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## **ZHENGZHOU GAS COMPANY LIMITED\***

### **鄭州燃氣股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China)*

**(Stock Code: 8099)**

### **DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF LPG ASSETS AND LAND ASSETS**

#### **LPG ASSETS PURCHASE AGREEMENT**

On 8 September, 2006, the Company entered into the LPG Assets Purchase Agreement with the LPG Company, pursuant to which the Company has conditionally agreed to acquire the LPG Assets from the LPG Company for an aggregate consideration of approximately RMB63.24 million (equivalent to approximately HK\$60.81 million), which was determined after arm's length negotiations between the Company and LPG Company with reference to the valuation of the Valuer. The consideration will be satisfied by cash from internal resources of the Group.

#### **LAND PURCHASE AGREEMENTS**

Separately, the Company entered into the Land Purchase Agreements, comprising Land Purchase Agreement 1 and Land Purchase Agreement 2, with Zhengzhou Gas Group.

The Company entered into Land Purchase Agreement 1 on 26 July, 2006 for the acquisition of Land Asset 1 from the Zhengzhou Gas Group for a consideration of RMB 577,000 (equivalent to approximately HK\$554,808), which will be satisfied by cash from internal resources of the Group.

The Company entered into the Land Purchase Agreement 2 on 8 September, 2006 for the acquisition of Land Asset 2 from the Zhengzhou Gas Group for a consideration of RMB 4.90 million (equivalent to approximately HK\$4.71 million) which will be satisfied by cash from internal resources of the Group.

#### **THE ASSETS ACQUISITION**

The acquisitions of LPG Assets and Land Assets are referred to collectively as the Assets Acquisition for the purpose of this announcement. As two of the relevant percentage ratios (as defined in the GEM Listing Rules) in relation to the aggregated consideration pursuant to the Assets Acquisition exceed 5% but are less than 25%, the Assets Acquisition constitutes a discloseable transaction under Chapter 19 of the GEM Listing Rules.

Since Zhengzhou Gas Group, together with two of its non wholly-owned subsidiaries, in aggregate hold approximately 48.18% of the equity interest in the LPG Company, the LPG Company is considered an associate of the Zhengzhou Gas Group under Rule 20.11 of the GEM Listing Rules. Furthermore, Zhengzhou Gas Group is also the controlling Shareholder of the Company, holding an approximately 43.2% equity interest in the Company's registered share capital. By virtue of Zhengzhou Gas Group's equity interest in both the Company and the LPG Company, Zhengzhou Gas Group and the LPG Company are considered connected to the Company under Rule 20.11 of the GEM Listing Rules.

Furthermore, as two of the percentage ratios (as defined in the GEM Listing Rules, other than the profits ratio) in relation to the aggregated consideration pursuant to the Assets Acquisition are more than 2.5% and the total consideration is more than HK\$10 million, the Assets Acquisition is also a connected transaction under Chapter 20 of the GEM Listings Rule and is subject to the reporting, announcement and independent Shareholders' approval requirements.

A circular containing, among other things, further details of Assets Acquisition, valuation reports for the LPG Assets and Land Assets, the recommendation of the Company's independent board committee in respect of the Assets Acquisition, a letter of advice from the independent financial adviser and a notice of the extraordinary general meeting of the Company will be despatched by the Company to the Shareholders within 21 days from the date of this announcement.

## **LPG ASSETS PURCHASE AGREEMENT**

The principal terms and conditions of the LPG Assets Purchase Agreement are detailed as follows:

### **LPG Assets Purchase Agreement Date**

8 September, 2006

### **Parties to the LPG Assets Purchase Agreement**

Vendor : The LPG Company, a company incorporated in the PRC, whose registered capital is owned as to 44.40% by the Zhengzhou Gas Group, 2.16% by Zhengzhou Zhengran Material Company Limited\* (鄭州鄭燃物資有限公司), 1.44% by Zhengzhou Zhengran Gas Equipment Company Limited\* (鄭州鄭燃氣器具有限公司), 24.00% by Henan Province Tianlun Fuel Gas Engineering Investment Limited\* (河南省天倫燃氣工程投資有限公司), 6.00% by Henan Province Tianlun Real Estate Company Limited\* (河南省天倫房地產有限公司), and 22.00% by Ms. Sun Yan (孫燕).

Both Zhengzhou Zhengran Material Company Limited and Zhengzhou Zhengran Gas Equipment Company Limited are non wholly-owned subsidiaries of the Zhengzhou Gas Group, which are held as to approximately 67.71% and 51.72% of the registered capital by Zhengzhou Gas Group respectively.

To the best of the knowledge and belief of the Directors and having made all reasonable enquiries, Henan Province Tianlun Fuel Gas Engineering Investment Limited and Henan Province Tianlun Real Estate Company Limited are companies incorporated in the PRC with limited liability and each of Henan Province Tianlun Fuel Gas Engineering Investment Limited, Ms. Sun Yan and Henan Province Tianlun Real Estate Company Limited is an independent third party and is not a connected person with any Directors, chief executive or substantial shareholders of the Company and its subsidiaries, or any of their respective associates.

The LPG Company is principally engaged in the sales and distribution of LPG, kitchen equipment as well as the sales, installation, repair and maintenance of natural gas equipment.

Purchaser : The Company

## **THE CONSIDERATION**

Pursuant to the LPG Assets Purchase Agreement, the Company has conditionally agreed, among other things, to acquire the LPG Assets from the LPG Company for a total consideration of RMB63.24 million (equivalent to approximately HK\$60.81 million) which was determined after arm's length negotiations between the Company and LPG Company with reference to the valuation of the Valuer. The consideration is the same as the value as stated in the valuation report prepared by the Valuer and will be satisfied by the Company within 60 days from the completion of the LPG Assets Purchase Agreement by cash payment, which is expected to be financed by the Company's internally generated cash flow.

## **Conditions Precedent to the LPG Assets Purchase Agreement**

Completion of the LPG Assets Purchase Agreement is conditional upon, among other things, the following conditions being fulfilled on or before 29 December 2006 or a later date as agreed by both the Company and the LPG Company in writing:

- (i) a legal opinion being issued by a firm of PRC lawyers, in relation to, among other things, the title to the LPG Assets and the legality of the LPG Assets Acquisition and transfer of the LPG Assets, the contents of which are satisfactory to the Company;
- (ii) there being no laws, regulations and judgments which may
  - prohibit or delay the completion of the LPG Assets Purchase Agreement, or the carrying out of the obligations by any parties to the LPG Assets Purchase Agreement in any way; or
  - amend the nature and scope of the rights and obligations of any parties to the LPG Assets Purchase Agreement;
- (iii) no person or entity having raised any objections to the courts or government bodies in relation to the LPG Assets Purchase Agreement;
- (iv) the passing of ordinary resolution(s) by the independent Shareholders in the extraordinary general meeting of the Company to be held for the purposes of approving the consideration and transactions contemplated under the LPG Assets Acquisition;

- (v) the obtaining of the relevant approval from the PRC government bodies in relation to the transfer of the LPG Assets by the LPG Company to the Company;
- (vi) the completion of all the obligations and duties by the LPG Company under the LPG Assets Purchase Agreement on or before completion;
- (vii) the obtaining of all the relevant approval documents and the completion of all the relevant registrations (if any) for the purpose of completion of the LPG Assets Acquisition.

If all of the above conditions precedent to the LPG Assets Purchase Agreement have not been fulfilled by the Company and/or the LPG Company or, in the case of condition (i) above, waived by the Company on or before 29 December 2006 or on a later date as agreed by both the Company and the LPG Company in writing, the LPG Assets Purchase Agreement shall lapse, and all obligations and liabilities of the parties to the LPG Assets Purchase Agreement shall cease except for the liability of any party in respect of any antecedent breach.

## **COMPLETION**

Completion shall take place on the third business day (including any Saturday) immediately after all the conditions precedent under the LPG Assets Purchase Agreement have been fulfilled, or in the case of condition (i) above, waived by the Company or on such other date as the LPG Company and the Company may agree in writing. Upon completion, the ownership of the LPG Assets will be transferred from the LPG Company to the Company.

## **INFORMATION ON THE LPG ASSETS**

The LPG Assets mainly comprise a parcel of land with a site area of 64,637.3 sq. m. (the “Land”), gas storage structures (the “Gas Storage Structures”), and certain office and ancillary buildings (the “Buildings”). The original cost of the LPG Assets incurred by the LPG Company was RMB 46.88 million (equivalent to approximately HK\$45.08 million). The Gas Storage Structures and Buildings are all erected on the Land, which is situated at Guangang Village, Putian, Guancheng District, Zhengzhou City, Henan Province, PRC.

The Gas Storage Structures comprise, among others, four spherical storage tanks, each of which has a storage volume of approximately 2,000 m<sup>3</sup>. The Buildings comprise (i) a three-storey office building, (ii) a one-storey canteen, (iii) a two-storey office building and structures and (vi) other ancillary buildings. The ancillary buildings include, among other things, a fire pumping room, an electrical and compressor electric room, a guard-house and an information control room.

Apart from including the Land, the Gas Storage Structures and the Buildings, the LPG Assets also comprise various other fixed assets such as office equipment, vehicles and certain items of fire-prevention equipment.

However, according to the valuation report prepared by the Valuer, the LPG Company has not yet obtained the relevant title documents for several buildings (the “Property”) among the LPG Assets and thus no commercial value has been assigned to these buildings in the valuation. Since the consideration in the Acquisition Agreement is based on the valuation report prepared by the Valuer, in effect the Company purchased the Property for free.

The Directors consider that there may be potential legal consequences to the Group relating to the Property. According to the PRC legal advisers to the Company, the potential actions that may be taken by the relevant authorities against the Company include:

1. Ordering the Company to demolish the Property; and/or
2. Imposing a fine on the Company

Zhengzhou Gas Group, being the controlling shareholder of the Company, has undertaken to indemnify the Group in connection with, among others, all and any potential, losses whatever direct or indirect, that may be incurred by the Company relating to the Property's lack of title document as mentioned above. The PRC legal advisers to the Company are in the opinion that such indemnification is legally binding to the Zhengzhou Gas Group.

The aggregate net book value of the LPG Assets was approximately RMB44.60 million (equivalent to approximately HK\$42.08 million) as at 28 February 2006.

## REASONS FOR THE LPG ASSETS ACQUISITION

The Group's revenue is principally derived from (i) the sale of piped natural gas to residential, commercial, industrial and vehicular customers; (ii) the sale of pressure control equipment; (iii) the construction of gas pipelines and (iv) the provision of repairs and maintenance of gas pipeline services. Since the listing of the Company's shares on GEM in October 2002, the Company has continued to record significant growth in terms of both of its number of customers and the total volume of natural gas consumption.

Set out below is a summary of the number of the Group's customers for each major customer segment and their corresponding volume of natural gas consumption for each of the three years ended 31 December 2005 and six months ended 30 June 2006.

	Number of customers				Volume of gas consumption (approximately '000 cub. meters)			
	Year Ended 31 December		Six months ended 30 June		Year Ended 31 December		Six months ended 30 June	
	2003	2004	2005	2006	2003	2004	2005	2006
Residential customers	457,671	508,421	568,490	597,827	66,762	69,222	89,737	54,980
Commercial customers	759	966	1,214	1,360	38,050	56,806	81,895	43,880
Industrial customers	18	38	48	48	32,841	45,686	49,921	25,370
Vehicle customers	1,528	4,079	5,522	6,440	7,228	26,240	40,337	18,360
<b>Total</b>	<b>459,976</b>	<b>513,504</b>	<b>575,274</b>	<b>605,675</b>	<b>144,881</b>	<b>197,954</b>	<b>261,890</b>	<b>142,590</b>

In order to accommodate the increasing demand for natural gas from the Group's existing and potential customers, the Directors believe that it is essential for the Group to further expand its natural gas storage facilities in the near future. Currently the storage capacity of the Group is 200,000 cu. meters. After the LPG Assets Acquisition, the storage capacity of the Group will increase to 2,400,000 cu. meters. As such, the Directors consider that the LPG Assets Acquisition provides an opportunity for the Company to expand its storage capacity within a relatively short period of time (when compared with constructing the Group's own natural gas facilities) which may improve the Group's capacity to maintain stable supply of natural gas to users in Zhengzhou City.

The consideration in respect of the LPG Assets Acquisition was arrived at after arm's length negotiation between the Company and the LPG Company with reference to, among other things, a valuation performed by the Valuer on the LPG Assets as at 31 July, 2006 which amounted to RMB63.24 million (equivalent to approximately HK\$60.81 million). Taking into account the consideration of the LPG Assets Acquisition, and the positive impact of the LPG Assets Acquisition on the Group's future business operations, the Directors (including the independent non-executive Directors) believe that the terms of the LPG Assets Purchase Agreement are fair and reasonable and in the interest of the shareholders of the Company as a whole.

## **LAND PURCHASE AGREEMENTS**

The principal terms and conditions of the Land Purchase Agreements are detailed as follows:

### **Land Purchase Agreement 1 Date:**

26 July, 2006

### **Parties to the Land Purchase Agreement 1**

Vendor : Zhengzhou Gas Group, the controlling Shareholder of the Company, holding an approximately 43.2% equity interest in the Company's registered share capital. Zhengzhou Gas Group, and its subsidiaries and associated companies other than the Company, is principally engaged in property management, real estate development and gas pipeline interior network engineering design.

Purchaser : The Company

### **The Consideration**

Pursuant to the Land Purchase Agreement 1, the Company has conditionally agreed, among other things, to acquire the Land Asset 1 from the Zhengzhou Gas Group for a consideration of RMB577,000 (equivalent to approximately HK\$ 554,808), which was determined after arm's length negotiations between the Company and Zhengzhou Gas Group with reference to the valuation of the Valuer. The consideration is the same as the value as stated in the valuation report and will be satisfied in cash generated from the Company's operating activities after the Company has obtained land use rights certificate in respect of Land Asset 1.



## **Completion**

Completion of the Land Purchase Agreement 1 shall take place upon the Company obtaining the land use rights certificate in respect of Land Asset 1 and thereby, the ownership of the Land Asset 1 will be transferred from the Zhengzhou Gas Group to the Company.

## **Land Purchase Agreement 2 Date**

8 September 2006

## **Parties to the Land Purchase Agreement 2**

Vendor : Zhengzhou Gas Group, the controlling Shareholder of the Company, holding an approximately 43.2% equity interest in the Company's registered share capital. Zhengzhou Gas Group, and its subsidiaries and associated companies other than the Company, is principally engaged in property management, real estate development and gas pipeline interior network engineering design.

Purchaser : The Company

## **The Consideration**

Pursuant to the Land Purchase Agreement 2, the Company has conditionally agreed, among other things, to acquire Land Asset 2 from the Zhengzhou Gas Group for a consideration of RMB4.90 million (equivalent to approximately HK\$4.71 million), which was determined after arm's length negotiations between the Company and Zhengzhou Gas Group with reference to the valuation of the Valuer. The consideration is the same as the professional valuation as stated in the valuation report and will be satisfied in cash from the Company's operating activities after the Company has obtained the land use rights certificate in respect of Land Asset 2.

## **Completion**

Completion of the Land Purchase Agreement 2 shall take place upon the Company obtaining the land use rights certificate in respect of Land Asset 2 and thereby, the ownership of the Land Asset 2 will be transferred from the Zhengzhou Gas Group to the Company. Currently, the Company has already erected gas stations on the Land Assets and shall continue to locate the gas stations above the Land Assets.

## **INFORMATION ON THE LAND ASSETS**

The Land Assets are made up of Land Asset 1, comprising one parcel of land with a site area of approximately 1,803.4 sq.m., situated at at the junction of Juyuan Road East and Hongtu Street South, Zhengzhou City, PRC., and Land Asset 2, with two parcels of land with respective site areas of 4,256.6 sq. m., and 2,957.8 sq.m., situated at the junction of Fengqing Road West and Guihua Road, Zhengzhou City and at the junction of Ruhe Road North and Huashan Road West, Zhengzhou City, PRC respectively.

The original cost of the Land Assets incurred by the Zhengzhou Gas Group was zero because the Land Assets were administratively allocated to the Zhengzhou Gas Group. Then, an aggregate amount of RMB 773,580 (or equivalent to approximately HK\$743,827) was paid by the Zhengzhou Gas Group to the Zhengzhou city government as premium to convert the Land Assets from administratively allocated land to free hold land. The Company expensed this premium in 2002 in accordance with the requirements of the relevant PRC GAAP. As such, the book value of the Land Assets was zero. Each parcel of the Land has one of the Company's gas refueling stations (the "Gas Stations") constructed on it.

## **REASONS FOR THE LAND PURCHASE AGREEMENTS**

The Company is principally engaged in the sale of piped natural gas to residential, commercial, industrial and vehicular customers and the provision of gas pipeline construction services and the sale of gas appliances. Thus, the Gas Stations are important assets to the Company's vehicular gas business operation. Taking into account the consideration of the acquisition of Land Assets, and the positive impact of the acquisition of Land Assets on the Group's future business operations, the Directors (including the independent non-executive Directors) believe that the terms of the Land Purchase Agreements are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Currently, the Company leases several pieces of land from Zhengzhou Gas Group and the Land Assets form parts of such leased lands under three land use rights lease agreements dated 16 January 2002 and supplemented by a supplemental agreement dated 30 September 2002. In May 2005, the Group and Zhengzhou Gas Group agreed to adjust the annual rental under the land use rights lease agreements. Details of such land use rights lease agreements and the supplemental agreement had been disclosed in the prospectus of the Company dated 22 October 2002. Details of the adjustment of annual rental under the land use rights lease agreements had been disclosed in the announcement of the Company dated 26 May 2005 respectively. The Company has one Gas Station erected on each parcel of land on the Land Assets. In order to obtain the title document for the gas stations, the Company has to own the land use rights in respect of the Land Assets. Thus, the Company decided to enter into the Land Purchase Agreements. Once the Company has completed the acquisitions of the Land Assets, it will comply with the necessary requirements for applying for the title documents of the Gas Stations situated on the Land Assets. In addition, the affected land use rights lease agreements as supplemented by the supplemental agreement entered into between the Company and Zhengzhou Gas Group will have to be amended and the annual rentals adjusted accordingly after the completion of the Land Purchase Agreements.

## **IMPLICATION OF THE GEM LISTING RULES**

### **GEM Listing Rules Implications of the Assets Acquisition**

As two of the relevant percentage ratios (as defined in the GEM Listing Rules) in relation to the Assets Acquisition exceed 5% but are less than 25%, the Assets Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

Since Zhengzhou Gas Group, together with two of its non wholly-owned subsidiaries, in aggregate hold approximately 48.18% of the equity interest in the LPG Company, the LPG Company is considered an associate of the Zhengzhou Gas Group under Rule 20.11 of the GEM Listing Rules. Furthermore, Zhengzhou Gas Group is also the controlling Shareholder of the Company, holding an approximately 43.2% equity interest in the Company's registered share capital. By virtue of Zhengzhou Gas Group's equity interest in both the Company and the LPG Company, Zhengzhou Gas Group and the LPG Company are considered connected to the Company under Rule 20.11 of the GEM Listing Rules.



Furthermore, as two of the percentage ratios (as defined in the GEM Listing Rules, other than the profits ratio) in relation to the Assets Acquisition are more than 2.5% and the total consideration is more than HK\$10 million, the Assets Acquisition is also a connected transaction under Chapter 20 of the GEM Listings Rule and is subject to the reporting, announcement and independent Shareholders' approval requirements.

## **ABOUT ZHENGZHOU GAS GROUP**

Zhengzhou Gas Group, and its subsidiaries and associated companies other than the Company, is principally engaged in property management, real estate development and gas pipeline interior network engineering design.

## **GENERAL**

A circular containing, among other things, further details of the Assets Purchase Agreements, the valuation of the LPG Assets and Land Assets, the recommendation of the independent board committee in respect of the Assets Acquisition, a letter of advice from the independent financial advisers and a notice of the extraordinary general meeting will be despatched by the Company to the Shareholders within 21 days from the date of this announcement.

As at the date of this announcement, the Board comprises (i) the executive Directors, namely Mr. Yan Guoqi (閆國起) (Chairman), Mr. Song Jinhui (宋金會), Mr. Li Yantong (李燕同) and Mr. Li Jinliu (李金陸); (ii) the non-executive Directors, namely Mr. Zhang Wushan (張武山), Mr. Yang Degu (楊德固), Ms. Bao Hongwei (鮑紅偉), and (iii) the independent non-executive Directors, namely Mr. Zhang Yichun (張亦春), Mr. Liu Jianwen (劉劍文), and Ms. Yu Shulian (余恕蓮).

## **DEFINITIONS**

*In this announcement, the following expressions have the following meanings unless the context requires otherwise:*

“Assets Purchase Agreements”	LPG Assets Purchase Agreement, Land Purchase Agreement 1 and Land Purchase Agreement 2, collectively referred to as the Assets Purchase Agreements
“Assets Acquisition”	the acquisition of the LPG Assets and Land Assets
“Company”	鄭州燃氣股份有限公司 (Zhengzhou Gas Company Limited*), a joint stock limited company incorporated in the PRC, the H shares of which are listed on the GEM
“connected person”	has the same meaning ascribed hereto in the GEM Listing Rules
“Directors”	the directors of the Company
“Domestic Share(s)”	the Share(s) which are not H Share(s)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM, as amended from time to time

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“H Share(s)”	the overseas listed foreign share(s) of the Company which are listed on the GEM with a nominal value of RMB0.10 each
“Land Assets”	three parcels of land, made up of Land Asset 1 (comprising one parcel of land) and Land Asset 2 (comprising two parcels of land), which are located in Feng Qing Road West, Zhengzhou City and Ruhe Road North, Zhengzhou City, PRC, which were acquired by the Group from Zhengzhou Gas Group pursuant to the Land Purchase Agreements, further details of which are set out in the paragraph headed “Information on the Land Assets” in this announcement
“Land Asset 1”	a parcel of land at the junction of Juyuan Road East and Hongtu Street South, Zhengzhou City, purchased from Zhengzhou Gas Group pursuant to Land Purchase Agreement 1
“Land Asset 2”	two parcels of land, one located at the junction of Fengqing Road West and Guihua Road, and the other one at the junction of Ruhe Road North and Huashan Road West, Zhengzhou City, purchased from Zhengzhou Gas Group pursuant to Land Purchase Agreement 2
“Land Purchase Agreements”	Land Purchase Agreement 1 and Land Purchase Agreement 2, collectively referred to as the Land Purchase Agreements
“Land Purchase Agreement 1”	the agreement dated 26 July, 2006 entered into between the Company and the Zhengzhou Gas Group in relation to the acquisition of Land Asset 1
“Land Purchase Agreement 2”	the agreement dated 8 September 2006 entered into between the Company and the Zhengzhou Gas Group in relation to the acquisition of Land Asset 2
“LPG Assets”	the assets which are to be disposed of by the LPG Company and to be acquired by the Company, including, among other things, a parcel of land and certain gas storage structures erected on the land for the purposes of storage and distribution of LPG, further details of which are set out in the paragraph headed “Information on the LPG Assets” in this announcement
“LPG Assets Purchase Agreement”	the agreement dated 8 September 2006 entered into between the Company and the LPG Company in relation to the acquisition of the LPG Assets
“LPG”	liquefied petroleum gas

“LPG Company”	Zhengzhou Gas Group LPG Company Limited* (鄭州燃氣集團液化氣有限公司), a company incorporated in the PRC with limited liability which is owned as to 48% by the Zhengzhou Gas Group and its non-wholly owned subsidiaries
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Shares”	shares of the Company with a nominal value of RMB0.10 each, including the Domestic Shares and the H Shares, unless specified otherwise
“Shareholders”	holders of the Shares, including holders of the Domestic Shares and the H Shares, unless specified otherwise
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhengzhou Gas Group”	Zhengzhou Gas Group Company Limited* (鄭州燃氣集團有限公司), a state-owned company incorporated in the PRC with limited liability, which is a substantial shareholder of the Company holding approximately 43.18% of the entire issued share capital of the Company
“Valuer”	CB Richard Ellis Limited, an independent valuer
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“sq. m”	square metres
“cub. m”	cubic metres

\* *for identification purpose only.*

*For the purpose of this announcement and for illustration purpose only, all amounts in RMB have been translated into HK\$ at a rate of HK\$1.00 to RMB1.04.*

By Order of the Board  
**Zhengzhou Gas Company Limited**  
**Yan Guoqi**  
*Chairman*

Zhengzhou, the PRC  
8 September, 2006

*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 is 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 for at least 7 days from its date of publication.*

*\* for identification purposes only*