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

**鄭州燃氣股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 8099)**

**PROPOSED VOLUNTARY WITHDRAWAL OF LISTING ON  
THE GROWTH ENTERPRISE MARKET OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED,  
PROPOSED LISTING ON THE MAIN BOARD OF  
THE STOCK EXCHANGE OF HONG KONG LIMITED  
BY WAY OF INTRODUCTION, AND  
THE PROPOSED REDUCTION OF MINIMUM NOTICE PERIOD  
IN RESPECT OF THE PROPOSED WITHDRAWAL AND  
ADOPTION OF THE AMENDED ARTICLES OF  
ASSOCIATION OF THE COMPANY**

*Sponsor*



**SBI Crosby Limited**

The Company announced on 16 September 2005 that it intended to migrate the listing of the H Shares from GEM to the Main Board and voluntarily withdraw the listing of the H Shares from GEM. On 17 August 2006, the Company announced that SBI Crosby Limited, acting as the Company's sponsor, had, on behalf of the Company, submitted an advance booking form for the Proposed Introduction to the Stock Exchange and that the Stock Exchange had also been notified of the Company's intention to implement the Proposed Withdrawal. The Proposed Introduction and the Proposed Withdrawal will be conditional upon, among other things, the approvals by the Shareholders, the Stock Exchange and the CSRC.

In connection with the Proposed Withdrawal and the Proposed Introduction, the Company proposes to seek Shareholders' approval in respect of the Proposed Withdrawal, the proposed reduction of minimum notice period in respect of the Proposed Withdrawal, the Proposed Introduction and the adoption of the Amended Articles. On 30 March 2007, the Stock Exchange informed the Sponsor that the Listing Committee had granted an approval in principle for the listing of, and permission to deal in, the H Shares on the Main Board. A circular containing further information in relation to the Proposed Withdrawal, the proposed reduction of minimum notice period in respect of the Proposed Withdrawal, the Proposed Introduction, the adoption of the Amended Articles, the approval of the Property Purchase Agreement and the notices to the Shareholders of the EGM and the Class Meetings at which ordinary and special resolutions will be proposed to approve the foregoing will be despatched to the Shareholders on or about 2 April 2007. The Listing Document issued in connection with the Proposed Introduction will also be despatched to the Shareholders on or about 2 April 2007.

**As the Proposed Introduction and the Proposed Withdrawal are subject to a number of conditions, which may or may not be fulfilled, the Proposed Introduction and the Proposed Withdrawal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.**

## INTRODUCTION

In the Company's announcement dated 16 September 2005, the Company announced that it intended to migrate the listing of the H Shares from GEM to the Main Board and voluntarily withdraw the listing of the H Shares on GEM. On 17 August 2006, the Company further announced that SBI Crosby Limited, acting as the Company's sponsor, had, on behalf of the Company, submitted an advance booking form for the Proposed Introduction to the Stock Exchange and that the Stock Exchange had also been notified of the Company's intention to implement the Proposed Withdrawal. The Proposed Introduction and the Proposed Withdrawal will be conditional upon, among other things, the approvals by the Shareholders, the Stock Exchange and the CSRC.

In connection with the Proposed Withdrawal and the Proposed Introduction, the Company proposes to seek Shareholders' approval in relation to the Proposed Withdrawal, the proposed reduction of minimum notice period in respect of the Proposed Withdrawal, the Proposed Introduction and the adoption of the Amended Articles. On 30 March 2007, the Stock Exchange informed the Sponsor that the Listing Committee had granted an approval in principle for the listing of, and permission to deal in, the H Shares on the Main Board. A circular containing further information in relation to the Proposed Withdrawal, the proposed reduction of minimum notice period in respect of the Proposed Withdrawal, the Proposed Introduction, the adoption of the Amended Articles, the approval of the Property Purchase Agreement and the notices to the Shareholders of the EGM and the Class Meetings at which ordinary and special resolutions will be proposed to approve the foregoing will be despatched to the Shareholders on or about 2 April 2007. The Listing Document issued in connection with the Proposed Introduction will also be despatched to the Shareholders on or about 2 April 2007.

## **THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION**

On 17 August 2006, SBI Crosby, for and on behalf of the Company, submitted an application to the Stock Exchange for the listing of, and permission to deal in, the 550,660,000 H Shares in issue on the Main Board. The Stock Exchange informed SBI Crosby on 30 March 2007 that the Listing Committee had granted an approval in principle for the listing of, and permission to deal in, the 550,660,000 H Shares on the Main Board. Immediately prior to the listing of the H Shares on the Main Board, the listing of the above mentioned H Shares on GEM will be withdrawn pursuant to the Proposed Withdrawal.

### **Waiver From Strict Compliance with Minimum Notice Period in respect of the Proposed Withdrawal**

Pursuant to Rule 9.19 of the GEM Listing Rules, an issuer that has an alternative listing on another stock exchange or securities market recognised for this purpose by the Stock Exchange may not voluntarily withdraw its listing on GEM unless:

- (a) the prior approval of the shareholders of the issuer has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer;
- (b) the prior approval of holders of H Shares and Domestic Shares has been obtained at the Class Meetings; and
- (c) the issuer has given its shareholders and holders of any other class of listed securities, if applicable, at least three months' notice of the proposed withdrawal of listing. This minimum notice period must run from the date on which the shareholders and holders of any other class of listed securities, if, applicable, approve the voluntary withdrawal of listing and such notice must include details of how to transfer securities to and trade those securities on the alternative market.

The Company does not have any listed securities other than H Shares as at the date of this announcement.

Pursuant to the news release issued by the Stock Exchange on 16 January 2002 regarding the notice period in respect of a proposed withdrawal of listing and in connection with the Proposed Withdrawal, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the minimum three months' notice period required under Rule 9.19(3) of the GEM Listing Rules, subject to the fulfilment of the following conditions:

- (i) prior approval shall have been obtained from the Shareholders for the reduction of the notice period for the Proposed Withdrawal to a minimum of five clear Business Days;
- (ii) in respect of the H Shares, there is no change in the board lot size, the share certificates, the share registrar, and the trading currency in connection with the proposal to transfer its listing status; and
- (iii) there is no other fact that leads the Stock Exchange to believe that the reduced notice period is not feasible.

In respect of (ii) above, the H Shares will continue to be traded in board lots of 10,000 H Shares each, the existing share certificates in respect of the H Shares will continue to be good evidence of legal title, the H Share registrar and transfer office will continue to be Computershare Hong Kong Investor Services Limited, and the trading currency will continue to be Hong Kong dollars.

Accordingly, respective EGM and the Class Meetings are to be convened to seek approvals from the Shareholders for, among other things, the Proposed Withdrawal, the Proposed Introduction and the proposed reduction of the minimum notice period for the Proposed Withdrawal. After such approvals have been obtained, a notice in respect of the Proposed Withdrawal will be published by the Company at least five clear Business Days before the Effective Date.

The Directors consider that it is in the best interest of the Shareholders and the Company as a whole that the minimum notice period for the Proposed Withdrawal be reduced so that the Proposed Withdrawal and the Proposed Introduction can be carried out as soon as practicable after obtaining the relevant approvals from the Shareholders at the EGM and the Class Meetings as well as from the CSRC.

## **CONDITIONS OF THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION**

The Proposed Withdrawal and the Proposed Introduction are subject to, among other things, the following conditions:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, the existing 550,660,000 H Shares in issue on the Main Board;
- (ii) the granting of the relevant approvals by the CSRC and other PRC authorities, as appropriate, in connection with the Proposed Withdrawal and the Proposed Introduction;
- (iii) the passing of special resolutions by the Shareholders at the EGM to approve the Proposed Withdrawal, the Proposed Introduction, the proposed reduction of the minimum notice period in respect of the Proposed Withdrawal and the proposed adoption of the Amended Articles;
- (iv) the passing of special resolutions by the holders of Domestic Shares and holders of H Shares at the respective Class Meetings to approve the Proposed Withdrawal, the Proposed Introduction the proposed reduction of minimum notice period in respect of the Proposed Withdrawal and the proposed adoption of the Amended Articles;
- (v) the Stock Exchange granting a waiver from strict compliance of with the requirements with Rule 9.19(3) of the GEM Listing Rules in respect of the reduction of the minimum notice period to at least five clear Business Days from the date on which the Shareholders shall have approved the Proposed Withdrawal;
- (vi) the publication of a notice of the Proposed Withdrawal as required by the GEM Listing Rules after obtaining the approvals of the Shareholders at the EGM and the Class Meetings for the Proposed Withdrawal; and
- (vii) the passing of ordinary resolution by the Independent Shareholders at the EGM to approve the Property Purchase Agreement and the granting of the relevant land use right certificates and building ownership certificates associated with the Property Asset 1 and Property Asset 2 before the Effective Date.

(viii) the obtaining of all other relevant consents (if any) which are required in connection with the implementation of the Proposed Withdrawal and the Proposed Introduction and fulfillment of all conditions which may be attached to such consents.

**As the Proposed Introduction and the Proposed Withdrawal are subject to a number of conditions which may or may not be fulfilled, the Proposed Introduction and the Proposed Withdrawal may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the H Shares.**

## **EFFECTS OF THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION**

Subject to the fulfillment of the conditions set out in the immediately preceding paragraph, it is expected that dealings in the H Shares on GEM will cease at 9:30 a.m. on the Effective Date and dealings in the Shares on the Main Board will commence at 9:30 a.m. on the Effective Date. The Company will make an announcement after the EGM and the Class Meetings and publish the results of the EGM and the Class Meetings and other information relating to the Proposed Withdrawal and the trading arrangements for the H Shares as a result of the Proposed Withdrawal and the Proposed Introduction.

The Proposed Withdrawal and the Proposed Introduction will not have any effect on the existing share certificates in respect of the H Shares, which will continue to be good evidence of legal title and will not involve any transfer or exchange of the existing share certificates. No new share certificates with new stock code will be issued. No change will be made to the board lot size, trading currency of the H Shares and the share registrar of H Shares of the Company in connection with the Proposed Withdrawal and the Proposed Introduction. The H Shares will continue to be traded in board lots of 10,000 H Shares each following the Proposed Introduction. **Holders of H Shares are advised to note that upon the listing of the H Shares on the Main Board following the Proposed Introduction you may be required to sign a new client agreement with your stockbrokers.**

Shareholders and investors should note that the continuing obligations of listed issuers under the Main Board Listing Rules and the GEM Listing Rules are not the same. For example, the principal means of information dissemination by listed issuers on GEM is publication on the internet website operated by the Stock Exchange whilst the principal means of information dissemination by listed issuers on the Main Board is the publication in newspapers or the HKEx-EPN when implemented. In addition, listed issuers on the Main Board are not required to publish quarterly reports. **Upon the listing of the H Shares on the Main Board, the Company will cease the practice of quarterly reporting and will follow the relevant requirements of the Main Board Listing Rules which include, among other things, publishing its interim results and annual results within three months and four months from the end of relevant period or financial year end, subject to the requirements of the Amended Articles.** Upon the listing of the H Shares on the Main Board, the Company will comply with all the disclosure requirements of the Main Board Listing Rules and will make any disclosures as required under the Main Board Listing Rules. The Directors are of the view that quarterly results may not reflect the Company's full year performance, as they are bound to be affected by various matters beyond the Company's control, such as seasonal demand for natural gas. Discontinuance of the publication of quarterly reports will not affect transparency in the affairs of the Company because the Company will disclose information that is sensitive to its share price in compliance with the Main Board Listing Rules. The Directors confirm that the Main Board reporting requirements will be met on a timely basis in order to give the investors and Shareholders a relatively complete picture of the Group's performance during the relevant period.

## **REASONS FOR THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION**

The Group operates a natural gas pipeline distribution network in Zhengzhou City, Henan Province, the PRC. The Group is principally engaged in the sale of piped natural gas to residential, commercial, industrial and vehicular customers, the provision of gas pipeline construction services, and the sale of gas appliances and pressure control equipment. Since the listing of the H Shares on the GEM on 29 October 2002, the Group has grown rapidly in terms of the scope and network of its business. Its net profit attributable to shareholders has increased significantly from approximately RMB65.21 million (equivalent to approximately HK\$65.21 million) for the year ended 31 December 2004 to approximately RMB111.49 million (equivalent to approximately HK\$111.49 million) for the year ended 31 December 2006.

The track record of the Group for the three financial years ended 31 December 2006 meets the minimum profit requirements as stipulated in the Main Board Listing Rules. With the anticipated continuous economic development in the PRC and the development of the natural gas market in Zhengzhou, in particular, and the PRC in general, the Directors believe that the listing of the H Shares on the Main Board will help to enhance the profile of the Group, resulting in additional coverage and recognition from leading industry analysts and the investment community that will lead to more trading liquidity of the H Shares. The Directors consider that the listing of the H Shares on the Main Board will be beneficial to the future growth, financial flexibility and business development of the Company and will provide the Group with access to a larger pool of potential investors and enable it to raise additional funds in due course, enabling the Group, among others, to expand its customer base and natural gas storage capacity through the expansion of the Group's natural gas pipeline network and the constructing of additional natural gas refueling stations and natural gas storage facilities, thereby accelerating the Group's business development. No material change in the business objectives and strategies of the Group is contemplated by the Directors following the Proposed Introduction.

The Proposed Introduction will not involve any issue of new H Shares by the Company.

## EXPECTED TIMETABLE

The expected timetable for the Proposed Withdrawal and the Proposed Introduction is set out below:

Despatch of the circular, the notices of the EGM and Class Meetings, reply slips and related forms of proxy for the EGM and Class Meetings to the Shareholders and holders of Domestic Shares and H Shares	Monday, 2 April 2007
Despatch of the Listing Document in relation to the Proposed Introduction to the Shareholders	Monday, 2 April 2007
Closure of register of members (both days inclusive)	
From	Wednesday, 18 April 2007
To	Friday, 18 May 2007
Latest time for lodgement of relevant reply slips for the EGM and Class Meetings	Saturday, 28 April 2007
Latest time for lodgement of forms of proxy for the EGM	10:00 a.m. on Thursday, 17 May 2007
Latest time for lodgement of forms of proxy for the Class Meeting for holders of Domestic Shares	10:30 a.m. on Thursday, 17 May 2007
Latest time for lodgement of forms of proxy for the Class Meeting for holders of H Shares	11:00 a.m. on Thursday, 17 May 2007
EGM	10:00 a.m. on Friday, 18 May 2007
Class Meeting for holders of Domestic Shares	10:30 a.m. on Friday, 18 May 2007
Class Meeting for holders of H Shares	11:00 a.m. on Friday, 18 May 2007
Announcement of the results of the EGM and the Class Meetings	Monday, 21 May 2007
The CSRC granting approval for the listing of the H Shares on the Main Board on or before	Monday, 18 June 2007

Date of announcement in respect of CSRC granting approval for the listing of the H Shares on the Main Board and notice of the Proposed Withdrawal which are to be published in the South China Morning Post (in English), in the Hong Kong Economic Times (in Chinese) and on the GEM website on or before	Monday, 18 June 2007
Last day of dealings in the H Shares on GEM	4:00 p.m. on Thursday, 28 June 2007
Withdrawal of listing of the H Shares on GEM effective from	9:30 a.m. on Friday, 29 June 2007
Dealings in the H Shares on the Main Board to commence on	9:30 a.m. on Friday, 29 June 2007

*Notes:*

1. All times and dates stated herein refer to Hong Kong local times and dates.
2. Shareholders will be informed by public announcement of any changes in the above expected timetable.

**WAIVERS FROM STRICT COMPLIANCE WITH RULES 10.07 AND 10.08 OF THE MAIN BOARD LISTING RULES**

In connection with the Proposed Introduction, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the restrictions on further issues of securities within six months of the Proposed Introduction as required by Rule 10.08 of the Main Board Listing Rules and a technical waiver from strict compliance with the restrictions under rule 10.07(1) of the Main Board Listing Rules in respect of the deemed disposal of Shares by the controlling Shareholder, namely, the Zhengzhou Gas Group, upon the issue of securities by the Company within six months of the Proposed Introduction subject to the following conditions:

- (i) any issue of H Shares (or convertible securities) during the first six months after the Proposed Introduction must be either for cash to fund a specific acquisition or as part or full consideration for an acquisition; and
- (ii) the acquisition must be for assets or business(es) that will contribute to the growth of the business of the Group.

Save and except for the deemed disposal of Shares by the controlling Shareholder upon the issue of securities by the Company, the controlling Shareholder has confirmed that it will comply with the restrictions on the disposal of securities under Rule 10.07 of the Main Board Listing Rules.

The Company has applied to the Stock Exchange for waivers from strict compliance with Rules 10.07 and 10.08 of the Main Board Listing Rules for the following reasons:

- (i) the Company will not raise any new funds pursuant to the Proposed Introduction. Therefore, the Shareholders would not suffer from any dilution of their interests as a result of the Proposed Introduction;



- (ii) since the listing of the H Shares on GEM in October 2002 up to the Latest Practicable Date, all of the holders of the Domestic Shares, with the exception of Henan Auctioneer which had disposed of its shareholding to Huayin Real Estate Development Limited in settlement of a debt, have not disposed of any of their respective interests in the Company. This demonstrates that the majority of the holders of Domestic Shares have been committed to the Company since the listing of the H Shares on GEM; and
- (iii) the interests of the Shareholders will still be protected since any further issue of H Shares by the Company would be subject to Shareholders' approval as required under Rule 19A.38 of the Main Board Listing Rules.

## **FINANCIAL INFORMATION OF THE GROUP INDEBTEDNESS**

### **Borrowings**

As at the close of business on 31 January 2007, being the latest practicable date for the purpose of this indebtedness statement of the Company, the Group did not have any outstanding borrowings.

### **Collateral**

As at 31 January 2007, the Group has not pledged any of its assets to creditors.

### **Contingent liabilities**

As at 31 January 2007, the Group did not have any significant contingent liabilities.

### **Capital commitments and other commitments**

As at 31 January 2007, the Group had the following capital commitments in respect of property, plant and equipment and lease commitments as follows:

	<b>31 January 2007 RMB'000</b>
Capital commitments in respect of property, plant and equipment:	
– Authorised, but not contracted for	18,857
– Contracted for, but not provided for	34,508
	<hr/>
	53,365
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## Operating lease commitments

*As lessee*

At 31 January 2007, the Group had future minimum lease payments under non-cancellable operating leases in respect of equipment and land and buildings falling due as follows:

	<b>31 January 2007 RMB'000</b>
Within one year	13,890
In the second to fifth years, inclusive	25,571
Over five years	10,269
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	49,730
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## Working capital

In view of the Group's strong cash position and the constant cash flow obtained from its natural gas customers, the Directors confirmed that the Group is able to meet its working capital needs from cash flow from the Group's operations that is for at least 12 months from the date of the Listing Document. In case the Group requires additional funding for its expansion of natural gas pipelines in other areas of Zhengzhou City, the Group may rely on external borrowings and/or further securities offerings.

## NET TANGIBLE ASSETS

The following table illustrates the Group's net tangible assets as at 31 December 2006 and was prepared based on the Group's consolidated net tangible assets figures as at 31 December 2006. Please refer to the accountants' report contained in Appendix I to the Listing Document for details of the Group's net tangible assets figures.

	<i>RMB'000</i>
Consolidated net tangible assets value of the Group	570,828
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As at 31 December 2006 (*Note 1*)

Net tangible asset value per Share ( <i>Note 2</i> )	<b>RMB0.45</b>
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*Notes:*

1. The consolidated net tangible assets value of the Group as at 31 December 2006 was arrived at based on the consolidated assets value of the Group, as disclosed in the accountants' report contained in Appendix I to the Listing Document, net of liabilities and intangible assets, if any.
2. Net tangible asset value per Share was calculated by dividing the Group's consolidated net tangible assets value referred to in note 1 above by a total of 1,251,000,000 Shares outstanding.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL RESOURCES

### Overview

The Group's principal sources of liquidity and capital resources have been, and are expected to continue to be, cash flow from operations and debt financing from banks. The Group's principal uses of cash have been, and are expected to continue to be, operational costs and the expansion of its natural gas pipeline network in the PRC.

### Liquidity

The following table summarises the Group's cash flows for the three financial years ended 31 December 2006:

	For the year ended 31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash inflow from operating activities	110,239	180,164	173,933
Net cash outflow from investing activities	(104,485)	(79,473)	(163,592)
Net cash outflow from financing activities	(8,605)	(28,209)	(17,737)
Gross profit	169,743	209,602	241,651
Net profit attributable to equity holders of the Company	65,211	93,400	111,485

As of 31 December 2006, the Group's primary source of liquidity was freely disposable cash and cash equivalents of approximately RMB177.49 million, covering approximately 47.35% of the Group's current liabilities of approximately RMB374.83 million. Cash generated from operations, when not required for working capital requirements, is held principally in bank accounts.

### Capital commitments

As at 31 December 2006, the capital commitments of the Company were primarily related to the construction of natural gas pipeline network and facilities. The Company intends to fund the construction of natural gas pipeline network and facilities from internal resources. The Company will continue to manage its liquidity and ensure that it has adequate resource to meet its expansion plans.

	31 December		
	2004	2005	2006
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital commitments in respect of property, plant and equipment:			
– Authorised, but not contracted for	27,051	6,371	19,124
– Contracted, but not provided for	14,066	3,488	34,598
	<u>41,117</u>	<u>9,859</u>	<u>53,722</u>

## **ADOPTION OF THE AMENDED ARTICLES**

In view of the Proposed Introduction and Proposed Withdrawal and for the purposes of complying with the Main Board Listing Rules and the relevant rules and regulations in the PRC and Hong Kong, a special resolution shall be proposed at the EGM and the Class Meetings to adopt the Amended Articles in substitution of the Existing Articles. Subject to the passing of the special resolutions at the EGM and the Class Meetings, the Amended Articles will become effective (subject to further amendments being made to the same by the Directors as authorized by the Shareholders) on the date of listing of the H Shares on the Main Board and upon obtaining approval from the Ministry of Commerce (whichever is later). The Amended Articles will not become effective and the Existing Articles will continue to be effective if the Proposed Introduction and the Proposed Withdrawal fail to proceed for whatever reason.

The Amended Articles will also include provisions in relation to the establishment of an independent board committee (the “Independent Board Committee”) by the Board which shall be responsible for reviewing situations where conflicts of interest may arise from any proposed transactions between the Group and its connected persons, including the Zhengzhou Gas Group, the controlling Shareholder, or its associates. The Independent Board Committee will be conferred with the power to make decisions on behalf of the Board collectively in relation to the proposed transactions between the Group and the Zhengzhou Gas Group and/or its associates which may give rise to a conflict of interest among them. It will also make decisions collectively on behalf of the Board in relation to the exercise of the investment option granted by the Zhengzhou Gas Group to the Company pursuant to the agreement containing non-competition undertakings and an investment option.

The provisions of the Amended Articles are in compliance with the relevant requirements of the Main Board Listing Rules.

Set out below are details of the principal significant amendments to be effected pursuant to the adoption of the Amended Articles:

- (a) the Amended Articles will become effective on the date of listing of the H Shares on the Main Board;
- (b) to promote corporate governance, a new provision in relation to the formation of an Independent Board Committee by the Board will be added. The Independent Board Committee, which comprises all independent non-executive Directors from time to time, shall be responsible for reviewing situations where conflicts of interest may arise from any proposed transactions between the Group and its connected persons, including the Zhengzhou Gas Group, or its associates. The Independent Board Committee was conferred with the power to make decisions on behalf of the Board collectively in relation to the proposed transactions between the Group and Zhengzhou Gas Group and/or its associates which may give rise to a conflict of interest among them. It will also make decisions collectively on behalf of the Board in relation to the exercise of the investment option granted by the Zhengzhou Gas Group to the Company pursuant to the agreement containing non-competition undertakings and an investment option. The quorum for the meetings of the Independent Board Committee shall be three independent non-executive Directors and all decisions made by the Independent Board Committee should be approved by not less than two-thirds of the members of the Independent Board Committee and all members of the Independent Board Committee will be collectively responsible for the decisions made;

- (c) a new provision will be added regulate the provision of a guarantee for a third party or Shareholders or controlling shareholder of the Company and the making of investment by the Company . The new provision stipulated that in relation to a guarantee provided by the Company for a third party or Shareholders or controlling shareholder of the Company the total accumulated external guarantee shall not exceed 30% of the total asset value of the Company and the provision of guarantees are subject to the disclosure and approval requirements of the Main Board Listing Rules. Further it provides that the investment plan of the Company shall be subject to the disclosure and approval requirements of the Main Board Listing Rules;
- (d) the main business scope of the Company will be updated to reflect the same as stated in its latest business license dated 24 August 2005, namely, the production, transmission, storage and sale of urban gas; the installation of related dual fuel facilities (only limited to operation by licensed branch organizations); the provision of ancillary services relating to gas alarms and other gas appliances (including gas, coal gas and liquefied petroleum gas); the design, implementation and maintenance of safety and precautional construction techniques; the assembly, sale, installation and maintenance of gas cookers; the installation and maintenance of gas appliances; the development and application of new gas technologies (the operation of any business within the above business scope shall be specifically approved or licensed as required by relevant Chinese national laws and regulations);
- (e) provisions to allow two more situations where the Company can repurchase its Shares will be added, whereby the Company can repurchase its Shares in order to make allotment of shares to selected employees as bonus for their outstanding performance or when being requested by the dissenting shareholders who oppose the merger or division of the Company at general meeting;
- (f) a duplicate provision in the Existing Articles that the transfer form for H Shares has to be in a form approved by the Stock Exchange and be executed by the transferor and the transferee under hand or mechanically printed signatures will be deleted as similar requirements have already been provided for in other parts of the Existing Articles;
- (g) a new provision will be added to comply with the provisions of Appendix 3 to the Main Board Listing Rules, namely, where the Company has the power to purchase for redemption a redeemable share, purchases not made through the market or by tender are to be limited to a maximum price; and if purchases are by tender, tenders are to be available to all Shareholders alike;
- (h) changes will be made to reflect the repeal of the Securities and Futures (Clearing House) Ordinance (Cap. 420, the Laws of Hong Kong) by stating that recognized clearing house and its nominees are to be defined in accordance with relevant Hong Kong laws and regulations to be enacted from time to time;
- (i) the provision in relation to the contribution of 10% of the distributable profit to shareholders to the Company's the incentive fund will be deleted and be replaced by a provision specifying that the profits after tax of the Company can be used for the repurchase of the Company's shares as bonus for employees;

- (j) in order to comply with chapters 1 and 2 of (境外上市公司董事會秘書工作指引) (Working Guidelines for Secretary to Board of Directors of Overseas Listed Company), new provisions relating to the obligations and scope of powers of the secretary to the board of directors of the Company will be added;
- (k) changes will be made in order to comply with the requirements of the Main Board Listing Rules relating to the Company's annual and semi-annual financial reporting requirements;
- (l) a new provision will be added to specify that the Amended Articles shall be interpreted by the Directors at the board meeting; and
- (m) various changes will be made to correct minor mistakes and language styles and generally to clarify the contents of the Existing Articles.

## **THE EGM AND CLASS MEETINGS**

The EGM and the Class Meetings will be convened at which special resolution(s) will be proposed to approve, amongst other things, the Proposed Withdrawal, the proposed reduction of minimum notice period in respect of the Proposed Withdrawal, the Proposed Introduction and the proposed adoption of the Amended Articles.

The register of members of the Company will be closed from 18 April 2007 to 18 May 2007, both days inclusive, during such period no transfer of Shares will be registered. Consequently, Shareholders whose names appear on the register of members of the Company on 18 May 2007 will be entitled to attend and vote at the EGM. The votes to be taken at the EGM and the Class Meetings will be taken by poll.

## **RECOMMENDATION**

The Board considers that the Proposed Withdrawal, the proposed reduction of minimum notice period in respect of the Proposed Withdrawal, the Proposed Introduction and the proposed adoption of the Amended Articles to be in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of all the resolutions to be proposed at the EGM and the Class Meetings.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Announcements”	announcements of the Company dated 16 September 2005 and 17 August 2006
“Amended Articles”	the new articles of association of the Company proposed to be adopted at the EGM and the Class Meetings
“Board”	the board of Directors
“Business Day(s)”	any day on which the Stock Exchange is open for the business of dealings in securities

“Class Meetings”	the respective class meetings of the holders of Domestic Shares and holders of H Shares to be held at 10:30 a.m. and 11:00 a.m. respectively on Friday, 18 May 2007 to approve, amongst other things, the Proposed Withdrawal, the proposed reduction of the minimum notice period in respect of the Proposed Withdrawal, the Proposed Introduction and the proposed adoption of the Amended Articles, whereas “Class Meeting” shall mean the relevant class meeting in respect of the respective holders of Domestic Shares or holders of H Shares
“Company”	鄭州燃氣股份有限公司 (Zhengzhou Gas Company Limited*), a joint stock company incorporated in the PRC with limited liability, the H shares of which are listed on the GEM
“connected person”	has the same meaning ascribed thereto in the GEM Listing Rules
“CSRC”	China Securities Regulatory Commission, the PRC regulatory body responsible for the supervision and regulation of the PRC national securities market
“Directors”	the directors of the Company
“Domestic Share(s)”	the domestic share(s) in the registered share capital of the Company with a nominal value of RMB0.10 each which were subscribed for in RMB
“Effective Date”	on or around Friday, 29 June 2007, the day on which the Proposed Withdrawal and the Proposed Introduction become effective
“EGM”	an extraordinary general meeting of the Company to be convened and held at 10:00 a.m. on Friday, 18 May 2007 at Samost Hotel, Zhengzhou, Henan, the PRC to approve, among other things, the Proposed Withdrawal, the Proposed Introduction and the proposed reduction of minimum notice period in respect of the Proposed Withdrawal
“Existing Articles”	the existing articles of association of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange responsible for GEM listing matters
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the GEM, as amended from time to time
“Group”	the Company and its subsidiaries (as defined in the GEM Listing Rules)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“HKEx-EPS”	the electronic publication system maintained by the Stock Exchange
“H Share(s)”	the overseas listed foreign share(s) in the registered share capital of the Company which are listed on the GEM with a nominal value of RMB0.10 each and were subscribed for and traded in Hong Kong dollars
“Independent Shareholders”	the Shareholders other than Zhengzhou Gas Group, and its associates
“Introduction”	the proposed listing of the issued H Share(s) on the Main Board by way of introduction pursuant to the Listing Rules
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange responsible for Main Board listing matters
“Listing Document”	the listing document dated on or about 2 April 2007 to be issued by the Company in connection with the Proposed Introduction
“Main Board”	the securities market operated by the Stock Exchange prior to the establishment of GEM and which stock market continues to be operated by the Stock Exchange in parallel with GEM and for the avoidance of doubt, the Main Board excludes GEM
“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Property Asset 1”	the land use rights in respect of a parcel of land located at the junction of Dongming Road West and Zhengbian Road South, Guancheng District, Zhengzhou City and certain buildings erected thereon which include a 5-storey office building and two single storey warehouses
“Property Asset 2”	the land use rights in respect of a parcel of land located at the junction of Xisanhuan Road West and Laozhengmi Road West, Zhongyuan District, Zhengzhou City and certain buildings erected thereon which include a single storey warehouse and 1/F of a 2-storey warehouse
“Property Assets”	Property Asset 1 and Property Asset 2
“Property Purchase Agreement”	the agreement dated 20 March 2007 entered into between the Company and the Zhengzhou Gas Group in relation to the acquisition of the Property Assets. An announcement dated 20 March 2007 regarding the aforementioned acquisition was published on GEM website



“Proposed Introduction”	the proposed listing of the H Shares on the Main Board by way of introduction pursuant to the Main Board Listing Rules
“Proposed Withdrawal”	the proposed voluntary withdrawal of the listing status of the H Shares on GEM
“PRC”	the People’s Republic of China, which for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shares”	shares of the Company with a nominal value of RMB0.10 each, including the Domestic Shares and the H Shares, unless specified otherwise
“Shareholders”	holders of the Shares, including holders of the Domestic Shares and the holders of H Shares, unless specified otherwise
“Sponsor” or “SBI Crosby”	SBI Crosby Limited, the sponsor of the Company for the Proposed Introduction, is a licensed corporation for types 1 and 6 of the regulated activities (as defined under the SFO)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhengzhou Gas Group”	Zhengzhou Gas Group Company Limited* (鄭州燃氣集團有限公司), a state-owned company incorporated in the PRC with limited liability, which is the controlling shareholder of the Company holding approximately 43.18% of the entire registered share capital of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“cu. m.”	cubic metres
“sq. m.”	square metres

*For the purpose of this announcement, translation of HK\$ into RMB is based on the exchange rate of approximately RMB1.00 to HK\$1.00. Such translation should not be constructed as a representation that the relevant amounts have been, could have been, or could be, converted at that or any other rate or at all.*

## Directors

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

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

Zhengzhou, PRC, 2 April 2007

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and is not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website for at least 7 days from its date of publication.*

\* For identification purposes only