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This document, for which the directors of Xinao Gas Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this document is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- The Group's turnover was approximately RMB161.2 million for the nine months ended 30 September 2001, representing an increase of approximately 1.7 times over the same period last year.
- Connection fees of approximately RMB131.6 million (representing approximately 81.6% of the Group's turnover) were derived from the provision of new connections to 28,854 new households and 78 new commercial and industrial sites.
- Gas usage charges of approximately RMB28.9 million (representing approximately 17.9% of the Group's turnover) were derived from the sale of a total of approximately 8,329,000 cubic metres of piped gas to residential customers and the sale of approximately 12,063,000 cubic metres of piped gas to commercial and industrial sites.
- Net profit increased by approximately 1.9 times to approximately RMB48.2 million for the nine months ended 30 September 2001 when compared to the same period last year.
- As at 30 September 2001, the Group had made gas connections to a total of 94,869 households and 321 commercial and industrial sites (connected to a total installed designed daily capacity of gas appliance facilities of 249,549 cubic metres).
- As at 30 September 2001, the Group owned and operated a total of 420 kilometres of intermediate pipelines and main pipelines and 11 processing stations.
- Earnings per share increased by approximately 1.3 times to approximately RMB9.13 cents per share for the nine months ended 30 September 2001 when compared with the same period last year.

ABOUT XINAO GAS HOLDINGS LIMITED

Xiniao Gas Holdings Limited (the "Company" and together with its subsidiaries, the "Group") is one of the first non state-owned piped gas distributors in the People's Republic of China (the "PRC"). The principal business of the Group is the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped gas in the PRC. Its business activities also consist of the sale of gas appliances and equipment and the provision of repair, maintenance and other services in connection with gas supply.

The Group derives its revenues principally from connection fees receivable on the initial connection of gas and gas usage charges, and to a lesser extent, revenues are also derived from the sale of gas appliances and the provision of repair, maintenance and other gas related services.

The Company's shares were listed on GEM on 10 May 2001.

RESULTS

The directors (the "Directors") of the Company are pleased to announce the unaudited consolidated results of the Group for each of the nine months and the three months ended 30 September 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	<i>Notes</i>	Nine months ended 30 September		Three months ended 30 September	
		2001 (unaudited)	2000 (unaudited)	2001 (unaudited)	2000 (unaudited)
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	2	161,169	59,760	62,150	31,892
Cost of sales		(66,611)	(24,980)	(26,549)	(11,873)
Gross profit		94,558	34,780	35,601	20,019
Other revenue		4,234	440	1,756	144
Tax refund		1,388	–	1,388	–
Selling expenses		(2,806)	(1,130)	(1,159)	(455)
Administrative expenses		(25,175)	(4,377)	(10,268)	(1,242)
Other operating expenses		(497)	(241)	6	(241)
Profit from operations		71,702	29,472	27,324	18,225
Interest expense		(7,925)	(5,084)	(1,576)	(1,412)
Profit before taxation		63,777	24,388	25,748	16,813
Taxation	3	(9,956)	(3,337)	(2,580)	(2,201)
Profit before minority interests		53,821	21,051	23,168	14,612
Minority interests		(5,622)	(4,520)	(2,982)	(2,549)
Profit for the period		<u>48,199</u>	<u>16,531</u>	<u>20,186</u>	<u>12,063</u>
Earnings per share (RMB)	4	<u>9.13 cents</u>	<u>3.94 cents</u>	<u>3.22 cents</u>	<u>2.87 cents</u>

Notes:

1. Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 July 2000. On 28 March 2001, pursuant to a reorganisation (the “Reorganisation”) to rationalise the group structure in preparation for the listing of the Company’s shares on GEM, the Company became the holding company of the subsidiaries included in the Reorganisation. The shares of the Company were listed on GEM on 10 May 2001.

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Reorganisation completed on 28 March 2001 referred to above. Under this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Reorganisation for the entire financial period presented.

During the nine months ended 30 September 2001, the Company completed the acquisition and establishment of the following subsidiaries:

Acquired:

- 青島新奧燃氣有限公司 (Qingdao Xinao Gas Company Limited*);
- 北京新奧京谷燃氣有限公司 (Beijing Xinao Jinggu Gas Company Limited*); and
- 北京新奧京昌燃氣有限公司 (Beijing Xinao Jingchang Gas Company Limited*).

Established:

- 青島新奧新城燃氣有限公司 (Qingdao Xinao Xincheng Gas Company Limited*);
- 諸城新奧燃氣有限公司 (Zhucheng Xinao Gas Company Limited*); and
- 煙台新奧燃氣有限公司 (Yantai Xinao Gas Company Limited*).

The results of these subsidiaries are included from their effective dates of acquisition or establishment.

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong.

2. Turnover

The Group's turnover comprises the following:

	Nine months ended		Three months ended	
	30 September		30 September	
	2001	2000	2001	2000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	RMB'000	RMB'000	RMB'000	RMB'000
Gas connection fees	131,581	47,916	54,357	29,263
Gas usage charges	28,883	11,604	7,479	2,432
Sale of gas appliances	705	240	314	197
	<u>161,169</u>	<u>59,760</u>	<u>62,150</u>	<u>31,892</u>

3. Taxation

For the nine months and the three months ended 30 September 2001, 廊坊新奥燃气有限公司 (Langfang Xinao Gas Company Limited*), a 95% owned subsidiary of the Company in the PRC, was the only subsidiary of the Group that is liable to pay income tax at a rate of 30% (2000: 15%). All of the Group's other subsidiaries in the PRC are entitled to an exemption from income tax for two years from the first profit-making year and 50% reduction for the three years thereafter.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable net profits arising in Hong Kong during the nine months and the three months ended 30 September 2001 and their corresponding periods in 2000.

There was no significant unprovided deferred taxation for the nine months and the three months ended 30 September 2001 and their corresponding periods in 2000.

4. Earnings per share

The calculation of basic earnings per share is based on the unaudited consolidated net profit for the nine months and the three months ended 30 September 2001 of approximately RMB48,199,000 and RMB20,186,000 (2000: RMB16,531,000 and RMB12,063,000) and the weighted average number of 528,000,000 and 627,000,000 shares in issue during the aforementioned two periods ended 30 September 2001 (2000: 420,000,000 and 420,000,000 shares).

Diluted earnings per share is not presented because there were no potential dilutive shares in existence during the respective periods.

5. Reserves

There has been no transfer to or from reserves during the nine months and the three months ended 30 September 2001 and their corresponding periods in 2000.

INTERIM DIVIDEND

The Directors have resolved not to recommend the payment of an interim dividend by the Company for the nine months ended 30 September 2001 (2000: Nil).

BUSINESS REVIEW

The Group continued to perform well in the third quarter of 2001 and achieved success in market expansion and business development during the period.

For the nine months ended 30 September 2001, the Group's turnover reached approximately RMB161.2 million, representing an increase of approximately RMB101.4 million or approximately 1.7 times over the same period last year. Such growth was fuelled by an increase in both connection fees through expansion in customer base and gas usage charges due to higher gas consumption. The Group's income during the period was mainly derived from 廊坊新奧燃氣有限公司 (Langfang Xinao Gas Company Limited*), 聊城新奧燃氣有限公司 (Liaocheng Xinao Gas Company Limited*), 葫蘆島新奧燃氣有限公司 (Huludao Xinao Gas Company Limited*) and 北京新奧燃氣有限公司 (Beijing Xinao Gas Company Limited*). As a majority of the Company's project companies are in their initial years of operations, the Directors expect to experience significant growth through further development of gas pipeline infrastructure within these operational locations and the implementation of effective marketing and promotional campaigns.

During the nine months ended 30 September 2001, the Group's connection fees reached approximately RMB131.6 million, representing an increase of approximately 1.7 times over the same period last year. Connection fees accounted for approximately 81.6% of the Group's turnover and remained the Group's major source of revenue. For the nine months ended 30 September 2001, the Group made new gas connections to a total of 28,854 households and 78 commercial and industrial sites (connected to a total installed designed daily capacity of gas appliance facilities of approximately 105,686 cubic metres). As at 30 September 2001, the Group had made gas connections to a total of 94,869 households and 321 commercial and industrial sites (connected to a total installed designed daily capacity of gas appliance facilities of 249,549 cubic metres). In relation to gas usage charges, the Group sold approximately 20,392,000 cubic metres of piped gas during the nine months ended 30 September 2001 and generated gas usage charges of approximately RMB28.9 million, representing an increase of approximately 1.5 times over the same period last year.

Net profit for the nine months ended 30 September 2001 also increased significantly to approximately RMB48.2 million, representing an increase of approximately 1.9 times over the same period of last year. Earnings per share was approximately RMB9.13 cents for the period, representing an increase of approximately 1.3 times over the corresponding period of last year.

The Group built an additional 90 kilometres of intermediate pipelines and main pipelines during the three months ended 30 September 2001. As at 30 September 2001, the Group had in total approximately 420 kilometres of intermediate pipelines and main pipelines, and 11 gas processing stations with a combined daily capacity of gas supply of approximately 748,000 cubic metres. As at the end of the nine months ended 30 September 2001, the Group has obtained relevant approvals to operate piped gas businesses in 10 locations in the PRC.

PROSPECTS

Natural gas, being a clean, highly efficient and economical source of energy, is highly regarded by all levels of government and consumers in general. The Directors and management of the Company remain confident about the future prospects of the Company. As the last quarter performance is traditionally stronger, the Directors are confident that the Group's existing projects will achieve strong results. Going forward, the Group will continue to expand into new operational locations using its proven ability to obtain exclusive rights or rights of first refusal from local governments to operate piped gas businesses in the PRC. In an effort to further develop the Group's business, the Group will continue to actively explore and identify suitable investment opportunities in focused areas in the PRC which include Anhui Province, Jiangsu Province, Zhejiang Province, Hunan Province, Shandong Province and Shanghai Municipality. Discussions with local governments and numerous feasibility studies on potential locations where demand for piped gas is apparent have been, and will continue to be, conducted. The Group currently aims to secure one to two new gas projects in the fourth quarter of this year such that the number of new projects secured in the year after listing would be in the range of three to four projects.

On the basis that the Group's penetration rate (being the contracted number of residential households connection divided by the estimated total number of residential households within the Group's operational locations) as at 30 September 2001 was only at approximately 23.3%, the Directors believe that there is significant room for the Group to expand its customer base. The Group intends to expand its customer base through intensive and effective marketing efforts. The Directors further believe that with the Government's favourable policies towards the promotion of natural gas usage, the natural gas penetration rate can be further increased. Since commercial and industrial customers are large consumers of natural gas, the Group will also make tailored marketing efforts targeting these customers, such that the Group can achieve a balanced mix of revenue in the long run.

On 21 September 2001, the local state price bureau gave its approval to 廊坊新奧燃氣有限公司 (Langfang Xinao Gas Company Limited*) to increase the gas usage charge levied on its customers in two stages. The Group has, on 1 October 2001, raised the gas usage charge for households from RMB1.20 to RMB1.40 per cubic metre and the gas usage charge for commercial and industrial customers from RMB1.50 to RMB1.70 per cubic metre. The Group will further increase the gas usage charge for households to RMB1.50 per cubic metre from 1 January 2002. The Directors believe that this price increase signifies further acceptance of the use of natural gas in Langfang as the price increase application requires consent from a hearing committee represented by the local government and the end users.

All the Directors and members of staff are fully committed to achieving the above objectives. We are confident that the Group will yield satisfactory returns for our shareholders and will continue to provide a safe and reliable gas supply service to our valued customers.

DIRECTORS' INTEREST IN SHARES

As at 30 September 2001, the interests of each of the Directors and their respective associates in the Company and its associated corporations (within the meanings of the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong) (the "SDI Ordinance")) which were required to be notified to the Company and the Stock Exchange pursuant to section 28 of the SDI Ordinance (including interests which were taken or deemed to have under section 31 of, or Part 1 of the Schedule to, the SDI Ordinance) or which were required, pursuant to section 29 of the SDI Ordinance, to be entered in the register required to be kept therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

	Personal interest	Family interest	Corporate interest	Other interest	Total
Mr. Wang Yusuo ("Mr. Wang")	–	–	420,000,000 shares	–	420,000,000 shares (<i>Note</i>)
Ms. Zhao Baoju ("Ms. Zhao")	–	–	420,000,000 shares	–	420,000,000 shares (<i>Note</i>)

Note: The two references to 420,000,000 shares relate to the same block of shares of the Company. Such shares are held by Easywin Enterprises Limited, which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao.

Save as disclosed above, as at 30 September 2001, none of the Directors or their associates had any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations as defined in the SDI Ordinance or which, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, are required to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The Company has adopted the share option scheme on 24 April 2001. Up to 30 September 2001, no option has been granted pursuant to such share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the nine months ended 30 September 2001 was the Company, its subsidiaries or holding company a party to any arrangements to enable the Directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, as at 30 September 2001, the register of substantial shareholders maintained under Section 16 (1) of the SDI Ordinance showed that the Company has been notified of the following interests, being 10% or more of the Company's issued share capital:

Name	Number of shares held	Approximate percentage of shareholding
Easywin Enterprises Limited	420,000,000 (<i>Note</i>)	66.99%
Mr. Wang	420,000,000 (<i>Note</i>)	66.99%
Ms. Zhao	420,000,000 (<i>Note</i>)	66.99%

Note: The three references to 420,000,000 shares relate to the same block of shares of the Company. Such shares are held by Easywin Enterprises Limited, which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao.

PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the nine months ended 30 September 2001.

COMPETING INTEREST

Each of the Directors and the management shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) has confirmed that, none of them had any business or interest in companies that competes or may compete with the business of the Group.

SPONSOR'S INTEREST

As confirmed by the Company's sponsor, N M Rothschild & Sons (Hong Kong) Limited (the "Sponsor"), as at 30 September 2001, neither the Sponsor nor its directors, employees or associates (as referred in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or any member of the Group or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

Pursuant to a sponsor's agreement dated 10 May 2001 between the Company and the Sponsor in connection with services to be rendered by the Sponsor pursuant to Rules 6.01 and 17.81 of the GEM Listing Rules, the Sponsor is entitled to receive fees for acting as the Company's retained sponsor for the period from 10 May 2001 to 31 December 2003.

AUDIT COMMITTEE

The Company established an audit committee on 28 March 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules and with reference to guidance published by the Hong Kong Society of Accountants. The primary duties of the audit committee are to review and supervise the financial reporting and internal control procedures of the Group.

By order of the board
Xiniao Gas Holdings Limited
Wang Yusuo
Chairman

Hong Kong, 8 November 2001

* *For identification only*