

[For Immediate Release]

**XINAO GAS OBTAINS EXCLUSIVE RIGHTS TO OPERATE
PIPED GAS BUSINESS IN SHIJIAZHUANG CITY IN HEBEI PROVINCE**

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**THE FIRST PROVINCIAL CAPITAL PROJECT FOR XINAO GAS
WILL HELP RAISE SALES REVENUES**

(Hong Kong, 6 January 2003)- Privately-owned piped gas distributor Xinao Gas Holdings Limited (“Xinao Gas” or “the Group”) (Stock Code:2688) today announced that its wholly owned subsidiary Xinao Gas China Investment Company Limited (“Xinao China”) has set up a Sino-foreign joint venture company, Shijiazhuang Xinao Gas Limited (“Shijiazhuang Xinao”), with Shijiazhuang Gas Group Limited (“Shijiazhuang Gas”) to operate piped gas distribution business in Shijiazhuang City.

The Shijiazhuang Municipal Government has officially approved the establishment of Shijiazhuang Xinao and authorized the joint venture company to operate piped gas distribution business with exclusive right for thirty years. The registered capital of Shijiazhuang Xinao is RMB130 million. Xinao China holds a 70% interest of the joint venture company with Shijiazhuang Gas owning the remaining 30%.

Shijiazhuang, the capital of Hebei Province, consists of six districts and seventeen counties (cities) with a total area of 15,848 square kilometers. At the end of 2001, the total population was 8.9 million, of whom 2.1 million lived in the urban area. According to the plan of the Shijiazhuang Municipal Government, the total population in the city will reach 10 million with 5.2 million living in the urban area by 2010.

Mr. Wang Yusuo, Chairman of Xinao Gas, said, “The Shijiazhuang project is the first provincial capital project obtained by Xinao. The city is an important base for China’s pharmaceutical and textile industries. We are delighted that the Group has successfully obtained the project after almost a year of negotiations. The economy in Shijiazhuang has been growing rapidly in recent years. In 2001, Shijiazhuang’s GDP reached RMB108.545 billion, ranking sixth in terms of industrial profit and tax among the country’s provincial capitals with its contribution of over RMB10 billion. We are confident that the Shijiazhuang project will pave the way for the Group’s expansion and help increase sales revenues with its large residential and industrial client base.”

The Shijiazhuang Municipal Government started to construct natural gas pipelines in 2001 with gas supply coming from the Zhuozhou-Shijiazhuang long distance pipeline, which is connected to the Shaanxi-Beijing Pipeline. The designed annual gas transmission capacity is 1.5 billion cubic meters. The city has completed the construction of 8.4 km intermediate pipelines connecting the terminal of Beijing-Shijiazhuang Gas Pipeline and the processing station, as well as 20 km main pipelines in the urban area, to supply piped natural gas to 400 residential household users. The city is expected to commence the mass supply of gas in the first half of the year. Elsewhere, the PetroChina Group is planning to construct another long distance pipeline, which will pass through Shanxi and Hebei, linking to the Changqing gas field in Shandong. This pipeline will be ready for supplying gas in 2004, and it helps to guarantee a stable gas source for the Shijiazhuang project.

Since 1981, the Shijiazhuang city has been developing the use of piped coal gas. Currently there are 200,000 residential households, 18 industrial and commercial sites and 103 public enterprises using gas in the city. The Shijiazhuang Coal Gas Plant currently has a daily capacity of 630,000 cubic meters and supplies 157 million cubic meters of coal gas annually.

Based on the feasibility study conducted by North China Municipal Engineering Design & Research Institute, the Group expects the Shijiazhuang project to serve 150,000 residential users and some of the industrial and commercial sites in the city by 2005. Total gas usage is expected to reach 220 million cubic meters per annum.

Mr. Wang concluded, “The success of the Shijiazhuang project will help us to further develop our piped gas market in large cities in China. Now Xinao Gas supplies gas to 29 cities with a total population of 9.5 million. We are committed to increasing the penetration rate of piped gas in our existing projects while accelerating the infrastructure of new piped gas projects in response to the government’s policy to encourage the use of clean energy. We will also make every effort to create constantly improving financial results for our shareholders and investors.”

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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, the manufacture of stored-value card gas meters, as well as the provision of repair and maintenance services. Currently, the Group operates businesses in 29 locations in the PRC, including Anhui Province, Beijing Municipality, Hebei Province, Henan Province, Jiangsu Province, Liaoning Province, Shandong Province and Zhejiang Province.

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