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新奥燃气控股有限公司
XinAo Gas Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2688)

(Website: www.xinaogas.com)

ANNOUNCEMENT

**(1) LOAN FACILITIES WITH COVENANTS RELATING TO
SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS
UNDER LISTING RULE 13.18**

**(2) SALE OF SHARES IN THE COMPANY BY THE CONTROLLING
SHAREHOLDER**

The Board would like to announce that on 18 May 2004, each of the Borrowers as borrower has entered into the Loan Agreement with IFC as lender whereby subject to the terms of the Loan Agreements, IFC has agreed to make available to the Borrowers certain loan facilities in the aggregate principal amount of US\$25 million (equivalent to HK\$194.8 million). Pursuant to the terms of the Loan Agreements, the Company, Mr. Wang and the Borrowers have entered into the Share Retention Agreement with IFC on 18 May 2004 whereby certain obligations were imposed on Mr. Wang and Ms. Zhao, the controlling shareholders of the Company, in relation to the ownership of the Company. Mr. Wang and Ms. Zhao are the beneficial and legal owners of Easywin, the controlling shareholder of the Company, which is owned as to 50% by Mr. Wang and 50% by Ms. Zhao as at the date of this announcement.

The Board would also like to announce that on 18 May 2004, Easywin, the controlling shareholder of the Company, has entered into the Share Sale and Purchase Agreement with IFC whereby Easywin has agreed to sell and IFC has agreed to purchase 23,514,000 shares in the Company at US\$10 million (equivalent to HK\$77.92 million) (net of expenses).

This announcement regarding the Share Retention Agreement is made pursuant to rule 13.18 of the Listing Rules.

LOAN FACILITIES WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS UNDER LISTING RULE 13.18

The Board would like to announce that on 18 May 2004, each of the Borrowers as borrower has entered into the Loan Agreement with IFC as lender whereby subject to the terms of the Loan Agreements, IFC has agreed to make available to the Borrowers certain loan facilities in the aggregate principal amount of US\$25 million (equivalent to HK\$194.8 million). The final repayment date of the loan facilities under the Loan Agreements shall fall on 15 June 2009. During each Interest Period, the loan facilities under the Loan Agreements shall bear interest at the applicable Interest Rate for that Interest Period.

Pursuant to the terms of the Loan Agreements, the Company, Mr. Wang and the Borrowers have entered into the Share Retention Agreement with IFC on 18 May 2004 whereby Mr. Wang has agreed that, so long as any monies remain due or to become due and owing by the Borrowers to IFC under or in respect of the Loan Agreements, he and Ms. Zhao will own, in aggregate, directly or, at any time that he and Ms. Zhao own in aggregate all the shares in the capital of Easywin, indirectly through Easywin, at least 35% of the issued share capital of the Company. Mr. Wang and Ms. Zhao are the beneficial and legal owners of Easywin, which is owned as to 50% by Mr. Wang and 50% by Ms. Zhao as at the date of this announcement.

If there is a failure to comply with the aforesaid obligations and any such failure continues for a period of 30 days after the date on which IFC notifies the Borrowers of that failure, it shall be an event of default under the Loan Agreements, the occurrence of which will entitle IFC to demand the Borrowers to immediately repay all the outstanding amount of the loan facilities under the Loan Agreements, all the interests accrued thereon and all other amounts payable under all the relevant loan documents.

This announcement regarding the Share Retention Agreement is made pursuant to rule 13.18 of the Listing Rules.

SALE OF SHARES IN THE COMPANY BY THE CONTROLLING SHAREHOLDER

The Board would also like to announce that on 18 May 2004, Easywin, the controlling shareholder of the Company, has entered into the Share Sale and Purchase Agreement with IFC whereby Easywin has agreed to sell and IFC has agreed to purchase 23,514,000 shares in the Company (representing approximately 2.71% of the total issued share capital of the Company as at the date of this announcement) at US\$10 million (equivalent to HK\$77.92 million) (net of expenses), equivalent to HK\$3.31 per share, representing an approximately 14.1% premium of the closing price of the shares in the Company as at 18 May 2004 and representing an approximately 7.21% premium of the average closing price of the shares in the Company for the 10 consecutive days ending 18 May 2004. The completion date of the Share Sale and Purchase Agreement shall be 21 May 2004, being the third business day after 18 May 2004. Upon the completion of the Share Sale and Purchase Agreement, Easywin will hold 384,486,000 shares in the Company and its shareholding in the Company will be reduced from 47.05% to 44.34%.

IFC has agreed that for a period of six months commencing 18 May 2004, being the date of the Share Sale and Purchase Agreement, it will not sell, transfer, or otherwise dispose of any of its interests in the shares acquired under the Share Sale and Purchase Agreement. The Company understands that IFC intends to hold the Company's shares and become a long-term strategic investor of the Company.

DEFINITIONS

“Board”	the board of Directors
“Borrowers”	石家莊新奧燃氣有限公司 (Shijiazhuang Xinao Gas Company Limited*) located in Hebei Province, PRC; 蚌埠新奧燃氣有限公司 (Bengbu Xinao Gas Company Limited*) located in Anhui Province, PRC; and 湘潭新奧燃氣有限公司 (Xiangtan Xinao Gas Company Limited*) located in Hunan Province, PRC
“Company”	Xinao Gas Holdings Limited (新奧燃氣控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of 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 and 50% by Ms. Zhao; it beneficially holds 408 million shares in the Company, representing approximately 47.05% of the total issued share capital of the Company as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“IFC”	the International Finance Corporation, a member and the private section arm of the World Bank Group with 176 member countries including PRC as at the date of this announcement; its mission is to promote sustainable private sector investment in developing member countries, helping to reduce poverty and improve people’s lives
“Interest Payment Date”	15 March, 15 June, 15 September or 15 December of any year (provided that when the day on which a payment is due to be made is not a business day, that payment shall be made on the next succeeding business day)
“Interest Period”	each period of three months, in each case beginning on an Interest Payment Date and ending on the day immediately before the next following Interest Payment Date
“Interest Rate”	the interest rate for any Interest Period shall be the rate which is the sum of : (i) 1.5% per annum; (ii) LIBOR on the second business day before the beginning of each Interest Period for that Interest Period for three month United States Dollar deposits
“LIBOR”	London Interbank Offer Rate

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreements”	the three loan agreements all dated 18 May 2004 entered into by each of the Borrowers as borrower respectively and IFC as lender, each the Loan Agreement
“Mr. Wang”	Mr. Wang Yusuo (王 玉 鎖 先 生), the chairman of the Company, an executive Director and a controlling shareholder of the Company as at the date of this announcement
“Ms. Zhao”	Ms. Zhao Baoju (趙 寶 菊 女 士), the spouse of Mr. Wang, a non-executive Director and a controlling shareholder of the Company as at the date of this announcement
“PRC”	the People’s Republic of China
“Share Retention Agreement”	the share retention agreement dated 18 May 2004 entered into among Mr. Wang, the Company, the Borrowers and IFC pursuant to the Loan Agreements
“Share Sale and Purchase Agreement”	the share sale and purchase agreement dated 18 May 2004 entered into between Easywin and IFC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$” or “United States Dollar(s)”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

In this announcement, the following exchange rate has been used:

HK\$7.792 = US\$1.00

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

Hong Kong, 19 May 2004

As at the date of this announcement, the executive Directors are Mr. Wang Yusuo (Chairman), Mr. Yang Yu (Chief Executive Officer), Mr. Chen Jiacheng, Mr. Zhao Jinfeng, Mr. Qiao Limin, Mr. Jin Yongsheng, Mr. Yu Jianchao, Mr. Cheung Yip Sang and Mr. Cheng Chak Ngok; the non-executive Director is Ms. Zhao Baoju; and the independent non-executive Directors are Mr. Wang Guangtian and Mr. Xu Liang.

* For identification purposes only

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