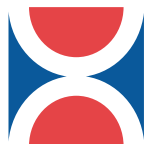


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XINAO GAS HOLDINGS LIMITED

(新 奧 燃 氣 控 股 有 限 公 司) *

(incorporated in the Cayman Islands with limited liability)

ANNOUNCEMENT

The Board announces that Zhucheng Xinao has, on 9 May 2002, entered into the Acquisition Agreements with the Zhucheng PRC Partner to acquire the Property Assets located in Zhucheng, Shandong Province from the Zhucheng PRC Partner for an aggregate contract value of RMB1,560,000 (equivalent to approximately HK\$1,472,000). The contract value represents more than 0.03% but less than 3% of the net tangible assets of the Group.

The Acquisition does not constitute a discloseable or connected transaction under the GEM Listing Rules but would constitute a connected transaction under Rule 14.25(1) of the Listing Rules by virtue of Zhucheng PRC Partner being a connected person of the Company if the shares of the Company were listed on the main board of the Stock Exchange as at the date hereof. This announcement was made by the Company to inform shareholders and investors on a best practice basis and is in compliance with the disclosure requirements of Rule 14.25(1) of the Listing Rules. Details of the Acquisition Agreements will be disclosed in the next published annual report of the Company.

ACQUISITION AGREEMENTS BOTH DATED 9 MAY 2002

Parties

Zhucheng Xinao (as purchaser) and Zhucheng PRC Partner (as vendor).

Assets to be acquired

Property Assets comprising a parcel of land with a total site area of approximately 4,197 square metres with four buildings constructed thereon which have a total gross floor area of approximately 1,138 square metres.

Consideration

RMB1,560,000 (equivalent to approximately HK\$1,472,000), representing more than 0.03% but less than 3% of the net tangible assets of the Group. The consideration was agreed after arm's length negotiations between the two parties and represents the net book value of the Property Assets in the books of the Zhucheng PRC Partner. Such consideration will be satisfied in cash by internal resources of Zhucheng Xinao and payable within 10 days upon signing of the Acquisition Agreements.

REASONS FOR THE ACQUISITION AGREEMENTS

Zhucheng 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. The Property Assets have been used as Zhucheng Xinao's office at nil consideration since its incorporation and will continue to be used as Zhucheng Xinao's office after completion of the Acquisition.

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

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, the production of stored value card gas metres and the provision of repair, maintenance and other services in connection with gas supply.

The Acquisition does not constitute a discloseable or connected transaction under the GEM Listing Rules but would constitute a connected transaction under Rule 14.25(1) of the Listing Rules by virtue of Zhucheng PRC Partner being a connected person of the Company if the shares of the Company were listed on the main board of the Stock Exchange as at the date hereof. This announcement was made by the Company to inform shareholders and investors on a best practice basis and is in compliance with the disclosure requirements of Rule 14.25(1) of the Listing Rules. Details of the Acquisition Agreements will be disclosed in the next published annual report of the Company.

DEFINITIONS

“Acquisition”	the acquisition of Property Assets pursuant to the Acquisition Agreements
“Acquisition Agreements”	two acquisition agreements both dated 9 May 2002 entered into between Zhucheng Xinao and Zhucheng PRC Partner in relation to the Acquisition
“Board”	the board of Directors
“Company”	Xinao Gas Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“connected person(s)”	shall have the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the main board of the Stock Exchange
“PRC”	the People’s Republic of China
“Property Assets”	a parcel of land with four buildings constructed thereon located in Zhucheng City, Shangdong Province to be acquired from the Zhucheng PRC Partner pursuant to the Acquisition Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Zhucheng PRC Partner”	諸城市燃氣熱力總公司 (Zhucheng City Gas and Heating Corporation*), a State-owned enterprise established in the PRC and an independent third party not associated with the connected persons of the Company
“Zhucheng Xinao”	諸城新奧燃氣有限公司 (Zhucheng Xinao Gas Company Limited*), a Sino-foreign equity joint venture established in the PRC on 30 May 2001 in which the Company (through a wholly owned subsidiary) has an 80% indirect interest and Zhucheng PRC Partner has the remaining 20% interest
“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, 9 May 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 “www.hkgem.com” on the “Latest Company Announcements” page for at least seven days from the date of its posting.

* For identification only