

## **Successful Convertible Bond Issue Raising HK\$475 million**

(Hong Kong, 27 October 2004)- XinAo Gas Holdings Limited (“XinAo Gas” or “the Group”) (Stock code: 2688), a privately-owned piped gas distributor in the PRC, announced that it successfully issued HK\$475 million zero coupon convertible bonds due 2009.

XinAo gas has granted the lead manager an option which can be exercised, to issue a further HK\$75 million in aggregate principal amount of the optional bonds. The aggregate principal amount of HK\$475 million may be increased to HK\$550 million in the event the increase option is exercised in full. Deutsche Bank acted as Sole Bookrunner and Sole Global Coordinator for this transaction.

The net proceeds from the issue of the bonds (assuming the optional bonds are issued in full ) after deducting expenses, including but not limited to the underwriting commission to be charged by the lead manager, are estimated to be approximately HK\$534 million. The proceeds are currently intended to be used as to approximately HK\$156 million for the repayment of certain existing indebtedness of the company, as to approximately HK\$358 million for capital investments in the company’s core business in PRC and as to the balance for general working capital purposes.

The bonds will be convertible into shares of XinAo Gas at a price of HK\$5.4375 per share, reflecting a premium of 25% over the closing price of the Shares quoted on the Hong Kong Stock Exchange on 25 October 2004. Based on the initial conversion price of HK\$5.4375 per share and assuming full conversion of the bonds (including the optional bonds), the bonds will be convertible into 101,145,000 shares, representing approximately 11.66% of the issued share capital of the company as at the date of this announcement and approximately 10.45% of the enlarged issued share capital of the company as enlarged by the issue and allotment of the new shares.

Mr. Wang Yusuo, Chairman of XinAo Gas noted, “The Company decided to undertake a convertible bond issue at this time in order to capitalize on the current interest rate environment to raise fresh capital for the further development and expansion of our fast-growing gas distribution business in the PRC. Significantly, the convertible bond issue also widens the investor base, introduces XinAo Gas to convertible bond investors, and in so doing, has further enhanced our financial flexibility as well as our profile in the international capital markets.”

The terms of the convertible bond provides XinAo Gas with the option of satisfying the conversion right of bondholders with cash instead of shares of the Group. From 15th May 2007, XinAo Gas also has an early redemption option that can be exercised subject to certain conditions.

**[For Immediate Release]**

Mr. Wang concluded, “We continue to be extremely excited about the growth opportunities offered by the gas market in the PRC and we see the success of our convertible bond issue as a highly positive signal of growing interest in the China gas industry and Xinao Gas among global investors. With the government’s strong support on using natural gas and the Group’s abilities in obtaining quality projects in medium-large cities, we believe that the business of the Group is still in the high growth stage. We will continue to exert ourselves and bring good returns to shareholders by outstanding performance.”

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### **Xinao Gas Holdings Limited**

Xinao Gas is one of the first privately-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 LPG 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 Group currently has 48 project cities in 12 provinces (including municipality or autonomous regions), namely Anhui, Beijing, Guangdong, Guangxi, Hebei, Henan, Hunan, Inner Mongolia, Jiangsu, Liaoning, Shandong and Zhejiang, covering a total connectable urban population of over 22.4 million.

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