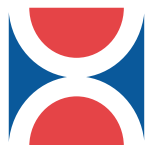


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XINAO GAS HOLDINGS LIMITED

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 JINGCHANG XINAO

On 31 January 2001, an acquisition agreement was entered into between XGCL as vendor and Changping BVI as purchaser whereby Changping BVI has agreed to acquire 80% interest in Jingchang Xinao for a consideration of RMB7,920,000 (equivalent to approximately HK\$7,472,000). The Directors are pleased to announce that approval from the relevant local foreign trade and economic co-operation department, 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 are pleased to announce that the Group has completed all the acquisitions entered into by the Group as set out in the Prospectus.

ACQUISITION AGREEMENT DATED 31 JANUARY 2001

Parties

Purchaser: Changping BVI

Vendor: XGCL

Assets to be purchased

80% interest in Jingchang Xinao. Jingchang Xinao is engaged in the provision of piped gas to Changping, Beijing Municipality, the PRC and was granted an exclusive right to develop and supply piped gas to satellite cities in Changping which includes the Changping district centre. As at 28 February 2001, Jingchang Xinao had made gas connections to a total of 284 households and 1 commercial and industry site. Jingchang Xinao recorded an audited loss of approximately RMB260,000 (equivalent to approximately HK\$245,000) for the period since its incorporation to 31 December 2000. The audited net tangible assets of Jingchang Xinao was approximately RMB9.6 million (equivalent to approximately HK\$9.1 million) as at 31 December 2000. The remaining 20% of Jingchang Xinao is owned by 北京市昌平市政經濟發展總公司 (Beijing City Changping Urban Economic Development 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

RMB7,920,000 (equivalent to approximately HK\$7,472,000), representing 80% of the registered capital of Jingchang 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 Jingchang 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 department, 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

Jingchang Xinao was owned as to 80% 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 Changping. Further information relating to Jingchang Xinao is set out on pages 78 to 81 of the Prospectus.

DEFINITIONS

“Changping BVI”	Xinao Changping Investment Limited, an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands on 19 December 2000 with limited liability
“Company”	Xinao Gas Holdings Limited, the shares of which are listed on the Growth Enterprise Market
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Jingchang Xinao”	北京新奧京昌燃氣有限公司 (Beijing Xinao Jingchang Gas Company Limited*), a company established in the PRC on 16 November 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. XGCL is an investment holding company
“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, 9 August 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*