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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)

PLACING OF NEW SHARES

Placing Agent



KingswayGroup

Kingsway Financial Services Group Limited

On 8 April 2011 after trading hours, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent has agreed to place, on a best effort basis, to not less than six independent Placers for up to 394,000,000 new Shares at a price of HK\$0.41 per Placing Share, for and on behalf of the Company.

The Placing is conditional upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Placing Shares. If such condition is not fulfilled, the Placing will not proceed.

The maximum number of 394,000,000 Placing Shares represents approximately 19.96% of the entire issued share capital of the Company of 1,974,007,684 Shares as at the date of this announcement and approximately 16.64% of the Company's entire issued share capital as enlarged by the Placing. The gross proceeds from the Placing are estimated to be approximately HK\$161.54 million (assuming the Placing Shares are fully placed). The net proceeds from the Placing of approximately HK\$159.52 million (assuming the Placing Shares are fully placed and after all relevant expenses are deducted) will be used for repaying the Shareholder's Loan and all interest accrued thereon and the remaining proceeds (if any) will be used for general working capital of the Group.

Pursuant to the terms of the Shareholder's Loan, the Company is required to obtain the prior written consent of China Gas before it issues any new Shares. The Company has previously sought the written consent of China Gas for a placing of shares to restore the public float of the Company but China Gas has declined to give such consent. Having considered independent legal advice on the aforesaid matters, the failure to obtain China Gas's consent is an event of default under the terms of the Shareholder's Loan upon which China Gas is entitled to demand immediate repayment of the Shareholder's Loan and all interest accrued thereon. The Company would also be liable to China Gas for all losses, expenses and liabilities which China Gas may sustain or incur by reason of such event of default. However, as the net proceeds will be applied to repay the outstanding amount under the Shareholder's Loan and all interest accrued thereon, the Board (save for Mr. Xu Chao Ping who abstained from voting because he was nominated by China Gas to the Board) considers that it is in the best interests of the Company to proceed with the Placing notwithstanding that China Gas has not provided written consent. The Board does not consider that the Placing would result in any material adverse financial or operational impact on the Group.

THE PLACING AGREEMENT

Date: 8 April 2011

Vendor: The Company

Placing Agent: Kingsway Financial Services Group Limited. As the Placing Agent is part of a listed group of companies, the Company is unable to identify if all the ultimate beneficial owners of the Placing Agent are Independent Third Parties. However, to the best of the Company's knowledge, information and belief after making reasonable enquiries, the Placing Agent, its directors and substantial shareholders (as defined under the GEM Listing Rules) are Independent Third Parties.

Placees: The Placing Shares will be placed to not less than six Placees (who will be independent, institutional, professional and/or private investors) and their ultimate beneficial owners will be Independent Third Parties. It is expected that no Placee will become a substantial Shareholder (as such term is defined in the GEM Listing Rules) immediately following completion of the Placing.

Number of Placing Shares: Up to 394,000,000 new Shares, to be placed by the Placing Agent on a best effort basis. Assuming the Placing Shares are fully placed, the Placing Shares represents approximately 19.96% of the entire issued share capital of the Company of 1,974,007,684 Shares as at the date of this announcement and approximately 16.64% of the Company's entire issued share capital as enlarged by the Placing.

Placing Price: HK\$0.41 per Placing Share. The net Placing Price is estimated to be HK\$0.405 per Placing Share which represents the Placing Price net of all costs and expenses incurred by the Placing Agent in connection with the Placing. The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent, with reference to, among other things, the recent trading price of the Shares on the Stock Exchange. The Placing Price represents:

- (a) a discount of approximately 14.58% to the closing price of HK\$0.48 per Share as quoted on the Stock Exchange on 8 April 2011, being the date of the Placing Agreement; and
- (b) a discount of approximately 16.50% to the average closing price of approximately HK\$0.491 per Share as quoted on the Stock Exchange for the last 5 full trading days of the Shares immediately before the date of the Placing Agreement.

The gross proceeds from the Placing are estimated to be approximately HK\$161.54 million (assuming the Placing Shares are fully placed).

The Company will bear the costs and expenses in connection with the Placing and the net proceeds from the Placing is estimated to be approximately HK\$159.52 million (assuming the Placing Shares are fully placed and after all relevant expenses are deducted).

Placing Commission: The Placing Agent will receive a placing fee of 1.25% on the gross proceeds of the Placing.

General Mandate: The Placing Shares will be issued pursuant to the general mandate to allot, issue and deal with Shares granted to the Directors by resolution of the Shareholders passed at the Company's annual general meeting held on 23 July 2010 for up to 394,801,536 Shares. As at the date of this Announcement, no Share has been issued pursuant to such general mandate.

Ranking of Placing Shares: The Placing Shares, when issued and fully paid, will rank pari passu among themselves and with Shares in issue at the time of issue and allotment of the Placing Shares.

Conditions to the Placing: The Placing is conditional upon the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Placing Shares.

Application will be made to the Stock Exchange for approval for the listing of and permission to deal in the Placing Shares.

The Placing is not subject to Shareholders' approval.

Completion of the Placing: Subject to the satisfaction of all the conditions set out above, the Placing is expected to be completed on or before 7 May 2011 or such later time and/or such other date as the Placing Agent and the Company may agree.

Termination: The Placing Agent may terminate the Placing Agreement prior to completion of the Placing Agreement if in the absolute opinion of the Placing Agent the success of the Placing or the business or financial prospects of the Group would or is likely to be materially and adversely affected by:

- (a) the introduction of any new laws or regulations or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Company and its subsidiaries as a whole; or
- (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before and/or after the date hereof) of a political, military, financial, economic, currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not sui generis with any of the foregoing), or in the nature of any local, national, international outbreak or escalation of hostilities or armed conflict, or affecting local securities market or the occurrence of any combination of circumstances which may, in the absolute opinion of the Placing Agent, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or adversely prejudices the success of the Placing (such success being the placing

of the Placing Shares to potential investor(s)) or otherwise makes it inexpedient or inadvisable for the Company or the Placing Agent to proceed with the Placing; or

- (c) any change in market conditions or combination of circumstances in Hong Kong (including without limitation suspension or material restriction or trading in securities) occurs which affect the success of the Placing (such success being the placing of the Placing Shares to potential investor(s)) or otherwise in the absolute opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing.

If, at or prior to 9:00 a.m. on the date of completion of the Placing:

- (a) the Company commits any material breach of or omits in any material respect to observe any of the obligations or undertakings expressed or assumed under the Placing Agreement; or
- (b) any suspension in the trading of the Shares on the Stock Exchange for more than ten consecutive trading days; or
- (c) the Placing Agent shall become aware of the fact that any of the representations or warranties on the part of the Company contained in the Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated the Placing Agent shall reasonably determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or will otherwise likely to have a material prejudicial effect on the Placing;

the Placing Agent shall be entitled by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Placing Agent from its obligations under the Placing Agreement.

EFFECT OF THE PLACING ON SHAREHOLDING STRUCTURE

The shareholding structure in the Company as at the date of this announcement and immediately after completion of the Placing are and will be as follows:

Shareholders	As at the date of this announcement		Immediately after completion of the Placing ⁽¹⁾	
	No. of Shares held	% of total issued share capital (%)	No. of Shares held	% of total issued share capital (%)
Rich Legend International Limited	1,111,934,142	56.33	1,111,934,142	46.96
Hezhong Investment Holding Company Limited ⁽²⁾	567,453,542	28.75	567,453,542	23.96
Mr. Wang Wenliang ⁽³⁾	1,166,000	0.06	1,166,000	0.05
Public Shareholders				
Existing Public Shareholders	293,454,000	14.86	293,454,000	12.39
Places	—	0.00	394,000,000	16.64
	<u>293,454,000</u>	<u>14.86</u>	<u>687,454,000</u>	<u>29.03</u>
TOTAL	<u>1,974,007,684</u>	<u>100.00</u>	<u>2,368,007,684</u>	<u>100.00</u>

Notes:

1. Assuming the Placing Shares are fully placed.
2. Based on the latest information available as at the date of this announcement, Mr. Wang Wenliang is beneficially interested in 60% of the issued share capital of Hezhong Investment Holding Company Limited.
3. Mr. Wang Wenliang is the chairman and a director of the Company.

REASONS FOR AND BENEFITS OF THE PLACING AND USE OF THE PROCEEDS

The Group is principally engaged in (i) the exploration, exploitation, development and production of coalbed methane and the sale of coalbed 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.

Reference is made to the announcement of the Company dated 22 February 2011, in relation to the public float of the Company. The waiver from the public float requirements under Rule 11.23 of the GEM Listing Rules granted by the Stock Exchange will end on 5 May 2011. As part of its obligations to comply with the GEM Listing Rules, the Company has decided to proceed with the Placing. Completion of the Placing will not only restore the Company's public float requirement but also enable it to apply the net proceeds from the Placing to repay the Shareholder's Loan and all interest accrued thereon in order to lower its gearing level. Accordingly, the Directors (save for Mr. Xu Chao Ping who abstained from voting because he was nominated by China Gas to the Board) considers that the Placing is in the interest of the Company and the Shareholders as a whole.

Pursuant to the terms of the Shareholder's Loan, the Company is required to obtain the prior written consent of China Gas before it issues any new Shares. The Company has previously sought the written consent of China Gas for a placing of shares to restore the public float of the Company but China Gas has declined to give such consent. Having considered independent legal advice on the aforesaid matters, the failure to obtain China Gas's consent is an event of default under the terms of the Shareholder's Loan upon which China Gas is entitled to demand immediate repayment of the Shareholder's Loan and all interest accrued thereon. The Company would also be liable to China Gas for all losses, expenses and liabilities which China Gas may sustain or incur by reason of such event of default. However, as the net proceeds will be applied to repay the outstanding amount under the Shareholder's Loan and all interest accrued thereon, the Board (save for Mr. Xu Chao Ping who abstained from voting because he was nominated by China Gas to the Board) considers that it is in the best interests of the Company to proceed with the Placing notwithstanding that China Gas has not provided written consent. The Board does not consider that the Placing would result in any material adverse financial or operational impact on the Group.

The Company will bear all costs and expenses of approximately HK\$2.02 million in connection with the Placing. The net proceeds of approximately HK\$159.52 million from the Placing (assuming the Placing Shares are fully placed and after all relevant expenses are deducted) will be used to repay the Shareholder's Loan and all interest accrued thereon and the remaining proceeds (if any) will be used for the general working capital of the Group.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the previous 12 months immediately preceding the date of this announcement.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	board of Directors

“Business Day”	a day (excluding Saturday) on which licensed banks in Hong Kong are generally open for business
“China Gas”	China Gas Holdings Limited, a substantial Shareholder of the Company
“Company”	Zhongyu Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Growth Enterprise Market of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Hong Kong”	the Hong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an independent third party, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, who is not a connected person of the Company and its connected persons
“Placee”	any institutional, professional and/or other private investor procured by the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agreement
“Placing”	the placing of the Placing Shares by the Company, through the Placing Agent, pursuant to the Placing Agreement
“Placing Agent”	Kingsway Financial Services Group Limited
“Placing Agreement”	the placing agreement entered into between the Company and the Placing Agent dated 8 April 2011 in relation to the Placing
“Placing Price”	HK\$0.41 per Placing Share
“Placing Shares”	a maximum of 394,000,000 new Shares to be placed pursuant to the Placing Agreement

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholder’s Loan”	the loan of US\$18,507,044.4 made by China Gas Holdings Limited to the Company pursuant to a loan agreement date 10 September 2010
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 8 April 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 Directors are Mr. Xu Yongxuan and Mr. Xu Chao Ping 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; (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>.