

**[For Immediate Release]**

**XINAO GAS ANNOUNCES ESTABLISHMENT OF SINO-FOREIGN JOINT VENTURE IN  
HUAIAN CITY**

**SUCCESSFULLY OBTAINS HAIAN GAS PROJECT**

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**GAS PROJECTS INCREASE TO 19  
CONTINUES TO DEVELOP VAST WEST TO EAST PIPELINES MARKET**

(Hong Kong, 4 June 2002) – Privately-owned piped gas distributor in the PRC, Xinao Gas Holdings Limited (“Xinao Gas” or the “Group”) (stock code: 2688) announced the establishment of a Sino-Foreign Joint Venture Enterprise in Huaian City and its success in obtaining the gas project in Haian County on the following day of its listing on the Main Board. The Group will set up Huaian Xinao Gas Company Limited (“Huaian Xinao”) and Haian Xinao Gas Company Limited (“Haian Xinao”) to distribute piped natural gas to Huaian City and Haian County with operation rights for 30 years.

Huaian Xinao is a Sino-Foreign Joint Venture established by Huaian City Gas Company (淮安市燃氣總公司) and Xinao Jiangsu Investment Company Limited. The first phase investment amounts to RMB60 million and the registered capital is RMB30 million. Xinao Jiangsu Investment Company Limited holds 80% of the ownership while the balance of 20% is held by Huaian City Gas Company. Haian Xinao is solely owned by Xinao Jiangsu Investment Company Limited and possesses the exclusive rights of operation for the piped gas business. Investment amounts to USD1.7 million (approximately HK\$13.26 million) while registered capital amounts to USD1.2 million (approximately HK\$9.36 million). The Ministry of Foreign Trade has granted the Haian project together with the certificate for the establishment of the Foreign Enterprise.

Mr. Wang Yusuo, Chairman of Xinao Gas said, “In addition to Gaoyou, Taixing and Yancheng, the Group is actively exploring the West to East Pipeline market in Jiangsu Province. We are delighted to have advanced business developments in Jiangsu Province where we have secured a total of 5 projects in the province and a total of 19 projects in the PRC. The Group first announced that negotiation were underway for the Huaian project in March, at the time of the placing of the Group’s shares, I am very pleased to complete the deal both with satisfactory business terms and fulfill our pledge to investors.”

Huaian City is a directly administrated city located in the northern centre of Jiangsu Province. The total population in the city is approximately 5.05 million with the non-agricultural population in the city district equalling 697,000 in around 232,000 households.

Mr. Wang continued, “Xinao Gas has gained the right of first refusal to develop the piped natural gas business in Huaian City which is a focus project of the local municipal government. We believe that the aggressive promotion of the local government’s clean energy policy will speed up Xinao Gas’s piped gas business development in Huaian City.”

The second development destination, Haian County, is located in the middle of Jiangsu Province with a total population reaching approximately 1 million in a total area of 1,108 km<sup>2</sup>. The County has been approved by Ministry of State Affairs as one of the open coastal cities. The economy of Haian continues to develop. Currently it is an industrial city with over 1800 industrial enterprises. Serving this market, Xinao Gas will be able to further strengthen its existing base of industrial and commercial users. The total population of the county city district is 167,000 with approximately 55,000 households.

Mr. Wang added, “With numerous industrial enterprises, including the two top industries, engineering and silk, who are highly likely to become potential industrial users of the Group, high gas consumption is expected to benefit the Group’s income.”

Mr. Wang continued, “Xinao Gas will explore additional business opportunities more actively after our listing on the Main Board. We expect our business to continue growing quickly, to achieve a result better than last year to reward our shareholders.”

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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 19 destinations including Anhui Province, Beijing Municipality, Hebei Province, Jiangsu Province, Liaoning Province and Shandong Province. Xinao Gas transferred its listing status from GEM to the Main Board on 3 June 2002.

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