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XINAO GAS HOLDINGS LIMITED
(新 奧 燃 氣 控 股 有 限 公 司)

(Incorporated in the Cayman Islands with limited liability)

(Website: www.xinaogas.com)

ANNOUNCEMENT
IN RELATION TO THE FACILITY AGREEMENT

The Board would like to announce that on 22 August 2003, the Company as borrower has entered into the Facility Agreement with certain financial institutions whereby subject to the terms of the Facility Agreement, the Lenders have agreed to make available to the Company a syndicated term loan facility in an aggregate amount of US\$45 million (equivalent to HK\$351 million). The terms of the Facility Agreement impose certain obligations on Easywin, the controlling shareholder of the Company, in relation to the ownership and control of the Company, the breach of which may affect the operations of the Company.

This announcement is made pursuant to paragraph 3.7.1 of Practice Note 19 of the Listing Rules.

THE FACILITY AGREEMENT

The Board would like to announce that on 22 August 2003, the Company as borrower has entered into the Facility Agreement with certain financial institutions whereby subject to the terms of the Facility Agreement, the Lenders have agreed to make available to the Company the Facility up to an aggregate amount of US\$45 million (equivalent to HK\$351 million).

The life of the Facility shall fall on 22 August 2006, being 36 months after the date of the Facility Agreement and the Facility bears interest at a floating rate of LIBOR plus 1.45% per annum. As at 31 December 2002, the Group's total bank and other borrowings amounted to RMB467.4 million (equivalent to approximately HK\$440.9 million), including a three-year syndicated loan of US\$30 million (equivalent to HK\$234 million) signed in September 2002, which bears interest at a floating rate of LIBOR plus 1.60% per annum. The remaining borrowings are denominated in RMB granted by local banks in PRC which bear interest in the range of 5.00% to 6.50% per annum.

The Facility Agreement was entered into after arm's length negotiation and the Board considers that terms of the Facility Agreement are fair and reasonable and the Facility Agreement is in the interest of the Shareholders as a whole.

Specific performance obligations imposed on Easywin

The terms of the Facility Agreement impose the following obligations on Easywin, the controlling shareholder of the Company, during the life of the Facility:

- (1) Easywin shall own or continue to own, directly or indirectly, at least 40% of the voting share capital of the Company;
- (2) Easywin shall be wholly-owned or continue to be wholly-owned by Mr Wang Yusuo, the chairman of the Company and an executive Director and Ms Zhao Baoju, his spouse and a non-executive Director; and
- (3) The Company shall be controlled or continue to be controlled by Easywin.

Any breach of the aforesaid obligations shall be an event of default under the Facility Agreement, the occurrence of which will entitle the Lenders to:

- (i) cancel the Facility immediately;
- (ii) declare that all or part of the Facility, together with accrued interest, and all other amounts accrued or outstanding under the Facility Agreement and any other relevant documents be immediately due and payable; and/or
- (iii) declare that all or part of the Facility be payable on demand.

The Facility represents approximately 71% of the Group's total borrowings as at 31 December 2002. Considering the size of the Facility, the Board is of the view that the occurrence of the aforesaid event of default may adversely affect the operations of the Company.

This announcement is made pursuant to paragraph 3.7.1 of Practice Note 19 of the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Company”	Xinao Gas Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Easywin”	Easywin Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 50% by Mr Wang Yusuo, the chairman of the Company and an executive Director and 50% by Ms Zhao Baoju, the spouse of Mr Wang Yusuo and a non-executive Director; and it beneficially holds 408 million shares in the Company, representing approximately 55.36% of the total issued share capital of the Company as at the date of this announcement

“Facility”	a syndicated term loan facility in US\$ in an aggregate amount equal to US\$45 million (equivalent to HK\$351 million)
“Facility Agreement”	a facility agreement dated 22 August 2003 entered into by, amongst other parties, the Company as borrower and the Lenders as lenders in relation to the Facility
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Lenders”	certain financial institutions as referred to in the Facility Agreement
“LIBOR”	the London Inter-Bank Offer Rate as quoted on the relevant day in relation to the relevant loan under the Facility
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this announcement, the following exchange rates have been used:

HK\$7.80 = US\$1.00
 HK\$1.00 = RMB1.06

By order of the Board
XINAO GAS HOLDINGS LIMITED
CHENG Chak Ngok
Executive Director and Company Secretary

Hong Kong, 22 August 2003

Please also refer to the published version of this announcement in The Standard and Hong Kong Economic Times.