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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)

CLARIFICATION ANNOUNCEMENT

The Directors wish to clarify certain articles that appeared in newspapers recently.

Unless otherwise stated, terms used in this announcement shall have the same meanings as defined in the prospectus of Xinao Gas Holdings Limited (the “Company”) dated 27 April 2001 (the “Prospectus”).

The Directors wish to clarify certain aspects of the content of certain articles appeared in newspapers recently (“Articles”). In the Articles, it was reported that:

1. The Company is in discussions with three to five local governments for the grant of exclusive rights to supply gas and believed that one project will be finalised in May 2001.
2. The Company is in discussions with certain international companies (including a French gas company) on the possibility of a strategic co-operation.
3. Langfang Xinao had applied to the price bureau for a 20% increase in gas usage charges.
4. The Company expects that profit in Miyun will be increased by one-fold by the year end when the number of customers increases to 10,000 from the current 5,000 and forecasts that the market share of the Company in Miyun will be 60% in 2003 and 80% in 2005.
5. The Placing has already been fully subscribed.

The Directors wish to make the following clarifications:

1. One of the principal activities of the Group is to identify and secure new Operational Locations, the Group is always in discussions with local governments of potential locations for the grant of exclusive rights to supply gas. The Company is currently in discussions with a number of local governments (other than those disclosed in the Prospectus) and expects that formal approval for a project will be granted at the earliest by end of May 2001.

* *for identification only*

2. The Company has recently been approached by a French gas company, an independent third party of the Group, with a view to form co-operation with the Company on technical, management and training aspects. The Directors wish to confirm that only preliminary contacts were made and there is no certainty whether agreement can be reached.
3. Langfang Xinao has made an application to the Langfang City Price Bureau for the increase of gas usage charges for residential users to RMB1.60 per m³ from RMB1.20 per m³ and for commercial and industrial users to RMB1.80 per m³ from RMB1.40 per m³ in February 2001. The Directors wish to confirm that there is no certainty as to whether the Langfang City Price Bureau will approve the price increase and as to the timing of the approval.
4. With the planned construction of residential and infrastructure developments in Miyun and local government's support and commitment to promote a non-polluted environment (as set out in the Prospectus), the Company expects to secure contracts for additional households representing 100% of the current number of households by end of 2001. On this basis, the Company hopes to achieve gas penetration rate based on existing population of 60% by 2003 and 80% by 2005 in Miyun. The Company has not commented on the profit potential of Beijing Xinao. Potential investors should not rely on information other than set out in the Prospectus and this clarification announcement.
5. The bookbuilding for the Placing is still ongoing and the Placing Agents are gathering indication of interest from prospective investors. Such investors demand are still subject to finalisation and formal commitment when the book closes at 5:00 p.m. on 4 May 2001. An announcement of the Placing Price and the level of indication of interest will be made on 9 May 2001 according to the current timetable as set out in the Prospectus.

Appropriate announcement will be made if the materialisation of potential projects, co-operation agreement and price increase application as noted in points numbered (1) to (3) above, respectively, constitute matters discloseable under Chapters 19 and 20 of the GEM Listing Rules or constitute a price sensitive information discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules.

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

Hong Kong, 2 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>.