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**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)

**VERY SUBSTANTIAL ACQUISITION  
AND CONNECTED TRANSACTION**

Reference is made to the announcement of the Company dated 7 May 2007 whereby the Company announced that the Purchaser, a wholly-owned subsidiary of the Company, has entered into the Sale and Purchase Agreement with Hezhong, a controlling Shareholder, for the sale and purchase of the Sale Shares and the Sale Loans.

On 16 May 2007, the Purchaser entered into the Supplemental Deed with Hezhong to amend the payment terms of the Sale and Purchase Agreement. Pursuant to the Supplemental Deed, the Purchaser and Hezhong have agreed to vary the payment terms for the Acquisitions to the effect that, out of the total consideration for the Acquisitions of RMB300,000,000 (equivalent to approximately HK\$303,000,000), the consideration of RMB100,000,000 (equivalent to approximately HK\$101,000,000), which was originally agreed to be satisfied in full by the allotment and issue of 93,726,000 Consideration Shares at the issue price of HK\$1.08 per Consideration Share on the date of Completion, may now be settled at the option of the Purchaser (i) by cash for an amount up to RMB22,504,384 (equivalent to approximately HK\$22,732,000) and the remaining balance of not less than RMB77,495,616 (equivalent to approximately HK\$78,278,000) by 72,480,000 Consideration Shares to be allotted and issued at the same issue price of HK\$1.08 or (ii) by 93,726,000 Consideration Shares alone as originally agreed to be allotted and issued at the same issue price of HK\$1.08.

Details of the Proposed Amendments are further elaborated below.

The Acquisitions, after the execution of the Supplemental Deed, remain a very substantial acquisition and a connected transaction under Chapters 19 and 20 of the GEM Listing Rules respectively and are therefore subject to the approval of the Independent Shareholders at the EGM. In accordance with the GEM Listing Rules, Hezhong, being an interested party, which holds approximately 54.87% of the issued Shares as at the date of this announcement, and its associates will abstain from voting on the resolution to approve the Acquisitions (including the Proposed Amendments) and any vote exercised by the Independent Shareholders at the EGM shall be taken by poll.

**Shareholders and potential investors in the Company should note that Completion, which is subject to a number of conditions precedent, may or may not take place. Shareholders and potential investors in the Company are advised to exercise caution when dealing in the Shares.**

## INTRODUCTION

Reference is made to the announcement of the Company dated 7 May 2007 (the “**Announcement**”) whereby the Company announced that the Purchaser, a wholly-owned subsidiary of the Company, has entered into the Sale and Purchase Agreement with Hezhong, a controlling Shareholder, for the sale and purchase of the Sale Shares and the Sale Loans. Capitalised terms used herein shall have the same meanings as those defined in the Announcement unless otherwise defined herein.

Pursuant to the Sale and Purchase Agreement, the total consideration for the Acquisitions shall be RMB300,000,000 (equivalent to approximately HK\$303,000,000). Out of such total consideration, RMB100,000,000 (equivalent to approximately HK\$101,000,000) shall be satisfied by the allotment and issue of 93,726,000 Consideration Shares to Hezhong on the date of Completion and the remaining RMB200,000,000 (equivalent to approximately HK\$202,020,000) shall be satisfied in cash by two equal payments of RMB100,000,000 (equivalent to approximately HK\$101,000,000) with the first and second payments to be settled within 30 days and 90 days respectively from the date of Completion.

On 16 May 2007, the Purchaser entered into a supplemental deed (the “**Supplemental Deed**”) with Hezhong to amend the payment terms of the Sale and Purchase Agreement. Details of the Supplemental Deed are set out below.

## THE SUPPLEMENTAL DEED

Date: 16 May 2007

Parties: Hezhong, as vendor

The Purchaser, as purchaser

## **The Proposed Amendments**

Pursuant to the Supplemental Deed, the Purchaser and Hezhong have agreed to vary the payment terms for the Acquisitions to the effect that, out of the total consideration for the Acquisitions of RMB300,000,000 (equivalent to approximately HK\$303,000,000), the consideration of RMB100,000,000 (equivalent to approximately HK\$101,000,000), which was originally agreed to be satisfied in full by the allotment and issue of 93,726,000 Consideration Shares at the issue price of HK\$1.08 per Consideration Share on the date of Completion, may now be settled at the option of the Purchaser (i) by cash for an amount up to RMB22,504,384 (equivalent to approximately HK\$22,732,000) and the remaining balance of not less than RMB77,495,616 (equivalent to approximately HK\$78,278,000) by 72,480,000 Consideration Shares to be allotted and issued at the same issue price of HK\$1.08 or (ii) by 93,726,000 Consideration Shares alone as originally agreed to be allotted and issued at the same issue price of HK\$1.08 (the amendment as a whole being the “**Proposed Amendments**”).

Changes in the shareholding structure of the Company as a result of the issue of different number of Consideration Shares based on the Proposed Amendments described above are set out under the heading “Changes of Shareholding Structure of the Company immediately before and after Completion” below.

The Company confirms that save for the Proposed Amendments as disclosed above, no other material terms of the Sale and Purchase Agreement have been amended pursuant to the Supplemental Deed. The remaining consideration of RMB200,000,000 (equivalent to approximately HK\$202,020,000) will continue to be settled in cash by two payments as disclosed in the Announcement. As a result of the Proposed Amendments, the maximum cash consideration payable by the Company under the Sale and Purchase Agreement will be RMB222,504,384 (equivalent to approximately HK\$224,752,000), assuming 72,480,000 Consideration Shares will be issued and the minimum cash consideration payable by the Company under the Sale and Purchase Agreement will be RMB200,000,000 (equivalent to approximately HK\$202,020,000), assuming 93,726,000 Consideration Shares will be issued. The issue price per Consideration Share remains at HK\$1.08 and the Consideration Shares will continue to be allotted and issued under a special mandate to be obtained at the EGM which is subject to Independent Shareholders’ approval.

An application will be made to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

**CHANGES OF SHAREHOLDING STRUCTURE OF THE COMPANY  
IMMEDIATELY BEFORE AND AFTER COMPLETION**

Shareholders	As at the date of this announcement		Immediately after Completion (assuming issue of 72,480,000 Consideration Shares)		Immediately after Completion (assuming issue of 93,726,000 Consideration Shares)	
	Number of Shares held	Approximate percentage	Number of Shares held	Approximate percentage	Number of Shares held	Approximate percentage
Hezhong	872,505,542	54.87%	944,985,542	56.84%	996,231,542	57.38%
Public Shareholders	<u>717,680,000</u>	<u>45.13%</u>	<u>717,680,000</u>	<u>43.16%</u>	<u>717,680,000</u>	<u>42.62%</u>
Total	1,590,185,542	100.00%	1,662,665,542	100.00%	1,683,911,542	100.00%

**REASONS FOR ENTERING INTO THE SUPPLEMENTAL DEED**

As disclosed in the Announcement, pursuant to the Sale and Purchase Agreement, out of the total consideration for the Acquisitions of RMB300,000,000 (equivalent to approximately HK\$303,000,000), RMB200,000,000 (equivalent to approximately HK\$202,020,000) shall be satisfied by cash. It is the intention that such cash portion of the consideration would be funded out of proceeds from possible debt or equity financing to be considered by the Board.

The Purchaser has entered into the Supplemental Deed with Hezhong, with a view to providing more flexibility to the Company in conducting its fund raising activities. Having considered the fact that the total consideration for the Acquisition remains unchanged and that the Proposed Amendments provide more payment flexibility to the Group, the Directors (including the independent non-executive Directors) consider the entering into of the Supplemental Deed to be appropriate and in the interest of the Company and the Shareholders as a whole. The Directors further consider that the terms of the Proposed Amendments are made on normal commercial terms, if not in favourable terms to the Company, and are fair and reasonable. Further announcement(s) will be made by the Company in respect of the possible financing activities as and when appropriate in compliance with the GEM Listing Rules.

The possible additional cash consideration payable under the Proposed Amendments will also be funded by the possible debt or equity financing to be considered by the Board.

**Shareholders and potential investors in the Company should note that Completion, which is subject to a number of conditions precedent, may or may not take place. Shareholders and potential investors in the Company are advised to exercise caution when dealing in the Shares.**

## GENERAL

The Acquisitions, after the execution of the Supplemental Deed, remain a very substantial acquisition pursuant to Rule 19.06(5) of the GEM Listing Rules and that given Hezhong is the controlling Shareholder and owns the entire issued share capital of Glory Path (the subject matter of Acquisitions), the Acquisitions, after the execution of the Supplemental Deed, remain also as a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Accordingly, the Acquisitions (including the Proposed Amendments) are subject to the approval of the Independent Shareholders at the EGM. In accordance with the GEM Listing Rules, Hezhong, being the interested Shareholder, who holds approximately 54.87% of the issued Shares as at the date of this announcement, and its associates will abstain from voting on the resolution to approve the Acquisitions (including the Proposed Amendments) at the EGM and any vote exercised by the Independent Shareholders at the EGM shall be taken by poll.

The independent board committee of the Company to be established to consider the Acquisitions and to advise the Independent Shareholders on the fairness and reasonableness of the terms of the Sale and Purchase Agreement will also consider and advise the Independent Shareholders on the Proposed Amendments. An independent financial adviser will also be appointed to advise the independent board committee of the Company and the Independent Shareholders regarding the Acquisitions (including the Proposed Amendments).

A circular containing, among other things, (i) details of the Sale and Purchase Agreement (including the Supplemental Deed); (ii) the recommendation of the independent board committee of the Company in relation to the Acquisitions (including the Proposed Amendments); (iii) the advice of the independent financial adviser to the independent board committee of the Company and the Independent Shareholders in relation to the Acquisitions (including the Proposed Amendments); and (iv) a notice convening the EGM, will be dispatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

By Order of the Board  
**Zhongyu Gas Holdings Limited**  
**Wang Wenliang**  
*Chairman*

Hong Kong, 16 May 2007

*For the purpose of this announcement, unless otherwise indicated, conversion of RMB into HK\$ is calculated at the approximate exchange rate of HK\$1.00 to RMB0.99. This exchange rate is adopted for the purpose of illustration only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate at all.*

*As at the date of this announcement, the Board comprises Mr. Wang Wenliang, Mr. Hao Yu and Mr. Lu Zhaoheng, as the executive Directors, Mr. Xu Yongxuan, Mr. Wang Lei and Mr. Nicholas John Ashley Rigg, as the non-executive Directors and Mr. Wang Shunlong, Dr. Luo Yongtai and Mr. Hung, Randy King Kuen, as the independent non-executive Directors.*

*This announcement, 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:*

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

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for a minimum period of 7 days from the date of its publication.*