

[For Immediate Release]

**XINAO GAS ANNOUNCES SUCCESSFUL COMPLETION OF SHARE PLACEMENT**

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**TO RAISE HK\$335 MILLION AT PRICE OF HK\$3.05 PER SHARE**

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**NET PROCEEDS WILL BE APPLIED TO INVESTMENT IN HUAIAN PROJECT AND  
YANCHENG PROJECT IN JIANGSU PROVINCE**

**AND**

**IN NEWLY IDENTIFIED PROJECTS IN JIANGSU AND ANHUI PROVINCES**

(Hong Kong, March 13, 2002) – Privately-owned piped gas distributor Xinao Gas Holdings Limited (“Xinao Gas” or “the Group”) (Stock Code: 8149) today announced that it had successfully placed 110 million existing shares to professional, institutional and other investors.

Xinao Gas raised approximately HK\$335 million through the placing and subscription of 110 million existing shares and new shares respectively. 110 million existing shares will be placed at a price of HK\$3.05 per share. At the same time, the major shareholder will subscribe to 110 million new shares of Xinao Gas at the same placing price. ABN AMRO Rothschild is the placing agent. The placing price represents a discount of 8.1% to the average closing price of approximately HK\$3.3175 per share as quoted on GEM for the last 10 trading days up to March 11, 2002.

Mr. Wang Yusuo, Chairman of Xinao Gas, said, “The decision for the placement was based on the needs of project development and the Group’s long term development plans. Through this placement, the Group not only strengthens its shareholders base, capital base and Group capabilities, it also provides excellent foundations for the Group’s existing and future business development. I am very satisfied that the shares had been so successfully allocated to professional and institutional investors.”

The placing of 110 million shares by Xinao Gas equals approximately 17.5% of the existing issued share capital of the Group, or approximately 14.9% of the issued capital as enlarged by the subscription. After completion of the placing and the subscription, Easywin Enterprise Limited’s shareholding, the major shareholder of Xinao Gas, will be decreased from 67% to 57%.

Mr. Wang continued, “We have attracted many prestigious and capable international institutional investors to subscribe the shares. This demonstrates that our business is attractive and that we have won strong investor confidence in the Group. Through this placement, the Group is tapping the resources of the international market which will enhance the Group’s quality of business development. The quality of the Group’s shareholders will also be enhanced and the base enlarged, strengthening the Group’s competitive advantages in the industry.”

The amount of net proceeds from the placing will be approximately HK\$326 million. Approximately HK\$70 million will be used for investment in the Huaian project; approximately HK\$60 million will be used for investment in the Yancheng project; approximately HK\$90 million will be used for investments in new piped gas distribution projects to be identified in Anhui Province, the PRC; approximately HK\$90 million will be used for investments in new piped gas distribution projects to be identified in Jiangsu Province, the PRC; and the balance will be used for the Group’s general corporate purposes.

The Group has been actively developing its piped gas business since its listing on the GEM Board of the Stock Exchange of Hong Kong in May 2001. The Group’s number of gas projects has been increased from 4 at the time of the listing to 16 at the moment. Population coverage is over 3.4 million. At present, the Group is in negotiations with the local government for a total of 11 locations in Anhui Province and Jiangsu Province.

The Huaian City People’s Government granted the Group the priority entry right to operate piped gas to the Group on March 5, 2002. The Group plans to establish a Sino-foreign joint venture, Huaian Xinao, with a subsidiary of Huaian City Planning Commission. The Group expects to hold no less than 70% interest in Huaian Xinao. The total population of Huaian city is approximately 690,000, comprising a total of approximately 232,000 residential households. The total investment amount for the project is estimated to be approximately RMB280 million.

The Group has received an approval from the Yancheng city People’s Government to acquire an 80% interest in an existing natural gas distributor (“Existing Operator”) in Yancheng city, Jiangsu Province, the PRC. The Existing Operator is currently engaged in piped gas distribution

in the northern part of Yancheng city. The total population of Yancheng city is approximately 630,000, comprising a total of approximately 210,000 residential households. The registered capital of the project is approximately RMB50 million to RMB60 million while the total investment is expected to be around RMB120 million.

Mr. Wang concluded, “Looking ahead, the Group will continue to commit to the development of the downstream market along the West to East Pipelines projects, and to expand its business to Shandong, Jiangsu, Zhejiang, Liaoning, Henan and Anhui provinces, which are affluent regions with rich natural gas reserves. I expect these development plans will bring favourable returns to our shareholders.”

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#### **ABOUT XINAO GAS HOLDINGS LIMITED**

Xinao Gas is mainly engaged in the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped gas. The Group’s other business activities include the sale of gas appliances and equipment, as well as the provision of repair and maintenance services. Currently, the Group’s business is operated in 16 regions including Anhui Province, Beijing Municipality, Hebei Province, Jiangsu Province, Liaoning Province and Shandong Province.

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