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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)

ANNOUNCEMENT

CONNECTED TRANSACTION

The Board wishes to announce that on 21 December 2007 the Group has entered into the DME Agreement with Xinneng Investment for the sale and purchase of DME. As Xinneng Investment is an associate of Mr. Wang, the substantial shareholder of the Company, the transaction contemplated under the DME Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

As the relevant percentage ratios for the transaction contemplated under the DME Agreement exceed 0.1% but is less than 2.5%, such transaction is subject to the announcement and reporting requirement but exempted from the shareholders' approval requirement under the Listing Rules.

BACKGROUND

On 21 December 2007, the Company entered into the DME Agreement with Xinneng Investment for the sale and purchase of DME. Since Xinneng Investment is an associate of Mr. Wang, the substantial shareholder of the Company, the transaction contemplated under the DME Agreement constitutes connected transaction of the Company under Chapter 14A of the Listing Rules.

PARTICULARS OF THE TRANSACTION

DME Agreement

Date: 21 December 2007

Parties:

- a. the Company (on behalf of its subsidiaries)
- b. Xinneng Investment (for itself and on behalf of its subsidiaries)

Subject matter:

The Group has agreed to purchase and Xinneng Investment Group has agreed to sell 10,000 tones of DME manufactured by Xinneng Investment Group with the delivery of the same to be made within three months from the date of the DME Agreement.

Consideration:

The total consideration is RMB 50,000,000 (equivalent to approximately HKD 53,000,000). The relevant proportion of the consideration shall be payable within 7 days upon delivery of each batch of products and the Group will finance the same by internal resources. The consideration was determined on the basis of the current market price of DME which is currently at RMB 5,000 (equivalent to approximately HKD 5,300) per ton.

Reasons for and benefits of the DME Agreement

DME is a kind of liquefied gas that can be mixed with and substitute part of the LPG but with a lower cost. The purchase and utilization of DME in the mix of LPG can thus lower the Group's cost of production and enhance the profit margin of the Group. The Directors, including the independent non-executive Directors, are of the view that the terms of the DME Agreement are fair and reasonable to the Group and the Shareholders as a whole and that the DME Agreement is on normal commercial terms and is in the interest of the Group.

COMPLIANCE WITH THE LISTING RULES

Since Xinneng Investment is a company to which Mr. Wang and his family members and their respective associates is/are entitled to exercise or control the exercise of 30% or more of the voting power at any general meeting of such company, Xinneng Investment is an associate of Mr. Wang. As Mr. Wang is a substantial shareholder of the Company, Xinneng Investment is therefore a connected person of the Company and the entering into of the DME Agreement constitutes connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the relevant percentage ratios for the transaction contemplated under the DME Agreement will exceed 0.1% but is less than 2.5%, such transaction is subject to the announcement and reporting requirement but exempted from the shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

The Group is one of the first non state-owned piped gas operators 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 LPG 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.

Xinneng Investment is an investment holding company and its subsidiaries are principally engaged in the business of production of Methanol, DME and the sales of self-produced products.

DEFINITIONS

“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 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
“DME”	DiMethyl Ether, a kind of liquefied gas converted from methanol
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“LPG”	Liquified Petroleum Gas
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Yusuo (王玉鎖), the chairman, an executive Director and a controlling Shareholder at the date of this announcement

DEFINITIONS

“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
“Xinneng Investment”	Xinneng Investment Group Limited, a company incorporated in the British Virgin Islands and an associate of Mr. Wang, thereby being a connected person of the Company
“Xinneng Investment Group”	Xinneng Investment and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of PRC
“%”	per cent.

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

RMB1.00 = HKD1.06

As at the date of this announcement, the Board comprises eight executive Directors, namely Mr. Wang Yusuo (Chairman), Mr. Yang Yu (Chief Executive Officer), Mr. Chen Jiacheng, Mr. Zhao Jinfeng, Mr. Qiao Limin, Mr. Yu Jianchao, Mr. Cheung Yip Sang and Mr. Cheng Chak Ngok; two non-executive Directors, namely Ms. Zhao Baoju and Mr. Jin Yongsheng; and three independent non-executive Directors, namely Mr. Wang Guangtian, Ms. Yien Yu Yu, Catherine and Mr. Kong Chung Kau..

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

Hong Kong, 21 December 2007