鄭州燃氣股份有限公司
Zhengzhou Gas Company Limited*

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

Stock code: 3928

INTERIM REPORT 2008

* for identification purpose only

FINANCIAL HIGHLIGHTS

- During the Relevant Period, unaudited consolidated revenue of the Group and profit attributable to shareholders of the Company amounted to approximately RMB525,440,000 and RMB87,378,000 respectively, representing respective increases of approximately 18.94% and 21.35% over the corresponding period of last year.

- Sales of piped natural gas for the Relevant Period amounted to approximately RMB382,439,000, representing an increase of approximately 28.15% over the corresponding period of last year.

- Revenue related to gas pipeline construction services totalled approximately RMB142,153,000 for the Relevant Period, representing a decrease of approximately 0.93% as compared with the corresponding period of last year, which was primarily attributable to the slower progress of gas pipeline construction projects for the Relevant Period as compared with that of the corresponding period of last year.

- Basic earnings per share for the Relevant Period was approximately RMB0.070, representing an increase of approximately RMB0.012 as compared with approximately RMB0.058 for the corresponding period of last year.

- The Directors do not recommend the distribution of any dividend for the Relevant Period.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the board of directors of
Zhengzhou Gas Company Limited
(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidation financial statements set out on pages 3 to 20, which comprises the interim condensed consolidated balance sheet of Zhengzhou Gas Company Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 June 2008 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

28 August 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	For the six months ended 30 June 2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited) /(Restated)
Revenue	4	**525,440**	441,770
Cost of sales		**(360,252)**	(278,899)
Gross profit		**165,188**	162,871
Other income	4	**2,658**	1,149
Selling and distribution costs		**(17,775)**	(16,901)
Administrative expenses		**(30,437)**	(30,528)
Other expenses		**(2,607)**	(7,781)
Profit before income tax	5	**117,027**	108,810
Income tax expense	6	**(29,514)**	(36,152)
Profit for the period		**87,513**	72,658
Attributable to:			
Equity holders of the Company		**87,378**	72,006
Minority interests		**135**	652
		87,513	72,658
Dividends:			
Proposed interim	7	**–**	–
Earnings per share attributable to ordinary equity holders of the Company – Basic and diluted (RMB)	8	**0.070**	0.058

CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2008

	Notes	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**641,484**	632,477
Land lease prepayments	10	**77,677**	66,697
Prepayment for an investment in an associate	11	**32,025**	–
Deferred tax assets		**5,883**	5,842
Total non-current assets		**757,069**	705,016
CURRENT ASSETS			
Cash and cash equivalents		**233,923**	219,091
Restricted cash deposits		**19,200**	19,200
Trade and notes receivables	12	**71,506**	116,993
Inventories		**11,102**	6,186
Construction contract work in progress	15	**1,297**	1,515
Prepayments, deposits and other receivables	13	**35,423**	37,364
Due from the holding company		**–**	21
Due from fellow subsidiaries		**44**	96
Total current assets		**372,495**	400,466
CURRENT LIABILITIES			
Trade payables	14	**54,285**	64,491
Advance payments received	15	**256,593**	255,710
Accrued liabilities and other payables	16	**96,110**	94,947
Tax payable		**1,241**	20,480
Due to fellow subsidiaries		**–**	5,746
Total current liabilities		**408,229**	441,374
NET CURRENT LIABILITIES		**(35,734)**	(40,908)
NET ASSETS		**721,335**	664,108

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

	Note	**30 June 2008** *RMB'000* **(Unaudited)**	31 December 2007 *RMB'000* (Audited)
EQUITY			
Equity attributable to the equity holders of the Company			
Issued capital	*17*	**125,150**	125,150
Reserves		**591,962**	534,870
		717,112	660,020
Minority interests		**4,223**	4,088
Total equity		**721,335**	664,108

Yan Guoqi
Chairman

Li Jinlu
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company								
	Issued capital *RMB'000* *(note 17)*	**Share premium account** *RMB'000*	**Statutory surplus reserve** *RMB'000*	**General surplus reserve** *RMB'000*	**Retained earnings** *RMB'000*	**Reserve arising from acquisition of a minority interest** *RMB'000*	**Total** *RMB'000*	**Minority interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2008	125,150	101,026	121,284	41,456	242,954	28,150	660,020	4,088	664,108
Profit for the period	–	–	–	–	87,378	–	87,378	135	87,513
Dividends paid	–	–	–	–	(30,286)	–	(30,286)	–	(30,286)
Appropriation to surplus reserves	–	–	–	10,126	(10,126)	–	–	–	–
At 30 June 2008 (Unaudited)	125,150	101,026	121,284	51,582	289,920	28,150	717,112	4,223	721,335
At 1 January 2007	125,150	101,026	111,158	29,952	171,790	28,150	567,226	3,602	570,828
Profit for the period	–	–	–	–	72,006	–	72,006	652	72,658
Dividends paid	–	–	–	–	(35,668)	–	(35,668)	–	(35,668)
Dividends paid to minority shareholders	–	–	–	–	–	–	–	(736)	(736)
Appropriation to surplus reserves	–	–	–	11,504	(11,504)	–	–	–	–
At 30 June 2007 (Unaudited)/(Restated)	125,150	101,026	111,158	41,456	196,624	28,150	603,564	3,518	607,082

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**114,710**	138,101
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(69,592)**	(94,905)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	**(30,286)**	(16,429)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**14,832**	26,767
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**219,091**	177,496
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**233,923**	204,263
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**253,123**	220,263
Less: Restricted cash deposits	**19,200**	16,000
Cash and cash equivalents	**233,923**	204,263

NOTES TO INTREIM CONDENSED FINANCIAL STATEMENTS

30 June 2008

1. CORPORATE INFORMATION

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 were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 29 October 2002. On 29 June 2007, the Company's H shares were migrated to the Main Board of the Stock Exchange.

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

In the opinion of the directors, the ultimate holding company of the Group is Zhengzhou Gas Group Company Limited, which is established in the PRC.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The unaudited interim financial information, which comprises the interim condensed consolidated balance sheet of the Group as at 30 June 2008 and the related condensed consolidated statement of income, changes in equity and cash flows for the six months ended 30 June 2008 has been prepared in accordance with IAS 34.

The unaudited interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2007.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007, except for the adoption of new standards and interpretations:

IFRIC 11	IFRS 2 – Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 11 requires arrangements whereby an employee is granted rights to an entity's equity instruments, to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation is unlikely to have any financial impact on the Group.

IFRIC 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. IFRIC 12 also addresses how an operator shall apply existing International Financial Reporting Standards ("IFRSs") to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction of infrastructure used to provide public services and/or for the supply of public services. After assessing the terms in the concession agreement, the directors are of the opinion that the Group controls and retains the rights on the residual interest of the infrastructure relating to service concession arrangements. Thus, the interpretation has had no financial impact on the Group.

IFRIC 14 addresses how to assess the limit under IAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, in particular, when a minimum funding requirement exists. As the Group's current policy for defined benefits aligns with the requirements of the interpretation, the interpretation has had no financial impact on the Group.

The adoption of these new/revised IFRSs does not have any significant impact on the accounting policies of the Group and the method of computation in the interim financial information.

Impact of issued but not yet effective IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the interim financial information.

IAS 1 (Revised)	*Presentation of Financial Statements*[3]
IAS 23 (Revised)	*Borrowing Costs*[3]
IAS 27 (Revised)	*Consolidated and Separate Financial Statements*[1]
IAS 32 and IAS 1 Amendments	*Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation*[3]
IFRS 1 & IAS 27 Amendments	*Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[3]
IFRS 2 Amendments	*Share-based Payment: Vesting Conditions and Cancellations*[3]
IFRS 3 (Revised)	*Business Combinations*[1]
IFRS 8	*Operating Segments*[3]
IFRIC 13	*Customer Loyalty Programmes*[2]

[1] Effective for accounting periods beginning on or after 1 July 2009

[2] Effective for accounting periods beginning on or after 1 July 2008

[3] Effective for accounting periods beginning on or after 1 January 2009

IAS 1(Revised) has been revised to enhance the usefulness of information presented in the financial statements. The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions of owners, with non-owner changers in equity presented as a single line. Entities will need to consider whether to present the statement of comprehensive income as a single statement or two statements. This may also impact the information disclosed in the announcements by the entity, such as press releases.

IAS 23 (Revised) has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard is unlikely to have any financial impact on the Group.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IAS 27 (Revised) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

The amendments to IAS 32 and IAS 1 which were issued in June 2008 allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfil a number of specified features. As the Group currently has no such transactions, the amendments are unlikely to have any financial impact on the Group.

IFRS 1 and IAS 27 Amendments addressed the issues that allowed first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements and removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statement of the investor. The changes introduced by IFRS 1 and IAS 27 Amendments shall be applied prospectively.

This amendment to IFRS 2 *Share-based Payments* was published in January 2008 and becomes effective for financial years beginning on or after 1 January 2009. The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation. The Group has not entered into share-based payment schemes with non-vesting conditions attached and, therefore, does not expect significant implications on its accounting for share-based payments.

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. The changes introduced by IFRS 3 (Revised) must be applied prospectively and will affect future acquisitions and transactions with minority interests.

IFRS 8, which will replace IAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group expects to adopt IFRS 8 from 1 January 2009.

IFRIC 13 requires that loyalty award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished.

The Group expects that while the adoption of IFRS 8 may result in new or amended disclosures, these new/revised IFRSs will not have any significant impact on the Group's financial statements in the period of initial application.

3. SEGMENTAL INFORMATION

For management purposes, the Group currently organises its operations into two business segments, namely sales of natural gas and other related products and gas pipeline construction. The principal activities of the business segments are as follows:

Sales of natural gas and related products	Sales of natural gas and other related products, including pressure control equipment, gas appliances and provision of pipeline renovation work
Gas pipeline construction	Construction of gas pipelines

No geographical segment analysis is shown as the Group's operating business is solely carried out in Zhengzhou, Henan Province, the PRC.

The Group's operation by business segment is as follows:

	Sales of natural gas and related products *RMB'000*	Gas pipeline construction *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Period ended 30 June 2008 (Unaudited)				
Segment revenue				
Sales to external customers	**388,614**	**136,826**	**–**	**525,440**
Intersegment sales	**2,990**	**11,269**	**(14,259)**	**–**
Total	**391,604**	**148,095**	**(14,259)**	**525,440**
Segment results	**36,973**	**110,761**	**134**	**147,868**
Other income				**2,658**
Unallocated corporate expense				**(33,499)**
Profit before taxation				**117,027**
Income tax expense				**(29,514)**
Profit for the period				**87,513**

	Sales of natural gas and related products *RMB'000*	Gas pipeline construction *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Period ended 30 June 2007 (Unaudited)/(Restated)				
Segment revenue				
Sales to external customers	302,940	138,830	–	441,770
Intersegment sales	7,236	12,030	(19,266)	–
Total	310,176	150,860	(19,266)	441,770
Segment results	37,027	109,210	(1,938)	144,299
Other income				1,021
Unallocated corporate expense				(36,510)
Profit before taxation				108,810
Income tax expense				(36,152)
Profit for the period				72,658

Segment assets

The following table compares total segment assets as at 30 June 2008 and as at the date of the last annual financial statements (31 December 2007).

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Sales of natural gas and related products	**1,067,747**	910,962
Gas pipeline construction	**386,214**	437,175
Segment assets	**1,453,961**	1,348,137
Eliminations	**(324,397)**	(242,655)
Total consolidated assets	**1,129,564**	1,105,482

4. REVENUE AND OTHER INCOME

An analysis of revenue and other income is as follows:

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Natural gas	**382,439**	298,438
Gas appliances	**3,525**	1,777
Pressure control equipment	**214**	1,236
Gas pipelines:		
Construction of gas pipelines and facility fee	**142,153**	143,491
Provision of renovation work	**2,110**	1,576
Others	**34**	24
	530,475	446,542
Less: Business tax and government surcharges	**(5,035)**	(4,772)
Revenue	**525,440**	441,770
Interest income from bank balances	**1,937**	707
Rental income	**195**	125
Others	**526**	317
Other income	**2,658**	1,149
Total revenue and other income	**528,098**	442,919

5. PROFIT BEFORE INCOME TAX

The Group's profit before income tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)/ (Restated)
Staff costs (including directors', supervisors' and senior executives' emoluments):		
Retirement benefits	**4,185**	3,677
Housing fund	**2,508**	2,396
Salaries and other staff costs	**36,560**	31,848
Total staff costs	**43,253**	37,921
Operating lease rentals in respect of:		
Land and buildings	**4,958**	5,059
Equipment and vehicles	**2,636**	2,479
Trademarks	**390**	390
Total operating lease rentals	**7,984**	7,928
Cost of inventories recognised as an expense	**316,801**	245,588
Auditors' remuneration	**1,270**	950
Depreciation of property, plant and equipment	**18,815**	14,578
Amortisation of land lease prepayments	**810**	542
(Reversal of)/write-down of inventories	**(454)**	1,093
Impairment of trade receivables	**182**	–
Gain on disposal of items of property, plant and equipment	**–**	(134)

6. INCOME TAX EXPENSE

In accordance with the PRC Corporate Income Tax Law (the "New CIT Law") which was approved and became effective on 1 January 2008, the provision for PRC current income tax has been based on a statutory rate of 25% of the assessable profit of the Group for the six months ended 30 June 2008.

Major components of the Group's income tax expense for the periods are as follows:

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current:		
Charge for the period	**29,555**	39,934
Deferred:		
Related to recognition and reversal of temporary differences	**(41)**	(3,782)
Total tax charge for the period	**29,514**	36,152

7. DIVIDENDS

(a) Dividends attributable to the interim period

The Board of the Directors does not propose an interim dividend for the six months ended 30 June 2008.

(b) Dividends attributable to the previous financial year, declared and paid during the interim period

	For the six months ended 30 June	
	2008	2007
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Final dividend in respect of financial year ended 31 December 2007 of RMB0.0242 per share (2006: RMB0.0285 per share):		
Declared during the interim period	**30,286**	35,668
Paid during the interim period	**30,286**	15,694

(c) Conditional special dividend

Pursuant to the directors' resolution of the Company dated 26 March 2008, the Board declared a special dividend, of RMB0.08 per ordinary share of the Company, totalling RMB100,120,000 to all shareholders prior to the issue of A shares of the Company. The proposed declaration has been approved by the shareholders of the Company at the annual general meeting and class meetings of the holders of H shares and domestic shares of the Company held on 26 May 2008.

The distribution of the special dividend is subject to the approval from the China Securities Regulatory Commission on the issue of A shares of the Company. Accordingly, the proposed special dividend has not been incorporated in the consolidated financial statements of the Group for the period ended 30 June 2008.

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The basic earnings per share amount for the six months ended 30 June 2008 is computed by dividing the profit attributable to equity holders of the Company of approximately RMB87,378,000 (six months ended 30 June 2007: approximately RMB72,006,000) by the weighted average number of 1,251,500,000 ordinary shares (six months ended 30 June 2007: 1,251,500,000 ordinary shares) in issue during the period ended 30 June 2008.

Diluted earnings per share amounts for the periods ended 30 June 2008 and 2007 have not been calculated as no diluting events existed during those periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2008, the Group acquired property, plant and equipment with a cost of RMB27,822,000 (six months ended 30 June 2007: RMB29,913,000). No property, plant and equipment were acquired through a business combination.

No fixed assets were disposed of by the Group during the six months ended 30 June 2008 (six months ended 30 June 2007: RMB7,000).

10. LAND LEASE PREPAYMENTS

	30 June 2008 *RMB'000* (Unaudited)	31 December 2007 *RMB'000* (Audited)
At beginning of period/year	**68,277**	18,756
Additions	**11,958**	51,056
Amortisation charged for the period/year	**(810)**	(1,535)
At end of period/year	**79,425**	68,277
Current portion included in prepayments, deposits and other receivables	**(1,748)**	(1,580)
Non-current portion	**77,677**	66,697

The land lease prepayments represent payments for medium term leases of situated in Mainland China.

As at 30 June 2008, the Group is in process of applying for the land certificates, with net book value of RMB7,977,000 (31 December 2007: RMB3,043,000).

11. PREPAYMENT FOR AN INVESTMENT IN AN ASSOCIATE

Prepayment for the proposed acquisition of an equity interest in Pingdingshan Gas.

On 6 March 2008, the Company entered into an equity transfer agreement with Pingdingshan State Assets Supervision and Administrative Commission of the People's Government of Pingdingshan City for the proposed acquisition of a 27% equity interest in Pingdingshan City Gas Corporation ("Pingdingshan Gas") at an aggregate cash consideration of approximately RMB32,025,000. Pingdingshan Gas is a company that supplies fuel gas, natural gas and liquefied gas for the gas users in Pingdingshan City.

As at 30 June 2008, the Company has paid all of the RMB32,025,000 as an advance payment. Relevant equity transfer procedures are in process.

12. TRADE AND NOTES RECEIVABLES

	30 June 2008 *RMB'000* (Unaudited)	31 December 2007 *RMB'000* (Audited)
Trade receivables	**68,615**	110,869
Notes receivables	**4,840**	7,891
Impairment	**(1,949)**	(1,767)
	71,506	116,993

Trade and notes receivables of a nominal value of RMB1,949,000 as at 30 June 2008 (2007: RMB1,767,000) were impaired and fully provided for. The movement in the provision for impairment of receivables during the period is as follow:

	RMB'000
At 1 January of 2008	1,767
Impairment losses recognised	182
At 30 June of 2008	1,949

An aged analysis of the trade and notes receivables as at the balance sheet date, based on the due date and net of provision, is as follows:

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**61,188**	105,959
Less than 1 month past due	**4,057**	6,845
1 to 3 months past due	**3,489**	1,491
3 to 6 months past due	**975**	496
6 to 12 moths past due	**966**	1,768
Over 12 months past due	**831**	434
	71,506	116,993

The above balances are unsecured, interest-free and are generally on 30 to 60 days' terms. The Group's trade receivables relate to a large number of diversified customers. There is no significant concentration of credit risk.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2008	31 December 2007
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Prepayments	**30,249**	34,747
Deposits	**–**	1,502
Other receivables	**5,174**	1,115
	35,423	37,364

The prepayments, deposits and other receivables are unsecured and interest-free.

14. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within 30 days	37,125	49,121
Between 31 days and 90 days	8,403	4,033
Between 91 days and 180 days	3,076	2,937
Between 181 days and 365 days	3,033	4,286
Over 365 days	2,648	4,114
	54,285	64,491

The above balances are unsecured, interest-free and are generally on 7 to 90 days' terms.

15. CONSTRUCTION CONTRACT WORK IN PROGRESS/ADVANCE PAYMENTS RECEIVED

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Construction contract work in progress		
Contract costs incurred to date	1,297	1,515
Advance payments received		
Progress payments received	288,240	288,360
Less: Contract costs incurred to date	(31,647)	(32,650)
	256,593	255,710

16. ACCRUED LIABILITIES AND OTHER PAYABLES

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Advances from customers	44,180	52,259
Other payables	33,657	27,278
Accruals	3,713	1,350
Payroll payables	14,560	14,060
	96,110	94,947

Other payables and accruals are unsecured, interest-free and have no fixed terms of repayment.

17. ISSUED CAPITAL

	30 June 2008 (Unaudited)		31 December 2007 (Audited)	
	Number of shares	**Nominal value**	Number of shares	Nominal value
	'000	***RMB'000***	*'000*	*RMB'000*
Registered	**1,251,500**	**125,150**	1,251,500	125,150
Issued and fully paid:				
Domestic Shares of RMB0.10 each	**700,840**	**70,084**	700,840	70,084
H Shares of RMB0.10 each	**550,660**	**55,066**	550,660	55,066
	1,251,500	**125,150**	1,251,500	125,150

There was no movement in the Company's ordinary share capital during the period.

18. RELATED PARTY TRANSACTIONS

(i) Transactions with the Group's fellow subsidiaries and the holding company

In addition to the transactions and balances detailed elsewhere in these financial statements, the Company and its subsidiaries had the following significant transactions with their related parties:

		For the six months ended 30 June	
Name of related parties	**Nature of transactions**	**2008** ***RMB'000*** **(Unaudited)**	2007 *RMB'000* (unaudited)
Group			
Recurring transactions			
Zhengzhou Gas Group Co., Ltd. *(note (a))*	Operating lease of vehicles and land and buildings from the related company *(note (c))*	**5,114**	4,523
	Trademark fees *(note (d))*	**390**	390
Zhengzhou Zhengran Property Management Co., Ltd. *(note (b))*	Provision of property management services by the related company in relation to the Group's leased land and buildings	**–**	473
Non-recurring transactions			
Zhengzhou Gas Group Co., Ltd. *(note (a))*	Purchase of land use rights and buildings *(note (e))*	**7,354**	17,000
Zhengzhou Gas Group LPG Co., Ltd. *(note (b))*	Purchases of property, plant and equipment	**–**	21,860

Notes:

(a) Zhengzhou Gas Group Co., Ltd. is the holding company of the Company.

(b) Zhengzhou Zhengran Property Management Co., Ltd., and Zhengzhou Gas Group LPG Co., Ltd. are fellow subsidiaries of the Company.

(c) In accordance with the property lease agreements, the land use rights lease agreements, and the vehicles lease agreement entered into between the Company and Zhengzhou Gas Group Co., Ltd., Zhengzhou Gas Group Co., Ltd. leased certain vehicles and land and buildings to the Company for its office and operational uses. In the opinion of the directors, these transactions were carried out based on normal commercial terms and determined by agreement of parties with reference to valuation of an independent appraiser.

(d) On 1 April 2006, the Company and Zhengzhou Gas Group Co., Ltd. entered into a trademark licence agreement. Pursuant to the trademark licence agreement, Zhengzhou Gas Group Co., Ltd. has agreed to grant the Group the right to use these trademarks at a trademark fee of RMB780,000 per annum for the period from 1 April 2006 to 31 March 2009.

These transactions were carried out in accordance with the terms of the underlying agreements.

(e) On 30 November 2007, the Company entered into a property purchase agreement with Zhengzhou Gas Group Co., Ltd. to acquire a parcel of land situated at the junction of Juyuan Road East and Hongtu Road South, Jinshui District, Zhengzhou city, Henan Province, PRC, at an aggregate consideration of RMB6,690,100 and certain buildings erected there at a consideration of RMB663,900.

As at 30 June 2008, the acquisition of the parcel of land has been completed. This transaction was carried out based on the transacted price with reference to valuation of an independent appraiser.

In the opinion of the directors, the above transactions were conducted in the ordinary course of business.

(ii) Compensation of key management personnel of the Group:

	30 June 2008 *RMB'000* **(Unaudited)**	30 June 2007 *RMB'000* (Unaudited)
Short term employee benefits	**2,058**	2,049
Retirement benefits	**45**	55
Total compensation paid to key management personnel	**2,103**	2,104

(iii) Transactions with other State-Owned Enterprises in Mainland China

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively "State-Owned Enterprises"). During the Relevant Periods, the Group had transactions with State-owned Enterprises including, but not limited to, the provision of construction services, operating leases of equipment, land and buildings, purchases of gas metres and the use of trademarks.

The directors consider that the transactions with other State-Owned Enterprises are conducted in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and those State-Owned Enterprises are ultimately controlled or owned by the PRC government. The Group has established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are State-Owned enterprises. The directors have confirmed that these transactions are carried out on terms similar to those that would be entered into with non-state-owned Enterprises and have been reflected in the financial statements. The directors are of the opinion that the transactions with other State-Owned Enterprises are fair and reasonable.

Having due regard to the substance of the relationships, the directors are of the opinion that meaningful information relating to related party disclosures has been adequately disclosed.

19. COMMITMENTS

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Capital commitments		
In respect of property, plant and equipment:		
Authorised, but not contracted for	**528,299**	364,534
Contracted, but not provided for	**162,667**	11,779
	690,966	376,313

Operating lease commitments

As lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of equipment, land and buildings falling due as follows:

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Within one year	**10,688**	15,694
In the second to fifth years, inclusive	**16,177**	34,771
Over five years	**7,746**	8,342
	34,611	58,807

The Group has entered into commercial leases on certain of land and buildings and pipeline equipment under operating lease arrangements. Leases for land and buildings are negotiated for terms ranging from three to fifteen years, and those for equipment are for around one year. There are no purchase options and escalation clauses included in the contracts. The Group is given priority in renewing the lease of land and buildings and pipeline equipment upon expiry of the lease term at the terms and conditions agreed by both parties.

20. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no significant contingent liabilities except for the conditional special dividend as disclosed in note 7(c).

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

22. POST BALANCE SHEET EVENTS

The Group did not have any significant events taking place subsequent to 30 June 2008.

23. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved and authorised for issue by the Board of Directors on 28 August 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

General

For the six months ended 30 June 2008, the Group recorded a total revenue of approximately RMB525,440,000, representing an increase of approximately 18.94% as compared with the corresponding period of last year, which was attributed to the increase in sales volume of natural gas.

During the Relevant Period, the overall gross profit margin of the Group was approximately 31.44%, representing a decrease of approximately 5.43% as compared with approximately 36.87% of the corresponding period of last year. The decrease of gross profit margin was primarily due to the fact that the gross profit margin of the sales of natural gas decreased to approximately 13.78% in the Relevant Period from approximately 22.51% of the corresponding period of last year as a result of the increased costs incurred to obtain access to new gas sources. In addition, the decrease in the proportion of income from pipeline construction (which has the highest gross profit margin) in total revenue decreased to 26.80% in the Relevant Period from 32.13% of the corresponding period of last year also led to the decrease of the overall gross profit margin.

During the Relevant Period, the selling and distribution expenses of the Group were approximately RMB17,775,000, representing an increase of approximately 5.17% from RMB16,901,000 of the corresponding period of last year, mainly due to the increase in depreciation and staff costs. During the Relevant Period, the administrative expenses of the Group were approximately RMB30,437,000, representing that they remained stable as compared with RMB30,528,000 of the corresponding period of last year.

Income tax expenses of the Group for the Relevant Period were approximately RMB29,514,000, representing a decrease of approximately 18.36% from approximately RMB36,152,000 in the corresponding period of last year, mainly due to the reduction in the PRC's enterprise income tax rate to 25% from 33% of last year.

During the Relevant Period, the net profit attributable to shareholders of the Company was approximately RMB87,378,000, representing an increase of approximately 21.35% from approximately RMB72,006,000 for the corresponding period of last year.

Sale of piped natural gas

The revenue attributed to the sale of piped natural gas for the Relevant Period amounted to approximately RMB382,439,000, representing an increase of 28.15% as compared with approximately RMB298,438,000 for the corresponding period of last year.

During the Relevant Period, total gas consumption by natural gas users of the Group was approximately 204,941,000 m^3, representing an increase of approximately 22.65% as compared with approximately 167,088,000 m^3 for the corresponding period of last year.

Natural gas consumption by different types of users during the Relevant Period, together with the comparative figures for the corresponding period of last year are stated as follows:

	For the six months ended 30 June				
	2008		2007		
	Total gas consumption	**As a percentage of total gas consumption**	Total gas consumption	As a percentage of total gas consumption	Increase/ Decrease %
Natural Gas Consumption (approximately '000 m^3)	**204,941**		167,088		22.65%
Including					
residential users	**76,475**	**37.32%**	61,233	36.65%	24.89%
commercial users	**66,688**	**32.54%**	53,853	32.23%	23.83%
industrial users	**35,505**	**17.32%**	31,800	19.03%	11.65%
vehicular users	**26,273**	**12.82%**	20,202	12.09%	30.05%

During the Relevant Period, sufficient supply of natural gas in Zhengzhou led to a general increase in gas consumption by all types of gas users. Gas consumption by residential, commercial, industrial and vehicular users were up 24.89%, 23.83%, 11.65% and 30.05%, respectively.

As at 30 June 2008, the Group has 737,449 residential users, representing an increase of 32,382 users as compared with 705,067 residential users as at 31 December 2007; 1,848 commercial users, representing an increase of 167 users as compared with 1,681 commercial users as at 31 December 2007; 62 industrial users, representing an increase of 4 users as compared with 58 industrial users as at 31 December 2007; 8,206 vehicular users, representing an increase of 1,504 users as compared with 6,702 vehicular users as at 31 December 2007, mainly due to the soaring price of petrol which induced more taxis to use natural gas.

During the Relevant Period, the Group purchased approximately 148,674,000 m^3, 46,352,000 m^3 and 15,201,000 m^3 of natural gas from "Project of Transmitting Natural Gas through the West to the East Pipelines", Ordos Gasfield and Zhongyuan Oilfield respectively, representing approximately 69.09%, 21.54% and 7.06% of the total purchase of natural gas respectively. Ordos Gasfield has replaced Zhongyuan Oilfield as the Group's second largest gas source.

Acquisition and Investment

On 29 April 2008, the Company entered into the Assets Transfer Agreement with the Zhengzhou Coal Gas Project Preparatory Office (the "Coal Gas Project Preparatory Office", an organization under the Zhengzhou Municipal Government), pursuant to which the Company has agreed to purchase and the Coal Gas Project Preparatory Office has agreed to sell its coal gas assets for an aggregate consideration of RMB120,500,000 (equivalent to approximately HK$135,321,500) which was determined after arm's length negotiation between the Company and the Coal Gas Project Preparatory Office with reference to the valuation provided by CB Richard Ellis. The amount of consideration is the same as the professional valuation set out in the valuation report and will be satisfied in cash. The consideration will be financed by the proceeds derived from the issue of A Shares.

The acquisition constitutes a discloseable transaction as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as certain ratios (including the asset ratio, the revenue ratio and the consideration ratio as defined in Chapter 14A of the Listing Rules) calculated according to Chapter 14 of the Listing Rules are higher than 5% but lower than 25%. The details of such acquisition are set out in the circular of the Company dated 21 May 2008.

In respect of external investments, on 6 March 2008, the Company acquired 27% of equity interest in Pingdingshan City Gas Corporation ("Pingdingshan Gas") from the State-owned Assets Supervision and Administration Commission of the People's Government of Pingdingshan City at a consideration of RMB30,500,000. Acquisition of the 27% equity interest in Pingdingshan Gas is the first step of the Group to invest in areas beyond the administrative zone of Zhengzhou. The Group will strive to identify appropriate projects for investment in order to enhance the profitability of the Group. The transfer of the equity interest in Pingdingshan Gas was completed on 18 August 2008.

Sales of gas appliances and pressure control equipments

The Group is also engaged in sales of gas appliances and pressure control equipments. The gas appliances available for sale mainly include gas stoves, water heaters and wall-attached stoves. 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 targets for marketing are other natural gas suppliers and residential users. For the Relevant Period, revenue from sale of gas appliances and pressure control equipments amounted to approximately RMB3,739,000.

Natural gas pipeline construction services

For the Relevant Period, the Group's revenue derived from provision of natural gas pipeline construction services amounted to approximately RMB142,153,000, representing the connection of natural gas supply for 41,754 residential users and 98 commercial users. The average fee for connection of natural gas supply for each residential user was approximately RMB3,074 while that for each commercial user was approximately RMB115,016, representing a decrease of approximately 0.93% as compared with the revenue of approximately RMB143,491,000 for the corresponding period of last year. The decrease was mainly attributable to the slower project construction progress as compared with that of the corresponding period of last year. Furthermore, the Group also received revenue from other construction projects amounting to approximately RMB2,527,000.

In addition, the Group also collected fees from users for providing gas pipelines renovation work. During the Relevant Period, such fees amounted to approximately RMB2,110,000, representing an increase of 33.88% as compared with approximately RMB1,576,000 for the corresponding period of last year, mainly attributable to the increase in outdoor renovation projects.

Net profit and return to shareholders

During the Relevant Period, net profit margin attributable to the equity holders of the Company was approximately 16.63% which was slightly higher than 16.30% recorded for the corresponding period of last year. Such increase was mainly attributable to the reduction in the PRC's enterprise income tax rate to 25% from 33% of last year.

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 Relevant Period, was approximately 12.69% which represented an increase as compared to 12.30% of the corresponding period of last year. This was primarily attributable to the reduction in enterprise income tax rate.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Borrowings and banking facilities

The Group finances its capital expenditure and operations mainly by cash generated from its internal operations, proceeds from placing of H Shares and its bank deposits or cash on hand. The Board is of the view that, in the long run, the Group will continue to generate its liquidity from business operations and may consider making use of further equity finances or bank loans when necessary.

As at 30 June 2008, the Group had no outstanding interest-bearing bank borrowings.

Net current liabilities

As at 30 June 2008, the Group had net current liabilities of approximately RMB35,734,000 (31 December 2007: net current liabilities of approximately RMB40,908,000). However, there was an advance payment received of approximately RMB256,593,000 in the current liabilities, which was an unrecognized income, not an amount payable as a liability in nature. The Group had net current assets of approximately RMB220,859,000 after deducting such advance payment received.

Working capital

As at 30 June 2008, the Group had no outstanding bank borrowings and had cash and cash equivalents of approximately RMB233,923,000.

Equity to liabilities ratio

As at 30 June 2008, equity interest to liabilities ratio (being total equity interest over total liabilities and expressed in percentage) of the Group was 176.70% which was higher than that of approximately 150.46% as at 31 December 2007, which indicated that over half of the assets were being financed by shareholders' equities. Such increase was mainly due to the significant decrease of trade payables, tax payables and amounts due to fellow subsidiaries.

Foreign currency 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.

Pledged assets

As at 30 June 2008, the Group had no any asset under pledge.

Employees and remuneration policy

There is no significant change in the Group's employees and remuneration policy compared to that disclosed in the annual report for the year ended 31 December 2007.

Prospects

To facilitate the Group's development and rapidly expand its operating scale, the Group resolved to be listed in the domestic A Share market with the proposed issue of up to 42,000,000 A Shares of RMB1.00 each or 420,000,000 A Shares of RMB0.10 each. The proceeds raised thereby will be used for the construction of Bo Oi – Zhengzhou Natural Gas Pipeline, Zhengzhou High Pressure Circular Gas Pipelines and three natural gas stations as well as for the acquisition of coal gas assets. For details of the Group's proposed A Share Issue, please refer to the Company's circular dated 10 April 2008. The documents in relation to the listing application of A Shares were submitted to China Securities Regulatory Commission in June 2008, and the case was officially accepted.

In order to implement the policy of "The Rise of Central China", Zhegnzhou is accelerating its city construction. Development plans such as the establishment of the Zheng East New District, the development of Zhengzhou-Kaifeng Property Zone and the reclamation of the old areas of Zhengzhou City shall make Zhengzhou one of theregional hubs in the PRC with massive population flow, logistics activities and capital flow. On 28 February 2008, the Company officially acquired the piped natural gas concession for Zhengzhou-Kaifeng Property Zone (excluding the western area of Kaifeng) for a term of 30 years from 1 March 2008 to 1 March 2038. With such favourable projects, the Group believes that its business will have ample room for growth in the next decade.

In respect of the development of industrial and commercial users, the Group will strategically develop users who have balanced gas consumption throughout the year such as restaurants and hotels, so as to boost up the sales of natural gas even in the summer slump period and better balance the whole-year sales of natural gas of the Group.

In respect of the vehicular gas business, the Group plans to build more natural gas refueling stations to further improve the vehicular gas supply network, so as to shorten the waiting time for gas refueling and continuously enhance customer services to attract more potential vehicular users to use natural gas as fuel.

Connected transactions

Continuing connected transactions

Currently, the Company leases several plots of land from Zhengzhou Gas Group Company Limited ("Zhengzhou Gas Group") under the Land Use Rights Lease Agreements dated 16 January 2002 as supplemented by the First and the Second Supplemental Agreements dated 30 September 2002 and 4 January 2007 respectively, and the New Land Use Rights Lease Agreement dated 26 May 2005.

On 6 June 2008, the Company has entered into the Third Supplemental Agreement with Zhengzhou Gas Group, pursuant to which the parties thereto agreed to adjust the annual rentals of the land use rights leased to the Company under the Land Use Rights Lease Agreements as a result of the acquisition of the Land Assets by the Company pursuant to the Acquisition Agreement and regular rental review.

Zhengzhou Gas Group is the controlling Shareholder of the Company, holding an approximately 43.18% equity interest in the Company's registered share capital. By virtue of Zhengzhou Gas Group's equity interest in the Company, Zhengzhou Gas Group is considered connected to the Company under the Listing Rules. As a result, the transactions under the Land Use Rights Lease Agreements as supplemented by the Third Supplemental Agreement should be treated as continuing connected transactions.

Further, the Company and Zhengzhou Gas Group also entered into the New Land Use Rights Lease Agreement (Renewal) on 6 June 2008, pursuant to which Zhengzhou Gas Group agreed to continue to lease to the Company the land use right in relation to the land located at No. 108, Jingguang Road South, Er Qi District, Zhengzhou, Henan Province for a period commencing from 1 June 2008 to 31 May 2011 and such term is renewable subject to the agreement by the parties thereto. The annual rental under the New Land Use Rights Lease Agreement (Renewal) is RMB92,738.4 (approximately HK$104,238). Pursuant to Rule 14A.25 of the Listing Rules, the transactions under the Renewed Property Lease Agreements ("Renewed Property Lease Agreements") dated 5 November 2007, the Land Use Rights Lease Agreements as supplemented by the Third Supplemental Agreement and the New Land Use Rights Lease Agreement (Renewal) constitute a series of transactions and accordingly the annual rentals under the Renewed Property Lease Agreement, the Land Use Rights Lease Agreements as supplemented by the Third Supplemental Agreement and the New Land Use Rights Lease Agreement (Renewal) are liable to be aggregated.

Pursuant to Rule 14A.34(1) of the Listing Rules, each of the percentage ratios (other than the profits ratio) as calculated based on the aggregate rentals under the Renewed Property Lease Agreements, the Land Use Rights Lease Agreements as supplemented by the Third Supplemental Agreement, and the New Land Use Rights Lease Agreement (Renewal) is less than 2.5% on an annual basis. Therefore, no independent Shareholders' approval is required, and the transactions are only subject to reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Listing Rules. The details of such transactions are set out in the announcement of the Company dated 11 June 2008.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2008, none of the Directors, supervisors or chief executives of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have been taken under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" to be notified to the Company and the Stock Exchange.

DISCLOSURES UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 June 2008, the persons (not being a Director or supervisor or chief executive of the Company) or companies who had equity interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which will be required pursuant to section 336 of the SFO to be recorded in the register of the Company, or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any classes of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company) were as follows:

Long positions in ordinary shares of the Company:

Name	Capacity/Nature of interest	Number of H Shares held in the Company	Approximate % of beneficial interests in H Shares in the Company	Number of Domestic Shares held in the Company	Approximate % of beneficial interests in Domestic Shares in the Company	Approximate % of beneficial interests in the total registered share capital of the Company
Zhengzhou Gas Group	Beneficial owner	–	–	540,415,098	77.11%	43.18%
Zhengzhou Qiyuan Investment Consultancy Co., Ltd. (鄭州啟元投資諮詢有限公司) *(note 1)*	Beneficial owner	–	–	115,500,000	16.48%	9.23%
Beijing Crystal Stone Investment Company Limited (北京水晶岩投資管理有限公司) *(note 2)*	Corporate	–	–	115,500,000	16.48%	9.23%
Liu Liangkun (劉良昆) *(note 3)*	Corporate	–	–	115,500,000	16.48%	9.23%

Notes:

1. As at 30 June 2008, Zhengzhou Qiyuan Investment Consultancy Co., Ltd. ("Zhengzhou Qiyuan") held 115,500,000 domestic shares of the Company ("Domestic Shares"), representing approximately 16.48% of the beneficial interests in Domestic Shares. However, pursuant to the Listing Rules, Zhengzhou Qiyuan was not a substantial shareholder of the Company because the Domestic Shares held by it represented only 9.23% of the total registered share capital of the Company.

2. As at 30 June 2008, Beijing Crystal Stone Investment Company Limited ("Beijing Crystal Stone") was deemed to have an interest in 115,500,000 Domestic Shares, representing approximately 16.48% of the beneficial interests in Domestic Shares, as it was interested in 37.39% of the registered capital of Zhengzhou Qiyuan, which held 115,500,000 Domestic Shares. However, pursuant to the Listing Rules, Beijing Crystal Stone was not a substantial shareholder of the Company because the Domestic Shares in which Beijing Crystal Stone was deemed to be interested represented only 9.23% of the total registered share capital of the Company.

3. As at 30 June 2008, Mr. Liu Liangkun was deemed to have an interest in 115,500,000 Domestic Shares, representing approximately 16.48% of the beneficial interests in Domestic Shares, as he was interested in 33.75% of the registered capital of Beijing Crystal Stone, which was deemed to have an interest of 115,500,000 Domestic Shares. However, pursuant to the Listing Rules, Mr. Liu Liangkun was not a substantial shareholder of the Company because the Domestic Shares in which Mr. Liu Liangkun was deemed to be interested represented only 9.23% of the total registered share capital of the Company.

So far as the Directors are aware, as at 30 June 2008, the persons (not being a Director or supervisor or chief executive of the Company) or companies who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any classes of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company) were as follows:

Name of subsidiary of the Company	Name of shareholder	Nominal value of registered and paid-up capital held by the subsidiary	Approximate % of shareholding of the subsidiary
Dengfeng Zhengran Gas Co., Ltd. (登封鄭燃燃氣有限公司) *(note 1)*	Zhengzhou Gas Engineering and Construction Co., Ltd. (鄭州燃氣工程建設有限公司)	RMB23,500,000	78.33%

Note:

1. On 1 July 2006, the Company and the Zhengzhou Gas Group Labour Union Committee (鄭州燃氣集團工會委員會) (the "Labour Union Committee") entered into an equity transfer agreement whereby the beneficial interests in the remaining 16.5% of the registered capital of Zhengzhou Gas Engineering and Construction Co., Ltd. were transferred to the Company. On 7 August 2006, the registration of such transfer with the relevant registration authority was completed. As such, with effect from 7 August 2006, the Company was interested in the entire registered capital of Zhengzhou Gas Engineering and Construction Co., Ltd. and indirectly interested in the entire registered capital of Dengfeng Zhengran Gas Co., Ltd..

Save as disclosed above, the Directors are not aware of any other person (not being a Director or supervisor or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who was interested in 10% or more of the nominal value of any classes of the share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of any member of the Group (other than the Company).

DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES UNDER OPTION DERIVATIVES

Save as disclosed above, during the six months ended 30 June 2008, none of the Directors or supervisors of the Company was granted options to subscribe for H Shares of the Company. As at 30 June 2008, none of the Directors or supervisors or their spouses or minor children (with their age under 18) had any right to acquire H Shares in the Company or had exercised any of such right during the period.

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 the Directors of the Company are aware, the Directors confirmed that the Company had compiled with the requirement of maintenance of the public float during 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 comprises three members, namely Ms. Yu Shulian and Mr. Zhang Yichun, both being independent non-executive Directors, and Mr. Zhang Wushan, a non-executive Director. Ms. Yu Shulian is the chairperson of the audit committee.

During the Relevant Period, the audit committee held two meetings and reviewed the unaudited consolidated results of the Group for the six months ended 30 June 2008.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the provisions of the Code on Corporate Governance Practices as set out in the Listing Rules for the six months ended 30 June 2008.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the six months ended 30 June 2008, 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.

COMPLIANCE ADVISOR'S INTERESTS

During the Relevant Period, the Company appointed SBI E2-Capital (H.K.) Limited as its compliance advisor in accordance with Rule 3A.19 of the Listing Rules. SBI E2-Capital (H.K.) Limited has confirmed that, during the Relevant Period, it had no interests either directly or indirectly in the Company.

COMPETING INTERESTS

None of the Directors, the initial management shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Company.

DIRECTORS

As at the date of this report, the members of the Board include (i) the executive Directors of the Company, namely, Mr. Yan Guoqi (閆國起) (Chairman), Mr. Li Jinlu (李金陸) and Mr. Li Hongwei (李紅衛) ; (ii) the non-executive Directors of the Company, namely, Mr. Song Jinhui (宋金會), Mr. Zhang Wushan (張武山), Mr. Ding Ping (丁平) and Mr. Hao Ganjun (郝幹軍); and (iii) the independent non-executive Directors of the Company, namely, Mr. Zhang Yichun (張亦春), Mr. Liu Jianwen (劉劍文), Ms. Yu Shulian (佘恕蓮) and Mr. Wong Ping (王平).

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

28 August 2008
Zhengzhou, the PRC

* *For identification purpose only*