

[FOR IMMEDIATE RELEASE]

**XINAO GAS ANNOUNCES 2001 ANNUAL RESULTS  
NET PROFIT FOR THE YEAR JUMPS 1.1 TIMES TO RMB79.3 MILLION**

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**COMMITTED TO THE DEVELOPMENT OF DOWNSTREAM MARKET  
IN WEST TO EAST PIPELINES CATCHMENTS AREAS  
AND  
INCREASE MARKET SHARE IN NATURAL GAS MARKET IN PRC**

(Hong Kong, 3 March 2002) – Xinao Gas Holdings Limited (“Xinao Gas” or “the Group”) (Stock code: 8149), a privately-owned piped gas distributor, today announced its annual results for the year ended 31 December 2001.

For the year ended 31 December 2001, the Group recorded a turnover of approximately RMB240.6 million, representing an increase of approximately 96.7% when compared with last year. Net profit grew at an even more outstanding rate to approximately RMB79.3 million, representing a jump of 1.1 times as compared with the previous year. Earnings per share were RMB14.3 cents, representing an increase of 60.7% over last year. The board of directors of Xinao Gas has resolved not to recommend the payment of a final dividend. Retained funds will be used to develop existing gas projects and to invest in new projects.

In 2001, Xinao Gas received a number of awards from various international magazines, including “The 200 Best Small Companies” from Forbes Global and “2001 Top 500 Chinese Enterprises in the World” from Yazhou Zhoukan. In addition, the Group was also named as an “Overall Best Managed Company” and “Best Small Company in the PRC” by Asia Money. Xinao Gas also received the “Best Small Cap IPO” award from FinanceAsia.

Mr. Wang Yusuo, Chairman of Xinao Gas said, “The Group has achieved outstanding growth in both turnover and profits. This is mainly due to pipeline connection works in Liaocheng, Miyun and Huludao, which have been completed smoothly together with rapid growth in business development. At the same time, the Langfang project maintained a stable level of growth. I am very pleased with this highly satisfactory business performance. Additionally, the winning of a number of awards from various international magazines reflects that the Group has gained widespread recognition in its industry.”

The Group derives its revenue primarily from connection fees. During the year, connection fees contributed approximately 76.8% to the Group's total turnover, growing to approximately RMB184.8 million, and representing an increase of 82.5% over last year. Another major source of revenue is gas usage charges, which amounted to approximately RMB50.6 million and representing an increase of 1.5 times over last year.

In 2001, new gas connections were made to 41,748 households and 113 commercial and industrial sites, of which the commercial and industrial customers were connected to a total installed designed daily capacity of gas appliance facilities of 130,445 cubic metres. In respect of gas usage, the Group sold a total of approximately 34.6 million cubic metres of gas last year, as compared to approximately 16.9 million cubic metres sold in 2000. Approximately 14.1 million cubic metres were sold to residential households and approximately 20.5 million cubic metres were sold to commercial and industrial customers.

With regard to the gas pipeline infrastructure, an additional 207 kilometres of intermediate pipelines and main pipelines were built in 2001, resulting in a total network of 464 kilometres. The Group currently owns and operates 12 processing stations with a combined designed daily capacity to supply approximately 838,000 cubic metres of gas.

Mr. Wang continued, "2001 has been a harvest year for the Group. The Group was successfully listed on GEM in Hong Kong in May 2001, which further enhanced the Group's profile and our competitive edge in the industry. Moreover, the Group has been actively exploring business opportunities and has completed the acquisition of three project companies since its listing. These include Jinggu Xinao in Pinggu, Jingchang Xinao in Changping, which are both located in the Beijing Municipality, as well as Qingdao Xinao in Huangdao District, Qingdao City in Shandong Province. The Group has also successfully established new project companies in Zhucheng City and Chengyang District of Qingdao City, both located in Shandong Province. In addition, the Group obtained exclusive rights to provide piped gas in six new locations, namely the Yantai Economic and Technical Development Zone, Zouping County and Laiyang City, which are also located in Shandong Province, Bengbu City in Anhui Province, Gaoyou City and Taixing City in Jiangsu Province. Among these projects, Bengbu is the Group's first project being developed to take advantage of the "West to East Pipelines" initiative, and is the Group's largest project on hand at the moment. At the end of 2001, the Group had already secured 15 projects, with a market coverage exceeding 1.1 million residential households. I believe these projects will contribute significant returns to the Group in the near future."

To facilitate the Group's business expansion, the Group has employed an additional 641 staff in 2001. With regard to operational management, the Group has computerised its operations in the Langfang project, to further improve management efficiency and safety. As a first step, the Group established the Supervisory Control and Data Acquisition System in Langfang, enabling the Group to monitor gas supply conditions closely and effectively. Secondly, a 24-hour customer service centre was set up in Langfang to handle general customer enquiries. In the event of an emergency, all the customer has to do is to dial the number, and the maintenance personnels will arrive on site to provide maintenance services within 20 minutes. Additionally, Langfang adopted a Map Information System in September 2001. Information on pipelines already built is stored in the system, providing convenient access to this information for maintenance staff when carrying out regular inspections and maintenance services. Xinao Gas is planning to implement these systems in each of its project as the fundamental facilities to be incorporated. The Group has also commenced the necessary procedures for ISO 9001 certification in the Liaocheng and Huludao projects.

To enhance its pipeline engineering technology and to improve its capabilities in gas supply, the Group signed a letter of intent with Advantica, the world famous pipeline engineering and technology company, in November 2001. Both parties will collaborate closely, sharing the latest knowledge and technology in the transportation, storage, distribution, operating performance and engineering developments in the natural gas industry.

Mr. Wang remarked, "China has rich reserves of natural gas, and is committed to the exploration of new gas fields, making many new discoveries recently. Demand for this environmentally friendly, clean and efficient natural gas is expected to further intensify in view of the rapid economic growth and rising standard of living in the PRC, as well as Beijing's hosting of the Olympic Games in 2008. China's accession to WTO will also boost demand in the energy infrastructure. In addition to ongoing support from the PRC government for the use of natural gas, and the West to East Pipelines projects, there is substantial room for the development of the natural gas industry, a situation that offers vast business opportunities for the Group."

Mr. Wang concluded, “Looking ahead, the Group is committed to the development of the downstream market along the West to East Pipelines projects, and to expand its business to Shandong, Jiangsu, Zhejiang, Liaoning, Henan and Anhui provinces, which are affluent regions with rich natural gas reserves. The Group will also expand the client base and penetration rate in its existing projects. I believe these development plans will bring promising returns to shareholders.”

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#### **ABOUT XINAO GAS HOLDINGS LIMITED**

Xiniao 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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