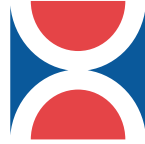


The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 QINGDAO XINAO

On 31 January 2001, an acquisition agreement was entered into between XGCL as vendor and Huangdao BVI as purchaser whereby Huangdao BVI has agreed to acquire 90% interest in Qingdao Xinao for a consideration of RMB18.0 million (equivalent to approximately HK\$16.7 million). 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 on 23 May 2001 and that there was no change to the terms of this acquisition agreement.

ACQUISITION AGREEMENT DATED 31 JANUARY 2001

Parties

Purchaser: Huangdao BVI

Vendor: XGCL

Assets to be purchased

90% interest in Qingdao Xinao. Qingdao Xinao is engaged in the provision of piped gas to Huangdao, Qingdao City, Shandong Province, the PRC and was granted a right of first refusal to develop and supply piped gas in Huangdao. As at 28 February 2001, Qingdao Xinao had made gas connections to a total of 44 households. Qingdao Xinao recorded an audited loss of approximately RMB1.1 million (equivalent to approximately HK\$1.0 million) for the period since its incorporation to 31 December 2000. The audited net tangible assets of Qingdao Xinao was approximately RMB18.9 million (equivalent to approximately HK\$17.5 million) as at 31 December 2000. The remaining 10% of Qingdao Xinao is owned by 青島經濟技術開發區熱電燃氣總公司 (Qingdao Economic and Technical Development Zone Heating, Electricity and Gas Corporation*), 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.

Consideration

RMB18.0 million (equivalent to approximately HK\$16.7 million), representing 90% of the registered capital of the total amount invested in Qingdao 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 Qingdao 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

Qingdao Xinao was owned as to 90% by XGCL, a company controlled by and indirectly owned as to 50.7% by Mr. Wang Yusuo, XGCL is 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 expect growth in demand for connection and usage of natural gas through the growth in economic activities and population in Huangdao. Further information relating to Qingdao Xinao is set out on pages 76 to 78 of the Prospectus.

DEFINITIONS

“Company”	Xinao Gas Holdings Limited, the shares of which is listed on the Growth Enterprise Market
“Director(s)”	the director(s) of the Company
“Qingdao Xinao”	青島新奧燃氣有限公司 (Qingdao Xinao Gas Company Limited*), a PRC joint venture established in the PRC on 30 October 2000 with limited liability
“Huangdao BVI”	Xinao Huangdao 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.
“HK\$”	Hong Kong dollars
“RMB”	Renminbi

HK\$1 = RMB1.08

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

Hong Kong, 28 May 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*