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新奥燃气控股有限公司

XinAo Gas Holdings Limited

(Incorporated in Cayman Islands with limited liability)

(Stock code: 2688)

(Website: www.xinaogas.com)

CONNECTED TRANSACTIONS INVOLVING

ESTABLISHMENT OF JOINT VENTURE COMPANY IN THE PRC

Establishment of Joint Venture Company in the PRC

On 26 July 2010, Zhanjiang XinAo (a non wholly-owned subsidiary of the Company), XinAo Property and Zhanjiang Property entered into the Co-operation Agreement and the Articles of Association in connection with the establishment of the JV Company for the purpose of development and management of real estate (including construction of related infrastructure thereon) and the leasing of self-owned properties.

Pursuant to the Co-operation Agreement and the Articles of Association, the total amount of the registered capital of the JV Company shall be RMB50 million (approximately HK\$57.5 million), pursuant to which XinAo Property will contribute RMB17.5 million (being 35% of the registered capital) by way of cash, Zhanjiang Property will contribute RMB19 million (being 38% of the registered capital) by way of cash and Zhanjiang XinAo will contribute RMB13.5 million (being 27% of the registered capital) by way of transfer of land use rights of the PRC Land.

Listing Rules Implications

As at the date of this announcement, XinAo Property 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 companies. As such, XinAo Property is a connected person of the Company and the entering into of each of the Co-operation Agreement and the Articles of Association constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the Establishment of JV is more than 0.1% but less than 5%, the Establishment of JV is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Wang and Ms. Zhao Baoju, being the Directors having a material interest in the Establishment of JV, are abstained from voting on the board resolution approving the Establishment of JV. The Company will also disclose the relevant details in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in Rule 14A.45 of the Listing Rules.

1. ESTABLISHMENT OF JOINT VENTURE COMPANY IN THE PRC

On 26 July 2010, Zhanjiang Xinao (a non wholly-owned subsidiary of the Company), Xinao Property and Zhanjiang Property entered into the Co-operation Agreement and the Articles of Association in connection with the establishment of the JV Company for the purpose of development and management of real estate (including construction of related infrastructure thereon) and the leasing of self-owned properties.

(a) The Co-operation Agreement and the Articles of Association

The principal terms of the Co-operation Agreement and the Articles of Association are as follows:

Date:	26 July 2010
Parties:	Xinao Property, Zhanjiang Property and Zhanjiang Xinao
Shareholdings in the JV Company:	Xinao Property – 35% Zhanjiang Property – 38% Zhanjiang Xinao – 27%
Registered Capital:	The total amount of the registered capital of the JV Company shall be RMB50 million (approximately HK\$57.5 million), pursuant to which Xinao Property will contribute RMB17.5 million (being 35% of the registered capital) by way of cash, Zhanjiang Property will contribute RMB19 million (being 38% of the registered capital) by way of cash and Zhanjiang Xinao will contribute RMB13.5 million (being 27% of the registered capital) by way of transfer of land use rights of the PRC Land.
Timeframe of contribution:	(i) Each of Xinao Property and Zhanjiang Property shall contribute RMB10 million within 30 days after the JV Company's name has been approved by the relevant PRC authority; (ii) Xinao Property shall contribute RMB7.5 million and

Zhanjiang Property shall contribute RMB9 million within 6 months after the JV Company obtained its business licence;

(iii) Zhanjiang Xinao shall complete the transfer of land use right of the PRC Land to the JV Company within 4 months after the JV Company obtains planning approval (地塊規劃設計條件).

Scope of Business of the JV Company: Development and management of real estate (including construction of related infrastructure thereon) and the leasing of self-owned properties.

Term of the JV Company: 5 years from the date of issue of the business licence of the JV Company, which is renewable under the PRC laws and regulations.

Board of directors of the JV Company: Each of the JV Parties is entitled to nominate one director to the JV Company. The chairman of the board of directors will be appointed by Xinao Property while the vice chairman will be appointed by Zhanjiang Property. The directors will have a term of office for three years and may be reappointed.

Profit distribution: Profits of the JV Company will be shared among its shareholders in accordance with their respective shareholding in the JV Company.

Transfer of interests: Transfer of interests in the JV Company by any of the JV Parties to other parties is not allowed without first offering the right of first refusal of the other JV Parties.

(b) Financial effects of the Establishment of JV

Pursuant to the Co-operation Agreement and the Articles of Association, Zhanjiang Xinao shall contribute RMB13.5 million (approximately HK\$15.52 million) to the registered capital of the JV Company by transferring the land use rights of the PRC Land to the JV Company which have been valued at an aggregate of approximately RMB106 million (approximately HK\$121.84 million) by the Valuer as at 26 July 2010.

Pursuant to the Co-operation Agreement, the amount of RMB92.5 million, being the balance of the value of the PRC Land and the capital contribution to be made by Zhanjiang Xinao, shall be treated as a loan made available to the JV Company by Zhanjiang Xinao. Interest shall be payable upon successful transfer of land use rights to the JV Company at a rate equivalent to the lending rate quoted by banks. Such loan shall be re-payable by installments after JV Company has sold units on the PRC Land and shall be fully re-paid within the term of the JV Company.

Subsequent to the Establishment of JV and completion of transfer of land use rights of the PRC Land to the JV Company, the PRC Land will be held by the JV Company,

which will in turn be held by Zhanjiang Xinao as to 27%. Based on the above, there is no gain or loss to the Company arising from the transfer of land use rights of the PRC Land after taking into account of capital contribution made by Zhanjiang Xinao and the shareholder's loan of RMB92.5 million to be repaid.

(c) Reasons for the Establishment of JV

The Group has always been looking for opportunities for investments and to expand its pipeline infrastructure and other related facilities. The PRC Land was originally intended to be used for construction of facilities relating to a bottled LPG gas business which Zhanjiang Xinao no longer wishes to pursue and also being in line with the Group's strategy and focus on natural gas related business. The establishment of the JV Company pursuant to the terms of the Co-operation Agreement and the Articles of Association will provide a platform for the Company to realize its investment in the PRC Land utilizing the expertise of the other joint venture partners to the JV Company without further funding required to be contributed by the Group.

The terms of the Co-operation Agreement and the Articles of Association were arrived at after arm's length negotiations with the other JV Parties and with reference to the aforementioned valuation of the PRC Land.

(d) Information relating to Zhanjiang Property and Xinao Property

Zhanjiang Property is currently engaged in real estate project development and management in Zhanjiang area, Guangdong province while Xinao Property is currently principally engaged in investment in real estate development projects in Langfang, Hebei province and other parts of the PRC.

(e) Information relating to the Company

The Company acts as an investment holding company and its subsidiaries are principally engaged in the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped and bottled gas in the PRC.

2. LISTING RULES IMPLICATIONS

As at the date of this announcement, Xinao Property 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 companies. As such Xinao Property is a connected person of the Company and the entering into of each of the Co-operation Agreement and Articles of Association constitute connected transaction of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the Establishment of JV is more than 0.1% but less than 5%, the Establishment of JV is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Mr. Wang and Ms. Zhao Baoju,

being the Directors having a material interest in the Establishment of JV, are abstained from voting on the board resolution approving the Establishment of JV. The Company will also disclose the relevant details in the next published annual report and accounts of the Company in accordance with the relevant requirements as set out in Rule 14A.45 of the Listing Rules.

3. VIEW OF THE DIRECTORS

The Directors (including the independent non-executive Directors with Mr. Wang and Ms. Zhao Baoju being abstained from voting) are of the view that the terms of the establishment of the JV Company, the Co-operation Agreement and the Articles of Association are on normal commercial terms and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

4. DEFINITIONS

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

"%"	per cent.
"Articles of Association"	articles of association of the JV Company
"Board"	board of Directors
"Company"	XinAo Gas Holdings Limited, a company incorporated in Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Co-operation Agreement"	the co-operation agreement dated 26 July 2010 entered into between Zhanjiang Xinao, Xinao Property and Zhanjiang Property in relation to the Establishment of JV
"Director(s)"	director(s) of the Company
"Establishment of JV"	the establishment of the JV Company by Xinao Property, Zhanjiang Property and Zhanjiang Xinao on the terms of the Co-operation Agreement and the Articles of Association and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"HK\$"	Hong Kong dollars, the lawful currency of Hong

	Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"JV Company"	a PRC company to be established under PRC law
"JV Parties"	collectively, Xinao Property, Zhanjiang Property and Zhanjiang Xinao
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Wang"	Mr. Wang Yusuo, an executive Director, chairman and substantial shareholder of the Company
"PRC Land"	three parcels of land situated at (i) 120 Lutang Road, Xiashan District, Zhanjiang City, State-owned Land Use Right Certificate No (國有土地使用權證號) : 湛國用 (2007) 第 00172 號, with a gross area of 32,111.78 sq m; (ii) 115 Lutang Road, Xiashan District, Zhanjiang City, State-owned Land Use Right Certificate No (國有土地使用權證號) : 湛國用 (2007) 第 00325 號, with a gross area of 10,763.67 sq m; (iii) 115 Lutang Road, Xiashan District, Zhanjiang City, State-owned Land Use Right Certificate No (國有土地使用權證號) : 湛國用 (2007) 第 00324 號, with a gross area of 12,003 sq m and which originally formed part of the contribution to registered capital of Zhanjiang Xinao by one of its shareholder which was an independent third party (further details were set out in circular of the Company dated 21 June 2004)
"PRC"	People's Republic of China
"Property"	an office block situated at Huaxiang Road West and Guangyang Road South, Langfang Economic and Technical Development Zone the PRC (廊坊經濟技術開發區華祥路西、廣陽道南)
"RMB"	Renminbi, the lawful currency of the PRC
"sq m"	square metre
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Valuer"	independent property valuer, Knight Frank Petty Limited
"Xinao Property"	Langfang Xinao Property Development Company Limited (廊坊新奧房地產開發有限公司), a company established in the PRC with limited liability, which as at the date of this announcement is an associate of Mr. Wang, thereby being a connected person of the Company
"Zhanjiang Property"	Zhanjiang Jinhao Real Estate Development Company Limited (湛江市金豪房地產開發有限公司), a company incorporated in the PRC with limited liability
"Zhanjiang Xinao"	Zhanjiang Xinao Gas Company Limited (湛江新奧燃氣有限公司) a company incorporated in the PRC with limited liability and a non wholly-owned subsidiary of the Company which is held as to 90% by the Company

In this announcement, the exchange rate of RMB0.87 = HK\$1.00 has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

By the order of the Board
XinAo Gas Holdings Limited
CHENG Chak Ngok
*Executive Director and
Company Secretary*

Hong Kong, 27 July 2010

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:

Mr. Wang Yusuo (Chairman)

Mr. Cheung Yip Sang (Chief Executive Officer)

Mr. Zhao Jinfeng

Mr. Yu Jianchao

Mr. Cheng Chak Ngok

Mr. Liang Zhiwei

Ms. Zhai Xiaoqin

Non-executive Directors:

Ms. Zhao Baoju

Mr. Jin Yongsheng

Independent non-executive Directors:

Mr. Wang Guangtian

Ms. Yien Yu Yu, Catherine

Mr. Kong Chung Kau