

**XinAo Gas Introduces International Finance Corporation as Strategic Investor
And Enters into Five-Year US\$25 Million Unsecured Loan Agreements**

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**Increased Capital Strength for Exploring Natural Gas Markets
Further Recognition of Its Leading Position in the Industry**

(Hong Kong, 19 May 2004) – XinAo Gas Holdings Limited (“XinAo Gas” or “the Group”) (Stock code: 2688), a privately-owned piped gas operator in the PRC, announced that The International Finance Corporation (“IFC”), the private sector arm and member of the World Bank Group, will become a long-term strategic investor of the Group and provide a total of US\$25 million (approximately HK\$194.8 million) in debt financing to three subsidiaries of XinAo Gas, namely, Shijiazhuang XinAo Gas Company Limited (“Shijiazhuang XinAo”), Bengbu XinAo Gas Company Limited (“Bengbu XinAo”) and Xiangtan XinAo Gas Company Limited (“Xiangtan XinAo”).

The five-year unsecured loans obtained by Shijiazhuang XinAo, Bengbu XinAo and Xiangtan XinAo will be used primarily to develop and expand XinAo Gas’ gas distribution infrastructure, including gas pipeline networks and gas processing stations. The loans to Shijiazhuang XinAo, Bengbu XinAo and Xiangtan XinAo are US\$11 million (approximately HK\$85.7 million), US\$9 million (approximately HK\$70.1 million) and US\$5 million (approximately HK\$39.0 million) respectively.

In addition, IFC and Easywin Enterprises Limited (“Easywin”), the controlling shareholder of the Company, has entered into the Share Sale and Purchase Agreement with IFC whereby IFC agreed to purchase US\$10 million in the Company’s shares from Easywin. This fully illustrates IFC’s confidence in the Group. After the share transfer, IFC will become a long-term strategic investor of XinAo Gas with a 2.71% interests in it, and Easywin will retain a 44.34% interest in XinAo Gas.

Mr. Wang Yusuo, Chairman of XinAo Gas, stated, “We are glad that XinAo Gas and IFC are able to reach this win-win cooperation after nearly a year of negotiations. The partnership with IFC, a member of the World Bank Group and one of the world’s most respected financial institutions, and the introduction of IFC as our long-term strategic investor is a significant milestone in XinAo’s development, and it further acknowledges the Group’s leading position in the industry. In addition, the loans from IFC will increase the Group’s capital strength for developing the natural gas downstream markets. It will facilitate the rapid expansion of the Group and further consolidate our financial structure.”

Javed Hamid, IFC's Director for East Asia and the Pacific, said, "This is an important investment because it develops gas distribution infrastructure in China while contributing to the reduction of air pollution through the use of natural gas." IFC estimates that the Group's sale of natural gas over the next six years could replace up to 4 million tons of carbon dioxide,

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a greenhouse gas emission. IFC plans to assist in the establishment of environmental and social management systems to support future growth of Xinao Gas.

Mr. Wang concluded, “We look forward to working closely with IFC to develop Xinao Gas’ existing and new projects and refine Xinao Gas’ management and environmental systems to ensure future growth. On the other hand, to cope with the Group’s rapid expansion, we will allocate our internal resources more flexibly and effectively and further improve our management structure. We are confident in our future, and the Group will maintain its development strategies of solid progression. Seizing the golden opportunities of the natural gas markets in the PRC, we will create the maximum value for our shareholders.”

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Xinao Gas Holdings Limited

Xinao Gas is one of the first privately-owned piped gas operator in 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 and LPG in the PRC. Its business activities also consist of the sale of gas appliances and equipment, the production of stored-value card gas meters and the provision of repair, maintenance and other services in connection with gas supply.

The Group currently has 43 project cities in 12 provinces, municipality or autonomous regions, namely Anhui, Beijing, Guangdong, Guangxi, Hebei, Henan, Hunan, Inner Mongolia, Jiangsu, Liaoning, Shandong and Zhejiang, covering a total connectable urban population of over 19.6 million.

For Press Enquiry:

Ms. Elaine Lam
Tel: (852) 2528 5666
Fax: (852) 2865 7204
Email: h.lam@xinaogas.com
Website: www.xinaogas.com

Mr. Desmond Dodd
Media & Marketing Manager
International Finance Corporation
Tel: (852) 2509 8183
Fax: (852) 2509 9363
Email: ddodd@ifc.org