

*The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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)**

**MEMORANDUM OF UNDERSTANDING  
ON COOPERATIONS IN HENAN PROVINCE, THE PRC**

The Board is pleased to announce that on 9 May 2007, the Group entered into the non-legally binding MOU in relation to (i) the intended cooperation among Jiaozuo China Gas and Lanyan Coalbed Methane and the Group in the exploration, development and utilisation of coalbed methane in Jiaozuo region of Henan Province, the PRC and (ii) the Group's intention to invest in Lanyan Coalbed Methane.

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules.

**THE MOU**

***Date***

9 May 2007.

***Parties***

- (i) Zhongyu Coalbed Methane;
- (ii) Zhongyu Energy;
- (iii) Jiaozuo China Gas; and
- (iv) Lanyan Coalbed Methane.

Zhongyu Coalbed Methane is a limited liability company principally engaged in the development and utilisation of coalbed methane in Jiaozuo City, Henan Province, the PRC. The equity interests of Zhongyu Coalbed Methane are held as to 75% and 25% by Company's wholly-owned subsidiary, Zhongyu Engery, and Henan Methane respectively. Zhongyu

Coalbed Methane has been accounted for as a non-wholly owned subsidiary of the Company with its accounts having been consolidated with that of the Group. Information regarding the establishment of Zhongyu Coalbed Methane has been disclosed in the announcements of the Company dated 22 January 2007 and 11 April 2007.

Zhongyu Energy is a wholly-owned subsidiary of the Company principally engaged in the investment, exploration and development in energy related projects in the PRC.

Jiaozuo China Gas is a company engaged mainly in the construction, operation and management of gas projects in Jiaozuo City. As at the date of this announcement, Jiaozuo China Gas is owned as to approximately 93.2% by CCGC Investment and as to the remaining 6.8% by 焦作市城市建設投資開發有限公司 (Jiaozuo City City Construction Investment Development Company Limited)<sup>#</sup>. CCGC Investment is wholly-owned by Glory Path which in turn is wholly-owned by Hezhong, all being connected persons of the Company. The entire issued share capital of Glory Path is the subject matter of the conditional sale and purchase agreement entered into by the Group on 2 May 2007, details of which have been disclosed in the announcement of the Company regarding the very substantial acquisition and connected transaction dated 7 May 2007.

Lanyan Coalbed Methane is a wholly-owned subsidiary of Jincheng Anthracite Mining, which is recognised as one of the thirteen state planned major coal bases located in Shanxi Province, the PRC. In the State's eleventh five-year plan, Jincheng Anthracite Mining ranks fifth among an array of top provincial enterprises recognised by the Shanxi Provincial Government and ranks third in the coal industry in the PRC.

Lanyan Coalbed Methane engages mainly in the exploration and development of coalbed methane and gas supply related businesses. Lanyan Coalbed Methane is equipped with advanced technology and experienced qualified technicians for conducting exploration and development of coalbed methane and has been successful in extracting coalbed methane in a commercially viable manner. Lanyan Coalbed Methane has been awarded with 中國煤炭工業協會科學技術一等獎 (First Grade Prize from the Association of Industry of Coal in China)<sup>#</sup> on its technology entitled “煤礦區煤層氣彩前地面預抽” (Coal Mine Region Coalbed Methane Pre-Exploration Extraction Technology)<sup>#</sup>. Lanyan Coalbed Methane and Jincheng Anthracite Mining (being its ultimate beneficial owner) are Independent Third Parties.

### ***Scope of the MOU***

The MOU is governed by PRC laws and is non-legally binding, which sets out the understanding among the parties thereto on (i) the intended cooperation among Zhongyu Coalbed Methane, Zhongyu Energy, Jiaozuo China Gas and Lanyan Coalbed Methane for the exploration, development and utilisation of coalbed methane in the Jiaozuo region of Henan Province, the PRC and (ii) the Group's intention to invest in Lanyan Coalbed Methane.

Pursuant to the MOU:

- (i) Zhongyu Coalbed Methane intends to engage Lanyan Coalbed Methane to explore and extract from the following wells coalbed methane in the Jiaozuo region of Henan Province, the PRC:
  - (a) 20 wells in 魏村 (Weicun)<sup>#</sup>;
  - (b) 40 wells in 古漢山礦 (Guhanshankuang)<sup>#</sup>; and
  - (c) 20 wells in 九里山 (Jiulishan)<sup>#</sup>.

It is intended that similar cooperations may be further carried out in other regions of Henan Province, the PRC;

- (ii) Zhongyu Energy intends to invest in 25% to 40% of the equity interest in Lanyan Coalbed Methane; and
- (iii) Lanyan Coalbed Methane intends to supply Jiaozuo China Gas with 15 million cubic meters of coalbed methane from Shanxi Province, the PRC per annum on favourable terms.

As the MOU is non-legally binding, the MOU may or may not proceed and the actual implementation of the terms of the MOU may be altered. Investors should exercise caution when dealing in the securities of the Company.

#### ***Purpose and Reasons for entering into the MOU***

The Group is principally engaged in (i) the exploration, development, production and sale of coalbed methane in the PRC; and (ii) the development, construction and operation of natural gas projects in the PRC, which includes the 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 MOU was entered into with the objective to expedite the development of coalbed methane business in Henan Province, the PRC by better utilising resources and competitive advantages of the parties thereto, in particular, the utilisation of the awarded developed technology possessed by Lanyan Coalbed Methane. The Directors consider the terms of the MOU to be fair and reasonable and that the entering into of the MOU is a furtherance of its principal businesses which is in the interest of the Group and the Shareholders as a whole.

#### **GEM LISTING RULES IMPLICATIONS**

This announcement is made pursuant to Rule 17.10 of the GEM Listing Rules. The Company confirms that this announcement captures all material terms under the MOU. Further announcement(s) will be made in compliance with the GEM Listing Rules should any of the terms under the MOU become notifiable thereunder.

## DEFINITIONS

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

“Board”	the board of Directors
“CCGC Investment”	China City Gas Construction Investment Limited, an investment holding company incorporated in the British Virgin Island whose entire issued share capital is wholly and beneficially owned by Glory Path
“Company”	Zhongyu Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	directors of the Company, including the non-executive and independent non-executive directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Glory Path”	Glory Path Investments Limited 榮通投資有限公司, an investment holding company incorporated in the British Virgin Islands whose entire issued share capital is held by Hezhong
“Group”	the Company and its subsidiaries
“Henan Methane”	河南省煤層氣開發利用有限公司 (Henan Province Coalbed Methane Development and Utilisation Company Limited) <sup>#</sup> , a limited liability company established in Henan Province, the PRC
“Hezhong”	Hezhong Investment Holding Company Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 52% by Mr. Wang Wenliang, as to 12% by Mr. Hao Yu, as to 12% by Mr. Li Weisong, as to 12% by Mr. Yang Jianguo and as to the remaining 12% by Mr. Li Zifeng, all of whom are directors of Hezhong. Mr. Wang Wenliang and Mr. Hao Yu are also directors of the Company. Save as disclosed herein, each of them is independent of and not connected with each other. As at the date of this announcement, Hezhong holds approximately 54.9% of the issued share capital of the Company and therefore, a connected person of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Independent Third Parties”	third parties who are not connected persons and are independent of the Company and its connected persons
“Jiaozuo China Gas”	焦作中燃城市燃氣發展有限公司 (Jiaozuo China-Gas City Gas Development Co. Ltd.) <sup>#</sup>
“Jincheng Anthracite Mining”	山西晉城無煙煤礦業集團有限責任公司 (Shanxi Jincheng Anthracite Coal Mining Co. Ltd.) <sup>#</sup> , a limited liability company established in the PRC
“Lanyan Coalbed Methane”	沁水藍焰煤層氣有限責任公司 (Qinshui Lanyan Coalbed Methane Co. Ltd.) <sup>#</sup> , a limited liability company established in the PRC
“MOU”	the non-legally binding memorandum of understanding entered into among Zhongyu Coalbed Methane, Zhongyu Energy, Jiaozuo China Gas and Lanyan Coalbed Methane in relation to (i) the intended cooperation among the parties thereto for the exploration, development and utilisation of coalbed methane in Jiaozuo region of the PRC and (ii) the Company’s intention to invest in Lanyan Coalbed Methane.
“PRC”	People’s Republic of China and for the purposes of this announcement excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhongyu Coalbed Methane”	河南中裕煤層氣開發利用有限公司 (Henan Zhongyu Coalbed Gas Development Utilization Company Limited) <sup>#</sup> , a limited liability company established in Henan Province, the PRC by Henan Methane and Zhongyu Energy

“Zhongyu Energy” 中裕(河南)能源控股有限公司 (Zhongyu (Henan) Energy Holdings Limited)<sup>#</sup>, a limited liability company, which is wholly owned by the Company

“%” per cent.

# *the English translations of the Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or word.*

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

Hong Kong, 9 May 2007

*As at the date hereof, the executive Directors are Mr. Wang Wenliang, Mr. Hao Yu and Mr. Lu Zhaocheng; the non-executive Directors are Mr. Xu Yongxuan, Mr. Wang Lei and Mr. Nicholas John Ashley Rigg; 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 Group. 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 “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from the date of its publication.*