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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 PURSUANT TO RULE 17.10 OF THE GEM LISTING RULES

- (1) UPDATE ON THE INCIDENT;**
- (2) AMENDMENT TO ARTICLES OF ASSOCIATION;**
- (3) STATUS OF PUBLIC FLOAT; AND**
- (4) RESUMPTION OF TRADING**

UPDATE ON THE INCIDENT

The Company has received a copy of the Notice of Arrest dated 21 January 2011 in respect of Mr Huang for suspected “embezzlement of the assets of an organisation in which they have duties” (職務侵佔罪) (the “**Suspected Offence**”) and Mr Huang is detained at the detention centre in Shenzhen.

The Company considers that the primary focus of the investigation by the Shenzhen PSB was on the performance of the acquisition and construction contracts relating to the Hubei Projects (which is not operated by the Group) and considering that Mr Huang Yong was not involved in the day-to-day management of the business of the Group, the Company has reasonable grounds to believe that the Suspected Offence is not related to the transactions or assets of the Group.

In light of the circumstances surrounding the Incident, the Board considers that it is in the best interest of the Company to hold a general meeting as soon as possible to remove Mr Huang as the Director by way of a special resolution in accordance with the Company’s articles of association. In the event Mr Huang is released without any charges or conviction, the Board will then consider re-appointing Mr Huang to his position as an executive Director.

AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

It is noted that the Company's articles of association do not comply with paragraph 4(3) of Appendix 3 of the GEM Listing Rules and the Company will therefore seek to amend its articles of association by way of a special resolution to ensure that it complies with Appendix 3 of the GEM Listing Rules at the same general meeting to be held to remove Mr Huang as a director of the Company.

STATUS OF PUBLIC FLOAT

The Company will continue its endeavors to restore the public float and will maintain discussions with China Gas in this respect. As the period of the Further Waiver will end on 5 February 2011, the Company will make a further application to the Stock Exchange to seek a waiver from the public float requirements under Rule 11.23 of the GEM Listing Rules for a further 3 months. The Stock Exchange may or may not grant such & waiver.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 20 December 2010 pending the release of a further announcement on the Incident. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 1 February 2011.

Reference is made to the announcements by Zhongyu Gas Holdings Limited (the "**Company**") on 28 December 2010 and 4 January 2011 (the "**Announcements**"). Unless the context requires otherwise, terms used in this announcement shall have the same meanings as defined in the Announcements.

UPDATE ON THE INCIDENT

Sine the publication of the Announcements, the Company carried out a preliminary internal review of its cash and fund position for the period between 15 September 2010, on which Mr Huang was appointed as the director of the Company (the "**Director**"), and 31 December 2010, being the latest practicable date of its management accounts pending book close for the year ended 31 December 2010. No irregularities or material concerns were noted from the preliminary internal review.

The Company has also engaged PRC legal advisers ("**Zhongyu PRC Counsel**") to investigate and find out further information about the Incident with a view to determining whether the Incident is related to any of the Company's transactions or assets. The Company has received a copy of the Notice of Arrest dated 21 January 2011 in respect of Mr Huang for suspected "embezzlement of the assets of an organisation in which they have duties" (職務侵佔罪) (the "**Suspected Offence**") and Mr Huang is detained at the detention centre in Shenzhen. Zhongyu PRC Counsel have made enquiries with the Shenzhen PSB but have been told by the Shenzhen PSB that no further

information could be released in relation to Mr Huang as Zhongyu PRC Counsel are not appointed legal advisers to Mr Huang. In light of this, the Company and Zhongyu PRC Counsel have been maintaining on-going contact with China Gas and the PRC legal counsel engaged by China Gas (“**China Gas PRC Counsel**”) about the Incident to find out further information about the Incident.

Upon further enquiries by the Company and Zhongyu PRC Counsel with China Gas and China Gas PRC Counsel, the Company has been informed that on 6 January 2011, certain officers of the Shenzhen PSB attended the office of Zhongran Gas Industrial (Shenzhen) Limited (中燃燃氣實業(深圳)有限公司) (“**Zhongran Gas**”), a wholly owned subsidiary of China Gas, in Shenzhen and requested Zhongran Gas to provide certain documentation relating to, among other things, (1) the appointment of Mr Huang with China Gas; and (2) the acquisition (the “**Acquisition**”) of Clever Decision Enterprises Limited, a subsidiary of China Gas, but not a subsidiary of the Company, which operates four city gas projects in Xiaogan City, Hanchuan City, Yunmeng City and Yingching City in the Hubei Province, and a long-distance pipeline project also in the Hubei Province (the “**Hubei Projects**”) by China Gas in 2004. For further details of the Acquisition, please refer to the announcement issued by China Gas dated 31 January 2011.

As at the date of this announcement, the Company and its subsidiaries have not been notified that it is the subject of any investigation by any governmental authorities in the PRC and none of the directors or management of the Group (other than Mr Huang Yong) have been questioned or investigated by any governmental authorities in the PRC.

Based on the above information and the view of Zhongyu PRC Counsel, the Company considers that the primary focus of the investigation by the Shenzhen PSB was on the performance of the acquisition and construction contracts relating to the Hubei Projects (which is not operated by the Group) and considering that Mr Huang Yong was not involved in the day-to-day management of the business of the Group, the Company has reasonable grounds to believe that the Suspected Offence is not related to the transactions or assets of the Group.

The Company will continue to maintain on-going contact and make necessary enquiries with China Gas regarding the Incident and will make a further announcement in accordance with the GEM Listing Rules if necessary.

Further details of this Incident have been published on the Stock Exchange by China Gas in its announcement dated 31 January 2011 and your attention is drawn to that announcement.

The Board (save for Mr Huang Yong who has not been contactable since the Incident), believes that the Incident would not affect the operations of the Group as Mr Huang Yong was not involved in the day-to-day management of the business of the Group. The business of the Group continues to be conducted as usual. Neither Mr Huang or Mr Liu Ming Hui (the managing and executive director of China Gas who was arrested at the same time as Mr Huang) hold any shares or options in the Company as at the date of this announcement. As a result of Mr Huang’s arrest and detention at the detention centre in Shenzhen, Mr Huang will not be involved in the affairs of the Company. In light of the circumstances surrounding the Incident, the Board considers that it is in the best interest of the Company to hold a

general meeting as soon as possible to remove Mr Huang as the Director by way of a special resolution in accordance with the Company's articles of association. The Company will make an announcement to convene such a general meeting before the end of February 2011. In the event Mr Huang is released without any charges or conviction, the Board will then consider re-appointing Mr Huang to his position as an executive Director.

AMENDMENT TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

It is noted that the Company's articles of association do not comply with paragraph 4(3) of Appendix 3 of the GEM Listing Rules which require that, where not otherwise provided by law, an issuer in general meeting shall have power by ordinary resolution to remove any director (including a managing or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his term of office. The Company's articles of association currently require such a removal of a director to be done by way of a special resolution of shareholders. The Company will therefore seek to amend its articles of association by way of a special resolution to ensure that it complies with Appendix 3 of the GEM Listing Rules at the same general meeting to be held to remove Mr Huang as the Director. The Company will make an announcement to convene such a general meeting before the end of February 2011.

STATUS OF PUBLIC FLOAT

Reference is made to the response document of the Company dated 31 May 2010 and the announcement dated 6 August 2010 whereby it was stated that the Company would not meet the public float requirements of Rule 11.23 of the GEM Listing Rules following the completion of the Share Offer (as defined in the response document). As a result, the Company had then applied for and was granted a waiver for 3 months commencing from 6 August 2010 ("**Waiver Period**") during which the Company had endeavored to restore the public float. As the Company was not able to restore the public float during the Waiver Period, the Company applied for and was granted a further waiver ("**Further Waiver**") of the requirements of Rule 11.23 of the GEM Listing Rules on 11 November 2010, for a period of three months ending 5 February 2011. Since obtaining the Further Waiver, the Company has endeavored to restore the public float by initiating discussions and plans with potential placing agents for the purposes of conducting a placing of new shares to the public. However, under a loan agreement between China Gas (as lender) and the Company (as borrower) dated 10 September 2010, the Company is required to obtain the prior written consent of China Gas to issue or agree to issue any new shares. The Company has therefore sought such a written consent from China Gas and China Gas has not provided written consent for such a placing of new shares to the public for the purposes of restoring the public float.

Based on the Company's register of members as at 31 December 2010, the Company's current shareholding structure and public float percentage are set out in the table below:–

Name of Shareholder	No. of Shares held	Approximate percentage of total issued share capital (%)
Rich Legend International Limited (i.e. China Gas)	1,111,934,142	56.33
Hezhong Investment Holding Company Limited ⁽¹⁾	567,453,542	28.75
Mr Wang Wenliang ⁽²⁾	1,166,000	0.06
Public Shareholders	<u>293,454,000</u>	<u>14.86</u>
TOTAL	<u><u>1,974,007,684</u></u>	<u><u>100.00</u></u>

Note:

1. Based on the latest information available to the Company 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, and Mr Hao Yu is beneficially interested in the remaining 40% of the issued share capital of Hezhong Investment Holding Company Limited.
2. Mr Wang Wenliang is an executive director, the chairman and the chief executive office of the Company.

The Company will continue its endeavors to restore the public float and will maintain discussions with China Gas in this respect. As the period of the Further Waiver will end on 5 February 2011, the Company will make a further application to the Stock Exchange to seek a waiver from the public float requirements under Rule 11.23 of the GEM Listing Rules for a further 3 months. The Stock Exchange may or may not grant such a waiver.

Save as disclosed in this announcement, the Board confirms that there is no other price sensitive information to be disclosed as at the date of this announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares has been suspended with effect from 9:30 a.m. on 20 December 2010 pending the release of a further announcement on the Incident. Application has been made to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 1 February 2011.

Shareholders and potential investors should exercise caution when dealing in the Shares.

By Order of the Board
Zhongyu Gas Holdings Limited
Lui Siu Keung
Executive Director and Company Secretary

Hong Kong, 31 January 2011

As at the date of this announcement, the executive Directors are Mr Wang Wenliang, Mr Lu Zhaoheng, Mr Lui Siu Keung and Mr Huang Yong, 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>