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**XINAO GAS ANNOUNCES 2002 ANNUAL RESULTS  
SALES GROW 1.3 TIMES TO RMB544 MILLION  
NET PROFIT JUMPS OVER 61% TO RMB128 MILLION**

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**SETS UP GAS PROJECT COMPANIES IN CHAOHU CITY OF AHUI PROVINCE AND  
WUJIN DISTRICT OF CHANGZHOU CITY IN JIANGSU PROVINCE  
INCREASES MARKET SHARE IN NATURAL GAS MARKET IN EASTERN CHINA**

(Hong Kong, 8 April 2003) – Xinao Gas Holdings Limited (“Xinao Gas” or “the Group”) (Stock code: 2688), a piped gas distributor in the PRC, today announced its annual results for the year ended 31 December 2002. During the period under review, the Group recorded a turnover of approximately RMB544 million, representing an increase of approximately 1.3 times when compared to the previous year. Net profit grew to approximately RMB128 million, representing an increase of 61.4% over the previous year. Earnings per share were RMB18 cents, representing an increase of 25.9% over the previous year. The board of directors of Xinao Gas has resolved not to recommend the payment of a final dividend. Retained earnings will be used to develop existing gas projects and for investment in new projects.

Xinao Gas obtained 14 new projects in 2002, including 1 in a provincial capital, 8 in cities at prefecture level and 5 in cities at county level, achieving the Group’s target to secure 6 to 8 new projects in a year. They are mainly located in Jiangsu, Zhejiang and Anhui Provinces. Among these new projects, Shijiazhuang Xinao Gas Company Limited in Hebei Province is the first provincial capital project obtained by the Group. This paves the way for the Group to seize more large projects in the future.

In 2002, Xinao Gas was named among “The 10 Best Financial Management” by *FinanceAsia*, “The 200 Best Small Companies” by *Forbes Global*, the “Best Small Companies in the PRC” by *AsiaMoney* and the “Top 500 Chinese Enterprises in the World” by *Yazhou Zhoukan* for the past two consecutive years. In addition, the Group was awarded as one of the “Top 20 Chinese Enterprises of Revenue Growth” by *Yazhou Zhoukan* for the first time.

Mr. Wang Yusuo, Chairman of Xinao Gas, said, “We are delighted that the Group has been able to achieve such outstanding growth in 2002. Additionally, Xinao Gas continues to win numerous awards from various international magazines. These awards not only illustrate the widespread recognition for Xinao Gas’s business model and financial status, but also reflect our leading position in the industry.”

At the end of 2002, the Group made gas connections to 210,850 residential households and 502 commercial and industrial sites (equivalent to a designed daily capacity of 365,113 m<sup>3</sup>), representing an increase of 102,849 households and 147 commercial and industrial sites (equivalent to an increase of designed daily capacity of 95,366 m<sup>3</sup>). As at the end of 2002, the Group operated 791km intermediate pipelines and main pipelines, representing an addition of 327km as compared with the previous year. The Group owns and operates 25 processing stations with a combined designed daily capacity of approximately 3,178,000 m<sup>3</sup> of gas supply.

In respect of gas sales, approximately 19.1 million m<sup>3</sup> were sold to residential households and approximately 30.4 million m<sup>3</sup> to commercial and industrial customers, up by 35.7% and 48.4% against 2001 respectively. The ratio of gas sales to commercial and industrial customers increased to 63.8% from 58.8% in 2001, strengthening the Group's recurring income base in the long term.

Mr. Wang continued, "The PRC economy is still at the stage of high growth, with a rapidly developing property, as well as industrial and commercial sectors. Demand for clean energy will grow accordingly. Owing to the large and stable gas consumption of industrial and commercial customers, Xinao Gas will continue to target both industrial and commercial customers and residential households for a better income mix and a stable cash flow."

Meanwhile, Xinao Gas is delighted to announce the setting up of two gas project companies in Chaohu City, Anhui Province and Wujin District, Changzhou City, Jiangsu Province, extending the Group's operations to 31 projects with total population coverage of approximately 9.8 million.

Xinao Gas, via Xinao Anhui Investment Company Limited ("Xinao Anhui"), a wholly owned subsidiary, will set up Chaohu Xinao Gas Company Limited ("Chaohu Xinao") on its own with a registered capital of US\$6.03 million and an operational period of 30 years. Chaohu City is located in the central part of Anhui Province with a total area of 9,423 km<sup>2</sup>. At the end of 2000, the urban population for Chaohu City consisted of 230,000 people with an industrial value of RMB5.9 billion. The value of the electrical, chemical, light textiles and food and beverage industries accounted for over 60% of the city's total industrial output value.

Through another wholly owned subsidiary, Xinao Jiangsu Investment Company Limited (“Xinao Jiangsu”), Xinao Gas formed a Sino-foreign joint venture company, Changzhou Xinao Gas Company Limited (“Changzhou Xinao”) with Changzhou Wujin Gas Company Limited (“Wujin Gas”). Xinao Jiangsu and Wujin Gas hold 60% and 40% equity stakes in Changzhou Xinao respectively. Changzhou Xinao will operate the piped gas business exclusively in the Wujin District with a registered capital of US\$5 million. Wujin District is located Changzhou City in the southern part of Jiangsu Province with an urban population of 150,000. Its industrial sector is well developed. In 2001, domestic output value in the Wujin District totalled RMB26.1 billion, of which the manufacture of machinery, metallurgy, light industry, the light textiles industry, chemical industry and electronics industry were major contributors.

Mr. Wang said, “Chaohu City and Wuji Districts are along the “West to East Pipelines” project and the industrial sectors there are well developed. With continuing robust growth in the PRC economy and the commencement of gas supplies along the “West to East Pipelines” in the future, we expect demand for natural gas in the regions will continue to increase. Securing the Chaohu and Wujin projects has not only enhanced Xinao Gas’ presence in the eastern part of the PRC, but has also proven its high abilities to obtain new projects.”

Mr. Wang concluded, “Natural gas is one of the cleanest and most efficient energy sources at present. The PRC government is promoting the use of natural gas and encouraging foreign investors to invest in the downstream gas distribution market. The construction of “West to East Pipelines” project began last year and has been progressing smoothly. Trial gas supply is expected to commence in Anhui, Henan and Jiangsu Provinces in October this year and will greatly benefit the development of our projects in these provinces. Leveraging on the enormous market opportunity, we will maximize shareholders’ and investors’ value with our cautious investment strategy.”

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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 31 locations in the PRC, including Anhui Province, Beijing Municipality, Hebei Province, Henan Province, Jiangsu Province, Liaoning Province, Shandong Province and Zhejiang Province.

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