company as at 31st March, 2002 (being the date of its latest audited accounts), the Directors consider that there will not be a material adverse impact on the working capital and on the gearing position of the Company in the event that the proposed purchases were to be carried out in full during the proposed purchase period. The Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital of the Company or the gearing ratio which in the opinion of the Directors are from time to time appropriate for the Company.

3. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 46,450,616,240 Existing Shares.

Subject to the passing of the relevant ordinary resolution to approve the general mandates to issue and repurchase securities (the “Purchase Proposal”) and on the basis that no further Existing Shares are issued or repurchased between the Latest Practicable Date and the SGM, the Company would be allowed under the Purchase Proposal to purchase a maximum of 4,645,061,624 Shares, taking no account of the effect of the Share Consolidation proposal.

4. REASONS FOR REPURCHASES

The Directors believe that it is in the interests of the Company and the Shareholders to have a general authority from the Shareholders to enable the Directors to repurchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earning per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders as a whole.

5. UNDERTAKING OF THE DIRECTORS

The Directors have undertaken to the Stock Exchange to exercise the repurchase mandate in accordance with the Listing Rules, the applicable laws of Bermuda and in accordance with the memorandum of association and bye-laws of the Company.

6. EFFECT OF TAKEOVERS CODES

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 purpose of the Hong Kong Codes on Takeovers and Mergers. As a result, a shareholder, or group of shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of Hong Kong Codes on Takeovers and Mergers. At the Latest Practicable Date, China Strategic Holdings Limited who held approximately 43.06% of the issued share capital of the Company, was the only substantial Shareholder holding 10% or more of the issued share capital of the Company. In the event that the Directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholding of China Strategic Holdings Limited together with its associates in the Company would be increased to approximately 47.84% of the issued share capital of the Company. Such increase may give rise to an obligation to make a mandatory offer by China Strategic Holdings Limited under Rule 26 of the Hong Kong Codes on Takeovers and Mergers. However, the exercise in full of the power to repurchase Shares may not affect the public float.

Save as aforesaid and as at the Latest Practicable Date, the Directors are not aware of any consequence which the exercise in full of the repurchase mandate would have under the Hong Kong Codes on Takeovers and Mergers. The Directors have no intention to exercise their power to repurchase Shares to such an extent as to affect the public float requirement or to such an extent resulting in an obligation to make a mandatory offer by China Strategic Holdings Limited.

7. DIRECTORS, THEIR ASSOCIATES AND CONNECTED PERSONS

None of the Directors nor, to the best of the knowledge and belief of the Directors, having made all reasonable enquiries, any of their respective associates has any present intention, in the event that the proposed securities repurchase mandate is approved by Shareholders, to sell Shares to the Company. No connected person of the Company has notified the Company that he/she has a present intention to sell shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make repurchases of Shares.

8. GENERAL

No purchase of the Existing Shares has been made by the Company during the preceding six months (whether on the Stock Exchange or otherwise) ending on the Latest Practicable Date.

The highest and lowest prices at which the Existing Shares were traded on the Stock Exchange in each of the previous twelve months immediately prior to the Latest Practicable Date were as follows:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
February 2002	0.0260	0.0210
March 2002	0.0240	0.0200
April 2002	0.0230	0.0200
May 2002	0.0450	0.0210
June 2002	0.0740	0.0250
July 2002	0.0470	0.0250
August 2002	0.0310	0.0180
September 2002	0.0210	0.0100
October 2002	0.0110	0.0100
November 2002	0.0120	0.0100
December 2002	0.0170	0.0110
January 2003	0.0150	0.0100

The followings is a summary of the principal terms of the Scheme.

1. The purpose of the Scheme is to enable the Company to grant Options to Participants as incentives or rewards for their contribution to the Group and to encourage Participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole.
2. The Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Scheme or its interpretation or effect shall be final and binding on all parties.
3. The categories of the Participant under the Scheme are any directors (including executive directors, non-executive directors and independent non-executive directors) of the Group and full-time or part-time employees (including executives and officers) of the Group and any advisors and consultants providing advisory, consultancy or other services to the Group, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group and those staff under secondment to the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.
4. Each grant of Options to any director, chief executive or substantial shareholder of the Company, or any of their respective associates shall be subject to the prior approval of the independent non-executive directors of the Company (excluding any independent non-executive director who is the proposed Grantee of the Option or an associate thereof). Where any grant of Options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:–
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant, in excess of HK\$5 million,

such grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll) on which all connected persons of the Company shall abstain from voting in favour but (for the avoidance of doubt), any connected person may without affecting the validity of the relevant resolution vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in

the circular to be sent to the Shareholders in connection therewith. The Company must send a circular to the Shareholders containing details required under Chapter 17 of the Listing Rules.

5. No Offer shall be made to, nor shall any Offer be capable of acceptance by, any Participant at a time when, so far as the Company is aware, the Participant would or might be prohibited from dealing in the Shares by the Listing Rules or by any other applicable rules, regulations or law.
6. The maximum number of Shares in respect of which Options may be granted to the Grantees under the Scheme and other share option schemes of the Company shall not exceed 30% in nominal amount of the issued share capital of the Company from time to time.
 - (i) The maximum number of Shares in respect of which Options may be granted under this Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) exceed 10% in nominal amount of the issued share capital of the Company on the Adoption Date (the “Scheme Mandate Limit”). Option lapsed in accordance with the terms of this Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.
 - (ii) The Scheme Mandate Limit referred to in paragraph 6(i) may be renewed at any time subject to prior Shareholders’ approval but in any event shall not exceed 10% of the issued share capital of the Company as at the date of approval of the renewal of the Scheme Mandate Limit. The Company must send a circular to the Shareholders containing details required under Chapter 17 of the Listing Rules. Option previously granted under this Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.
 - (iii) The Company may grant Options beyond the Scheme Mandate Limit to Participants if:—
 - (a) the Company has first sent a circular to Shareholders containing a generic description of the specified Participants in question, the number and terms of the Options to be granted, the purpose of granting Options to the specified Participants with an explanation as to how the terms of the Options serve such purpose; and
 - (b) separate Shareholder’s approval has been obtained.

7. The maximum number of Shares in respect of which Options may be granted to a specifically identified single Grantee under the Scheme shall not (when aggregated with any Shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1% of the Shares in issue (the “Individual Limit”). The Company may grant Options beyond the Individual Limit to a Participant at any time if:–
- (i) the Company has first sent a circular to Shareholders containing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant); and
 - (ii) separate Shareholder’s approval has been obtained in general meeting with the proposed relevant Grantee (as the case may be) and his associates abstaining from voting.
8. The Option Period is a period to be notified by the Board to each Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant.
9. On and subject to the terms of the Scheme, the Board shall be entitled at any time within 10 years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select to take up an Option pursuant to which such Participant may, during the Option Period, subscribe for such number of Shares as the Board may determine at the Subscription Price. The Offer shall specify the terms on which the Option is to be granted. Such terms may at the discretion of the Board, include but without limitation to (i) a minimum period for which an Option must be held before it can be exercised and/or (ii) a performance target that must be reached, before the Option can be exercised in whole or in part; and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally, subject always to compliance with Chapter 17 of the Listing Rules.
10. An Offer shall be deemed to have been accepted and an Option shall be deemed to have been granted and accepted and shall take effect when the duplicate 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 together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable. An Offer shall be made to a Participant by offer letter in such form and terms as the Board may from time to time determine 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 Scheme and shall remain open for acceptance by the Participant concerned for a period of 28 days from the Date of Grant or otherwise stated in the offer letter.

11. The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the greater of:–
- (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the Date of Grant;
 - (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 Date of Grant; and
 - (iii) the nominal value of a Share.
12. The Shares to be allotted upon the exercise of an Option shall not carry voting rights until completion of the registration of the Grantee as the holder thereof. Subject as aforesaid, the Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the constitutional documents of the Company for the time being in force and shall rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the fully-paid Shares in issue on the date of issue, in particular but without prejudice to the generality of the foregoing, in respect of voting, transfer and other rights including those arising on a liquidation of the Company and rights in respect of any dividend or other distributions paid or made on or after the date of issue.
13. Subject to the provisions of the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing after the Adoption Date, after which period no further Options shall be offered or granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.
14. In the event of the Grantee ceasing to be a Participant by reason of his death, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement (to the extent not already exercised) within the period of 12 months following his death provided that where any of the events set out in paragraphs 18, 19, 20 and 21 occurs prior to his death or within such period of 6 months following his death, then his legal personal representative(s) may so exercise the Option within such of the various periods respectively set out in such paragraphs provided further that if within a period of 3 years prior to the Grantee's death, the Grantee had committed any of the acts specified in paragraph 22(f) which would have entitled the Company to terminate his employment prior to his death, the Board may at any time forthwith terminate the Option (to the

extent not already exercised) by written notice to the Grantee's legal personal representative(s) and/or to the extent the Option has been exercised in whole or in part by his legal personal representative(s), but Shares have not been allotted, he shall be deemed not to have so exercised such Option and the Company shall return to him the amount of the Subscription Price for the Shares in respect of the purposed exercise of such Option.

15. In the event of a Grantee who is an employee or a director of the Company or another member of the Group ceasing to be a Participant for any reason other than his death or the termination of his employment or directorship on one or more of the grounds specified in paragraph 22(f), the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment (which date shall be the last actual working day with the Company or the relevant Subsidiary whether salary is paid in lieu of notice or not) and shall cease to be exercisable unless the Board otherwise determines that the Option (or such remaining part thereof) shall become exercisable within such period as the Board may determine following the date of such cessation.
16. In the event of a Grantee who is not an employee or a director of the Company or another member of the Group ceasing to be a Participant as and when determined by the Board by resolution for any reason other than his death, the Board may by written notice to such Grantee within one month from the date of such cessation determine the period within which the Option (or such remaining part thereof) shall be exercisable following the date of such cessation.
17. In the event of the Grantee ceasing to be a Participant by reason of the termination of his employment or directorship on one or more of the grounds specified in paragraph 22(f) and the Grantee has exercised the Option in whole or in part pursuant to the Scheme, but Shares have not been allotted to him, the Grantee shall be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares in respect of the purported exercise of such Option.
18. If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 19 below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, the Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the Option at any time within such period as shall be notified by the Board.

19. If a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Board) exercise the Option.
20. In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by the Company) exercise the Option, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.
21. In the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 19 above, between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by the Company exercise the Option, and the Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such Option.
22. An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:—
- (a) the expiry of the Option Period (subject to the termination provisions in the Scheme in the event that the Scheme does not become unconditional and paragraph 25);
 - (b) the expiry of the periods referred to in paragraphs 14-21;
 - (c) the expiry of the period referred to in paragraph 18 provided that if any court of competent jurisdiction makes an order the effect of which is to prohibit the offeror from acquiring the remaining Shares in the Offer, the relevant period within which Options may be exercised shall not begin to run until the discharge of the order in question or unless the offer lapses or is withdrawn before that date;

- (d) subject to the scheme of arrangement (referred to in paragraph 19) becoming effective, the expiry of the period for exercising the Option as referred to in paragraph 19;
 - (e) the date of the commencement of the winding-up of the Company;
 - (f) the date on which the Grantee (if an employee or director of the Company or another member of the Group) ceases to be a Participant by reason of the termination of his employment or directorship on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent 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 on any other grounds on which an employer would be entitled to terminate his employment summarily. A resolution of the Board to the effect that the employment of a Grantee has or has not been terminated on one or more of the grounds specified in this paragraph 22(f) shall be conclusive;
 - (g) the date on which the Grantee commits a breach of paragraph 23; and
 - (h) subject to paragraph 15, the date the Grantee, ceases to be a Participant for any other reason.
23. An Option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option. Any breach of the foregoing shall entitle the Company to cancel any outstanding Option or part thereof granted to such Grantee without incurring any liability on the part of the Company.
24. In the event of any alteration to the capital structure of the Company whilst any Option remains exercisable, arising from capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company, other than any alternation in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party, such corresponding alterations (if any) shall be made in:–
- (a) the number or nominal amount of Shares subject to the Option so far as unexercised; and/or

(b) the Subscription Price,

or any combination thereof as the Auditors or the independent financial adviser to the Company shall at the request of the Company certify in writing to the Board either generally or as regards any particular Grantee to be in their opinion fair and reasonable and that the adjustments satisfy the requirements of Chapter 17 of the Listing Rules provided that any such adjustments give a Grantee the same proportion of equity capital of the Company as to which that Grantee was previously entitled but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the Auditors or the independent financial adviser to the Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the Grantees. The costs of the Auditors or the independent financial adviser to the Company shall be borne by the Company.

25. The Company by ordinary resolution in general meeting or by resolution of the Board may at any time terminate the operation of the Scheme and in such event no further Options will be offered or granted but in all other respects the provisions of the Scheme shall remain in full force and effect. Options which are granted during the life of the Scheme and remain unexpired immediately prior to the termination of the operation of the Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Scheme.
26. The Scheme may be altered in any respect by resolution of the Board except those specific provisions of the Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of the Board in relation to any alteration of the terms of the Scheme shall be made, without the prior approval of Shareholders in the general meeting. Any alterations to the terms and conditions of the Scheme which are of a material nature, or any change to the terms of Options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Scheme. The amended terms of the Scheme must comply with Chapter 17 of the Listing Rules.
27. Any Options granted but not exercised may be cancelled if the Grantee so agrees and new Options may be granted to the Grantee provided that the issue of such new Options may only be made with available unissued options and such new Options fall within the limits prescribed by paragraph 6 and otherwise comply with the terms of the Scheme.

NOTICE OF SPECIAL GENERAL MEETING



DONG FANG GAS HOLDINGS LIMITED

東方燃氣集團有限公司*

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN THAT a special general meeting of Dong Fang Gas Holdings Limited (the “Company”) will be held at 11/F., Paul Y. Centre, 51 Hung To Road, Kwun Tong, Kowloon, Hong Kong at 10:30 a.m. on Monday, 17th March, 2003 to consider, if thought fit, pass each of the following resolutions:–

SPECIAL RESOLUTION

1. **“THAT** “東方燃氣集團有限公司” be and is hereby adopted as the Company’s Chinese name for registration under Part XI of the Companies Ordinance (Cap 32 of the Laws of Hong Kong).”

ORDINARY RESOLUTIONS

2. **“THAT** every forty existing issued and unissued shares of HK\$0.01 each be and is hereby consolidated (the “Share Consolidation”) into one share of HK\$0.40 (the “Consolidated Shares”) and all of the Consolidated Shares resulting from the Share Consolidation shall rank pari passu in all respects, have the rights and privileges and be subject to the restrictions contained in the Company’s bye-laws.”

3. **“THAT:–**

conditional on the Listing Committee of the Stock Exchange of Hong Kong Limited granting the approval for the listing of and permission to deal in the shares of the Company representing 10% of the issued share capital of the Company as at 17th March, 2003 to be issued pursuant to the exercise of any options (the “Options”) granted under the share option scheme of the Company (the “Share Option Scheme”), a copy of which has been produced to this meeting marked “A” and signed by the chairman of the meeting for the purpose of identification:–

- (i) the existing share option scheme of the Company adopted on 13th October, 1998 and became effective on 24th December, 1999 (the “Existing Scheme”) be and is hereby terminated; and

* For identification purpose only

NOTICE OF SPECIAL GENERAL MEETING

- (ii) the Share Option Scheme be and is hereby approved and adopted and the directors of the Company be and are hereby authorised, at their absolute discretion, to grant Options and to allot and issue shares of the Company pursuant to the exercise of the Options.”

4. **“THAT:–**

conditional upon the passing of the ordinary resolution numbered 2 in the notice dated 21st February, 2003 convening a meeting of the Company:–

- (A) subject to paragraph (C) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (B) the Directors be and are hereby authorised during the Relevant Period to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such powers during or 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 an option or otherwise) by the Directors pursuant to the approval in paragraph 4(A) and (B), otherwise than pursuant to a Rights Issue (as hereinafter defined) or pursuant to the exercise of any options granted under the share option scheme adopted by the Company or an issue of shares upon the exercise of subscription rights attached to the warrants which might be issued by the Company or an issue of shares in lieu of the whole or part of a dividend on shares or any scrip dividend scheme or similar arrangement in accordance with the bye-laws of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this resolution; and
- (D) for the purposes of this resolution:

“Relevant Period” means the period from the time of the passing of 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 memorandum of association and bye-laws of the Company or any applicable law of Bermuda to be held; and

NOTICE OF SPECIAL GENERAL MEETING

- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares on the register of members on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction, or the requirements of any recognised regulatory body or any stock exchange).”

5. **“THAT:–**

conditional upon the passing of the ordinary resolution numbered 2 in the notice dated 21st February, 2003 convening a meeting of the Company:–

- (A) subject to paragraph (C) below, the exercise by the directors of the Company (the “Directors”) during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, and that the exercise by the Directors of all powers of the Company to purchase such securities are subject to and in accordance with all applicable laws, be and is hereby, generally and unconditionally approved;
- (B) the approval in paragraph (A) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the Directors;
- (C) the aggregate nominal amount of share capital of the Company purchased or agreed conditionally or unconditionally to be purchased by the Company pursuant to the approval in paragraph (A) during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the time of passing this resolution; and

NOTICE OF SPECIAL GENERAL MEETING

(D) for the purposes of this resolution:

“Relevant Period” means the period from the time of the passing of 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 memorandum of association and bye-laws of the Company or any applicable law of Bermuda to be held; and
- (iii) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

6. “**THAT** conditional upon the passing of the ordinary resolutions numbered 2, 4 and 5 in the notice dated 21st February, 2003 convening a meeting of the Company, the aggregate nominal amount of the shares in the capital of the Company which are purchased by the Company pursuant to and in accordance with the said resolution numbered 5 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with the resolution numbered 4 set out in that notice of meeting dated 21st February, 2003.”

By order of the Board
Dong Fang Gas Holdings Limited
Chan Ling, Eva
Executive Director

Hong Kong, 21st February, 2003

Notes:

- 1. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represents as such member could exercise.
- 2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly 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.

NOTICE OF SPECIAL GENERAL MEETING

3. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company's branch registrar, Standard Registrar Limited, at G/F., Bank of East Asia, Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote.
4. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
5. Where there are joint holders of any share any one of such joint holder may vote, either in person 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 the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding.
6. A form of proxy for use at the special general meeting is enclosed herewith.