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**鄭州華潤燃氣股份有限公司**

Zhengzhou China Resources Gas Co., Ltd.\*

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

**(Stock Code: 3928)**

## **CONTINUING CONNECTED TRANSACTIONS**

The Board announces that on 29 August 2011, the Company and the Engineering Company (as the case may be) entered into the Supplemental Agreements with ZCR Gas to make some amendments to the floor areas leased and the relevant annual rental payable under the ZCR Gas Property Lease Agreements. The net effect of the amendments to the ZCR Gas Property Lease Agreements by entering into the Supplemental Agreements is an increase of annual rental payable by RMB74,407.2.

ZCR Gas is a direct Controlling Shareholder of the Company, 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 Supplemental Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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 as supplemented by the Supplemental Agreements, the ZCR Gas Land Use Rights Lease Agreement, the Second ZCR Gas Property Lease Agreement and the Second ZCR Gas Land Use Rights Lease Agreement is greater than 0.1% but less than 5% on an annual basis, the transactions under these agreements fall within Rule 14A.34 of the Listing Rules and are therefore exempt from the independent shareholders' approval requirement, and they 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.

Pursuant to Rules 14A.36(1), as the total annual rental payable for the transactions under the ZCR Gas Property Lease Agreements as supplemented by the Supplemental Agreements and the ZCR Gas Land Use Rights Lease Agreement (i.e. RMB10,659,845.40) exceeds the annual caps for the transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement (i.e. RMB10,585,438.20) as disclosed in the Announcement 1, the transactions under the Supplemental Agreements should re-comply with 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.

The new annual caps for the transactions under the ZCR Gas Property Lease Agreements as supplemented by the Supplemental Agreements and the ZCR Gas Land Use Rights Lease Agreement for each of the three years ending 31 December 2013 would be RMB10,659,845.40 which are determined with reference to the maximum aggregate sum of annual rentals payable by the Group under the ZCR Gas Property Lease Agreements as supplemented by the Supplemental Agreements and the ZCR Gas Land Use Rights Lease Agreements, of which the rentals are determined pursuant to the market rental RMB10,659,845.40 appraised as at 15 October 2010 by CB Richard Ellis Limited, an Independent Third Party.

Reference should be made to the announcements of the Company dated 30 November 2010 and 6 April 2011 (the “Announcement 1” and the “Announcement 2” respectively). Unless the context otherwise defines, capitalized terms used herein shall have the same meanings as defined in the Announcement 1 and the Announcement 2.

The Board announces that on 29 August 2011, the Company and the Engineering Company (as the case may be) entered into two supplemental agreements with ZCR Gas to make some amendments to the floor areas leased under the ZCR Gas Property Lease Agreements and the relevant annual rental payable (the “Supplemental Agreements”).

## **BACKGROUND**

On 30 November 2010, the Company and its subsidiaries, the Engineering Company and the Pressure Control Company (as the case may be) as lessees entered into the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement with ZCR Gas as lessor to lease the occupation rights of certain properties and parcels of land for office, commercial and industrial uses. Reference should be made to the Announcement 1 for the details of the said leases.

With a view to lease the occupation rights of additional properties and parcels of land for office and operational uses, on 6 April 2011, the Company as lessee entered into the Second ZCR Gas Property Lease Agreement and the Second ZCR Gas Land Use Rights Lease Agreement with ZCR as lessor for such purposes. Reference should be made to the Announcement 2 for the details of the said leases.

## **SUPPLEMENTAL AGREEMENTS**

Due to the change of operational needs, on 29 August 2011, the Company and the Engineering Company as lessee (as the case maybe) entered into the Supplemental Agreements with ZCR Gas as lessor to adjust the floor areas leased under the ZCR Gas Property Lease Agreements. The major terms of the Supplemental Agreements are as follows:

### **Agreement Date:**

29 August 2011

### **Parties to the Supplement Agreements:**

Lessor: ZGR Gas

Lessee: the Company and the Engineering Company (as the case may be)

## **The Amendments to the ZCR Gas Property Lease Agreements Provided in the Supplemental Agreements:**

1. The gross floor area leased by the Company located at No. 352, Longhai Road West, Zhengzhou, Henan, the PRC (中國河南鄭州隴海西路352號) is increased by 574.84 sq.m. from 10,618.83 sq.m. to 11,193.67 sq.m. The annual rental payable for the increased area leased is RMB5,372,961.6, representing an increase of RMB275,923.20 as compared with the annual rental payable of RMB5,097,038.40 for the original area leased. The additional area leased is used as offices of our customer service department.
2. The gross floor area leased by the Company located at No. 50, Ru He Road West, Zhengzhou, Henan, the PRC (中國河南鄭州汝河西路50號) is reduced by 1,199.5 sq.m. from 1,799.25 sq.m. to 599.75 sq.m. The annual rental payable for the reduced area leased is RMB201,516, representing a decrease of RMB403,032 as compared with the annual rental payable of RMB604,548 for the original area leased. The floor area leased is reduced because the office of customer service department has removed to the location mentioned in point 1.
3. The gross floor area leased by the Engineering Company located at No. 50, Ru He Road West, Zhengzhou, Henan, the PRC (中國河南鄭州汝河西路50號) is increased by 599.75 sq.m. from 1,799.25 sq.m. to 2,399 sq.m. The annual rental payable for the increased area leased is RMB806,064, representing an increase of RMB201,516 as compared with the annual rental payable of RMB604,548 for the original area leased. The additional area leased has been used as offices of the Engineering Company.

The net effect of the amendments to the ZCR Gas Property Lease Agreements by entering into the Supplemental Agreements is an increase of annual rental payable by RMB74,407.2. The annual rental payable under the ZCR Gas Property Lease Agreements as supplemented by the Supplemental Agreements is RMB9,225,845.4.

As the Supplemental Agreements are just supplemental to the ZCR Gas Property Lease Agreements, the annual rental payable for the revised floor areas after entering into the Supplemental Agreements has been determined after arm's length negotiations between the parties with reference to the valuation as at 15 October 2010 as appraised by CB Richard Ellis Limited, an independent third party which is independent of the Company and its connected persons (the "Independent Third Party"), which is the same basis of determining the annual rental payable under the ZCR Gas Property Lease Agreements. The property leases under the Supplemental Agreements have a term commencing from 1 July 2011 and ending on 31 October 2013 with an option to renew exercisable by the Company and the Engineering Company (as the case may be). Apart from the floor areas and the relevant annual rental payable, all terms and conditions of the ZCR Gas Property Lease Agreements will remain unchanged after entering into the Supplemental Agreements.

### **Reason for Entering the Supplemental Agreements**

The Company is principally engaged in the sales of piped natural gas to residential, commercial, industrial, vehicular and compressed natural gas customers, and the provision of gas pipeline construction services and the sales of gas appliances. The Engineering Company is a wholly-owned subsidiary of the Company which is incorporated in the PRC and is principally engaged in the construction of gas pipelines and installation of gas facilities and equipment.

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

The INED Committee considers that after entering into the Supplemental Agreements, the operation efficiency of the Group can be improved by centralizing the human resources and operation of the customer service department of the Company in the headquarters of the Company located at Longhai Road West and by centralizing the operation of the Engineering Company in its main place of operation located at Ru He Road West.

The INED Committee has confirmed that the lease arrangements under the ZCR Gas Property Lease Agreement as supplemented by the Supplemental Agreements 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 the Shareholders as a whole.

### **Listing Rules Implications of the Supplemental Agreements**

ZCR Gas is a direct Controlling Shareholder of the Company, 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 Supplemental Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

#### *Aggregation of Transactions*

Apart from the ZCR Gas Property Lease Agreements, the Company also entered into some other lease agreements with ZCR Gas before entering into the Supplemental Agreements which are set out as follows:

1. the ZCR Gas Land Use Rights Lease Agreement on 30 November 2010 to lease the occupation rights in three parcels of land at the annual rental payable of RMB1,434,000;
2. the Second ZCR Gas Property Lease Agreement on 6 April 2011 to lease certain office premise at the annual rental payable of RMB787,116;
3. the Second ZCR Gas Land Use Rights Lease Agreement on 6 April 2011 to lease the occupation rights in two parcels of land at the annual rental payable of RMB1,478,245;

The details of these transactions can be found in the Announcement 1 and the Announcement 2.

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

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 as supplemented by the Supplemental Agreements, the ZCR Gas Land Use Rights Lease Agreement, the Second ZCR Gas Property Lease Agreement and the Second ZCR Gas Land Use Rights Lease Agreement is greater than 0.1% but less than 5% on an annual basis, the transactions under these agreements fall within Rule 14A.34 of the Listing Rules and are therefore exempt from the independent shareholders' approval requirement, and they 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.

### *The Annual Caps*

Pursuant to Rules 14A.36(1), as the total annual rental payable for the transactions under the ZCR Gas Property Lease Agreements as supplemented by the Supplemental Agreements and the ZCR Gas Land Use Rights Lease Agreement (i.e. RMB10,659,845.40) exceeds the annual caps for the transactions under the ZCR Gas Property Lease Agreements and the ZCR Gas Land Use Rights Lease Agreement (i.e. RMB10,585,438.20) as disclosed in the Announcement 1, the transactions under the Supplemental Agreements should re-comply with 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.

The new annual caps for the transactions under the ZCR Gas Property Lease Agreements as supplemented by the Supplemental Agreements and the ZCR Gas Land Use Rights Lease Agreement for each of the three years ending 31 December 2013 would be RMB10,659,845.40 which are determined with reference to the maximum aggregate sum of annual rentals payable by the Group under the ZCR Gas Property Lease Agreements as supplemented by the Supplemental Agreements and the ZCR Gas Land Use Rights Lease Agreements, of which the rentals are determined pursuant to the market rental RMB10,659,845.40 appraised as at 15 October 2010 by CB Richard Ellis Limited, an Independent Third Party.

The INED Committee has confirmed that none of the independent non-executive Directors has a material interest in the transactions contemplated under the Supplemental Agreements. Accordingly, none of them is required to abstain from voting on the relevant resolutions to approve the Supplemental Agreements.

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

Zhengzhou, the PRC  
29 August 2011

*As at the date of this announcement, the Board of Directors of the Company comprises three executive Directors, namely Mr. Yan Guoqi, Mr. Yang Zhangyi 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 purposes only*