

Xinao Gas Obtains Exclusive Right To Operate Piped Gas Business in Kaifeng City, Henan Province

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Number of Gas Projects Reaches 38 Total Urban Population Coverage Exceeds 17.8 Million

(Hong Kong, 9 October 2003)- Xinao Gas Holdings Limited (“Xinao Gas” or “the Group”) (Stock code: 2688), a privately-owned piped gas distributor in the PRC, announced that the Group successfully secured the exclusive right to operate piped gas business in Kaifeng City, Henan Province. Through its wholly-owned subsidiary, Xinao Henan Investment Limited (“Henan BVI”), the Group has entered into a joint venture agreement with Kaifeng City Development Investment Company Limited (“Kaifeng Investment”) to set up a Sino-foreign joint venture, Kaifeng Xinao Gas Company Limited (“Kaifeng Xinao”), to operate piped gas business in Kaifeng City

Kaifeng Xinao enjoys an exclusive right to operate piped gas business in Kaifeng City for 30 years. It will mainly engage in the production and sale of gas and gas equipment, the design and installation of gas equipment as well as the sale and maintenance of gas appliances. The registered capital of Kaifeng Xinao is US\$10 million (approximately HK\$78 million), and Henan BVI holds a 90% interest in it while Kaifeng Investment holds the remaining 10% interest.

Mr. Wang Yusuo, Chairman of Xinao Gas, said, “Kaifeng is the second project in Henan Province we secured after obtaining the Xinxiang project last year. Henan Province is covered by the West-to-East Pipelines. Also, Zhongyuan Oilfield is just 100 km away from Kaifeng and has natural gas source. Sufficient gas sources favour the project’s future development and are of strategic significance for us to explore the market of the Central Plains region.”

Kaifeng City is under the direct jurisdiction of Henan Province. It is 500 km away from Lianyungang, a project of Xinao Gas and a port city at the eastern end of the Euroasia Continental Bridge, in the east and 72 km away from Zhengzhou, the capital of Henan Province, in the west. Kaifeng has jurisdiction over 5 counties and 5 districts, covering a total area of 6,444 km² and a total population of 4.6 million. The area of the urban district is 359 km², and there are 800,000 urban residents. The industries in Kaifeng are well-developed, with chemicals, machinery, light textiles, food, pharmaceuticals, etc being the major industries. In 2002, the GDP of Kaifeng was RMB26.99 billion.

Piped natural gas and bottled LPG are the major gas fuels used in Kaifeng. There are 70,000 households using piped natural gas while the rest are using bottled LPG. At present, Kaifeng utilises the natural gas source from Zhongyuan Oilfield in Puyang, Henan Province transmitted by Zhong-Kai Pipeline, which has extended to Zhengzhou and can be connected to the West-to-East Pipelines. The constructing of natural gas pipeline network as city

infrastructure is being rated an important project having considerable support from the Kaifeng city government. To accelerate the piped gas development and to protect the environment, the government will restrict the use of non-environmental friendly or highly polluting fuels in the city. As the residential customer base is well-developed, and together with the potential gas usage from commercial/industrial customers and the policy support from the local government in Kaifeng, it is expected that the Kaifeng project will bring considerable, stable and immediate profits to the Group.

In addition, with continuous high growth in business and enhancement in management quality, Xinao Gas has been awarded “Chinese Business 500” by the international financial magazine *Yazhou Zhoukan* for 3 consecutive years. It is also awarded “Top 20 Chinese Business of Revenue Growth” and “Top 20 Business of Assets Growth”.

The 500 Chinese enterprises awarded by *Yazhou Zhoukan* are listed companies in Hong Kong, Taiwan, Singapore, Malaysia, Thailand, Indonesia and the Philippines owned by Chinese. The ranking is based on the market capitalisation of these companies as at 30 June 2003. Xinao Gas is ranks 315th this year.

Mr. Wang concluded, “With our continuous efforts, Xinao Gas’s business has great development this year. We have obtained 9 new projects so far, and the total number of projects reaches 38, covering a total urban population over 17.8 million. We are glad that apart from our achievement, we have also received awards from international media, which reflect the market’s high regard on the Group. With our solid foundation, we will carry on to explore the market actively and reward our shareholders and investors with outstanding results.”

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Xinao Gas Holdings Limited

Xinao Gas is one of the first privately-owned piped gas distributors in the 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 LPG 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 38 project cities in Anhui Province, Beijing Municipality, Guangdong Province, Hebei Province, Henan Province, Hunan Province, Jiangsu Province, Liaoning Province, Shandong Province and Zhejiang Province, covering a total urban population of over 17.8 million.

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