
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Zhongyu Gas Holdings Limited (the “**Company**”), you should at once hand this circular 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.

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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)

**(1) PROPOSED REMOVAL OF DIRECTOR
(2) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A notice convening an extraordinary general meeting (“**EGM**”) of the Company to be held at Unit 04-06, 28th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong on 14, March 2011 at 11 a.m. is set out on pages 7 to 8 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company’s branch share registrar in Hong Kong, Tricor 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 EGM or any adjourned meeting as the case may be. Completion and delivery of the enclosed form of proxy will not preclude you from attending and voting at the EGM should you so wish.

This circular will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for seven days from the date of its publication.

24 February 2011

CHARACTERISTICS OF GEM

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

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Articles”	the articles of association of the Company
“Board”	the board of Directors
“Company”	Zhongyu Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on GEM
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the Proposed Removal and the Proposed Amendments
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	23 February 2011, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Mr Huang”	Huang Yong, an executive Director
“PRC”	The People’s Republic of China, excluding for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Amendments”	the proposed amendments to the Articles as set out in this circular
“Proposed Removal”	the proposed removal of Mr Huang Yong as a Director of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Shenzhen PSB”	Shenzhen Municipal Public Security Bureau in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong

LETTER FROM THE BOARD



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)*

Mr Huang Yong

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Non-executive Director:

Mr Xu Yongxuan *(Vice Chairman)*

Mr Xu Chao Ping

Head office and principal place of business in

Hong Kong:

Unit 04-06, 28th Floor

China Merchants Tower

Shun Tak Centre

168 Connaught Road Central

Hong Kong

Independent non-executive Directors:

Mr Li Chunyan

Dr Luo Yongtai

Mr Hung, Randy King Kuen

24 February 2011

To the Shareholders

Dear Sir or Madam,

(1) PROPOSED REMOVAL OF DIRECTOR
(2) PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide you with information regarding the resolutions to be proposed at the EGM to approve (i) the proposed removal of Mr Huang as a Director of the Company, (ii) the proposed amendments to the Articles and (iii) to give you notice of the EGM.

LETTER FROM THE BOARD

PROPOSED REMOVAL OF DIRECTOR

On 28 December 2010, 4 January 2011, 31 January 2011 and 22 February 2011, the Board announced that Mr Huang had been arrested on 17 December 2010 and detained for investigation by the Shenzhen PSB for suspected embezzlement of assets of an organisation in which they have duties (職務侵佔罪). The Company has been advised by its PRC legal advisers that according to PRC law, such offence may be committed by any person who misappropriates the assets of an organisation by virtue of abusing his position held in that organisation.

For the reasons stated in the Company's announcement on 31 January 2011, the Board considers that the primary focus of the investigation by the Shenzhen PSB was on the performance of the acquisition and construction contracts relating to certain projects of China Gas Holdings Limited (of which Mr Huang is the executive president) that are not related or operated by the Group.

However, in view of the circumstances surrounding the arrest of Mr Huang, the Board considers that it is in the best interest of the Company to hold a general meeting as soon as possible to remove Mr Huang as a Director by way of a special resolution in accordance with the Articles. No compensation is proposed to be paid to Mr Huang in respect of the Proposed Removal and the Board does not propose to appoint a new director to fill the vacancy of Mr Huang's office. In the event Mr Huang is released without any charges or conviction, the Board will then consider re-appointing Mr Huang to his position as an executive Director.

As Mr Huang was not involved in the day-to-day management of the business of the Group, the Company has reasonable grounds to believe that the investigations against Mr Huang are not related to the transactions or assets of the Group. The Company had carried out a preliminary internal review of its cash and fund position for the period between 15 September 2010, on which Mr Huang was appointed as a Director, and 31 December 2010, being the latest practicable date of its management accounts pending book close for the year ended 31 December 2010. No irregularities or material concerns were noted from such preliminary internal review.

As at the Latest Practicable Date, the Company and its subsidiaries have not been notified that it is the subject of any investigation by any governmental authorities in the PRC and none of the directors or management of the Group (other than Mr Huang) have been questioned or investigated by any governmental authorities in the PRC.

Save as disclosed in this circular and the Company's announcements on 28 December 2010, 4 January 2011, 31 January 2011 and 22 February 2011, the Board confirms that there are no circumstances in respect of the Proposed Removal that need to be brought to the attention of the Shareholders. The Proposed Removal will be subject to the passing of a special resolution at the EGM.

LETTER FROM THE BOARD

PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

As disclosed in the announcement of the Company on 22 February 2011, the Board also proposed to amend the Articles as set out below (renumbering of chapter, article, paragraph and sub-paragraph is omitted) to keep it in line with Appendix 3 of the GEM Listing Rules.

Details of the proposed amendments:-

- (1) A new sub-paragraph as set out below, be added as sub-paragraph (3) of the Article 75:

“Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

- (2) The original sub-paragraph 5 of the Article 86 which reads:

“Subject to any provision to the contrary in these Articles the Members may, at any general meeting convened and held in accordance with these Articles, by special resolution remove a Director at any time before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).”

is to be deleted in its entirety and replaced by the following new sub-paragraph 5:-

“The Members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).”

EFFECT OF PROPOSED AMENDMENTS

The effect of the Proposed Amendment set out in paragraph (1) above would be to allow the Company to disregard votes that are cast in contravention of restrictions under the GEM Listing Rules and prevent such votes from being counted in determining whether a particular resolution is or is not approved.

The effect of the Proposed Amendment set out in paragraph (2) above would be to allow the Company to remove any Director from his office at any time (regardless of any agreement to the contrary and before the expiration of such Director's term of appointment) upon obtaining an ordinary resolution from the Shareholders to approve such removal.

The Company confirms that there is nothing unusual about the Proposed Amendments for a company listed in Hong Kong. The Proposed Amendments are subject to approval by the Shareholders by way of a special resolution at the EGM.

LETTER FROM THE BOARD

EGM

Set out on pages 7 to 8 of this circular is a notice convening the EGM to be held at Unit 04-06, 28th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong on 14, March at 11 a.m. at which special resolutions will be proposed to consider and, if thought fit, to approve the Proposed Removal and the Proposed Amendments.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong branch share registrar, Tricor 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 EGM or any adjourned meeting as the case may be. Completion and delivery of the enclosed form of proxy will not preclude you from attending and voting at the EGM should you so wish.

Pursuant to the GEM Listing Rules, a resolution put to the vote of a general meeting shall be decided on a poll. Therefore, all the special resolutions to be proposed at the EGM shall be voted by poll.

RECOMMENDATION

The Directors consider that the special resolutions in relation to the Proposed Removal and the Proposed Amendments are in the best interests of the Company and its Shareholders as a whole and accordingly recommend the Shareholders to vote in favour of the special resolutions to be proposed at the EGM in respect thereof.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 aspects and not misleading or deceptive, and there are no other facts the omission of which would make any statement herein of this circular misleading.

Yours faithfully,
By order of the Board
Zhongyu Gas Holdings Limited
Wang Wenliang
Chairman

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the shareholders of Zhongyu Gas Holdings Limited (the “Company”) will be held at Unit 04-06, 28th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Hong Kong on 14, March 2011 at 11 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as special resolutions of the Company:

SPECIAL RESOLUTION 1

“THAT Mr Huang Yong, an executive director of the Company, be and is hereby removed as a director of the Company.”

SPECIAL RESOLUTION 2

“THAT the following amendments be made to the Company’s articles of association:–

- (a) A new sub-paragraph as set out below, be added as sub-paragraph (3) of the Article 75:

“Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”

- (b) The original sub-paragraph 5 of the Article 86 which reads:

“Subject to any provision to the contrary in these Articles the Members may, at any general meeting convened and held in accordance with these Articles, by special resolution remove a Director at any time before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).”

NOTICE OF EGM

is to be deleted in its entirety and replaced by the following new sub-paragraph 5:–

“The Members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement).””

By order of the board of Directors of
Zhongyu Gas Holdings Limited
Wang Wenliang
Chairman

Hong Kong, 24 February 2011

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business:

Unit 04-06, 28th Floor
China Merchant Tower
Shun Tak Centre
168 Connaught Road Central
Hong Kong

Notes:

- (i) A member entitled to attend and vote at the EGM is entitled to appoint another person as his/her/its proxy to attend and, subject to the provisions of the articles of association of the Company, to vote instead of him/her/it. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her/it and vote on his/her/its behalf at the EGM. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member.
- (ii) A form of proxy for use at the EGM is enclosed with the circular of the Company dated 24 February 2011. Such form is also available at the website of the Stock Exchange at <http://www.hkex.com.hk>. In order to be valid, the form of proxy must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Secretaries Limited, 26/F Tesbury Centre, 28 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Delivery of an instrument appointing a proxy will not preclude a member from attending and voting at the EGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (iii) Where there are joint holders of any share of the Company, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto, but if more than one of such joint holders are present at the EGM, 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 of members of the Company in respect of the joint holding.