

XinAo Gas Obtains Projects in Yantai, Xianyang & Guigang

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**Opening New Market in the Northwest
51 Gas Projects Covering over 24.8 Million Urban Population**

(Hong Kong, 6 December 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 Group successfully obtained city piped gas projects in Yantai City, Shandong Province, Xianyang City, Shaanxi Province and Guigang City, Guangxi Province. The Group now has 51 gas projects, covering an urban population over 24.8 million.

XinAo Gas, through its wholly owned subsidiary XinAo (China) Gas Investment Company Limited (“XinAo (China)”), signed a joint venture agreement with Yantai City Piped Coal Gas Company (“Yantai Coal Gas”) to establish the Sino-foreign joint venture Yantai XinAo Gas Development Company Limited (“Yantai XinAo Development”) to operate piped gas business in the city. The registered capital of Yantai XinAo Development is RMB180 million (approximately HK\$170 million), and XinAo (China) and Yantai Coal Gas each owns 50% interests of the company. Yantai XinAo Development will have the exclusive right for operating piped gas in Yantai for 30 years.

Mr. WANG Yusuo, Chairman of XinAo Gas, said, “We are pleased that after stringent tendering process, XinAo Gas has been selected by the Yantai government to participate in the reform of its local gas industry and establish and operate the piped gas business in the city. Yantai City is one of the leading economic developments in Shandong Province, and it is the Group’s eleventh city gas project in Shandong. The securing of the Yantai Project, together with other gas projects in Shandong Province, creates economies of scale and enhances the Group’s resources allocation in management, operation and marketing.”

Yantai City is located at the central part of Shandong Peninsula. It covers an area of 13,740 km², of which 2,644 km² is urban area. The total population is 6.46 million, and the urban population is 1.7 million. Yantai is one of the important industrial centers in Shandong, and its major industries are light industry, food, textiles, machinery and construction materials, etc. In 2003, the realized GDP of Yantai City was RMB131.6 billion while GDP per capita was RMB20,222, and its realized industrial added value was RMB63.9 billion.

In addition, XinAo Gas entered into a state-owned property transfer agreement with Xianyang City Municipal Government (“Xianyang Government”). Xianyang Government agreed to transfer 40% interests of the net asset value of Xianyang City Natural Gas Corporation after valuation, which is wholly owned by Xianyang Government, to XinAo Gas. The consideration of the transfer was RMB69 million (approximately HK\$65 million), which was determined by public tendering. XinAo Gas will have 40% interests in the new gas company, which will be a Sino-foreign joint venture. It will operate piped gas business in Xianyang City, and it will have the exclusive right for that for 30 years.

Xianyang is Xinao Gas' first project in the Northwest gas market, and it has strategic significance in the Group's project development in that region. Xianyang is located at the central part of Guanzhong Plain, Shaanxi Province, and it is one of the important regional centers in West China. Xianyang is only 25 km away from the provincial capital Xi'an. The total area of Xianyang is 10,196 km², covering a total population of 4.8 million, of which 430,000 are urban population. The industries of Xianyang are well-developed, and the major industries are electronics, energy chemical industry, pharmaceutical, food and textiles. In 2002, the total GDP of Xianyang was RMB25.1 billion, and the total realized industrial output was RMB42 billion, increasing 10.2% and 16.05% respectively when compared to the previous year. In 2003, the total natural gas supply was 150 million m³.

Furthermore, Xinao (China) has entered into a share transfer agreement with Guangxi Guigang City Aolin Piped Gas Company Limited (Aolin Piped Gas). Xinao (China) has purchased all the shares of Aolin Piped Gas at RMB10.56 million (approximately HK\$9.96 million). After the share transfer, Xinao (China) will increase the registered capital of Aolin Piped Gas to US\$3.5 million (approximately HK\$27.3 million), and its name will be changed to Guigang Xinao Gas Company Limited ("Guigang Xinao"). It operates the piped gas business in Guigang and will have the exclusive right for that for 30 years.

Guigang City is at the southeast of Guangxi. With the largest inland port in South China, Guigang is an important transport hub in the region. It covers a total area of 10,595 km², of which 25 km² is urban area. Its total population is 4.4 million, and urban population is 350,000. With main industries like sugar refinery, paper making, construction materials, etc, Guigang has become a new industrial center in Guangxi. Guigang is also a major distributing center and commercial center in Guangxi.

With continuous high growth in business and enhancement in management quality, Xinao Gas has been awarded "Chinese Business 500" by the international financial magazine *Yazhou Zhoukan* for 4 consecutive years. It is also awarded "Top 20 Business of Assets Growth". The 500 Chinese enterprises awarded by *Yazhou Zhoukan* are listed private companies in Hong Kong, Taiwan, Singapore, Malaysia, Thailand, Indonesia and the Philippines owned by Chinese. The ranking is based on the market capitalisation of these companies as at 30 June 2004. Xinao Gas' ranking increased to 269th from 315th last year.

Mr. Wang concluded, "Xinao Gas has expanded the business into three new provinces this year, namely, Shaanxi, Guangxi and Inner Mongolia, with 12 new projects located in Guilin, Tongliao, Jiaozhou, Jiaonan, Zhanjiang, Shangqiu, Huzhou, Longwan District in Wenzhou, Luquan, Yantai, Xianyang and Guigang. The Group has achieved more than its target for the year. We are glad that apart from our own achievement, we have also received awards from international media, which reflect the market's high regard on the Group. In the future, we will continue to increase the gas penetration rate in the existing projects while accelerating the building of gas infrastructure in new projects. Leveraging on the government's policy that encourages the use of clean energy, we will reward 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 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 51 project cities in 13 provinces, municipality or autonomous regions, namely Anhui, Beijing, Guangdong, Guangxi, Hebei, Henan, Hunan, Inner Mongolia, Jiangsu, Liaoning, Shaanxi, Shandong and Zhejiang, covering a total connectable urban population of over 24.8 million.

For Press Enquiry:

Ms. Elaine Lam

Tel: (852) 2528 5666

Fax: (852) 2865 7204

Email: h.lam@xinaogas.com

Website: www.xinaogas.com