

**[FOR IMMEDIATE RELEASE]**

**XINAO GAS SUCCESSFULLY OBTAINED EXCLUSIVE RIGHTS TO OPERATE PIPED  
GAS BUSINESS IN XINGCHENG CITY IN LIAONING PROVINCE**

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**APPROVED BY CHINA NATIONAL CONDITIONS RESEARCH ASSOCIATION AS  
STATE STANDARD PUBLIC UTILITY CITY GAS INDUSTRY RESEARCH FOUNDATION**

(Hong Kong, January 17 2002) – Privately-owned piped gas distributor Xinao Gas Holdings Limited (“Xinao Gas” or “the Group”) (Stock code: 8149) today announced that its subsidiary Huludao Xinao Gas Company Limited (“Huludao Xinao”) has successfully obtained the exclusive rights to operate piped gas business in Xingcheng City, Liaoning Province. At the same time, the Group was selected to be the State Class Public Utility City Gas Industrial Research Base of 中國國情研究會.

Huludao Xinao has received the exclusive rights to operate piped natural gas business from the People’s Government of Xingcheng City in Liaoning Province. Huludao Xinao will establish a branch office in Xingcheng City to develop and operate piped natural gas project for a period of 30 years. The total investment of the project amounts to RMB33 million. Since Xingcheng City is a subordinate city of Huludao, which located approximately 12 kilometers from the city centre of Huludao, the project will be directly managed by Huludao Xinao through the branch office. In addition, Huludao Xinao has agreed to acquire the 14 kilometers of natural gas pipelines from Xingcheng City Industry State Owned Assets Operations Company, which runs from China Ocean Offshore Oil Bohai Oil Field and Gas Separation Station to Xingcheng Chemical Factory, for a consideration of RMB5 million. The acquisition will be offset by the government subsidy granted to the users.

Mr. Wang Yusuo, Chairman of Xinao Gas, said, “ I am delighted that the Group has been able to obtain exclusive operation right for new project at the beginning of the year, which marks a good start for the business in this year. This gas project is strongly supported by the People’s Government of Xingcheng City. To encourage the use of clean energy, the local government has decided to grant a subsidy of RMB 500 per household for the first 10,000 residential connections, totalling RMB 5 millions. The local government also requires piped natural gas facilities to be included as one of the approval criteria for new property developments. These policies will accelerate the Group’s business development in Xingcheng City.”

Xingcheng city is located in the southwest of Liaoning Province, with an area of 2,147 square kilometers and a total population of approximately 123,000, consisting of approximately 41,000 residential households. The city is named “Pearl of Bohai” which is famous in Chinese historical culture. Recently, many enterprises from the United States, Germany, Korea, Japan, Singapore, Hong Kong and Taiwan etc. have begun investing in Xingcheng City and have commenced business operations there.

Mr. Wang continued, “In addition to the new project, the Group was selected to be the State Class Public Utility City Gas Industrial Research Base of 中國國情研究會 in December last year, marking the Group as a model company in the industry. This reveals the Group’s leading position in China.”

中國國情研究會 was formed in December 1991 in Beijing. The association is a nationwide organization, founded by management, specialists and academics from the Research Center of the State Council, State Statistical Bureau, Chinese Academy of Social Sciences, Beijing University and China Renmin University. The objective of the association is to conduct education and research on nationwide matters.

Mr. Wang added, “This selection will help the Group in collecting information that relates to public utility and the development of the city gas industry. In addition, the Group will have better access to academics and specialists in the industry, further facilitating the Group’s development in training and business.”

Mr. Wang concluded, “With the Group’s leading position in the industry, excellent business track record, exceptional goodwill and experienced and capable management team, the Group will make great effort in business development, thus generating greater value for shareholders.”

## **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 has business in 16 locations within the PRC including Anhui Province, Beijing Municipality, Hebei Province, Jiangsu Province, Liaoning Province and Shandong Province.

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