
IMPORTANT

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If you are in doubt as to any aspect of this circular, you should consult your stockbroker or registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Zhengzhou Gas Company Limited (the "Company"), you should at once hand this circular and accompanying forms of proxy and reply slips to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

This circular is for information purpose only and does not constitute any invitation or offer to acquire purchase or subscribe for shares or other securities of the Company.



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,
PROPOSED REDUCTION OF MINIMUM NOTICE PERIOD
IN RESPECT OF THE PROPOSED WITHDRAWAL,
ADOPTION OF THE AMENDED ARTICLES OF
ASSOCIATION OF THE COMPANY
AND
CONNECTED TRANSACTION**

Financial Adviser



SBI Crosby Limited

*Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders*



First Shanghai Capital Limited

A letter from the board of directors of the Company dated 2 April 2007 is set out on pages 9 to 33 of this circular.

Notices convening the EGM and the separate Class Meetings of holders of Domestic Shares and H Shares of ZHENGZHOU GAS COMPANY LIMITED to be held at Samost Hotel, Zhengzhou City, Henan Province, the PRC on 18 May 2007 at 10:00 a.m., 10:30 a.m. and 11:00 a.m. respectively are set out on pages 62 to 70 of this circular. The forms of proxy for each of the EGM and the Class Meetings have been enclosed with this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed forms of proxy in accordance with the instructions printed thereon as soon as possible to the Hong Kong H Share registrar, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (in the cases of holders of H Shares) and to the Company's registered office at 352 Longhai Road West, Zhengzhou City, Henan Province, the PRC (in the cases of holders of Domestic Shares) and in any event no later than 24 hours before the time appointed for the holding of the EGM and relevant Class Meeting or for taking the poll in relation thereto. Completion and return of the forms of proxy shall not preclude you from attending and voting in person at the EGM and relevant Class Meeting or any adjournment thereof should you so wish.

Reply slips for each of the EGM and the Class Meetings have also been enclosed. You are reminded to complete and sign the relevant reply slips (if you are entitled to attend the relevant meetings) and return the signed reply slips to the Company's registered office at 352 Longhai Road West, Zhengzhou City, Henan Province, the PRC on or before 28 April 2007 in accordance with the instructions printed thereon.

This circular will remain on the "Latest Company Announcements" page of the GEM website at "www.hkgem.com" for 7 days from the day of its publication.

* For identification purposes only

CHARACTERISTICS OF GEM

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “www.hkgem.com” in order to obtain up-to-date information on GEM-listed companies.

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DEFINITIONS

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

“Amended Articles”	the new articles of association of the Company proposed to be adopted at the EGM and the Class Meetings
“associate”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day(s) on which the Stock Exchange is open for the business of dealings in securities
“CB Richard Ellis”	CB Richard Ellis Limited, an independent valuer
“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 minimum notice period in respect of the Proposed Withdrawal, the Proposed Introduction and the proposed adoption of the Amended Articles, the notices of which are set out on pages 62 to 70 of this circular, 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
“Connected Transaction Announcement”	announcement of the Company in relation to the Property Purchase Agreement dated 20 March 2007
“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

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“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 Samost Hotel, Zhengzhou City, Henan Province, the PRC on 18 May 2007 at 10:00 a.m. to approve the resolutions set out in the EGM Notice
“EGM Notice”	the notice convening the EGM, which is set out on pages 62 to 64 of this circular
“Existing Articles”	the existing articles of association of the Company
“First Shanghai”	First Shanghai Capital Limited, a licensed corporation to carry out type 6 regulated activity (advising on corporate finance) under the SFO, who has been appointed as the independent financial adviser to give advice to the Independent Board Committee and Independent Shareholders in respect of the Property Purchase Agreement and the acquisition of the Property Assets
“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)
“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
“HKEx-EPS”	the electronic publication system maintained by the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

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“Independent Board Committee”	an independent board committee of the Board, which comprises all the four independent non-executive Directors, that has been established for the specific purpose to advise the Independent Shareholders in respect of the Property Purchase Agreement and the acquisition of the Property Assets
“Independent Shareholders”	the Shareholders other than Zhengzhou Gas Group, and its associates
“INED(s)”	the independent non-executive Director(s)
“Land Assets”	three parcels of land of which the first parcel is located at the junction of Juyuan Road East and Hongtu Street South, Zhengzhou City, the second parcel is located at the junction of Fengqing Road and Guihua Road, and the third parcel is located at the junction of Ruhe Road North and Huashan Road West, Zhengzhou City, all of which were purchased from Zhengzhou Gas Group pursuant to the Land Purchase Agreements which were duly approved by Independent Shareholders on 22 November 2006
“Land Purchase Agreements”	the two agreements dated 26 July 2006 entered into between the Company and the Zhengzhou Gas Group in relation to the acquisition of Land Assets which were duly approved by Independent Shareholders on 22 November 2006
“Lands”	two parcels of land under Property Asset 1 and Property Asset 2
“Latest Practicable Date”	15 March 2007, being the latest practicable date prior to the printing of this circular to ascertain certain information contained in this circular
“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

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“Main Board Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Migration Announcements”	announcements of the Company dated 16 September 2005 and 17 August 2006
“PetroChina”	PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock company incorporated in the PRC with limited liability listed on the Main Board (stock code: 857)
“PRC”	the People’s Republic of China, which for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“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, further details of which are set out in the paragraph headed “Information on the Property Assets” in the section headed “Letter from the Board” contained in this circular
“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, further details of which are set out in the paragraph headed “Information on the Property Assets” in the section headed “Letter from the Board” contained in this circular
“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

DEFINITIONS

“Proposed Withdrawal”	the proposed voluntary withdrawal of the listing status of the H Shares on GEM
“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
“Sinopec Zhongyuan”	Sinopec Zhongyuan Petroleum Co., Ltd.* (中國石化中原油氣高新股份有限公司), a natural gas producer established in the PRC
“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
“Valuer”	CB Richard Ellis Limited, an independent valuer
“Xinjiang Guanghui”	Xinjiang Guanghui Liquefied Natural Gas Development Limited Liability Company (新疆廣匯液化天然氣發展有限責任公司), a liquefied natural gas producer established in the PRC
“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

* For identification purposes only

DEFINITIONS

“cu. m.” cubic metres

“sq. m.” square metres

For the purpose of this circular, 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.

RESPONSIBILITY STATEMENT

This circular, 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:

- (i) the information contained in this circular is accurate and complete in all material respects and not misleading;*
- (ii) there are no other matters the omission of which would make any statement in this circular misleading; and*
- (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

EXPECTED TIMETABLE FOR THE PROPOSED WITHDRAWAL AND THE PROPOSED INTRODUCTION

The expected timetable for the Proposed Withdrawal and the Proposed Introduction is set forth 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 the 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.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Yan Guoqi (*Chairman*)
Mr. Song Jinhui
Mr. Li Jinliu
Mr. Li Yantong

Registered office:

352 Longhai Road West
Zhengzhou City
Henan Province
PRC 450006

Non-executive Directors:

Mr. Yang Degu
Mr. Zhang Wushan
Ms. Bao Hongwei

Principal place of business

in Hong Kong:
Room 908, 9th Floor
Hutchison House
10 Harcourt Road, Central
Hong Kong

Independent non-executive Directors

Mr. Zhang Yichun
Ms. Yu Shulian
Mr. Liu Jianwen
Mr. Wong Ping

2 April 2007

To the Shareholders

Dear Sir or Madam,

**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,
PROPOSED REDUCTION OF MINIMUM NOTICE PERIOD
IN RESPECT OF THE PROPOSED WITHDRAWAL,
ADOPTION OF THE AMENDED ARTICLES OF
ASSOCIATION OF THE COMPANY
AND
CONNECTED TRANSACTION**

INTRODUCTION

The Company announced on 16 September 2005 that it intended to migrate the listing of the H Shares on GEM to the Main Board and voluntarily withdraw the listing of the H Shares

* *For identification purposes only*

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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. For further details of the conditions precedent to the Proposed Withdrawal and the Proposed Introduction, please refer to the paragraph headed "Conditions of the Proposed Withdrawal and the Proposed Introduction" below.

THE CONNECTED TRANSACTION

On 20 March 2007, the Company entered into the Property Purchase Agreement with the Zhengzhou Gas Group for the acquisition from the Zhengzhou Gas Group of the Property Assets for an aggregate consideration of RMB17.00 million (equivalent to approximately HK\$17.00 million) to be satisfied by cash from internal resources of the Group. The consideration to be paid by the Company for the Property Assets pursuant to the Property Purchase Agreement was determined after arm's length negotiations between the Company and the Zhengzhou Gas Group with reference to the valuation of the Property Assets by the Valuer.

Zhengzhou Gas Group is the controlling Shareholder of the Company, holding an approximately 43.2% equity interest in the Company's registered share capital. By virtue of its equity interest in the Company, the Zhengzhou Gas Group is a connected person of the Company under Rule 20.11 of the GEM Listing Rules and the Property Purchase Agreement constitutes a connected transaction for the Company. Further, as announced on 8 September 2006, the Company and the Zhengzhou Gas Group also entered into the Land Purchase Agreements on 26 July 2006 and 8 September 2006, pursuant to which the Company agreed to purchase the Land Assets for a consideration of RMB5.48 million (equivalent to approximately HK\$5.48 million). The Land Purchase Agreements were approved by the Independent Shareholders on 22 November 2006. Pursuant to Rule 20.25 of the GEM Listing Rules, the transactions under the Property Purchase Agreement and the Land Purchase Agreements (though already duly approved by the Independent Shareholders at a general meeting of the Company) constitute a series of transactions and accordingly the amounts of consideration respectively payable under the Property Purchase Agreement and the Land Purchase Agreements are liable to be aggregated.

Since the aggregate consideration payable in respect of the Property Purchase Agreement and the Land Purchase Agreements is more than 2.5% of the relevant percentage ratios (i.e. assets ratio and consideration ratio, as defined in the GEM Listing Rules) and HK\$10 million,

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the Property Purchase Agreement and the Land Purchase Agreements constitute connected transactions subject to the independent shareholders' approval requirement set out in Chapter 20 of the GEM Listing Rules. Since the Land Purchase Agreements have already been approved by the Independent Shareholders on 22 November 2006, Independent Shareholders' approval will only be sought in respect of the Property Purchase Agreement.

In view of the interests of Zhengzhou Gas Group in the Property Purchase Agreement, Zhengzhou Gas Group and its associates will abstain from voting at the EGM for the ordinary resolution approving the Property Purchase Agreement and the acquisition of Property Assets.

The Independent Board Committee has been formed to advise the Independent Shareholders on whether or not the terms of the Property Purchase Agreement and the transactions contemplated thereunder (including but not limited to the acquisition of Property Assets) are in the best interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. First Shanghai has been appointed as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in respect of the terms and conditions of the Property Purchase Agreement.

The purpose of this circular is (a) to provide the Shareholders with further information in relation to the Property Purchase Agreement; (b) to set out the letter from the Independent Board Committee to the Independent Shareholders containing its recommendation and opinion to the Independent Shareholders on the Property Purchase Agreement and the letter from First Shanghai to the Independent Board Committee and Independent Shareholders containing its advice to the Independent Board Committee and Independent Shareholders on the Property Purchase Agreement; (c) to set out the valuation report from CB Richard Ellis on the Property Asset 1 and Property Asset 2; and (d) to provide the Shareholders with further information in relation to 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 and to give notices to the Shareholders of the EGM and the Class Meetings at which ordinary and special resolutions will be proposed to approve the foregoing as described in the paragraph headed "The EGM and Class Meetings" below. The notices convening the EGM and the Class Meetings are set out on pages 62 to 70 of this circular.

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.

The Directors would like to draw the attention of the Shareholders that the Group must obtain the relevant land use right certificates and building ownership certificates associated with Property Asset 1 and Property Asset 2 before the Effective Date. If the

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Company is not able to obtain the above-mentioned land use rights certificates and building ownership certificates and/or the Property Purchase Agreement is not approved by Independent Shareholders of the Company, the Company's application for the Proposed Withdrawal and the Proposed Introduction may not proceed. Further details on the Group's properties are contained in the Listing Document.

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 circular.

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.

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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 Hong Kong 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, the EGM is to be convened to seek approvals from the Independent Shareholders for the Property Purchase Agreement and from the Shareholders for 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. The Class Meetings are to be convened to seek approvals from holders of Domestic Shares and holders of H Shares for 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. Provided that 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 in respect of 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

Save as aforesaid, 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 an ordinary resolution by the Independent Shareholders at the EGM to approve the acquisition of the Property Assets under the Property Purchase Agreement and the granting of the relevant land use rights certificates and building ownership certificates associated with the Property Assets before the Effective Date;

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- (iv) 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;
- (v) 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;
- (vi) the Stock Exchange granting a waiver from strict compliance with the requirements of 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 and holders of Domestic Shares and H Shares shall have approved the Proposed Withdrawal at the EGM and the Class Meetings respectively;
- (vii) the publication by the Company 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
- (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.

The Directors would like to draw the attention of the Shareholders that the Group must obtain the relevant land use rights certificates and building ownership certificates associated with Property Asset 1 and Property Asset 2 before the Effective Date. If the Company is not able to obtain the above-mentioned land use rights and building ownership certificates and/or the Property Purchase Agreement is not approved by Independent Shareholders of the Company, the Company's application for the Proposed Withdrawal and the Proposed Introduction may not proceed. Further details on the Group's properties are contained in the Listing Document.

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.

LETTER FROM THE BOARD

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 H 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 Shareholders' approvals having been obtained by the Company in relation 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. 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 on newspapers or the HKEx-EPS 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.

LETTER FROM THE BOARD

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 construction 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.

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

LETTER FROM THE BOARD

- (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 ON THE GROUP

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.

LETTER FROM THE BOARD

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:

	31 January 2007 <i>RMB'000</i>
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 <hr/> <hr/>

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:

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

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.

LETTER FROM THE BOARD

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	
As at 31 December 2006 (<i>Note 1</i>)	<u>570,828</u>
Net tangible asset value per Share (<i>Note 2</i>)	<u>RMB0.45</u>

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.

Disclaimer

Save as otherwise disclosed in the paragraph headed "Indebtedness" in the "Financial Information" section in the Listing Document, which is enclosed with this circular, and apart from intra-group liabilities, the Group, as at 31 January 2007, the Group did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases, hire purchase commitments, acceptance liabilities or acceptance credits guarantees or other material contingent liabilities.

All amounts in foreign currencies mentioned in this indebtedness statement have been translated into Renminbi at the applicable exchange rates quoted by the PBOC at the Latest Practicable Date.

Save as disclosed above, the Directors have confirmed that there has been no material change in the indebtedness commitments and contingent liabilities of the Group since 31 January 2007.

LETTER FROM THE BOARD

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
	RMB'000	RMB'000	RMB'000
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.

Net cash inflow from operating activities

For the year ended 31 December 2006, net cash generated from operating activities amounted to approximately RMB173.93 million, representing a slight decline of 3.45% from approximately RMB180.16 million achieved in 2005. The slight decline was mainly attributable to (1) the increase in trade receivables of RMB21.01 million owing to the fact that the Group was able to increase natural gas supply to all users with the relaxed gas supply from PetroChina and Sinopec Zhongyuan, (2) the increase in prepayments made to PetroChina and Xinjiang Guanghui for the purchase of natural gas and (3) the increase in restricted cash deposit of RMB16 million set aside to secure natural gas supply from the West-East Gas Pipeline Project.

LETTER FROM THE BOARD

For the year ended 31 December 2005, net cash generated from operating activities amounted to approximately RMB180.16 million, representing an increase of approximately 63.43% when compared with the net cash inflow of approximately RMB110.24 million for the year ended 31 December 2004. Such substantial increase in net cash inflow was attributable to the 27.95% increase in operating profit and a substantial increase in accrued liabilities and other payables which was mainly a result of an increase in the payments received in advance from IC card customers.

Net cash outflow from investing activities

For the year ended 31 December 2006, the Group's net cash outflow from investing activities amounted to approximately RMB163.59 million, representing a rise of approximately 105.85% from approximately RMB79.47 million in 2005. The increase in cash used in investing activities was mainly attributable to the payment of approximately RMB35 million made in 2006 for the purchase of the LPG Assets from the Zhengzhou Gas Group LPG Limited, and the expansion of the high pressure natural gas pipeline network, in particular the high pressure natural gas pipelines project along the Fourth Ring Road in Zhengzhou City. In addition to the acquisition and addition of property, plant and equipment, the Company also made its payment of RMB9.9 million for the acquisition of the 16.5% interest in the Engineering Company from the Labour Union in 2006.

For the year ended 31 December 2005, the Group's net cash outflow in investment activities decreased by 23.94% from RMB104.49 million for the year ended 31 December 2004 to RMB79.47 million for the year ended 31 December 2005. The decrease in the net cash outflow in investing activities was mainly due to the one-time purchase of equipment and natural gas pipelines network amounting to RMB19.7 million in the year ended 31 December 2004 and there was no such investment in the year ended 31 December 2005.

Net cash outflow from financing activities

Net cash outflow from financing activities mainly represented the capital contribution from, and dividends paid to, the shareholders of the Company and its subsidiaries.

For the three years ended 31 December 2006, the net cash outflow for financing activities recorded approximately RMB8.60 million, RMB28.20 million and RMB17.73 million respectively. The fluctuation of the outflow mainly followed the fluctuation of dividend paid to the shareholder of the Company and its subsidiaries in particular the Engineering Company.

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 resources to meet its expansion plans.

LETTER FROM THE BOARD

	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	<u>14,066</u>	<u>3,488</u>	<u>34,598</u>
	<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 by the Board of an independent board committee (effective upon the listing of the H Shares on the Main 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 powers 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.

LETTER FROM THE BOARD

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 to be made by the independent board committee shall 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 to 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);

LETTER FROM THE BOARD

- (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 form for the transfer of 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 are already 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 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 a meeting of the Board; and
- (m) various changes will be made to correct minor mistakes and language styles and generally to clarify the contents of the Existing Articles.

LETTER FROM THE BOARD

CONNECTED TRANSACTION: PROPERTY PURCHASE AGREEMENT

On 20 March 2007, the Company entered into the Property Purchase Agreement with the Zhengzhou Gas Group for the acquisition from the Zhengzhou Gas Group of the Property Assets for an aggregate consideration of RMB17.00 million (equivalent to approximately HK\$17.00 million) to be satisfied by cash from internal resources of the Group. The consideration to be paid by the Company for the Property Assets pursuant to the Property Purchase Agreement was determined after arm's length negotiations between the Company and the Zhengzhou Gas Group with reference to the valuation of the Property Assets by the Valuer.

The Zhengzhou Gas Group is the controlling Shareholder of the Company, holding an approximately 43.2% equity interest in the Company's registered share capital. By virtue of its equity interest in the Company, the Zhengzhou Gas Group is a connected person of the Company under Rule 20.11 of the GEM Listing Rules and the Property Purchase Agreement constitutes a connected transaction for the Company. Further, as announced on 8 September 2006, the Company and the Zhengzhou Gas Group also entered into the Land Purchase Agreements on 26 July 2006 and 8 September 2006, pursuant to which the Company agreed to purchase the Land Assets for a consideration for RMB5.48 million (equivalent to approximately HK\$5.48 million). The Land Purchase Agreements were approved by the Independent Shareholders on 22 November 2006. Pursuant to Rule 20.25 of the GEM Listing Rules, the transactions under the Property Purchase Agreement and the Land Purchase Agreements (though already duly approved by the Independent Shareholders at a general meeting of the Company) constitute a series of transactions and accordingly the amounts of consideration respectively payable under the Property Purchase Agreement and the Land Purchase Agreements are liable to be aggregated.

Since the aggregate consideration payable in respect of the Property Purchase Agreement and the Land Purchase Agreements is more than 2.5% of the relevant percentage ratios (i.e. assets ratio and consideration ratio, as defined in the GEM Listing Rules) and HK\$10 million, the Property Purchase Agreement and the Land Purchase Agreements constitute connected transactions subject to the independent shareholders' approval requirement set out in Chapter 20 of the GEM Listing Rules. Since the Land Purchase Agreements have already been approved by the independent Shareholders on 22 November 2006, independent Shareholders' approval will only be sought in respect of the Property Purchase Agreement.

The principal terms and conditions of the Property Purchase Agreement are detailed as follows:

Property Purchase Agreement Date

20 March 2007

LETTER FROM THE BOARD

Parties to the Property Purchase Agreement

Vendor: Zhengzhou Gas Group, the controlling Shareholder of the Company, holding an approximately 43.2% equity interest in the Company's registered share capital. Zhengzhou Gas Group and its subsidiaries (other than the Company) is principally engaged in property management, real estate development and gas pipeline interior network engineering design. The Zhengzhou Gas Group is 100 state-owned enterprise and is under the ownership of State-Owned Assets Supervision and Administration Commission of Zhengzhou Municipal People's Government. The State-Owned Assets Supervision and Administration Commission of Zhengzhou Municipal People's Government is a city level government body authorized by the Zhengzhou City People's Government to perform the duties of capital contribution, supervision and management of state-owned assets, including state-owned-enterprises.

Purchaser: The Company

The Consideration

Pursuant to the Property Purchase Agreement, the Company has conditionally agreed, among other things, to acquire the Property Assets from the Zhengzhou Gas Group for an aggregate consideration of RMB17.00 million (equivalent to approximately HK\$17.00 million), which was determined after arm's length negotiations between the Company and the Zhengzhou Gas Group with reference to the valuation of the Property Assets by the Valuer on 31 January 2007 and 5 March 2007. The valuation of Property Asset 1 was approximately RMB11.6 million and the valuation of Property Asset 2 was approximately RMB5.4 million.

The basis of valuation of the market value of the Property Assets was the estimated amount for which a property should be exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The Valuer has adopted the direct comparison approach and made reference to the actual/asking sales evidences as available to them in the locality.

The consideration is the same as the value as stated in the valuation report and will be satisfied in cash generated from the Company's operating activities within ten days upon the completion of the relevant registration procedures in relation to the transfers of Property Asset 1 and Property Asset 2 with the relevant authority and receiving of the relevant land use rights certificates and building ownership certificates of the Property Assets by the Company.

LETTER FROM THE BOARD

Conditions precedent to the Property Purchase Agreement

Completion of the Property Purchase Agreement is conditional upon, among other things, the following conditions being fulfilled on or before 30 June 2007 or a later date as agreed by both the Company and the Zhengzhou Gas Group in writing:

- (i) a legal opinion being issued by a firm of PRC lawyers, in relation to, among other things, the title to the Property Assets and the legality of the acquisition of the Property Assets and the transfer of the Property Assets to the Company, the contents of which are satisfactory to the Company;
- (ii) there being no laws, regulations and judgments which may
 - materially affect the acquisition of the Property Assets; or
 - materially amend the nature and scope of the rights and obligations of any parties to the Property Purchase Agreement;
- (iii) no person or entity having raised any objections to materially affect the acquisition of the Property Assets;
- (iv) the passing of ordinary resolution(s) by the independent Shareholders in the extraordinary general meeting of the Company to be held for the purposes of approving the transactions contemplated under the Property Purchase Agreement;
- (v) the obtaining of the relevant approvals from the relevant PRC government bodies in relation to the transfer of the Property Assets;
- (vi) the completion of all the obligations and duties by Zhengzhou Gas Group under the Property Purchase Agreement on or before completion; and
- (vii) the obtaining of all the relevant approval documents and the completion of all the relevant registrations (if any) for the purpose of completion of the acquisition of the Property Assets.

If all of the above conditions precedent to the Property Purchase Agreement have not been fulfilled or, in the case of condition (i) above, waived by the Company on or before 30 June 2007 or on a later date as agreed by both the Company and the Zhengzhou Gas Group in writing, the Property Purchase Agreement shall lapse, and all obligations and liabilities of the parties to the Property Purchase Agreement shall cease except for the liability of any party in respect of any antecedent breach.

LETTER FROM THE BOARD

Completion

Completion of the Property Purchase Agreement shall be subject to the fulfilment of the conditions precedent to the Property Purchase Agreement above and shall take place upon the Company obtaining the relevant land use rights certificates and building ownership certificates of the Property Assets.

Information on the Property Assets

The Property Assets mainly comprises two separate properties, namely Property Asset 1 and Property Asset 2. Property Asset 1 is the land use rights in respect of a parcel of land with a total site area of approximately 5,631 sq.m. 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 with a total gross floor area of approximately 2,138.74 sq.m..

Property Asset 2 is the land use rights in respect of a parcel of land with a total site area of approximately 10,554.1 sq.m. 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 with a total gross floor area of approximately 1,306.02 sq.m..

The original cost of the buildings incurred by the Zhengzhou Gas Group as part of the Property Assets was RMB3.13 million (equivalent to approximately HK\$3.13 million) and they were all built by the Zhengzhou Gas Group. As part of the Property Asset 1, the 5-storey office building and one of the warehouses were built in 1990 while the other warehouse was built in 1994. In addition, all the buildings in Property Asset 2 were built in 1990. The aggregate net book value of the buildings as part of the Property Assets was approximately RMB1.61 million (equivalent to approximately HK\$1.61 million) as at 31 December 2006.

The original cost of the Lands incurred by the Zhengzhou Gas Group as part of the Property Assets was zero because the land were administratively allocated to the Zhengzhou Gas Group. Then, an aggregate amount of approximately RMB3.98 million (equivalent to approximately HK\$3.98 million) was paid by the Zhengzhou Gas Group to the Zhengzhou City Government as premium in November 2006 to convert the Lands from administratively allocated land to transferable land. As such, the book value of the Lands is approximately RMB3.98 million.

Reasons for Entering into the Property Purchase Agreement

The Company is principally engaged in the sale of piped natural gas to residential, commercial and industrial customers and the provision of gas pipeline construction services and the sale of gas appliances, the gas station and the office buildings are important assets to the Company. Taking into account the consideration of the acquisition of the Property Assets, and the positive impact of the acquisition of Property Assets on the Group's future business

LETTER FROM THE BOARD

operations, the Directors (including the independent non-executive Directors) believe that the terms of the Property Purchase Agreement are fair and reasonable and on normal commercial terms and in the interest of the shareholders of the Company as a whole.

Currently, the land use rights in respect of the Lands, which form part of the Property Assets are allocated to the Zhengzhou Gas Group and are occupied by the Group with the consent of the Zhengzhou Gas Group free of consideration. On the Lands, the Company has built a gas station on the land of the Property Asset 1 and a single storey office building on the land of the Property Asset 2 (the “Owned Properties”). The Owned Properties are currently occupied by the Company free of any consideration under the consent of the Zhengzhou Gas Group. There may be potential legal consequences relating to the Owned Properties built by the Company. According to the PRC legal adviser to the Company, the Company is not entitled to freely transfer, pledge, or dispose of the Owned Properties and the potential actions that may be taken by the relevant authorities against the Company include:

1. ordering the Company to demolish the Owned Properties; and/or
2. imposing a fine on the Company.

However, the Directors consider that after the Company has completed the acquisition of the Property Asset 1 and Property Asset 2 and applied for and obtained the land use rights certificates in respect of the Lands where the Owned Properties are built on, the Company will be able to obtain the relevant building ownership certificates in respect of the Owned Properties and anticipate that the Company will thereby be relieved from the potential actions mentioned above. The PRC legal adviser to the Company has opined that the possibility of retrospective action, being taken by the relevant authorities, is remote. In order to obtain the title document in respect of the buildings and gas station, the Group has to own the land use rights in respect of the Lands. Thus, the Group decided to enter into the Property Purchase Agreement. Once the Group has completed the acquisitions of the Property Assets, it will meet the necessary legal requirements for applying for the title documents of the one office building and the gas station situated on the Lands built by the Company.

In addition, the Group currently leases certain properties from the Zhengzhou Gas Group under three property lease agreements dated 5 November 2004 (the “Property Lease Agreements”) which formed part of the Property Assets, namely, the office building and two warehouses under Property Asset 1 and two warehouses under Property Asset 2. The Group believes that the purchases of part of the currently leased properties can help to save an estimated amount of approximately RMB1.15 million of annual rental expenses in the future. The disadvantage of the connected transaction is the one time payout consideration of RMB17.00 million for purchasing the Property Assets. However, there is no significant material impact to the net asset position of the Company

Upon the completion of the Property Purchase Agreement, the Group and the Zhengzhou Gas Group will enter into supplemental agreements to amend the terms of the Property Lease Agreements to adjust the annual rentals as a result of the reduced floor area of the property under the amended Property Lease Agreements. The annual rentals will be adjusted according to the reduced floor area under the Property Lease Agreements.

LETTER FROM THE BOARD

Currently, the buildings of a total floor area of 1,306.02 sq. m. on Property Asset 2 are being occupied by a wholly-owned subsidiary of the Company, Zhengzhou Gas Engineering and Construction Co., Ltd. (the “Engineering Company”). Upon the completion of the Property Purchase Agreement, the Company will lease the buildings currently occupied by the Engineering Company by way of a property lease agreement to be entered into between the Company and the Engineering Company. The rental under such proposed property lease agreement will be determined based on the then market rental of the buildings.

Please note that the property lease agreement between the Company and Engineering Company will not constitute a connected nor discloseable transaction, therefore no disclosure is necessary.

The Company will comply with the relevant requirements of the GEM Listing Rules or Main Board Listing Rules (as applicable) when annual rentals under the Property Lease Agreements are adjusted. Details of the Property Lease Agreements had been disclosed in the Company’s announcement dated 5 November 2004.

BUSINESS OF THE COMPANY

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 natural gas pipeline construction and the related repair and maintenance services, as well as the sale of gas appliances and pressure control equipment.

SHAREHOLDERS’ APPROVAL

Since Zhengzhou Gas Group is a connected person of the Company under Rule 20.11 of the GEM Listing Rules, the transaction under the Property Purchase Agreement constitutes a connected transaction.

Further, as announced on 8 September 2006, the Company and the Zhengzhou Gas Group also entered into the Land Purchase Agreements on 26 July 2006 and 8 September 2006, pursuant to which the Company agreed to purchase the Land Assets for a consideration of RMB5.48 million (equivalent to approximately HK\$5.48 million). The Land Purchase Agreements were approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 22 November 2006. Pursuant to Rule 20.25 of the GEM Listing Rules, the transactions under the Property Purchase Agreement and the Land Purchase Agreements (though already duly approved by Independent Shareholders at a general meeting of the Company) constitute a series of transactions and accordingly the amounts of consideration respectively payable under the Property Purchase Agreement and the Land Purchase Agreements are liable to be aggregated.

LETTER FROM THE BOARD

Since the aggregate consideration in respect of the Property Purchase Agreement and the Land Purchase Agreements is more than 2.5% of the relevant percentage ratios (i.e. assets ratio and consideration ratio, as defined in the GEM Listing Rules) and HK\$10 million, the Property Purchase Agreement and the Land Purchase Agreements constitute connected transactions subject to the independent shareholders' approval requirement set out in Chapter 20 of the GEM Listing Rules. Since the Land Purchase Agreements have already been approved by the Independent Shareholders on 22 November 2006, Independent Shareholders' approval will only be sought in respect of the Property Purchase Agreement.

In view of the interests of the Zhengzhou Gas Group in the Property Purchase Agreement, the Independent Board Committee, comprising Mr. Zhang Yichun, Mr. Liu Jianwen, Ms. Yu Shulian and Mr. Wong Ping, being all independent non-executive Directors, have been appointed to advise the Independent Shareholders on whether or not the terms of the Property Purchase Agreement are in the interests of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. First Shanghai was appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the terms and conditions of the Property Purchase Agreement and the transactions contemplated thereunder (including but not limited to, the Property Purchase).

The Property Purchase Agreement is subject to the approval of the Independent Shareholders. Zhengzhou Gas Group and its associates, being connected person of the Company, will abstain from voting on the ordinary resolution to approve the terms of the Property Purchase Agreement and the transactions contemplated thereunder. Any vote of the Independent Shareholders shall be taken by poll.

The Directors would like to draw the attention of the Company's shareholders that the Group must obtain the relevant land use right certificates and building ownership certificates associated with Property Asset 1 and Property Asset 2 before the Effective Date. If the Company is not able to obtain the above-mentioned land use rights and building ownership certificates and/or the Property Purchase Agreement is not approved by Independent Shareholders of the Company, the Company's application for the Proposed Withdrawal and the Proposed Introduction may not proceed. Further details on the Group's properties are contained in the Listing Document.

THE EGM AND CLASS MEETINGS

Set out on pages 62 to 70 of this circular are the notices convening the EGM and the Class Meetings of holders of Domestic Shares and holders of H Shares to be held on 18 May 2007 at 10:00 a.m. and at 10:30 a.m. and at 11:00 a.m. respectively. The EGM will be convened at which an ordinary resolution will be proposed to the Independent Shareholders to approve the Property Purchase Agreement and the acquisition of Property Assets thereunder. Zhengzhou Gas Group and its associates will abstain from voting at the EGM in respect of the ordinary resolution to be proposed at the EGM to approve the Property Purchase Agreement. Further, special resolutions will be proposed at the EGM to the Shareholders to approve, amongst other things, the Proposed Withdrawal, the proposed reduction of minimum notice period in respect

LETTER FROM THE BOARD

of the Proposed Withdrawal, the Proposed Introduction and the proposed adoption of the Amended Articles. The Class Meetings will also be convened at which the special resolutions will be proposed to the holders of Domestic Shares and holders of H Shares 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. If you intend to attend the EGM and the relevant Class Meeting, please complete and return the reply slips enclosed with the notices of the EGM and the Class Meetings in accordance with the instructions printed thereon as soon as possible and in any event by no later than 28 April 2007.

Forms of proxy for use at the EGM and the relevant Class Meeting are enclosed. Whether or not you are able to attend the EGM and the relevant Class Meeting, you are requested to complete and return the enclosed forms of proxy to the registered office of the Company at 352 Longhai Road West, Zhengzhou City, Henan Province, the PRC (in the cases of holders of Domestic Shares) or to the Company's Hong Kong H Share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong (in the cases of holders of H Shares) as soon as practicable in accordance with the instructions printed thereon and in any event not less than 24 hours before the time appointed for the holding of the EGM and the relevant Class Meeting or for taking the poll in relation thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or the relevant Class Meeting or any adjournment thereof should you so wish.

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 share transfer will be registered. Consequently, Shareholders, holders of Domestic Shares and holders of H Shares whose names appear on the respective register of members of the Company on 18 May 2007 will be entitled to attend and vote at the EGM and the relevant Class Meetings. The votes to be taken at the EGM and the Class Meetings will be taken by poll.

RIGHT TO DEMAND A POLL

Pursuant to Article 77 of the Existing Articles, a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands) a poll is demanded by:

- (i) the chairman of the meeting;
- (ii) at least two Shareholders present in person or by proxy for the time being entitled to vote at the meeting; or
- (iii) any Shareholder or Shareholders present in person or by proxy and representing one-tenth or more of the total voting rights of all Shareholders having the right to vote at the meeting.

LETTER FROM THE BOARD

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 are in the interests of the Company and the Shareholders as a whole.

Regarding the Property Purchase Agreement, your attention is drawn to the letter from the Independent Board Committee set out on pages 34 to 35 of this circular which contains its recommendation to the Independent Shareholders as to voting at the EGM. Your attention is also drawn to the letter from First Shanghai, the independent financial adviser, for incorporation into this circular, which contains its advice to the Independent Board Committee and Independent Shareholders in relation to the Property Purchase Agreement and the transactions contemplated thereunder. The text of the letter from First Shanghai to the Independent Board Committee is set out on pages 36 to 45 of this circular.

The Independent Board Committee, having taken into account the advice and recommendation of First Shanghai, are of the view that the Property Purchase Agreement is in the interests of the Company and the shareholders of the Company as a whole and the terms of the Property Purchase Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, it recommends that the Independent Shareholders should vote in favor of the ordinary resolution to be proposed to approve the Property Purchase Agreement and the transactions contemplated thereunder.

Accordingly, the Directors recommend the Shareholders to vote in favor of all the resolutions to be proposed at the EGM and the Class Meetings.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices to this circular.

Yours faithfully,
For and on behalf of
Zhengzhou Gas Company Limited
Yan Guoqi
Chairman



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)

2 April 2007

To the Independent Shareholders

Dear Sir or Madam,

CONNECTED TRANSACTION

INTRODUCTION

We refer to the circular dated 2 April 2007 (the “Circular”) of the Company of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context requires otherwise.

Under the GEM Listing Rules, the Property Purchase Agreement is conditional and shall only be effective upon the passing of ordinary resolution by the Independent Shareholders at the Extraordinary General Meeting of the Company approving the terms of the Property Purchase Agreement. We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to advise you as a shareholder whether in the views of the Independent Board Committee the terms of the Property Purchase Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 9 to 33 of the Circular and the letter from First Shanghai as set out on pages 36 to 45 of the Circular which contains, *inter alia*, its advice and recommendation to us regarding the terms of the Property Purchase Agreement with the principal factors and reasons for its advice and recommendation.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having taken into account the advice and recommendation of First Shanghai, we are of the view that the Property Purchase Agreement is in the interests of the Company and the Shareholders as a whole and the terms of the Property Purchase Agreement are fair and reasonable so far as the interests of the Independent Shareholders are concerned. Accordingly, we recommend that the Independent Shareholders should vote in favour of the resolution to be proposed to approve the Property Purchase Agreement and the acquisition of the Property Assets.

Yours faithfully,

For and on behalf of

the Independent Board Committee

Mr. Zhang Yichun

Ms. Yu Shulian

Mr. Liu Jianwen

Mr. Wong Ping

Independent non-executive Directors

LETTER OF ADVICE FROM FIRST SHANGHAI

The following is the text of a letter of advice to the Independent Board Committee and the Independent Shareholders from First Shanghai in respect of the terms of the acquisition of the Property Assets prepared for the purpose of incorporation in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

2 April 2007

*To the Independent Board Committee and
the Independent Shareholders*

Zhengzhou Gas Company Limited
Room 908
Hutchison House
10 Harcourt Road
Central
Hong Kong

Dear Sirs,

CONNECTED TRANSACTION

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the acquisition of the Property Assets, details of which are set out in the letter from the Board contained in the circular dated 2 April 2007 (the “Circular”) to the Shareholders, of which this letter forms a part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meanings as those defined in the Circular.

On 20 March 2007, the Company announced that it had entered into the Property Purchase Agreement with Zhengzhou Gas Group for the acquisition from Zhengzhou Gas Group of the Property Assets (the “Acquisition”) for an aggregate consideration of RMB17.00 million (equivalent to approximately HK\$17.00 million) (the “Consideration”) to be satisfied by cash from internal resources of the Group. The Consideration to be paid by the Company for the Property Assets pursuant to the Property Purchase Agreement was determined after arm’s length negotiations between the Company and Zhengzhou Gas Group with reference to the valuation of the Property Assets by CB Richard Ellis Limited (the “Valuer”).

LETTER OF ADVICE FROM FIRST SHANGHAI

Zhengzhou Gas Group is the controlling Shareholder, holding an approximately 43.2% 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 a connected person of the Company under Rule 20.11 of the GEM Listing Rules and consequently the Acquisition constitutes a connected transaction for the Company.

Further, as announced on 8 September 2006, the Company and Zhengzhou Gas Group also entered into the Land Purchase Agreements on 26 July 2006 and 8 September 2006, pursuant to which the Company agreed to purchase the Land Assets for a consideration of RMB5.48 million (equivalent to approximately HK\$5.48 million). The Land Purchase Agreements were approved by the Independent Shareholders on 22 November 2006. Pursuant to Rule 20.25 of the GEM Listing Rules, the transactions under the Property Purchase Agreement and the Land Purchase Agreements (though already duly approved by the Independent Shareholders at an extraordinary general meeting of the Company) constitute a series of transactions and accordingly the total amounts of consideration respectively payable under the Property Purchase Agreement and the Land Purchase Agreements are liable to be aggregated.

Since the aggregate consideration payable in respect of the Property Purchase Agreement and Land Purchase Agreements is more than 2.5% of the relevant percentage ratios and HK\$10 million, the Property Purchase Agreement and Land Purchase Agreements constitute connected transactions and are subject to the independent shareholders' approval requirement set out in Chapter 20 of the GEM Listing Rules. Since the Land Purchase Agreements have already been approved by the Independent Shareholders on 22 November 2006, the Independent Shareholders' approval will only be sought in respect of the Property Purchase Agreement.

In view of the interest of Zhengzhou Gas Group in the Acquisition, Zhengzhou Gas Group and its associates will abstain from voting at the EGM for the ordinary resolution regarding the Acquisition.

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to consider the transactions contemplated under the Property Purchase Agreement and to advise the Independent Shareholders on whether or not the terms of the Property Purchase Agreement and transactions contemplated thereunder (including but not limited to the Acquisition) are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned. As the independent financial adviser to the Independent Board Committee and Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and Independent Shareholders as to (i) whether or not the entering into of the Property Purchase Agreement has been conducted on normal commercial terms and in the ordinary and usual course of business; (ii) whether or not the entering into of the Property Purchase Agreement is in the interests of the Company and the Shareholders as a whole; (iii) the terms of the Acquisition are fair and reasonable so far as the interests of the Independent Shareholders are concerned; and (iv) how the Independent Shareholders should vote in respect of the resolution to approve the Property Purchase Agreement, the Acquisition and the transactions contemplated thereunder at the EGM.

LETTER OF ADVICE FROM FIRST SHANGHAI

BASIS OF OUR OPINION

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided, and opinion expressed to us by the Directors and the Company. We have assumed that all such information and representations made or referred to in the Circular and provided, and opinion expressed to us by the Directors and the Company were true, accurate and complete at the time they were made and continued to be true as at the date hereof. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Company in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the Company and the information contained in the Circular. We have also been advised by the Directors and the Company that no material facts have been withheld or omitted from the information provided and referred to in the Circular.

We have also relied on the information and representations provided by the Valuer, an independent valuer, regarding the valuation of the Property Assets as at 31 January 2007 and 5 March 2007, the text of which is set out in Appendices I and II to the Circular, and have assumed that the bases and assumptions made in determining the valuation of the Property Assets by the Valuer are fair and reasonable. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors nor have we conducted any form of investigation into the Property Assets or the valuation of the Property Assets provided by the Valuer or the business, operations, financial condition, affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation on the Acquisition, we have taken into account, among other things, the following principal factors and reasons:

1. Background of the Group

The Group is principally engaged in (i) the sale of piped natural gas to residential, commercial, industrial and vehicular customers; (ii) the sale of pressure control equipment; (iii) the construction of gas pipelines; and (iv) the provision of repairs and maintenance of gas pipeline services.

As stated in the annual report of the Company for the year ended 31 December 2006 (the "Annual Report 2006"), the revenue, gross profit and net profit of the Group were approximately RMB731.64 million, RMB241.65 million and RMB125.66 million respectively, representing an increase of approximately 17.92%, 15.29% and 14.49% respectively, as compared with those of approximately RMB620.48 million, RMB209.60 million and RMB109.75 million respectively in the previous financial year.

2. Information on the Property Assets

As described in the “Letter from the Board” contained in the Circular, the Property Assets mainly comprise two separate properties, namely Property Asset 1 and Property Asset 2. Property Asset 1 is the land use rights in respect of a parcel of land with a total site area of approximately 5,631 sq.m. located at the junction of Dongming Road West and Zhengbian Road South, Guancheng District, Zhengzhou City, Henan Province, the PRC and certain buildings erected thereon which include a 5-storey office building and two single storey warehouses with a total gross floor area of approximately 2,138.74 sq.m., where a gas station was built by the Company. Property Asset 2 is the land use rights in respect of a parcel of land with a total site area of approximately 10,554.1 sq.m. located at the junction of Xisanhuan Road West and Laozhengmi Road West, Zhongyuan District, Zhengzhou City, Henan Province, the PRC and certain buildings erected thereon which include a single storey warehouse and 1/F. of a 2-storey warehouse with a total gross floor area of approximately 1,306.02 sq.m.

The original cost of the buildings incurred by Zhengzhou Gas Group as part of the Property Assets was approximately RMB3.13 million (equivalent to approximately HK\$3.13 million) and they were all built by Zhengzhou Gas Group. As part of the Property Asset 1, the 5-storey office building and one of the warehouses were built in 1990 while the other warehouse was built in 1994. In addition, all the buildings in Property Asset 2 were built in 1990. The aggregate net book value of the buildings as part of the Property Assets was approximately RMB1.61 million (equivalent to approximately HK\$1.61 million) as at 31 December 2006.

The original cost of the Lands incurred by Zhengzhou Gas Group as part of the Property Assets was zero because the Lands were administratively allocated to Zhengzhou Gas Group. In November 2006, an aggregate amount of approximately RMB3.98 million (equivalent to approximately HK\$3.98 million) was paid by Zhengzhou Gas Group to the Zhengzhou City Government as premium to convert the Lands from “administratively allocated land” to “transferable land”. As such, the book value of the Lands is approximately RMB3.98 million.

3. Economic developments in Zhengzhou, Henan Province

The Group’s operating business is mainly conducted in Zhengzhou, Henan Province, the PRC. According to the People’s Government of Henan Province in the PRC, the gross domestic products of Henan Province in 2006 was preliminarily estimated to be approximately RMB1,246.41 billion, representing an increase of approximately 14.1% over that of the previous year. The investments in fixed assets in Henan Province continued to grow rapidly which amounted to approximately RMB590.77 billion in 2006, representing an increase of approximately 37.0% from that of the previous year. The per capita disposable income of urban residents amounted to approximately RMB9,810.26, representing an increase of approximately 11.9% over that of the previous year.

LETTER OF ADVICE FROM FIRST SHANGHAI

As stated in the Annual Report 2006, the Chinese government is currently implementing the policy of “The Rise of Central China”, further to the development strategies of “Development of Coastal Regions”, “Development of West China” and so on. Zhengzhou, as the capital city of Henan Province, the most populous province in Central China, naturally plays the leading role in the implementation of “The Rise of Central China” strategy. Zhengzhou is currently developing a new area called “Zheng East New District”, which will cover a total area of approximately 150km². (equivalent to the whole existing developed urban area in Zhengzhou) and a population of 1.5 million as planned. The new development area will include, inter alia, a central business district, commercial, residential and logistics zone, high-tech park, economic and technological development zone, in order to attract investments from large enterprises in the industrial and commercial sectors from all over the world. Upon completion of this new development area, it is intended that Zhengzhou will become one of the regional hubs in China with massive population flow, logistics activities and capital flow. Backed up by such favourable policy, the Group believes that its business will have ample room for growth in the next decade.

Based on the above, we are of the view that the Acquisition will be beneficial to the Group and the Shareholders as a whole in the long run as it could (i) better secure the Group’s fixed asset investments for its future business expansion; and (ii) lessen the possible impact on increase in rental expenses to be incurred by the Group because of the anticipated stronger demand for properties in Henan Province, the PRC.

4. Reasons for the Acquisition

As stated in the “Letter from the Board” contained in the Circular, the Company is principally engaged in the sale of piped natural gas to residential, commercial and industrial customers and the provision of gas pipeline construction services and the sale of gas appliances. The gas station and the office buildings are important assets to the Company. Currently, the land use rights in respect of two parcels of land comprising the Property Assets have been allocated to Zhengzhou Gas Group and are occupied by the Group with the consent of Zhengzhou Gas Group free of consideration. On the two parcels of land, the Company has built a gas station on the land of the Property Asset 1 and a single storey office building on the land of the Property Asset 2 (the “Owned Properties”). The Owned Properties are currently occupied by the Company free of any consideration under the consent of Zhengzhou Gas Group. There may be potential legal consequences relating to the Owned Properties built by the Company. According to the PRC legal advisers to the Company, the Company is not entitled to freely transfer, pledge, or dispose of the Owned Properties and the potential actions that may be taken by the relevant authorities against the Company include: (i) ordering the Company to demolish the Owned Properties; and/or (ii) imposing a fine on the Company.

LETTER OF ADVICE FROM FIRST SHANGHAI

However, the Directors consider that, following completion of the Acquisition and application for and obtaining of the land use right certificates in respect of the Lands where the Owned Properties are built on, the Company will be able to obtain the relevant building ownership certificates in respect of the Owned Properties and anticipates that it will thereby be relieved from the potential actions mentioned above even though the possibility of retrospective action, being taken by the relevant authorities, is considered to be remote. In order to obtain the title document in respect of the buildings and gas station, the Group has to own the land use rights in respect of the Lands by entering into the Property Purchase Agreement. Once the Group has completed the Acquisition, it will meet the necessary legal requirements for applying for the title documents of the office building and the gas station situated on the Lands built by the Company.

In addition, the Group currently leases certain properties from Zhengzhou Gas Group under three property lease agreements dated 5 November 2004 (the “Property Lease Agreements”) which formed part of the Property Assets, namely, the office building and two warehouses under Property Asset 1 and two warehouses under Property Asset 2. The Group believes that the purchases of the currently leased properties can help to save an estimated amount of approximately RMB1.15 million of annual rental expenses in the future. Upon the completion of the Property Purchase Agreement, the Group and Zhengzhou Gas Group will enter into supplemental agreements to amend the terms of the Property Lease Agreements and the adjusted annual rentals as a result of the reduced floor area of the property under the amended Property Lease Agreement. In view of such circumstances, we share the Directors’ view that the Acquisition can help to save annual rental expenses in the long run and lessen the possible adverse impact from increase in rental rate in the future.

As discussed with the management of the Company, we understand that the Board has reasonable concern about the legality of the Owned Properties, since the Group has not obtained the relevant title documents for the Owned Properties. To avoid the risk of dismantling the Owned Properties, the management of the Company believes that the Company has to own the land use rights in respect of the Property Assets in order to obtain the title documents for the Owned Properties. According to the information provided by the Company, the gas station erected on the Property Asset 1 generated approximately RMB17.25 million or accounted for approximately 3.46% of the revenue generated from the sale of natural gas of the Group for year ended 31 December 2006. As stated in the Annual Report 2006, for vehicular gas business, the Group plans to build more natural gas stations to improve the natural gas supply network and shorten the waiting time of users at the stations. The Group will also keep improving customer service to attract more potential vehicle owners to use natural gas.

After considering the reasons for the Acquisition, we are of the view that the Acquisition is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

5. Basis of consideration for the Acquisition

Basis of determination of the Consideration

As stated in the “Letter from the Board” contained in the Circular, the Company has conditionally agreed, among other things, to acquire the Property Assets from Zhengzhou Gas Group for a total consideration of RMB17.00 million (equivalent to approximately HK\$17.00 million) pursuant to the Property Purchase Agreement, which was determined after arm’s length negotiations between the Company and Zhengzhou Gas Group with reference to the valuation of the Property Assets conducted by the Valuer on 31 January 2007 and 5 March 2007. The valuation of Property Asset 1 was approximately RMB11.6 million and the valuation of Property Asset 2 was approximately RMB5.4 million. The Consideration is the same as the value as stated in the valuation report prepared by the Valuer.

According to the “Valuation Report on Property Asset 1 of the Property Assets” and “Valuation Report on Property Asset 2 of the Property Assets” as set out in Appendices I and II to the Circular, we note that the Valuer has arrived at the valuation of the Property Assets on the basis of the market value. The Valuer has concluded that the valuation of the Property Assets was approximately RMB17.00 million (equivalent to approximately HK\$17.00 million).

Having considered the valuation methodologies adopted by the Valuer and the valuation arrived thereat, we are of the view that the basis of determination of the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Payment of the Consideration

We consider that the payment schedule is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, since the Consideration will only be settled within ten days upon the completion of the relevant registration procedures in relation to the transfers of Property Asset 1 and Property Asset 2 with the relevant authority and receiving of the relevant land use rights certificates and building ownership certificates of the Property Assets by the Company.

Having considered the above analysis and factors, we consider that the basis for determination of the Consideration (including the payment terms) is fair and reasonable and the terms of the Property Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

6. Possible financial effects of the Acquisition on the Group

Earnings

Upon completion of the Acquisition, although there is no immediate material impact on earnings of the Group, depreciation charges to be incurred by the Group will correspondingly increase because of the increase in the cost of land and buildings, whilst the Acquisition can help the Group to save annual rental expenses in the future. However, the Directors believe that there would be positive impact attributable to the Acquisition on the Group's future business operations. The Directors confirm that net effect of (i) the increase of depreciation charges and (ii) savings of annual rental expenses in the future as a result of the Acquisition would not materially and adversely affect the business operations of the Group.

Net asset value

As stated in the "Letter from the Board" of the Circular, the Consideration will be satisfied by cash in full and will be financed by internal resources of the Group. The Acquisition is not expected to affect the net asset value of the Group since the increase in non-current assets of the Group attributable to the Property Assets would be offset by the decrease in its current assets (i.e. cash and cash equivalents) with the same amount accordingly. According to the Annual Report 2006, the net asset value of the Group (excluding minority interests) amounted to approximately RMB567.23 million as at 31 December 2006 with cash and cash equivalents of approximately RMB177.50 million. Based on the 1,251,500,000 Shares in issue as at the Latest Practicable Date, the Group's net asset value per Share was approximately RMB0.45. The Consideration represents approximately 3.00% and 9.58% of the Group's net asset value and cash and cash equivalent respectively.

Working capital

As stated in the Annual Report 2006, the Group had current assets and current liabilities of approximately RMB323.40 million and RMB374.83 respectively, which represented net current liabilities of approximately RMB51.43 million as 31 December 2006. This represents a current ratio of approximately 0.86 times. The Acquisition would result in a further increase in net current liabilities due to the cash outflow of approximately RMB17.00 million for payment of the Consideration. However, we note that, included in the current liabilities, advance payments received amounted to approximately RMB209.38 million or approximately 55.86% thereof are deferred income in nature and in the form of cash receipts from customers in respect of the Group's business of construction of gas pipelines network for local customers, which would usually be recognised as its revenue at the time when the relevant progress of construction works is completed. Based on our discussion with the management of the Company, we understand that, according to the Group's past records, the advance payments received (i) could generally be

LETTER OF ADVICE FROM FIRST SHANGHAI

recognised as revenue within six months from the date of receipts from customers; and (ii) had seldom been required to be refunded to customers. By (i) assuming the advance payments received can be recognised within the coming 12 months from 31 December 2006 and (ii) excluding the said amount of approximately RMB209.38 million from the Group's total current liabilities as at 31 December 2006, the adjusted current liabilities and current ratio would amount to approximately RMB165.45 million and 1.95 times respectively. Furthermore, based on our review on the Company's annual reports for the two years ended 31 December 2005 and 2006, the Group's business operations had been generating net cash inflow from operating activities of approximately RMB110.24 million, RMB180.16 million and RMB173.93 million during the past three financial years ended 31 December 2006 respectively. In addition, 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 for at least 12 months from the date of the Circular. As such, we are of the view that payment of the Consideration of RMB17.00 million would not exert considerable pressure on the working capital of the Group, so its working capital position would still be maintained at a healthy level following completion of the Acquisition. Having considered the benefits to the Group in respect of the Acquisition, we consider that the deterioration in the working capital position of the Group is acceptable.

Gearing

The Group's gearing position (which is calculated as total borrowings divided by net asset value) was nil since it has not relied on borrowings to finance its business operations so far and which would remain unchanged after the Acquisition. Due to the fact that the Company will finance the entire amount of the Consideration by internal resources, the working capital of the Group would be reduced by RMB17.00 million (equivalent to approximately HK\$17.00 million), being the total consideration of the Acquisition. As aforementioned, the Directors confirmed that the Group would have sufficient internal resources to satisfy such cash outflow.

Conclusion

In light of the foregoing effect of the Acquisition on the earnings, net asset value, working capital and gearing position of the Group, we are of the view that the Acquisition would have no significant adverse impact on the Group's financial position save and except for the reduction in working capital which is inevitable as the Group intends to finance the entire amount of the Consideration by internal resources in cash.

LETTER OF ADVICE FROM FIRST SHANGHAI

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the Acquisition is in the interests of the Company and the Shareholders as a whole and that the entering into the Property Purchase Agreement is in the ordinary and usual course of business and the terms of the Acquisition are on normal commercial terms and fair and reasonable in so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Property Purchase Agreement, the Acquisition and the transactions contemplated thereunder.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Helen Zee

Eric Lee

Managing Director

Executive Director

The following is the text of a letter summary of values and valuation certificate received from CB Richard Ellis an independent property valuer, prepared for the purpose of inclusion in this circular, as connection with its valuation as at 5 March 2006.

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CB RICHARD ELLIS
世邦魏理仕

CB Richard Ellis Limited

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地產代理（公司）牌照號碼
Estate Agent's Licence No.C-004065

19 March 2007

The Board of Directors
Zhengzhou Gas Company Limited
No. 352 Longhai Road West,
Zhongyuan District,
Zhengzhou City,
Henan Province,
the People's Republic of China

Dear Sirs,

**Re: An office building and Two warehouses at the junction of
Dongming Road West and Zhengbian Road South,
No. 27 Zhengbian Road,
Guancheng District,
Zhengzhou City,
Henan Province,
the People's Republic of China**

In accordance with your instruction for us to carry out a valuation of the captioned property to be acquired by Zhengzhou Gas Company Limited (the "Company") in the People's Republic of China ("the PRC") for internal reference purpose. We confirm that we have carried out an recent inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property as at 5 March 2007 (the "date of valuation").

Unless otherwise stated, our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors (“HKIS”). We have also complied with all the requirements contained in Chapter 8 of “Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) issued by the Stock Exchange of Hong Kong Limited.

Our valuation is made on the basis of Market Value which would be defined as intended to mean *“the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”*

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the property.

In our valuation, we have ignored the effects of the existing tenancy(ies) and assumed the sale of the properties to be on vacant possession basis.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

We have inspected the property to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the property is free of rot, infestation or any other structural defects.

No site investigations were carried out to determine the suitability of the sub-soil condition of the property and we have assumed that these aspects are satisfactory. Our valuation does not make any allowance for contamination or pollution of the lands, if any, which may have occurred as a result of past usage.

We have not carried out site measurements to verify the correctness of the site area of the property and have assumed that the site area shown on the documents/official site plan handed to us is correct.

The land registration system in China is such that we are not able to conduct a search on the title and ownership of the property at the relevant registry, we have relied on the legal opinion provided by the Company’s PRC legal advisor, namely King & Wood PRC Lawyers (the “PRC Legal Advisor”). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, site and floor areas and in the identification of the property. All documents have been used for reference only and all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

Unless otherwise stated, all monetary amounts are stated in Renminbi (“RMB”).

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Alex P W Leung
MHKIS MRICS RPS(GP)
Director
Valuation & Advisory Services

Note: Alex P W Leung is a Registered Professional Surveyor (General Practice), a corporate member of Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 13 years’ valuation experience in Hong Kong and the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as at 5 March 2007
An office building and two warehouses at the junction of Dongming Road West and Zhengbian Road South, No. 27 Zhengbian Road, Guancheng District, Zhengzhou City, Henan Province, the People's Republic of China	<p>The property comprises a 5-storey office building, two single-storey warehouses erected on a site with a site area of approximately 5,631 sq.m. ("the Site").</p> <p>The gross floor areas of the 5-storey office building and two single-storey warehouses are approximately 1,521.14 sq.m., 367.75 sq.m. and 249.85 sq.m. respectively.</p> <p>The buildings were generally built in 1994.</p> <p>The land use rights of the Site are held for a term expiring on 27 October 2056 for public infrastructural use.</p>	The property is currently leased to Zhengzhou Gas Company Limited for a term of 3 years from 1 November 2004 to 31 October 2007 at an annual rent of RMB787,102.8.	RMB11,600,000 (RENMINBI ELEVEN MILLION SIX HUNDRED THOUSAND)

Notes:

- i. Pursuant to the State-owned Land Use Certificate Zheng Guo Yong (2007) No. 0161 issued by Zhengzhou City Stated-owned Land Resources Administration Bureau, the land use rights of the Site with approximately 5,631 sq.m. have been granted to the Zhengzhou Gas Group for a term expiring on 27 October 2056 for public infrastructural use.
- ii. Pursuant to the Building Ownership Certificates Zheng Fang Quan Zheng Zi No. 0201021918, No. 0101021938 and No. 0201021920, the 5-storey office building, 1/F of the 3-storey warehouse and the single storey warehouse with a total gross floor area of approximately 2,138.74 sq.m. have been granted to Zhengzhou Gas Group.
- iii. We have been provided with a legal opinion on the property prepared by the Group's PRC Legal Advisor, which contains, inter alia, the following information:
 - (a) Pursuant to the State-owned Land Use Certificate Zheng Guo Yong (2007) No. 0161, the land use rights of the Site with approximately 5,631 sq.m. has been granted to the Zhengzhou Gas Group for a term expiring on 27 October 2056 for public infrastructural use.
 - (b) Pursuant to the Building Ownership Certificates Zheng Fang Quan Zheng Zi No. 0201021918, No. 0101021938 and No. 0201021920, the building ownership rights of the property have been granted to Zhengzhou Gas Group.
 - (c) Zhengzhou Gas Group has obtained the land use rights and the building ownership of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the land use rights and the building ownership of the property stated on the above footnotes (a) and (b).

The following is the text of a letter summary of values and valuation certificate received from CB Richard Ellis an independent property valuer, prepared for the purpose of inclusion in this circular, as connection with its valuation as at 31 January 2007.

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地產代理（公司）牌照號碼
Estate Agent's Licence No.C-004065

19 March 2007

The Board of Directors
Zhengzhou Gas Company Limited
No. 352 Longhai Road West,
Zhongyuan District,
Zhengzhou City,
Henan Province,
the People's Republic of China

Dear Sirs,

**Re: Two warehouses at the junction of
Xisanhuan Road West and Laozhengmi Road West,
Lot No. 2918500001 and Lot No. 291850003,
Zhongyuan District,
Zhengzhou City,
Henan Province,
the People's Republic of China**

In accordance with your instruction for us to carry out a valuation of the captioned property to be acquired by Zhengzhou Gas Company Limited (the "Company") in the People's Republic of China ("the PRC"). We confirm that we have carried out an recent inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital value of the property as at 31 January 2007 (the "date of valuation").

Unless otherwise stated, our valuation is prepared in accordance with the HKIS Valuation Standards on Properties (1st Edition 2005) published by the Hong Kong Institute of Surveyors (“HKIS”). We have also complied with all the requirements contained in Chapter 8 of “Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) issued by the Stock Exchange of Hong Kong Limited.

Our valuation is made on the basis of Market Value which would be defined as intended to mean *“the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”*

Our valuation has been made on the assumption that the owner sells the property on the open market without the benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the value of the property.

In our valuation, we have ignored the effects of the existing tenancy(ies) and assumed the sale of the properties to be on vacant possession basis.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoing of an onerous nature which could affect its value.

We have inspected the property to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the property is free of rot, infestation or any other structural defects.

No site investigations were carried out to determine the suitability of the sub-soil condition of the property and we have assumed that these aspects are satisfactory. Our valuation does not make any allowance for contamination or pollution of the lands, if any, which may have occurred as a result of past usage.

We have not carried out site measurements to verify the correctness of the site area of the property and have assumed that the site area shown on the documents/official site plan handed to us is correct.

The land registration system in China is such that we are not able to conduct a search on the title and ownership of the property at the relevant registry, we have relied on the legal opinion provided by the Company’s PRC legal advisor, namely King & Wood PRC Lawyers (the “PRC Legal Advisor”). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us.

We have relied to a considerable extent on information provided by the Company and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, occupation, site and floor areas and in the identification of the property. All documents have been used for reference only and all dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore only approximations.

Unless otherwise stated, all monetary amounts are stated in Renminbi (“RMB”).

We enclose herewith our valuation certificate.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Alex P W Leung
MHKIS MRICS RPS(GP)
Director
Valuation & Advisory Services

Note: Alex P W Leung is a Registered Professional Surveyor (General Practice), a corporate member of Royal Institution of Chartered Surveyors and a member of the Hong Kong Institute of Surveyors. He has over 13 years’ valuation experience in Hong Kong and the PRC.

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value as at 31 January 2007
Two warehouses at the junction of Xisanhuan Road West and Laozhengmi Road West, Lot No. 2918500001 and Lot No. 291850003, Zhongyuan District, Zhengzhou City, Henan Province, the People's Republic of China	<p>The property comprises a single storey warehouse and Level 1 of a 2-storey warehouse erected on a land with a site area of approximately 10,554.1 sq.m. ("the Site").</p> <p>The gross floor areas of the single storey warehouse and Level 1 of the 2-storey warehouse are approximately 858.58 sq.m. and 447.44 sq.m. respectively.</p> <p>The buildings were generally built in 1990.</p> <p>The land use rights of the Site are held for a term expiring on 27 October 2056 for storage use.</p>	<p>The property is currently leased to Zhengzhou Gas Company Limited for a term of 3 years from 1 November 2004 to 31 October 2007 at an annual rent of RMB360,461.52.</p>	<p>RMB5,400,000 (RENMINBI FIVE MILLION FOUR HUNDRED THOUSAND)</p>

Notes:

- i. Pursuant to the State-owned Land Use Certificate Zheng Guo Yong (2006) No. 1051 issued by Zhengzhou City Stated-owned Land Resources Administration Bureau, the land use rights of the Site with approximately 10,554.1 sq.m. have been granted to the Zhengzhou Gas Group for a term expiring on 27 October 2056 for storage uses.
- ii. Pursuant to the Building Ownership Certificates Zheng Fang Quan Zheng Zi No. 0201021898 and No. 0201021892, the property with a total gross floor area of approximately 1,306.02 sq.m. has been granted to Zhengzhou Gas Group.
- iii. We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisers, which contains, inter alia, the following information:
 - (a) Pursuant to the State-owned Land Use Certificate Zheng Guo Yong (2006) No. 1051, the land use rights of the Site with approximately 10,554.1 sq.m. have been granted to Zhengzhou Gas Group for a term expiring on 27 October 2056 for storage uses.
 - (b) Pursuant to the Building Ownership Certificates Zheng Fang Quan Zheng Zi No. 0201021898 and No. 0201021892, the building ownership rights of the property have been granted to Zhengzhou Gas Group.
 - (c) Zhengzhou Gas Group has obtained the land use rights and the building ownership of the property and is entitled to transfer, lease, mortgage or otherwise dispose of the land use rights and the building ownership of the Property stated on the above footnotes (a) and (b).

1. DISCLOSURE OF INTERESTS**(i) Directors', Supervisors' and Chief Executive's Interests in Shares and Underlying shares or Debentures**

As at the latest Practicable Date, none of the Directors, supervisors or chief executives of the Company or their respective associates had interests and 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 SFO), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have 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 "Code of Conduct regarding Securities Transactions by Directors of Listed Issuers" to be notified to the Company and the Stock Exchange.

(ii) Disclosures under the SFO and Substantial Shareholders

As at the Latest Practicable Date, so far as the Directors are aware the person (other than a Director or supervisor or chief executive of the Company) or companies who had equity interests or short positions in shares and underlying shares which would have to be notified by the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under Section 336 of the SFO or who was/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 any circumstances at general meetings of any members of the Group (other than the Company) was/were as follows:

Long positions in shares of the Company

Name	Nature of interest	Number of H Shares held	Approximate	Number of Domestic Shares held	Approximate	Approximate % of beneficial interest in the total registered share capital of the Company
			% of beneficial interest in H Shares		% of beneficial interests in Domestic Shares	
Zhengzhou Gas Group Co., Ltd	Beneficial owner	–	–	540,415,098	77.11%	43.18%
Zhengzhou Qiyuan Investment Consultancy Co., Ltd. (note (1))	Beneficial owner	–	–	115,500,000	16.48%	9.23%
Li Keqing (note (2))	Corporate	–	–	115,500,000	16.48%	9.23%
Guo Wenjun (note (2))	Family	–	–	115,500,000	16.48%	9.23%
Daiwa SB Investments (HK) Limited	Investment manager	33,000,000	5.99%	–	–	2.63%
Emirates International Investment Company LLC	Beneficial owner	97,000,000	17.61%	–	–	7.75%

Notes:

- As at Latest Practicable Date, Zhengzhou Qiyuan Investment Consultancy Co., Ltd. (“Zhengzhou Qiyuan”) held 115,500,000 Domestic Shares of the Company, representing approximately 16.48% of the beneficial interest in Domestic Shares. However, pursuant to the GEM Listing Rules, Zhengzhou Qiyuan was not a substantial shareholder of the Company because the Domestic Shares held by Zhengzhou Qiyuan represented only 9.23% of the total registered share capital of the Company.
- As at Latest Practicable Date, each of Li Keqing and his spouse, Guo Wenjun was deemed to have an interest in 115,500,000 Domestic Shares of the Company as they were together interested in the entire registered capital of Zhengzhou Qiyuan, which held 115,500,000 Domestic Shares, representing about 16.48% of the Domestic Shares. However, pursuant to the GEM Listing Rules, each of Li Keqing and Guo Wenjun was not a substantial shareholder of the Company because the Domestic Shares in which each of Li Keqing and Guo Wenjun was deemed to be interested represented only 9.23% of the total registered share capital of the Company.

Save as disclosed above, the Board is not aware of any other persons that had interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Long positions in shares of associated corporations

Name of subsidiary of the Company which has any shareholders, other than the Company, which held 10% or more interests in any classes of share capital of such subsidiary	Name of shareholder	Nominal value of registered and paid-up capital of the subsidiary held	Approximate % of shareholding of the subsidiary
Dengfeng Zhengran Gas Co., Ltd.	Zhengzhou Gas Engineering and Construction Co., Ltd.	RMB23,500,000	78.33%

Save as disclosed above, Directors or chief executive of the Company were not aware of any other person (other than a Director or supervisor or chief executive of the Company) who had an interest or short position in the shares or underlying shares of other members of the Group which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying right to vote in all circumstances at general meetings of any members of the Group.

2. DIRECTORS' AND SUPERVISORS' INTERESTS IN UNDERLYING SHARES PURSUANT TO EQUITY DERIVATIVES

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was granted options to subscribe for H shares of the Company. In addition, none of the Directors or supervisors of the Company nor their spouses or children under the age of 18 had any right to acquire H shares in the Company or had exercised any such right during the period.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2006, the date to which the latest audited financial statements of the Group were made up.

4. SIGNIFICANT LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation, arbitration or claims of material importance and no litigation, arbitration or claims of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

5. DIRECTORS' INTEREST IN CONTRACTS

- (a) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased by any member of the Group, or are proposed to be acquired or disposed of by or leased by any member of the Group.
- (b) Save as disclosed herein, as at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

6. DIRECTORS' INTERESTS IN SERVICE CONTRACTS**(a) Executive Directors**

Each of the executive Directors has entered into a service contract with the Company. The terms and conditions of such service contracts are briefly described as follows:

- (i) such service contracts commenced on 17 October 2005 and are for a term of three years unless terminated earlier as stipulated in the service contract; and
- (ii) each of the executive Directors may receive a management bonus with reference to the consolidated net profits of the Group after taxation but before extraordinary items (the "Net Profits") for the relevant financial year as the Board may in its discretion approve.

The annual fee payable to each of the executive Directors under the service contracts is as follows:

	<i>RMB</i>
Mr. Yan Guoqi (閻國起)	100,000
Mr. Song Jinhui (宋金會)	100,000
Mr. Li Yantong (李燕同)	85,000
Mr. Li Jinliu (李金陸)	85,000

(b) Non-executive Directors

Each of the non-executive Directors has entered into a service contract with the Company for a term of three years commencing from 17 October 2005 which is also determinable by the Company giving to the non-executive Director not less than three months' notice.

The annual fee payable to each of the non-executive Directors is as follows:

	<i>RMB</i>
Mr. Zhang Wushan (張武山)	–
Mr. Yang Degu (楊德固)	85,000
Ms. Bao Hongwei (鮑紅偉)	85,000

(c) Independent non-executive Directors

With the exception of Mr. Wong Ping (王平) who entered into a service contract with the Company for a term of three years, commencing on 22 November 2006, each of the other independent non-executive Directors entered into a service contract with the Company for a term of three years all commencing from 17 October 2005. All service contracts of the independent non-executive Directors were determinable by the Company giving to the relevant independent non-executive Director not less than three months' notice.

The annual fee payable to each of the independent non-executive Directors is as follows:

	<i>RMB</i>
Mr. Zhang Yichun (張亦春)	50,000
Mr. Liu Jianwen (劉劍文)	50,000
Ms. Yu Shulian (余恕蓮)	50,000
Mr. Wong Ping (王平)	70,000

Save as disclosed above, none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

7. COMPETING INTERESTS

None of the Directors, the supervisors, the initial management shareholders (as defined under the GEM Listing Rules) of the Company or their respective associates (as defined in the GEM Listing Rules) had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group as at the Latest Practicable Date.

8. QUALIFICATION OF EXPERTS

The following is the qualification of the professional adviser who has given opinion or advice contained in this circular:

Name	Qualifications
First Shanghai	a licensed corporation permitted to carry out type 6 regulated activity (advising on corporate finance) under the SFO
CB Richard Ellis	an independent professional valuer

9. EXPERTS' INTEREST IN ASSETS

As at the Latest Practicable Date, each of First Shanghai and CB Richard Ellis:

- (a) does not have any shareholding in any Shares or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group;
- (b) was not interested, directly or indirectly, in any assets which have been made up, acquired or disposed of by, or leased to, the Company since 31 December 2006, being the date to which the latest published audit accounts of the Company were made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their respective opinion, reports, and letters of advice and references to their respective name in the form and context in which they appear.

10. ADDITIONAL INFORMATION

- (i) The qualified accountant and the company secretary of the Company is Mr. Wong Cheuk Lam who is a member of Hong Kong Institute of Certified Public Accountants and a member of CPA, Australia.
- (ii) The compliance officer of the Company is Mr. Yan Guoqi who is also the Chairman of the Company, a representative of the 12th Session of National People's Congress of Zhengzhou.
- (iii) The Company established an audit committee on 30 September 2002 with terms of reference in compliance with the GEM Listing Rules. The primary duty of the audit committee is to review the financial reporting process and 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.

Mr. Zhang Wushan (張武山), aged 51, a non-executive Director and a senior engineer of the Company. He was the head of storage and distribution station and the measuring department and chief engineer of Zhengzhou Municipal Natural Gas Corporation from 1987 to 1997, and chief economist and deputy general manager of Zhengzhou Municipal Natural Gas Company Limited since 1998 and currently a director and standing deputy general manager of Zhengzhou Gas Group and the chairman of Zhengzhou Gas Estate Development Company Limited (鄭州燃氣房地產開發有限公司), a subsidiary of Zhengzhou Gas Group. Mr. Zhang was appointed as a non-executive Director in December 2000.

Mr. Zhang Yichun (張亦春), aged 73, an independent non-executive Director. He is also the head of the Financial Research Institute of Xiamen University. Since August 1960, he was a lecturer of the economics department, associate professor and deputy head of the finance and fiscal department of the economics faculty, professor, supervisor of doctoral candidates and department head of the finance and fiscal department as well as a professor, supervisor of doctoral candidates and faculty head of the economics faculty, and professor, supervisor of doctoral candidates and head of the fiscal research institute, all of Xiamen University. In addition, Mr. Zhang is an independent non-executive director of Everbright Prumerica Fund Management Company Limited (光大保德信基金管理公司), Fujian Zhonghe Company Limited (福建眾和股份有限公司), Yu Fai Group Joint Stock Company (旭輝集團股份有限公司) and a supervisor of Industrial Bank Company Limited (興業銀行股份有限公司). He was appointed independent non-executive Director in May 2001.

Ms. Yu Shulian (余恕蓮), aged 53, an independent non-executive Director of the Company. She is a professor of accounting and a supervisor of doctoral candidates of the External Economics and Trade University and a PRC non-practising accountant registered with the Association of Registered Accountants of the PRC. She was appointed independent non-executive Director in April 2002. Ms. Yu is also an independent non-executive director of Shenyang Siasun Robot & Automation Company Limited (瀋陽新松機器人自動化股份有限公司).

- (iii) The legal address of the Company is at 352 Longhai Road West, Zhengzhou City, Henan Province, PRC 450006.
- (iv) The branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (v) The English text of this circular and of the proxy form shall prevail over the Chinese text.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the office of Arculli Fong & Ng at 908, Hutchison House, 10 Hardcourt Road, Central, Hong Kong up to and including 16 April 2007:

- (a) the Property Purchase Agreement dated 20 March 2007;
- (b) the letter of advice dated 2 April 2007 from First Shanghai to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 36 to 45 of this circular;
- (c) the valuation report dated 19 March 2007 on the Property Asset 1 of the Property Assets prepared by CB Richard Ellis, the text of which is set out as Appendix I to this circular;
- (d) the valuation report dated 19 March 2007 on the Property Asset 2 of the Property Assets prepared by CB Richard Ellis, the text of which is set out as Appendix II to this circular;
- (e) the written consent of each of First Shanghai and CB Richard Ellis referred to the section headed “Qualification of Experts” of this appendix;
- (f) the annual report of the Company for the year ended 31 December 2006; and
- (g) all the service agreements as referred to in this appendix headed “Directors’ interest in contracts”.

NOTICE OF THE EGM



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)

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (“EGM”) of ZHENGZHOU GAS COMPANY LIMITED (the “Company”) will be held at Samost Hotel, Zhengzhou City, Henan Province, the People’s Republic of China (the “PRC”) on 18 May 2007 at 10:00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions of the Company:

ORDINARY RESOLUTION

“THAT:

- (a) the sale and purchase agreement entered into between the Company and Zhengzhou Gas Group Company Limited (the “Zhengzhou Gas Group”) dated 20 March 2007 (the Property Purchase Agreement”), pursuant to which the Company has agreed to acquire from Zhengzhou Gas Group the land use rights of two parcels of lands, one located at the junction of Dongming Road West and Zhengbian Road South, Guancheng District, Zhengzhou City and the other one located at the junction of Xisanhuan Road West and Laozhengmi Road West, Zhongyuan District, Zhengzhou City and certain buildings erected thereon (“Property Assets”) and all the transactions as contemplated under the Property Purchase Agreement be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company (the “Directors”) be and are hereby authorised to take all steps necessary or expedient to implement and/or give effect to all the transactions as contemplated under the Property Purchase Agreement.”

SPECIAL RESOLUTION 1

- (a) **“THAT** conditional upon (1) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval for the listing of, and permission to deal in, on the main board (the “Main Board”) of the Stock Exchange the existing 550,660,000 H shares of RMB0.10 each in the registered share capital of the Company (the “H Shares”) by way of introduction (the “Proposed Introduction”); (2) the China Securities Regulatory Commission and other PRC authorities granting the relevant approvals in connection with the Proposed Introduction and the proposed withdrawal of listing of the H Shares on the Growth Enterprise Market of the Stock Exchange (“GEM”) (the “Proposed Withdrawal”); (3) the passing of the ordinary resolution by independent

* For identification purposes only

NOTICE OF THE EGM

shareholders of the Company in relation to the Property Purchase Agreement as set out in the ordinary resolution in this notice and the granting of the relevant land use rights certificates and building ownership certificates associated with the Property Assets; (4) the passing of special resolutions by the shareholders of the Company (the “Shareholders”) at the EGM and the holders of domestic shares of the Company (the “Domestic Shares”) and 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 of association of the Company (the “Amended Articles”) (as more specifically referred to in special resolution no. 2 set out in this notice); (5) the Stock Exchange granting a waiver from strict compliance with Rule 9.19(3) of the Rules Governing the Listing of Securities on GEM (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 and holders of Domestic Shares and H Shares shall have approved the Proposed Withdrawal at the EGM and class meetings respectively; (6) the publication by the Company of a notice in respect of the Proposed Withdrawal as required by the GEM Listing Rules after obtaining the approvals of the Shareholders at the EGM and the respective class meetings of the holders of Domestic Shares and H Shares for the Proposed Withdrawal; (7) 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 the fulfillment of all conditions which may be attached to such consents, 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 be and are hereby approved and confirmed; the Directors be and are hereby authorized to designate the date and time from which the cessation of the listing of the H Shares on GEM shall take effect; and any Director or the company secretary of the Company be and is hereby authorized generally to do all such acts for and on behalf of the Company as he may deem necessary, desirable or expedient to effect and implement the foregoing; and the notice period required under Rule 9.19(3) of the GEM Listing Rules in connection with the Proposed Withdrawal be and is hereby approved to be reduced to at least five clear business days from the date on which the Shareholders, holders of Domestic Shares and H Shares shall have approved the Proposed Withdrawal at the EGM and class meetings respectively.”

SPECIAL RESOLUTION 2

- (a) “**THAT** conditional upon the listing of the H Shares on the Main Board, the Amended Articles (a copy of which is produced to this meeting marked “A” and initialed by the chairman of this meeting for the purposes of identification) be hereby adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company which will become effective from the date on which dealings in the H Shares on the Main Board commence and the Amended Articles are approved by the Ministry of Commerce of the PRC (whichever is later), and any Director be and is hereby authorized to make further amendments to the same in accordance with the relevant laws and regulations of the PRC, the Rules Governing the Listing of Securities on the Stock Exchange and other requirements of the relevant regulatory authorities; and any Director or the company secretary of the Company be and

NOTICE OF THE EGM

is hereby authorised to do all such acts for and on behalf of the Company as be may deem necessary, desirable or expedient to give effect to the adoption of the Amended Articles.”

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

Zhengzhou, PRC, 2 April 2007

Registered office:

352 Longhai Road West
Zhengzhou City
Henan Province
PRC 450006

Principal place of business in Hong Kong:

Room 908, 9th Floor
Hutchison House
10 Harcourt Road, Central
Hong Kong

Notes:

- (i) Any Shareholder who is entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy needs not be a Shareholder. A form of proxy for use at the meeting is hereby enclosed. In the case of joint holders of a Domestic Share or H Share, any one of such joint holders may sign the form of proxy. If more than one of such joint holders attend the meeting either in person or by proxy, the vote of the joint holder whose name appears first in the relevant register of members shall be accepted to the exclusion of the other joint holder(s).
- (ii) In order to be valid, the proxy form and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the Hong Kong H Share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (in the cases of holders of H Shares) or the registered address of the Company at 352 Longhai Road West, Zhengzhou City, Henan Province, the PRC (in the cases of holders of Domestic Shares), not less than 24 hours before the time for holding the meeting or 24 hours before the time appointed for taking the poll.
- (iii) The register of holders of the Domestic Shares and H Shares in Hong Kong will be closed from 18 April 2007 to 18 May 2007 (both days inclusive), during which no transfer of shares will be registered. For holders of H Shares, properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong H Share registrar, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on 17 April 2007, for registration.
- (iv) Shareholders whose names appear in the relevant register of members on 18 May 2007 are entitled to attend and vote at the meeting.
- (v) Shareholders who intend to attend the meeting shall complete and deposit or post or fax the enclosed reply slip to the Company's registered address at 352 Longhai Road West, Zhengzhou City, Henan Province, the PRC (fax no.: 86-371-68890488) on or before 28 April 2007.
- (vi) Shareholders or their proxies shall produce their identity documents when attending the meeting.

* For identification purposes only



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)

NOTICE IS HEREBY GIVEN that a class meeting of holders of the domestic shares (the “Domestic Shares”) of ZHENGZHOU GAS COMPANY LIMITED* (the “Company”) will be held at Samost Hotel, Zhengzhou, Henan Province, the People’s Republic of China (the “PRC”) on 18 May 2007 at 10:30 a.m. or immediately after the conclusion or adjournment of the extraordinary general meeting (the “EGM”) for the purpose of considering and, if thought fit, passing the following resolutions as special resolutions of the Company:

SPECIAL RESOLUTION 1

- (a) **“THAT** conditional upon (1) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval for the listing of, and permission to deal in, on the main board (the “Main Board”) of the Stock Exchange the existing 550,660,000 H shares of RMB0.10 each in the registered share capital of the Company (the “H Shares”) by way of introduction (the “Proposed Introduction”); (2) the China Securities Regulatory Commission and other PRC authorities granting the relevant approvals in connection with the Proposed Introduction and the proposed withdrawal of listing of the H Shares on the Growth Enterprise Market of the Stock Exchange (“GEM”) (the “Proposed Withdrawal”); (3) the passing of the ordinary resolution by independent shareholders of the Company in relation to the property purchase agreement as set out in the ordinary resolution in the notice of EGM and the granting of the relevant land use rights certificates and building ownership certificates associated with the Property Assets (as defined in the ordinary resolution of the notice of EGM); (4) the passing of special resolutions by the shareholders of the Company (the “Shareholders”) at the EGM and the holders of Domestic Shares and 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 of association of the Company (the “Amended Articles”) (as more specifically referred to in special resolution no. 2 set out in this notice); (5) the Stock Exchange granting a waiver from strict compliance with Rule 9.19(3) of the Rules Governing the Listing of Securities on GEM (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 and holders of Domestic Shares and H Shares shall have approved the Proposed Withdrawal at the EGM and the class meetings respectively; (6) the publication by the Company of a notice in respect of the Proposed Withdrawal as required by the GEM Listing Rules after obtaining the approvals of the Shareholders at the EGM and the respective class meetings of the holders of Domestic Shares and H

* *For identification purposes only*

NOTICE OF CLASS MEETING OF THE HOLDERS OF THE DOMESTIC SHARES

Shares for the Proposed Withdrawal; (7) 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 the fulfillment of all conditions which may be attached to such consents, 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 be and are hereby approved and confirmed; the directors of the Company (the “Directors”) be and are hereby authorized to designate the date and time from which the cessation of the listing of the H Shares on GEM shall take effect; and any Director or the company secretary of the Company be and is hereby authorized generally to do all such acts for and on behalf of the Company as he may deem necessary, desirable or expedient to effect and implement the foregoing; and the notice period required under Rule 9.19(3) of the GEM Listing Rules in connection with the Proposed Withdrawal be and is hereby approved to be reduced to at least five clear business days from the date on which the Shareholders, holders of Domestic Shares and H Shares shall have approved the Proposed Withdrawal at the EGM and class meetings respectively.”

SPECIAL RESOLUTION 2

- (a) “**THAT** conditional upon the listing of the H Shares on the Main Board, the Amended Articles (a copy of which is produced to this meeting marked “A” and initialed by the chairman of this meeting for the purposes of identification) be hereby adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company which will become effective from the date on which dealings in the H Shares on the Main Board commence and the Amended Articles are approved by the Ministry of Commerce of the PRC (whichever is later), and any Director be and is hereby authorized to make further amendments to the same in accordance with the relevant laws and regulations of the PRC, the Rules Governing the Listing of Securities on the Stock Exchange and other requirements of the relevant regulatory authorities; and any Director or the company secretary of the Company be and is hereby authorised to do all such acts for and on behalf of the Company as he may deem necessary, desirable or expedient to give effect to the adoption of the Amended Articles.”

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

Zhengzhou, the PRC, 2 April 2007

Registered address in the PRC:
352 Longhai Road West
Zhengzhou City
Henan Province
PRC

Principal place of business in Hong Kong:
Room 908, 9th Floor
Hutchison House
10 Harcourt Road, Central
Hong Kong

* For identification purposes only

NOTICE OF CLASS MEETING OF THE HOLDERS OF THE DOMESTIC SHARES

Notes:

- (i) Any holder of Domestic Shares who is entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy needs not be a Shareholder. A form of proxy for use at the meeting is hereby enclosed. In the case of joint holders of a Domestic Share, any one of such joint holders may sign the form of proxy. If more than one of such joint holders attend the meeting either in person or by proxy, the vote of the joint holder whose name appears first in the register of members of the Domestic Shares shall be accepted to the exclusion of the other joint holder(s).
- (ii) In order to be valid, the proxy form and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the Company's registered address at 352 Longhai Road West, Zhengzhou City, Henan Province, the PRC, not less than 24 hours before the time for holding the meeting or 24 hours before the time appointed for taking the poll.
- (iii) The register of members of the Domestic Shares will be closed from 18 April 2007 to 18 May 2007 (both days inclusive).
- (iv) Holders of the Domestic Shares whose names appear in the register of members of the Domestic Shares on 18 May 2007 are entitled to attend and vote at the meeting.
- (v) Holders of the Domestic Shares who intend to attend the meeting shall complete and deposit or post or fax (fax no: (86) 371-6889 0488) the enclosed reply slip to the Company's registered address at 352 Longhai Road West, Zhengzhou City, Henan Province, the PRC on or before 28 April 2007.
- (vi) Holders of Domestic Shares or their proxies shall produce their identity documents when attending the meeting.



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)

NOTICE IS HEREBY GIVEN that a class meeting of holders of the H shares (the “H Shares”) of ZHENGZHOU GAS COMPANY LIMITED* (the “Company”) will be held at Samost Hotel, Zhengzhou, Henan Province, the People’s Republic of China (the “PRC”) on 18 May 2007 at 11:00 a.m. or immediately after the conclusion or adjournment of the extraordinary general meeting (the “EGM”) and the class meeting of holders of the Domestic Shares of the Company for the purpose of considering and, if thought fit, passing the following resolutions as special resolutions of the Company:

SPECIAL RESOLUTION 1

- (a) **“THAT** conditional upon (1) the Listing Committee of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) granting approval for the listing of, and permission to deal in, on the main board (the “Main Board”) of the Stock Exchange the existing 550,660,000 H shares of RMB0.10 each in the registered share capital of the Company by way of introduction (the “Proposed Introduction”); (2) the China Securities Regulatory Commission and other PRC authorities granting the relevant approvals in connection with the Proposed Introduction and the proposed withdrawal of listing of the H Shares on the Growth Enterprise Market of the Stock Exchange (“GEM”) (the “Proposed Withdrawal”); (3) the passing of the ordinary resolution by independent shareholders of the Company in relation to the property purchase agreement as set out in the ordinary resolutions in the notice of EGM and the granting of the relevant land use rights certificates and building ownership certificates associated with the Property Assets (as defined in the ordinary resolution of the notice of EGM); (4) the passing of special resolutions by the shareholders of the Company (the “Shareholders”) at the EGM and the holders of domestic shares of the Company (the “Domestic Shares”) and 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 of association of the Company (the “Amended Articles”) (as more specifically referred to in special resolution no. 2 set out in this notice); (5) the Stock Exchange granting a waiver from strict compliance with Rule 9.19(3) of the Rules Governing the Listing of Securities on GEM (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 and holders of Domestic Shares and H Shares shall have approved the Proposed Withdrawal at the EGM and the class meetings respectively; (6) the publication by the Company of a notice in respect of the Proposed Withdrawal as required by the GEM Listing Rules after obtaining the approvals

* *For identification purposes only*

NOTICE OF CLASS MEETING OF THE HOLDERS OF THE H SHARES

of the Shareholders at the EGM and the respective class meetings of the holders of Domestic Shares and H Shares for the Proposed Withdrawal; (7) 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 the fulfillment of all conditions which may be attached to such consents, 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 be and are hereby approved and confirmed; the directors of the Company (the “Directors”) be and are hereby authorized to designate the date and time from which the cessation of the listing of the H Shares on GEM shall take effect; and any Director or the company secretary of the Company be and is hereby authorized generally to do all such acts for and on behalf of the Company as he may deem necessary, desirable or expedient to effect and implement the foregoing; and the notice period required under Rule 9.19(3) of the GEM Listing Rules in connection with the Proposed Withdrawal be and is hereby approved to be reduced to at least five clear business days from the date on which the Shareholders, holders of Domestic Shares and H Shares shall have approved the Proposed Withdrawal at the EGM and class meetings respectively.”

SPECIAL RESOLUTION 2

- (a) “**THAT** conditional upon the listing of the H Shares on the Main Board, the Amended Articles (a copy of which is produced to this meeting marked “A” and initialed by the chairman of this meeting for the purposes of identification) be hereby adopted as the articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company which will become effective from the date on which dealings in the H Shares on the Main Board commence and the Amended Articles are approved by the Ministry of Commerce of the PRC (whichever is later), and any Director be and is hereby authorized to make further amendments to the same in accordance with the relevant laws and regulations of the PRC, the Rules Governing the Listing of Securities on the Stock Exchange and other requirements of the relevant regulatory authorities; and any Director or the company secretary of the Company be and is hereby authorised to do all such acts for and on behalf of the Company as he may deem necessary, desirable or expedient to give effect to the adoption of the Amended Articles.”

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

Zhengzhou, the PRC, 2 April 2007

Registered address in the PRC:
352 Longhai Road West
Zhengzhou City
Henan Province
PRC

Principal place of business in Hong Kong:
Room 908, 9th Floor
Hutchison House
10 Harcourt Road, Central
Hong Kong

* For identification purposes only

NOTICE OF CLASS MEETING OF THE HOLDERS OF THE H SHARES

Notes:

- (i) Any holder of H Shares who is entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote at the meeting on his or her behalf. A proxy needs not be a Shareholder. A form of proxy for use at the meeting is hereby enclosed. In the case of joint holders of a H Share, any one of such joint holders may sign the form of proxy. If more than one of such joint holders attend the meeting either in person or by proxy, the vote of the joint holder whose name appears first in the register of members of the H Shares shall be accepted to the exclusion of the other joint holder(s).
- (ii) In order to be valid, the proxy form and, if such proxy form is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or authority shall be deposited at the Company's Hong Kong H Share registrar, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the meeting or 24 hours before the time appointed for taking the poll.
- (iii) The register of members of the H Shares in Hong Kong will be closed from 18 April 2007 to 18 May 2007 (both days inclusive), during which no transfer of H Shares will be registered. All properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong H Share registrar Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on 17 April 2007, for registration.
- (iv) Holders of the H Shares whose names appear in the register of holders of the H Shares on 18 May 2007 are entitled to attend and vote at the meeting.
- (v) Holders of H Shares who intend to attend the meeting shall complete and deposit or post or fax the enclosed reply slip to the Company's registered address at 352 Longhai Road West, Zhengzhou City, Henan Province, the PRC (fax no.: 86-371-68890488) on or before 28 April 2007.
- (vi) Holders of the H Shares or their proxies shall produce their identity documents when attending the meeting.