

I. FURTHER INFORMATION ABOUT THE COMPANY**(a) Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 20 July 2000. The Company has established a place of business in Hong Kong at Room 4202, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong and was registered on 24 November 2000 as an overseas company in Hong Kong under Part XI of the Companies Ordinance, with Ms. Lam Hiu Ha of Room 4202, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong appointed as the agent of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company was incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution which comprises the Memorandum and the Articles of Association. A summary of various parts of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

(b) Changes in share capital

As at the date of incorporation, the initial authorised share capital of the Company was HK\$100,000 divided into 1,000,000 Shares of nominal value of HK0.10 each. On 20 July 2000, two Shares were allotted and issued to the initial subscribers and each of such Shares was then transferred to Mr. Wang and Ms. Zhao, respectively on 21 August 2000. On 21 August 2000, the Company allotted eight Shares at par as to seven Shares to Mr. Wang and as to one Share to Ms. Zhao, all of which were issued for cash at par.

On 28 March 2001, the Company increased its authorised share capital from HK\$100,000 to HK\$300,000,000, by the creation of an additional 2,999,000,000 Shares and allotted and issued in aggregate 193,999,990 Shares to Easywin credited as fully paid at HK\$19,399,999 in total for the acquisition by the Company of the entire issued share capital of Xinao Gas Investment from Easywin.

Pursuant to the written resolutions of the sole Shareholder of the Company passed on 24 April 2001 and conditional on (i) the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be made available pursuant to the exercise of the Over-allotment Option), and (ii) the obligations of the Underwriters under the Placing Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by ICEA, on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise, the Directors were authorised to allot and issue 226,000,000 Shares, credited as fully paid to Easywin by capitalising RMB81,374,000 (equivalent to approximately HK\$76,768,000) due from the Group to Easywin.

Assuming that the Placing becomes unconditional and the issue of the Placing Shares and the Capitalisation Issue mentioned herein are made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option, the authorised share capital of the Company will be HK\$300,000,000 divided into 3,000,000,000 Shares and the issued share capital of the Company will be HK\$60,000,000 divided into 600,000,000 Shares fully paid or credited as fully paid, with 2,400,000,000 Shares remaining unissued. Other than pursuant to any options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option, there is no present intention to issue any part of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as aforesaid, there has been no alteration in the share capital of the Company since the date of its incorporation.

(c) Resolutions passed by the sole Shareholder of the Company on 28 March 2001 and 24 April 2001

On 28 March 2001, resolutions of the sole Shareholder of the Company were passed pursuant to which, among other things:

- (1) the authorised share capital of the Company was increased from HK\$100,000 to HK\$300,000,000 by the creation of an additional 2,999,000,000 Shares;
- (2) the Directors were authorised to allot and issue, credited as fully paid, a total of 193,999,990 Shares to Easywin as consideration for the acquisition by the Company of the entire issued share capital of Xinao Gas Investment from Easywin; and
- (3) the Company approved and adopted its existing Memorandum and Articles of Association.

On 24 April 2001, resolutions of the sole Shareholder of the Company were passed pursuant to which, among other things:

- (1) conditional on (i) the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be made available pursuant to the exercise of the Over-allotment Option), and (ii) the obligations of the Underwriters under the Placing Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by ICEA, on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise, in each case, on or before 25 May 2001, the Placing and the Over-allotment Option were approved and the Directors were authorized to allot and issue the Placing Shares and the Shares which may be required to be issued if the Over allotment Option is exercised;
- (2) conditional on (i) the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Shares which may be made available pursuant to the exercise of the Over-allotment Option), and (ii) the obligations of the Underwriters under the Placing Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by ICEA, on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise, loans in the aggregate amount of approximately RMB81,374,000 (equivalent to approximately HK\$76,768,000) due from the Group to Easywin shall be capitalised by allotting and issuing 226,000,000 Shares to Easywin credited as fully paid;
- (3) conditional on (i) the Stock Exchange granting listing of, and permission to deal in, any Shares which may fall to be issued pursuant to the exercise of any such option under the Share Option Scheme, and (ii) the obligations of the Underwriters under the Placing Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by ICEA, on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise, the rules of the Share Option Scheme were approved and the Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights under any options which may be granted under the Share Option Scheme and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme;

- (4) a general unconditional mandate was given to the Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights or an issue of Shares upon the exercise of any subscription rights attached to any warrants of the Company or pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting, Shares with a total nominal value not exceeding 20% of (i) the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Placing and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:
- (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any other applicable laws to be held; and
 - (c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (5) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% (i) the aggregate of the total nominal value of the share capital of the Company in issue immediately following completion of the Placing and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option, such mandate to remain in effect until whichever is the earliest of:
- (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any other applicable laws to be held; and
 - (c) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate; and
- (6) the general unconditional mandate mentioned in paragraph (4) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in paragraph (5) above provided that such extended amount shall not exceed 10% of (i) the aggregate of the total nominal value of the share capital of the Company in issue immediately following

completion of the Placing and (ii) the total nominal value of share capital of the Company which may be issued pursuant to the Over-allotment Option.

(d) Corporate reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on GEM, whereby the Company became the ultimate holding company of the Group. The Reorganisation involved the following:

- (1) On 30 July 2000, Miyun BVI acquired 80% of the entire equity interests of Beijing Xinao from XGCL in consideration for cash at RMB7,920,000 (equivalent to US\$956,500). *(Please refer to material contract (6) referred to in the paragraph headed "Further information about the business – Summary of material contracts" in this Appendix) (Note)*
- (2) On 1 August 2000, Langfang BVI acquired 50% of the entire equity interests of Langfang Xinao from XGCL in consideration for cash at US\$4,667,000. *(Please refer to material contract (3) referred to in the paragraph headed "Further information about the business – Summary of material contracts" in this Appendix) (Note)*
- (3) On 1 August 2000, Langfang BVI acquired 14.63% of the entire equity interests of Langfang Xinao from Langfang City Gas in consideration for cash at US\$1,365,300. *(Please refer to material contract (2) referred to in the paragraph headed "Further information about the business – Summary of material contracts" in this Appendix) (Note)*
- (4) On 1 August 2000, Langfang BVI acquired 30.37% of the entire equity interests of Langfang Xinao from Newstar in consideration of the allotment and issue of 320 shares of US\$1.00 each in Langfang BVI to Ms. Zhao credited as fully paid. On the same date, Langfang BVI allotted and issued 679 shares of US\$1.00 each to Xinao Gas Investment for cash at par. *(Please refer to material contract (1) referred to in the paragraph headed "Further information about the business – Summary of material contracts" in this Appendix)*
- (5) On 1 August 2000, Ms. Zhao transferred 320 shares in Langfang BVI to Xinao Gas Investment credited as fully paid in consideration of the allotment and issue of 238 shares of US\$1.00 each in Xinao Gas Investment to Ms. Zhao credited as fully paid. On the same date, Xinao Gas Investment allotted and issued 752 shares of US\$1.00 each to Easywin for cash at par. *(Please refer to material contract (8) referred to in the paragraph headed "Further information about the business – Summary of material contracts" in this Appendix)*
- (6) On 1 August 2000, Ms. Zhao transferred 238 shares in Xinao Gas Investment to Easywin credited as fully paid in consideration of the allotment and issue of 236 shares of US\$1.00 each in Easywin to Ms. Zhao credited as fully paid. On the same date, Easywin allotted and issued 754 shares of US\$1.00 each to Mr. Wang for cash at par.
- (7) On 3 August 2000, Huludao BVI acquired 90% of the entire equity interests of Huludao Xinao from XGCL in consideration for cash at RMB9,000,000 (equivalent to US\$1,087,000). *(Please refer to material contract (5) referred to in the paragraph headed "Further information about the business – Summary of material contracts" in this Appendix) (Note)*
- (8) On 7 August 2000, Liaocheng BVI acquired 90% of the entire equity interests of Liaocheng Xinao from XGCL in consideration for cash at US\$1,740,000 (equivalent to RMB14,400,000). *(Please refer to material contract (4) referred to in the paragraph headed "Further information about the business – Summary of material contracts" in this Appendix) (Note)*

- (9) On 18 August 2000, Mr. Wang transferred eight shares and Ms. Zhao transferred two shares both of US\$1.00 each in Xiniao Gas Investment to Easywin for a cash consideration of US\$8.00 and US\$2.00 respectively.
- (10) On 28 March 2001, Mr. Wang transferred eight Shares and Ms. Zhao transferred two Shares both of HK\$0.10 each in the Company to Easywin for cash consideration of HK\$0.80 and HK\$0.20 respectively.
- (11) On 28 March 2001, the authorised share capital of the Company was increased from HK\$100,000 to HK\$300,000,000 by the creation of an additional 2,999,000,000 Shares.
- (12) On 28 March 2001, the Company acquired the entire issued share capital of Xiniao Gas Investment from Easywin in consideration of the allotment and issue of 193,999,990 Shares credited as fully paid at HK\$19,399,999 in total to Easywin. *(Please refer to material contract (30) referred to in the paragraph headed "Further information about the business – Summary of material contracts" in this Appendix)*
- (13) Conditional on (i) the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus (including any Share which may be made available pursuant to the exercise of the Over-allotment Option), and (ii) the obligations of the Underwriters under the Placing Agreement becoming unconditional (including, if relevant, as a result of the waiver of any conditions by ICEA, on behalf of the Underwriters) and not being terminated in accordance with the terms of such agreement or otherwise, all the loans in the aggregate amount of approximately RMB81,374,000 (equivalent to approximately HK\$76,768,000) due from the Group to Easywin were capitalised by the Company allotting and issuing to Easywin 226,000,000 Shares credited as fully paid. *(Note)*

Note: As advised by the Company's PRC legal adviser, the acquisitions of interests in Langfang Xiniao, Liaocheng Xiniao, Beijing Xiniao and Huludao Xiniao by foreign incorporated purchasers from PRC established vendors, which formed part of the Reorganisation in preparation for the listing of Shares on GEM, could not be effected by way of share swap and have to be settled in cash. The mode of settlement of the transfer of interests in Langfang Xiniao between foreign incorporated vendor and purchaser is not restricted. The aggregate consideration payable by the Group in relation to the acquisition of interests in the Existing Project Companies from the PRC vendors amounted to US\$9,815,800 were funded by an advance from Easywin and were translated at RMB8.29:US\$1.00 and stated at approximately RMB81,374,000 in the books of the Group.

(e) Changes in the share capital of subsidiaries

The Company's subsidiaries are referred to in the accountants' report for the Company, the text of which is set out in Appendix I to this prospectus.

The following alterations in the share capital of the Company's subsidiaries have taken place within the two years preceding the date of this prospectus:

- (1) On 11 June 1999, Liaocheng Xiniao was incorporated with a registered capital of RMB8,000,000 and on 19 July 1999, the registered capital was increased from RMB8,000,000 to RMB16,000,000;
- (2) On 10 September 1999, Beijing Xiniao was incorporated with a registered capital of RMB9,900,000;
- (3) On 24 December 1999, Huludao Xiniao was incorporated with a registered capital of RMB10,000,000;

- (4) Following its incorporation on 4 January 2000, Xinao Gas Investment allotted and issued for cash at par 10 shares of US\$1.00 each as to eight shares to Mr. Wang and as to two shares to Ms. Zhao on 17 July 2000;
- (5) Following its incorporation on 21 February 2000, Langfang BVI allotted and issued for cash at par one share of US\$1.00 to Xinao Gas Investment on 17 July 2000;
- (6) Following its incorporation on 27 April 2000, Liaocheng BVI allotted and issued for cash at par one share of US\$1.00 to Xinao Gas Investment on 17 July 2000;
- (7) Following its incorporation on 27 April 2000, Miyun BVI allotted and issued for cash at par one share of US\$1.00 to Xinao Gas Investment on 17 July 2000;
- (8) Following its incorporation on 25 May 2000, Huludao BVI allotted and issued for cash at par one share of US\$1.00 to Xinao Gas Investment on 17 July 2000.
- (9) On 1 August 2000, Langfang BVI allotted and issued 320 shares and 679 shares, both of US\$1.00 each, to Ms. Zhao and Xinao Gas Investment credited as fully paid and for cash at par, respectively.
- (10) On 1 August 2000, Xinao Gas Investment allotted and issued 238 shares and 752 shares, both of US\$1.00 each, to Ms. Zhao and Easywin respectively credited as fully paid and for cash at par, respectively.
- (11) Following its incorporation on 10 August 2000, Zhucheng BVI allotted and issued for cash at par one share of US\$1.00 to Xinao Gas Investment on 11 December 2000.
- (12) Following its incorporation on 15 August 2000, Jingzhou BVI allotted and issued for cash at par one share of US\$1.00 to Xinao Gas Investment on 14 December 2000.
- (13) Following its incorporation on 15 August 2000, Chengyang BVI allotted and issued for cash at par one share of US\$1.00 to Xinao Gas Investment on 14 December 2000.
- (14) Following its incorporation on 19 December 2000, Pinggu BVI allotted and issued for cash at par one share of US\$1.00 to Xinao Gas Investment on 19 December 2000.
- (15) Following its incorporation on 19 December 2000, Huangdao BVI allotted and issued for cash at par one share of US\$1.00 to Xinao Gas Investment on 19 December 2000.
- (16) Following its incorporation on 19 December 2000, Changping BVI allotted and issued for cash at par one share of US\$1.00 to Xinao Gas Investment on 19 December 2000.

Save as aforesaid, there has been no alteration in the share capital of the subsidiaries of the Company within the two years preceding the date of this prospectus.

(f) Repurchase by the Company of its own securities

This section includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(1) *Regulations of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

(a) Shareholder's approval

All repurchases of securities on GEM by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to a resolution of the sole Shareholder of the Company passed on 24 April 2001, a general unconditional mandate (the "Buyback Mandate") was given to the Directors authorising any repurchase by the Company of Shares as described above in paragraph (5) of "Resolutions passed by the sole Shareholder of the Company on 28 March 2001 and 24 April 2001" in this Appendix.

(b) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws of the Cayman Islands.

(c) Trading restrictions

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the SFC and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the Company representing up to 10 per cent. of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchases on GEM if the result of the repurchases would be that the number of the listed securities in public hands would be below the relevant prescribed minimum percentage for that company as determined by the Stock Exchange.

(d) Status of repurchased securities

The listing of all repurchased securities (whether on GEM or otherwise) is automatically cancelled, irrespective of whether or not such purchase took place on GEM and the relative certificates must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(e) Suspension of repurchase

Any securities repurchase programme is required to be suspended after a price-sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information has been publicly announced. In particular, during the period of one month immediately preceding either the preliminary announcement of the company's annual results or the publication of the company's half-year report or a quarterly report, the company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(f) Reporting requirements

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange no later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, the company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the repurchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The annual report is also required to contain reference to the repurchase made during the year and the directors' reasons for making such repurchase. The company shall make arrangements with its broker who effects the repurchase to provide the company in a timely fashion the necessary information in relation to the repurchase made on behalf of the company to enable the company to report to the Stock Exchange.

(g) Connected parties

A company shall not knowingly repurchase shares on GEM from a connected person (as defined in the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company on GEM. As at the Latest Practicable Date and to the best of the knowledge of the Directors having made all reasonable enquiries, none of the Directors or their associates has a present intention to sell Shares to the Company.

(2) *Exercise of the Buyback Mandate*

Exercise in full of the Buyback Mandate, on the basis of 600,000,000 Shares in issue immediately after listing of the Shares and the Capitalisation Issue and taking no account of any Shares which may be allotted pursuant to the Over-allotment Option, could accordingly result in up to 60,000,000 Shares being repurchased by the Company during the period up to (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any other applicable laws of the Cayman Islands to be held; or (c) the revocation, variation or renewal of the Buyback Mandate by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

(3) *Reasons for repurchases*

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

(4) *Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles of Association and the applicable laws and regulations of the Cayman Islands. The Company may not repurchase securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(5) *General*

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in this prospectus) in the event that the Buyback Mandate is exercised in full. However, the Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the GEM Listing Rules, the Memorandum, the Articles of Association and the applicable laws and regulations of the Cayman Islands.

No connected person of the Company has notified the Company that he has a present intention to sell Shares to the Company or has undertaken not to do so.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result of any such increase.

(g) Particulars of the Existing Project Companies

- (1) Name: Langfang Xinao
Nature: Sino-foreign equity joint venture
Date of joint venture contract: 29 July 2000
Term of joint venture: 30 years (from 28 March 1993 to 28 March 2023)
Total investment: US\$9,333,900
Registered capital: US\$9,333,900
Attributable interest of the Group: 95%
Capital contribution: Langfang BVI
– US\$8,867,205 representing 95% of the registered capital
Langfang City Gas
– Renminbi equivalent to US\$466,740 representing 5% of the registered capital
- Number of directors appointed by the Group: 4 out of 5
Profit and loss ratio: in accordance with the ratio of equity interest
Arrangement upon liquidation: in accordance with the ratio of equity interest
- (2) Name: Liaocheng Xinao
Nature: Sino-foreign equity joint venture
Date of joint venture contract: 29 July 2000
Term of joint venture: 30 years (from 8 August 2000 to 8 August 2023)
Total investment: RMB22,000,000
Registered capital: US\$1,932,400 (equivalent to RMB16,000,000)
Attributable interest of the Group: 90%
Capital contribution: Liaocheng BVI
– US\$1,740,000 representing 90% of the registered capital
聊城市熱力公司 (Liaocheng City Heating Company)
– RMB1,600,000 (equivalent to US\$192,400) representing 10% of the registered capital
- Number of directors appointed by the Group: 6 out of 7
Profit and loss ratio: in accordance with the ratio of equity interest
Arrangement upon liquidation: in accordance with the ratio of equity interest

- (3) Name: Beijing Xinao
Nature: Sino-foreign equity joint venture
Date of joint venture contract: 29 July 2000
Term of joint venture: 30 years (from 8 August 2000 to 7 August 2030)
Total investment: US\$1,205,300
Registered capital: US\$1,195,600 (equivalent to RMB9,900,000)
Attributable interest of the Group: 80%
Capital contribution: Miyun BVI
– US\$956,500 representing 80% of the registered capital
北京市密雲化工公司(Beijing City Miyun Chemicals Company)
– Renminbi equivalent to US\$239,100 representing 20% of the registered capital
- Number of directors appointed by the Group: 5 out of 7
Profit and loss ratio: in accordance with the ratio of equity interest
Arrangement upon liquidation: in accordance with the ratio of equity interest
- (4) Name: Huludao Xinao
Nature: Sino-foreign equity joint venture
Date of joint venture contract: 27 July 2000
Term of joint venture: 30 years (from 7 August 2000 to 6 August 2030)
Total investment: US\$1,725,300
Registered capital: US\$1,207,700 (equivalent to RMB10,000,000)
Attributable interest of the Group: 90%
Capital contribution: Huludao BVI
– US\$1,087,000 representing 90% of the registered capital
葫蘆島市城市建設投資有限公司(Huludao City Urban Construction Investment Company Limited)
– Renminbi equivalent to US\$120,700 representing 10% of the registered capital
- Number of directors appointed by the Group: 6 out of 7
Profit and loss ratio: in accordance with the ratio of equity interest
Arrangement upon liquidation: in accordance with the ratio of equity interest

(h) Particulars of the Acquisition Companies

(1) Name: Jinggu Xinao

As at the Latest Practicable Date

Nature: PRC joint venture
 Date of establishment: 11 August 2000
 Term of the PRC joint venture: 30 years from 11 August 2000
 Registered capital: RMB9,900,000
 Attributable interest of the Group: nil
 Capital contribution: XGCL
 – RMB6,930,000 representing 70% of the registered capital
 平谷縣液化石油氣公司(Pinggu County LPG Company)
 – RMB2,970,000 representing 30% of the registered capital
 Number of directors 9

Proposed terms after completion of the Acquisition Agreement (subject to amendment and approval by the relevant PRC authorities)

Nature: Sino-foreign joint venture
 Term of the Sino-foreign joint venture: 30 years from the date of establishment of the Sino-foreign joint venture
 Total investment: RMB14,000,000
 Registered capital: RMB9,900,000 (or its foreign currency equivalent)
 Attributable interest of the Group: 70%
 Capital contribution: Pinggu BVI (after XGCL transferring all its equity interest in Jinggu Xinao to Pinggu BVI pursuant to the Acquisition Agreement after the Placing)
 – RMB6,930,000 (or its foreign currency equivalent) representing 70% of the registered capital
 平谷縣液化石油氣公司(Pinggu County LPG Company)
 – RMB2,970,000 representing 30% of the registered capital
 Number of directors
 nominated by the Group 6 out of 9
 Profit and loss ratio: in accordance with the ratio of equity interest
 Arrangement upon liquidation: in accordance with the ratio of equity interest

(2) Name:	Qingdao Xinao
<i>As at the Latest Practicable Date</i>	
Nature:	PRC joint venture
Date of establishment:	30 October 2000
Term of the PRC joint venture:	30 years from 30 October 2000
Registered capital:	RMB20,000,000
Attributable interest of the Group:	nil
Capital contribution:	XGCL <ul style="list-style-type: none"> – RMB18,000,000 representing 90% of the registered capital 青島經濟技術開發區熱電燃氣總公司(Qingdao Economic and Technical Development Zone Heating, Electricity and Gas Corporation) – RMB2,000,000 representing 10% of the registered capital
Number of directors	5
<i>Proposed terms after completion of the Acquisition Agreement (subject to amendment and approval by the relevant PRC authorities)</i>	
Nature:	Sino-foreign joint venture
Term of the Sino-foreign joint venture:	30 years from the date of establishment of the Sino-foreign joint venture
Total investment:	RMB28,000,000
Registered capital:	RMB20,000,000 (or its foreign currency equivalent)
Attributable interest of the Group:	90%
Capital contribution:	Huangdao BVI (after XGCL transferring all its equity interest in Qingdao Xinao to Huangdao BVI pursuant to the Acquisition Agreement after the Placing) <ul style="list-style-type: none"> – RMB18,000,000 (or its foreign currency equivalent) representing 90% of the registered capital 青島經濟技術開發區熱電燃氣總公司(Qingdao Economic and Technical Development Zone Heating, Electricity and Gas Corporation) – RMB2,000,000 representing 10% of the registered capital
Number of directors nominated by the Group	4 out of 5
Profit and loss ratio:	in accordance with the ratio of equity interest
Arrangement upon liquidation:	in accordance with the ratio of equity interest

(3) Name:	Jingchang Xiniao
<i>As at the Latest Practicable Date</i>	
Nature:	PRC joint venture
Date of establishment:	16 November 2000
Term of the PRC joint venture:	30 years from 16 November 2000
Registered capital:	RMB9,900,000
Attributable interest of the Group:	nil
Capital contribution:	XGCL – RMB7,920,000 representing 80% of the registered capital 北京市昌平市政經濟發展總公司(Beijing City Changping Urban Economic Development Head Corporation) – RMB1,980,000 representing 20% of the registered capital
Number of directors	9
<i>Proposed terms after completion of the Acquisition Agreement (subject to amendment and approval by the relevant PRC authorities)</i>	
Nature:	Sino-foreign joint venture
Term of the Sino-foreign joint venture:	30 years from the date of establishment of the Sino-foreign joint venture
Total investment:	RMB14,000,000
Registered capital:	RMB9,900,000 (or its foreign currency equivalent)
Attributable interest of the Group:	80%
Capital contribution:	Changping BVI (after XGCL transferring all its equity interest in Jingchang Xiniao to Changping BVI pursuant to the Acquisition Agreement after the Placing) – RMB7,920,000 (or its foreign currency equivalent) representing 80% of the registered capital 北京市昌平市政經濟發展總公司(Beijing City Changping Urban Economic Development Head Corporation) – RMB1,980,000 representing 20% of the registered capital
Number of directors nominated by the Group	6 out of 9
Profit and loss ratio:	in accordance with the ratio of equity interest
Arrangement upon liquidation:	in accordance with the ratio of equity interest

(i) Particulars of the New Project Companies

Proposed terms (subject to amendment and approval by the relevant PRC authorities) of the New Project Companies to be established pursuant to Project Chengyang, Project Jingzhou and Project Zhucheng respectively are set out as follows:–

- | | | |
|-----|---|---|
| (1) | Name: | Jingzhou Xinao |
| | Nature: | Sino-foreign equity joint venture |
| | Term of joint venture: | 30 years from the date of establishment of the Sino-foreign joint venture |
| | Total investment: | US\$15,000,000 |
| | Registered capital: | US\$6,000,000 |
| | Attributable interest of the Group: | 80% |
| | Capital contribution: | Jingzhou BVI |
| | | – US\$4,800,000, representing 80% of the registered capital |
| | | 荊州市城市建設投資開發公司(Jingzhou City Urban Construction Investment Development Company) |
| | | – assets with value equivalent to US\$1,200,000, representing 20% of the registered capital |
| | Number of directors to be appointed by the Group: | 6 out of 9 |
| | Profit and loss ratio: | in accordance with the ratio of equity interest |
| | Arrangement upon liquidation: | in accordance with the ratio of equity interest |
| (2) | Name: | Chengyang Xinao |
| | Nature: | Sino-foreign equity joint venture |
| | Term of joint venture: | 30 years from the date of establishment of the Sino-foreign joint venture |
| | Total investment: | US\$2,300,000 |
| | Registered capital: | US\$1,600,000 |
| | Attributable interest of the Group: | 90% |
| | Capital contribution: | Xinao Gas Investment |
| | | – US\$1,440,000 representing 90% of the registered capital |
| | | 青島市城陽區建設工程監理處(Qingdao City Chengyang District Construction Engineering Supervisory Office) |
| | | – Renminbi equivalent to US\$160,000, representing 10% of the registered capital |
| | Number of directors to be appointed by the Group: | 4 out of 5 |
| | Profit and loss ratio: | in accordance with the ratio of equity interest |
| | Arrangement upon liquidation: | in accordance with the ratio of equity interest |

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|---|--|
| (3) Name: | Zhucheng Xinao |
| Nature: | Sino-foreign equity joint venture |
| Term of joint venture: | 30 years from the date of establishment of the Sino-foreign joint venture |
| Total investment: | US\$6,000,000 |
| Registered capital: | US\$3,000,000 |
| Attributable interest of the Group: | 80% |
| Capital contribution: | Zhucheng BVI <ul style="list-style-type: none"> – US\$2,400,000 representing 80% of the registered capital 諸城市燃氣熱力總公司(Zhucheng City Gas and Heating Corporation) – assets with value equivalent to US\$600,000 representing 20% of the registered capital |
| Number of directors to be appointed by the Group: | 4 out of 5 |
| Profit and loss ratio: | in accordance with the ratio of equity interest |
| Arrangement upon liquidation: | in accordance with the ratio of equity interest |

II. FURTHER INFORMATION ABOUT THE BUSINESS

(a) Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

- (1) An agreement in Chinese dated 20 July 2000 between Newstar, Langfang BVI (then known as New Profound International Co. Ltd.), XGCL and Langfang City Gas whereby Newstar agreed to transfer 30.37% of the equity interests in Langfang Xinao to Langfang BVI as supplemented by a supplemental agreement in Chinese between the same parties dated 31 January 2001 regarding the number of directors of Langfang Xinao to be appointed.
- (2) An agreement in Chinese dated 20 July 2000 between Langfang City Gas, Langfang BVI (then known as New Profound International Co. Ltd.), XGCL and Newstar whereby Langfang City Gas agreed to transfer 14.63% of the equity interests in Langfang Xinao to Langfang BVI in consideration for cash in the sum of US\$1,365,300 as supplemented by a supplemental agreement in Chinese dated 31 January 2001 regarding the number of directors of Langfang Xinao to be appointed.
- (3) An agreement in Chinese dated 20 July 2000 between XGCL, Langfang BVI (then known as New Profound International Co. Ltd.), Langfang City Gas and Newstar whereby XGCL agreed to transfer 50% of the equity interests in Langfang Xinao to Langfang BVI in consideration for cash in the sum of US\$4,667,000.
- (4) An agreement in Chinese dated 24 July 2000 between XGCL, Liaocheng BVI (then known as New Profound Development Co. Ltd.) and 聊城市熱力公司 (Liaocheng City Heating Company) whereby XGCL agreed to transfer 90% of the equity interests in Liaocheng Xinao to Liaocheng BVI in consideration for cash in the sum of US\$1,740,000 (equivalent to RMB14,400,000).

- (5) An agreement in Chinese dated 25 July 2000 between XGCL, Huludao BVI (then known as New Profound Investment Co. Ltd.), and 葫蘆島市城市建設投資有限公司 (Huludao City Urban Construction Investment Company Limited) whereby XGCL agreed to transfer 90% of the equity interests in Huludao Xiniao to Huludao BVI in consideration for cash in the sum of US\$1,087,000 (equivalent to RMB9,000,000).
- (6) An agreement in Chinese dated 27 July 2000 between XGCL, Miyun BVI (then known as New Profound Capital Construction Development Co. Ltd.) and 北京市密雲化工公司 (Beijing City Miyun Chemicals Company) whereby XGCL agreed to transfer 80% of the equity interests in Beijing Xiniao to Miyun BVI in consideration for cash in the sum of US\$956,500 (equivalent to RMB7,920,000).
- (7) An agreement dated 1 August 2000 between Ms. Zhao, Langfang BVI (then known as New Profound International Co. Ltd.) and Newstar regarding the allotment and issue of 320 shares of US\$1.00 each in Langfang BVI to Ms. Zhao as consideration for the sale and purchase of the shares in Langfang Xiniao as mentioned in the material contract (1) above.
- (8) An agreement dated 1 August 2000 between Ms. Zhao and Xiniao Gas Investment (then known as New Profound Rich Investment Co. Ltd.) regarding the sale and purchase of 320 shares of US\$1.00 each in Langfang BVI (then known as New Profound International Co. Ltd.) by Ms. Zhao to Xiniao Gas Investment in consideration for the allotment and issue of 238 shares of US\$1.00 each in Xiniao Gas Investment to Ms. Zhao.
- (9) An agreement in Chinese dated 30 September 2000 between XGCL and Langfang Xiniao whereby XGCL agreed to transfer a building erected at a site situated at the junction of Huaxiang Road and Hongrun Road, Langfang Economic and Technical Development Zone (“Langfang Development Zone”) to Langfang Xiniao in consideration of the sum of RMB47,900,000.
- (10) An agreement in Chinese dated 30 September 2000 between 廊坊新城房地產開發有限公司 (Langfang Xincheng Property Development Company Limited) and Langfang Xiniao whereby Langfang Xincheng Property Development Company Limited agreed to transfer a piece of land at a site situated in Jinguang Road, Langfang Development Zone together with a building thereon to Langfang Xiniao in consideration of the sum of RMB7,600,000.
- (11) An agreement in Chinese dated 30 September 2000 between Langfang City Gas and Langfang Xiniao whereby Langfang City Gas agreed to transfer various gas equipment and facilities in relation to the processing station located at the northern outskirts of the Langfang city centre to Langfang Xiniao in consideration of the sum of RMB1,336,000.
- (12) An agreement in Chinese dated 30 September 2000 between Langfang City Gas and Langfang Xiniao whereby Langfang City Gas agreed to transfer various gas equipment and facilities in relation to the processing station located at the southern outskirts of the Langfang city centre to Langfang Xiniao in consideration of the sum of RMB576,000.
- (13) An agreement in Chinese dated 30 September 2000 between Langfang City Gas and Langfang Xiniao whereby Langfang City Gas agreed to transfer various gas equipment and facilities in relation to the processing station located at the Langfang Development Zone to Langfang Xiniao in consideration of the sum of RMB1,019,000.


- (14) An agreement in Chinese dated 30 September 2000 between Langfang City Gas and Langfang Xinao whereby Langfang City Gas agreed to transfer various gas equipment and facilities in relation to the Yongqing to Langfang's long distance pipeline to Langfang Xinao in consideration of the sum of RMB24,500,000.
- (15) An indemnity and undertaking in Chinese dated 20 December 2000 given by Langfang City Gas in favour of Langfang Xinao in relation to the various gas supply agreements entered into by Langfang City Gas on behalf of Langfang Xinao.
- (16) An agreement in Chinese dated 1 January 2001 between Langfang Xinao and XGCL whereby Langfang Xinao agreed to rent the 1st floor of the building in Langfang Development Zone as mentioned in material contract (9) above in consideration of the annual rental of RMB1,039,185 and an annual management fee of RMB263,920.
- (17) An agreement in Chinese dated 1 January 2001 between 廊坊新奧物業管理有限公司(Langfang Xinao Property Management Company Limited) and Langfang Xinao whereby Langfang Xinao Property Management Company Limited agreed to provide property management services in relation to the building in Langfang Development Zone as mentioned in material contract (9) above to Langfang Xinao at the consideration of the sum of RMB848,400 per annum.
- (18) An agreement in Chinese dated 1 January 2001 between XGCL and Xinao Gas Investment whereby XGCL agreed to grant a license to use two of its trademarks to the Group at no costs.
- (19) A conditional acquisition agreement in Chinese dated 31 January 2001 between, among others, XGCL as vendor and Pinggu BVI as purchaser in relation to the acquisition of 70% equity interest in Jinggu Xinao.
- (20) A conditional acquisition agreement in Chinese dated 31 January 2001 between, among others, XGCL as vendor and Huangdao BVI as purchaser in relation to the acquisition of 90% equity interest in Qingdao Xinao.
- (21) A conditional acquisition agreement in Chinese dated 31 January 2001 between, among others, XGCL as vendor and Changping BVI as purchaser in relation to the acquisition of 80% equity interest in Jingchang Xinao.
- (22) A deed of assignment dated 28 February 2001 between XGCL as assignor, Easywin as assignee and Xinao Gas Investment in relation to the assignment of a loan amounted to approximately RMB4,775,518.
- (23) An agreement in Chinese dated 28 February 2001 between Liaocheng Xinao, Langfang Xinao, 廊坊開發區市政建設工程有限公司(Langfang Development Zone Urban Construction Engineering Company Limited), XGCL and 廊坊新奧建築安裝工程有限公司(Langfang Xinao Construction and Decoration Engineering Company Limited) whereby Liaocheng Xinao authorised Langfang Xinao (a) to receive on its behalf loans in the sum of RMB8,500,000 owed by Langfang Development Zone Urban Construction Engineering Company Limited to Liaocheng Xinao; (b) to receive on its behalf loans in the sum of RMB2,000,000 owed by Langfang Xinao Construction and Decoration Engineering Company Limited to Liaocheng Xinao; and (c) to pay on its behalf to XGCL loans in the amount of approximately RMB5,096,814 owed by Liaocheng Xinao to XGCL; and Langfang Xinao shall thereafter return the net proceeds received in the sum of approximately RMB5,403,186 to Liaocheng Xinao.

- (24) An agreement in Chinese dated 28 February 2001 between Beijing Xinao, Langfang Xinao, 廊坊開發區市政建設工程有限公司(Langfang Development Zone Urban Construction Engineering Company Limited), XGCL, 廊坊新城房地產開發有限公司(Langfang Xincheng Property Development Company Limited) and Langfang City Gas whereby Beijing Xinao authorised Langfang Xinao (a) to receive on its behalf loans in the sum of RMB5,900,000 owed by Langfang Development Zone Urban Construction Engineering Company Limited to Beijing Xinao; (b) to pay on its behalf to Langfang Xincheng Property Development Company Limited loans in the sum of RMB245,500 owed by Beijing Xinao to Langfang Xincheng Property Development Company Limited; (c) to pay on its behalf to XGCL loans in the sum of approximately RMB5,332,967 owed by Beijing Xinao to XGCL; and (d) to pay on its behalf to Langfang City Gas loans in the sum of RMB1,176,000 owed by Beijing Xinao to Langfang City Gas; and Beijing Xinao shall thereafter return the net proceeds received in the sum of approximately RMB854,467 to Langfang Xinao.
- (25) An agreement in Chinese dated 28 February 2001 between Huludao Xinao, Langfang Xinao, 廊坊開發區市政建設工程有限公司(Langfang Development Zone Urban Construction Engineering Company Limited), and XGCL whereby Huludao Xinao authorised Langfang Xinao (a) to receive on its behalf loans in the sum of RMB6,000,000 owed by Langfang Development Zone Urban Construction Engineering Company Limited to Huludao Xinao; and (b) to pay on its behalf to XGCL loans in the sum of approximately RMB5,238,402 owed by Huludao Xinao to XGCL; and Langfang Xinao shall thereafter return the net proceeds received in the sum of approximately RMB761,598 to Huludao Xinao.
- (26) An agreement in Chinese dated 28 February 2001 between Qingdao Xinao, Langfang Xinao, 廊坊開發區市政建設工程有限公司(Langfang Development Zone Urban Construction Engineering Company Limited), XGCL and Langfang City Gas whereby Qingdao Xinao authorised Langfang Xinao (a) to receive on its behalf loans in the sum of RMB12,000,000 owed by Langfang Development Zone Urban Construction Engineering Company Limited to Qingdao Xinao; (b) to pay on its behalf to XGCL loans in the sum of approximately RMB916,536 owed by Qingdao Xinao to XGCL; and (c) to pay on its behalf to Langfang City Gas loans in the sum of RMB219,000 owed by Qingdao Xinao to Langfang City Gas; and Langfang Xinao shall thereafter return the net proceeds received in the sum of approximately RMB10,864,464 to Qingdao Xinao.
- (27) An agreement in Chinese dated 28 February 2001 between Jingchang Xinao, Langfang Xinao and XGCL whereby Jingchang Xinao authorised Langfang Xinao to pay on its behalf to XGCL loans in the sum of approximately RMB10,130,215 owed by Jingchang Xinao to XGCL; and Jingchang Xinao shall thereafter return the net proceeds received in the sum of approximately RMB10,130,215 to Langfang Xinao.
- (28) An agreement in Chinese dated 1 March 2001 between Jinggu Xinao, Langfang Xinao and XGCL whereby Jinggu Xinao authorised Langfang Xinao to receive on its behalf loans in the sum of approximately RMB1,447,365 owed by XGCL to Jinggu Xinao; and Langfang Xinao shall thereafter return the net proceeds received in the sum of approximately RMB1,447,365 to Jinggu Xinao.
- (29) An agreement in Chinese date 7 March 2001 between Langfang City Gas and Langfang Xinao whereby Langfang City Gas agreed to transfer a patent right to Langfang Xinao at no costs.

- (30) A deed for sale and purchase of shares in Xinao Gas Investment dated 28 March 2001 between, among others, Easywin as vendor and the Company as purchaser in relation to the sale and purchase of the entire equity interest of Xinao Gas Investment.
- (31) A deed of non-competition undertaking dated 28 March 2001 made by the Initial Management Shareholders and XGCL in favour of the Company whereby each of the Initial Management Shareholders and XGCL irrevocably undertook and covenanted with the Company that it/he/she will not, and will procure that its/his/her associates will not, directly or indirectly, during the period from the date on which this deed shall take effect up to the date on which this deed is terminated in accordance with the terms and conditions therein, carry on for its/his/her own account or for any other person, firm or organisation any business which is or may be in competition with the piped gas business of the Company.
- (32) A placing and underwriting agreement dated 3 April 2001 between the Company, Easywin, Mr. Wang, Ms. Zhao, executive directors of the Company, Rothschild and the underwriters named therein in relation to the placing of 180,000,000 shares of HK\$0.10 each in the capital of the Company (subject to adjustment).
- (33) A deed of indemnity dated 3 April 2001 between Easywin, Mr. Wang, Ms. Zhao and the Company for itself and as trustee for its subsidiaries, containing certain indemnities given by Easywin, Mr. Wang and Ms. Zhao in favour of the Company and its subsidiaries being, inter alia, the indemnities referred to in the paragraph headed “Other information – Estate duty and tax indemnity” in this Appendix and in respect of certain properties in the valuation report as set out in Appendix III to this prospectus.
- (34) A deed of non-competition undertaking dated 24 April 2001 by the Initial Management Shareholders, XGCL in favour of the Company whereby each of the Initial Management Shareholder and XGCL irrevocably undertook and covenanted with the Company that it/he/she will not, and will procure that its/his/her associates will not, directly or indirectly, during the period from the date on which this deed shall take effect up to the date on which this deed is terminated in accordance with the terms and conditions therein, carry on for its/his/her own account or for any other person, firm or organisation any business which is or may be in competition with the piped gas business of the Company.
- (35) A placing and underwriting agreement dated 26 April 2001 referred to in the paragraph headed “Placing – Placing arrangements and expenses” in this prospectus.

(b) Intellectual Property

As at the Latest Practicable Date, Xinao Gas Investment has obtained a license to use the following trademarks with the right to grant sub-licenses of these trademarks to any other members of the Group pursuant to the material contract (18) referred to in the paragraph headed “Further information about the business – Summary of material contracts” in this Appendix:

Trademark	Place of registration	Class	Registration number	Expiry date
	PRC	11	1175246	13 May 2008
XINAO	PRC	37	1159811	13 March 2008

In addition, Langfang Xinao is applying for the transfer of the following patent right (which will be assigned by Langfang City Gas upon registration of the transfer pursuant to the material contract (29)) referred to in the paragraph headed “Further information about the business – Summary of material contracts” in this Appendix:

Patent	Place of registration	Patent number	Expiry date
CNG truck	PRC	ZL 99 2 43718.0	19 August 2009

(c) Regulatory permits held by the Group

Name of company	Country of issue	Type of permit	Issue date	Expiry date
Langfang Xinao	PRC	Certificate of competency in urban gas industry (城市燃氣企業資質證書)	27 July 2000	<i>Note 1</i>
	PRC	Permit of fire safety for inflammable chemicals (易燃易爆化學物品消防安全許可證) (<i>Note 2</i>)	14 September 2000	13 September 2003
	PRC	Certificate for competency in gas appliance installation and maintenance in Hebei (河北省燃氣器具安裝維修企業資質證書)	13 February 2001	13 December 2002
	PRC	Permit for the manufacturing of measurement equipment (製造計量器具許可證)	9 April 2001	8 April 2004

Name of company	Country of issue	Type of permit	Issue date	Expiry date
Liaocheng Xinao	PRC	Certificate for the trial operation in urban gas industry (城市燃氣企業試運行證書)	26 July 2000	25 July 2001
	PRC	Approval in pricing for the sale of natural gas and installation of natural gas facilities (關於聊城新奧燃氣有限公司天然氣設施安裝價格的批覆)	16 November 2000	Connection reached 20,000 residential customers
	PRC	Certificate to operate gas appliance business (燃氣器具經營許可證)	1 January 2001	31 December 2001
Huludao Xinao	PRC	Permit of fire safety for inflammable chemicals (易燃易爆化學物品消防安全許可證)	10 May 1999	<i>Note 3</i>
	PRC	Certificate of competency in urban gas industry (城市燃氣企業資質證書)	11 August 2000	<i>Note 1</i>
	PRC	Fee collection permit (收費許可證)	9 February 2001	<i>Note 4</i>

Notes:

- (1) There is no expiry date stated in the permit. However, according to the relevant PRC laws, such permits, when granted, will have a valid period of five years.
- (2) Subject to annual review.
- (3) There is no expiry date stated in the permit. However, according to the relevant PRC local regulations, such permit, when granted, will be valid until revoked or withdrawn by the relevant government authorities.
- (4) There is no expiry date stated in the permit. However, according to the relevant PRC laws, such permits, when granted, will be valid until revoked or withdrawn by the relevant government authorities.

III. FURTHER INFORMATION ABOUT DIRECTORS, SENIOR MANAGEMENT AND STAFF

(a) Directors

(1) Disclosure of Interests

The interests of each of the Directors in the equity securities of the Company and the associated corporations (within the meaning of the SDI Ordinance) of the Company which will have to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which they are taken or deemed to have taken under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) once the Shares are listed, or will be required,

pursuant to section 29 of the SDI Ordinance, to be entered in the register required to be kept therein once the Shares are listed, or will be required pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange once the Shares are listed, will be as follows (assuming that their interests will remain unchanged after the Latest Practicable Date):

Name of Company	Name of Director	Personal Interest	Family Interest	Corporate Interest	Other Interest	Total
The Company	Mr. Wang	-	-	420,000,000 Shares ⁽¹⁾ 70%	-	420,000,000 Shares 70%
	Ms. Zhao	-	-	420,000,000 Shares ⁽¹⁾ 70%	-	420,000,000 Shares 70%
Langfang Xinao	Mr. Wang	-	-	5%	-	5%
	Ms. Zhao	-	5% ⁽²⁾	-	-	5%

Note:

- (1) The two references to 420,000,000 Shares relate to the same block of Shares. Such Shares are held by Easywin which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao.
- (2) By virtue of Mr. Wang's holding of 5% interest in Langfang Xinao, Ms. Zhao as the spouse of Mr. Wang was taken to be interested in such company under the SDI Ordinance.

(2) *Particulars of service agreements*

- (i) Each of Mr. Wang, Mr. Yang Yu, Mr. Zhao Jinfeng, Mr. Qiao Limin, Mr. Jin Yongsheng and Mr. Yu Jianchao, being executive Directors, has entered into a service agreement with the Company. Particulars of these contracts, except as indicated, are in all material respects identical and are set out below:
 - (a) each service contract is of an initial term of three years commencing on 1 March 2001 and expiring on 29 February 2004 and shall continue thereafter until terminated by either party giving to the other not less than six months' prior written notice;
 - (b) the annual salary for each of Mr. Wang, Mr. Yang Yu, Mr. Zhao Jinfeng, Mr. Qiao Limin, Mr. Jin Yongsheng and Mr. Yu Jianchao from 1 March 2001 to 28 February 2002 shall be HK\$1,300,000, HK\$800,000, HK\$400,000, HK\$400,000, HK\$500,000 and HK\$400,000 respectively during the initial year. As from 1 March 2002, the annual salary of each executive Director shall be as determined by the Board, the increment of the annual salary shall not be more than 15% of the annual salary received by the executive Director for the immediate preceding year;
 - (c) each of the executive Directors is entitled to a management bonus by reference to the audited consolidated net profits of the Group after taxation and minority interests but before extraordinary items (the "Net Profits") as the Board may approve provided that the aggregate amount of the management bonuses payable to all executive Directors of the Company in respect of any financial year of the Group shall not exceed 10% of the Net Profits for the relevant financial year;

- (d) Mr. Wang and Mr. Yang Yu are also the directors of XGCL, and under the terms of their respective service agreement with the Company, each of them shall devote at least 70% of his working time and attention, and all of his skill to the discharge of duties of his office as an executive Director and, where relevant, as a director of such other members of the Group in which he holds the office of a director; and
 - (e) each of the executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the board of Directors regarding the amount of annual salary and management bonus payable to himself.
- (ii) Save as disclosed above, none of the Directors has entered into any service agreements 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).
- (3) *Directors' remuneration*
- (i) The Company's policies concerning remuneration of executive Directors are:
 - (a) the amount of remuneration is determined on the basis of the relevant Director's experience, responsibility, workload and the time devoted to the Group;
 - (b) non-cash benefits may be provided to the Directors under their remuneration package; and
 - (c) the executive Directors may be granted, at the discretion of the board of Directors, options pursuant to the Share Option Scheme, as part of their remuneration package.
 - (ii) Approximately HK\$3,300,000 (excluding any management bonus which may be paid) as remuneration is expected to be paid to the Directors by the Group in respect of the financial year ending 31 December 2001 pursuant to the present arrangement.
 - (iii) None of the Directors or any past directors of any member of the Group has been paid any sum of money for each of the three financial years ended 31 December 2000 (a) as an inducement to join or upon joining the Company or (b) for loss of office as a director of any member of the Group or of any other notice in connection with the management of the affairs of any member of the Group.
 - (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years ended 31 December 2000.
 - (v) The non-executive Director and each of the independent non-executive Director has been appointed for a term of three years, commencing from 1 March 2001 and expiring on 29 February 2004 and thereafter are eligible for re-election. Save for directors' fees of HK\$60,000 per annum for each of the non-executive Director and the independent non-executive Directors, none of the non-executive Director and independent non-executive Directors is expected to receive any other remuneration for holding their office as non-executive Director or independent non-executive Director, respectively.

- (vi) No Director received any remuneration or benefits in kind from the Group for the three years ended 31 December 2000. Particulars of emoluments paid to the five persons who received the highest emoluments from the Group for the three year ended 31 December 2000 are set out in Note (h) to the section headed “Results” in the accountants’ report for the Company as set out in Appendix I to this prospectus.

(b) Disclaimers

Save as disclosed herein:

- (1) none of the Directors or chief executives has for the purposes of section 28 of the SDI Ordinance, nor is any of them taken to or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance, any interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 29 of the SDI Ordinance or pursuant to rules 5.40 to 5.59 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange once such securities are listed on GEM;
- (2) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Other information – Consent of experts” in this Appendix is interested in the promotion of the Company or in any assets which have within the two years immediately preceding the issue of this prospectus been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (3) none of the Directors nor any of the persons whose names are listed in the paragraph headed “Other information – Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group;
- (4) none of the persons whose names are listed in the paragraph headed “Other information – Consents of experts” in this Appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (5) none of the Directors has entered or has proposed to enter into any service agreements with the Company or any members of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation);
- (6) no cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of the Company nor is any such cash, securities or benefit intended to be paid, allotted or given on the basis of the Placing or related transaction as mentioned in this prospectus; and
- (7) so far as is known to the Directors, save as disclosed in Note 3(k) to the section headed “Results” in the accountants’ report for the Company as set out in Appendix I to this prospectus, none of the Directors, their respective associates or Shareholders who are interested in 5% or more of the issued share capital of the Company have any interests in the five largest customers or the five largest suppliers of the Group.

IV. SHARE OPTION SCHEME**(a) Summary of terms**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by resolutions of the sole shareholder of the Company on 24 April 2001:

(1) Who may join

The board of Directors or a duly authorised committee thereof which shall include the independent non-executive Directors (and in so far as may be required under the GEM Listing Rules, the independent non-executive Directors of any holding company of the Company which is also listed on GEM or the main board of the Stock Exchange may, at its discretion, invite (a) any executive Directors of the Group and (b) any full time employees of the Group (“Employee(s)”), to take up options at HK\$1.00 per option to subscribe for Shares at a price calculated in accordance with sub-paragraph (4) below.

(2) Grant of Option

Any grant of options must not be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules. In particular, during the period of one month immediately preceding the preliminary announcement of annual results or the publication of interim results or quarterly results, no option should be granted until such information has been announced pursuant to the requirements of Chapter 16 of the GEM Listing Rules.

(3) Payment on acceptance of option offer

HK\$1.00 is payable by the Employee to the Company on acceptance of the option offer.

(4) Price of Shares

The subscription price for Shares under the Share Option Scheme will be a price determined by the board of Directors and notified to each grantee and will be the highest of (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer, which must be a day on which the Stock Exchange is open for the business of dealing in securities (“Trading Day”) and (b) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five Trading Days immediately preceding the date of offer; and (c) the nominal value of a Share.

(5) Maximum number of Shares

- (a) The Company may seek approval of the Shareholders in general meeting to authorize Directors to grant options under the Share Option Scheme and any other share option schemes of the Company in issue entitling the grantees to exercise up to an aggregate of 10% of the total number of Shares in issue from time to time (excluding (i) any Shares issued pursuant to the Share Option Scheme and any other share option schemes of the Company; and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)) unless the Company obtains a fresh approval from the Shareholders pursuant to sub-paragraph (b) below.

- (b) The Company may seek approval of the Shareholders in general meeting to renew the 10% limit set out in (a) above such that the total number of Shares in respect of which options may be granted by the Directors under the Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 10% of the issued share capital of the Company from time to time (excluding (i) any Shares issued pursuant to the Share Option Scheme and any other share option schemes of the Company; and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)).
- (c) The Company may grant options to specified Employee(s) beyond the 10% limit if the grant of such options is specifically approved by the Shareholders of the Company in general meeting.

Notwithstanding the above, the maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of Shares in issue from time to time (excluding (i) any Shares issued pursuant to the Share Option Scheme and any other share option schemes of the Company; and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)).

Immediately after completion of the Placing and the Capitalisation Issue and taking no account of Shares which may be issued pursuant to the Over-allotment Option, the total number of Shares which will be subject to the Share Option Scheme will be 60,000,000 Shares which represents 10% of the issued share capital of the Company at that time.

No Employee shall be granted an option which, if exercised in full, would result in such Employee becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued pursuant to all the options previously granted to him or her which have been exercised, and, issuable pursuant to all the options previously granted to him or her which are for the time being subsisting and unexercised, would exceed 25% of the aggregate number of Shares for the time being issued and issuable under the Share Option Scheme.

(6) *Requirements on granting options to connected persons*

Any grant of options to an Employee who is a connected person of the Company must be approved by the independent non-executive Directors.

Where the board of Directors proposes to grant any option to an Employee who is a substantial shareholder (as defined in the GEM Listing Rules) of the Company or any of his or her respective associates and such option which if exercised in full, would result in such Employee becoming entitled to subscribe for such number of Shares, when aggregated with the total number of Shares already issued, and issuable, to him or her pursuant to all the options granted to him or her in the 12 month period up to and including the date on which such proposal is made by the board of Directors (the "Relevant Date") :

- (a) representing in aggregate more than 0.1% of the total number of Shares in issue at the Relevant Date; and

- (b) having a value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Relevant Date and if the Relevant Date is not a Trading Day, the Trading Day immediately preceding the Relevant Date, in excess of HK\$5,000,000,

such proposed grant of options must be approved by the Shareholders in general meeting with the Employee concerned and all other connected persons of the Company abstaining from voting (except where any connected person intends to vote against such proposed grant).

(7) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not less than three years and not more than 10 years to be notified by the board of Directors to each grantee which period of time shall commence on the date of grant of the option and expire on the last day of such period as determined by the board of Directors.

(8) *Rights are personal to grantee*

An option may not be transferred or assigned and is personal to the grantee and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any options or enter into agreement so to do.

(9) *Rights on ceasing employment*

If the grantee of an option ceases to be an Employee for any reason other than death, misconduct or certain other grounds (including bankruptcy, insolvency or a conviction of criminal offence), the grantee may exercise the option up to the grantee's entitlement at the date of cessation (to the extent which has become exercisable and not already exercised) within the period of three months following the date of such cessation, which date shall be the grantee's last actual working day with the relevant company in the Group whether salary is paid in lieu of notice or not.

(10) *Rights on death*

If the grantee of an option dies before exercising the option in full and none of certain events which would be a ground for termination of his or her employment arises, the personal representative(s) of the deceased grantee may exercise the option in full (to the extent which has become exercisable and not already exercised) within a period of 12 months from the date of death.

(11) *Effects of alterations to capital*

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being of the Company or the Company's independent financial adviser as fair and reasonable will be made in the subject matter of the option so far as unexercised the subscription price and/or the method of the exercise of the option, provided that no such alteration shall be made so that a Share would be issued at less than its nominal value or

which would give a grantee a different proportion of the issued share capital of the Company as that to which he or she was previously entitled and no alteration shall be made if any alteration in the capital structure of the Company is the result of an issue of Shares in the capital of the Company as consideration in a transaction.

(12) Rights on take-over

If a general offer (including any take-over) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) with the terms of the offer having been approved in accordance with applicable laws and regulatory requirements becoming or are declared unconditional, the grantee (or the personal representative(s) of the deceased grantee) may by notice in writing to the Company exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(13) Rights on a compromise or arrangement

If a compromise or arrangement between the Company and the Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice to the grantee on the same date as it dispatches the notice to each Shareholder or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or the personal representative(s) of the deceased grantee) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date two months thereafter and the date on which such compromise or arrangement is sanctioned by the court exercise any of his or her options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the grantee (or the personal representative(s) of the deceased grantee) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as possible as would have been the case had such Shares been subject to such compromise or arrangement.

(14) Lapse of Option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period;
- (b) the expiry of the periods referred to in sub-paragraph (9), (10) or (12) respectively;
- (c) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (13);

- (d) the date on which the grantee of an option ceases to be an Employee by reason of the termination of his or her employment on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;
- (e) the date of the commencement of the winding-up of the Company; and
- (f) the date on which the grantee sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option (or enter into agreement so to do) in breach of the Share Option Scheme.

(15) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to the Articles of Association for the time being in-force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and issue and in particular will rank in full for all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor is before the date of allotment and issue.

Unless the context otherwise requires, references to “Shares” in the Share Option Scheme include references to shares in the Company of any such nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time.

(16) Cancellation of Options granted

Any cancellation of options granted but not exercised must be approved by the Shareholders (and also by shareholders of any holding company which is listed on GEM and/or the main board of the Stock Exchange) in general meeting, with participants and their associates abstaining from voting. Any vote taken at the meeting to approve such cancellation must be taken by poll.

(17) Period of Share Option Scheme

The Share Option Scheme will remain valid for a period of 10 years commencing on 24 April 2001 after which period no further options will be granted but the provisions of the Share Option Scheme shall in all other respects remain in full force and effect and options which are granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(18) Alteration to Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the board of Directors except that the provisions of the Share Option Scheme relating to matters contained in rule 23.03 of the GEM Listing Rules shall not be altered to extend the class of persons eligible for the grant of options or to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their associates abstaining from voting). No such alteration shall operate to affect adversely

the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles of Association for the time being for a variation of the rights attached to the Shares.

Any alteration to the terms and conditions of the Share Option Scheme, which are of a material nature, must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(19) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to the passing of the necessary resolution to adopt the Share Option Scheme by the Shareholders in general meeting and is conditional on (a) the GEM Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and granting listing of, and permission to deal in, any Shares which may be issued pursuant to the exercise of options granted under the Share Option Scheme and (b) the obligations of the Underwriters under the Placing Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by ICEA on behalf of the Underwriters) and not being terminated in accordance with the terms of that agreement or otherwise.

Application has been made to the GEM Listing Committee for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at Latest Practicable Date, no option has been granted or agreed to be granted by the Company under the Share Option Scheme.

V. OTHER INFORMATION

(a) Estate duty, tax and property indemnities

Each of Easywin, Mr. Wang and Ms. Zhao (the “Indemnifying Parties”) has pursuant to a deed of indemnity referred to in the paragraph headed “Further information about the business – Summary of material contracts” in this Appendix, given indemnities in connection with among others (1) any liability for Hong Kong estate duty which might be payable by any member of the Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of the Group on or before the date on which the Placing becomes unconditional; (2) any taxation which might be payable by any member of the Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the date on which the Placing becomes unconditional, other than any taxation chargeable in respect of profits or gains made in the ordinary course of business of members of the Group after 31 December 2000; (3) certain properties in the valuation report as set out in Appendix III to this prospectus.

Each of the Indemnifying Parties will, however, not be liable under the deed of indemnity for taxation where (1) provision or allowance has been made for such taxation in the audited combined accounts of the Company or the audited accounts of any member of the Group for the three years ended 31 December 2000 (the “Accounts”); (2) the taxation arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force

after the date of the deed of indemnity; (3) the taxation or liability would not have arisen but for any act, transaction, omission or delay by any member of the Group voluntarily effected after the date of the deed of indemnity (other than pursuant to a legally binding commitment created on or before the date of indemnity) without the prior consent of the Indemnifying Parties; and (4) provision or reserve made for such taxation in the Accounts is established to be an over-provision or an excessive reserve.

The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands, the British Virgin Islands or the PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

(b) Litigation

No member of the Group and none of the Acquisition Companies are engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group or the Acquisition Companies.

(c) Address for service of process and notices

Ms. Lam Hiu Ha has been nominated as the agent to accept service of process and notices of the Company. The address for service of process and notices is Room 4202, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

(d) Sponsor

Rothschild has made an application on behalf of the Company to the GEM Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares falling to be issued pursuant to the exercise of options granted under the Share Option Scheme.

(e) Preliminary expenses

The preliminary expenses of the Company are estimated to be approximately US\$3,063 and are payable by the Company.

(f) Promoter

The promoter of the Company are the Founders. As at the Latest Practicable Date, the issued share capital of the Company was HK\$19,400,000 divided into 194,000,000 shares of HK\$0.10 each which are fully paid or credited as fully paid.

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Placing or the related transactions described in this prospectus.

(g) Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Chesterton Petty Limited	Professional surveyors and valuers
Commerce & Finance Law Offices	PRC legal adviser
Deloitte Touche Tohmatsu	Certified Public Accountants
Maples and Calder Asia	Cayman Islands attorneys-at-law
Rothschild	Registered investment adviser

(h) Consents of experts

Each of Chesterton Petty Limited, Commerce & Finance Law Offices, Deloitte Touche Tohmatsu, Maples and Calder Asia and Rothschild has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate and/or the references to its name included herein in the form and context in which they are respectively included.

(i) Binding effect

This prospectus shall have the effect if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

(j) Commissions received

The Underwriters will receive an underwriting commission of 3.5% on the Placing Price of all the Placing Shares.

(k) Related party transactions

The Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as set out in Note (k) to the section headed “Results” in the accountants’ report for the Company as set out in Appendix I to this prospectus, the section headed “Waivers from compliance with the GEM Listing Rules” and the paragraph headed “The Group’s business – Transactions with connected persons” in this prospectus.

(l) Miscellaneous

(1) Save as disclosed in this prospectus:

- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (iii) no founders, management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued; and
 - (iv) within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries.
- (2) None of Chesterton Petty Limited, Commerce & Finance Law Offices, Deloitte Touche Tohmatsu, Maples and Calder Asia and Rothschild:
- (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.
- (3) No company within the Group is presently listed on any stock exchange or traded on any trading system.
- (4) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.