

[For Immediate Release]

**XINAO GAS SIGNS JOINT VENTURE AGREEMENT FOR PIPED GAS
PROJECT IN RIZHAO CITY, SHANDONG PROVINCE**

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**GAS PROJECTS IN SHANDONG PROVINCE INCREASE TO 8
GAS PROJECTS NOW REACH 22 IN TOTAL**

(Hong Kong, 1 July 2002) – The privately-owned PRC piped gas distributor, Xinao Gas Holdings Limited (“Xinao Gas” or the “Group”) (stock code: 2688) announced that it has successfully obtained the first right of refusal to operate piped gas supplies in Rizhao City in Shandong Province. Xinao Gas has signed a Sino-foreign joint venture agreement with Rizhao City Town Gas Company to establish a joint venture company, Rizhao Xinao Gas Company Limited (“Rizhao Xinao”), to distribute piped natural gas to Rizhao City. The operational period is 30 years.

Rizhao Xinao is a Sino-foreign joint venture established by Xinao Shandong Investment Limited, a wholly-owned subsidiary of Xinao Gas, and Rizhao City Town Gas Company with a registered capital amounting to USD5.6 million (approximately HK\$43.5 million). Xinao Shandong Investment Limited owns an 80% interest in Rizhao Xinao while the remaining 20% is held by Rizhao City Town Gas Company.

Mr. Wang Yusuo, Chairman of Xinao Gas commented, “Shandong Province is one of the Group’s major areas of development. The Rizhao project is Xinao Gas’ eighth gas project in Shandong Province, making it one of the most important provinces for the Group, sharing the greatest number of Company gas projects. The Rizhao project has captured a great deal of attention together with keen competition from numerous gas distributors in view of the favourable terms it will provide. The successful winning of this project once again reflects the strengths of Xinao Gas and the recognition it has gained in the market.”

Rizhao City is located almost in the centre along the PRC coast, to the south of Shandong Peninsula. It is near Huanghai in the east, Qingdao in the north and stands opposite Japan and Korea across the sea. With a total size of 5,368 sq. km, the city is an important PRC port and is regarded as the oriental “Bridgehead” of the 新亞歐大陸橋. It has a total population of 2.7 million with a city population of 280,000.

Mr. Wang concluded, “The Group has announced 3 new gas projects in just one month, after the transfer of our listing status to the Main Board. Since then, the total number of gas projects has increased to 22, covering a population of over 5.5 million. This establishes solid foundations for the Group’s further growth. Currently, the progress of all Xinao Gas’ projects are proceeding satisfactorily. As the new projects come on stream they become important growth drivers for the Group. In the future, these drivers together with our pro-active business development strategies, will achieve better performance returns for our shareholders and investors.”

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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 22 destinations including Anhui Province, Beijing Municipality, Hebei Province, Jiangsu Province, Liaoning Province, Shandong Province and Zhejiang Province.

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