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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** about this circular or as to the action to be taken, you should consult your stockbroker, bank manager, solicitors, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Zhongyu Gas Holdings Limited, 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 or transfer was effected for transmission to the purchaser or the transferee.

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## **中裕燃氣控股有限公司**

### **ZHONGYU GAS HOLDINGS LIMITED**

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

**(Stock Code: 8070)**

#### **GENERAL MANDATES FOR THE ISSUE OF NEW SHARES AND THE REPURCHASE OF SHARES PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT AND RE-ELECTION OF RETIRING DIRECTORS**

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A notice convening the AGM (as defined herein) to be held at Unit 04, 28th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Monday, 16 April 2012 at 11:00 a.m. is set out in the Annual Report (as defined herein) and has been posted on the GEM website at [www.hkgem.com](http://www.hkgem.com) and the website of the Company at [www.zygas.com.cn](http://www.zygas.com.cn).

A form of proxy for the AGM is enclosed with the Annual Report. Whether or not you propose to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company (as defined herein) in Hong Kong, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM should you so wish.

This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the Company's website at [www.zygas.com.cn](http://www.zygas.com.cn).

21 March 2012

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## CHARACTERISTICS OF GEM

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. 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.

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## DEFINITIONS

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

“AGM”	the annual general meeting of the Company to be held at Unit 04, 28th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong on Monday, 16 April 2012 at 11:00 a.m. at which, among other matters, the Annual Report will be adopted
“Annual Report”	the audited consolidated financial statements of the Group and the reports of the directors and independent auditor of the Company for the year ended 31 December 2011
“Articles of Association”	the articles of association of the Company as may be amended from time to time
“associates”	has the same meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“China Gas”	means China Gas Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 384). As at the Latest Practicable Date, China Gas holds approximately 44.07% of the issued share capital of the Company.
“Company”	Zhongyu Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“connected person”	has the same meaning ascribed to it in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Eligible Participant(s)”	any full time employee of the Group (including any executive directors but not non-executive directors of the Company or its subsidiaries) who is in full-time employment with the Group at the time when an option is granted under the Old Share Option Scheme or, after its termination, any employee of the Group (including any directors of the Company or its subsidiaries) who is in full-time employment with the Group or any person who, in the sole discretion of the Board, has contributed or will contribute to the Group under the Existing Share Option Scheme
“GEM”	the Growth Enterprise Market of the Stock Exchange

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## DEFINITIONS

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“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“General Mandates”	the New Issue Mandate and the Repurchase Mandate
“Group”	the Company and its subsidiaries
“Hezhong”	Hezhong Investment Holding Company Limited, a company incorporated in the BVI with limited liability and is wholly owned by Mr. Wang Wenliang. Mr. Wang Wenliang is also director of the Company. As at the Latest Practicable Date, Hezhong holds approximately 22.49% of the issued share capital of the Company. Hezhong is an investment holding company
“Hong Kong”	the Hong Kong Special Administrative Region of People’s Republic of China
“Independent Third Party”	independent third party not connected with the directors, chief executive, substantial shareholders or management shareholders of the Company, their respective subsidiaries or an associate of any of them as at and prior to the Latest Practicable Date
“Latest Practicable Date”	16 March 2012, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) and which continues to be operated by the Stock Exchange
“New Issue Mandate”	the general mandate to allot, issue and deal with up to 504,601,536 Shares which represents slightly less than 20% of the issued share capital of the Company as at the date of passing of the resolution approving the New Issue Mandate
“Old Share Option Scheme”	the share option scheme adopted by the Company on 21 May 2001 for the grant of share options to full-time employees of the Group, including any executive director of the Company or its subsidiaries. The Company terminated the Old Share Option Scheme on 24 October 2003.
“Option(s)”	option(s) granted or to be granted to Eligible Participant(s) to subscribe for Shares under the Existing Share Option Scheme

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## DEFINITIONS

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“Option Offer”	means the voluntary conditional cash and securities exchange offer for share options in the Company made pursuant to the offer document dated 17 May 2010 issued by Rich Legend International Limited and China Gas to all Shareholders, bondholders and option holders of the Company, in accordance with the Takeovers Code
“PRC”	People’s Republic of China
“Repurchase Mandate”	the general mandate to exercise the power of the Company to repurchase Shares up to a maximum of 252,300,768 Shares which represents slightly less than 10% of the issued share capital of the Company as at the date of the resolution approving the Repurchase Mandate
“Scheme Mandate Limit”	the maximum number of Shares which may be allotted and issued upon the exercise of all of the Options which initially shall not in aggregate exceed 10% of the Shares in issue as at the date of adoption of the Share Option Scheme and thereafter, if refreshed shall not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit by the Shareholders
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Share Offer”	means the voluntary conditional cash and securities exchange offer for Shares made pursuant to the offer document dated 17 May 2010 issued by Rich Legend International Limited and China Gas to all Shareholders, bondholders and optionholders of the Company, in accordance with the Takeovers Code
“Share Option Scheme”	the share option scheme adopted by the Company on 24 October 2003 for the grant of share options to Eligible Participants
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Code on Takeovers and Mergers approved by the Commission, as amended from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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LETTER FROM THE BOARD

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**中裕燃氣控股有限公司**

**ZHONGYU GAS HOLDINGS LIMITED**

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

**(Stock Code: 8070)**

*Executive Directors:*

Mr. Wang Wenliang *(Chairman and Chief Executive Officer)*

Mr. Lu Zhaoheng

Mr. Lui Siu Keung *(Chief Financial Officer)*

*Non-executive Directors:*

Mr. Xu Yongxuan *(Vice Chairman)*

*Independent non-executive Directors:*

Mr. Li Chunyan

Dr. Luo Yongtai

Mr. Hung, Randy King Kuen

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

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

Unit 04, 28th Floor

China Merchants Tower,

Shun Tak Centre

168-200 Connaught Road Central,

Hong Kong

21 March 2012

*To the Shareholders*

Dear Sir or Madam,

**GENERAL MANDATES FOR THE ISSUE OF NEW SHARES  
AND THE REPURCHASE OF SHARES  
PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT  
AND  
RE-ELECTION OF RETIRING DIRECTORS**

**1. INTRODUCTION**

The purpose of this circular is to provide you with information relating to the General Mandates, proposed refreshment of Scheme Mandate Limit and the re-election of retiring Directors.

At the annual general meeting of the Company held on 28 April 2011, the Directors were granted unconditional mandate to repurchase Shares not exceeding 10% of the total nominal value of the share capital of the Company in issue at the date of passing such resolution.

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## **LETTER FROM THE BOARD**

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The above general mandate will expire at the conclusion of the AGM and the purpose of this circular is to request your support to approve and extend the General Mandates as well as proposed refreshment of Scheme Mandate Limit at the AGM.

Appendix II to this circular contains an explanatory statement, as required by Rule 13.08 of the GEM Listing Rules, to provide the requisite information to the Shareholders to enable the Shareholders to make an informed decision on whether to vote for or against the resolution to grant the Repurchase Mandate.

The Board also proposes to re-elect retiring Directors.

### **2. GENERAL MANDATE FOR THE ISSUE OF NEW SHARES**

At the AGM, an ordinary resolution will be proposed which, if passed, will give the Directors the New Issue Mandate to allot, issue and deal with up to 504,601,536 Shares, representing slightly less than 20% of the issued share capital of the Company as at the date of the passing of the resolution approving the New Issue Mandate until the conclusion of the next annual general meeting of the company, or the date by which the next annual general meeting of the company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first in order to provide flexibility for issuing new Shares when it is in the interests of the Company. In addition, an ordinary resolution will be proposed to extend the New Issue Mandate by adding to it the nominal amount of the share capital of the Company repurchased by the Company subsequent to the passing of such resolution.

### **3. GENERAL MANDATE FOR THE REPURCHASE OF SHARES**

An ordinary resolution will be proposed at the AGM to grant to the Directors the Repurchase Mandate. The Shares which may be repurchased pursuant to the Repurchase Mandate is limited to a maximum of 252,300,768 Shares which represents slightly less than 10% of the issued share capital of the Company at the date of the passing of the resolution approving the Repurchase Mandate until the conclusion of the next annual general meeting of the company, or the date by which the next annual general meeting of the company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

Details of the aforesaid ordinary resolutions are set out in ordinary resolutions numbered 4, 5 and 6 in the notice of AGM.

### **4. PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT**

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 24 October 2003, the Company terminated the Old Share Option Scheme and adopted the Share Option Scheme pursuant to the Directors were authorized to grant Options to Eligible Participants in order to reward and provide incentives to its employees and other persons who have contributed or will contribute to the Group.

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## LETTER FROM THE BOARD

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The Directors proposed to refresh the current Scheme Mandate Limited at the annual general meeting of the Company held on 28 April 2011. However, the ordinary resolution were not passed by the Shareholders at the annual general meeting of the Company held on 28 April 2011 approving the proposed refreshment of Scheme Mandate Limit.

Under the Share Option Scheme, the Directors may grant options not exceeding 159,018,554 Shares, representing slightly less than 10% of the issued share capital of the Company as at 7 May 2007, being the date of the extraordinary general meeting of the Company on which the Scheme Mandate Limit under the Share Option Scheme was last refreshed. An aggregate of 159,000,000 Options were granted to Eligible Participants on 11 April 2011.

The Shares falling to be issued upon exercise of all the Options granted and any other options granted and yet to be exercised under the Share Option Scheme and any other schemes may and will not exceed 30% of the issued capital of the Company from time to time.

As at the Latest Practicable Date, 155,000,000 Options were exercised and 4,000,000 Options were outstanding, representing 0.16% of the issued share capital of the Company as at the Latest Practicable Date. The Directors do not have current intention to grant any options under the Share Option Scheme prior to the AGM.

The proposed refreshment of the current Scheme Mandate Limit is subject to (i) the Stock Exchange granting the listing of, and permission to deal in the Shares to be issued pursuant to the exercise of Options granted under the refreshed Scheme Mandate Limit and (ii) the passing of ordinary resolution by the Shareholders at the AGM.

Under the terms of the Share Option Scheme, the Company may by ordinary resolution at general meeting refresh the Scheme Mandate Limit. Since the purpose of the Share Option Scheme is to enable the Company to grant Options to the Eligible Participants in order to reward and provide incentives to its employees and other persons who have contributed or will contribute to the Group, the Board considers that the proposed refreshment of the Scheme Mandate Limit could provide the Company with greater flexibility. The Directors consider that the proposed refreshment of the Scheme Mandate Limit is in interests of the Company and Shareholders as a whole.

Based on a total of 2,523,007,684 Shares in issue as at the Latest Practicable Date and assuming there will not be any issue or repurchases of Shares prior to the AGM, the current Scheme Mandate Limit will be refreshed to the extent the total number of securities, which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other scheme under the Scheme Mandate Limit as refreshed, will not exceed 252,300,768 Shares, being slightly less than 10% of the issued share capital of the Company as at the date of the AGM. Options previously granted under the Share Option Scheme (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

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## LETTER FROM THE BOARD

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The proposed refreshment of the Scheme Mandate Limit will take effect upon satisfaction of the following conditions:

1. the passing of an ordinary resolution by the Shareholders at the AGM approving the proposed refreshment of Scheme Mandate Limit; and
2. the Stock Exchange granting approval of the listing of, and permission to deal in any Shares to be issued by the Company pursuant to the exercise of Options granted in accordance with the terms and conditions of the Share Option Scheme.

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of Options granted under the refreshed Scheme Mandate Limit.

### 5. RE-ELECTION OF RETIRING DIRECTORS

Pursuant to Article 86(3) of the Articles of Association, any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Accordingly, Mr. Lu Zhaoheng (“Mr. Lu”), Mr. Lui Siu Keung (“Mr. Lui”) and Mr. Hung, Randy King Kuen (“Mr. Hung”) will retire from office as Directors by rotation at the AGM and being eligible, offer themselves for re-election. Set out below are the details of the Directors proposed to be re-elected:

**Mr. Lu Zhaoheng**, aged 47, graduated from 重慶建築工程學院 (The Architecture and Engineering Institute of Chongqing) in 1984, specialising in City Natural Gas Heat Energy Engineering. Mr. Lu has accumulated about twenty-four years of experience in the development and commercialisation of natural gas in the PRC. Mr. Lu held various positions in 河南省城鄉規劃設計院 (The City Planning Design Institute of Henan Province) and 鄭州市市政規劃設計院 (The Planning Design Institute of Zhengzhou City) and was mainly responsible for the planning, design and consultation regarding natural gas projects. Mr. Lu is mainly responsible for the management of the Group’s piped natural gas projects. Mr. Lu joined the Company in June 2004.

As at the Latest Practicable Date, within the meaning of Part XV of the SFO, 3,000,000 Shares are held by Mr. Lu.

**Mr. Lui Siu Keung**, aged 40, was appointed as an Executive Director of the Company in October 2007 and is the Chief Financial Officer, Company Secretary and Qualified Accountant of the Company. He joined the Company in 2003 and is responsible for the financial and accounting operation of the Group. Mr. Lui has approximately sixteen years of experience in corporate finance, accounting and auditing fields. He graduated from The Hong Kong Polytechnic University with a bachelor of arts degree in accountancy. Mr. Lui is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lui is an independent non-executive director of Co-Prosperity Holdings Limited (Stock Code: 707).

As at the Latest Practicable Date, within the meaning of Part XV of the SFO, 6,000,000 Shares are held by Mr. Lui.

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## LETTER FROM THE BOARD

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**Mr. Hung, Randy King Kuen**, aged 46, is a member of the Audit Committee and Remuneration Committee of the Company. Mr. Hung is a fellow certified public accountant in Hong Kong and a certified public accountant in the United States. Currently, he is an executive director of China Fiber Optic Network System Group Limited (Stock Code: 3777) and an independent non-executive director of China Sineway Pharmaceutical Group Limited (Stock Code: 2877). Mr. Hung is a member of the American Institute of Certified Public Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Hong Kong Securities Institute, and a council member of the Hong Kong Institute of Directors, and an executive committee member of the Hong Kong Investor Relations Association. Mr. Hung holds a MBA degree in international management from the University of London, a bachelor's degree of accounting and a certificate of programming and data processing from the University of Southern California, a certificate of China Accounting, Finance, Taxation and Law from the Chinese University of Hong Kong, and a Hong Kong Securities Institute Specialist Certificate in corporate finance. Mr. Hung joined the Company in September 2004.

As at the Latest Practicable Date, within the meaning of Part XV of the SFO, Mr. Hung had a derivative interest in 1,000,000 Shares in the Company, which represents Mr. Hung's entitlement to subscribe for 1,000,000 Shares upon exercise of the options granted to Mr. Hung under the Share Option Scheme.

Save as disclosed herein, at the Latest Practicable Date, all of Mr. Lu, Mr. Lui and Mr. Hung do not have any relationship with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company.

There are no service contract entered into between all of Mr. Lu, Mr. Lui and Mr. Hung and the Company. All of Mr. Lu, Mr. Lui and Mr. Hung have no designated length of service but they are subject to retirement by rotation and re-election in accordance with the Articles of Association. All of Mr. Lu, Mr. Lui and Mr. Hung are entitled to a director's fee as determined by the Remuneration Committee of the Company with reference to their duties and responsibilities within the Group, the Company's remuneration policy and the prevailing market condition. Total director's fee paid to each of Mr. Lu, Mr. Lui and Mr. Hung for the year ended 31 December 2011 was as follows:

<b>Name of Directors</b>	<b>Total director's fee or emoluments paid for the year ended 31 December 2011 <i>HK\$'000</i></b>
Mr. Lu	1,378
Mr. Lui	2,466
Mr. Hung	163

Save as disclosed herein, all of Mr. Lu, Mr. Lui and Mr. Hung have no directorship in other listed public companies in the past three years. There is no information to be disclosed pursuant to any of the requirements of Rules 17.50(2)(h) to (x) of the GEM Listing Rules in respect of Mr. Lu, Mr. Lui and Mr. Hung and there are no other matters relating to the re-election of Mr. Lu, Mr. Lui and Mr. Hung that need to be brought to the attention of the Shareholders.

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## LETTER FROM THE BOARD

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### 6. AGM

A notice of the AGM is set out on page 112 of the Annual Report and has been posted on the GEM website.

A form of proxy for the AGM is enclosed with the Annual Report. Whether or not you propose to attend the AGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the AGM. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM should you so wish.

### 7. VOTING BY POLL

Under Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the ordinary resolutions proposed at the AGM will also be taken by poll. A poll results announcement will be made by the Company after the AGM in accordance with Rule 17.47(5) of the GEM Listing Rules.

### 8. RECOMMENDATION

The Directors are of the opinion that the proposals referred to in the renewal and extension of the General Mandates, proposed refreshment of Scheme Mandate Limit and the re-election of retiring Directors, are in the best interests of the Company and the Shareholders as a whole and recommend the Shareholders to vote in favour of all the resolutions set out in the notice of the AGM.

Yours faithfully,  
By Order of the Board  
**Wang Wenliang**  
*Chairman*

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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## **APPENDIX II      REPURCHASE MANDATE EXPLANATORY STATEMENT**

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This is an explanatory statement given to all Shareholders relating to the resolution to be proposed at the AGM authorising the Repurchase Mandate. This explanatory statement contains all the information required pursuant to Rule 13.08 and other relevant provisions of the GEM Listing Rules and the Stock Exchange.

### **1.      SHARE CAPITAL**

As at the Latest Practicable Date, the issued share capital of the Company comprised 2,523,007,684 Shares.

Subject to the passing of ordinary resolution numbered 5 as set out in the notice of AGM and on the basis that no further Shares are repurchased prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 252,300,768 Shares representing slightly less than 10% of the issued share capital of the Company, during the period from the passing of the resolution until (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 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 occurs first.

As at the Latest Practicable Date, the Directors do not propose to exercise the Repurchase Mandate to repurchase any Shares.

### **2.      REASONS FOR REPURCHASES**

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have general authority from Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when the Directors believe that such repurchase will benefit the Company and the Shareholders as a whole. 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 the earnings per Share.

### **3.      FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the memorandum and articles of association of the Company, the GEM Listing Rules and the applicable laws of the Cayman Islands. The Company may not repurchase its own Shares on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

### **4.      GENERAL**

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

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## **APPENDIX II      REPURCHASE MANDATE EXPLANATORY STATEMENT**

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the Company or on the 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 had been traded on GEM in each of the twelve calendar months immediately preceding the date of this circular were as follows:

	<b>Highest</b>	<b>Lowest</b>
	<i>HK\$</i>	<i>HK\$</i>
April 2011	0.930	0.460
May 2011	0.820	0.630
June 2011	0.710	0.630
July 2011	0.810	0.600
August 2011	0.730	0.590
September 2011	0.790	0.560
October 2011	0.750	0.620
November 2011	0.780	0.620
December 2011	0.760	0.580
January 2012	0.750	0.660
February 2012	0.870	0.700
March 2012 (up to the Latest Practicable Date)	0.960	0.720

### **6.      DIRECTORS' UNDERTAKING**

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

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

No connected person has notified the Company that it has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Repurchase mandate is approved by the Shareholders.

### **7.      TAKEOVERS CODE CONSEQUENCE**

If 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 in the Shareholder's

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## APPENDIX II REPURCHASE MANDATE EXPLANATORY STATEMENT

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interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory general offer in accordance with Rule 26 of the Takeovers Code.

In the event that the Directors exercise in full the power to purchase Shares in accordance with the Repurchase Mandate, the total interests of the following substantial Shareholders in the Shares before and after the repurchase of Shares would be as follows:

<b>Name of substantial Shareholders</b>	<i>Notes</i>	<b>Number of Shares and/or underlying Shares</b>	<b>Approximate percentage of interest as at the Latest Practicable Date</b>	<b>Approximate percentage of interest after the exercise in full of the Repurchase Mandate</b>
China Gas	<i>1</i>	1,111,934,142	44.07%	48.97%
Rich Legend International Limited	<i>1</i>	1,111,934,142	44.07%	48.97%
Hezhong	<i>2</i>	567,453,542	22.49%	24.99%
Mr. Wang Wenliang	<i>3</i>	578,619,542	22.93%	25.48%

*Notes:*

1. According to the disclosure of interests pages as shown in the website of the Stock Exchange, China Gas holds as to 100% equity interests of Rich Legend International Limited. Apart from the information ascertained in the disclosure of interest pages as shown in the website of the Stock Exchange, the Company has no further information.
2. Hezhong is beneficially interested in 567,453,542 shares. Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong.
3. Among these Shares and/or underlying Shares, 567,453,542 Shares are held by Hezhong. Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong. The remaining 11,166,000 Shares are directly held by Mr. Wang Wenliang.

In the opinion of the Directors, such an increase of shareholding may give rise to an obligation for Hezhong to make a mandatory offer under Rule 26 of the Takeover Code. The Directors do not have any present intention to exercise the Repurchase Mandate to such an extent as could give rise to such an obligation.

Save as aforesaid in this circular, the Directors are not aware of any consequence which may arise under the Takeovers Code as a consequences of any purchase made under the Repurchase Mandate. However, the Company may not repurchase Shares which would result in the amount of Shares held by the public being reduced to less than 25% being the minimum prescribed percentage for the Company as required by the Stock Exchange.

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**APPENDIX II      REPURCHASE MANDATE EXPLANATORY STATEMENT**

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**8.      SHARES REPURCHASE MADE BY THE COMPANY**

No repurchases of Shares had been made by the Company (whether on GEM or otherwise) during the period from the six calendar months immediately preceding the date of this circular.