

[For Immediate Release]

**XINAO GAS SUCCESSFULLY OBTAINS EXCLUSIVE RIGHTS TO OPERATE PIPED GAS BUSINESS IN FOUR CITIES IN ZHEJIANG, JIANGSU AND ANHUI PROVINCES**

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**CONTINUING TO EXPAND WEST TO EAST PIPELINES MARKET  
NUMBER OF GAS PROJECTS REACHES TOTAL OF 28  
TOTAL CITY POPULATION COVERAGE EXCEEDS 7.3 MILLION**

(Hong Kong, 9 December 2002) –Xinao Gas Holdings Limited (“Xinao Gas” or the “Group”) (stock code: 2688), the privately-owned piped gas distributor in the PRC, announced that it had successfully obtained the exclusive rights to operate piped gas businesses in Quzhou City and Haining City in Zhejiang Province, Xinghua City in Jiangsu Province and Bozhou City in Anhui Province, increasing the total number of Xinao Gas projects to 28 and covering a total urban population of over 7.3 million.

Xinao Gas announced that it had successfully obtained approval to operate piped gas installations in Quzhou City and Haining City in Zhejiang Province. Its subsidiary, Zhejiang Xinao Investment Limited (“Zhejiang Xinao”), has established two companies, namely, Quzhou Xinao Gas Company Limited (“Quzhou Xinao”) and Haining Xinao Gas Company Limited (“Haining Xinao”) have been established, to operate the piped gas business in Quzhou City and Haining City respectively. The operational period for each project is 30 years.

Quzhou Xinao is a Sino-foreign joint venture established by Zhejiang Xinao and Quzhou City Construction Investment Company Limited (“Quzhou City Construction”) (衢州市城市建設投資有限公司). The registered capital of the joint venture is RMB50 million (approximately HK\$ 46.6 million). Zhejiang Xinao owns a 90% interest in the joint venture while the remaining 10% interest is held by Quzhou City Construction. Quzhou City, located at the western part of Zhejiang Province, consists of a total area of approximately 8,800 sq.km. Six counties (cities and districts) are under its administration with a total population of approximately 2.4 million, while the urban population amounts to 240,000.

Haining Xinao is a Sino-foreign joint venture established by Zhejiang Xinao and Haining Wantong Gas Limited (“Haining Wantong”) (海寧市萬通燃氣有限責任公司) and Haining Mintai Gas Limited (“Haining Mintai”) (海寧市民泰煤氣有限責任公司). Zhejiang Xinao holds an 80% interest in Haining Xinao with Haining Wantong and Haining Mintai holding the remaining 15% and 5% respectively. The registered capital of the joint venture is USD5 million (approximately HK\$39 million). Haining City is located in northern Zhejiang Province, and its major industry is leather industry. The city consists of approximately 700 sq.km, with a total population and urban population of 640,000 and 120,000 respectively.

Xinao Gas, through its wholly-owned subsidiary, Jiangsu Xinao Investment Limited (“Jiangsu Xinao”), also established a 100% owned company, Xinghua Xinao Gas Company Limited (“Xinghua Xinao”), which secured the exclusive right to operate a piped gas business in the city. With a registered capital of USD1.2 million (approximately HK\$9.36 million), Xinghua Xinao is expected to commence operation in the middle of next year. Xinghua City is located in the economic region of the Changjiang Delta. The city is approximately 2,400 sq.km, with more than 2,600 businesses. Its total population stands at 1.54 million with the urban population amounting to 160,000.

Mr. Wang Yusuo, Chairman of Xinao Gas said, “As Zhejiang Province and Jiangsu Province are two of the most important sectors along the West to East Pipelines market, we are pleased to win these three new projects before the year ends. The economies of Quzhou City, Haining City and Xinghua City are growing rapidly, with massive commercialization and industrialization. Therefore, we believe these projects will certainly bring favourable returns to the Group. The Group is now operating three gas projects in Zhejiang Province, with five gas projects in Jiangsu Province.”

Bozhou Xinao Gas Company Limited (“Bozhou Xinao”) is a Sino-foreign joint venture established by Xinao Gas’s wholly-owned subsidiary, Anhui Xinao Investment Limited (“Anhui Xinao”), and Bozhou City Construction Company Limited (“Bozhou City Construction”) (亳州城市建設投資有限公司). It has obtained the exclusive right to operate a piped gas business in Bozhou City with an operational period for 30 years. The registered capital of Bozhou Xinao is USD4 million (approximately HK\$31.2 million). Anhui Xinao holds a 70% interest while the remaining 30% interest is held by Bozhou City Construction. Bozhou City is located in north-western Anhui Province, with an area of 8,500 sq.km. Its total population and urban population are 5.21 million and 280,000 respectively.

Mr. Wang continued, “Together with the project in Bozhou City, Xinao Gas has secured the operational rights for piped gas businesses in 4 cities in Anhui Province which form part of the West to East Pipelines market. This further reinforces the Group’s position in the West to East Pipelines market.”

Mr. Wang concluded, “Xinao Gas developed 13 new city projects this year, an achievement which is higher than the Group’s target for the year. Xinao Gas’ city coverage was 15 at the end of 2001, and it has increased to 28 this year. The population coverage has also more than doubled from 3.4 million to over 7.3 million. Looking forward, we are committed to increasing our current gas project penetration rate and exploring new projects to requite our shareholders and investors with desirable results.”

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

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