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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

- During the Relevant Period, audited turnover of the Group and profit attributable to the owners of the Company amounted to approximately RMB1,527,807,000 and RMB204,450,000 respectively, representing respective increases of approximately 21.43% and 14.40% over the corresponding period of last year.

- Sales of piped natural gas for the Relevant Period amounted to approximately RMB1,117,684,000, representing an increase of approximately 20.13% over the corresponding period of last year, which was primarily attributable to the growth in the sales of natural gas driven by the increase of natural gas users and adjustment of sales price of gas consumption for industrial, commercial, and vehicular users.

- Income derived from gas pipeline construction aggregated to approximately RMB404,785,000 for the Relevant Period, representing an increase of approximately 27.97% over the corresponding period of last year, which was primarily attributable to the satisfactory growth in gas pipeline construction projects for residential users.

- Basic earnings per share for the Relevant Period was approximately RMB1.634, representing an increase of approximately RMB0.206 as compared with approximately RMB1.428 (restated) for the corresponding period of last year.

- The Board does not recommend the payment of any final dividend to the shareholders for the year ended 31 December 2010.

FINAL RESULTS

The board of directors (the "Board") of Zhengzhou Gas Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 (the "Relevant Period" or the "Year") together with the comparative figures for the corresponding period in 2009 as follows:

AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	**2010** ***RMB'000***	2009 *RMB'000* (Restated)
Turnover	*6*	**1,527,807**	1,258,161
Cost of sales		**(1,099,514)**	(879,303)
Gross profit		**428,293**	378,858
Other income		**5,372**	6,446
Selling and distribution expenses		**(66,238)**	(48,779)
Administrative expenses		**(92,787)**	(78,799)
Other expenses and losses		**(1,259)**	(16,597)
Finance costs		**–**	(1,662)
Share of (losses) profits of an associate		**(3,544)**	4,764
Profit before taxation		**269,837**	244,231
Taxation	*7*	**(62,938)**	(63,513)
Profit and total comprehensive income for the year	*8*	**206,899**	180,718
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**204,450**	178,710
Non-controlling interests		**2,449**	2,008
		206,899	180,718
		RMB	*RMB* (Restated)
Earnings per share	*10*		
Basic		**1.634**	1.428

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**31.12.2010** *RMB'000*	31.12.2009 *RMB'000* (Restated)	1.1.2009 *RMB'000* (Restated)
Non-current assets				
Property, plant and equipment		**1,041,962**	841,526	666,115
Prepaid lease payments		**109,868**	112,584	113,949
Interest in an associate		**26,194**	32,863	32,025
Deferred tax assets		**24,497**	9,327	7,398
		1,202,521	996,300	819,487
Current assets				
Inventories		**21,520**	18,367	15,460
Trade and other receivables	*11*	**240,245**	196,921	126,249
Prepaid lease payments		**2,852**	2,950	1,749
Amounts due from customers for contract work		**2,964**	933	954
Amount due from immediate holding company		**3,200**	–	–
Amounts due from fellow subsidiaries		**712**	414	143
Pledged bank deposits		**–**	26,450	25,250
Fixed deposits held at banks with maturity over three months		**45,000**	30,000	–
Bank balances and cash		**357,342**	291,732	368,169
		673,835	567,767	537,974
Current liabilities				
Trade and other payables	*12*	**763,628**	535,469	466,556
Amounts due to customers for contract work		**81,015**	115,414	34,468
Amount due to immediate holding company		**110**	–	–
Amounts due to fellow subsidiaries		**2,173**	444	–
Bank borrowings		**–**	–	40,000
Taxation payable		**23,466**	29,816	18,263
		870,392	681,143	559,287
Net current liabilities		**(196,557)**	(113,376)	(21,313)
Net assets		**1,005,964**	882,924	798,174

	NOTES	**31.12.2010**	31.12.2009	1.1.2009
		RMB'000	*RMB'000*	*RMB'000*
			(Restated)	(Restated)
Capital and reserves				
Share capital		**125,150**	125,150	125,150
Reserves	*13*	**857,212**	734,685	669,111
Equity attributable to owners of the Company		**982,362**	859,835	794,261
Non-controlling interests		**23,602**	23,089	3,913
		1,005,964	882,924	798,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was established in the People's Republic of China (the "PRC") on 18 December 2000 as a joint stock limited company under the Company Law of the PRC. The Company's H shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's former parent was Zhengzhou Gas Group Co., Ltd. ("Zhengzhou Gas Group"), which was established in the PRC, and the former ultimate controlling shareholder was Zhengzhou Municipal People's Government. During the year ended 31 December 2010, China Resources Gas Group Limited ("CR Gas Group"), a company incorporated in Bermuda with its shares listed on the Stock Exchange, acquired a substantial equity interest in the Company through its subsidiaries and became the parent of the Company, and China Resources National Corporation ("CRNC") became the ultimate holding company of the Company.

The consolidated financial statements are presented in Renminbi which is the functional currency of the Company.

The Company and its subsidiaries are principally engaged in the sales of natural gas, pressure control equipment and gas appliances, the construction of gas pipelines and the provision of renovation services of gas pipelines. The registered office and principal place of business of the Company is located at 352 Longhai Road West, Zhengzhou, Henan Province, the PRC 450006.

This announcement has been presented in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing on the Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

2. PRIOR PERIOD ADJUSTMENTS

In the prior year, the Group recognised income from construction contracts for gas connection upon the completion of construction of pipelines for users and connection of such pipelines to the Group's existing gas pipeline network, which is concurrent with the "fire ignition ceremony". Upon the acquisition of an equity interest in the Company by CR Gas Group, the management reassessed the accounting policy of revenue recognition in respect of gas connection and adopted percentage of completion method in order to be consistent with the accounting policies adopted by CR Gas Group.

Apart from the change in accounting policies in respect of construction contracts for gas connection, there are reclassifications regarding offsetting deposits paid to suppliers (included in trade and other receivables) with trade payables as at 31 December 2009 and 1 January 2009. The Group has a current legally enforceable right to set off the trade payables with the deposits paid to suppliers and settles the amounts on net basis, accordingly, the trade payables are presented on net basis after offsetting the deposits paid to suppliers by the Group.

(a) The effect of change in accounting policies on the consolidated statement of comprehensive income during the year ended 31 December 2009 is as follows:

	2009 *RMB'000* *(Originally stated)*	**Effect of change in accounting policies** *RMB'000*	**2009** *RMB'000* *(Restated)*
Turnover	1,244,420	13,741	1,258,161
Cost of sales	(866,065)	(13,238)	(879,303)
Gross profit	378,355	503	378,858
Other income	6,446	–	6,446
Selling and distribution expenses	(48,779)	–	(48,779)
Administrative expenses	(78,799)	–	(78,799)
Other expenses and losses	(16,597)	–	(16,597)
Finance costs	(1,662)	–	(1,662)
Share of profits of an associate	4,764	–	4,764
Profit before taxation	243,728	503	244,231
Taxation	(63,269)	(244)	(63,513)
Profit and total comprehensive income for the year	180,459	259	180,718
Profit and total comprehensive income for the year attributable to:			
Owners of the Company	178,451	259	178,710
Non-controlling interests	2,008	–	2,008
	180,459	259	180,718

(b) The effect of change in accounting policies on the result for the year ended 31 December 2010 by line items is as follows:

	RMB'000
Decrease in turnover	(8,693)
Decrease in cost of sales	4,554
Decrease in taxation	1,035
Decrease in profit and total comprehensive income for the year	(3,104)

(c) The effect of change in accounting policies and the reclassifications on the consolidated statement of financial position as at 1 January 2009 is as follows:

	1.1.2009 *RMB'000* *(Originally stated)*	**Effect of change in accounting policies** *RMB'000*	**Reclassifications** *RMB'000*	**1.1.2009** *RMB'000* *(Restated)*
Non-current assets				
Property, plant and equipment	666,115	–	–	666,115
Prepaid lease payments	113,949	–	–	113,949
Interest in an associate	32,025	–	–	32,025
Deferred tax assets	7,398	–	–	7,398
	819,487	–	–	819,487
Current assets				
Inventories	16,414	(954)	–	15,460
Trade and other receivables	143,713	(807)	(16,657)	126,249
Prepaid lease payments	1,749	–	–	1,749
Amounts due from customers for contract work	–	954	–	954
Amounts due from fellow subsidiaries	143	–	–	143
Pledged bank deposits	25,250	–	–	25,250
Bank balances and cash	368,169	–	–	368,169
	555,438	(807)	(16,657)	537,974
Current liabilities				
Trade and other payables	536,236	(53,023)	(16,657)	466,556
Amounts due to customers for contract work	–	34,468	–	34,468
Bank borrowings	40,000	–	–	40,000
Taxation payable	13,826	4,437	–	18,263
	590,062	(14,118)	(16,657)	559,287
Net current liabilities	(34,624)	13,311	–	(21,313)
Net assets	784,863	13,311	–	798,174
Capital and reserves				
Share capital	125,150	–	–	125,150
Reserves	655,800	13,311	–	669,111
Equity attributable to owners of the Company	780,950	13,311	–	794,261
Non-controlling interests	3,913	–	–	3,913
	784,863	13,311	–	798,174

(d) The effect of change in accounting policies and the reclassifications on the consolidated statement of financial position as at 31 December 2009 is as follows:

	31.12.2009 *RMB'000* *(Originally stated)*	**Effect of change in accounting policies** *RMB'000*	**Reclassifications** *RMB'000*	**31.12.2009** *RMB'000* *(Restated)*
Non-current assets				
Property, plant and equipment	841,526	–	–	841,526
Prepaid lease payments	112,584	–	–	112,584
Interest in an associate	32,863	–	–	32,863
Deferred tax assets	9,327	–	–	9,327
	996,300	–	–	996,300
Current assets				
Inventories	19,300	(933)	–	18,367
Trade and other receivables	222,163	(1,358)	(23,884)	196,921
Prepaid lease payments	2,950	–	–	2,950
Amounts due from customers for contract work	–	933	–	933
Amounts due from fellow subsidiaries	414	–	–	414
Pledged bank deposits	26,450	–	–	26,450
Fixed deposits held at banks with maturity over three months	30,000	–	–	30,000
Bank balances and cash	291,732	–	–	291,732
	593,009	(1,358)	(23,884)	567,767
Current liabilities				
Trade and other payables	694,376	(135,023)	(23,884)	535,469
Amounts due to customers for contract work	–	115,414	–	115,414
Amounts due to fellow subsidiaries	444	–	–	444
Taxation payable	25,135	4,681	–	29,816
	719,955	(14,928)	(23,884)	681,143
Net current liabilities	(126,946)	13,570	–	(113,376)
Net assets	869,354	13,570	–	882,924
Capital and reserves				
Share capital	125,150	–	–	125,150
Reserves	721,115	13,570	–	734,685
Equity attributable to owners of the Company	846,265	13,570	–	859,835
Non-controlling interests	23,089	–	–	23,089
	869,354	13,570	–	882,924

(e) The effect of change in accounting policies described above on the Group's basic earnings per share for the years ended 31 December 2009 and 2010 is as follows:

	2010	2009
	RMB	*RMB*
Figures before adjustment	**1.659**	1.426
Adjustment arising from change in accounting policies	**(0.025)**	0.002
Figures after adjustment	**1.634**	1.428

3. CHANGE OF DEPRECIATION RATE IN THE YEAR

In previous years, plant, machinery and equipment was depreciated over 12 years to 30 years, after taking into account the residual value. Upon the acquisition of an equity interest in the Company by CR Gas Group, the management reassessed the estimated useful life and residual value of the Group's property, plant and equipment and adopted the same depreciation rate as that of CR Gas Group. As a result, the plant, machinery and equipment are now depreciated over 5 to 20 years, after taking into account the residual value, and the change in depreciation rate has increased the depreciation charge for the year by approximately RMB4,681,000.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretation ("new and revised IFRSs").

IFRS 2 (Amendments)	Group cash-settled share-based payment transactions
IFRS 3 (as revised in 2008)	Business combinations
IAS 24 (Revised)	Related party disclosures in relation to the partial exemption in paragraphs 25 to 27 for government-related entities
IAS 27 (as revised in 2008)	Consolidated and separate financial statements
IAS 39 (Amendments)	Eligible hedged items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC 17	Distributions of non-cash assets to owners

Except as described below, the adoption of the new and revised IFRSs in the current year had no material effect on the consolidated financial statements.

IAS 24 (Revised) "Related party disclosures"

The amendments to IAS 24 (Revised) "Related party disclosures" modify the definition of a related party and simplify related party disclosures for government-related entities. IAS 24 (Revised) provides a partial exemption from the disclosure requirements for government-related entities. The Group has early partially adopted the paragraphs 25 to 27 of IAS 24 (Revised) in the current year in advance of its effective date (annual periods beginning on or after 1 January 2011).

Amendments to IAS 17 "Leases"

As part of Improvements to IFRSs issued in 2009, IAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to IAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. After reassessment, the directors of the Company concluded that no reclassification was necessary.

The Group has not early applied the following new and revised standards, amendments or interpretation that have been issued but are not yet effective, except for the partial exemption from disclosure requirement for government related entity in accordance with IAS 24 (Revised).

IFRSs (Amendments)	Improvements to IFRSs issued in 2010[1]
IFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
IFRS 9	Financial instruments[4]
IAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
IAS 24 (as revised in 2009)	Related party disclosures[6]
IAS 32 (Amendments)	Classification of rights issues[7]
IFRIC – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
IFRIC – INT 19	Extinguishing financial liabilities with equity instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2010.
[3] Effective for annual periods beginning on or after 1 July 2011.
[4] Effective for annual periods beginning on or after 1 January 2013.
[5] Effective for annual periods beginning on or after 1 January 2012.
[6] Effective for annual periods beginning on or after 1 January 2011.
[7] Effective for annual periods beginning on or after 1 February 2010.

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretation will have no material impact on the consolidated financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis and in accordance with International Financial Reporting Standards. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

6. TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue arising from sale of goods, connection fee income and income from construction contracts for gas connection for the year. An analysis of the Group's turnover for the year is as follows:

	2010	2009
	RMB'000	*RMB'000*
Sales of goods	**1,139,172**	948,358
Connection fee income	**231,014**	153,802
Income from construction contracts for gas connection	**157,621**	156,001
	1,527,807	1,258,161

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The accounting policies of the operating segments are the same as the Group's accounting policies.

The Group's operating and reportable segments under IFRS 8 "Operating segments" are as follows:

Sale and distribution of gas fuel and related products – sale of natural gas and other related products, including pressure control equipment and gas appliances

Gas connection – connection fee income and construction contracts for gas connection to the Group's pipelines

Segment results represent profit before taxation earned by each segment, excluding share of result of an associate, sundry income, central administration costs and directors' salaries. Segment assets represent all assets allocated to each segment, excluding interest in an associate and amounts due from immediate holding company and fellow subsidiaries. Segment liabilities represent all liabilities allocated to each segment, excluding amount due to immediate holding company and amounts due to fellow subsidiaries. This is the measure reported to the executive directors for the purpose of resource allocation and assessment of segment performance.

The information of segment revenue, segment results, segment assets and segment liabilities is as follows:

For the year ended 31 December 2010

Segment revenue and results

	Sale and distribution of gas fuel and related products	**Gas connection**	**Subtotal**	**Inter-segment elimination**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Turnover					
External sales	**1,139,172**	**388,635**	**1,527,807**	**–**	**1,527,807**
Inter-segment sales*	**11,190**	**90,316**	**101,506**	**(101,506)**	**–**
Total	**1,150,362**	**478,951**	**1,629,313**	**(101,506)**	**1,527,807**
Result					
Segment results	**45,241**	**325,058**	**370,299**	**(9,716)**	**360,583**
Share of losses of an associate					**(3,544)**
Unallocated income					**794**
Unallocated expenses					**(87,996)**
Profit before taxation					**269,837**

* Inter-segment transactions are conducted based on market prices.

Segment assets and liabilities

	Sale and distribution of gas fuel and related products *RMB'000*	Gas connection *RMB'000*	Consolidated *RMB'000*
ASSETS			
Segment assets	**1,619,583**	**226,667**	**1,846,250**
Interest in an associate			**26,194**
Unallocated assets			**3,912**
			1,876,356
LIABILITIES			
Segment liabilities	**375,767**	**492,342**	**868,109**
Unallocated liabilities			**2,283**
			870,392

Other information

	Sale and distribution of gas fuel and related products *RMB'000*	Gas connection *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment results or segment assets:				
Additions to non-current assets	**251,864**	**4,912**	**–**	**256,776**
Depreciation	**53,083**	**2,831**	**–**	**55,914**
Write down of inventories to net realisable value	**525**	**–**	**–**	**525**
Loss on property, plant and equipment written off	**426**	**–**	**–**	**426**
Net reversal of impairment loss on trade receivables	**431**	**–**	**–**	**431**
Release from prepaid lease payments	**2,814**	**–**	**–**	**2,814**
Interest income	**2,836**	**1,141**	**–**	**3,977**
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment results or segment assets:				
Interest in an associate	**–**	**–**	**26,194**	**26,194**
Share of losses of an associate	**–**	**–**	**(3,544)**	**(3,544)**

For the year ended 31 December 2009

Segment revenue and results (restated)

	Sale and distribution of gas fuel and related products *RMB'000*	Gas connection *RMB'000*	Subtotal *RMB'000*	Inter-segment elimination *RMB'000*	Total *RMB'000*
Turnover					
External sales	948,358	309,803	1,258,161	–	1,258,161
Inter-segment sales*	11,077	29,462	40,539	(40,539)	–
Total	959,435	339,265	1,298,700	(40,539)	1,258,161
Result					
Segment results	74,715	248,089	322,804	(4,347)	318,457
Share of profits of an associate					4,764
Unallocated income					1,099
Unallocated expenses					(80,089)
Profit before taxation					244,231

*	Inter-segment transactions are conducted based on market prices.

Segment assets and liabilities (restated)

	Sale and distribution of gas fuel and related products *RMB'000*	Gas connection *RMB'000*	Total *RMB'000*
ASSETS			
Segment assets	1,355,769	175,021	1,530,790
Interest in an associate			32,863
Unallocated assets			414
			1,564,067
LIABILITIES			
Segment liabilities	210,729	469,970	680,699
Unallocated liabilities			444
			681,143

Other information (restated)

	Sale and distribution of gas fuel and related products *RMB'000*	Gas connection *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Amount included in the measure of segment results or segment assets:				
Additions to non-current assets	228,699	2,066	–	230,765
Depreciation	41,012	2,310	–	43,322
Impairment loss on property, plant and equipment	3,725	–	–	3,725
Write down of inventories to net realisable value	925	–	–	925
Loss on property, plant and equipment written off	6,183	–	–	6,183
Net reversal of impairment loss on trade receivables	45	–	–	45
Release from prepaid lease payments	2,288	–	–	2,288
Amounts regularly provided to the chief operating decision marker but not included in the measure of segment results or segment assets:				
Interest in an associate	–	–	32,863	32,863
Share of profits of an associate	–	–	4,764	4,764

At 1 January 2009

Segment assets and liabilities (restated)

	Sale and distribution of gas fuel and related products *RMB'000*	Gas connection *RMB'000*	Total *RMB'000*
ASSETS			
Segment assets	1,151,985	173,308	1,325,293
Interest in an associate			32,025
Unallocated assets			143
			1,357,461
LIABILITIES			
Segment liabilities	184,557	374,730	559,287

Geographical information

The Group's turnover and non-current assets (excluded deferred tax assets), based on location of customers and assets respectively, are all arisen in and located in PRC during both years.

Information about major customers

No single external customer contributed revenue from transactions amounting to 10% or more of the revenue of the Group during both years.

7. TAXATION

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
The tax charge (credit) comprises:		
Current taxation		
PRC Enterprise Income Tax	**78,108**	65,202
Underprovision in prior year	**–**	240
	78,108	65,442
Deferred taxation		
Credit for the year	**(15,170)**	(1,929)
	62,938	63,513

Profits tax arising in the PRC is calculated based on the applicable tax rates on assessable profits.

8. **PROFIT FOR THE YEAR**

	2010	2009
	RMB'000	*RMB'000*
Profit for the year has been arrived at after charging:		
Staff costs		
Directors' emoluments	**3,197**	1,400
Other staff		
– Salaries and other benefits	**129,094**	105,564
– Retirement benefits schemes contributions	**19,633**	11,436
Total staff costs	**151,914**	118,400
Auditor's remuneration		
–Annual audit	**1,400**	1,450
–Special audit	**–**	1,018
	1,400	2,468
Depreciation of property, plant and equipment	**55,914**	43,322
Release from prepaid lease payments	**2,814**	2,288
Impairment loss on property, plant and equipment (included in other expenses and losses)	**–**	3,725
Write down of inventories to net realisable value	**525**	925
Loss on property, plant and equipment written off (included in other expenses and losses)	**426**	6,183
Operating lease rentals in respect of		
– rented premises	**11,507**	9,941
– equipment	**2,384**	2,901
and after crediting:		
Interest income	**3,977**	4,013
Net reversal of impairment loss on trade receivables	**431**	45

9. **DIVIDENDS**

	2010	2009
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
Final dividend paid for 2009 of RMB0.1626 per ordinary share (2009: paid for 2008 of RMB0.104 per ordinary share)	**20,349**	13,016
Special dividend	**61,574**	100,120
	81,923	113,136

The directors do not recommend the payment of final dividend for the year ended 31 December 2010 (2009: RMB0.1626 per share, RMB20,349,000 in aggregate).

Pursuant to the annual general meeting and class meeting of holders of H shares and domestic shares of the Company held on 21 May 2009, the board of directors declared a special dividend from the audited accumulated undistributed profits of the Company as at 31 December 2007 to all shareholders prior to the Company for allotment, issue and dealing with the A shares ("A Share Issue"). The special dividend was RMB0.8 per share, amounting to RMB100,120,000 in aggregate. The Company's accumulated undistributed profits, after the distribution of the special dividend and the proposed final dividend for the year ended 31 December 2008, from 1 January 2009 to the day prior to completion of the A Share Issue shall be shared by all new and existing shareholders of the Company after the A Share Issue.

Pursuant to the extraordinary general meeting held on 23 November 2010, the board of directors declared a special dividend of RMB0.492 per share of the Company, amounting to RMB61,574,000 in aggregate.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Earnings:		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**204,450**	178,710

	2010	2009
Number of shares:		
Number of shares for the purpose of basic earnings per share	**125,150,000**	125,150,000

For the year ended 31 December 2009, the number of ordinary shares for the purpose of basic earnings per share had been adjusted retrospectively for the share consolidation.

11. TRADE AND OTHER RECEIVABLES

	31.12.2010	31.12.2009	1.1.2009
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
Trade receivables	**170,000**	163,147	107,235
Less: Allowance for doubtful debts	**(1,262)**	(1,768)	(2,309)
	168,738	161,379	104,926
Deposits and prepayments	**57,567**	31,696	17,620
Other receivables	**13,940**	3,846	3,703
	240,245	196,921	126,249

The Group generally allows credit periods ranging from 30 to 60 days to its trade customers, which may be extended for selected customers depending on their trade volume and settlement terms. The aged analysis of trade receivables, including notes receivables, net of allowance for doubtful debts, is presented based on the invoice date at the end of the reporting period as follows:

	31.12.2010	31.12.2009	1.1.2009
	RMB'000	*RMB'000*	*RMB'000*
0 – 90 days	**154,028**	149,598	101,517
91 – 180 days	**11,302**	11,121	2,398
Over 180 days	**3,408**	660	1,011
	168,738	161,379	104,926

12. TRADE AND OTHER PAYABLES

	31.12.2010 ***RMB'000***	31.12.2009 *RMB'000* (Restated)	1.1.2009 *RMB'000* (Restated)
Trade payables	**158,732**	60,106	39,517
Receipt in advance	**434,384**	343,643	359,039
Other payables	**116,285**	103,368	45,601
Accruals	**1,402**	1,055	1,470
Payroll payables	**52,825**	27,297	20,929
	763,628	535,469	466,556

The aged analysis of trade payables is presented based on invoice date at the end of the reporting period as follows:

	31.12.2010 ***RMB'000***	31.12.2009 *RMB'000* (Restated)	1.1.2009 *RMB'000* (Restated)
0 – 90 days	**127,133**	50,554	32,109
91 – 180 days	**21,954**	4,380	2,498
Over 180 days	**9,645**	5,172	4,910
	158,732	60,106	39,517

The average credit period on purchases of goods ranges from 7 to 365 days.

13. AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Capital reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2009, as previously stated	125,150	101,026	185,875	28,150	340,749	780,950	3,913	784,863
Effect of change in accounting policies	–	–	–	–	13,311	13,311	–	13,311
At 1 January 2009, as restated	125,150	101,026	185,875	28,150	354,060	794,261	3,913	798,174
Profit and total comprehensive income for the year	–	–	–	–	178,710	178,710	2,008	180,718
Contribution from non-controlling interests of a subsidiary	–	–	–	–	–	–	18,000	18,000
Transfers between categories	–	–	33,442	–	(33,442)	–	–	–
Dividends paid	–	–	–	–	(113,136)	(113,136)	–	(113,136)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(832)	(832)
At 31 December 2009, as restated	125,150	101,026	219,317	28,150	386,192	859,835	23,089	882,924
Profit and total comprehensive income for the year	–	–	–	–	204,450	204,450	2,449	206,899
Transfers between categories	–	–	39,569	–	(39,569)	–	–	–
Dividends paid	–	–	–	–	(81,923)	(81,923)	–	(81,923)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(1,936)	(1,936)
At 31 December 2010	125,150	101,026	258,886	28,150	469,150	982,362	23,602	1,005,964

MANAGEMENT DISCUSSION AND ANALYSIS

Performance review

The following analysis should be read in conjunction with the audited financial statements and relevant sections in this announcement.

The Group is principally engaged in the sales of piped natural gas and gas appliances to residential, commercial, industrial, vehicular and compressed natural gas ("CNG") users, sales of pressure control equipments and provision of gas pipeline construction services. Analysis of the turnover of products and services (see Table 1), the number of users of natural gas (see Table 2) and gas consumption (see Table 3) as at 31 December 2010 and 2009 are set out below:

Table 1 Turnover

	As at 31 December				
	2010		2009		
	Turnover *(RMB'000)*	**As % of income**	Turnover *(RMB'000)* (Restated)	As % of income	Growth %
Natural gas	**1,117,684**	**72.38%**	930,359	73.27%	20.13%
Gas appliances	**15,836**	**1.03%**	13,685	1.08%	15.72%
Pressure control equipments	**2,438**	**0.16%**	259	0.02%	841.31%
Gas pipelines					
– Connection and construction	**404,785**	**26.22%**	316,305	24.91%	27.97%
– Provision of renovation work	**2,274**	**0.15%**	8,949	0.70%	-74.59%
Others	**939**	**0.06%**	194	0.02%	384.02%
	1,543,957	**100.00%**	1,269,751	100.00%	21.60%
Less: Business tax and government surcharges	**(16,150)**		(11,590)		
Total	**1,527,807**		1,258,161		21.43%

Table 2 Number of users of natural gas

	As at 31 December		
	2010	2009	Growth %
Number of residential users	**1,000,277**	875,614	14.24%
Number of commercial users	**2,692**	2,297	17.20%
Number of industrial users	**88**	73	20.55%
Number of vehicular users	**10,910**	9,344	16.76%
Number of CNG users	**2**	–	N/A
Total	**1,013,969**	887,328	14.27%

Table 3 Gas consumption

	As at 31 December				
	2010		2009		
	Gas consumption	**As % of total gas consumption**	Gas consumption	As % of total gas consumption	Growth %
Natural gas					
Total gas consumption (in approximate ’000 m^3)	**493,981**		447,226		10.45%
of which					
Residential users	**166,282**	**33.66%**	148,699	33.26%	11.82%
Commercial users	**165,339**	**33.47%**	155,030	34.66%	6.65%
Industrial users	**80,469**	**16.29%**	72,516	16.21%	10.97%
Vehicular users	**76,269**	**15.44%**	70,981	15.87%	7.45%
CNG users	**5,621**	**1.14%**	-	0.00%	N/A

General

For the year ended 31 December 2010, the Group recorded a turnover of approximately RMB1,527,807,000 and a gross profit of approximately RMB428,293,000. The turnover increased by 21.43% as compared with the corresponding period of last year mainly due to the satisfactory increase in the number of customers of natural gas, which resulted in the increase of revenue from sale of natural gas and gas pipelines construction.

During the Relevant Period, the overall gross profit margin of the Group was approximately 28.03%, representing a decrease of approximately 2.08% as compared with approximately 30.11% of the corresponding period of last year. The decrease of gross profit margin was primarily due to the continuous rise in purchase costs of natural gas, thus the gross profit margin of the sales of natural gas decreased to approximately 9.47% in the Relevant Period from approximately 13.55% of the corresponding period of last year. Although the Group increased the price of natural gas for industrial, commercial and vehicular users in the Relevant Period, such increase could not offset entirely the effect of the rise of purchase costs of natural gas as the price of natural gas for residential users whose gas consumption volume accounted for approximately 33.66% of the total gas consumption volume of the Group in the Relevant Period was not adjusted upward.

During the Relevant Period, other income of the Group, comprising mostly of interest income, amounted to approximately RMB5,372,000, representing a decrease of approximately 16.66% as compared with approximately RMB6,446,000 of the corresponding period of last year. The decrease in other income was mainly due to a decrease in income from installation of equipments.

During the Relevant Period, the selling and distribution costs of the Group amounted to approximately RMB66,238,000, representing an increase of approximately 35.79% from approximately RMB48,779,000 of the corresponding period of last year, mainly due to the increase in depreciation and employees' salary. During the Relevant Period, the administrative cost of the Group was approximately RMB92,787,000, representing an increase of approximately 17.75% as compared with approximately RMB78,799,000 of the corresponding period of last year, mainly due to the increase in employees' salary, repairs expenses, and labour insurance.

Other expenses and losses of the Group amounted to approximately RMB1,259,000, representing a decrease of approximately 92.41% as compared with approximately RMB16,597,000 of the corresponding period of last year, which was chiefly ascribable to the one-off costs resulting from the termination of a natural gas pipeline construction project in last year and impairment of assets, leading to a relatively larger amount of other expenses and losses in last year.

During the Relevant Period, the Group's share of loss of an associate was approximately RMB3,544,000, as compared with a profit of approximately RMB4,764,000 of the corresponding period of last year, mainly attributed to the foreign exchange profits and losses arising from a Yen loan granted to Pingdingshan Gas Co., Ltd., an associate of the Group.

Income tax expenses of the Group for the Relevant Period were approximately RMB62,938,000, representing a decrease of approximately 0.91% from approximately RMB63,513,000 in the corresponding period of last year. Decrease in income tax expenses was mainly due to the recognition of increased intra-group unrealised profits as deferred assets during the Relevant Period.

During the Relevant Period, the net profit attributable to shareholders of the Company was approximately RMB204,450,000, representing an increase of 14.40% from approximately RMB178,710,000 for the corresponding period of last year.

Sales of piped natural gas

The income attributed to the sales of piped natural gas for the Relevant Period amounted to approximately RMB1,117,684,000, representing an increase of 20.13% as compared with approximately RMB930,359,000 for the corresponding period of last year.

During the Relevant Period, the total gas consumption by natural gas users of the Group was approximately 493,981,000 m^3, representing an increase of approximately 10.45% as compared with approximately 447,226,000 m^3 for the corresponding period of last year.

During the Relevant Period, the gas consumption by residential and industrial users of the Group recorded a relatively satisfactory growth, and had increased 11.82% and 10.97% respectively as compared with the corresponding period of last year. The increase in the gas consumption by residential users was mainly due to the increase in the number of residential users. The increase in the gas consumption by industrial users was mainly a result of the global economic stabilization and the Group's proactive strategy of developing a customer base with larger-sized industrial users. During the Relevant Period, growth in the gas consumption by commercial and vehicular users of the Group decelerated, and had only increased 6.65% and 7.45% respectively as compared with the corresponding period of last year. Only single-digit growth was recorded by the gas consumption of commercial users, which was attributed to the small-sized new commercial users who made limited contribution to the gas consumption of commercial users. The growth of gas consumption by vehicular users slowed down significantly from 18.33% for the corresponding period of last year to 7.45% during the Relevant Period. The major reasons were that the Group lost certain customers to other vehicular gas operators due to severe competition, and was forced to close a gas station due to the changes in the city planning, which affected the income from relevant business. During the Relevant Period, the Group obtained a new type of users, CNG users, who primarily purchase compressed natural gas from the Group and then redistribute it to other users.

As at 31 December 2010, the number of the Group's residential users exceeded one million to 1,000,277 users, representing an increase of 124,663 users as compared with 875,614 residential users as at 31 December 2009. On the other hand, the Group has 2,692 commercial users, representing an increase of 395 users as compared with 2,297 commercial users as at 31 December 2009; 88 industrial users, representing an increase of 15 users as compared with 73 industrial users as at 31 December 2009; 10,910 vehicular users, representing an increase of 1,566 users as compared with 9,344 vehicular users as at 31 December 2009; and 2 CNG users, a new type of users obtained during the Year.

During the Relevant Period, the Group purchased approximately 418,749,000 m^3 and 86,106,000 m^3 of natural gas from the first phase of "Project of Transmitting Natural Gas through the West to the East Pipelines" and Ordos Gasfield respectively, representing approximately 80.20% and 16.49% of the total purchase of natural gas respectively. During the Relevant Period, the Group's costs for gas purchase kept climbing, and the average cost for gas purchases rose from approximately RMB1.4443/m^3 for 2009 to approximately RMB1.6641/m^3 during the Year.

In order to solve the problem of ever-increasing costs of natural gas, the Company proactively coordinated with the relevant authorities to call for a rise in the selling prices of natural gas. On 30 June 2010, pursuant to the Notice on Adjustments of Natural Gas Selling Prices in Zhengzhou issued by the Zhengzhou City Commodity Pricing Bureau, the Company's selling prices of natural gas to commercial, industrial and vehicular users were adjusted upwards. Consequently, the selling prices of natural gas to commercial, industrial and vehicular users in Zhengzhou increased from RMB2.80/m^3 to RMB3.16/m^3, RMB2.50/m^3 to RMB2.86/m^3 and RMB3.32/m^3 to RMB3.60/m^3 respectively. The said adjustments were applicable to the natural gas consumption volumes of commercial and industrial users metered on or after 1 June 2010. The adjustment to the selling price of natural gas to vehicular users became effective from 1 July 2010.

Sales of gas appliances and pressure control equipments

The Group is also engaged in the sales of gas appliances and pressure control equipments. The gas appliances available for sale mainly include gas stoves, water heaters, gas alarms, etc.. These gas appliances were purchased from several gas appliance producers and sold through the Group's sales outlets in Zhengzhou. In relation to pressure control equipments, the main target clients are natural gas users and other natural gas suppliers. For the Relevant Period, income from sales of gas appliances and pressure control equipments amounted to approximately RMB15,836,000 and approximately RMB2,438,000, representing an increase of approximately 15.72% and approximately 841.31% as compared with approximately RMB13,685,000 and approximately RMB259,000 for the corresponding period of last year, respectively. Increase in income from sales of gas appliances was chiefly due to better performance in sales of water heaters, gas stoves and gas alarms as compared with last year. The significant increase in income from sales of pressure control equipments was primarily a result of an increasing demand from regions other than Zhengzhou.

Natural gas pipeline construction services

During the Relevant Period, the Group adopted the percentage of completion method to recognise its income from natural gas pipeline construction services. As a result, income from natural gas pipeline construction services for the corresponding period of last year of approximately RMB302,012,000 was restated as RMB316,305,000. Under the new method of recognition, income from natural gas pipeline construction services of the Group for the Year amounted to approximately RMB404,785,000, representing an increase of approximately 27.97% over the corresponding period of last year, among which connection fees from residential users and commercial users were approximately RMB357,241,000 and approximately RMB33,105,000 respectively. The increase in the income from natural gas pipeline construction services was mainly attributable to the satisfactory growth in natural gas pipeline construction projects for residential users. Furthermore, the Group obtained revenue from other construction projects amounting to approximately RMB14,439,000.

In addition, the Group also charges its users for provision of gas pipeline renovation services. During the Relevant Period, such income amounted to approximately RMB2,274,000, representing a decrease of approximately 74.59% as compared with approximately RMB8,949,000 for the corresponding period of last year. The decrease was mainly attributable to the decrease in the number of outdoor gas pipeline renovation projects.

Net profit and return to shareholders

During the Relevant Period, net profit margin of the Group was 13.38%, which was lower than the 14.20% recorded for last year. The decrease was mainly due to a significant decrease in gross profit margin of the sales of natural gas, a turnaround of share of results of associates from profit to loss, the excess of the growth rate of selling and distribution expenses over that of turnover.

In addition, average return to shareholders for the Relevant Period, based on the profit attributable to shareholders of the Company divided by the average of equity attributable to shareholders of the Company at the beginning and at the end of the period, was 22.20% which was higher than that of 21.78% of the corresponding period of last year. This was primarily because of the distribution of a special dividend during the Year, resulting in a decrease of average equity attributable to shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Borrowing and banking facilities

The Group currently finances its capital expenditure and operations mainly by internally generated funds, bank loans and its bank deposits or cash on hand. The Group is of the view that, in the long run, the Group will generate its liquidity from business operations and will consider making use of further equity finances or bank loans when necessary.

As at 31 December 2010, the Group had no bank borrowings.

Net current liabilities

As at 31 December 2010, the Group had net current liabilities of approximately RMB196,557,000 (31 December 2009: net current liabilities of approximately RMB113,376,000). There were advance payments received of approximately RMB434,384,000 in the current liabilities, which was deferred revenue, not an amount payable as a liability by nature. The Group had net current assets of approximately RMB237,827,000 after deducting such advance payments received.

Working capital

As at 31 December 2010, the Group had cash and bank balances of approximately RMB357,342,000.

Equity to liabilities ratio

As at 31 December 2010, equity to liabilities ratio (being total equity over total liabilities and expressed in percentage) of the Group was approximately 115.58%, which was lower than that of approximately 129.62% as at 31 December 2009, mainly due to the payment of a special dividend during the Year which caused a decrease in equity attributable to shareholders and a decrease of the equity to liabilities ratio.

Commitments

In order to keep pace with the urbanization and environmental protection policies of Zhengzhou City, the Group is required to further expand its urban natural gas pipeline network and related gas supply equipments. As at 31 December 2010, the Group had commitments of approximately RMB18,717,000, mainly pertinent to contracts of pipeline network construction and equipment purchases. The management believes that such expenditure can be defrayed by revenue generated from operations or bank loans.

Foreign exchange risk

All of the Group's businesses are operated in the PRC and all of its transactions are settled in Renminbi. Therefore, the Group's exposure to foreign currency risk is minimal.

Contingent liabilities

As at 31 December 2010, the Group had no significant contingent liabilities.

EMPLOYEES AND REMUNERATION POLICY

Human resources

An analysis of the Group's employees by functions as at 31 December 2009 and 2010 is as follows:

	As at 31 December	
	2010	2009
Management and administration	**408**	409
Finance	**40**	40
Sales and marketing	**211**	210
Safety maintenance and technical upgrading	**206**	204
Purchases and supplies	**17**	17
Engineering and installation	**114**	116
Repairs, maintenance and testing	**309**	308
Others	**351**	350
Total	**1,656**	1,654

As at 31 December 2010, the Group had 1,656 employees, an addition of 2 employees as compared with 1,654 employees in the corresponding period of last year.

The salaries of the Group's employees are determined by reference to the performance, qualifications and experience of the individual staff. A discretionary incentive bonus based on individual performance during the year would be paid by the Group to reward their contributions to the Group. Other employee benefits include retirement benefits, medical insurance and housing fund contributions. In the Relevant Period, the total staff costs of the Group amounted to approximately RMB151,914,000, representing an increase of approximately 28.31% as compared with that of approximately RMB118,400,000 for the corresponding period of last year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

In 2010 and the corresponding period of last year, the Group had no material acquisitions and disposals of subsidiaries and associated companies.

MATERIAL INVESTMENT

As at 31 December 2010, the Group had no material investment, and likewise as at 31 December 2009.

CHARGE ON ASSETS

As at 31 December 2010 and 2009, the assets of the Group were not under any charge.

COOPERATION WITH CHINA RESOURCES GAS INVESTMENT

The State-owned Assets Supervision and Administration Commission of Zhengzhou Municipality ("Zhengzhou SASAC") and China Resources Gas (China) Investment Limited ("CRGI"), a wholly owned subsidiary of CR Gas Group signed several agreements to explore the potential cooperation opportunities in Zhengzhou ("Potential Cooperation") on 25 November 2009. The Potential Cooperation involves an acquisition of 54,041,510 domestic shares of the Company (representing approximately 43.18% of the total issued share capital of the Company) (the "Sale Shares") by a joint venture (the "JV"), in the equity interest of which CRGI and Zhengzhou SASAC hold 80% and 20% respectively (the "Share Acquisition"). The detailed information about the Potential Cooperation can be found in the joint announcements made by the Company and CR Gas Group dated 25 November 2009 and 11 December 2009 (the "Announcements"). On 27 August 2010, CR Gas Group announced in the joint announcement issued by CR Gas Group and the Company (the "Joint Announcement") that all the approvals and registrations in the PRC in connection with the acquisition of the Sale Shares by the JV from Zhengzhou SASAC at a total consideration of RMB421,750,560 have been obtained and the registration of the Sale Shares under the name of the JV in China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) has been updated on 30 June 2010. At this point, Zhengzhou SASAC did not regard that the registration of the Sale Shares under the name of the JV as the completion of the acquisition by the JV of the Sale Shares from Zhengzhou SASAC (the "Completion") because it has the right to finalise the distribution of the profit attributable to it given that it is an obligation to be fulfilled by CRGI pursuant to the cooperation agreements, details of which are set out below.

Pursuant to the Announcements, the Completion shall take place within 10 business days, or such later date as CRGI and Zhengzhou SASAC may agree in writing, after fulfillment of all the pre-conditions contained in the Announcements. According to the agreements entered into between CRGI and Zhengzhou SASAC for the Potential Cooperation, the attributable profit and loss incurred by Zhengzhou Gas Group and its subsidiaries during the period from 1 July 2009 up to the date of incorporation of the JV which was 25 November 2009, should be borne by Zhengzhou SASAC. CRGI and Zhengzhou SASAC, by entering into an addendum on 27 August 2010, have confirmed and agreed that (i) the audited profits of the Company, Zhengzhou City Zhengran Gas Design Development Co., Ltd. ("Zhengzhou Gas Design") and Nanyang Zhengran Natural Gas Co., Ltd. ("Nanyang Zhengran"), being entities transferred to the JV by Zhengzhou SASAC, during the period from 1 July 2009 to 30 November 2009 attributable to Zhengzhou SASAC were RMB26,586,900 based on its 43.18% beneficial interest in the Company, 17.37% beneficial interest in Zhengzhou Gas Design and 100% beneficial interest in Nanyang Zhengran; and CRGI has agreed that Zhengzhou SASAC will be entitled to such profit; (ii) CRGI and Zhengzhou SASAC have agreed through the JV to procure the Company to distribute such profit by way of special dividend; and (iii) as a condition precedent to Completion, either the Board shall resolve to propose declaration of a special dividend and to submit the proposal to the shareholders for approval, or the parties shall procure the JV to request the Company to convene an extraordinary general meeting for the shareholders of the Company to approve the payment of special dividend.

The Board has received a request from the JV and another shareholder of the Company on 27 August 2010 for convening an extraordinary general meeting of the Company to approve the payment of special dividend. CR Gas Group announced in the Joint Announcement that the condition precedent to Completion was therefore fulfilled on 27 August 2010. The proposed payment of special dividend will be RMB0.492 per domestic share and H share of the Company. A resolution on payment of the dividend was formally approved at the extraordinary general meeting held on 23 November 2010.

The board of directors of CR Gas Group announced on 27 August 2010 in the Joint Announcement that Completion has therefore duly taken place and the pre-conditions for the mandatory cash offers by CRGI, or its representative, for all the domestic shares and H shares of the Company other than those owned or agreed to be acquired by it and parties acting concert with it (the "Offers") have been fulfilled on 27 August 2010. Upon Completion, the JV was interested in 54,041,510 domestic shares of the Company which represented approximately 43.18% of the total issued share capital of the Company. Accordingly, the board of directors of CR Gas Group is of the view that there is a change in controlling shareholder of the Company whereby CRGI and the parties acting in concert with it are now required to make the Offers to acquire all the domestic shares and H shares of the Company (other than those already owned or agreed to be acquired by CRGI and parties acting in concert with it) in compliance with Rules 14 and 26.1 of the Hong Kong Code on Takeovers and Mergers. Details of the above information including the special dividend arrangement of the Company can be found in the Joint Announcement.

On 3 September 2010, CRGI and the Company issued a composite document, pursuant to which CRGI would make an offer to all holders of domestic shares and H shares of the Company at an offer price of RMB12.96 per domestic share, or equivalent to a cash consideration of HK$14.73 per H share. The offer was closed on 8 October 2010. CRGI received valid acceptances in respect of 17,128,490 shares (including 12,202,490 domestic shares and 4,926,000 H shares).

WITHDRAWAL OF THE ISSUE AND LISTING OF A SHARES

Since the successful completion of the Share Acquisition resulted in the changes in control of the Company, the sponsor of the listing application of A Shares of the Company suggested that the Company should consider to withdraw the listing application. On 19 March 2010, the Board resolved to withdraw the A Shares issue and listing application from the China Securities Regulatory Commission after taking the possibility of successful listing and ongoing costs of listing application into consideration.

The Directors believe that the withdrawal of the A Shares issue and listing application will not adversely affect the development of the Company as most projects such as Zhengzhou high pressure circular gas pipelines construction project, construction of natural gas stations, acquisition of coal gas assets proposed to be financed by the proceeds from the proposed A Shares issue have already been financed partially or entirely by the internal resources of the Group or bank borrowing. In the meantime, the Company determined to terminate the construction of Boai-Zhengzhou natural gas pipeline project, one of the projects in the proposed A Shares issue, because the upper stream pipeline construction has not been processed as well as expected. However, the Company has anticipated that it will be able to procure sufficient natural gas for future development in the second phase of the "Project of Transmitting Natural Gas through the West to the East Pipeline".

PROSPECT

Prospect of expanding customer base

On 26 January 2011, Henan Development and Reform Commission announced the inclusion of Central China Economic Zone into the National Principle Functional Districts Program, making Central China Economic Zone a core area of development on the national level. Central China Economic Zone covers Henan province as its core region, as well as part of the areas of Shanxi, Hebei, Anhui and Shandong provinces to form a composite economic zone, which is positioned to be the base of all major high-technology industries of the state, a base of advanced manufacturing and modern service industries, a base of energy raw materials, an integrated transportation and logistics hub, a regional centre of technology and innovation, and a region with concentrated population and economic activities. Being the provincial capital of Henan province, Zhengzhou will become the focus of development of the Central China Economic Zone. Zhengzhou will strengthen its development of advanced manufacturing, technology education, commercial logistics, and financial services, with emphasis on developing the Zhengbian (Zhengzhou-Kaifeng) industrial area so as to facilitate the integration of Zhengbian, and establishing a regional economic centre and an important national transportation hub.

As a result of the said policies and the transformation of regional industrial structure in the PRC, the municipal government of Zhengzhou has intensified its efforts to attract businesses and investments, resulting in the removal of some large-scale manufacturing enterprises on the coastal regions to Zhengzhou. Natural gas industry, which is indispensable for daily life and production, will be benefited from the inflow of people and goods that accelerates economic development. Therefore, the Group believes that the market for residential, industrial and commercial gas consumption still has much room for further development.

In respect of vehicular gas business, facing the competition from new gas station operators and the challenges brought by the national policy of promoting electric vehicles, the Group on one hand solidified its existing user base, and on the other hand adopted a strategy that turned competition into cooperation by providing those gas stations with CNG or supplying gas to them through gas pipelines, so that a win-win situation can be achieved.

OTHER INFORMATION

Closure of registers of members

The Company will publish a separate announcement to inform its shareholders the date of annual general meeting and the period of closure of registers of members.

Purchase, sale or redemption of securities

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Relevant Period.

Sufficiency of public float

According to the publicly available information of the Company and as far as the Directors of the Company are aware, the Directors confirmed that the Company had maintained a sufficient public float required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the Relevant Period.

Audit Committee

The Company established an audit committee on 30 September 2002 with terms of reference re-adopted on 29 March 2007 in compliance with the Listing Rules. The primary functions of the audit committee are to review the financial reporting process and the internal control systems of the Group. The audit committee currently comprises three members, namely Ms. Wang Xiuli and Mr. Zhang Jianqing, both being independent non-executive Directors, and Mr. Zhang Wushan, a non-executive Director. Ms. Wang Xiuli is the chairperson of the audit committee.

The audit committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2010.

The Code on Corporate Governance Practices

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules for the year ended 31 December 2010.

Code of conduct regarding securities transactions by directors

During the year ended 31 December 2010, the Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Listing Rules. The Group, having made specific enquiry of all Directors, is not aware of any non-compliance by any of the Directors with the required standard of dealings and the code of conduct regarding securities transactions by the Directors.

ANNUAL REPORT AND DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is also published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.hnzzgas.com). The annual report for the year ended 31 December 2010 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

Zhengzhou, the PRC
16 March 2011

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Yan Guoqi, Mr. Li Jinlu and Mr. Li Hongwei, four non-executive Directors, namely Mr. Zhang Wushan, Mr. Li Yantong, 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 purpose only*