

**XinAo Gas Explores City Gas Market with China Huayou Group  
And Secures Gas Project of Luoyang, Henan**

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**Number of Projects Increases to 56  
Covering a Connectable Urban Population over 31 Million**

(Hong Kong, 13 June 2005) – XinAo Gas Holdings Limited (“XinAo Gas” or “the Group”) (Stock code: 2688), a privately-owned piped gas operator in the PRC, announced its cooperation with China Huayou Group (“Huayou Group”), a subsidiary of China National Petroleum Corporation, in securing a piped gas project in Luoyang City, Henan Province. XinAo Gas and Huayou Group signed a Memorandum of Understanding (“MOU”) on the project with Luoyang City Gas Corporation (“Luoyang Gas”) to establish Luoyang XinAo Huayou Gas Company Limited, a Sino-foreign joint venture.

Luoyang XinAo will operate piped gas business in Luoyang City for 30 years. Its registered capital will be around RMB120 million (approximately HK\$113 million), whereas its total investment will be around RMB400 million (approximately HK\$337 million). Pursuant to the MOU, XinAo Gas and Huayou Group will have 51% and 19% interests in Luoyang XinAo respectively, and the remaining interest will be held by Luoyang Gas. The equity stakes of the parties may be adjusted subject to the progress of the natural gas project in Luoyang City.

Mr. Wang Yusuo, Chairman of XinAo Gas, said, “With the strategic alliance XinAo Gas formed with Huayou Group last year and our joint efforts, we are delighted that we secured the city piped gas project in Luoyang City, Henan Province. This achievement has indicated the substantial progress in our cooperation in exploring downstream market. Luoyang Project is the 4<sup>th</sup> project we secured in Henan Province. Leveraging on XinAo Gas’ extensive experience in city gas distribution industry and Huayou Group’s competitive edge in reliable natural gas source, we will cooperate further in the future to secure more quality city piped gas projects.”

Luoyang City, east of Zhengzhou City, is located in the western part of Henan Province. It has jurisdiction over 1 city, 8 counties and 6 districts, covering a total area of 15,208 km<sup>2</sup> and a total population of 6.28 million. Its urban area is 544 km<sup>2</sup>, and its urban population is around 1.5 million. There are six major industries in the city, namely, machinery & electronics, petroleum & chemical, metallurgy, construction materials, light textiles and foods. Its GDP in 2004 was RMB90.46 billion, increased 15.9% over the previous year.

Established in 1998, Luoyang Gas has a total of 400 km developed city pipeline network, a coal gas station with capacity of 180,000 m<sup>3</sup> and other relevant facilities. Currently, liquefied petroleum gas (LPG) and coal gas are the major types of gases used in the city. However, with higher economic development and living standards, Luoyang’s demand for gas increases rapidly. Therefore, Luoyang XinAo will be responsible for the investment in, and the

construction, operation and management of, the natural gas intermediate pipelines connecting to the city as well as the natural gas pipeline networks in the city centre and some of the counties to utilize natural gas from West-to-East Pipelines. Before the commencement of piped natural gas, it is expected that there will be a shortage of gas supply in the coming winter. In order to make up for the shortage, Luoyang Xinao plans to build two liquefied natural gas (“LNG”) stations each with a daily capacity of 150,000 m<sup>3</sup> to provide LNG as a transitional energy source for households in part of the city from October this year.

In addition, with continuous high growth in business and enhancement in management quality, Xinao Gas has been awarded “The Best Small Cap” by *FinanceAsia*, a renowned international magazine, in 2005.

Mr. Wang concluded, “We are pleased that the Group is able to achieve continuous growth and obtain even higher brand recognition and influence in the industry. Apart from the numerous awards from various international magazines, Xinao Gas also gains the supports and recognitions of the local governments and customers by its outstanding performance, safety track record, reliable gas supply and quality services. This further enhances the Group’s status and influence in various regions. We promise that we will maintain our integrity and reliability and seize the golden opportunities in the PRC natural gas market with vigorous and sound investment strategies to maximise value for our shareholders, investors, customers, employees and society, as well as contribute to environment protection in the PRC.”

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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 56 project cities in 13 provinces, municipalities and 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 31 million.

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