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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: 3928)**

### **CONTINUING CONNECTED TRANSACTIONS**

The Board announces that the Group and ZCR Gas entered into the ZCR Gas Property Lease Agreements on 30 November 2010, pursuant to which the Company or its subsidiary, the Engineering Company or the Pressure Control Company (as the case maybe), as the lessee and ZCR Gas as the lessor agreed to the leasing of the occupation rights in certain properties with total gross floor areas of approximately 22,902.35 sq. meters at a total annual rental payable of RMB9,151,438.20 (approximately HK\$10,661,425.50) for a term of three years commencing from 1 November, 2010 and ending on 31 October, 2013 with an option to renew exercisable by the Company or its subsidiary, the Engineering Company or the Pressure Control Company (as the case maybe).

The Board further announces that on 30 November 2010, the Company entered into ZCR Gas Land Use Rights Lease Agreement with ZCR Gas, pursuant to which the Company as the lessee and ZCR Gas as the lessor agreed to the leasing of the land use rights of three parcels of land with a total area of 178,135.21 sq.m at a total annual rental payable of RMB1,434,000 (approximately HK\$1,670,610) for a term of three years commencing from 1 November, 2010 and ending on 31 October, 2013 with an option to renew exercisable by the Company.

ZCR Gas is the controlling Shareholder, holding approximately 43.18% of the equity interest in the Company's registered share capital and therefore a connected person of the Company for the purpose of the Listing Rules. As a result, the transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement constitute continuing connected transactions. Pursuant to Rule 14A.25 of the Listing Rules, the transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement constitute a series of transactions and accordingly the annual rentals under these agreements shall be aggregated. Given that each of the applicable percentage ratios (other than the profits ratio) calculated under Rule 14.07 of the Listing Rules with reference to the aggregate rentals under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement is greater than 0.1% but less than 5% on an annual basis, the transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement fall within Rule 14A.34 of the Listing Rules and are therefore exempt from the independent shareholders' approval requirement. The transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement are only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements as set out in Rules 14A.37 to 14A.40 of the Listing Rules.

## ANNUAL CAP

Pursuant to Rule 14A.35(2) of the Listing Rules, the annual caps for the transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement for each of the four years ending 31 December 2013 would be RMB10,585,438.20 (approximately HK\$12,332,035.50) which are determined with reference to the maximum aggregate sum of rentals payable by the Group under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement, of which the rentals are determined pursuant to the market rental appraised by CB Richard Ellis Limited, an Independent Third Party.

## PROPERTY LEASE

### Background

The Group has entered into several property lease agreements with Zhengzhou Gas Group to lease the occupation rights in the Old Leased Properties with total gross floor areas of approximately 22,981.96 sq.m. for office and operational uses for a term three years commencing from 1 November 2007 to 31 October 2010 at a total annual rental of approximately RMB8,552,621.52. Reference should be made to the announcement of the Company dated 5 November 2007 for the details of the property lease transactions with Zhengzhou Gas Group. The Old Leased Properties are set out below:

Address of Properties in the PRC	Gross Floor Area (sq. m.)	Use	Annual Rental Payable by the Group (RMB)
Floor 1 Shop, No. 352, Long Hai West Road, Zhengzhou, Henan, PRC (中國河南鄭州隴海西路352號地下鋪)	362.78	Office	230,728.08
Various Units in Floor 1-14, No. 352, Long Hai West Road, Zhengzhou, Henan, PRC (中國河南鄭州隴海西路352號 1至14層部份單位)	10,813.83	Office	4,801,340.52
Floor 1, 2, No. 181, Gong Ren South Road, Zhongyuan District, Zhengzhou, Henan, PRC (中國河南鄭州工人路181號1,2層)	216.74 216.74	Office Office	137,846.64 67,622.88

<b>Address of Properties in the PRC</b>	<b>Gross Floor Area (sq. m.)</b>	<b>Use</b>	<b>Annual Rental Payable by the Group (RMB)</b>
Block 6, No. 39, Huai Bei Street, District 27, Zhengzhou, Henan, PRC (中國河南鄭州二七區淮北街39號6號樓)	56.34	Office	31,775.76
	56.34	Office	31,775.76
	56.34	Office	31,775.76
	56.34	Office	31,775.76
	56.34	Office	31,775.76
Floor 1, 2, Block 2 East, No. 32 Jing Wu Road, Jin Shui District, Zhengzhou, Henan, PRC (中國河南鄭州金水區經五路32號 2號東樓1, 2層)	475.38	Commercial	268,114.32
	475.38	Commercial	142,614.00
No. 3, Feng Qing Road, Jin Shui District, Zhengzhou, Henan, PRC (中國河南鄭州金水區豐慶路3號)	1,036.90	Office	398,169.60
	407.70	Office	92,955.60
	337.59	Office	76,970.52
	54.81	Office	12,496.68
	1,145.91	Office	261,267.48
	25.65	Office	5,848.20
	25.65	Office	5,818.20
	25.65	Office	5,818.20
37.26	Office	8,495.28	
No. 339, Shi Li Pu Village, Ji Cheng Xiang, Jin Shui District, Zhengzhou, Henan, PRC (中國河南鄭州金水區 祭城鄉十里鋪村399號)	244.89	Office	61,712.28
Floor 1, 2, Block 1, No. 46, Wei Sang Road, Zhengzhou, Henan, PRC (中國河南鄭州衛生路46號1號樓1, 2層)	703.17	Office	396,587.88
	819.91	Office	245,973.00
Various Units in Floor 2-6, No. 50, Ru He Road West, Zhengzhou, Henan, PRC (中國河南鄭州汝河西路50號 2-6層部份單位)	2,038.72	Office	636,080.64
	1,199.5	Office	374,244.00

Address of Properties in the PRC	Gross Floor Area (sq. m.)	Use	Annual Rental Payable by the Group (RMB)
No. 75 Kexue Avenue, Hi-Tech Development District, Zhengzhou, Henan, PRC (中國河南鄭州高新科技開發區 科學路75號)	2,036.1	Office and Industrial	162,978.72
Total	<u>22,981.96</u>		<u>8,552,621.52</u>

Pursuant to various agreements entered into between CR Gas Investment and Zhengzhou SASAC on 25 November 2009, the ownership of the Old Leased Properties has been transferred step by step from Zhengzhou Gas Group to ZCR Gas, partly treated as capital injected into ZCR Gas by Zhengzhou SASAC and partly treated as assets acquired by ZCR Gas. Reference should be made to the joint announcement of the Company and China Resources Gas Group Limited dated 25 November 2009 for details of the agreements entered into between CR Gas Investment and Zhengzhou SASAC. On 27 August 2010, ZCR Gas completed the acquisition of approximately 43.18% of the total registered share capital of the Company from Zhengzhou Gas Group and became the controlling Shareholder. As the aforesaid property lease agreements entered into between the Group and Zhengzhou Gas Group were expired on 31 October 2010, the Group entered into the ZCR Gas Property Lease Agreements in order to continue its occupation of the certain Old Leased Properties as offices or for operational uses.

### **The ZCR Gas Property Lease Agreements**

The Company or its subsidiary, the Engineering Company or the Pressure Control Company (as the case may be), and ZCR Gas entered into the ZCR Gas Property Lease Agreements on 30 November 2010 in relation to the leasing of certain Old Leased Properties. The principal terms and conditions of the ZCR Gas Property Lease Agreements are detailed as follows:

#### **Agreement Date:**

30 November 2010

#### **Parties to the ZCR Gas Properties Lease Agreements**

Lessor: ZCR Gas

Lessees: The Company, the Engineering Company and the Pressure Control Company.

## Term

Pursuant to ZCR Gas Property Lease Agreements, ZCR Gas as lessor agreed to lease the occupation rights in the properties set out in the section “the Properties Leased from ZCR Gas” below to the Company, the Engineering Company and the Pressure Control Company as lessees as offices or for operational use for a duration of three years commencing from 1 November, 2010 and ending on 31 October, 2013 with an option to renew exercisable by the Company, the Engineering Company or the Pressure Control Company (as the case may be).

The rental payable by the Company, the Engineering Company and the Pressure Control Company to ZCR Gas shall be a sum of RMB9,151,438.20 (approximately HK\$10,661,425.50) per annum (payable quarterly in cash financed by internal resources) under the ZCR Gas Property Lease Agreements. The terms of the ZCR Gas Property Lease Agreements (including the annual rental) have been determined after arm’s length negotiations between the parties with reference to the fair market rental of RMB9,151,438.20 (approximately HK\$10,661,425.50) per annum as at 15 October, 2010 as appraised by CB Richard Ellis Limited, an Independent Third Party.

## The Properties Leased from ZCR Gas

Address of Properties in the PRC	Gross Floor Area (sq. m)	Use	Annual Rental Payable by the Group (RMB)	Lessee
Floor 1 Shop, No. 352, Long Hai West Road, Zhengzhou, Henan, PRC (中國河南鄭州隴海西路352號地下鋪)	362.78	Office	248,141.52	the Company
Various Units in Floor 1-13, No. 352, Long Hai West Road, Zhengzhou, Henan, PRC (中國河南鄭州隴海西路352號 1至13層部份單位)	10,618.83	Office	5,097,038.40	the Company
Floor 1, 2, No. 181, Gong Ren South Road, Zhongyuan District, Zhengzhou, Henan, PRC (中國河南鄭州工人路181號1, 2層)	216.74 216.74	Office Office	148,250.16 70,223.76	the Company the Company
Block 6, No. 39, Huai Bei Street, District 27, Zhengzhou, Henan, PRC (中國河南鄭州二七區淮北街39號6號樓)	56.34 56.34 56.34 56.34 56.34	Office Office Office Office Office	33,804.00 33,804.00 33,804.00 33,804.00 33,804.00	the Company the Company the Company the Company the Company

Address of Properties in the PRC	Gross Floor Area (sq. m)	Use	Annual Rental Payable by the Group (RMB)	Lessee
Floor 1, 2, Block 2 East, No. 32 Jing Wu Road, Jin Shui District, Zhengzhou, Henan, PRC (中國河南鄭州金水區經五路32號 2號東樓1, 2層)	475.38	Commercial	290,932.56	the Company
	475.38	Commercial	148,318.56	the Company
No. 3, Feng Qing Road, Jin Shui District, Zhengzhou, Henan, PRC (中國河南鄭州金水區豐慶路3號)	1,036.90	Office	423,055.20	the Company
	407.70	Office	97,848.00	the Company
	337.59	Office	81,021.60	the Company
	54.81	Office	13,154.40	the Company
	1,145.91	Office	275,018.40	the Company
	25.65	Office	6,156.00	the Company
	25.65	Office	6,156.00	the Company
	25.65	Office	6,156.00	the Company
	37.26	Office	8,942.40	the Company
Floor 1, 2, Block 1, No. 46, Wei Sang Road, Zhengzhou, Henan, PRC (中國河南鄭州衛生路46號1號樓1, 2層)	703.17	Office	421,902.00	the Company
	819.91	Office	255,811.92	the Company
Various Units in Floor 3-5, No. 50, Ru He Road West, Zhengzhou, Henan, PRC (中國河南鄭州汝河西路50號 3-5層部份單位)	1,799.25	Office	604,548.00	the Company
	1,799.25	Office	604,548.00	the Engineering Company
No. 75 Kexue Avenue, Hi-Tech Development District, Zhengzhou, Henan, PRC (中國河南鄭州高新科技開發區 科學路75號)	1,353.62	Office and Industrial	105,582.36	the Pressure Control Company
	682.48	Office and Industrial	69,612.96	the Pressure Control Company
<b>Total</b>	<b>22,902.35</b>		<b>9,151,438.20</b>	

## **LAND USE RIGHTS LEASE**

The Board further announces that on 30 November 2010, the Company as the lessee entered into ZCR Gas Land Use Rights Lease Agreement with ZCR Gas as the lessor to sub-lease the land use rights of three parcels of land, which have been leased by ZCR Gas as the tenant from the landlord, Zhengzhou Investment Holding Company Limited (鄭州投資控股有限公司), a company which is owned by Zhengzhou SASAC, subject to the following major terms and conditions:

### **Agreement Date:**

30 November 2010

### **Parties to the ZCR Gas Land Use Rights Lease Agreement**

Lessor: ZCR Gas

Lessee: the Company

### **Term**

Pursuant to ZCR Gas Land Use Rights Lease Agreement, ZCR Gas as lessor agreed to sub-lease the occupation rights in the three parcels of land with a total area of 178,135.21 sq.m. as set out in the section “the Land Leased from ZCR Gas” below to the Company as lessee for a term of three years commencing from 1 November, 2010 and ending on 31 October, 2013 with an option to renew exercisable by the Company.

The rental payable by the Company to ZCR Gas shall be a sum of RMB1,434,000 (approximately HK\$1,670,610) per annum (payable quarterly in cash financed by internal resources) under ZCR Gas Land Use Rights Lease Agreement. The terms of the ZCR Gas Land Use Rights Lease Agreements (including the annual rental) have been determined after arm’s length negotiations between the Company and ZCR Gas with reference to the fair market rental of RMB1,434,000 (approximately HK\$1,670,610) per annum as at 15 October, 2010 as appraised by CB Richard Ellis Limited, an Independent Third Party.

## The Land Leased from ZCR Gas

The details of the land use rights of the three parcels of land leased to the Company and the respective rental under the ZCR Gas Land Use Rights Lease Agreement are set out below:

State-owned Land Use Certificate No	Addresses	Land Area (sq. m)	Land Use	Annual rental (RMB) based on independent valuations
Zheng Guo Yong (2003)Zi 0067 (鄭公用(2003) 字0067)	A parcel of land located in both sides along the Zhengbian Road (鄭汴路), Zhengzhou, Henan, the PRC	32,798.00	Public infrastructure	722,000
Bian Fang Di Quan Zheng Zi 229883 (汴房地權 證字229883)	A parcel of land located in the east side of Dongjiaobian village (東郊邊村東邊), west side of Xinghuaying farm (杏花營農場西邊), Kaifeng, Henan, the PRC	75,556.81	Public infrastructure	363,000
Mou Guo Yong (2002) Zi 101 (牟公用(2002)字101)	A parcel of land located in the several villages, Zhongmou county (中牟縣境內沿線各鄉鎮村段兩側), Zhengzhou, Henan, the PRC	69,780.40	Public infrastructure	349,000
Total		<u>178,135.21</u>		<u>1,434,000</u>

## REASONS FOR THE LEASE OF THE PROPERTIES AND LAND USE RIGHTS

The Group is principally engaged in the sales 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.

ZCR Gas is principally engaged in the management of city gas enterprises.

The Board considers that as properties leased under the ZCR Gas Property Lease Agreements are mainly occupied for training and administration purposes, such as being used as the offices of accounting department, operation management department, customer service department and consequently they are very important to the operation of the Group.



The Board also considers that as the Group's long distance transmission pipeline, which is used to receive natural gas from Zhongyuan Oil Field and Ordors which are important natural gas sources of the Group, passes through the three parcels of land under the ZCR Gas Land Use Rights Lease Agreement, it is important to have a legal agreement to obtain the land use rights of these parcels of land in order to ensure non-restrictive use, maintenance and renovation of such long distance transmission pipeline.

The Directors, including the independent non-executive Directors, have confirmed that the lease arrangements under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement are being carried out in the ordinary and usual course of business of the Group, on normal commercial terms determined on arm's length basis which are fair and reasonable and in the interests of the Group and Shareholders as a whole.

## **LISTING RULES IMPLICATIONS OF THE AGREEMENTS**

ZCR Gas is the controlling Shareholder, holding approximately 43.18% of the equity interest in the Company's registered share capital. By virtue of ZCR Gas's equity interest in the Company, ZCR Gas is therefore considered as a connected person of the Company under the Listing Rules. As a result, the transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement constitute as continuing connected transactions for the Company under Chapter 14A of the Listing rules.

Pursuant to Rule 14A.25 of the Listing Rules, the transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement constitute a series of transactions and accordingly the annual rentals under these agreements shall be aggregated.

Given that each of the applicable percentage ratios (other than the profits ratio) calculated under Rule 14.07 of the Listing Rules with reference to the aggregate rentals under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement is greater than 0.1% but less than 5% on an annual basis, the transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement fall within Rule 14A.34 of the Listing Rules and are therefore exempt from the independent shareholders' approval requirement. The transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement are only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules and the annual review requirements as set out in Rules 14A.37 to 14A.40 of the Listing Rules.

None of the Directors has a material interest in the transactions contemplated under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement. Accordingly, none of them is required to abstain from voting on the relevant board resolution to approve the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement and the transactions contemplated thereunder.

### **Annual Cap**

Pursuant to Rule 14A.35(2) of the Listing Rules, the annual caps for the transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement for each of the four years ending 31 December 2013 would be RMB10,585,438.20 (approximately HK\$12,332,035.50) which are determined with reference to the maximum aggregate sum of rentals payable by the Group under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreements, of which the rentals are determined pursuant to the market rental appraised by CB Richard Ellis Limited, an Independent Third Party.

## Definitions

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

“Board”	the board of Directors
“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 main board of the Stock Exchange
“connected person”	has the same meaning ascribed thereto in the Listing Rules
“CR Gas Investment”	China Resources Gas (China) Investment Limited (華潤燃氣(中國)投資有限公司) which holds 72.06% capital interest in ZCR Gas
“Directors”	the directors of the Company
“Domestic Share(s)”	ordinary unlisted share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for in RMB
“Engineering Company”	鄭州燃氣工程建設有限公司 (Zhengzhou Gas Engineering and Construction Company Limited*), a company established in the PRC with limited liability and a subsidiary of the Company
“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 main board of the Stock Exchange with a nominal value of RMB1.00 each
“Independent Third Party”	a third party which, together with its beneficial owner(s) (if any) and to the best of the Directors’ knowledge, information and belief after having made all reasonable enquires, is independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange, as amended from time to time
“Old Leased Properties”	the properties leased from Zhengzhou Gas Group by the Group under several property lease agreements which were expired on 31 October 2010

“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
“Pressure Control Company”	鄭州鄭燃調壓技術有限公司 (Zhengzhou Zhengran Pressure Control Technology Company Limited*), a company established in the PRC with limited liability and a subsidiary of the Company
“ZCR Gas Land Use Rights Lease Agreement”	the land use rights lease agreement dated 30 November 2010 entered into by the Company and ZCR Gas in respect of the leasing of three parcels of land as set out in the section “the Land Leased from ZCR Gas” in this announcement
“ZCR Gas Property Lease Agreements”	the three property lease agreements dated 30 November 2010 entered into by the Group and ZCR Gas in respect of the leasing of the occupation rights in the properties with a total gross floor area of 22,902.35 sq.m. as set out in the section “the Properties Leased from ZCR Gas” in this announcement
“Shares”	shares of the Company with a nominal value of RMB1.00 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
“ZCR Gas”	鄭州華潤燃氣有限公司 (Zhengzhou China Resources Gas Company Limited*), a joint venture established in the PRC with limited liability, which is the controlling Shareholder holding approximately 43.18% of the entire issued share capital of the Company
“Zhengzhou Gas Group”	鄭州燃氣集團有限公司 (Zhengzhou Gas Group Company Limited*), a state-owned company incorporated in the PRC with limited liability and a previous controlling Shareholder
“Zhengzhou SASAC”	鄭州市人民政府國有資產監督管理委員會 (The State-owned Assets Supervision and Administration Commission of Zhengzhou Municipal People’s Government)
“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

*Note: For the purpose of this announcement, the exchange rate is fixed at 1 Renminbi to 1.165 Hong Kong Dollar.*

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

Zhengzhou, the PRC

30 November 2010

*As at the date of this announcement, the Board of Directors of the Company comprises three executive Directors, namely Mr. Yan Guoqi, Mr. Li Jinlu and Mr. Li Hongwei, four non-executive Directors, namely Mr. Song Jinhui, Mr. Zhang Wushan, Mr. Ding Ping and Mr. Liu Jianwen and four independent non-executive Directors, namely Mr. Yu Jingsong, Mr. Zhang Jianqing, Ms. Wang Xiuli and Mr. Wong Ping.*

\* *For identification purposes only*