
THE CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zhongyu Gas Holdings Limited (the “Company”), you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中裕燃气

中裕燃气控股有限公司

ZHONGYU GAS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8070)

DISCLOSEABLE TRANSACTION: DISPOSAL OF SUBSIDIARIES

A letter from the board of directors of the Company is set out on pages 3 to 6 of this circular.

This circular will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcements” page for seven days from the date of its publication.

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED

The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions shall have the following meanings when used herein:

“associate”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Zhongyu Gas Holdings Limited (中裕燃氣控股有限公司), a company incorporated in the Cayman Islands with limited liability, which is principally engaged in the investment holding and whose issued Shares are listed on GEM
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the terms and conditions of the S&P Agreement
“Cyber Dynamic”	Cyber Dynamic Enterprise Limited, a company incorporated in the British Virgin Islands with limited liability, a wholly owned subsidiary of the Company
“Cyber Dynamic Group”	Cyber Dynamic together with its subsidiaries
“Directors”	the directors, including the independent non-executive directors, of the Company from time to time
“GEM”	The Growth Enterprises Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HRM”	human resource management
“Independent Third Party(ies)”	third party(ies) independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company and are not connected persons (as defined under the GEM Listing Rules) of the Company
“Latest Practicable Date”	17 May 2007, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
“Mr. To”	To Man Chiu, as the Purchaser

DEFINITIONS

“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Mr. To, an Independent Third Party
“S&P Agreement”	the sale and purchase agreement dated 30 April 2007 and entered into between the Company as vendor and Mr. To as purchaser in relation to the sale and purchase of the Sale Shares and the Sales Loan
“Sale Loan”	approximately HK\$6,611,000 owed by Cyber Dynamic Group to the Company
“Sale Shares”	10,311 shares of US\$1.00 in the issued share capital of Cyber Dynamic, being the entire issued share capital of Cyber Dynamic
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“US\$”	the United States dollars, the lawful currency of the United States
“%”	per cent.



中裕燃气

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ZHONGYU GAS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8070)

Executive Directors:

Mr. Wang Wenliang (*Chairman*)
Mr. Hao Yu (*Chief Executive Officer*)
Mr. Lu Zhaoheng

Non-executive Directors:

Mr. Xu Yongxuan (*Vice-Chairman*)
Mr. Wang Lei
Mr. Nicholas John Ashley Rigg

Independent non-executive Directors:

Mr. Wang Shunlong
Dr. Luo Yongtai
Mr. Hung Randy King Kuen

Registered office:

Century Yard
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place of business
in Hong Kong:*

Suite 3016, 30th Floor
One International Finance Centre
1 Harbour View Street
Central, Hong Kong

21 May 2007

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION:
DISPOSAL OF SUBSIDIARIES**

INTRODUCTION

By the announcement dated 30 April 2007, the Board announced that the Company and Mr. To entered into the S&P Agreement, pursuant to which the Company agreed to sell and Mr. To agreed to purchase the Sale Share and the Sale Loan for a total consideration of HK\$40,000 payable in cash on Completion.

The S&P Agreement constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules. The purpose of this circular is to provide you with, among other matters, further details on the S&P Agreement.

LETTER FROM THE BOARD

S&P AGREEMENT

Date: 30 April 2007

Parties: (1) Zhongyu Gas Holdings Limited, as vendor
(2) Mr. To Man Chiu, an Independent Third Party, as purchaser

To the best of the Director's knowledge, information and belief having made all reasonable enquiry, the Purchaser is an Independent Third Party.

Pursuant to the S&P Agreement, the Company agreed to sell and Mr. To agreed to purchase (i) the Sale Shares, representing 100% of the issued share capital of Cyber Dynamic and (ii) the Sale Loan.

Upon Completion, the Purchaser and parties acting in concert with him will hold an aggregate 10,311 shares of Cyber Dynamic, representing 100% of the issued share capital of Cyber Dynamic.

Consideration

The Consideration for the Sale Shares and the Sale Loan is HK\$40,000 in aggregate, which shall be payable by the Purchaser to the Company upon Completion in cash.

The Board considers that the consideration was determined after arm's length negotiation between the relevant parties to the S&P Agreement and was determined with reference to the (i) the unaudited consolidated net liabilities of Cyber Dynamic of approximately HK\$6,045,000 as at 31 March 2007 referred to in the paragraph headed "Information on Cyber Dynamic Group" below; and (ii) the outstanding balance of the Sale Loan of approximately HK\$6,611,000 as at the date of the S&P Agreement.

The Board considers the consideration to be fair and reasonable and in the interest to the Company and the Shareholders as a whole.

Conditions and Completion

Completion of S&P Agreement is conditional upon all other necessary consents and approvals (if any) required to be obtained on the part of the Company in respect of the S&P Agreement and the transactions contemplated thereby having been obtained. Upon fulfillment of the above condition, Completion shall take place two Business Days thereafter.

As all the necessary consents and approvals required to be obtained on the part of the Company in respect of the S&P Agreement and the transactions contemplated thereby had been obtained on 8 May 2007, the Completion was held on 10 May 2007.

LETTER FROM THE BOARD

Since Completion, the business operation and the composition of the management of the Company has remained unchanged. Each of the subsidiaries of the Company in the Cyber Dynamic Group have ceased to be subsidiaries of the Company.

INFORMATION OF THE GROUP

The Company is an investment holding company and together with its subsidiaries are principally engaged in (i) the exploration, development and production of coal-bed methane and the sale of coal-bed methane in the PRC; (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 (iii) the business of HRM solution provision in Hong Kong and the PRC, which principally include development and sale of HRM software, as well as provision of related consultancy services including the project management, implementation and maintenance of the HRM system.

INFORMATION ON CYBER DYNAMIC GROUP

Cyber Dynamic is a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of the Company. Cyber Dynamic is principally engaged in investment holdings. As at the Latest Practicable Date, the assets Cyber Dynamic holds are the four subsidiaries of the Company, namely directly 70.00% equity interests of Manpower Resource Computing (China) Limited, 100% equity interests of Manpower Resource Computing Limited, 77.78% equity interests MRC Human Capital Services Limited and indirectly 70.00% equity interests of 晉興電腦軟體發展(東莞)有限公司 respectively, engaging mainly in development and distribution of HRM software system and provision of maintenance and consultancy services.

For the years ended 31 December 2006 and three months ended 31 March 2007, Cyber Dynamic Group recorded a loss of approximately HK\$1,672,000, HK\$480,000 and HK\$186,000 before and after taxation (and extraordinary items) respectively based on the unaudited consolidated financial statements of Cyber Dynamic Group which were prepared in accordance with accounting principles generally accepted in Hong Kong.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

On Completion, the Group records a loss of about HK\$526,000. Such loss was calculated with reference to the unaudited consolidated net liabilities of Cyber Dynamic Group of approximately HK\$6,045,000 as at 31 March 2007 and the outstanding balance of the Sale Loan of approximately HK\$6,611,000 as at the date of the S&P Agreement.

The Directors has applied the entire sale proceeds from the disposal of Cyber Dynamic Group for the Group's general working capitals.

The Group's asset has decreased by the loss recorded on Completion. There has been no material effects on the earnings and liabilities of the Group.

LETTER FROM THE BOARD

REASONS FOR THE DISPOSAL

In view of the growing business opportunity in relation to the Group's coal-bed methane and natural gas businesses, the Directors consider to streamline the principal businesses of the Group to focus mainly on the coal-bed methane and natural gas businesses. Further, the Cyber Dynamic Group recorded a consistence unaudited consolidated net losses in relation to its HRM solutions business for the two years ended 31 December 2006 of approximately HK\$1,672,000 and HK\$480,000 respectively. Considering that there are no signs of rebound and the HRM solutions business not making any significant contribution to the Group, the Directors consider that the disposing of the HRM solutions business will cut further losses for the Group. On the other hand, the Board had recently approached by an Independent Third Party who has indicated to the Group that he is willing to acquire Cyber Dynamic Group. The Board considered such disposal would not have any material adverse impact to the business and financial position of the Group. Upon Completion, the Group will cease to be interested on the business of the development and distribution of HRM software system and provision of maintenance and consulting service.

In view of the above, the Directors, including the independent non-executive Directors, considered that the terms of the S&P Agreement were entered into upon normal commercial terms following arm's length negotiations among the parties, and that the terms of the S&P Agreement is fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix of this circular.

By order of the Board
Zhongyu Gas Holdings Limited
Wang Wenliang
Chairman

1. RESPONSIBILITY STATEMENT

This circular, 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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the Shares

Name of Director	Notes	Nature of Shares	Type of Interests	Approximate percentage of issued share capital
Mr. Wang Wenliang	1	882,507,542	Beneficial and interested in corporation	55.50%
Mr. Hao Yu	2	65,004,000	Beneficial	4.09%
Mr. Lu Zhaoheng	2	5,004,000	Beneficial	0.31%
Mr. Xu Yongxuan	2	5,004,000	Beneficial	0.31%

Notes:

1. Among these Shares, 872,505,542 Shares are held by Hezhong Investment Holding Company Limited (“Hezhong”). Mr. Wang Wenliang is beneficially interested in 52% of the issued share capital of Hezhong. The remaining 10,002,000 Shares are allotted and issued through share option schemes adopted by the Company on 24 October 2003.
2. The Shares are allotted and issued through share option schemes adopted by the Company on 24 October 2003.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) or corporation had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Long positions in the Shares

Name of Shareholder	Type of interests	Number of Shares	Approximate percentage of interests
Hezhong	Beneficial	872,505,542	54.87%
Mr. Wang Wenliang (<i>Notes 1</i>)	Beneficial and interested in corporation	882,507,542	55.50%

Notes:

1. Among these Shares, 872,505,542 are held by Hezhong. Mr. Wang Wenliang is beneficially interested in 52% of the issued share capital of Hezhong. The remaining 10,002,000 Shares are allotted and issued through share option schemes adopted by the Company on 24 October 2003.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

4. LITIGATION

As at the Latest Practicable Date, neither the Company nor any other member of the Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against the Company or any member of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors, management shareholders or substantial shareholders or any of their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or has, any other conflict of interest which any such person has or may have within the Group.

6. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the head office and principal place of business of the Company is located at Suite 3016, 30th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (b) The principal share registrar and transfer office of the Company is Bank of Bermuda (Cayman) Limited located at 36C Bermuda House, 3rd Floor, P.O. Box 513 G.T., Dr. Roy's Drive, Grand Cayman, KY1-1111, Cayman Islands. The branch share registrar and transfer office of the Company in Hong Kong is Secretaries Limited located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (c) The company secretary and qualified accountant of the Company is Mr. Lui Siu Keung who is an associate member of the Hong Kong Institute of Certified Public Accountants.

- (d) The compliance officer of the Company is Mr. Hao Yu who is also an executive Director.
- (e) The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules.

The audit committee reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation.

Mr. Wang Shunlong, aged 43, is the chairman of the audit committee of the Company. He is the head of strategic department of SHC Medical Science and Technology (Group) Limited. He graduated from Tsinghua University in the PRC with a doctoral degree in engineering and was employed by the Eindhoven University of Technology in The Netherlands as a researcher for three years. Mr. Wang has over nine years of experience in corporate management and investment planning. He joined the Group in July 2003.

Dr. Luo Yongtai, aged 61, is a member of the audit committee of the Company. He is a professor in management of Tianjin University of Finance and Economics, the head of the Microeconomic Institute of Tianjin University of Finance and Economics, a member of the committee of the Tianjin City People's Political Consultative Conference, the deputy supervisor of the People's Republic of China System Engineering Committee and also held positions in various professional organizations. Dr. Luo is a beneficiary of the Expert Special Subsidy granted by the State Council of the PRC and has been engaged in various national and provincial projects in recent years. Dr. Luo is also an independent director of two companies listed on the Shanghai Stock Exchange. He joined the Group in July 2003.

Mr. Hung, Randy King Kuen, aged 42, is a member of the audit committee of the Company. He holds a bachelor's degree of accounting and a certificate of programming and data processing from the University of Southern California, a certificate of China Accounting, Finance, Taxation and Law from the Chinese University of Hong Kong, and a Hong Kong Securities Institute Specialist Certificate in corporate finance. Mr. Hung is a fellow certified public accountant in Hong Kong and a certified public accountant in the United States. Currently, Mr. Hung is an independent non-executive director of Zhongyian International Limited (Stock Code: 2379) and ZZNode Holdings Company Limited (Stock Code: 2371). Mr. Hung is a member of the American Institute of Certified Public Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants, deputy chairman of training committee of the Hong Kong Institute of Directors and a member of the Hong Kong Securities Institute. Mr. Hung joined the Group on 30 September 2004.