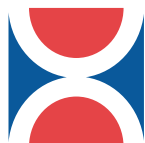


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XINAO GAS HOLDINGS LIMITED

(新 奧 燃 氣 控 股 有 限 公 司) *

(incorporated in the Cayman Islands with limited liability)

PROPOSED VOLUNTARY WITHDRAWAL OF LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED, PROPOSED TERMINATION OF EXISTING SHARE OPTION SCHEME AND PROPOSED ADOPTION OF PROPOSED SHARE OPTION SCHEME AND PROPOSED ARTICLES OF ASSOCIATION IN SUBSTITUTION OF THE EXISTING ARTICLES OF ASSOCIATION

The Company is proposing to list the Shares on the Main Board by way of an introduction. Immediately prior to the listing of the Shares on the Main Board, the listing of the Shares on GEM will be withdrawn. In connection with the Introduction, the Company proposes to adopt the Proposed Share Option Scheme and to adopt the Proposed Articles of Association in substitution for all the Articles of Association. On 22 April 2002, Rothschild was notified that the Listing Committee has granted an approval in principle of the listing of, and permission to deal in, the Shares on the Main Board. A listing document issued in connection with the Introduction together with a circular containing, amongst other things, a notice of the Extraordinary General Meeting will be despatched to the Shareholders on 23 April 2002.

Warning:

There is no assurance that permission will be obtained from the Stock Exchange for the Introduction. Shareholders and potential investors should be aware that the implementation of the Proposed Withdrawal is subject to conditions set out below being fulfilled and thus may or may not become effective. Accordingly, the Proposed Withdrawal and the Introduction may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

On 20 February 2002, Xinao announced that Rothschild has, on its behalf, submitted an advance booking form of an application to the Stock Exchange for the proposed listing of the Shares on the Main Board by way of an introduction and informed the Stock Exchange of its intention to voluntarily withdraw the listing of the Shares on GEM. The Stock Exchange informed Rothschild on 22 April 2002 that the Listing Committee has granted an approval in principle of the listing of, and permission to deal in, the Shares on the Main Board.

In connection with the Introduction, the Board proposes to seek the approval of the Shareholders for, amongst other things, the Proposed Share Option Scheme and the Proposed Articles of Association. A listing document issued in connection with the Introduction together with a circular containing, amongst other things, a notice of the Extraordinary General Meeting will be despatched to the Shareholders on 23 April 2002.

THE PROPOSED WITHDRAWAL AND THE INTRODUCTION

On 20 February 2002, Rothschild submitted an advance booking form on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of any options which were granted under the Share Option Scheme and which may be granted under the Proposed Share Option Scheme on the Main Board. Immediately prior to the listing of the Shares on the Main Board, the listing of the Shares on GEM will be withdrawn.

Under the GEM Listing Rules, an issuer that has an alternative listing on another stock exchange or securities market recognised for this purpose by the Stock Exchange may not voluntarily withdraw its listing on GEM unless:

- (i) the prior approval of the shareholders of the issuer has been obtained by way of an ordinary resolution passed at a duly convened meeting of the shareholders of the issuer; and
- (ii) the issuer has given its shareholders at least three months' notice of the proposed withdrawal of listing.

In connection with the Proposed Withdrawal, the Company has applied to the Stock Exchange for, and the GEM Listing Committee of the Stock Exchange has granted, a waiver for the minimum three months' notice required under the GEM Listing Rules, subject to the fulfillment of the following conditions:

- (i) the notice period for the Proposed Withdrawal shall be a minimum of five clear Business Days after the approval of the Shareholders for the Proposed Withdrawal shall have been obtained;
- (ii) the prior approval of the Shareholders for the reduction of notice period for the Proposed Withdrawal to a minimum of five clear Business Days shall have been obtained;
- (iii) in respect of the Shares, there is no change in the board lot size or share certificates, the share registrar and the trading currency in connection with the proposal to transfer its listing status; and
- (iv) there is no other fact that leads the Stock Exchange to believe that the reduced notice period is not feasible.

Accordingly, the Extraordinary General Meeting is convened to seek approval of the Shareholders for, amongst other things, the Proposed Withdrawal and after such approval shall have been obtained, a notice of the Proposed Withdrawal will be published.

The Proposed Withdrawal and the Introduction are conditional upon, amongst other things:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of any options which were granted under the Share Option Scheme and which may be granted under the Proposed Share Option Scheme on the Main Board;
- (ii) the GEM Listing Committee granting a waiver for the reduction of the notice period for the Proposed Withdrawal;
- (iii) the passing of an ordinary resolution by the Shareholders at the Extraordinary General Meeting to approve the Proposed Withdrawal and the reduction of the notice period for the Proposed Withdrawal; and
- (iv) the publication of a notice of the Proposed Withdrawal after the approval of the Shareholders for the Proposed Withdrawal shall have been obtained at the Extraordinary General Meeting which notice period shall not be less than five clear Business Days before the Effective Date.

EFFECTS OF THE PROPOSED WITHDRAWAL

It is expected that dealings in the Shares on GEM will cease at 10:00 a.m. on the Effective Date and dealings in the Shares on the Main Board will commence at 10:00 a.m. on the Effective Date. The Company will make further announcement after the Extraordinary General Meeting to publish the results of the Extraordinary General Meeting and the information relating to the Proposed Withdrawal and the trading arrangement of the Shares in respect of the Proposed Withdrawal and the Introduction.

The Proposed Withdrawal and the Introduction will not have any effect on the existing share certificates and the share certificates will continue to be good evidence of legal title and does not involve any transfer or exchange of the existing share certificates. No change is proposed to be made to the board lot size, trading currency of the Shares and the share registrars of the Company in connection with the Proposed Withdrawal and the Introduction. If and when the Shares are listed on the Main Board, you may be required to sign a new client agreement with your stockbrokers.

The continuing obligations of listed issuers under the Listing Rules and the GEM Listing Rules are not the same. For example, the principal means of information dissemination by listed issuers on GEM is via the publication on the internet website operated by the Stock Exchange whereas the principal means of information dissemination for Main Board's listed issuers is through newspapers, also Main Board's listed issuers are not required to publish quarterly reports.

REASONS FOR THE INTRODUCTION

Following the completion of a reorganisation in March 2001, the Company became the holding company of the Group which is engaged in the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped gas in the People's Republic of China. Its business activities also consist of the sale of gas appliances and equipment, the production of stored value card gas metres and the provision of repair, maintenance and other services in connection with gas supply.

The acquisitions and formation of new project companies after its listing on GEM represented major initial steps in the Company's business expansion. Now the Company has grown substantially and has generated sufficient profits to fulfill the Main Board's profit requirements. Furthermore, due to Xinao's increased profile and market capitalisation, the Company has targeted to improve its shareholder base, liquidity of Shares and recognitions by attracting larger institutional and retail investors.

The Board considers that the listing of the Shares on the Main Board can further increase the profile and recognition of the Company and is expected to be beneficial and complimentary to the development of the Group.

EXPECTED TIMETABLE

The expected timetable for the Proposed Withdrawal and the Introduction is set out below:

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| Despatch of circulars and forms of proxy to the Shareholders for the Extraordinary General Meeting | 23 April 2002 |
| Latest time for lodgement of forms of proxy for the Extraordinary General Meeting | 9:45 a.m. on 19 May 2002 |
| Extraordinary General Meeting | 9:45 a.m. on 21 May 2002 |
| Notice of the Proposed Withdrawal to be published in the South China Morning Post, the Hong Kong Economic Times and on the GEM website | 22 May 2002 |
| Last day of dealings in the Shares on GEM | 31 May 2002 |
| Withdrawal of listing from GEM effective from | 10:00 a.m. on 3 June 2002 |
| First day of dealings in the Shares on the Main Board | 3 June 2002 |

PROPOSED SHARE OPTION SCHEME

In connection with the Introduction, the Board proposes to seek the approval of the Shareholders for the Proposed Share Option Scheme, the provisions of which will comply with the requirements of the Listing Rules. The Share Option Scheme will be terminated and replaced by the Proposed Share Option Scheme when the Proposed Share Option Scheme shall have been approved and adopted by the Shareholders and shall have become unconditional.

Conditions of the Proposed Share Option Scheme

The adoption of the Proposed Share Option Scheme will be conditional upon:

- (i) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, the Shares in issue and any Shares which may fall to be issued pursuant to the exercise of any options which were granted under the Share Option Scheme and which may be granted under the Proposed Share Option Scheme on the Main Board; and
- (ii) the passing of an ordinary resolution by the Shareholders at the Extraordinary General Meeting to approve the termination of the Share Option Scheme and the adoption of the Proposed Share Option Scheme.

PROPOSED ARTICLES OF ASSOCIATION

In connection with the Introduction and to remove references to GEM and to make other immaterial changes in the Articles of Association, the Board proposes to seek the approval of the Shareholders for the adoption of the Proposed Articles of Association at the Extraordinary General Meeting, the provisions of which will comply with the requirements of the Listing Rules. The provisions of the Proposed Articles of Association are in all material respects identical to the Articles of Association. The Articles of Association will be substituted by the Proposed Articles of Association when the Proposed Articles of Association shall have been approved and adopted by the Shareholders at the Extraordinary General Meeting.

Conditions of the Proposed Articles of Association

The adoption of the Proposed Articles of Association will be conditional upon:

- (i) the listing of the Shares on the Main Board; and
- (ii) the passing of a special resolution by the Shareholders at the Extraordinary General Meeting to approve and adopt the Proposed Articles of Association in substitution for all the Articles of Association.

EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting is convened to be held at Taishan Room, 5th Floor, Island Shangri-La Hong Kong, Pacific Place, Supreme Court Road, Admiralty, Hong Kong on Tuesday, 21 May 2002 at 9:45 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the annual general meeting of the Company to be convened at the same place and date at 9:30 a.m.) or any adjournment thereof at which ordinary resolutions will be proposed to consider and, if thought fit, to approve the following:

- (i) the Proposed Withdrawal and the reduction of the notice period for the Proposed Withdrawal; and
- (ii) the termination of the Share Option Scheme and the adoption of the Proposed Share Option Scheme.

At the Extraordinary General Meeting, a special resolution will also be proposed to consider and, if thought fit, to approve the Proposed Articles of Association in substitution of the Articles of Association.

RECOMMENDATION

The Board recommends the Shareholders to vote in favour of the ordinary resolutions to approve, amongst other things, the Proposed Withdrawal and the reduction of the notice period for the Proposed Withdrawal, and the Proposed Share Option Scheme and the special resolution to approve the Proposed Articles of Association in substitution of the Articles of Association to be proposed at the Extraordinary General Meeting. Easywin, being the controlling Shareholder (as defined in the GEM Listing Rules) holding approximately 57% of the existing issued share capital of the Company as at the date of this announcement, has undertaken to the Company that it will vote in favour of all the ordinary resolutions and the special resolution to be proposed at the Extraordinary General Meeting.

DEFINITIONS

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

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| “Articles of Association” | the articles of association adopted by the Company on 28 March 2001 |
| “Board” | the board of Directors |
| “Business Day(s)” | any day(s) on which the Stock Exchange is open for the business of dealings in securities |
| “Company” or “Xinao” | Xinao Gas Holdings Limited, an exempted company incorporated in the Cayman Islands on 20 July 2000 with limited liability, the Shares of which are listed on GEM |
| “Director(s)” | the director(s) of the Company |

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| “Easywin” | Easywin Enterprises Limited, a company incorporated in the British Virgin Islands on 18 July 2000 with limited liability which is owned as to 50% by Mr. Wang Yusuo and 50% by Ms. Zhao Baoju. Easywin is a controlling Shareholder (as defined in the GEM Listing Rules) |
| “Effective Date” | on or about 3 June 2002, the day on which the Proposed Withdrawal becomes effective |
| “Extraordinary General Meeting” | an extraordinary general meeting of the Company to be held on Tuesday, 21 May 2002 at 9:45 a.m. (or as soon as practicable immediately after the conclusion or adjournment of the annual general meeting of the Company to be convened at the same place and date at 9:30 a.m.) or any adjournment thereof |
| “GEM” | the Growth Enterprise Market of the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “Group” | the Company and its subsidiaries |
| “Introduction” | the proposed listing of the Shares on the Main Board by way of an introduction pursuant to the Listing Rules |
| “Listing Committee” | the listing sub-committee of the Directors of the Stock Exchange responsible for Main Board listing matters |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Main Board” | the securities market operated by the Stock Exchange prior to the establishment of GEM and which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM |
| “Proposed Articles of Association” | the articles of association proposed to be adopted at the Extraordinary General Meeting |
| “Proposed Share Option Scheme” | the share option scheme proposed to be adopted at the Extraordinary General Meeting |
| “Proposed Withdrawal” | the proposed voluntary withdrawal of listing of the Shares on GEM |

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| “Rothschild” | N M Rothschild & Sons (Hong Kong) Limited |
| “Share Option Scheme” | the share option scheme for employees and directors of the Group conditionally adopted by the Company on 24 April 2001 |
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the share capital of the Company |
| “Shareholder(s)” | registered holder(s) of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “HK\$” or “cents” | Hong Kong dollars or cents, the lawful currency of Hong Kong |
| “RMB” | Renminbi, the lawful currency of the People’s Republic of China |
| “%” | per cent. |

By order of the Board
Cheng Chak Ngok
Company Secretary

Hong Kong, 22 April 2002

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

This announcement will remain on the GEM website at “www.hkgem.com” on the “Latest Company Announcements” page for seven days from the day of its posting.

* For identification only