

**XinAo Gas obtains exclusive right to operate
piped gas business in Zhaoqing City, Guangdong Province**

* * * * *

Explored important industrial, commercial and tourist city in Guangdong Province

Number of gas projects reaches 67

Total urban population coverage exceeds 40 million

(Hong Kong, 18 February 2008) - 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 secured the exclusive right to operate piped gas business in Zhaoqing City, Guangdong Province. The Group has set up Zhaoqing XinAo Gas Holdings Limited (“Zhaoqing XinAo”) through a wholly-owned subsidiary, XinAo (China) Gas Investment Company Limited (“XinAo Investment”) to operate piped gas business in the city centre of the City.

Zhaoqing XinAo enjoys an exclusive right to operate piped gas business in Duanzhou and Dinghu districts of Zhaoqing City centre for 30 years. It will mainly engage in the sale of piped gas as well as the sale and maintenance of gas appliances. The total investment of Zhaoqing XinAo is RMB\$450 million, in which RMB\$38 million is the registered capital. XinAo Investment holds 100% stake in it.

Mr. Wang Yusuo, Chairman of XinAo Gas, said, “Zhaoqing is the fifth project in Guangdong the Group secured. After obtaining the city gas operation right in Zhaoqing development zone in 2005, and we now further secured the gas operation right in its city centre. Apart from being an important industrial, commercial and tourism city in Guangdong Province, Zhaoqing will also be connected to the second West-East pipeline and the liquefied natural gas (“LNG”) imported terminal in Zhuhai. Sufficient gas sources favour the project’s development of substantial commercial and industrial market, and are expected to have significant contribution to future gas sales volume.

Zhaoqing city is located in middle-west part of Guangdong Province. It covers a total area of 15,000 km². The Duanzhou and Dinghu Districts operated by Zhaoqing XinAo are important districts covering the whole main city centre of Zhaoqing City. The city has extensive traffic network, and is close to prosperous cities including Guangzhou, Shenzhen, Hong Kong and Macau. It is serving as an important traffic concourse for these prosperous cities to other south-west provinces. The city has a total urban population of 650,000, equivalent to 220,000 households. In 2006, the GDP of Zhaoqing was RMB52.6 billion. The industries in Zhaoqing are well-developed, with beverage, new and high technology, biochemistry, mechanic, textile, infrastructure and light industry etc. It is estimated that the annual total natural gas sales volume of the project can reach 150 million m³ in 2015.

Bottled liquefied petroleum gas (“LPG”) and piped LPG are the major gas sources

in Zhaoqing, in which bottled LPG is the major one. The existing gas penetration rate is only 3.7%, low gas penetration rate has provided huge market development potential for future connection and gas sales revenue. After the Group obtained the piped gas operating right, the Group will gradually introduce natural gas into the city, the second West-East pipeline will pass through the city to Guangzhou and Shenzhen cities. According to the general plan of Zhaoqing, the city is planning to construct 7 industry zones in order to satisfy the current need and city development. Currently there are 60 hotels and motels in Zhaoqing, including 33 world-class hotels, and they will become the Group's target customer group in the future. Apart from residential, commercial and industrial customers, there are 300 buses and 1,000 taxies in the city centre of Zhaoqing. Extensive traffic network and planning has established a good foundation for the Group's future development vehicle gas refuelling station business.

Mr. Wang concluded, "Securing Zhaoqing project has once again revealed public recognition on the Group's good experience and outstanding track record. Now our total number of projects reaches 67, covering a total urban population over 40 million. With our solid foundation, we will carry on to explore the market actively and increase the penetration rate of our existing projects, reward our shareholders and investors with outstanding result."

– End –

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 equipments, the production of stored-value card gas meters and the provision of repair, maintenance and other services in connection with gas supply.

As of the end of January 2008, the Group has 67 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 40,070,000.

For Press Enquiry:

Ms. Kelrah Pang

Tel: (852) 2528 5666

Fax: (852) 2865 7204

Email: cy.pang@xinaogas.com

Website: www.xinaogas.com