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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 ACQUISITION OF ASSETS IN JIAOZUO

On 6 September 2010, 焦作中燃城市燃氣發展有限公司 (“**Zhongyu JVC**”, a sino-foreign joint-venture subsidiary of the Company) entered into a framework agreement (“**Framework Agreement**”) with the State-owned Assets Supervision and Administration Commission of Jiaozuo City of the People’s Republic of China (“**Commission**”) in respect of, among other things, the sale and purchase of certain assets and liabilities, which mainly comprise of gas pipeline networks in the area of Jiaozuo City.

The Framework Agreement was entered into to secure the approval from the Commission for Zhongyu JVC to acquire the Assets together with the Liabilities from the Government Enterprise through the JV Partner. As part of the legal formalities to effect the Framework Agreement, separate agreements have been simultaneously entered into between the JV Partner and Zhongyu JVC in relation to the matters set out in the Framework Agreement on the same date as the Framework Agreement.

As the applicable percentage ratios defined under Rule 19.07 of the Listing Rules in relation to the transactions contemplated under the Framework Agreement exceed 5% but are less than 25%, the transactions contemplated under the Framework Agreement constitute discloseable transactions for the Company under Chapter 19 of the Listing Rules.

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Prior to the establishment of Zhongyu JVC, the Assets (as defined below) were operated by a PRC state-owned government enterprise (“**Government Enterprise**”). The Assets were intended to be sold to Zhongyu JVC when it was established in October 2002, between 中國城市燃氣建設有限公司 (a wholly-owned subsidiary of the Company) and 焦作市建設投資(控股)有限公司 (a wholly-owned subsidiary of the Government Enterprise, “**JV Partner**”). Due to delays in obtaining the requisite PRC government approvals for the transfer of the Assets, it was agreed at that time that Zhongyu JVC would lease the Assets from the Government Enterprise until the requisite PRC government approvals were obtained. Since October 2002, the Government Enterprise had incurred various expenses and liabilities (“**Liabilities**”) in relation to the maintenance and leasing of the Assets to Zhongyu JVC.

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## **FRAMEWORK AGREEMENT**

### **Date:**

6 September 2010

### **Parties:**

- (1) Commission; and
- (2) Zhongyu JVC

### **Principle Terms:**

Pursuant to the Framework Agreement, the parties agreed that:-

- (1) Zhongyu JVC would acquire from the JV Partner, certain gas network facilities, real property and land use rights of the JV Partner valued at RMB21,366,000 (equivalent to approximately HK\$24,570,900) (“**Original Assets**”);
- (2) Zhongyu JVC would further acquire (i) gas network facilities, real property and land use rights of the JV Partner located at Lao Cheng District (老城區) valued at RMB60,902,900 (equivalent to approximately HK\$70,038,335) and (ii) the JV Partner would transfer the assets of its three branch companies to Zhongyu JVC without further consideration (the assets mentioned in (i) and (ii) referred to as “**Lao Cheng Assets**”);

(The Original Assets and Lao Cheng Assets, together referred to as the “**Assets**”)

- (3) Zhongyu JVC would acquire from the JV Partner, a storefront space located opposite Jiefang road Yuan Shi Ren Da (解放路原市人大) in the PRC, with an area of 189.98 square meters at a consideration of RMB900,000 (equivalent to approximately HK\$1,035,000) (“**Storefront**”);
- (4) Zhongyu JVC and the JV Partner would set-off accumulated leasing fees of the Assets incurred during the period between November 2002 to December 2009 in the aggregate amount of RMB50,647,600 (equivalent to approximately HK\$58,244,740) against certain loan interest repayments and compensation due from the JV Partner to Zhongyu JVC in the amount of RMB51,618,700 (equivalent to approximately HK\$59,361,505) (“**Set-off**”). The Set-off was accepted by Zhongyu JVC as part of the commercial negotiations with the Commission in entering into the Framework Agreement and to facilitate the Commission’s agreement with the other terms of the Framework Agreement.
- (5) The JV Partner would be responsible to Zhongyu JVC for (i) the outstanding amounts of unpaid social insurance (“**Outstanding Social Insurance Amount**”) in the amount of RMB4,301,100 (equivalent to approximately HK\$4,946,265) incurred prior to the establishment of Zhongyu JVC and (ii) losses sustained by the Government Enterprise prior to the establishment of Zhongyu JVC in the amount of RMB4,045,000 (equivalent to approximately HK\$4,651,750) (“**Pre-establishment Loss**”); and
- (6) Zhongyu JVC would reimburse the JV Partner for certain expenses incurred by the JV Partner in relation to the development and maintenance of the Assets in the aggregate amount of RMB1,447,213.44 (equivalent to approximately HK\$1,664,295.46) (“**Reimbursement**”).

**Consideration:**

The parties agreed that the aggregate consideration payable by Zhongyu JVC to the JV Partner for (i) the acquisition of the Assets and Storefront, and (ii) the Reimbursement, would be reduced by the Outstanding Social Insurance Amount and Pre-establishment Loss payable by the JV Partner to Zhongyu JVC. Therefore the total consideration payable by Zhongyu JVC to the JV Partner would be RMB76,270,013.44 (equivalent to approximately HK\$87,710,515.46) (“**Total Consideration**”).

**Completion and Payment:**

- (1) 50% (RMB38,135,006.72, equivalent to approximately HK\$43,855,257.73) of the Total Consideration shall be paid upon signing of the agreement.
- (2) Within 10 business days of signing the agreement, the parties shall complete the registration of the transfer of the movable assets (comprised within the Assets) with the relevant PRC authorities and sign an assets transfer list. Within 10 business days of signing the aforesaid assets transfer list, Zhongyu JVC shall pay 30% (RMB22,881,004.03, equivalent to approximately HK\$26,313,154.64) of the Total Consideration to the JV Partner.

- (3) Within 30 business days of signing the agreement, the parties shall complete the registration of the transfer of the immovable property assets (comprised within the Assets) including the legal title to the Storefront with the relevant PRC authorities. Within 7 business days of completion of such registration, Zhongyu JVC shall pay the remaining 20% (RMB15,254,002.69, equivalent to approximately HK\$17,542,103.09) of the Total Consideration to the JV Partner.

## **REASONS FOR THE ACQUISITION**

The Group is currently leasing the Assets of the JV Partner due to delays in obtaining approval for the transfer of the Assets. The Board believes that it is in the interest of the Group to acquire the Assets instead of paying leasing expenses to use the Assets. The Board considers that the terms of the Framework Agreement and the Total Consideration were arrived at after arm's length negotiations between Zhongyu JVC, the Commission and the JV Partner, and have been determined after taking into account the independent PRC valuation reports contained in 河南九鼎資產評估有限公司豫鼎評報字[2010]第020號評估報告 and 中和資產評估有限公司ZH2005V1014號資產評估報告書 on the Assets and relevant factors including prevailing market prices of similar assets in the same area. The Board also considers that the terms of the Framework Agreement are fair and reasonable and in the interests of the Group and the Shareholders as a whole. It is currently expected that the Total Consideration will be funded by the Group's internal cash reserves and/or external bank borrowings.

## **GENERAL**

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.

The Commission is the State-owned Assets Supervision and Administration Commission of Jiaozuo City of the People's Republic of China and is responsible for managing Jiaozuo city's state-owned enterprises, including appointing top executives and approving any mergers or sales of stock or assets.

The JV Partner is a state-owned company established in the PRC and is principally engaged in investment holdings. The JV Partner and its ultimate beneficial owners, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and connected persons of the Company.

As the applicable percentage ratios defined under Rule 19.07 of the Listing Rules in relation to the transactions contemplated under the Framework Agreement exceed 5% but are less than 25%, the transactions contemplated under the Framework Agreement constitute discloseable transactions for the Company under Chapter 19 of the Listing Rules.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

## DEFINITIONS

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

“Assets”	the Original Assets and the Lao Cheng Assets;
“Board”	the board of Directors;
“Commission”	the State-owned Assets Supervision and Administration Commission of Jiaozuo City of the PRC;
“Company”	Zhongyu Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the growth enterprise market of the Stock Exchange (stock code: 8070);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Government Enterprise”	the PRC state-owned government enterprise operating the Assets prior to the establishment of Zhongyu JVC;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“JV Partner”	焦作市建設投資(控股)有限公司, the wholly-owned subsidiary of the Government Enterprise;

“Lao Cheng Assets”	(i) the gas network facilities, real property and land use rights of the JV Partner located at Lao Cheng District (老城區) valued at RMB60,902,900 (equivalent to approximately HK\$70,038,335) and (ii) the assets of its three branch companies of the JV Partner to be transferred to Zhongyu JVC without further consideration;
“Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange;
“Original Assets”	the gas network facilities, real property and land use rights of the JV Partner valued at RMB21,366,000 (equivalent to approximately HK\$24,570,900);
“Outstanding Social Insurance Amount”	the outstanding amounts of unpaid social insurance of RMB4,301,100 (equivalent to approximately HK\$4,946,265) incurred prior to the establishment of Zhongyu JVC;
“PRC”	the People’s Republic of China;
“Pre-establishment Loss”	the losses sustained by the Government Enterprise prior to the establishment of Zhongyu JVC in the amount of RMB4,045,000 (equivalent to approximately HK\$4,651,750);
“Reimbursement”	the amount of RMB1,447,213.44 (equivalent to approximately HK\$1,664,295.46) to be paid by Zhongyu JVC to the JV Partner for certain expenses incurred by the JV Partner in relation to the development and maintenance of the Assets;
“RMB”	Renminbi, the lawful currency of PRC;
“Set-off”	the arrangement whereby Zhongyu JVC and the JV Partner would set-off accumulated leasing fees of the Assets incurred during the period between November 2002 to December 2009 in the aggregate amount of RMB50,647,600 (equivalent to approximately HK\$58,244,740) against certain loan interest repayments and compensation due from the JV Partner to Zhongyu JVC in the amount of RMB51,618,700 (equivalent to approximately HK\$59,361,505);
“Shareholder(s)”	holder(s) of share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“Storefront”	the storefront space located opposite Jiefang road Yuan Shi Ren Da (解放路原市人大) in the PRC, with an area of 189.98 square meters;
“Total Consideration”	the aggregate amount of RMB76,270,013.44 (equivalent to approximately HK\$87,710,515.46) representing the aggregate consideration payable by Zhongyu JVC to the JV Partner pursuant to the JV Partner Framework Agreements;
“Zhongyu JVC”	焦作中燃城市燃氣發展有限公司, a foreign joint-venture subsidiary of the Company establishment in October 2002 between 中國城市燃氣建設有限公司, the Company’s wholly-owned subsidiary and 焦作市建設投資(控股)有限公司, the wholly-owned subsidiary of the Government Enterprise;
“%”	per cent.

*For the purpose of this announcement and for illustrative purposes only, unless otherwise specified, the conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 = HK\$1.15.*

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

Hong Kong, 7 September 2010

*As at the date of this announcement, the executive directors of the Company 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. Wang Shunlong, 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>.*