
IMPORTANT

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.

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



中裕燃气

中裕燃气控股有限公司

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 SHARE OPTION SCHEME LIMIT
AND
RE-ELECTION OF RETIRING DIRECTORS**

A notice convening the AGM (as defined herein) to be held at 5/F., Hezhong Commercial Centre, No. 37 Jingqi Road, Jinshui District, Zhengzhou City, Henan Province, People's Republic of China on Monday, 24 April 2006 at 11:00 a.m. is set out in the Annual Report (as defined herein) 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 (as defined herein) in Hong Kong, Secretaries Limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, 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 on the "Latest Company Announcement" page for at least 7 days from the date of its posting.

28 March 2006

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination of GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information of GEM-listed issuers.

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DEFINITIONS

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

“Acquisition”	the acquisitions of the Sale Shares and the Sale Loans by the Purchaser from Hezhong pursuant to the S&P Agreement
“AGM”	the annual general meeting of the Company to be held at 5/F., Hezhong Commercial Centre, No. 37 Jingqi Road, Jinshui District, Zhengzhou City, Henan Province, People’s Republic of China on Monday, 24 April 2006 at 11:00 a.m. at which, among other matters, the Annual Report will be adopted
“Annual Report”	the audited consolidated financial statements and the reports of the directors and auditors of the Company for the year ended 31 December 2005
“associates”	has the same meaning ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“BVI”	British Virgin Islands
“CCGC Explore”	China City Gas Construction Explore Company Limited (中國城市燃氣建設開發有限公司). It is an investment holding company incorporated in the BVI on 9 December 2002
“CCGC Holdings”	China City Gas Construction Holdings Company Limited (中國城市燃氣建設控股有限公司). It is an investment holding company incorporated in the BVI on 16 August 2002
“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

DEFINITIONS

“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
“Existing Share Option Scheme”	the share option scheme adopted by the Company on 24 October 2003 for the grant of share options to Eligible Participants
“GEM”	the Growth Enterprise Market of the Stock Exchange
“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 owned as to 52% by Mr. Wang Wenliang, as to 12% by Mr. Hao Yu, as to 12% by Mr. Li Weisong, as to 12% by Mr. Yang Jianguo and as to the remaining 12% by Mr. Li Zifeng, all of whom are also directors of Hezhong. Mr. Wang Wenliang and Mr. Hao Yu are also directors of the Company. Save as disclosed herein, each of them is independent of and not connected with each other. As at the Latest Practicable Date, Hezhong holds approximately 65.84% 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 shareholder 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”	24 March 2006, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular

DEFINITIONS

“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 265,037,108 Shares which represents about 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
“Option(s)”	option(s) granted or to be granted to Eligible Participant(s) to subscribe for Shares under the Existing Share Option Scheme
“Purchaser”	Zhongyu Gas Investment Limited (formerly known as Ocean Valley International Limited), a wholly-owned subsidiary of the Company
“Repurchase Mandate”	the general mandate to exercise the power of the Company to repurchase Shares up to a maximum of 132,518,554 Shares which represents about 10% of the issued share capital of the Company as at the date of the resolution approving the Repurchase Mandate
“S&P Agreement”	the conditional sale and purchase agreement dated 29 July 2005 entered into between the Purchaser and Hezhong in respect of the sale and purchase of the Sale Shares and the Sale Loans
“Sale Loans”	outstanding shareholder’s loans in an aggregate amount of HK\$112,998,440 owed by CCGC Holdings and CCGC Explore to Hezhong as at the date of the S&P Agreement, which are unsecured, interest free and have no fixed terms of repayment
“Sale Shares”	100 ordinary shares of US\$1.00 each in the capital of CCGC Holdings (being the entire issued share capital of CCGC Holdings) and 100 ordinary shares of US\$1.00 each in the capital of CCGC Explore (being the entire issued share capital of CCGC Explore)
“Share Option Scheme Limit”	the maximum number of Shares which may be allotted and issued upon the exercise of all options (excluding options which have lapsed in accordance with the terms of the Existing Share Option Scheme and any other share option scheme) to be granted under the Existing Share Option Scheme and any other share option scheme of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“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.



中裕燃气

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ZHONGYU GAS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8070)

Executive Directors:

Mr. Wang Wenliang (*Chairman*)
Mr. Hao Yu (*Chief Executive Officer*)
Mr. Lu Zhaoheng

Non-executive Directors:

Mr. Xu Yongxuan (*Vice Chairman*)
Mr. Wang Lei
Mr. Nicholas John Ashley Rigg

Independent non-executive Directors:

Mr. Wang Shunlong
Dr. Luo Yongtai
Mr. Hung, Randy King Kuen

To the Shareholders

Dear Sir or Madam,

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

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

Suite 3016, 30th Floor
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

28 March 2006

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

1. INTRODUCTION

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

LETTER FROM THE BOARD

At the annual general meeting of the Company held on 25 April 2005, the Directors were granted unconditional mandates to:

- (i) allot, issue and deal with unissued Shares not exceeding 20% of the issued share capital of the Company as at the date of passing such resolution;
- (ii) 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; and
- (iii) issue mandate set out in (i) above be extended to the number of Shares repurchased by the Company pursuant to the repurchase mandate set out in (ii) above.

The above general mandates will expire at the conclusion of the AGM and the purpose of this circular is to request your support to renew the General Mandates 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 resolutions to grant the New Issue Mandate and the Repurchase Mandate.

In addition, the Board proposes to refresh the Share Option Scheme Limit in view of the enlarged issued share capital of the Company resulting from the allotment and issue of an aggregate of 262,385,542 Shares pursuant to the S&P Agreement at the AGM.

The Board also proposes to re-elect all retiring Directors at the AGM.

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 265,037,108 Shares, representing about 20% of the issued share capital of the Company as at the date of the passing of the resolution approving the New Issue Mandate 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.

LETTER FROM THE BOARD

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 132,518,554 Shares which represents about 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 of the Company 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 5, 6 and 7 in the notice of AGM.

4. PROPOSED REFRESHMENT OF SHARE OPTION SCHEME 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 Existing Share Option Scheme pursuant to which 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.

Under the Existing Share Option Scheme, the maximum number of Shares in respect of which Options may be granted shall not, when aggregated with any Shares subject to any other scheme, exceed such number of Shares as represent 10% of the issued Shares as at the date of the approval of the Existing Share Option Scheme, which was equivalent to 81,080,000 Shares. On 25 April 2005, the Share Option Scheme Limit was refreshed to 106,280,000 Shares. An aggregate of 62,574,000 Options were granted to Eligible Participants on 4 July 2005.

The total number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Existing Share Option Scheme and any other scheme of the Company must not exceed 30% of the total issued Shares from time to time.

Upon termination of the Old Share Option Scheme, no further options can be granted thereunder but in all other respects, the provision of the Old Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith. On 8 March 2002, the Company granted options to subscribe for a total of 31,440,000 Shares under the Old Share Option Scheme to the Eligible Participants, of which options to subscribe for 31,440,000 Shares were cancelled on 10 July 2003. Save as disclosed herein, no option has been granted since the adoption of the Old Share Option Scheme. Accordingly, no option granted under the Old Share Option Scheme remained outstanding as at the Latest Practicable Date.

As at the Latest Practicable Date, 2,004,000 Options were lapsed and 60,570,000 Options were outstanding. The Directors do not have current intention to grant any options under the Existing Share Option Scheme prior to the AGM.

LETTER FROM THE BOARD

On 29 July 2005, Hezhong and the Purchaser entered into a sale and purchase agreement pursuant to which the Purchaser conditionally agreed to purchase and Hezhong conditionally agreed to sell the Sale Shares and Sale Loans for a total consideration of HK\$108,890,000, the details of which were set out in the announcement of the Company dated 29 July 2005 and the circular of the Company dated 12 September 2005. Pursuant to the S&P Agreement, the Company were allotted and issued an aggregate of 262,385,542 Shares to Hezhong as the consideration for the Acquisition.

Immediately after completion of the S&P Agreement, the Company's issued share capital was enlarged from 1,062,800,000 Shares to 1,325,185,542 Shares.

Under the terms of the Existing Share Option Scheme, the Company may by ordinary resolution at general meeting refresh the Share Option Scheme Limit. In view of the enlarged issued share capital of the Company resulting from the allotment and issue of an aggregate of 262,385,542 Shares pursuant to the S&P Agreement, the Board proposes to seek the Shareholders' approval on the proposed refreshment of the Share Option Scheme Limit.

If and when the proposed refreshment of the Share Option Scheme Limit is approved, on the basis of 1,325,185,542 Shares in issue as at the Latest Practicable Date, the Share Option Scheme Limit will be 132,518,554 Shares which represents about 10% of the issued share capital of the Company as at the date of the resolution approving the proposed refreshment of the Share Option Scheme Limit.

Since the purpose of the Existing 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 Share Option Scheme Limit could provide the Company with greater flexibility. The Directors consider that the proposed refreshment of the Share Option Scheme Limit is in the interests of the Company and Shareholders as a whole.

Conditions precedent of the proposed refreshment of the Share Option Scheme Limit

The proposed refreshment of the Share Option Scheme 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 the Share Option Scheme 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 Existing Share Option Scheme.

A summary of the principal terms of the Existing Share Option Scheme is set out in Appendix III to the circular of the Company dated 30 September 2003.

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 Existing Share Option Scheme.

5. RE-ELECTION OF RETIRING DIRECTORS

Pursuant to Article 87 of the articles of association of the Company, Mr. Wang Shunlong (“Mr. Wang”), Dr. Luo Yongtai (“Dr. Luo”) and Mr. Hung, Randy King Kuen (“Mr. Hung”) will retire from office as Directors by rotation at the AGM and being eligible, offers themselves for re-election. Set out below are the details of the Directors proposed to be re-elected:

Mr. Wang Shunlong, aged 41, is the chairman of the Audit Committee and Remuneration Committee of the Company. He is the director of Legend Holdings Limited. He graduated from Tsinghua University in the PRC with a doctoral degree in engineering and was employed by the Eindhoven University of Technology in The Netherlands as a research for three years. Mr. Wang has over nine years of experience in corporate management and investment planning. He joined the Group in July 2003.

Dr. Luo Yongtai, aged 59, is a member of the Audit Committee and Remuneration Committee of the Company. He is a professor in management of Tianjin University of Finance and Economics, the head of the Microeconomic Institute of Tianjin University of Finance and Economics, a member of the committee of the Tianjin City People’s Political Consultative Conference, the deputy supervisor of the People’s Republic of China System Engineering Committee and also held positions in various professional organizations. Dr. Luo is a beneficiary of the Expert Special Subsidy granted by the State Council of the People’s Republic of China and has been engaged in various national and provincial projects in recent years. Dr. Luo is also an independent director of two companies listed on the Shanghai Stock Exchange. He joined the Group in July 2003.

Mr. Hung, Randy King Kuen, aged 40, is a member of the Audit Committee and Remuneration Committee of the Company. He holds 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 is a fellow certified public accountant in Hong Kong and a certified public accountant in the United States. Currently, Mr. Hung is an independent non-executive director of Zhongyian International Limited (Stock Code: 2379) and ZZNode Holdings Company Limited (Stock Code: 2371). Mr. Hung is a member of the American Institute of Certified Public Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants, deputy chairman of training committee of the Hong Kong Institute of Directors and a member of the Hong Kong Securities Institute. Mr. Hung joined the Group in September 2004.

At the Latest Practicable Date, all of Mr. Wang, Dr. Luo and Mr. Hung do not have any relationship with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company. In accordance with the meaning of Part XV of the Securities and Futures Ordinance, all of Mr. Wang, Dr. Luo and Mr. Hung do not have any interest or short position in the shares and underlying shares of the Company or any of its associated corporations. There is no service contract between all of Mr. Wang, Dr. Luo and Mr. Hung and the Company. All of Mr. Wang, Dr. Luo and Mr. Hung are entitled to a director’s fee as determined by the Remuneration Committee of the Company.

LETTER FROM THE BOARD

Further announcement will be made by the Company if and when the director's fee or other emolument of Mr. Wang, Dr. Luo and Mr. Hung are determined. Total director's fee paid to each of Mr. Wang, Dr. Luo and Mr. Hung for the year ended 31 December 2005 is as follows:

Directors	Total director's fee paid for the year ended 31 December 2005 (HK\$'000)
Mr. Wang	100
Dr. Luo	100
Mr. Hung	80

Save as disclosed herein, all of Mr. Wang, Dr. Luo and Mr. Hung have no directorship in other listed public companies in the past three years. Save as disclosed herein, there are no other matters that need to be brought to the attention of the Shareholders.

6. AGM

A notice of the AGM is set out on page 98 of the Annual Report and has been posted on the GEM website. The procedure for demanding a poll is set out in Appendix III to this circular.

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, Secretaries limited at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, 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. RECOMMENDATION

The Directors are of the opinion that the proposals referred to in this circular 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 Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (i) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (ii) there are no other matters the omission of which would make any statement in this circular misleading; and
- (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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 1,325,185,542 Shares.

Subject to the passing of the ordinary resolution numbered 6 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 132,518,554 Shares representing about 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 of the Company or any applicable laws of the Cayman Islands to be held; or (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Shareholders in general meeting, whichever 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 Company contained in the Annual Report) in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on 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:

	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2005	0.330	0.315
May 2005	0.330	0.300
June 2005	0.370	0.300
July 2005	0.370	0.350
August 2005	0.445	0.400
September 2005	0.440	0.380
October 2005	0.415	0.360
November 2005	0.395	0.370
December 2005	0.450	0.395
January 2006	0.540	0.435
February 2006	0.590	0.550
March 2006 (up to the latest Practicable Date)	0.590	0.520

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 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 Shareholder in the Shares before and after the repurchase of Shares would be as follows:

Substantial Shareholder	Approximate percentage of interest as at the Latest Practicable Date	Approximate percentage of interest after the exercise in full of the Repurchase Mandate
Hezhong	65.84%	73.16%

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 20% being the minimum prescribed percentage for the Company as required by the Stock Exchange.

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.

The following sets out the procedures by which the Shareholders may demand a poll at the AGM.

According to article 66 of the articles of association of the Company, a resolution put to the vote of a meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (i) the chairman of such meeting; or
- (ii) at least three Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy for the time being entitled to vote at the meeting; or
- (iii) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or
- (iv) any Shareholder or Shareholders present in person (or, in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy and holding Shares conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

A demand by a person as proxy for a Shareholder or in the case of Shareholder being a corporation by its duly authorised representative shall be deemed to be the same as a demand by a Shareholder.