

Xinao Gas Successfully Expands into Gas Markets of Dongguan, Guangdong Province and Xiangtan, Hunan Province

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Number of Gas Projects Reaches Total of 32 Total Connectable Population Exceeds 14 Million

(Hong Kong, 19 June 2003)- Xinao Gas Holdings Limited (“Xinao Gas” or “the Group”) (Stock code: 2688), a privately-owned piped gas distributor in the PRC, announced its successful expansion into the gas markets of Dongguan City, Guangdong Province and Xiangtan City, Hunan Province, with the total number of gas projects increasing to 32 and a total connectable population of over 14 million.

Xinao Gas announced that it successfully developed a gas project in Dongguan City, Guangdong Province. Langfang Xinao Investment Limited (“Langfang Xinao”), a wholly-owned subsidiary of Xinao Gas, has entered into a joint venture contract with Dongguan Xinfeng Piped Gas Company Limited (“Dongguan Xinfeng”) to set up Dongguan Xinao Gas Company Limited (Dongguan Xinao), a Sino-foreign joint venture, to operate the piped gas business in Dongguan for 30 years. The registered capital of Dongguan Xinao will be USD18 million (approximately HKD140 million), and Xinao Langfang will hold a 49% interest in Dongguan Xinao while Dongguan Xinfeng holds the remaining 51% interest.

Dongguan is in the mid-southern part of Guangdong. Situated between Guangzhou and Shenzhen, Dongguan is on the land and water transportation routes between Guangzhou and Hong Kong. There are 32 towns and districts under Dongguan’s jurisdiction, covering a total area of 2,465 km². In 2002, the total population of Dongguan was 6.45 million, of which 3.87 million were urban population.

In recent years, many large enterprises around the world have set up factories in Dongguan, and there are 16,000 enterprises with foreign investment. In 2002, the gross domestic product (GDP) of Dongguan reached USD67.2 billion. The economy of Dongguan has developed with annual growth rates of more than 20% for 20 years. Its total volume of foreign trade has ranked third for seven consecutive years among medium-to-large cities and ranked first among cities at prefecture level. Dongguan has an export-oriented economy relying mainly on manufacturing and information industries technology. It is an international hub for processing and manufacturing as well as an important centre for foreign trade in the PRC. Dongguan is among the five cities having gas supply in the first phase of the Guangdong LNG Project.

Besides, Xinao Gas, through its wholly-owned subsidiary Xinao, Hunan Investment Limited (“Xiano Hunan”), has established Xiangtan Xinao Gas Company Limited (Xiangtan Xinao), a Sino-foreign joint venture, with Xiangtan Coal Gas Company (Xiangtan Coal Gas) to operate the piped gas business in Xiangtan for 30 years. The registered capital of Xiangtan Xinao is RMB100 million (approximately HKD94.34 million). Xinao Hunan holds an 85% interest in Xiangtan Xinao while the remaining 15% is held by Xiangtan Coal Gas.

Xiangtan is in the middle part of Hunan Province, being near Changsha in the north and close to Zhuzhou in the east. Xiangtan City has jurisdiction over Xiangtan County, Xiangxiang City, Shaoshan City, Yuhu District and Yuetang District, covering a total area of 5,015 km² and a total population of 2.8 million. The total urban area of Xiangtan’s city proper is 50 km², and its population is 670,000. Xiangtan is an important industrial centre in Hunan, with major industries like steel making, steel rolling, electrical machinery manufacturing, textiles, printing and dyeing, building materials, food, etc. In 2002, the GDP of Xiangtan reached RMB26.4 billion. According to the national planning of the use of natural gas in cities, Zhong-Wu Pipeline will deliver the natural gas from Sichuan and Chongqing to Hunan, and Xiangtan will be among the first cities to utilize natural gas in the province.

Mr. WANG Yusuo, Chairman of Xinao Gas, said, “The Group has successfully expanded into the gas markets of Guangdong and Hunan and obtained projects in important industrial cities of Dongguan and Xiangtan. We are pleased with such success that lays a solid foundation for the Group’s further expansion in southern China. With the continuous effort of the Group, we have obtained 4 new projects in the first half of the year, and the total number of project cities increases to 32. The operational regions of the Group spread over nine provinces and one municipality in mainland China, covering a total connectable population of over 14 million..”

Mr. Wang concluded, “As the scope of the Group is being more extensive, we will focus more on developing quality projects of medium to large scale, especially those with large industrial users, to bring ongoing return to shareholders.”

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Xinao Gas Holdings Limited

Xinao Gas is one of the first non-state-owned piped gas distributors in PRC. The principal business of the Group is the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped gas and liquefied petroleum gas in the PRC. Its business activities also consist of the sale of gas appliances and equipment, the production of stored-value card gas meters and the provision of repair, maintenance and other services in connection with gas supply.

Currently, the Group has 32 project cities in Anhui Province, Beijing Municipality, Hebei Province, Henan Province, Jiangsu Province, Liaoning Province, Shandong Province, Zhejiang Province, Hunan Province and Guangdong Province.

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