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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)

**ANNOUNCEMENT
COMPLETION OF THE PLACING OF NEW SHARES
BREACH OF LOAN AGREEMENT
AND
RESTORATION OF PUBLIC FLOAT**

Placing Agent



KingswayGroup

Kingsway Financial Services Group Limited

COMPLETION OF THE PLACING

The Board is pleased to announce that all conditions of the Placing have been fulfilled and the completion of the Placing took place on 18 April 2011.

394,000,000 Placing Shares representing approximately 16.64% of the Company's entire issued share capital as enlarged by the Placing have been successfully placed by the Placing Agent to not less than six Placees pursuant to the terms and conditions of the Placing Agreement, at the Placing Price of HK\$0.41 per Placing Share.

BREACH OF SHAREHOLDER'S LOAN

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.

As a result of the completion of the Placing, the Company is in breach of the terms of the Shareholder's Loan and China Gas may 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 breach. 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 the Placing is in the best interests of the Company and the Board does not consider that the Placing would result in any material adverse financial or operational impact on the Group.

RESTORATION OF PUBLIC FLOAT

Reference is made to the announcement of the Company dated 22 February 2011, in relation to the public float of the Company. As stated in such announcement, the waiver from the public float requirements under Rule 11.23 of the GEM Listing Rules granted by the Stock Exchange would end on 5 May 2011. The Company would continue its endeavours to restore the public float. As a result of the completion of the Placing, the Company has restored its public float to approximately 29.03% from approximately 14.86%. Accordingly, the Company has fulfilled the minimum public float requirement under Rule 11.23 of the GEM Listing Rules.

Reference is made to the announcement of the Company dated 8 April 2011 in relation to the placing of up to 394,000,000 new shares of the Company (the "Announcement"). Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless the context otherwise requires.

COMPLETION OF THE PLACING

The Board is pleased to announce that all conditions of the Placing have been fulfilled and the completion of the Placing took place on 18 April 2011.

394,000,000 Placing Shares representing approximately 16.64% of the Company's entire issued share capital as enlarged by the Placing have been successfully placed by the Placing Agent to not less than six Placees pursuant to the terms and conditions of the Placing Agreement, at the Placing Price of HK\$0.41 per Placing Share.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Placees are independent institutional, professional and/or other private investors and their ultimate beneficial owners are Independent Third Parties.

EFFECT OF THE PLACING ON SHAREHOLDING STRUCTURE

The table below shows the shareholding structure in the Company immediately before completion of the Placing and upon completion of the Placing:

Shareholders	Immediately before completion of the Placing		Upon completion of the Placing	
	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 ⁽¹⁾	567,453,542	28.75	567,453,542	23.96
Mr. Wang Wenliang ⁽²⁾	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
Placees	—	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. 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.
2. Mr. Wang Wenliang is a director and the chairman of the Company.

To the best of the Directors' knowledge, none of the Placees will become a substantial Shareholder upon completion of the Placing and the Placees and their ultimate beneficial owners are Independent Third Parties and are treated as public Shareholders. Therefore, as a result of the completion of the Placing, there are 687,454,000 Shares (representing approximately 29.03% of the existing issued share capital of the Company) in public hands. Accordingly, the Company has fulfilled the minimum public float requirement under Rule 11.23 of the GEM Listing Rules.

BREACH OF SHAREHOLDER'S LOAN

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.

As a result of the completion of the Placing, the Company is in breach of the terms of the Shareholder's Loan and China Gas may 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 breach. 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 the Placing is in the best interests of the Company and the Board does not consider that the Placing would result in any material adverse financial or operational impact on the Group.

The net proceeds from the Placing are approximately HK\$159.52 million and will be used to repay the Shareholder's Loan and all interest accrued thereon under the Shareholder's Loan. The remaining proceeds (if any) will be used for the general working capital of the Group.

RESTORATION OF PUBLIC FLOAT

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

Hong Kong, 18 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>.