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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)

DISCLOSEABLE TRANSACTION

On 22 June 2011, Xusheng as transferor and Linyi China Gas, a non-wholly owned subsidiary of the Company, as transferee entered into the Equity Transfer Agreement pursuant to which Xusheng has agreed to transfer to Linyi China Gas 33% of the equity interest in Linyi Shanlin held by it in accordance with the terms of the Equity Transfer Agreement.

Linyi China Gas currently owns as to 67% of the total equity interest in Linyi Shanlin. After completion of the transactions contemplated under the Equity Transfer Agreement, Linyi China Gas will own the entire equity interest in Linyi Shanlin.

INTRODUCTION

On 22 June 2011, Xusheng as transferor and Linyi China Gas, a non-wholly owned subsidiary of the Company, as transferee entered into the Equity Transfer Agreement pursuant to which Xusheng has agreed to transfer to Linyi China Gas 33% of the equity interest in Linyi Shanlin held by it in accordance with the terms of the Equity Transfer Agreement.

Linyi China Gas currently owns as to 67% of the total equity interest in Linyi Shanlin. After completion of the transactions contemplated under the Equity Transfer Agreement, Linyi China Gas will own the entire equity interest in Linyi Shanlin.

EQUITY TRANSFER AGREEMENT

Date of the Equity Transfer Agreement: 22 June 2011

Parties:

- (1) Xusheng as transferor
- (2) Linyi China Gas as transferee

Assets to be acquired:	33% of the equity interest in Linyi Shanlin
Consideration:	RMB16.8 million (equivalent to approximately HK\$19.8 million), of which RMB8.4 million (equivalent to approximately HK\$9.9 million) is payable by Linyi China Gas to Xusheng upon the signing of the Equity Transfer Agreement. The balance of RMB8.4 million (equivalent to approximately HK\$9.9 million) shall be paid by Linyi China Gas to Xusheng within 7 days after the registration of the transfer of equity interest with the relevant authorities.
Other terms:	An amount of RMB774,489.79 (equivalent to approximately HK\$913,897.95) which is owed by Xusheng to Linyi Shanlin shall be deducted from the Consideration payable to Xusheng and shall be paid by Linyi China Gas directly to Linyi Shanlin to offset Xusheng's indebtedness towards Linyi Shanlin

BASIS FOR DETERMINATION OF THE CONSIDERATION AND PAYMENT

The Consideration was determined after arm's length negotiation between the parties to the Equity Transfer Agreement with reference primarily to the net profits of Linyi Shanlin for the year ended 31 December 2010, multiplied by a price-earnings multiple of approximately 6 times.

The Group intends that the Consideration payable under the Equity Transfer Agreement will be funded by internal resources.

NET ASSET VALUE AND NET PROFITS ATTRIBUTABLE TO THE ASSETS TO BE ACQUIRED

The net asset value as at 31 December 2010 and the net profits (both before and after taxation and extraordinary items) of Linyi Shanlin for the years ended 31 December 2009 and 31 December 2010, based on the unaudited financial statements of Linyi Shanlin (which were prepared in accordance with accounting principles generally accepted in the PRC), are as follows:

	<i>RMB'000</i>	<i>HK\$'000</i> equivalent (approximate)
Net profits for year ended 31 December 2009:		
Before taxation and extraordinary items:	3,971	4,686
After taxation and extraordinary items:	3,173	3,744
Net profits for year ended 31 December 2010:		
Before taxation and extraordinary items:	11,834	13,964
After taxation and extraordinary items:	8,857	10,451
Net asset value as at 31 December 2010:	26,270	30,999

REASONS AND BENEFIT FOR TRANSACTION

Linyi Shanlin was established on 6 January 2008 in Linshu County, Shandong Province, the PRC with limited liability. It is principally engaged in the business of the supply of pipeline natural gas and the sale and installation of gas equipment in the Economic Development Zone of Linshu County, Shandong Province, the PRC.

Linyi China Gas currently owns as to 67% of the total equity interest in Linyi Shanlin. After completion of the transactions contemplated under the Equity Transfer Agreement, Linyi China Gas will own the entire equity interest in Linyi Shanlin.

The Directors (including independent non-executive Directors) are of the view that the Transaction will enhance the earning base of the Group.

Accordingly, the Directors (including independent non-executive Directors) believe that the terms of the Equity Transfer Agreement are fair and reasonable and are in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Group is principally engaged in the investment, operation and management of city gas pipeline infrastructure in the PRC, which includes the design and construction of natural gas pipeline network, the supply of pipeline natural gas and the sale and installation of gas equipment.

INFORMATION ON XUSHENG

Xusheng is a limited liability company established in Taian City, Shandong Province, the PRC. It is principally engaged in the development, manufacturing and sale of mechanical, electrical and photoelectric products, and the sale of rubber products, tires and automobile appliances.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Xusheng and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Transaction exceed 5% but all those applicable percentage ratios are less than 25%, the Transaction constitutes a discloseable transaction of the Company under the GEM Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Board”	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
“Consideration”	the consideration for the Transaction of RMB16.8 million (equivalent to approximately HK\$19.8 million)
“Equity Transfer Agreement”	the equity transfer agreement (股權轉讓協議) dated 22 June 2011 entered into between Xusheng as transferor and Linyi China Gas as transferee in relation to the transfer of 33% of the equity interest in Linyi Shanlin
“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
“Linyi China Gas”	臨沂中燃城市燃氣建設發展有限公司 (Linyi China Gas City Gas Construction Company Limited), a non-wholly owned subsidiary of the Company established in the PRC with limited liability
“Linyi Shanlin”	臨沂山林燃氣有限公司 (Linyi Shanlin Gas Company Limited), a non-wholly owned subsidiary of the Company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“PRC”	The People’s Republic of China, excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transaction”	the transfer of 33% of the equity interest in Linyi Shanlin contemplated under the Equity Transfer Agreement
“Xusheng”	泰安市旭升電子科技有限公司 (Taian City Xusheng Electronics Technology Company Limited), a company established in the PRC with limited liability
“%”	per cent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1 = HK\$1.18 has been used for currency translation, where applicable. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount in HK\$ or RMB have been, could have been or may be converted at such or any other rates or at all.

By Order of the Board of
ZHONGYU GAS HOLDINGS LIMITED
Wang Wen Liang
Chairman and Executive Director

Hong Kong, 22 June 2011.

As at the date of this announcement, the executive Directors are Mr. Wang Wenliang, Mr. Lu Zhaoheng and Mr. Lui Siu Keung, the non-executive Director is Mr. Xu Yongxuan and the independent non-executive Directors are Mr. Li Chunyan, Dr. Luo Yongtai and Mr. Hung, Randy King Kuen.

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 Company. 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 or deceptive; (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 <http://www.hkgem.com> on the “Latest Company Announcements” page for 7 days from the date of its publication and on the Company’s website at <http://www.zygas.com.cn>.