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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)

CONNECTED TRANSACTION

ACQUISITION OF PROPERTIES IN THE PRC

The Acquisition

The Board is pleased to announce that on 23 December 2005, (a) Xinao Gas Development, a wholly-owned subsidiary of the Company, entered into the Langfang Agreements with Langfang Property to acquire the First Properties for an aggregate consideration of RMB19,148,981 (equivalent to approximately HK\$18,413,000); and (b) Bengbu Xinao, a subsidiary of the Company, entered into the Bengbu Agreements with Bengbu Property to acquire the Second Properties for an aggregate consideration of RMB12,882,627 (equivalent to approximately HK\$12,387,000). The aggregate consideration to be paid by the Group pursuant to the Acquisition will amount to approximately RMB32,031,608 (equivalent to approximately HK\$30,800,000).

As each of Langfang Property and Bengbu Property is an associate of Mr. Wang, the Chairman, an executive Director and a controlling shareholder of the Company, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As each of the percentage ratios (other than the profits ratio) is less than 2.5%, the Acquisition is subject to reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements pursuant to Rule 14A.48 of the Listing Rules.

LANGFANG AGREEMENTS

Date 23 December 2005

Parties

Vendor: Langfang Property, a company which is beneficially owned as to approximately 78.39% by Mr. Wang, the Chairman, an executive Director and a controlling shareholder of the Company. Langfang Property is principally engaged in the development and operation of urban properties, infrastructure facilities construction, municipal works construction and sales of construction materials.

Purchaser: Xinao Gas Development, a wholly-owned subsidiary of the Company

Assets to be acquired

Pursuant to the Langfang Agreements, Xinao Gas Development agreed to purchase and Langfang Property agreed to sell the First Properties.

The First Properties comprise (a) 22 residential units with a total gross floor area of approximately 3,121 square meters and 3 office units with a total gross floor area of approximately 1,354 square meters at Xinhua Square, No. 52 Yongfeng Road, Langfang, Hebei Province, the PRC and (b) an office unit with a total gross floor area of approximately 464 square meters at Heping Lijing, Heping Road, Langfang, Hebei Province, the PRC. The First Properties were constructed by Langfang Property and construction of Xinhua Square and Heping Lijing has recently been completed. The First Properties are located in the urban district of Langfang, Hebei Province, the PRC and are estimated to have a total gross floor area of approximately 4,939 square meters.

The First Properties shall be sold free from any encumbrance, liens, and other third-party rights.

Consideration

The consideration for the acquisition of the First Properties is RMB19,148,981 (equivalent to approximately HK\$18,413,000) and shall be payable by Xinao Gas Development in the following manner:

- (a) RMB18,191,532 (equivalent to approximately HK\$17,492,000), representing 95% of the consideration, shall be payable within seven business days from the date of the Langfang Agreements; and
- (b) RMB957,449 (equivalent to approximately HK\$921,000), representing 5% of the consideration, shall be treated as retention money and payable within seven business days after the expiry of the one-year quality guarantee period which shall commence from the date of delivery.

The consideration for the acquisition of the First Properties will be funded by internal resources of the Group.

The First Properties are valued at RMB19,316,717 (equivalent to approximately HK\$18,574,000) as at 20 December 2005 by the Valuer.

The terms of the Langfang Agreements were determined as a result of negotiation between the parties after arm's length negotiation and were on normal commercial terms. The Directors consider that the terms of the Langfang Agreements are fair and reasonable having regard to the valuation of the First Properties and are in the interest of the Company and the Shareholders as a whole.

Delivery

The construction completion approval documents and completion certificates in respect of Xinhua Square and Heping Lijing have been obtained and delivery of the First Properties will take place on or before 31 December 2005.

Langfang Property has undertaken that it will, within a period of 90 days from the delivery of the First Properties, provide all relevant information to the relevant Government authorities relating to the change of title of the First Properties so as to ensure that the title documents in respect of the First Properties will be issued to Xinao Gas Development within the said period.

BENGBU AGREEMENTS

Date 23 December 2005

Parties

Vendor: Bengbu Property, a company which is beneficially owned as to approximately 87.68% by Mr. Wang, the Chairman, an executive Director and a controlling shareholder of the Company. Bengbu Property is principally engaged in the development and operation of urban properties, infrastructure facilities construction, municipal works construction and sales of construction materials.

Purchaser: Bengbu Xinao, a subsidiary of the Company

Assets to be acquired

Pursuant to the Bengbu Agreements, Bengbu Xinao agreed to purchase and Bengbu Property agreed to sell the Second Properties.

The Second Properties comprise an office with a gross floor area of approximately 2,197 square meters and six residential units with a total gross floor area of approximately 911 square meters at Xinyi Oasis, Bengbu, Anhui Province, the PRC. The Second Properties were constructed by Bengbu Property and the construction of which has recently been completed. The Second Properties are located in the urban district of Bengbu, Anhui Province, the PRC and are estimated to have a total gross floor area of approximately 3,108 square meters.

The Second Properties shall be sold free from any encumbrance, liens, and other third-party rights.

Consideration

The consideration for the acquisition of the Second Properties is RMB12,882,627 (equivalent to approximately HK\$12,387,000) and shall be payable by Bengbu Xinao in the following manner:

- (a) RMB12,238,496 (equivalent to approximately HK\$11,768,000), representing 95% of the consideration, shall be payable within seven business days from the date of the Bengbu Agreements; and
- (b) RMB644,131 (equivalent to approximately HK\$619,000), representing 5% of the consideration, shall be treated as retention money and payable within seven business days after the expiry of the one-year quality guarantee period which shall commence from the date of delivery.

The consideration for the acquisition of the Second Properties will be funded by internal resources of the Group.

The Second Properties are valued at RMB13,008,012 (equivalent to approximately HK\$12,508,000) as at 20 December 2005 by the Valuer.

The terms of the Bengbu Agreements were determined as a result of negotiation between the parties after arm's length negotiation and were on normal commercial terms. The Directors consider that the terms of the Bengbu Agreements are fair and reasonable having regard to the valuation of the Second Properties, and are in the interest of the Company and the Shareholders as a whole.

Delivery

The construction completion approval documents and completion certificates in respect of Xinyi Oasis have been obtained and delivery of the Second Properties will take place on or before 31 December 2005.

Bengbu Property has undertaken that it will, within a period of 90 days from the delivery of the Second Properties, provide all relevant information to the relevant Government authorities relating to the change of title of the Second Properties so as to ensure that the title documents in respect of the Second Properties will be issued to Bengbu Xinao within the said period.

REASONS FOR THE ACQUISITION AND BENEFITS TO THE COMPANY

The PRC Properties have been acquired in order to provide additional office space for the Group and staff quarters for the employees of the Group in view of the recent expansion of the operations of the Group in Langfang and Bengbu and also to replace office space currently being leased by Bengbu Xinao. The Directors consider that the Acquisition represents an opportunity for the Group to reduce its rental expenses which is currently being paid or would have to be paid if the Group is to lease residential and office premises instead of acquiring the PRC Properties, and reduce the exposure of the Group to increase in rental payable in view of the rapid growth in economic development in Langfang and Bengbu which will create upward pressure on rental for office and residential premises in the two cities. It is a common practice of the Group to purchase office and staff quarters in its operational locations.

The terms of the Acquisition were determined as a result of negotiation between the parties after arm's length negotiation and were on normal commercial terms. The Directors consider that the terms of the Acquisition are fair and reasonable having regard to the valuation of the PRC Properties and are in the interest of the Company and the Shareholders as a whole.

PROPERTY MANAGEMENT SERVICES

Upon completion of the Acquisition, Langfang Property (as the property manager of Xinhua Square and Heping Lijing) and Bengbu Property (as the property manager of Xinyi Oasis), will provide property management services to the Group in respect of the First Properties and the Second Properties, respectively, and property management fees will be payable by the Group in respect of the property management services. The property management services will be provided on normal commercial terms and the fees payable by the Group will be calculated on the same basis as the owners of other parts of the relevant property and will not be higher than the fee charged by Independent Third Parties for provision of similar services. It is currently expected that property management fees payable by the Group in respect of the property management services to be provided by Langfang Property and Bengbu Property in connection with the PRC Properties will amount to approximately RMB190,000 (equivalent to approximately HK\$183,000) on an annual basis.

The Board anticipates that the percentage ratios (other than the profits ratio) in respect of the property management services to be provided by (a) Langfang Property and Bengbu Property to the Group in respect of the PRC Properties; and (b) Wang Family Companies to the Group as referred to as "New Transaction 1" in the announcement of the Company dated 31 January 2005 on an annual basis will be less than 0.1% and, as such, such property management services will constitute de minimis transactions under Chapter 14A of the Listing Rules and will be exempted from all reporting, announcement and independent shareholders' approval requirements under Rules 14A.33 of the Listing Rules.

GENERAL

The Company acts as an investment holding company. The Group is one of the first non state-owned piped natural 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 bottled 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.

As each of Langfang Property and Bengbu Property is an associate of Mr. Wang, the Chairman, an executive Director and a controlling shareholder of the Company, the Acquisition constitutes a connected transaction for the Company under the Listing Rules. As each of the percentage ratios (other than the profits ratio) is less than 2.5%, the Acquisition is subject to reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements pursuant to Rule 14A.48 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below:

"Acquisition"	acquisition of the PRC Properties
"associate"	shall have the meaning ascribed to it in the Listing Rules
"Bengbu Agreements"	two sale and purchase agreements both dated 23 December 2005 entered into between Bengbu Xinao and Bengbu Property relating to the acquisition of the Second Properties by Bengbu Xinao from Bengbu Property
"Bengbu Xinao"	蚌埠新奧燃氣有限公司 (Bengbu Xinao Gas Company Limited*), a company established in the PRC and a subsidiary of the Company

“Bengbu Property”	蚌埠新奧置業有限公司 (Bengbu Xinao Property Company Limited*), a company established in the PRC and a member of the Wang Family Companies, being an associate of Mr. Wang
“Board”	the board of Directors
“Company”	Xinao Gas Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and the securities of which are listed on the Main Board of the Stock Exchange
“connected person”	shall have the meaning as ascribed to it in the Listing Rules
“controlling shareholder”	shall have the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company, including the independent non-executive Directors
“First Properties”	(a) 22 residential units and 3 office units at 新華廣場 (Xinhua Square*), No. 52 Yongfeng Road, Langfang, Hebei Province and (b) an office unit at 和平麗景 (Heping Lijing*), Heping Road, Langfang, Hebei Province, the PRC
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the legal currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) which is/are independent of any member of the Group, the directors, chief executives, controlling shareholders, substantial shareholders (as such terms are defined in the Listing Rules) of the Company or its subsidiaries, and their respective associates
“Langfang Agreements”	three sale and purchase agreements all dated 23 December 2005 entered into between Xinao Gas Development and Langfang Property relating to the acquisition of the First Properties by Xinao Gas Development from Langfang Property
“Langfang Property”	廊坊新奧房地產開發有限公司 (Langfang Xinao Property Development Company Limited*), a company established in the PRC and a member of the Wang Family Companies, being an associate of Mr. Wang
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Yusuo (王玉鎖), the Chairman, executive Director and a controlling shareholder of the Company interested in approximately 42.88% of the issued share capital of the Company as at the date of this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Properties”	the First Properties and the Second Properties
“RMB”	Renminbi, the legal currency of the PRC

“Second Properties”	one office unit and six residential units at新怡綠洲 (Xinyi Oasis*), Bengbu, Anhui Province, the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuer”	Chesterton Petty Limited, an independent property valuer in Hong Kong
“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 connected persons of the Company
“Xinao Gas Development”	新奧燃氣發展有限公司 (Xinao Gas Development Company Limited*), a company established in the PRC and a wholly-owned subsidiary of the Company
“%”	per cent.

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

Hong Kong, 23 December 2005

* For identification purpose only

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, Ms. Yien Yu Yu, Catherine and Mr. Kong Chung Kau.

For the purpose of this announcement, conversion of Renminbi into Hong Kong dollar is calculated at the exchange rate of RMB1.04 to HK\$1.00. Such conversion has been included for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate.

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