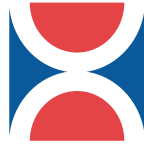


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XINAO GAS HOLDINGS LIMITED

新奧燃氣控股有限公司*

(incorporated in the Cayman Islands with limited liability)

CONNECTED TRANSACTIONS

The Board announces that Yantai Xinao has, on 4 February 2002, entered into the Purchasing Agreement 1 with Xinao Machinery to purchase two CNG truck trailers with gas storage facility from Xinao Machinery for an aggregate contract value of RMB1,700,000 (equivalent to approximately HK\$1,604,000). The Board also announces that on the same date, Yangzhou Xinao has entered into the Purchasing Agreement 2 with Xinao Machinery to purchase pressure regulating equipments from Xinao Machinery for an aggregate contract value of RMB800,000 (equivalent to approximately HK\$755,000).

As Xinao Machinery is controlled by Mr. Wang, the substantial shareholder of the Company, Xinao Machinery is a connected person as defined in the GEM Listing Rules. Hence, the signing of the Purchasing Agreements constitute connected transactions for the Company under Chapter 20 of the GEM Listing Rules. However, as the aggregate contract value for the Purchasing Agreements together with the connected transactions (assembling and purchasing agreements) announced on 24 December 2001 is less than HK\$10,000,000, no independent shareholders' approval is required. Details of the Purchasing Agreements will be disclosed in the next published annual report of the Company.

PURCHASING AGREEMENT 1 DATED 4 FEBRUARY 2002

Major terms of the Purchasing Agreement 1

Xinao Machinery will undertake the assembly and supply of two CNG truck trailers with gas storage facility in accordance with the standards set out in the agreement. Xinao Machinery is required to deliver the two CNG truck trailers with gas storage facility to Yantai Xinao by no later than 31 March 2002.

Parties

Yantai Xinao and Xinao Machinery.

Contract value

RMB1,700,000 (equivalent to approximately HK\$1,604,000). The contract value was agreed after arm's length negotiations with reference to market comparables and is similar to those charged by independent third parties. The contract value will be satisfied in cash by internal resources of Yantai Xinao, 60% of which is payable upon signing of the Purchasing Agreement 1 while the remaining 40% within five days upon delivery of the CNG trucks trailers with gas storage facility.

PURCHASING AGREEMENT 2 DATED 4 FEBRUARY 2002

Major terms of the Purchasing Agreement 2

Xinao Machinery will undertake the assembly and supply of pressure regulating equipments in accordance with the standards set out in the agreement. Xinao Machinery is required to deliver the pressure regulating equipments to Yangzhou Xinao by no later than 30 April 2002.

Parties

Yangzhou Xinao and Xinao Machinery.

Contract value

RMB800,000 (equivalent to approximately HK\$755,000). The contract value was agreed after arm's length negotiations with reference to market comparables and is similar to those charged by independent third parties. The contract value will be satisfied in cash by internal resources of Yangzhou Xinao, 60% of which is payable upon signing of the Purchasing Agreement 2 while the remaining 40% within 5 days upon delivery of the pressure regulating equipments.

REASONS FOR THE PURCHASING AGREEMENTS

Each of Yantai Xinao and Yangzhou Xinao is principally engaged in the sale and distribution of gas, gas appliances and equipment and the provision of repair, maintenance and other services in connection with gas supply, and the assets to be purchased pursuant to the Purchasing Agreements are essential for these companies to carry on their gas-related businesses.

The Board (including the independent non-executive Directors) considers that the Purchasing Agreements are entered into on normal commercial terms after arm's length negotiations and that the terms of the Purchasing Agreements are fair and reasonable and in the interests of the Company so far as the independent shareholders are concerned.

As Xinao Machinery is controlled by Mr. Wang, the substantial shareholder of the Company, Xinao Machinery is a connected person as defined in the GEM Listing Rules. Hence, the signing of the Purchasing Agreements constitute connected transactions for the Company under Chapter 20 of the GEM Listing Rules. However, as the aggregate contract value for the Purchasing Agreements together with the connected transactions (assembling and purchasing agreements) announced on 24 December 2001 is less than HK\$10,000,000, no independent shareholders' approval is required.

GENERAL

The Group is one of the first non state-owned piped gas distributors in the PRC. The Group 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 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.

Details of the Purchasing Agreements will be disclosed in the next published annual report of the Company.

DEFINITIONS

“Board”	the board of Directors
“CNG”	compressed natural gas
“Company”	Xinao Gas Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Growth Enterprise Markets of The Stock Exchange of Hong Kong Limited
“connected person(s)”	shall have the meaning ascribed thereto in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“Group”	the Company and its subsidiaries
“Mr. Wang”	Mr. Wang Yusuo (王 玉 鎖 先 生), the chairman of the Company and an executive Director
“PRC”	the People’s Republic of China
“Purchasing Agreements”	Purchasing Agreement 1 and Purchasing Agreement 2
“Purchasing Agreement 1”	a purchasing agreement dated 4 February 2002 entered into between Yantai Xinao and Xinao Machinery
“Purchasing Agreement 2”	a purchasing agreement dated 4 February 2002 entered into between Yangzhou Xinao and Xinao Machinery
“Xinao Machinery”	新奧集團石家莊化工機械股份有限公司 (Xinao Group Shijiazhuang Petrochemical and Machinery Company Limited*), a company established in the PRC on 31 December 1996 and is controlled by and indirectly owned as to approximately 67.06% by Mr. Wang. The remaining 32.94% interest of Xinao Machinery is owned as to approximately 4.75% by Mr. Wang Baozhong (father of Mr. Wang), as to 5% by 北京鼎昌元公司 (Beijing Dingchangyuan Company*, an independent third party not associated with the connected persons of the Company), as to approximately 17.82% by the individual shareholders of 新奧集團股份有限公司 (Xinao Group Company Limited*, a joint stock limited company established in the PRC and controlled by and indirectly owned as to approximately 52.36% by Mr. Wang) and as to approximately 5.37% by 廊坊市液化氣供應公司 (Langfang City LPG Company*, a State-owned enterprise, which is an independent third party not associated with the connected persons of the Company)

“Yangzhou Xinao”	揚州新奧燃氣有限公司 (Yangzhou Xinao Gas Company Limited*), a wholly foreign owned enterprise of Xinao Jiangsu Investment Limited (an indirect wholly-owned subsidiary of the Company) established in the PRC on 18 December 2001
“Yantai Xinao”	煙台新奧燃氣有限公司 (Yantai Xinao Gas Company Limited*), a wholly foreign owned enterprise of Xinao Yantai Investment Limited (an indirect wholly-owned subsidiary of the Company) established in the PRC on 16 July 2001
“HK\$”	Hong Kong dollars
“RMB”	Renminbi

In this announcement, amounts stated in Renminbi have been converted into Hong Kong dollars at the rate of HK\$1 = RMB1.06.

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

Hong Kong, 4 February 2002

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 at least seven days from the date of its posting.

* *For identification only*