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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](http://www.xinaogas.com))*

## ANNOUNCEMENT

### CONTINUING CONNECTED TRANSACTIONS

The Existing Waiver granted by the Stock Exchange on 27 May 2002 from strict compliance with the relevant requirements of the Listing Rules in respect of the Existing Continuing Connected Transactions expired on 31 December 2004.

The Board wishes to announce that on 31 January 2005 the Group has entered into the New Agreements with the Wang Family Companies. As Mr. Wang is a substantial shareholder of the Company, the New Continuing Connected Transactions contemplated under the New Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The New Continuing Connected Transactions are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and the Non-Exempt Continuing Connected Transaction will also have to be approved by the Independent Shareholders by way of poll at the EGM.

A circular containing, inter alia, details of the Non-Exempt Continuing Connected Transaction, letters from the Independent Board Committee and an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transaction, together with a notice to convene the EGM for approving the Non-Exempt Continuing Connected Transaction will be despatched to the Shareholders as soon as practicable.

#### BACKGROUND

On 27 May 2002, Stock Exchange granted the Company the Existing Waiver in respect of the Existing Continuing Connected Transactions, a brief summary of which is set out below:

- (1) Transactions between the Group and Langfang Property Management pursuant to their property management service agreements and supplemental property management service agreements whereby Langfang Property Management agreed to provide the Group with property management services to two properties (with a total gross floor area of 14,974 m<sup>2</sup>) in Langfang City, PRC occupied by the Group at an aggregate annual management fee of RMB1,380,000 (equivalent to approximately HK\$1,302,000) for a term of four years commencing 1 January 2001 ("**Transaction 1**");

\* *For identification only*

- (2) Transactions between the Group and XGCL pursuant to their property leasing agreement and supplemental property leasing agreement whereby the Group agreed to lease to XGCL certain property in Langfang City, PRC (with a total gross floor area of 3,299 m<sup>2</sup>) at an annual rental of RMB1,039,185 (equivalent to approximately HK\$980,000) plus a reimbursement of management fee on the basis of RMB80 per m<sup>2</sup> for a term of four years commencing 1 January 2001 (“**Transaction 2**”);
- (3) Transactions between the Group and Langfang Xincheng and between the Group and Beijing Guangxia pursuant to the provision of gas connection services agreements whereby the Group, in the ordinary course of its business, provided gas connection services for property developments of Langfang Xincheng and Beijing Guangxia, at connection fees agreed, or to be agreed, by reference to the Group’s similar transactions with Independent Third Parties and having been arrived at, or to be arrived at, after arm’s length negotiations (“**Transaction 3**”); and
- (4) Transactions between the Group and Xinao Machinery and between the Group and Enric Compressor pursuant to the acquisition of equipments and assembly services whereby the Group, in the ordinary course of its business, purchased equipments and assembly services from Xinao Machinery and Enric Compressor, at considerations agreed, or to be agreed, on normal commercial terms (“**Transaction 4**”).

Pursuant to the Existing Waiver, the aggregate consideration of each of the Existing Continuing Connected Transactions for each of the three financial years ended 31 December 2004 shall not exceed the maximum aggregate annual value (“**cap**”) set out below:

<b>Transaction type</b>	<b>Annual cap amount</b>
Transaction 1	RMB1,380,000 (equivalent to approximately HK\$1,302,000)
Transaction 2	RMB1,303,105 (equivalent to approximately HK\$1,229,000)
Transaction 3	3% of net tangible assets of the Group
Transaction 4	5% of net tangible assets of the Group

The Existing Waiver expired on 31 December 2004.

#### **THE EXISTING CONTINUING CONNECTED TRANSACTIONS**

The aggregate value of each of the Existing Continuing Connected Transactions and/or the proportion of such aggregate values to the audited net tangible assets of the Group for each of the two financial years ended 31 December 2003 or to the unaudited net tangible assets of the Group for the six months ended 30 June 2004 are set out below:

<b>Transaction type</b>	<b>Financial year ended</b>		<b>6 months ended</b>
	<b>31/12/2002</b>	<b>31/12/2003</b>	<b>30/06/2004</b>
<b>Transaction 1</b>			
Aggregate value	RMB1,299,037	RMB1,380,000	RMB690,001
<b>Transaction 2</b>			
Aggregate value	RMB1,303,105	RMB1,303,105	RMB651,553
<b>Transaction 3</b>			
Aggregate value	RMB72,000	RMB1,920,000	RMB1,534,200
Proportion of aggregate value to the net tangible assets of the Group	0.01%	0.14%	0.08%
<b>Transaction 4</b>			
Aggregate value	RMB25,980,000	RMB10,701,942	RMB27,261,552
Proportion of aggregate value to the net tangible assets of the Group	2.55%	0.76%	1.37%

For each of the two financial years ended 31 December 2003, none of the aggregate value of the Existing Continuing Connected Transactions exceeded their respective annual cap amount under the Existing Waiver. Based on the aggregate value of the Existing Continuing Connected Transactions for the six months ended 30 June 2004, the Board anticipates that the aggregate value of the Existing Continuing Connected Transactions for the financial year ended 31 December 2004 will also be within their respective annual cap amount under the Existing Waiver.

### **THE NEW CONTINUING CONNECTED TRANSACTIONS**

The Group and the Wang Family Companies have, from time to time, entered into the Existing Continuing Connected Transactions and will continue to enter into such transactions and certain other new transactions on a regular basis. In light of this, on 31 January 2005, the Group and the Wang Family Companies entered into the New Agreements (the terms thereof are different from those of the agreements for the Existing Continuing Connected Transactions) in relation to the New Continuing Connected Transactions, brief particulars of which are set out below:

**(1) New Transaction 1 – “Property Management Service Agreement”**

*Date:* 31 January 2005

*Parties:*

- a. the Group
- b. Wang Family Companies

*Subject matter:*

Those Wang Family Companies being property management companies have agreed to provide the Group with property management services to the properties situated in the PRC occupied by the Group.

*Duration and fees:*

For the provision of the property management services by the Wang Family Companies, the Group will pay a management fee to be determined between the parties by reference to the market rate for a term of three years commencing 1 January 2005 provided such fee shall not be higher than the fee charged to Independent Third Parties for provision of similar services by the Wang Family Companies.

*Reasons for and benefits of the Property Management Services Agreement:*

As some of the Wang Family Companies are engaged in the provision of property management services and thus have the necessary expertise, the entering into of the Property Management Services Agreement will facilitate the operation of the Group. The consideration for the services under the Property Management Services Agreement was determined after arm's length negotiations between the parties thereto and will be no less favourable than terms the Group can otherwise obtain in the market. The Directors (including the independent non-executive Directors) are of the view that the terms of the Property Management Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Property Management Services Agreement is on normal commercial terms and is in the interest of the Company and its shareholders as a whole.

**(2) New Transaction 2 – “Property Leasing Agreement”**

*Date:* 31 January 2005

*Parties:*

- a. the Group
- b. Wang Family Companies

*Subject matter:*

Each of the Group and the Wang Family Companies has agreed to lease to each other certain properties owned by the Group and the Wang Family Companies respectively.

*Duration and fees:*

For the lease of the properties, the Group and the Wang Family Companies will pay to each other a rental fee to be determined by the parties by reference to the prevailing market rent (comparable to the rent payable for similar properties in proximity), taking into account various factors including the location, size, nature of the properties and length of the lease, of the particular premises for a term of three years commencing 1 January 2005.

*Reasons for and benefits of the Property Leasing Agreement:*

As the operations of the Group are located in close proximity to the facilities of the Wang Family Companies, the entering into of the Property Leasing Agreement would facilitate the operation of the Group. By leasing the factory premises and residential premises which are in close proximity to the operations of the Group from the Wang Family Companies at reasonable costs, the Directors believe that it would be beneficial and convenient to the Group's overall business operations. Before 2005, the Group has not been leasing premises from the Wang Family Companies. The Group has commenced leasing certain factory premises and residential premises from the Wang Family Companies in January 2005 but no rental fee has yet been paid to the Wang Family Companies. After execution of the Property Leasing Agreement, the Company intends to enter into specific lease agreements with these Wang Family Companies pursuant to the Property Leasing Agreement.

The Group had purchased certain properties in Langfang City, the PRC from the Wang Family Companies before the Shares were listed on the Stock Exchange in 2001. The said properties have since been used as the headquarters for the Group. As some of the management staff of the Group (Mr. Wang and Mr. Yang Yu) are also managing the businesses of certain Wang Family Companies, and in order to facilitate Mr. Wang and Mr. Yang to manage the businesses of the Group and these Wang Family Companies in an efficient manner, these Wang Family Companies therefore lease back certain unoccupied premises in the headquarters from the Group so as to facilitate the said management staff to oversee the businesses of the Group and the said Wang Family Companies in the same headquarters. Such transaction (i.e. Transaction 2) had been granted a waiver (i.e. Existing Waiver) from the Stock Exchange for strict compliance with the relevant requirements of the Listing Rules. By leasing of the unoccupied offices of the Group to the Wang Family Companies, the Group is able to generate revenue and to fully utilize its existing vacant office units. The Directors (including the independent non-executive Directors) are of the view that the terms of the Property Leasing Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Property Leasing Agreement is on normal commercial terms and is in the interest of the Company and its shareholders as a whole.

**(3) New Transaction 3 – “Product Sale Agreement”**

*Date:* 31 January 2005

*Parties:*

- a. the Group
- b. Wang Family Companies

*Subject matter:*

The Group has agreed to purchase and the Wang Family Companies have agreed to sell, in the ordinary course of its business, gas-related machinery and equipment manufactured by the Wang Family Companies (including but not limited to gas refueling stations, gas refueling daughter station trailers, storage tanks, CNG and LNG trailers and compressors).

*Duration and fees:*

For the purchase of products by the Group from time to time, the price payable shall be determined between the parties by reference to the market price of the particular products for a term of three years commencing 1 January 2005 provided no such price shall be less favourable than those offered by Independent Third Parties.

*Reasons for and benefits of the Product Sale Agreement:*

Since some projects of the Group are not yet connected to long distance pipelines, they need to use CNG or LNG trucks for transporting natural gas from the gas sources to the operation locations. Therefore, the companies have to purchase CNG and LNG trucks for transporting natural gas until those projects are connected with long distance pipelines. Also, the Directors (excluding the independent non-executive Directors) expect that starting from 2005, a large number of CNG vehicle refuelling stations will be constructed by the Group to increase gas usage in the long run. As a large number of public vehicles, including buses and taxis, are expected to be converted to using natural gas, the Directors (excluding the independent non-executive Directors) believe that it helps the Company to generate substantial and stable revenue and profits in the long run. As there are very few providers of the products contemplated under this agreement and the Wang Family Companies have long history in the provision of such products, the Directors (excluding the independent non-executive Directors) are of the view that entering into of this agreement will

benefit both parties and the terms of the Product Sale Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Product Sale Agreement is on normal commercial terms and is in the interest of the Company and its shareholders as a whole.

**(4) New Transaction 4 – “Finance Leasing Agreement”**

*Date:* 31 January 2005

*Parties:*

- a. the Group
- b. Wang Family Companies

*Subject matter:*

The Wang Family Companies have agreed, from time to time, to source capital for purchasing gas-related machinery and equipment (including but not limited to gas refueling stations and gas refueling daughter station trailers) at the direction of the Group and lease such equipment to the Group.

*Duration and fees:*

For the lease of equipment, the Group will pay a rental fee to be determined between the parties by reference to the prevailing lending interest rate in the PRC from time to time in compliance with the relevant regulations imposed by the governmental authority in the PRC for a term of three years commencing 1 January 2005 provided such fee shall not be higher than the fee charged to Independent Third Parties for leasing similar equipment by the Wang Family Companies.

*Reasons for and benefits of the Finance Leasing Agreement:*

Since various non-wholly owned subsidiaries of the Group require finance for the purchase of equipment for use in the ordinary course of their business, the entering into of the Finance Leasing Agreement enables such subsidiaries to obtain the use of such equipment by leasing the same from the Wang Family Companies. The Directors (including the independent non-executive Directors) are of the view that the terms of the Finance Leasing Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Finance Leasing Agreement is on normal commercial terms, on terms not less favourable than those offered by Independent Third Parties and is in the interest of the Company and its shareholders as a whole.

**COMPLIANCE WITH THE LISTING RULES**

Since the Board anticipates that the percentage ratios (other than the profit ratio) for New Transaction 3 on an annual basis will not be less than 2.5% and the annual consideration is expected to be higher than HK\$10,000,000, this Non-Exempt Continuing Connected Transaction will be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and will also be required to be approved by way of poll by the Independent Shareholders. The Non-Exempt Continuing Connected Transaction which will be required to be approved by the Independent Shareholders will also be subject to the following conditions:

- (1) the Non-Exempt Continuing Connected Transaction will be entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms, or where there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than those available to independent third parties; and
  - (iii) in accordance with the relevant agreement(s) governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (2) the relevant amount of the Non-Exempt Continuing Connected Transaction for each of the three financial years ending 31 December 2007 shall not exceed the relevant Annual Caps (as described below);
- (3) the independent non-executive Directors shall review annually the Non-Exempt Continuing Connected Transaction and confirm in the Company’s corresponding annual report that the Non-Exempt Continuing Connected Transaction has been conducted in the manner as stipulated in paragraph (1) above;

- (4) the auditors of the Company shall review annually the Non-Exempt Continuing Connected Transaction and confirm in a letter to the Directors (a copy of which shall be provided to the Stock Exchange) confirming whether such Non-Exempt Continuing Connected Transaction:
- (i) has received the approval of the Board;
  - (ii) is in accordance with the pricing policies of the Group;
  - (iii) has been entered into in accordance with the relevant agreement(s) governing the transactions; and
  - (iv) has not exceeded the relevant Annual Caps;
- (5) the Company shall promptly notify the Stock Exchange and publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in the paragraph (1), (3) and/or (4) respectively;
- (6) each of the member company of the Group shall provide to the Stock Exchange an undertaking and shall procure that the relevant counterparties to the Non-Exempt Continuing Connected Transaction that, for so long that the shares in the Company are listed on the Stock Exchange, it will provide the Company's auditors with sufficient access to the relevant records for the purpose of the auditors' review of the Non-Exempt Continuing Connected Transaction referred to in paragraph (4) above.

In addition to considering and approving, if thought fit, the Non-Exempt Continuing Connected Transaction, the Independent Shareholders will also consider the Annual Caps for the Non-Exempt Continuing Connected Transaction. After careful evaluation of the historical figures in the past years and forecasted figures in the coming three financial years and the anticipated development and growth of such businesses, the Board (excluding the independent non-executive Directors for New Transaction (3)) intends to set the Annual Caps for each of the New Continuing Connected Transactions as set out below (historical figures are also set out below for reference):

Nature of transaction	Annual Cap amount					
	31/12/2002 (RMB)	31/12/2003 (RMB)	30/06/2004 (RMB)	31/12/2005 (RMB)	31/12/2006 (RMB)	31/12/2007 (RMB)
(New Transaction 1)	1,299,037	1,380,000	690,001	2,500,000	2,500,000	2,500,000
(New Transaction 2)	1,303,105	1,303,105	651,553	3,500,000	3,500,000	3,500,000
(New Transaction 3)	25,980,000	10,701,942	27,261,552	160,000,000	250,000,000	360,000,000
(New Transaction 4)	Nil	Nil	Nil	22,000,000	37,000,000	55,000,000

The basis of determination of the respective Annual Caps for the New Continuing Connected Transactions are explained in the following:–

1. For New Transaction 1: by reference to the historical figures, the existing operation and the anticipated development and growth of such business, the Board expects that the total floor area which requires the engagement of the property management services from the Wang Family Companies will increase by around 26% for the years 2005 to 2007 compared to the figure in 2004. Accordingly, the Annual Caps are determined based on the projected total floor area to be covered by the property management service multiplied by the forecasted market rate.
2. For New Transaction 2: as the Group commences leasing factory premises and residential premises from the Wang Family Companies from 2005, the Board expects that the total floor area to be leased between the relevant parties will increase by more than 5.9 times for the years 2005 to 2007 compared to the figure in 2004. Accordingly, the Annual Caps are determined based on the projected total floor area multiplied by the forecasted market rent.
3. For New Transaction 3: the Board expects that the quantity of machinery and equipment to be purchased from the Wang Family Companies will increase year-on-year by approximately 83%, 31% and 26% in 2005, 2006 and 2007 respectively, mainly attributable to the introduction of a new line of business for building CNG vehicle refuelling stations in phases in various cities in the PRC. By reference to the existing operation and the anticipated development and growth of such business, the Board derives the projected number of CNG vehicle refuelling stations to be built

and the number of CNG or LNG trucks to be purchased for transporting natural gas to the project locations where gas pipelines are inaccessible. Based on the above, the Annual Caps are determined based on the projected number of sets of equipment needed multiplied by the market price of such equipment.

4. For New Transaction 4: in view of the introduction of the new line of business of building CNG vehicle refueling stations which requires capital to purchase necessary equipment, the Group needs to employ the financial leasing services provided by the Wang Family Companies as some of the project companies controlled by the Group are relatively small in size and do not have sufficient funding to support the development. By reference to the projected increase of 100%, 67% and 50% in the quantity of machinery and equipment to be purchased from the Wang Family Companies for building CNG vehicle refueling stations in 2005, 2006 and 2007 respectively, the Board estimates the number of projects which may require financial leasing service from which derived the Annual Caps.

Hence, the Board (excluding the independent non-executive Directors for New Transaction (3)) considers that the Annual Caps for each of the New Continuing Connected Transactions for the three financial years ending 31 December 2007 is fully justified.

In addition to prior approval of the Independent Shareholders for the Non-Exempt Continuing Connected Transaction, the Company will comply fully with the reporting and announcement requirements pursuant to Chapter 14A of the Listing Rules.

In view of the interests of Mr. Wang in the New Continuing Connected Transactions, Easywin, Mr. Wang, Ms. Zhao Baoju and their respective associates will abstain from voting in relation to the resolution approving the Non-Exempt Continuing Connected Transaction and the relevant Annual Caps at the EGM. The Independent Board Committee will be appointed to advise the Independent Shareholders on whether or not the terms of the Non-Exempt Continuing Connected Transaction and the Annual Caps for the Non-Exempt Continuing Connected Transaction are in the interests of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms and the Annual Caps for the Non-Exempt Continuing Connected Transaction are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interests of the Group and the Independent Shareholders as a whole.

For New Transactions 1, 2 and 4, as the Board anticipates that the percentage ratios (other than the profits ratio) on an annual basis will be less than 2.5% or is equal to or more than 2.5% but less than 25% and the annual consideration is less than HK\$10,000,000, these particular continuing connected transactions are exempt from the independent shareholders' approval requirements and shall only be subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

## **GENERAL**

The Group is one of the first non state-owned piped gas operators in the PRC. The principal business of the Group is the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped gas and liquefied petroleum gas in the PRC. Its business activities also consist of the sale of gas appliances and equipment, the production of stored value card gas meters and the provision of repair, maintenance and other services in connection with gas supply.

The Wang Family Companies are principally engaged in property development, design, manufacture and sale of compressors, pressure vessels and provisions of integrated business solutions in gas industry and the manufacture and sale of agricultural fertilizers. The Wang Family Companies are companies which are ultimately controlled (entitled to exercise, or control the exercise of 30% or more of the voting power at the general meeting of the relevant company) by Mr. Wang and his family members and their respective associates. As Mr. Wang is a substantial shareholder of the Company, the Wang Family Companies are therefore connected persons of the Company and the entering into of the New Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

A circular containing further details of the Non-Exempt Continuing Connected Transaction and the Annual Caps for the Non-Exempt Continuing Connected Transaction, letters from the Independent Board Committee and an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transaction, together with a notice to convene the EGM for approving the Non-Exempt Continuing Connected Transaction and the Annual Caps will be despatched to the Shareholders as soon as practicable.

## DEFINITIONS

“Annual Cap(s)”	the maximum aggregate annual value of the New Continuing Connected Transactions for each of the three financial years ending 31 December 2007
“associate(s)”	as such term is defined under the Listing Rules
“Beijing Guangxia”	北京新奧廣廈房地產開發有限公司 (Beijing Xinao Guangxia Property Development Company Limited*), a PRC-incorporated company which is controlled by Mr. Wang, thereby being a connected person of the Company
“Board”	the board of Directors
“CNG”	natural gas that is compressed to high density through application of high pressure to facilitate the ease and efficiency of storage and transportation
“Company”	Xinao Gas Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of Stock Exchange
“connected person(s)”	as such term is defined under the Listing Rules
“Director(s)”	the director(s) of the Company
“Easywin”	Easywin Enterprises Limited, a British Virgin Islands-incorporated investment holding company and the controlling Shareholder which is owned as to 50% by Mr. Wang and 50% by Ms. Zhao Baoju (趙寶菊), a non-executive Director and the spouse of Mr. Wang
“EGM”	the extraordinary general meeting of the Company to be held, to approve, among other things, the Non-Exempt Continuing Connected Transaction and the Annual Caps
“Enric Compressor”	安瑞科(蚌埠)壓縮機有限公司 (Enric (Bengbu) Compressor Company Limited*), a wholly foreign-owned enterprise incorporated in the PRC, is controlled by Mr. Wang, thereby being a connected person of the Company
“Existing Continuing Connected Transactions”	the existing continuing connected transactions entered into between the Group and certain connected persons of the Company, a summary of which is set out in the section headed “Background” in this announcement
“Existing Waiver”	the waiver granted by Stock Exchange on 27 May 2002 in relation to the Existing Continuing Connected Transactions which expired on 31 December 2004
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board to be appointed to advise the Independent Shareholders
“Independent Shareholders”	the Shareholders other than Easywin, Mr. Wang and Ms. Zhao Baoju and their respective associates
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of any member of the Group, the directors, the chief executives, the controlling shareholders, the substantial shareholders (as such terms are defined in the Listing Rules) of the Company or its subsidiaries, and their respective associates
“Langfang Property Management”	廊坊新奧物業管理有限公司 (Langfang Xinao Property Management Limited*), a PRC-incorporated company which is 69.89% owned by Mr. Wang, thereby being a connected person of the Company



“Langfang Xincheng”	廊坊新城房地產開發有限公司 (Langfang Xincheng Property Development Company Limited*), a PRC-incorporated company which is 92.21% owned by Mr. Wang, thereby being a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas, being natural gas which is converted into liquid form through application of pressure and cooling
“Mr. Wang”	Mr. Wang Yusuo (王玉鎖), the chairman, an executive Director and a controlling Shareholder holding approximately 44.94% of the issued share capital of the Company as at the date of this announcement
“New Agreements”	the Property Management Service Agreement, the Property Leasing Agreement, the Product Sale Agreement and the Finance Leasing Agreement
“New Continuing Connected Transactions”	the new continuing connected transactions proposed to be entered into between the Group and certain connected persons of the Company, a summary of which is set out in the section headed “The New Continuing Connected Transactions” in this announcement
“Non-Exempt Continuing Connected Transaction”	New Transaction 3 which will be subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules and will also be required to be approved by way of poll by the Independent Shareholders
“PRC”	the People’s Republic of China and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	the registered holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	as such term is defined under the Listing Rules
“Wang Family Companies”	companies controlled (entitled to exercise, or control the exercise of 30% or more of the voting power at the general meeting of the relevant company) by Mr. Wang and/or his associates, thereby being connected persons of the Company
“XGCL”	新奧集團股份有限公司 (Xinao Group Company Limited*), a PRC-incorporated company which is 72.50% owned by Mr. Wang, thereby being a connected person of the Company
“Xinao Machinery”	新奧集團石家莊化工機械股份有限公司 (Xinao Group Shijiazhuang Petrochemical and Machinery Company Limited*), a PRC-incorporated company which is 72.58% owned by Mr. Wang, thereby being a connected person of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“m <sup>2</sup> ”	metre square
“%”	per cent.

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

HK\$1.00 = RMB1.06

*As at the date of this announcement, the Board comprises nine executive Directors, namely 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; one non-executive Director, namely Ms. Zhao Baoju; and three independent non-executive Directors, namely Mr. Wang Guangtian, Mr. Xu Liang and Ms. Yien Yu Yu, Catherine.*

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

Hong Kong, 31 January 2005

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