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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)

ISSUE OF US\$200 MILLION 7.375% GUARANTEED NOTES

Reference is made to the announcement of the Company dated 21 July 2005 in relation to, amongst others, the proposed issue of the Notes. The Board wishes to announce that on 29 July 2005, the Company, the Guarantor Subsidiaries and the Lead Manager entered into the Subscription Agreement pursuant to which and subject to certain conditions in the Subscription Agreement, the Company agreed to sell to the Lead Manager, and the Lead Manager agreed to subscribe for, the Notes in the aggregate principle amount of US\$200 million (equivalent to approximately HK\$1,560 million) at the issue price of 100%, which are unconditionally and irrevocably guaranteed by the Guarantor Subsidiaries, each a wholly-owned subsidiary of the Company.

None of the Notes will be offered to the public in Hong Kong. None of the Notes will be placed to any connected persons of the Company or any of their respective associates.

The net proceeds from the issue of the Notes will be used for business expansion, including construction of compressed natural gas vehicle refuelling stations and acquisition of new projects, and for general corporate purposes of the Company and its subsidiaries, including refinancing of existing debts.

Save as the updated financial information as set out below, the Offering Circular to be distributed to prospective investors in the Notes will contain certain financial and other information relating to the Company and its subsidiaries, extracts or summaries of which have already been set out in the announcement of the Company dated 21 July 2005.

Completion of the Subscription Agreement is subject to the satisfaction and/or waiver of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed “Subscription Agreement” below for further information.

As the Subscription Agreement may or may not complete, shareholders of the Company and prospective investors are advised to exercise caution when dealing in the Shares.

Application has been made to list the Notes on the Hong Kong Stock Exchange. It is expected that dealing will, if permission is granted to deal in and for the listing of the Notes on the Hong Kong Stock Exchange, commence on or about 8 August 2005.

INTRODUCTION

Reference is made to the announcement of the Company dated 21 July 2005 in relation to, among others, the proposed issue of the Notes. The Board is pleased to announce that on 29 July 2005, the Company, the Guarantor Subsidiaries and the Lead Manager entered into the Subscription Agreement pursuant to which and subject to certain conditions in the Subscription Agreement, the Company agreed to sell to the Lead Manager, and the Lead Manager agreed to subscribe for, the Notes in the aggregate principle amount of US\$200 million (equivalent to approximately HK\$1,560 million) at the issue price of 100%, which are unconditionally and irrevocably guaranteed by the Guarantor Subsidiaries, each a wholly-owned subsidiary of the Company.

SUBSCRIPTION AGREEMENT

Date: 29 July 2005

Parties: Company: Xinao Gas Holdings Limited.

Guarantors: The Guarantor Subsidiaries are primarily holding companies that operate through subsidiaries. The Notes will not be guaranteed by any of the Company's subsidiaries incorporated and/or operating in the PRC.

Lead Manager: Deutsche Bank AG, Singapore Branch, which is independent of and not connected with any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries or any of their respective associates.

Subscription: The Lead Manager has agreed to subscribe, or to procure subscribers for the Notes in an aggregate principal amount of US\$200 million (equivalent to approximately HK\$1,560 million).

The Notes will be offered and sold to persons whose ordinary business involves buying, selling or investing securities outside the United States in reliance on Regulation S under the United States Securities Act of 1933, as amended. None of the Notes will be offered to the public in Hong Kong. None of the Notes will be placed to any connected persons (as defined in the Listing Rules) of the Company or any of their respective associates.

Conditions precedent: The obligations of the Lead Manager to subscribe and pay for the Notes are conditional upon, among other things, that:

- (i) the Hong Kong Stock Exchange shall have agreed, subject to any conditions reasonably satisfactory to the Lead Manager, to list the Notes (or the Lead Manager being reasonably satisfied that such listing will be granted); and
- (ii) there shall not have occurred any change, or any development or event reasonably likely to involve a prospective change, in the financial condition, operations, business or properties of the Company and its subsidiaries as a whole, which, in the opinion of the Lead Manager, is material and adverse and which makes it, in the opinion of the Lead Manager, impracticable to market the Notes on the terms and in the manner contemplated in the Subscription Agreement.

All the conditions may be waived in whole or in part at the discretion of the Lead Manager.

- Termination: The Lead Manager may terminate the Subscription Agreement at any time prior to the payment of the net subscription monies for the Notes to the Company upon occurrence of certain circumstances which include, among other things,
- (i) if there shall have come to the notice of the Lead Manager any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement or any failure by the Company or any Guarantor Subsidiary to perform any of its undertakings or agreements in the Subscription Agreement; and
 - (ii) if there shall have occurred any change, or any development involving prospective change, in national or international monetary, financial, political or economic conditions or currency exchange rates or foreign exchange controls which would in the Lead Manager's view be likely to prejudice materially the success of the offering or distribution of the Notes or dealings in the Notes in the secondary market.
- Fees: An underwriting commission will be payable by the Company (failing which the Guarantor Subsidiaries) to the Lead Manager.
- Completion: Subject to all the conditions of the Subscription Agreement being fulfilled or waived by the Lead Manager, completion of the Notes is expected to take place on the Closing Date.

PRINCIPAL TERMS OF THE NOTES

The Notes are constituted by the Trust Deed and are subject to the Agency Agreement. The principal terms of the Notes are summarised as follows:

- Company: Xinao Gas Holdings Limited.
- Guarantors: Each Guarantor Subsidiary will unconditionally and irrevocably guarantee (the "Guarantee"), on a joint and several basis, the due payment of all sums expressed to be payable by the Company under the Trust Deed and the Notes.
- Issue: 7.375% guaranteed notes due 2012 in the aggregate principle amount of US\$200 million (equivalent to approximately HK\$1,560 million).
- Issue Price: 100%.
- Issue Date: 5 August 2005.
- Maturity Date: 5 August 2012.
- Form and Denomination: The Notes will be issued in registered form in the denomination of US\$1,000 each. The Notes will be sold in initial minimum principal amounts of US\$100,000.
- Status: The Notes constitute direct, unsubordinated, unconditional and unsecured obligations of the Company and the Notes shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Company under the Notes and of each Guarantor Subsidiary under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to the terms and conditions of the Notes, at all times rank at least equally with all of their respective other present and future unsecured and unsubordinated obligations.
- Interest: The Notes bear interest from 5 August 2005 at the interest rate of 7.375% per annum. Interest is payable semi-annually in arrear on 5 February and 5 August in each year commencing on 5 February 2006.

Other Covenants: The Notes and the Trust Deed will limit the Company's ability and the ability of its subsidiaries to, among other things:

- incur additional indebtedness;
- make restricted payments;
- create, permit to exist or to effect any restrictions on distributions from restricted subsidiaries;
- issue guarantees by restricted subsidiaries;
- sell assets;
- issue or sell capital stock of restricted subsidiaries;
- enter into affiliate transactions;
- create liens;
- effect sale/leaseback transactions;
- make investments in certain subsidiaries; and
- merge or consolidate with another company.

These covenants will be subject to a number of important qualifications and exceptions described in the terms and conditions of the Notes.

Suspension of Certain Covenants: In the event that the Notes receive an investment grade rating from both Moody's Investors Services Inc. and Standard and Poor's Rating Services, a division of The McGraw Hill Companies, Inc. and no event of default or potential event of default under the Notes has occurred and is continuing, certain of the covenants under the Notes will cease to apply to the Company and the restricted subsidiaries. In the event that an event of default or potential event of default under the Trust Deed occurs and is continuing or one or both of the rating agencies withdraws its ratings or downgrades the ratings of the Notes below the required investment grade rating, then the Company and the restricted subsidiaries will thereafter again be subject to the suspended covenants.

Change of Control: Upon the occurrence of a Change of Control Triggering Event (as defined in the terms and conditions of the Notes), the Noteholders will have the right to require that the Company repurchase the Notes at a price equal to 101% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to the date of purchase.

Redemption for Taxation Reasons: The Notes may be redeemed at the option of the Company, in whole, but not in part, at their principal amount together with accrued and unpaid interest, in the event that the Company would be required to pay additional amounts in respect of the Notes as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the Cayman Islands or Hong Kong or political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation thereof.

Optional Redemption: Prior to 5 August 2008, the Company may at its option on one or more occasions redeem Notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes originally issued at a redemption price (expressed as a percentage of principal amount) of 100%, plus accrued and unpaid interest to the redemption date, with the net cash proceeds from one or more equity offerings, provided that:

- at least US\$100 million aggregate principal amount of the Notes remains outstanding immediately after the occurrence of each such redemption; and

- each such redemption occurs within 90 days after the closing date of the related equity offering.

Final Redemption:	Unless previously redeemed, or purchased and cancelled in the circumstances referred to in the terms and conditions of the Notes, the Notes will be redeemed at its principal amount on the Maturity Date.
Clearing Systems:	The Notes will be represented by beneficial interests in a permanent global certificate in registered form, without interest coupons attached, which will be registered in the name of a nominee of, and shall be deposited on or about 5 August 2005 with a common depository for Euroclear Bank S.A./N.V., as operator of the Euroclear System and Clearstream Banking, société anonyme.
Purchases:	The Company or any of its subsidiaries may at any time and from time to time purchase Notes at any price in the open market or otherwise.
Cancellation:	All Notes which are redeemed or purchased by the Company or any of its subsidiaries, will forthwith be cancelled. Certificates in respect of all Notes cancelled will be forwarded to or to the order of Deutsche Bank Luxembourg S.A. as registrar and such Notes may not be reissued or resold.
Further Issues:	The Company may from time to time, without the consent of the holders of the Notes, create and issue further securities having the same terms and conditions as the Notes in all respects. Any further issue will be consolidated with, and form a single series with, the Notes in this offering of the Notes.
Governing Law:	English law.
Ratings:	The Notes have been provisionally rated “Ba1” by Moody’s Investors Services Inc. and “BB+” by Standard and Poor’s Rating Services, a division of The McGraw Hill Companies, Inc..
Listing:	Application has been made to list the Notes on the Hong Kong Stock Exchange. It is expected that dealing will, if permission is granted to deal in and for the listing of the Notes on the Hong Kong Stock Exchange, commence on or about 8 August 2005. Listing of the Notes on the Hong Kong Stock Exchange is conditional upon satisfaction of the requirements of the Hong Kong Stock Exchange, including the execution of the Trust Deed and the Agency Agreement.

USE OF PROCEEDS

The net proceeds from the issue of the Notes, estimated to be US\$194 million (equivalent to approximately HK\$1,513 million) will be used for business expansion, including construction of compressed natural gas vehicle refuelling stations and acquisition of new projects, and for general corporate purposes of the Company and its subsidiaries, including refinancing of existing debts.

CERTAIN FINANCIAL AND OTHER INFORMATION RELATING TO THE COMPANY AND ITS SUBSIDIARIES

The Offering Circular will be distributed to prospective professional investors in connection with the arrangements for marketing the issue of the Notes. Save as the updated short-term borrowings of the Company and its subsidiaries as at 30 June 2005 as set out below, the Offering Circular will contain certain financial and other information relating to the Company and its subsidiaries, extracts or summaries of which have already been set out in the announcement of the Company dated 21 July 2005.

As at 30 June 2005, the short-term borrowings of the Company and its subsidiaries (comprising bank and other borrowings - current portion) amounted to RMB908 million (equivalent to approximately HK\$873 million).

DEFINITIONS

In this announcement, unless the context otherwise requires, the following capitalised terms shall have the following meanings:

“Agency Agreement”	The agency agreement to be entered into by the Company, the Guarantor Subsidiaries, Deutsche Bank AG, Hong Kong Branch as principal paying agent, Deutsche Bank Luxembourg S.A. as registrar, DB Trustees (Hong Kong) Limited as trustee and the other paying and transfer agents appointed under it relating to the Notes on or about 5 August 2005.
“Board”	The board of Directors.
“Closing Date”	5 August 2005 or such other date as shall be agreed between the Company and the Lead Manager.
“Company”	Xinao Gas Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Hong Kong Stock Exchange.
“Director(s)”	The director(s) of the Company.
“Group”	The Company, its subsidiaries and associated companies.
“Guarantor Subsidiary(ies)”	Guarantor subsidiaries of the Company which are primarily holding companies that operate through subsidiaries. The Notes will not be guaranteed by any of the Company’s subsidiaries incorporated and/or operating in the PRC, which are the Company’s operating subsidiaries. Initially, there are 22 Guarantor Subsidiaries, namely Xinao Anhui Investment Limited, Xinao Changping Investment Limited, Xinao Chengyang Investment Limited, Xinao Gas China Investment Limited, Xinao Gas Investment Group Limited, Xinao Henan Investment Limited, Xinao Huangdao Investment Limited, Xinao Huludao Investment Limited, Xinao Hunan Investment Limited, Xinao Jiangsu Investment Limited, Xinao Langfang Investment Limited, Xinao Liaocheng Investment Limited, Xinao Miyun Investment Limited, Xinao Pinggu Investment Limited, Xinao Shandong Investment Limited, Xinao Southeast China Investment Limited, Xinao Yantai Investment Limited, Xinao Zhejiang Investment Limited, Xinao Zhucheng Investment Limited, Markle Enterprises Limited, Xinao Guangxi Investment Limited and Xinao Shanghai Investment Limited.
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC.
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited.
“Lead Manager”	Deutsche Bank AG, Singapore Branch.
“Listing Rules”	The Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.
“Notes”	7.375% guaranteed notes due 2012 in the aggregate principle amount of US\$200 million to be issued by the Company and to be guaranteed by the Guarantor Subsidiaries.
“PRC”	The People’s Republic of China.
“Offering Circular”	The offering circular to be dated on or about 29 July 2005 to be issued by the Company in connection with the issue of the Notes.
“Preliminary Offering Circular”	The preliminary offering circular dated 22 July 2005 issued by the Company in connection with the proposed issue of the Notes.
“Trust Deed”	The trust deed to be entered into by the Company, the Guarantor Subsidiaries and DB Trustees (Hong Kong) Limited as trustee for holders of the Notes on or about 5 August 2005.

“HK\$” Hong Kong dollar, the lawful currency of Hong Kong.
“RMB” Renminbi, the lawful currency of the PRC.
“US\$” United States dollar, the lawful currency of the United States.

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

Hong Kong, 29 July 2005

In this announcement, the following exchange rates have been used for illustrative purposes only:

HK\$7.80 = US\$1.00
HK\$1.00 = RMB1.04

As at the date of this announcement, the Board comprises of 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, Ms. Yien Yu Yu, Catherine and Mr. Kong Chung Kau.

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