

[For Immediate Release]

**XINAO GAS SUCCESSFULLY OBTAINS EXCLUSIVE RIGHTS TO SUPPLY PIPED
NATURAL GAS IN GAOYOU CITY, JIANGSU PROVINCE
AND LAIYANG CITY , SHANGDONG PROVINCE**
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**ENTERS INTO A SINO-FOREIGN JOINT VENTURE AGREEMENT WITH CHINA
SHANDONG LAIYANG GAS COMPANY**

(Hong Kong, 11 December 2001) – Xinao Gas Holdings Limited (“Xinao Gas” or “the Group”) (Stock Code: 8149), a non state-owned piped gas distributor, announced today that it has entered into an agreement with China Shandong Laiyang Gas Company to set up a Sino-foreign joint venture, Laiyang Xinao Gas Company Limited to supply piped gas to the residents of Laiyang City, Shandong Province. This project has an operational period of 30 years. The Group has also obtained the exclusive rights to supply piped natural gas in Laiyang City, Shandong Province.

The total investment and registered capital for the Laiyang project is US\$12 million and US\$5 million respectively. Xinao Gas will own as to 90% interest in the joint venture, while the remaining 10% will be owned by China Shandong Laiyang Gas Company.

In addition, Xinao Gas has also successfully obtained the exclusive rights to supply piped gas in Gaoyou City, Jiangsu Province, on 8 December. This project will be operated by Yangzhou Xinao Gas Company Limited, a wholly-owned subsidiary of Xinao Gas. The registered capital for this project is US\$1.2 million. This project has an operational period of 30 years.

Mr. Wang Yusuo, Chairman of Xinao Gas, said. “ I am delighted that the Group has set up this joint venture in Laiyang City and has obtained the exclusive rights to operate piped gas business in Laiyang City and Gaoyou City in a short period of time after obtaining the Bengbu project. This has increased the Group’s number of projects to 13. Further, the Gaoyou project has special meaning in the Group’s business development. It is the first project to be developed by the Group in Jiangsu Province, and the second project with regard to the construction of the West to East Pipelines. It represents a big step forward of the Group’s business in the downstream markets of the West to East Pipelines.”

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Laiyang City, which is the main distribution center for products in Shandong Province and is located in the center of the Shandong Peninsula. It is approximately 90 kilometers from Qingdao City and Yantai City. Laiyang City has a population of approximately 150,000 (approximately 50,000 residential households). The main industries in Laiyang City include: home appliances, automobiles, equipment manufacturing, electronics, chemicals, construction materials, food and non-staple food processing etc. Gaoyou City, which is 50 kilometers from Yangzhou and 90 kilometers from Huaiyang, is located in Jiangsu Province, north of the ChangJiang River.

Currently, coal is the major energy fuels used in Laiyang City and Gaoyou City, representing 90% and 84% respectively of total energy consumption in these cities. Since the burning of coal causes environmental pollution, the local government in the two cities has formulated policies to control the quantity of polluted materials being vented into the environment while also encourage the use of clean energy.

Mr. Wang continued, “ The local government of the two cities strongly supports the projects. Not only does the Group enjoy the support of the Laiyang local government for the joint venture, it also benefits from the favorable policies with regard to administrative fees within the local government. In Gaoyou City, the local government requires piped facilities to be included as one of the approval criteria for new property developments. These policies will strengthen the Group’s business development in the two cities.”

Mr. Wang concluded, “Since the Group’s listing in May, it has successfully completed four new projects, Yantai Economic and Technical Development Zone, Bengbu City, Laiyang City and Gaoyou City. This has increased the number of connectable population by 1 million. Currently, the Group’s business extends to Beijing Municipality, Hebei Province, Shandong Province, Liaoning Province, Anhui Province and Jiangsu Province. Xinao Gas will continue the development of the existing projects, while at the same time exploring new project opportunities.”

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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 has expanded from Langfang City in Hebei Province to Liaocheng, Zhucheng, Yantai, Laiyang and Huangdao, and Chengyang of Qingdao City located in Shandong Province, Miyun, Pinggu and Changping in Beijing Municipality, Huludao in Liaoning Province, Bengbu City in Anhui Province and Gaoyou in Jiangsu Province, a total of 13 regions.

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