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## **XINAO GAS HOLDINGS LIMITED**

**( 新 奧 燃 氣 控 股 有 限 公 司 )\***

*( Incorporated in the Cayman Islands with limited liability )*

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

### **CONNECTED TRANSACTIONS**

The Board is pleased to announce that Zhejiang BVI has, on 19 June 2003, entered into the Transfer Agreement with Anji Pipeline whereby Anji Pipeline has agreed to acquire and Zhejiang BVI has agreed to dispose its entire 90% interests in Anji Xinao. Zhejiang BVI has also on the same day entered into the Supplemental Agreement with Anji Fengning and Anji Pipeline, setting out the detailed arrangements in connection with the Disposal. The consideration for the Disposal will be RMB3,129,400 (equivalent to approximately HK\$2,952,000).

As Anji Fengning is a substantial shareholder of Anji Xinao, a subsidiary of the Company, in which the Group has a 90% interests, Anji Fengning is a connected person of the Company as defined in the Listing Rules. As Anji Pipeline is a subsidiary of Anji Fengning, Anji Pipeline is an associate of Anji Fengning and thereby is also a connected person of the Company as defined in the Listing Rules. Therefore, the signings of the Transfer Agreement and the Supplemental Agreement constitute connected transactions for the Company under Rule 14.25 of the Listing Rules. However, as the consideration for the Disposal is less than the higher of HK\$10,000,000 or 3% of the consolidated net tangible asset value of the Company, no independent shareholders' approval is required. Details of the Transfer Agreement and the Supplemental Agreement will be disclosed in the next published annual report of the Company.

### **INTRODUCTION**

Zhejiang BVI has, on 19 June 2003, entered into the Transfer Agreement with Anji Pipeline whereby Anji Pipeline has agreed to acquire and Zhejiang BVI has agreed to dispose its entire 90% interests in Anji Xinao. Zhejiang BVI has also on the same day entered into the Supplemental Agreement with Anji Fengning and Anji Pipeline, setting out the detailed arrangements in connection with the Disposal. The consideration for the Disposal will be RMB3,129,400 (equivalent to approximately HK\$2,952,000).

\* *For identification only*

## **TRANSFER AGREEMENT DATED 19 JUNE 2003**

### **Parties**

- (1) Zhejiang BVI as vendor
- (2) Anji Pipeline as purchaser

## **SUPPLEMENTAL AGREEMENT DATED 19 JUNE 2003**

### **Parties**

- (1) Zhejiang BVI as vendor
- (2) Anji Fengning
- (3) Anji Pipeline as purchaser

## **ASSETS TO BE DISPOSED OF BY THE GROUP**

Zhejiang BVI's 90% interests in Anji Xinao.

## **CONSIDERATION FOR THE DISPOSAL**

RMB3,129,400 (equivalent to approximately HK\$2,952,000).

The consideration was arrived at after arm's length negotiations and based on RMB3,477,000, (equivalent to approximately HK\$3,280,000), the unaudited net asset value of Anji Xinao as at 30 April 2003.

## **PAYMENT TERMS**

The consideration will be payable in the following manner:

1. By way of cash in the total amount of RMB2,000,000 (equivalent to approximately HK\$1,887,000), payable in three instalments in the following manner:
  - (i) RMB625,000 (equivalent to approximately HK\$590,000), payable within two days after the signing of the Supplemental Agreement;
  - (ii) RMB775,000 (equivalent to approximately HK\$731,000), payable upon completion of assessments of the assets and liabilities of Anji Xinao, which shall be no later than 25 June 2003; and
  - (iii) RMB600,000 (equivalent to approximately HK\$566,000), payable upon completion of the transfer of assets of Anji Xinao to Anji Pipeline, which shall be no later than 20 August 2003;
2. (a) By way of Zhejiang BVI taking up the debts and liabilities of Anji Xinao in the total amount of RMB937,000 (equivalent to approximately HK\$884,000) owed by Anji Xinao to the following parties:

- (i) Quzhou Xinao, as to RMB200,000 (equivalent to approximately HK\$189,000);
  - (ii) Laiyang Xinao, as to RMB300,000 (equivalent to approximately HK\$283,000);
  - (iii) Langfang Xinao, as to RMB402,000 (equivalent to approximately HK\$379,000); and
  - (iv) Hebei Huaxin and Huabei Design, as to RMB35,000 (equivalent to approximately HK\$33,000), being design fees payable; and
- (b) By way of assignment of debt owed by Xinao Gas Equipment to Anji Xinao in the amount of RMB1,683,700 (equivalent to approximately HK\$1,588,000) by Anji Xinao to Zhejiang BVI; and
3. By way of transfer of certain motor vehicles and gas meters by Anji Xinao to Zhejiang BVI, which have an unaudited total net book value of RMB382,700 (equivalent to approximately HK\$361,000) as at 30 April 2003.

## **CONDITIONS**

Completion of the Disposal is conditional on, among other things, the necessary approval(s) being obtained from Hu Zhou City Foreign Trade and Economic Department (湖州市外經貿部門) in relation to the transfers of the interests, the new joint venture agreement and the amendments to the articles of Anji Xinao.

## **PARTICULARS OF ANJI XINAO**

Anji Xinao is a Sino-foreign equity joint venture established in PRC on 18 June 2002 and is currently owned as to 90% by Zhejiang BVI and 10% by Anji Fengning.

Anji Xinao has an exclusive right to supply gas to the city centre of Anji, Huzhou City, Zhejiang Province, PRC. It is principally engaged in the business of the investment in gas pipeline infrastructure and provision of piped gas.

The unaudited net loss before and after tax of Anji Xinao from the Date of Incorporation to 31 December 2002 was approximately RMB544,000 (equivalent to approximately HK\$513,000). There were no extraordinary items from the Date of Incorporation to 31 December 2002. The unaudited net asset value of Anji Xinao was approximately RMB3,477,000 (equivalent to approximately HK\$3,280,000) as at 30 April 2003. Based on the unaudited net asset value of Anji Xinao as at 30 April 2003, the value of the Disposal is approximately RMB3,129,400 (equivalent to approximately HK\$2,952,000).

## **REASONS FOR AND EFFECTS OF THE DISPOSAL**

The operational location of Anji Xinao is situated in Anji County, Huzhou City, Zhejiang Province, PRC, with a population of approximately 120,000. It was the first operational location in which the Group has successfully penetrated in the Zhejiang Province market. With the continual expansion of the Group's business scope and successful development of new projects, the Group's strategies are gradually moving towards projects of medium to large scale. As the operation of Anji Xinao is relatively small in scale, in order to consolidate various resources of the Group, including management, financial and human resources etc., the Group has decided to dispose its entire interests in Anji Xinao and re-deploy its resources into other projects. The Board plans to apply the proceeds of the Disposal for use in the general working capital of the Group.

The Board, including independent non-executive Directors, is of the view that the Transfer Agreement and the Supplemental Agreement are entered into on normal commercial terms after arm's length negotiations and that the terms thereof are fair and reasonable and in the interests of the Company so far as the independent shareholders of the Company are concerned.

## **CONNECTED TRANSACTIONS**

As Anji Fengning is a substantial shareholder of Anji Xinao, a subsidiary of the Company, in which the Group has a 90% interests, Anji Fengning is a connected person of the Company as defined in the Listing Rules. As Anji Pipeline is a subsidiary of Anji Fengning, Anji Pipeline is an associate of Anji Fengning and thereby is also a connected person of the Company as defined in the Listing Rules. Therefore, the signings of the Transfer Agreement and the Supplemental Agreement constitute connected transactions for the Company under Rule 14.25 of the Listing Rules. However, as the consideration for the Disposal is less than the higher of HK\$10,000,000 or 3% of the consolidated net tangible asset value of the Company, no independent shareholders' approval is required. Details of the Transfer Agreement and the Supplemental Agreement will be disclosed in the next published annual report of the Company.

## **GENERAL**

The Group is one of the first non state-owned piped gas distributors in 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 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.

Details of the Transfer Agreement will be disclosed in the next published annual report of the Company.

## **DEFINITIONS**

- “Anji Fengning”                      安吉縣豐陵液化氣公司 (Anji County Fengning LPG Company\*), a company established in PRC, which has 10% interests in Anji Xinao and is a connected person of the Company under the Listing Rules
- “Anji Pipeline”                      安吉縣管道液化氣有限公司 (Anji County Pipeline LPG Company Limited\*) a company established in PRC, which is a subsidiary of Anji Fengning and is a connected person of the Company under the Listing Rules

“Anji Xinao”	安吉新奧燃氣有限公司 (Anji Xinao Gas Company Limited*), a Sino-foreign equity joint venture established in PRC on 18 June 2002 in which Zhejiang BVI has 90% interests and Anji Fengning has the remaining 10% interests
“Assessment Report”	the report to be issued upon completion of the assessments of the assets and liabilities of Anji Xinao
“associate(s)”	as such term is defined under the Listing Rules
“Board”	the board of Directors
“Company”	Xinao Gas Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange
“Date of Incorporation”	18 June 2002, the date on which Anji Xinao was established in PRC as a Sino-foreign equity joint venture
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 90% interests in Anji Xinao by Zhejiang BVI pursuant to the Transfer Agreement and the Supplemental Agreement
“Group”	the Company and its subsidiaries
“Hebei Huaxin”	河北華新燃氣工程技術開發有限公司 (Hebei Huaxin Gas Engineering Technical Development Company Limited*), a PRC-incorporated company, which is an independent third party not associated with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them
“Hong Kong”	The Hong Kong Special Administrative Region of PRC
“Huabei Design”	中國市政工程華北設計院新潮設計所 (China Urban Engineering Huabei Design Institute of Modern Design Association*), a PRC-incorporated entity, which is an independent third party not associated with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them
“Laiyang Xinao”	萊陽新奧燃氣有限公司 (Laiyang Xinao Gas Company Limited*), a Sino-foreign equity joint venture established in PRC in which the Company has an indirect 95% interests and an independent third party not associated with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them has the remaining 5% interests

“Langfang Xinao”	廊坊新奧燃氣有限公司 (Langfang Xinao Gas Company Limited*), a wholly foreign owned enterprise established in PRC in which the Company has an indirect 100% interests
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Quzhou Xinao”	衢州新奧燃氣有限公司 (Quzhou Xinao Gas Company Limited*), a Sino-foreign equity joint venture established in PRC in which the Company has an indirect 90% interests and the remaining 10% interests owned by an independent third party which was not associated with any director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them but by virtue of such 10% interest became a connected person of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	a conditional agreement in Chinese writing dated 19 June 2003 entered into between Zhejiang BVI, Anji Fengning and Anji Pipeline
“Transfer Agreement”	a conditional agreement in Chinese writing dated 19 June 2003 entered into between Zhejiang BVI and Anji Pipeline
“Xinao Gas Equipment”	廊坊新奧燃氣設備有限公司 (Langfang Xinao Gas Equipment Company Limited*), a wholly foreign owned enterprise established in PRC in which the Company has an indirect 100% interests
“Zhejiang BVI”	Xinao Zhejiang Investment Limited (新奧浙江投資有限公司*), an indirectly wholly owned subsidiary of the Company incorporated in the British Virgin Islands on 16 November 2001 with limited liability and is an investment holding company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“US\$”	American dollars, the lawful currency of the United States of America
“%”	per cent.

In this announcement, the following exchange rates have been used:

HK\$1.00 = RMB1.06

HK\$7.80 = US\$1.00

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

Hong Kong, 19 June 2003

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