

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:*

“Acquisition Agreement(s)”	the three conditional acquisition agreements all dated 31 January 2001 and entered into between XGCL as vendor and each of Pinggu BVI, Huangdao BVI and Changping BVI as purchasers in relation to the acquisition of a 70% interest in Jinggu Xinao, a 90% interest in Qingdao Xinao and an 80% interest in Jingchang Xinao, respectively, as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – Acquisition Companies” in this prospectus
“Acquisition Companies”	Jinggu Xinao, Qingdao Xinao and Jingchang Xinao
“Articles of Association”	the articles of association of the Company
“associate”	shall have the meaning ascribed thereto in the GEM Listing Rules
“Beijing Xinao”	北京新奧燃氣有限公司 (Beijing Xinao Gas Company Limited*), a Sino-foreign equity joint venture established in the PRC on 8 August 2000 in which Miyun BVI has an 80% interest and 北京市密雲化工公司 (Beijing City Miyun Chemicals Company*, an independent third party not associated with the connected persons of the Company, as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – Existing Project Companies” in this prospectus) has a 20% interest. Beijing Xinao is the successor of a PRC company bearing the same name as Beijing Xinao established on 10 September 1999 and was then owned as to 80% by XGCL
“branch pipeline”	a pipeline which is laid within an Operational Location connecting a main pipeline with a pressure regulating box
“CCASS”	the Central Clearing and Settlement System established and operated by Hongkong Clearing
“Capitalisation Issue”	the issue of Shares upon capitalisation of the Shareholder’s loans referred to in the paragraph headed “Further information about the Company – Changes in share capital” in Appendix V to this prospectus
“Changping BVI”	Xinao Changping Investment Limited, a company incorporated in the British Virgin Islands on 19 December 2000 with limited liability which is an indirect wholly-owned subsidiary of the Company and is an investment holding company

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“Chengyang BVI”	Xinao Chengyang Investment Limited, a company incorporated in the British Virgin Islands on 15 August 2000 with limited liability which is an indirect wholly-owned subsidiary of the Company and is an investment holding company
“Chengyang Xinao”	城陽新奧燃氣有限公司 (Chengyang Xinao Gas Company Limited*), a Sino-foreign equity joint venture to be established pursuant to Project Chengyang. Chengyang Xinao will be owned as to 90% by Chengyang BVI and 10% by 青島市城陽區建設工程監理處 (Qingdao City Chengyang District Construction Engineering Supervisory Office*, an independent third party not associated with the connected persons of the Company, as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – New Project Companies” in this prospectus)
“Companies Law”	the Companies Law (2001 Revision) (Chapter 22 of the Laws of the Cayman Islands)
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Company”	Xinao Gas Holdings Limited, an exempted company incorporated in the Cayman Islands on 20 July 2000 with limited liability
“connected person(s)”	shall have the meaning ascribed thereto in the GEM Listing Rules
“customers’ pipeline”	a pipeline which is laid within the relevant customer’s premises and connected to a pressure regulating box
“Director(s)”	the director(s) of the Company
“Easywin”	Easywin Enterprises Limited, a company incorporated in the British Virgin Islands on 18 July 2000 with limited liability which is owned as to 50% by Mr. Wang and 50% by Ms. Zhao and is an investment holding company
“Enlarged Group”	the Group as enlarged after the listing of Shares on GEM and following the completion of the acquisition of the Acquisition Companies and the establishment of the New Project Companies
“Existing Project Companies”	Langfang Xinao, Liaocheng Xinao, Beijing Xinao and Huludao Xinao
“Founders”	Mr. Wang and Ms. Zhao

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“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries or any of them or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company or their predecessors (before their conversion into Sino-foreign equity joint ventures)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongkong Clearing”	Hong Kong Securities Clearing Company Limited
“Huangdao BVI”	Xinao Huangdao Investment Limited, a company incorporated in the British Virgin Islands on 19 December 2000 with limited liability which is an indirect wholly-owned subsidiary of the Company and is an investment holding company
“Huludao BVI”	Xinao Huludao Investment Limited, a company incorporated in the British Virgin Islands on 25 May 2000 with limited liability which is an indirect wholly-owned subsidiary of the Company and is an investment holding company
“Huludao Xinao”	葫蘆島新奧燃氣有限公司 (Huludao Xinao Gas Company Limited*), a Sino-foreign equity joint venture established in the PRC on 7 August 2000 in which Huludao BVI has a 90% interest and 葫蘆島市城市建設投資有限公司 (Huludao City Urban Construction Investment Company Limited*, an independent third party not associated with the connected persons of the Company, as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – Existing Project Companies” in this prospectus) has a 10% interest. Huludao Xinao is the successor of a PRC company bearing the name 葫蘆島市新奧天然氣有限責任公司 (Huludao City Xinao Natural Gas Limited Liability Company*) established on 24 December 1999 and was then owned as to 90% by XGCL
“ICEA” or “Global Co-ordinator”	ICEA Capital Limited, the global co-ordinator, lead manager and bookrunner of the Placing and a registered dealer under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“Initial Management Shareholder(s)”	Easywin, Mr. Wang and Ms. Zhao
“intermediate pipeline”	a pipeline connecting a long distance pipeline with a processing station

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“Jingchang Xinao”	北京新奧京昌燃氣有限公司(Beijing Xinao Jingchang Gas Company Limited*), a company established in the PRC on 16 November 2000 with limited liability, which is owned as to 80% by XGCL and 20% by 北京市昌平市政經濟發展總公司(Beijing City Changping Urban Economic Development Corporation*, an independent third party not associated with the connected persons of the Company, as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – Acquisition Companies” in this prospectus). Upon completion of the relevant Acquisition Agreement, Jingchang Xinao will change its legal status to a Sino-foreign equity joint venture and will be owned as to 80% by Changping BVI
“Jinggu Xinao”	北京新奧京谷燃氣有限公司(Beijing Xinao Jinggu Gas Company Limited*), a company established in the PRC on 11 August 2000 with limited liability, which is owned as to 70% by XGCL and 30% by 平谷縣液化石油氣公司(Pinggu County LPG Company*, an independent third party not associated with the connected persons of the Company, as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – Acquisition Companies” in this prospectus). Upon completion of the relevant Acquisition Agreement, Jinggu Xinao will change its legal status to a Sino-foreign equity joint venture and will be owned as to 70% by Pinggu BVI
“Jingzhou BVI”	Xinao Jingzhou Investment Limited, a company incorporated in the British Virgin Islands on 15 August 2000 with limited liability which is an indirect wholly-owned subsidiary of the Company and is an investment holding company
“Jingzhou Xinao”	荊州新奧燃氣有限公司(Jingzhou Xinao Gas Company Limited*), a Sino-foreign equity joint venture to be established pursuant to Project Jingzhou. Jingzhou Xinao will be owned as to 80% by Jingzhou BVI and 20% by 荊州市城市建設投資開發公司(Jingzhou City Urban Construction Investment Development Company*, an independent third party not associated with the connected persons of the Company, as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – New Project Companies” in this prospectus)
“Langfang BVI”	Xinao Langfang Investment Limited, a company incorporated in the British Virgin Islands on 21 February 2000 with limited liability which is an indirect wholly-owned subsidiary of the Company and is an investment holding company

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“Langfang City Gas”	廊坊市天然氣有限公司 (Langfang City Natural Gas Company Limited*), a company established in the PRC on 26 October 1992 and controlled and 100% indirectly owned by Mr. Wang’s family (with Mr. Wang owning an indirect interest of approximately 93.2%)
“Langfang Xinao”	廊坊新奧燃氣有限公司 (Langfang Xinao Gas Company Limited*), a Sino-foreign equity joint venture established in the PRC on 28 March 1993 in which Langfang BVI has a 95% interest and Langfang City Gas has a 5% interest
“Latest Practicable Date”	23 April 2001, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Liaocheng BVI”	Xinao Liaocheng Investment Limited, a company incorporated in the British Virgin Islands on 26 April 2000 with limited liability which is an indirect wholly-owned subsidiary of the Company and is an investment holding company
“Liaocheng Xinao”	聊城新奧燃氣有限公司 (Liaocheng Xinao Gas Company Limited*), a Sino-foreign equity joint venture company established in the PRC on 8 August 2000 in which Liaocheng BVI has a 90% interest and 聊城市熱力公司 (Liaocheng City Heating Company*, an independent third party not associated with the connected persons of the Company, as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – Existing Project Companies” in this prospectus) has a 10% interest. Liaocheng Xinao is the successor of a PRC company bearing the name 聊城市天然氣有限公司 (Liaocheng City Natural Gas Company Limited*) established on 11 June 1999 and was then owned as to 90% by XGCL
“Listing Date”	10 May 2001, the date on which dealings in the Shares on GEM are expected to commence
“long distance pipeline”	a pipeline used for the transmission of natural gas from a gas source to major gas consumption areas
“Main Board”	the securities market operated by the Stock Exchange under the Rules Governing the Listing of Securities on the Stock Exchange. For avoidance of doubt, the Main Board excludes GEM
“main pipeline”	a pipeline which is laid underneath major roads or streets within an Operational Location connecting a processing station with branch pipelines

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“Memorandum”	the memorandum of association of the Company
“Miyun BVI”	Xinao Miyun Investment Limited, a company incorporated in the British Virgin Islands on 26 April 2000 with limited liability which is an indirect wholly-owned subsidiary of the Company and is an investment holding company
“Mr. Wang”	Mr. Wang Yusuo (王玉鎖), the chairman of the Company and an executive Director, and the spouse of Ms. Zhao
“Ms. Zhao”	Ms. Zhao Baoju (趙寶菊), a non-executive Director and the spouse of Mr. Wang
“New Project Companies”	Jingzhou Xinao, Chengyang Xinao and Zhucheng Xinao to be established pursuant to Project Jingzhou, Project Chengyang and Project Zhucheng, respectively
“New Projects”	Project Jingzhou, Project Chengyang and Project Zhucheng
“Newstar”	Newstar Australia Pty. Ltd., a company incorporated in Australia on 3 September 1996 with limited liability which is wholly-owned by Ms. Zhao and is an investment holding company
“Operational Location(s)”	existing or future location(s) in the PRC at which any member of the Group operates, or intends to operate, piped gas business from time to time
“Over-allotment Option”	the option to be granted by the Company to Underwriters pursuant to the Placing Agreement under which ICEA (on behalf of the Underwriters) will have the right to require the Company to allot and issue up to an aggregate of 27,000,000 additional new Shares at the Placing Price solely to cover over-allocations in the Placing, if any
“Pinggu BVI”	Xinao Pinggu Investment Limited, a company incorporated in the British Virgin Islands on 19 December 2000 with limited liability which is an indirect wholly-owned subsidiary of the Company and is an investment holding company
“Placing”	the placing of 180,000,000 Placing Shares (subject to the Over-allotment Option) at the Placing Price and subject to the terms and conditions as further described in the section headed “Placing structure and expenses” in this prospectus
“Placing Agreement”	the placing and underwriting agreement dated 26 April 2001 entered into between, among others, the Company and the Underwriters relating to the Placing

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“Placing Price”	the price per Placing Shares, which will not be more than HK\$1.25 and is expected to be not less than HK\$1.15 per Placing Share, to be fixed at or prior to 5:00 p.m. on the Price Determination Date. The Company and ICEA (on behalf of the Underwriters) may agree to a Placing Price of less than HK\$1.15 per Share at any time prior to the relevant price determination time if, based on the level of interest expressed by prospective investors during the book building process, a reduction is considered appropriate. In such case, notice of the reduction in the indicative Placing Price will be published on the GEM website on the business day after such determination
“Placing Share(s)”	the new Share(s) being offered for subscription under the Placing and, where applicable, together with any additional new Shares to be issued pursuant to the exercise of the Over-allotment Option
“PRC” or “China”	the People’s Republic of China, which for the purposes of this prospectus, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“pressure regulating box”	a box size device usually located at the customer’s premises adjusting the gas pressure before the gas is transmitted into the customers’ pipeline
“Price Determination Agreement”	the agreement to be entered into between the Company and ICEA (on behalf of the Underwriters) at or prior to 5:00 p.m. on the Price Determination Date, which will record the agreed Placing Price. If the price cannot be determined at or prior to 5:00 p.m. on the Price Determination Date, the proposed Placing will not become unconditional and will become void
“Price Determination Date”	the date on which the proposed Placing Price shall be fixed, which is expected to take place on or before 7 May 2001, or such other date as may be agreed by the Company and ICEA (on behalf of the Underwriters)
“processing station”	a station normally located on the outskirts of an Operational Location with facilities to store, transmit, depressurise, measure and add odour to gas. In addition, backup facilities such as CNG depressurising facilities, pressurising facilities and LPG air mixing facilities may be installed at such station
“Project Chengyang”	the project relating to the provision of piped gas to Chengyang district centre by way of establishment of Chengyang Xinao as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – New Projects – Project Chengyang” in this prospectus

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“Project Companies”	the Existing Project Companies, the Acquisition Companies and the New Project Companies
“Project Jingzhou”	the project relating to the provision of piped gas to Jingzhou district centre by way of establishment of Jingzhou Xinao as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – New Projects – Project Jingzhou” in this prospectus
“Project Zhucheng”	the project relating to the provision of piped gas to Zhucheng district centre by way of establishment of Zhucheng Xinao as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – New Projects – Project Zhucheng” in this prospectus
“Qingdao Xinao”	青島新奧燃氣有限公司 (Qingdao Xinao Gas Company Limited*), a company established in the PRC on 30 October 2000 with limited liability, which is owned as to 90% by XGCL and 10% by 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*, an independent third party not associated with the connected persons of the Company, as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – Acquisition Companies” in this prospectus). Upon completion of the relevant Acquisition Agreement, Qingdao Xinao will change its legal status to a Sino-foreign equity joint venture and will be owned as to 90% by Huangdao BVI
“Regulation S”	Regulation S under the Securities Act
“Relevant Shares”	the number of Shares to be held or deemed to be held by an Initial Management Shareholder immediately prior to the listing as more particularly set out in the paragraph headed “Substantial and Initial Management Shareholders – Restriction on disposal of shares by Initial Management Shareholders” in this prospectus
“Reorganisation”	the reorganisation of the group of companies now comprising the Group as more particularly described in the paragraph headed “Corporate reorganisation” in Appendix V to this prospectus
“Rothschild” or “Sponsor”	N M Rothschild & Sons (Hong Kong) Limited
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)



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“Securities Act”	the US Securities Act of 1933, as amended
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Share Option Scheme”	the share option scheme for employees and directors of the Group conditionally adopted by the Company on 24 April 2001, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix V to this prospectus
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Track Record Period”	the period comprising the three financial years ended 31 December 2000
“US” or “United States”	the United States of America
“Underwriters”	ICEA, CLSA Limited, The Bank of East Asia, Limited, DBS Asia Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Kingsway SW Securities Limited, Sun Hung Kai International Limited and Tai Fook Securities Company Limited
“XGCL”	新奧集團股份有限公司(Xinao Group Company Limited*), a joint stock limited company established in the PRC on 5 August 1997 and controlled by and indirectly owned as to approximately 50.7% by Mr. Wang
“XGCL Group”	XGCL and its subsidiaries
“Xinao Gas Investment”	Xinao Gas Investment Group Limited, a company incorporated in the British Virgin Islands on 4 January 2000 with limited liability which is a direct wholly-owned subsidiary of the Company and is an investment holding company
“Zhucheng BVI”	Xinao Zhucheng Investment Limited, a company incorporated in the British Virgin Islands on 10 August 2000 with limited liability which is an indirect wholly-owned subsidiary of the Company and is an investment holding company

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“Zhucheng Xinao”	諸城新奧燃氣有限公司 (Zhucheng Xinao Gas Company Limited*), a Sino-foreign equity joint venture to be established pursuant to Project Zhucheng. Zhucheng Xinao will be owned as to 80% by Zhucheng BVI and 20% by 諸城市燃氣熱力總公司 (Zhucheng City Gas and Heating Corporation*, an independent third party not associated with the connected persons of the Company, as more particularly described in the paragraph headed “The Group’s business – Description of the Project Companies – New Project Companies” in this prospectus)
“HK\$” or “cents”	Hong Kong dollars or cents, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States
“%”	percentage
“km”	kilometre
“km <sup>2</sup> ”	square kilometre
“m <sup>2</sup> ” or “sq.m.”	square metre
“m <sup>3</sup> ”	cubic metre
“sq.ft.”	square feet

For the purposes of this prospectus, unless otherwise indicated, the following exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts have been, could have been or may be exchanged at these or any other rates:

$$\begin{aligned}HK\$7.80 &= US\$1.00 \\HK\$1.00 &= RMB1.06\end{aligned}$$

\* For identification only