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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 9 September 2011, Zhengzhou Dongxin as transferor and Zhongyu Henan, a wholly owned subsidiary of the Company, as transferee entered into the Equity Transfer Agreement pursuant to which Zhengzhou Dongxin has agreed to transfer to Zhongyu Henan 100% of the equity interest in Nanjing Jingqiao held by it in accordance with the terms of the Equity Transfer Agreement.

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

INTRODUCTION

On 9 September 2011, Zhengzhou Dongxin as transferor and Zhongyu Henan, a wholly owned subsidiary of the Company, as transferee entered into the Equity Transfer Agreement pursuant to which Zhengzhou Dongxin has agreed to transfer to Zhongyu Henan 100% of the equity interest in Nanjing Jingqiao held by it in accordance with the terms of the Equity Transfer Agreement.

After completion of the transactions contemplated under the Equity Transfer Agreement, Zhongyu Henan will own the entire equity interest in Nanjing Jingqiao.

EQUITY TRANSFER AGREEMENT

Date of the Equity Transfer Agreement: 9 September 2011

Parties:

- (1) Zhengzhou Dongxin as transferor
- (2) Zhongyu Henan as transferee

Assets to be acquired:	100% of the equity interest in Nanjing Jingqiao
Consideration:	RMB97 million (equivalent to approximately HK\$118.34 million)
Payment terms:	The first two instalments each in the amount of RMB19.4 million (equivalent to approximately HK\$23.668 million), and each being 20% of the total consideration, is payable by Zhongyu Henan to Zhengzhou Dongxin within 1 month and 3 months from the date of the Equity Transfer Agreement respectively. The third instalment of RMB29.1 million (equivalent to approximately HK\$35.502 million), being 30% of the total consideration, is payable within 5 months from the date of the Equity Transfer Agreement. The balance of RMB29.1 million (equivalent to approximately HK\$35.502 million) shall be paid within 6 months after the date of the Equity Transfer Agreement.
Conditions:	Completion is conditional upon relevant approvals for the Transaction.
Completion:	The Transaction will complete on the third business day (or such other date as agreed by the parties) after fulfillment (or waiver, as the case may be) of the conditions set out in the Equity Transfer Agreement.
Other terms:	Zhengzhou Dongxin undertook not to directly or indirectly compete with the business of Nanjing Jingqiao for a five year period commencing on the date of completion of the transfer of the equity interest in Nanjing Jingqiao.

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 to the net asset value of Nanjing Jingqiao and its business prospects.

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

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

The net asset value as at 31 December 2010 and the net loss (both before and after taxation and extraordinary items) of Nanjing Jingqiao for the year ended 31 December 2010, based on the unaudited financial statements of Nanjing Jingqiao (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 loss for year ended 31 December 2010:		
Before taxation and extraordinary items:	29	35.38
After taxation and extraordinary items:	29	35.38
Net asset value as at 31 December 2010:	1,971	2,404.62

Based on a valuation report dated 15 August 2011 prepared by Henan Dagong Asset Appraisal Company (河南大公資產評估事務所), an independent valuer, the special operating rights of the natural gas pipeline infrastructure owned by Nanjing Jingqiao is valued at RMB105,698,300 as at 31 July 2011. The valuation was done using discounted cash flow method.

DISCLOSURE IN RELATION TO RULES 19.61 AND 19.62 OF THE HONG KONG LISTING RULES

Profit Forecast of the Assets of Nanjing Jingqiao

The appraised value of the special operating rights of Nanjing Jingqiao is based on the discounted cash flow method, and constitute profit forecast under Rule 19.61 of the GEM Listing Rules, and accordingly, the requirements under 19.60A and 19.62 of the GEM Listing Rules are applicable.

The Company has engaged its auditors to review the accounting policies and calculations for the profit forecast of the special operating rights on which the appraisal prepared by the independent valuer is based. It is currently expected that the auditors will complete their review report by 23 September 2011. A further announcement will be made by the Company when the auditor's report becomes available.

The Board has reviewed the principal assumptions upon which the profit forecast of the special operating rights set out in the valuation report is based, and is of the view that the profit forecast has been made after due care and enquiry.

The principal assumptions upon which the profit forecast of the special operating rights is based are as follows:

1. the appraisal complies with the national law and local government regulations and policies;
2. compliance with local industrial policies is a pre-condition for appraising the relevant assets of Nanjing Jingqiao, the applicable market price of the relevant assets are based on the effective price in the PRC as at the Valuation Date;
3. there are no unforeseeable material changes to the external economic position after the Valuation Date;
4. there are no unforeseeable factors which would cause disruptions to Nanjing Jingqiao's continuous operation, and the use of the relevant assets of Nanjing Jingqiao will remain unchanged;
5. the relevant basic information and financial information provided by Nanjing Jingqiao are true, accurate and complete;
6. the financial report or trading data of Nanjing Jingqiao used by the valuer are reliable;
7. security or guarantee which might have been taken for the relevant equity interest or assets are not considered for the purpose of the appraisal results, the possible changes in national macro-economic policy and the possible force majeure events are not considered for the purpose of the appraisal results; and
8. Nanjing Jingqiao is assumed to be able to continuously operate in accordance with the current operating methods even if its the debt cannot be paid on time, there is serious loss or any other conditions that would require Nanjing Jingqiao to sell the appraised assets for cash and then limit the operation.

Expert and Consent

The Board wishes to disclose that the following are the qualifications of the experts who have given opinions or advices:

Name	Qualification
Henan Dagong Asset Appraisal Company (河南大公資產評估事務所)	an independent professional valuer

As at the date of this announcement, Henan Dagong Asset Appraisal Company (河南大公資產評估事務所) does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

To the best of the Director's knowledge, information and belief, Henan Dagong Asset Appraisal Company (河南大公資產評估事務所) is a third party independent of and not connected with the Company or the connected persons (as defined in the GEM Listing Rules) of the Company and its subsidiaries.

Henan Dagong Asset Appraisal Company (河南大公資產評估事務所) has given and has not withdrawn its written consent to the issue of this announcement with the inclusion of its name in the form and context in which it appears.

REASONS AND BENEFIT FOR TRANSACTION

Nanjing Jingqiao was established on 12 June 2010 in Nanjing, the PRC with limited liability. It is principally engaged in the business of constructing natural gas reserves and related pipeline infrastructure projects in Jingqiao Town, Nanjing, the PRC.

Jingqiao Town is a major industrial town in Nanjing, Jiangsu Province, the PRC. The total area and population of the town is 150 square kilometers and 44,000 respectively. The industry in Jingqiao Town develops rapidly and its comprehensive economic strength keeps growing. There are 170 industrial enterprises in town with industrial output value of 2.52 billion yuan.

Zhengzhou Dongxin currently owns 100% of the total equity interest in Nanjing Jingqiao. After completion of the transactions contemplated under the Equity Transfer Agreement, Zhongyu Henan will own the entire equity interest in Nanjing Jingqiao.

The Directors (including independent non-executive Directors) are of the view that the Transaction will enhance the earning base and enlarge the geographical coverage 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 ZHENGZHOU DONGXIN

Zhengzhou Dongxin is a limited liability company established in Zhengzhou City, Henan Province, the PRC. It is principally engaged in the production and sale of aluminium products, construction and decorative materials, electrical products and general machinery.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Zhengzhou Dongxin 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 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 total consideration for the Transaction being RMB97 million (equivalent to approximately HK\$118.34 million)
“Equity Transfer Agreement”	the equity transfer agreement dated 9 September 2011 entered into between Zhengzhou Dongxin as transferor and Zhongyu Henan as transferee in relation to the transfer of 100% of the equity interest in Nanjing Jingqiao
“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
“Nanjing Jingqiao”	南京晶橋能源投資管理有限公司, a 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 100% of the equity interest in Nanjing Jingqiao contemplated under the Equity Transfer Agreement
“Valuation Date”	31 July 2011
“Zhengzhou Dongxin”	鄭州東信鋁業有限公司, a company established in the PRC with limited liability
“Zhongyu Henan”	中裕(河南)能源控股有限公司 (Zhongyu (Henan) Energy Holdings Limited), a wholly owned subsidiary of the 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\$1.22 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, 12 September 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>.

APPENDIX I – LETTER FROM THE BOARD RELATING TO THE PROFIT FORECAST OF THE SPECIAL OPERATING RIGHTS

The following is the text of a letter prepared for the purpose of incorporation in this announcement, executed by the Board of the Company.



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)

12 September 2011

Dear Sir or Madam,

We refer to the announcement of the Company dated 12 September 2011 (the “**Announcement**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

In accordance with the requirements under Rule 19.62(3) of the GEM Listing Rules, we confirm that the profit forecast of the special operating rights of the natural gas pipeline infrastructure owned by Nanjing Jingqiao has been made after due and careful enquiry by us.

By Order of the Board of
ZHONGYU GAS HOLDINGS LIMITED

Wang Wen Liang

Chairman and Executive Director