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新奥燃气控股有限公司
XinAo Gas Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2688)

(Website: www.xinaogas.com)

ANNOUNCEMENT

**AMENDMENT TO THE TERM OF AN AGREEMENT IN RELATION TO
THE ESTABLISHMENT OF A NEW PRC JOINT VENTURE
IN ZHANJIANG, GUANGDONG PROVINCE, PRC**

The Board would like to announce that one of the terms of the Zhanjiang Agreement entered into by XinAo China and Zhanjiang Gas on 28 May 2004 in relation to the establishment of Zhanjiang XinAo has been amended wherein the duration of Zhanjiang XinAo will be reduced from 50 years to 30 years from the date of issue of the business license of Zhanjiang XinAo.

Reference is made to the announcement of XinAo Gas Holdings Limited (the “Company”) dated 28 May 2004 published in certain newspapers on 31 May 2004 (the “Original Announcement”). Unless otherwise stated, terms used in this announcement shall have the same meanings as those used in the Original Announcement.

In the Original Announcement, the Company announced, amongst other things, that the Zhanjiang Agreement was entered into by XinAo China and Zhanjiang Gas on 28 May 2004 in relation to the establishment of Zhanjiang XinAo, a new PRC joint venture of the Group in Zhanjiang, Guangdong Province, PRC. In the Original Announcement, it was announced that the duration of Zhanjiang XinAo will be 50 years from the date of issue of the business license of Zhanjiang XinAo.

After the signing of the Zhanjiang Agreement on 28 May 2004, applications were made to the Zhanjiang local government for an exclusive right to be granted to Zhanjiang XinAo to supply piped gas to the whole of the Zhanjiang City for a period of 50 years. On 11 June 2004, such exclusive right was granted by the Zhanjiang local government to Zhanjiang XinAo for a period of 30 years only. As one of the principal basis for the establishment and operation of Zhanjiang XinAo is its having an exclusive right to supply piped gas to the whole of the Zhanjiang City, XinAo China and Zhanjiang Gas have on 14 June 2004 mutually agreed to amend one of terms of the Zhanjiang Agreement wherein the duration of Zhanjiang XinAo was reduced from 50 years to 30 years from the date of issue of the business license of Zhanjiang XinAo. Other than the reduction of the term of Zhanjiang XinAo, all other terms of the Zhanjiang Agreement remain the same.

As at the date of this announcement, the Board comprises of nine executive Directors, namely Mr. Wang Yusuo (Chairman), Mr. Yang Yu (Chief Executive Officer), Mr. Chen Jiacheng, Mr. Zhao Jinfeng, Mr. Qiao Limin, Mr. Jin Yongsheng, Mr. Yu Jianchao, Mr. Cheung Yip Sang and Mr. Cheng Chak Ngok; one non-executive Director, namely Ms. Zhao Baoju; and two independent non-executive Directors, namely Mr. Wang Guangtian and Mr. Xu Liang.

By order of the Board
XINAO GAS HOLDINGS LIMITED
CHENG Chak Ngok
Executive Director and Company Secretary

Hong Kong, 18 June 2004

*Please also refer to the published version of this announcement in
The Standard and Hong Kong Economic Times.*