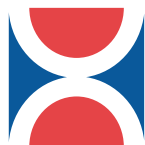


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XINAO GAS HOLDINGS LIMITED

新奧燃氣控股有限公司*

(incorporated in the Cayman Islands with limited liability)

COMPLETION OF THE ACQUISITION OF INTEREST IN JINGGU XINAO AND THE ESTABLISHMENT OF CHENGYANG XINAO AND ZHUCHENG XINAO

On 31 January 2001, an acquisition agreement was entered into between XGCL as vendor and Pinggu BVI as purchaser whereby Pinggu BVI has agreed to acquire 70% interest in Jinggu Xinao for a consideration of RMB6,930,000 (equivalent to approximately HK\$6,538,000). The Directors are pleased to announce that approval from the relevant local foreign trade and economic co-operation, being the last condition precedent of such acquisition agreement, was received today. Accordingly all the conditions of this acquisition agreement have been fulfilled and that there was no change to the terms of this acquisition agreement.

The Directors also announce that each of Chengyang Xinao and Zhucheng Xinao has obtained Certificate of Approval for their respective establishment. Save for the change of name to 青島新奧新城燃氣有限公司 (Qingdao Xinao Xincheng Gas Company Limited*) (from 城陽新奧燃氣有限公司 (Chengyang Xinao Gas Company Limited*)) and an increase of its registered capital to US\$1,610,000 (from US\$1,600,000), there was no change to the joint venture terms of Chengyang Xinao. There was no change to joint venture terms of Zhucheng Xinao.

ACQUISITION AGREEMENT DATED 31 JANUARY 2001

Parties

Purchaser: Pinggu BVI
Vendor: XGCL

Assets to be purchased

70% interest in Jinggu Xinao. Jinggu Xinao is engaged in the provision of piped gas to Pinggu, Beijing Municipality, the PRC and has an exclusive right to develop and supply piped gas Pinggu county centre which includes the 興谷開發區 (Xinggu Development Zone*) and 濱河開發區 (Binhe Development Zone*). As at 28 February 2001, Jinggu Xinao had made gas connections to a total of 135 households and one commercial and industrial site. Jinggu Xinao recorded an audited loss of approximately RMB1,088,000 (equivalent to approximately HK\$1,026,000) for the period since its incorporation to 31

December 2000. The audited net tangible assets of Jinggu Xinao was approximately RMB8.8 million (equivalent to approximately HK\$8.3 million) as at 31 December 2000. The remaining 30% of Jinggu Xinao is owned by 平谷縣液化石油氣公司 (Pinggu County LPG Company*), an independent third party not connected with any of the Directors, chief executives, initial management shareholders or substantial shareholders of the Company or any of their respective associates.

The Directors expect growth in demand for connection and usage of natural gas through the growth in economic activities and population in Pinggu. Further information relating to Jinggu Xinao is set out on pages 74 to 76 of the Prospectus.

Consideration

RMB6,930,000 (equivalent to approximately HK\$6,538,000), representing 70% of the registered capital of Jinggu Xinao as contributed by XGCL. The consideration will be satisfied by a portion of the listing proceeds, further details of which are set out in the paragraph headed "Use of proceeds" in the Prospectus.

Condition precedents

The acquisition agreement is conditional on all necessary approvals being obtained in relation to the transfer of the relevant equity interest and the conversion of Jinggu Xinao into Sino-foreign equity joint venture (including the approval from the relevant local foreign trade and economic co-operation departments). Approval from the relevant local foreign trade and economic co-operation, being the last condition precedent of this acquisition agreement, was received today. Accordingly, all the conditions of this acquisition agreement have been fulfilled and there was no change to its terms.

Connected transaction

Jinggu Xinao was owned as to 70% by XGCL, a connected person as defined under the GEM Listing Rules. This acquisition agreement was entered into for the purpose of the listing of the Company's shares on GEM and constitutes a connected transaction to be completed. Further information relating to this connected transaction is set out on page 95 of the Prospectus.

General

The Company (together with its subsidiaries) are engaged in the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped gas in the PRC. Its business activities also consist of the sale of gas appliances and equipment and the provision of repair, maintenance and other services in connection with gas supply.

The Directors also announce that each of Chengyang Xinao and Zhucheng Xinao has obtained Certificate of Approval for their respective establishment. Save for the change of name to 青島新奧新城燃氣有限公司 (Qingdao Xinao Xincheng Gas Company Limited*) (from 城陽新奧燃氣有限公司 (Chengyang Xinao Gas Company Limited*)) and an increase of its registered capital to US\$1,610,000 (from US\$1,600,000), there was no change to the joint venture terms of Chengyang Xinao. There was no change to joint venture terms of Zhucheng Xinao. Further information relating to Chengyang Xinao and Zhucheng Xinao are set out on pages 83 and 84 and pages 85 and 86 of the Prospectus, respectively.

DEFINITIONS

“Chengyang Xinao”	青島新奧新城燃氣有限公司 (Qingdao Xinao Xincheng Gas Company Limited*), a Sino-foreign equity joint venture to be incorporated in the PRC. Chengyang Xinao was originally intended to be named 城陽新奧燃氣有限公司 (Chengyang Xinao Gas Company Limited*) as referred to in the Prospectus
“Company”	Xinao Gas Holdings Limited, the shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Jinggu Xinao”	北京新奧京谷燃氣有限公司 (Beijing Xinao Jinggu Gas Company Limited*), a PRC joint venture established in the PRC on 11 August 2000 with limited liability
“Pinggu BVI”	Xinao Pinggu Investment Limited, an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands on 19 December 2000 with limited liability
“PRC”	the People’s Republic of China
“Prospectus”	the prospectus of the Company dated 27 April 2001
“XGCL”	新奧集團股份有限公司 (Xinao Group Company Limited*), a joint stock limited company established in the PRC on 5 August 1997 and controlled by and indirectly owned as to approximately 50.7% by Mr. Wang Yusuo, the chairman of the Company. The remaining 49.3% of XGCL are owned by, among others, a PRC State-owned enterprise, certain Directors and other family members of Mr. Wang Yusuo
“Zhucheng Xinao”	諸城新奧燃氣有限公司 (Zhucheng Xinao Gas Company Limited*), a Sino-foreign equity joint venture incorporated in the PRC on 30 May 2001 with limited liability

“HK\$” Hong Kong dollars

“RMB” Renminbi

HK\$1 = RMB1.06

By order of the board
XINAO GAS HOLDINGS LIMITED
CHENG Chak Ngok
Company Secretary

Hong Kong, 1 June 2001

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 <http://www.hkgem.com> on the “Latest Company Announcements” page for seven days from the date of its posting.

* For identification only