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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**

The Board is pleased to announce that on 2 May 2007, Hezhong, the controlling shareholder of the Company, and the Purchaser, a wholly owned subsidiary of the Company, entered into the Sale and Purchase Agreement pursuant to which the Purchaser conditionally agreed to purchase and Hezhong conditionally agreed to sell the Sale Shares and the Sale Loans for a total consideration of RMB300,000,000 (equivalent to approximately HK\$303,000,000). The consideration will be satisfied by cash in two instalments and by the allotment and issue of the Consideration Shares. The Company elects to allot and issue the Consideration Shares under a special mandate to be obtained at the EGM to grant to the Directors to allot, issue and deal with the Consideration Shares and such special mandate is subject to the Independent Shareholders' approval.

The Acquisitions constitute a very substantial acquisition pursuant to Rule 19.06(5) of the GEM Listing Rules. The Acquisitions also constitute a connected transaction of the Company pursuant to Rule 20.13(1)(a) of the GEM Listing Rules. Accordingly, the Acquisitions are subject to the approval of the Independent Shareholders at the EGM. In accordance with the GEM Listing Rules, Hezhong, who holds approximately 54.9% of the Shares, and its associates will abstain from voting on the ordinary resolutions to approve (i) the special mandate to be granted to the Directors to allot, issue and deal with the Consideration Shares; and (ii) the Sale and Purchase Agreement and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares) and any vote exercised by the Independent Shareholders at the EGM shall be taken by poll.

An independent board committee of the Company will be established to consider the Acquisitions and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares) and to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable, whether the Acquisitions are in the interests of the Company and the Shareholders as a whole, the special mandate to be granted to the Directors to allot, issue and deal with the Consideration Shares and to advise the Shareholders on how to vote. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders regarding the Acquisitions and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares). A circular containing, among other things, (i) details of the Sale and Purchase Agreement; (ii) the recommendation of the independent board committee of the Company to the Independent Shareholders in relation to the Acquisitions and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares) and the special mandate to be granted to the Directors to allot, issue and deal with the Consideration Shares; (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 and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares) and the special mandate to be granted to the Directors to allot, issue and deal with the Consideration Shares; and (iv) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

**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.**

At the request of the Company, trading in Shares on GEM has been suspended with effect from 2:30 p.m. on 30 April 2007, pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 8 May 2007.

## **THE SALE AND PURCHASE AGREEMENT**

**Date:** 2 May 2007

**Parties:** Hezhong, as the vendor, the controlling shareholder of the Company  
The Purchaser, as purchaser, a wholly owned subsidiary of the Company

Hezhong holds approximately 54.9% of the Shares and owns the entire issued share capital of Glory Path, it is the connected person of the Company.

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Purchaser conditionally agreed to acquire and Hezhong conditionally agreed to sell the Sale Shares and the Sale Loans.

## **Sale Shares**

The entire issued share capital of Glory Path is owned by Hezhong. The principal business of Glory Path is investment holding and the principal assets of which is the entire issued share capital of CCGC Development and CCGC Investment.

CCGC Development, a limited liability company incorporated in BVI and is wholly owned by Glory Path. The principal business of CCGC Development is investment holding and which owns as to approximately 92.9% registered capital of Jiyuan and approximately 71.9% registered capital of Luohe. Jiyuan is a joint venture enterprises established in the PRC and is principally engaged in the construction, operation and management of gas projects in Jiyuan City in the PRC. Luohe is a joint venture enterprises established in the PRC and is principally engaged in the construction, operation and management of gas projects in Luohe City in the PRC.

CCGC Investment, a limited liability company incorporated in BVI and is wholly owned by Glory Path. The principal business of CCGC Investment is investment holding and which owns as to approximately 93.2% registered capital of Jiaozuo. Jiaozuo is a joint venture enterprises established in the PRC and is principally engaged in the construction, operation and management of gas projects in Jiaozuo City in the PRC.

## **Sale Loans**

As at the date of the Sale and Purchase Agreement, an aggregate outstanding shareholder's loans owed by CCGC Investment and CCGC Development to Hezhong amounted to approximately HK\$164,610,000. Such outstanding shareholder's loans are unsecured, interest free and have no fixed terms of repayment.

## **Consideration**

The total consideration for the Acquisition is RMB300,000,000 (equivalent to approximately HK\$303,000,000) which was determined after arm's length negotiation between the parties to the Sale and Purchase Agreement and based on the 2006 Glory Path Group Net Profit as multiplied by a price-earnings multiples of approximately 10 times.

## **Payment**

Out of the total consideration for the Acquisition, RMB100,000,000 (equivalent to approximately HK\$101,000,000) will be satisfied by the allotment and issue of the Consideration Shares to Hezhong at the Completion Date and the remaining RMB200,000,000 (equivalent to approximately HK\$202,000,000) will be satisfied by cash in two instalments, of which the first instalment of RMB100,000,000 (equivalent to approximately HK\$101,000,000) will be settled within 30 days from the Completion Date; and the second instalment of RMB100,000,000 (equivalent to approximately HK\$101,000,000) will be settled within 90 days from the Completion Date.

The Company intends that the RMB200,000,000 (equivalent to approximately HK\$202,000,000) cash consideration will be funded out of proceeds from possible debt or equity financing to be considered by the Board.

The price per Consideration Share will be HK\$1.08 which was determined after arm's length negotiation between the parties to the Sale and Purchase Agreement and on normal commercial terms with reference to the average closing price of approximately HK\$1.06 per Share for the last 5 consecutive trading days up to and including 30 April 2007. Based on the price of HK\$1.08 per Consideration Share, 93,726,000 Consideration Shares will be allotted and issued, which represent approximately 5.9% and 5.6% of existing and enlarged issued share capital of the Company respectively. The Consideration Shares shall rank *pari passu* with the Shares.

An EGM will be held for approving (i) the special mandate to be granted to the Directors to allot, issue and deal with the Consideration Shares and (ii) the Sale and Purchase Agreement and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares). Any vote exercised by the Independent Shareholders at the EGM shall be taken by poll.

The Consideration Shares will be issued at a price of HK\$1.08 per Share, which is:

- (1) at a discount of approximately 10.0% of the closing price of HK\$1.20 per Share as quoted on the Stock Exchange on 30 April 2007, being the last trading day preceding the entering into of the Sale and Purchase Agreement;
- (2) at a premium of approximately 2.08% over the average closing price of approximately HK\$1.058 per Share for the last 5 consecutive trading days preceding the entering into of the Sale and Purchase Agreement up to and including 30 April 2007.
- (3) at a premium of approximately 20.1% over the average closing price of approximately HK\$0.90 per Share for the last 10 consecutive trading days preceding the entering into of the Sale and Purchase Agreement up to and including 30 April 2007.
- (4) at a premium of approximately 56.0% over the average closing price of approximately HK\$0.69 per Share for the last 30 consecutive trading days preceding the entering into of the Sale and Purchase Agreement up to and including 30 April 2007.
- (5) at an approximately 7.7 times over the net assets value per Share of approximately HK\$0.14 per Share based on the Group's net assets value as at 31 December 2006 of approximately HK\$0.14.

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

There is no restriction as to subsequent sale of the Consideration Shares.

## **Profit Guarantee and Adjustments on the Consideration**

Pursuant to the Sale and Purchase Agreement, Hezhong will guarantee to the Purchaser that the audited consolidated net profit of CCGC Gas Group (“**Audited Net Profit**”) for the year ending 31 December 2007 to be prepared in accordance with accounting principles generally accepted in Hong Kong will not be less than RMB30 million (equivalent to approximately HK\$30.3 million) (“**Guaranteed Profit**”). Should the Audited Net Profit in the year ending 31 December 2007 is less than RMB30 million (equivalent to HK\$30.3 million), Hezhong shall pay the Purchaser balance of the Guaranteed Profit.

Should the Audited Net Profit in the year ending 31 December 2007 is greater than RMB30 million (equivalent to HK\$30.3 million), the amount in excess of the Guaranteed Profit shall be kept by the Purchaser.

The Company undertakes to make further announcement as and when appropriate if Guaranteed Profit is less than the amount guaranteed in compliance with the relevant GEM Listing Rules.

## **Conditions precedent**

Completion of the Sale and Purchase Agreement is conditional upon the following conditions:

- (a) Hezhong and the Purchaser having obtained all the necessary approvals and consents from their respective board and shareholders pertaining to the sale and purchase of the Sale Shares;
- (b) there being no matter, fact or circumstances which constitutes or is likely to constitute any breach of the provisions or the warranties given by Hezhong as set out in the Sale and Purchase Agreement;
- (c) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Consideration Shares;
- (d) the passing by the Independent Shareholders at the EGM of the necessary resolutions to approve the Sale and Purchase Agreement and any transactions contemplated thereunder (including but not limited to the allotment and issue of the Consideration Shares);
- (e) issue of a PRC legal opinion, by a PRC legal counsel designated by the Purchaser in relation to the transactions contemplated under the Sale and Purchase Agreement, in form and substance satisfactory to the Purchaser;
- (f) the Purchaser being fully satisfied (in its sole and absolute discretion) with the results of the due diligence exercises on the assets, liabilities, operations and business of CCGC Gas Group to be carried out by the Company and/or its representatives; and
- (g) Hezhong shall, before Completion, procure the Suppliers’ Loan to be repaid in full.

## **Suppliers' and distributors' Loan**

As at the date of the Sale and Purchase Agreement, the suppliers and distributors of the Gas Companies owe the Gas Companies an aggregate amount of approximately RMB185,000,000 (equivalent to approximately HK\$187,000,000), being the deposits of the products supplied by the suppliers to the Gas Companies. Pursuant to the Sale and Purchase Agreement, the parties agreed that on or before Completion, Hezhong shall procure the Suppliers' Loan to be repaid to the Gas Companies in full.

## **Completion**

Completion shall take place on the fifth business day immediately after all conditions have been fulfilled or waived except the conditions precedent (a), (c), (d) and (f) set out above which cannot be waived by either parties. The Consideration Shares will be allotted and issued to Hezhong at Completion.

If any of the conditions cannot be satisfied (or waived) at or before 12:00 noon on 30 June 2007 or such other date as may be agreed in writing between Hezhong and the Purchaser, the Sale and Purchase Agreement shall cease or terminate.

## **INFORMATION ON THE GROUP**

As at the date of this announcement, the Group is principally engaged in (i) the exploration, development and production of coal-bed methane and the sale of coal-bed methane in the PRC; and (ii) the development, construction and operation of natural gas projects in the PRC, which include design and construction of natural gas pipeline network and ancillary facilities and sale of natural gas, as well as sale and maintenance of natural gas appliances.

The following table shows the audited consolidated financial information of the Group for the two years ended 31 December 2006:

	<b>1 January 2006 to 31 December 2006</b>	<b>1 January 2005 to 31 December 2005</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets (excluding minority interests)	183,324	167,231
Profit before tax	7,098	4,386
Net profit attributable to Shareholders	6,856	3,436

## **INFORMATION ON HEZHONG AND THE GAS COMPANIES**

Hezhong, is the controlling shareholder of the Company, it holds approximately 54.9% of the Shares and owns the entire issued share capital of Glory Path, it is the connected person of the Company.

CCGC Development, which is wholly owned by Glory Path as at the date of this announcement, was incorporated in BVI on 16 August 2002. It is an investment holding company and has no other business save for the holding of Jiyuan and Luohe.

CCGC Investment, which is wholly owned by Glory Path as at the date of this announcement, was incorporated in BVI on 9 July 2002. It is an investment holding company and has no other business save for the holding of Jiaozuo.

Jiyuan, Luohe, Luohe Installation, Jiaozuo and Jiaozuo Installation are Chinese-foreign cooperative joint ventures and to the best of the Directors' knowledge, information and believes, having made all reasonable enquiries, their minority shareholders and their ultimate beneficial owners are Independent Third Parties.

Jiyuan was established on 21 November 2002 in Jiyuan City, Henan Province, the PRC. It is mainly engaged in the construction, operation and management of gas projects in Jiyuan City which include design and construction of natural gas pipeline network and ancillary facilities and sale of natural gas and coal gas to industrial/commercial and household users, as well as sale and maintenance of gas appliances. Jiyuan is owned as to approximately 92.9% by CCGC Development and as to approximately 7.1% by Jiyuan City Gas Company Limited (濟源市煤氣有限責任公司)#. According to official statistics from the Jiyuan municipal government, its GDP for 2005 was approximately RMB14.4 billion, which grew by approximately 18.5% from 2004. It had a population of about 660,000 in 2005.

Luohe was established on 16 September 2003 in Luohe City, Henan Province, the PRC. It is mainly engaged in the construction, operation and management of gas projects in Luohe City which include design and construction of natural gas pipeline network and ancillary facilities and sale of natural gas and liquefied petroleum gas to industrial/commercial and household users, as well as sale and maintenance of gas appliances. Luohe is owned as to approximately 71.9% by CCGC Development and as to approximately 28.1% by Luohe City Natural Gas Company Limited (漯河市天然氣有限公司)#. According to official statistics from the Luohe municipal government, Luohe City's GDP for 2005 was approximately RMB32.2 billion, which grew by approximately 15.8% from 2004. It had a population of about 2.5 million in 2005.

Jiaozuo was established on 25 October 2002 in Jiaozuo City, Henan Province, the PRC. It is mainly engaged in the construction, operation and management of gas projects in Jiaozuo City which include design and construction of natural gas pipeline network and ancillary facilities and sale of natural gas and petroleum gas to industrial/commercial and household users, as well as sale and maintenance of gas appliances. Jiaozuo is owned as to approximately 93.2% by CCGC Investment and as to approximately 6.8% by Jiaozuo City City Construction Investment Development Company Limited (焦作市城市建設投資開發有限公司)#. According to official statistics from the Jiaozuo municipal government, Jiaozuo City's GDP for 2005 was approximately RMB57.9 billion, which grew by approximately 27.1% from 2004. It had a population of about 3.5 million in 2006.

Luohe Installation was established on 9 August 2005 in Luohe City, Henan Province, the PRC. It is mainly engaged in the construction and set up of natural gas pipeline, infrastructure and ancillary facilities. Luohe Installation is owned as to 95% by Luohe and as to 5% by Henan Zhongyu Gas Holdings Company Limited (河南中裕然氣控股有限公司)#, an Independent Third Party.

Jiaozuo Installation was established on 22 September 2005 in Jiaozuo City, Henan Province, the PRC. It is mainly engaged in the construction and set up of natural gas pipeline, infrastructure and ancillary facilities. Jiaozuo Installation is owned as to 95% by Jiaozuo and as to 5% by Henan Zhongyu Gas Holdings Company Limited (河南中裕然氣控股有限公司)#, an Independent Third Party.

The original purchase costs of CCGC Development and CCGC Investment when they were acquired by Hezhong on 23 March 2003 were HK\$97,800,000 and HK\$70,000,000 respectively.

The following table shows the unaudited consolidated financial information of Glory Path Group for the two years ended 31 December 2006 prepared in accordance with accounting principles generally accepted in Hong Kong:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2006</b>	<b>2005</b>
	<i>HK\$</i>	<i>HK\$</i>
Turnover	242,243	143,065
Profit (Loss) before and after taxation	34,904	(2,187)
	<b>As at</b>	<b>As at</b>
	<b>31 December</b>	<b>31 December</b>
	<b>2006</b>	<b>2005</b>
	<i>HK\$</i>	<i>HK\$</i>
Total assets	700,120	632,942
Total liabilities	(675,570)	(641,053)
Current liabilities	(473,847)	(495,954)
Non-current liabilities	(201,723)	(145,099)
Net assets (liabilities) (excluding minority interest)	24,550	(8,111)



## CHANGES OF SHAREHOLDING OF THE COMPANY IMMEDIATELY BEFORE AND AFTER COMPLETION

Name	Number of Shares interested as at the date of this announcement	Approximate percentage of the existing issued share capital of the Company	Number of Shares interested immediately after Completion	Approximate percentage of the enlarged issued share capital of the Company
Hezhong	872,505,542	54.87%	966,231,542	57.38%
Public	<u>717,680,000</u>	<u>45.13%</u>	<u>717,680,000</u>	<u>42.62%</u>
<b>Total</b>	<u>1,590,185,542</u>	<u>100.00%</u>	<u>1,683,911,542</u>	<u>100.00%</u>

As the Shares commenced trading on GEM on 5 June 2001 and the market capitalisation of the Company as at such date did not exceed HK\$1,000 million, the minimum prescribed percentage of Shares in the hands of public is 20% in accordance with note 2 to Rule 11.23 (1) of the GEM Listing Rules.

### REASONS FOR THE ACQUISITIONS

The Directors are of the view that the entering into of the Sale and Purchase Agreement could provide an opportunity for the Group to further invest in the natural gas business in the PRC in order to enlarge the geographical coverage of its operations.

As mentioned above, the three cities in which the Gas Companies operate, namely Jiyuan City, Luohe City, Jiaozuo City, have a total population of over 6.6 million. Their GDPs have increased by over 22.3% annually as well.

The Directors believe that demand for natural gas in the three cities will grow and the Gas Companies will generate assets and profits in the near future. Furthermore, the Directors are of the view that the Acquisitions would provide steady cash flows to the Group.

As such, the entering into of the Sale and Purchase Agreement could provide an opportunity for the Group to increase its source of income and improve the earning base of the Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Sale and Purchase Agreement are fair and reasonable and of normal commercial terms and that the Sale and Purchase Agreement are in the interests of the Company and the Shareholders as a whole.

### GENERAL

The Acquisitions constitute a very substantial acquisition pursuant to Rule 19.06(5) of the GEM Listing Rules. Given that Hezhong is the controlling Shareholder and owns the entire issued share capital of Glory Path, the Acquisitions also constitute a connected transaction of the Company pursuant to Rule 20.13(1)(a) of the GEM Listing Rules. Accordingly, the

Acquisitions are subject to the approval of the Independent Shareholders at the EGM. In accordance with the GEM Listing Rules, Hezhong who holds approximately 54.9% of the Shares, and its associates will abstain from voting on the ordinary resolutions to approve (i) the special mandate to be granted to the Directors to allot, issue and deal with the Consideration Shares; and (ii) the Sale and Purchase Agreement and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares). Any vote exercised by the Independent Shareholders at the EGM shall be taken by poll. An independent board committee of the Company will be established to consider the Acquisitions and to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement are fair and reasonable, whether the Acquisitions are in the interests of the Company and the Shareholders as a whole, the special mandate to be granted to the Directors to allot, issue and deal with the Consideration Shares and to advise the Shareholders on how to vote. An independent financial adviser will be appointed to advise the independent board committee of the Company and the Independent Shareholders regarding the Acquisitions.

A circular containing, among other things, (i) details of the Sale and Purchase Agreement; (ii) the recommendation of the independent board committee of the Company in relation to the Acquisitions and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares) and the special mandate to be granted to the Directors to allot, issue and deal with the Consideration Shares; (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 and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares); and (iv) a notice convening the EGM, will be dispatched to the Shareholders as soon as practicable in accordance with the GEM Listing Rules.

At the request of the Company, trading in the Shares on GEM has been suspended with effect from 2:30p.m. on 30 April 2007, pending the issue of this announcement. Application has been made to the Stock Exchange for the resumption of trading in the Shares from 9:30 a.m. on 8 May 2007.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“2006 Glory Path Group Net Profit”	The unaudited consolidated net profit after tax and minority interest of Glory Path for the year ended 31 December 2006 based on generally accepted accounting principles in Hong Kong
“Acquisitions”	the proposed acquisition of the Sale Shares and the Sale Loans by the Purchaser from Hezhong pursuant to the Sale and Purchase Agreement
“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors

“BVI”	British Virgin Islands
“CCGC Development”	China City Gas Construction Development Limited (中國城市燃氣建設發展有限公司)#. It is an investment holding company incorporated in BVI on 16 August 2002 and the entire issued share capital of which is wholly and beneficially owned by Glory Path
“CCGC Gas Group”	including CCGC Development, CCGC Investment and the Gas Companies
“CCGC Investment”	China City Gas Construction Investment Limited (中國城市燃氣建設投資有限公司)#. It is an investment holding company incorporated in the BVI on 9 July 2002 and the entire issued share capital of which is wholly and beneficially owned by Glory Path
“Company”	Zhongyu Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability, which is principally engaged in the investment holding and whose issued Shares are listed on GEM
“Completion”	completion of the Sale and Purchase Agreement
“Consideration Shares”	93,726,000 new Shares to be issued as partial consideration for the proposed acquisition of the Sale Shares and the Sale Loans
“Directors”	the directors, including independent non-executive directors, of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve (i) the special mandate to be granted to the Directors to allot, issue and deal with the Consideration Shares; and (ii) the Sale and Purchase Agreement and the transaction contemplated thereunder (including but not limited to allot and issue of the Consideration Shares)
“Gas Companies”	Jiyuan, Luohe, Luohe Installation, Jiaozuo and Jiaozuo Installation
“Gas Projects”	businesses operated by Jiyuan, Luohe, Luohe Installation, Jiaozuo and Jiaozuo Installation
“GDP”	Gross Domestic Product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Glory Path”	Glory Path Investments Limited 榮通投資有限公司. It is an investment holding company incorporated in BVI on 9 January 2007 and the entire issued share capital of which is wholly and beneficially owned by Hezhong
“Glory Path Group”	Glory Path and its subsidiaries

“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 date of this announcement, Hezhong holds approximately 54.9% of the issued share capital of the Company, it is a connected person of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Shareholders”	Shareholders other than Hezhong and its associates
“Independent Third Party”	a party which is independent of and not connected with the Company, any director, chief executive, substantial shareholder or management shareholder of the Company or any of its subsidiaries or an associate of any of them
“Jiaozuo”	Jiaozuo China-Gas City Gas Development Co. Ltd. (焦作中燃城市燃氣發展有限公司) #
“Jiaozuo Installation”	Jiaozuo China-Gas Gas Project Install Co. Ltd. (焦作中燃燃氣工程安裝有限公司) #
“Jiyuan”	Jiyuan Zhongyu Gas Co. Ltd. (濟源中裕燃氣有限公司) #
“Luohe”	Luohe Zhongyu Gas Co. Ltd. (漯河中裕燃氣有限公司) #
“Luohe Installation”	Luohe Zhongyu Gas Project Installation Co. Ltd. (漯河中裕燃氣工程安裝有限公司) #
“PRC”	The People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administration Region of the PRC and Taiwan
“Purchaser”	Zhongyu Gas Investment Limited, a company incorporated in the BVI with limited liability, a wholly owned subsidiary of the Company
“Sale Loans”	outstanding shareholder’s loans in an aggregate amount of approximately HK\$164,610,000 owed by CCGC Investment and CCGC Development as at the date of the Sale and Purchase Agreement, which are unsecured, interest free and have no fixed terms of repayment
“Sale Shares”	one ordinary share of US\$1.00 each in the share capital of Glory Path (being the entire issued share capital of Glory Path)

“Shareholder(s)”	shareholders of the Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 2 May 2007 entered into between the Purchaser and Hezhong in respect of the sale and purchase of the Sale Shares and the Sale Loans
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Suppliers’ Loan”	the outstanding deposits in an aggregate amount of approximately RMB185,000,000 (equivalent to approximately HK\$187,000,000) owed by the suppliers and the distributors of the Gas Companies to the Gas Companies as at the date of the Sale and Purchase Agreement which are unsecured, interest free and have no fixed terms of repayment
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	the United States dollars, the lawful currency of the United States
“%”	per cent

*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.*

*For the purpose of this announcement, unless otherwise indicated, conversion of US\$ into HK\$ is calculated at the approximate exchange rate of US\$1.00 to HK\$7.80. 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.*

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

Hong Kong, 7 May 2007

# *the English translations of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or word.*

*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 issuer. 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.*