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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)

MEMORANDUM OF UNDERSTANDING

The Board is pleased to announce that on 15 May 2007, the Group entered into the non-legally binding MOU in relation to the intended cooperation between Orion Energy and the Group in the exploration, development and utilisation of coalbed methane in Henan Province of the PRC, including but not limited to Jiaozuo, Pingding Shan, Anhak, Ngama, Zhengzhou and Yungxia region. The parties intend to begin their exploration, development and utilisation of coalbed methane in Jiaozuo Region.

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

THE MOU

Date

15 May 2007

Parties

- (i) Zhongyu Coalbed Methane; and
- (ii) Orion Energy.

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 Energy, and Henan Methane respectively. Zhongyu Coalbed Methane had been accounted for as a non-wholly owned subsidiary of the Company with its accounts being 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, 11 April 2007 and 8 May 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.

Orion Energy is a Chinese-foreign owned joint venture, established in Beijing, the PRC, being a coalbed methane technical pioneer and dominant horizontal drilling service provider according to Orion Energy, it principally provide technical solutions to the coalbed methane industry in the PRC including coalbed methane exploration and development; underground gas control in coal mines; surface to in-seam directional or horizontal drilling; underbalanced drilling; reservoir modeling and production optimization; project analysis; operational organizations; evaluations, designs and planning. Orion Energy was involved in the first coalbed methane development project in the PRC using multilateral horizontal drilling technology. In addition, Orion Energy compiled the first version of the “China National Specification on coalbed methane Resources/ Reserves”, which is the leading guidance note for the coalbed methane industry in the PRC according to Orion Energy. Further Orion Energy being the first to prepare the coalbed methane reservoir report and gained the first coalbed reservoir license certified by the PRC government.

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 the intended cooperation among Zhongyu Coalbed Methane and Orion Energy for the exploration, development and utilisation of coalbed methane in Henan Province of the PRC, including but not limited to Jiaozuo, Pingding Shan, Anhak, Ngama, Zhengzhou and Yungxia region. The parties intend to begin their exploration, development and utilisation of coalbed methane in Jiaozuo Region.

Pursuant to the MOU:

- (i) Zhongyu Coalbed Methane intends to take into consideration all the constructive advice provided by Orion Energy regarding development and operation of the coalbed methane;
- (ii) Orion Energy intends to establish a team comprising technicians and project managers, to provide technical support and assist in training of technician and provide assistance in the construction of the coalbed methane development project of Zhongyu Coalbed Methane;
- (iii) Zhongyu Coalbed Methane and Orion Energy intend to cooperate in exploration, development and utilisation of coalbed methane, including but not limited to conduct geology and coalbed methane evaluation, and evaluating horizontal drilling and production management;
- (iv) Zhongyu Coalbed Methane and Orion Energy intend to begin its cooperation in the Jiaozuo region.

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 and streamlining resources and competitive advantages of the parties thereto. 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 business 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
“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
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Henan Methane”	河南省煤層開發利用有限公司 (Henan Province Coalbed Methane Development and Utilisation Company Limited)#, a limited liability company established on Henan Province, the PRC

“Independent Third Parties”	third parties who are not connected persons and are independent of the Company and its connected persons
“MOU”	the non legally binding memorandum of understanding entered into among Zhongyu Coalbed Methane and Orion Energy in relation to the intended cooperation among the parties thereto for the exploration, development and utilisation of coalbed methane in Jiaozuo region, Henan Province, the PRC
“Orion Energy”	Orion Energy International Inc., 北京奧瑞安能源技術開發有限公司 a Chinese-foreign owned joint venture, established in Beijing, the PRC, an Independent Third Party
“PRC”	People’s Republic of China and for the purposes of this announcement excluding Hong Kong, Macau Special Administrative Region 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)#, 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)#, 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, 15 May 2007

As at the date hereof, the executive Directors are Mr. Wang Wenliang, Mr. Hao Yu and Mr. Lu Zhaoheng; 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.*

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