

XinAo Gas Secures Quanzhou Project in Fujian Province With Total Connectable Population over 32 Million

(Hong Kong, 31 January 2006) – XinAo Gas Holdings Limited (“XinAo Gas” or “the Group”) (stock code: 2688), a privately-owned piped gas operator in the PRC, announced that the Group secured the piped gas project in Quanzhou City, Fujian Province. The Group’s business in East China has been further enhanced.

Through XinAo (China) Gas Investment Company Limited (“XinAo China”), a wholly-owned subsidiary of the Group, XinAo Gas indirectly holds 60% interests in Quanzhou City Gas Company Limited (“Quanzhou Gas”) while Quanzhou City State-Owned Asset Investment and Operation Company Limited, and Quanzhou City Zhongyuan Property Development Company Limited hold 32% and 8% interests in Quanzhou Gas respectively. The registered capital of Quanzhou Gas is RMB 450 million. Upon its establishment, Quanzhou Gas will principally engage in piped natural gas business in the Administrative Zone of Quanzhou City, Fujian Province, the PRC and will have the exclusive right on related business for 29 years.

Quanzhou City is located in the southeastern part of Fujian Province, the PRC and on the west coast of the Taiwan Strait. It has long been an important port city of the PRC. Quanzhou has a population of about 7.8 million, and the urban population is about 680,000, which is expected to increase to about 1,240,000 by 2011. Quanzhou is well developed in its industrial and commercial sectors, and its main industries include the manufacturing of textiles, clothing and shoes, construction materials, handicrafts, food and beverages, machineries and equipment. In 2004, its GDP reached about RMB 160.3 billion, increased by 14.2% over the previous year.

Mr. Wang Yusuo, Chairman of XinAo Gas, said, “Quanzhou is the first project we secured in Fujian Province, which is an important milestone of our market development. The Quanzhou Port is one of the LNG import terminals approved by the PRC government for the import of LNG from overseas. With sufficient gas sources, we will devote ourselves to exploring the commercial and industrial market in the region and further enhancing the Group’s piped gas sales business.”

In addition, with continuous high growth in business and enhancement in management quality, XinAo Gas has been awarded by *Asiamoney*, a renowned international financial magazine, for three consecutive years. In 2005, XinAo Gas has been awarded “Asia’s Best Managed Mid-Cap Company (China)”. Also, the issue of US\$200 million 7-year bonds in August 2005 has been well received by the capital market and has a record-low coupon rate among Asian high yield bonds, as the market and investors have high opinions on the business prospects and credits of the Group. The bond issue has been awarded “Best Asian High Yield Bond Issue of 2005” by the reputable international financial magazine *EuroWeek*.

Mr. Wang concluded, “Because of our endeavour, Xinao Gas’ business development in 2005 has been successful. By actively exploring new markets, the total number of projects of the Group increases to 57, and the total connectable population reaches over 32 million. We are delighted that apart from our own achievement, we have also received awards from international media, which reflects the market’s high regard on the Group. With the solid foundation of the Group, we will devote ourselves to exploring the market and rewarding our shareholders and investors with outstanding results.”

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Xinao Gas Holdings Limited

Xinao Gas is one of the first privately-owned piped natural gas operators 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 57 project cities in 14 provinces, municipalities and autonomous regions, namely Anhui, Beijing, Fujian, Guangdong, Guangxi, Hebei, Henan, Hunan, Inner Mongolia, Jiangsu, Liaoning, Shaanxi, Shandong and Zhejiang, covering a total connectable urban population of over 32 million.

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