新奧燃气控股有限公司
XinAo Gas Holdings Limited

[For Immediate Release]

Turnover Surges 69.9% to RMB1450.2 Million for the First Half of 2006
Profit Attributable To Shareholders Increases 16.4% to RMB135.9 Million

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(Hong Kong, 20 September 2006) - Xinao Gas Holdings Limited ("Xinao Gas" or "the Group") (stock code: 2688), a privately-owned piped gas operator in the PRC, announced its interim results for the six months ended 30 June 2006 ("the Period"). During the Period, turnover and profit attributable to shareholders increased to approximately RMB1,450,162,000 and RMB135,853,000 respectively, representing increases of 69.9% and 16.4% respectively as compared to the corresponding period last year (restated). Earnings per share increased by 11.3% (restated) to RMB14.8 cents. The Board of Directors did not recommend the payment of an interim dividend.

The profit for the period increased by 22.7% when comparing to the profit for the corresponding period last year before being restated. The profit announced in the corresponding period last year was RMB110,710,000, but because of the new accounting statndards, the Group had to recognised intangible assets from business combination of gas projects, and the profit for the corresponding period last year was restated from RMB110,710,000 to RMB116,703,000. As the base of the profit for the corresponding period last year became larger, the profit growth rate decreased from 22.7% to 16.4%, and the growth rate for EPS also decreased from 17.5% to 11.3% for first half of 2006. In addition, the new accounting standards made Xinao Gas to charge a non-cash expense equivalent to RMB30,317,000 for the share options granted to the management this year. The charge was deducted from the profit for the period directly, though it did not incur any actual expense for the Group.

Mr. Wang Yusuo, Chairman of Xinao Gas, said, "I am delighted that the Group's business continued to grow healthily and achieved such desirable earnings performance. With the commencement of gas supply of the main and branch pipelines of the West-East Pipeline Project, the Zhongxian-Wuhan Pipeline and the Shaanxi-Beijing Pipeline II, as well as the liquefied natural gas ("LNG") import terminal in Shenzhen that is in trial run and the other LNG import terminals under construction, we expect that there will be more and more piped natural gas sources available. Sufficient gas supply will facilitate more connections to both residential and commercial/industrial ("C/I") customers and strengthen the Group's stable long term revenue."

During the Period, the Group secured 4 new piped gas projects in Fujian Province. The Group's number of projects increased from 59 last year to 63 at the end of June 2006. The connectable urban population grew by 6.9 % to 33,615,000 at the end of June 2006 from 31,446,000 at the end of June 2005. This makes the Group one of the largest professional city gas operators in the PRC in terms of connectable urban population coverage.

In 2005, the Group started its strategic adjustments. The Group has slowed down the acquisition of new projects and switched focus from obtaining a large number of new piped gas projects to boosting penetration rates in existing projects and developing compressed natural gas ("CNG") vehicle refuelling stations, which facilitate long term natural gas sales. During the Period, the Group's penetration rate for residential customers further increases from 16.6% last year end to 19.4%. The Group expects to maintain its high growth, as the gas penetration rates of residential households and the sales volume of C/I customers will grow rapidly in the coming years impelled by the strong economic growth in the PRC. In addition, the Group has reached critical mass in terms of connectable urban population coverage, and the long term revenue is guaranteed with growing penetration rates and more vehicle refuelling stations. Therefore, in the future, the Group will have higher flexibility to only select projects with high quality, high return or strategic significance.

The Group is devoted to developing CNG vehicle refuelling station business in its existing piped gas projects and in cities with development potential. As of 30 June 2006, the Group obtained approvals from governments to build 165 refuelling stations, of which 15 was completed and commenced operation. The Group also successfully acquired Shanghai Jiuhuan Automobile Liquid Gas Development Joint-Stock Limited Company ("Jiuhuan LPG") and Shanghai Jiuhuan Automobile Natural Gas Development Company Limited ("Jiuhuan NG") in May 2006. Jiuhuan LPG and Jiuhuan NG run 28 LPG refuelling stations and 4 natural gas refuelling stations respectively. Making up a large market share of vehicle refuelling station business in Shanghai, the two companies allow the Group to have extensive refuelling station network in Shanghai and to establish a strong foothold for developing and exploring refuelling station business in Shanghai market. As a result, the Group had all together 47 refuelling stations. Developing refuelling station business not only allows the Group to take full advantage of its natural gas sources, but also helps to increase the economies of scale of the Group's existing projects. The Group expects that the refuelling station business will become one of the major catalysts for the Group to increase long term gas sales.

With the Group's rising gas penetration rates, gas sales volume will also increase. Natural gas source will be the key factor for the development of the Group as well as the whole natural gas industry. The Group invested in the LNG project in Weizhou Island, Guangxi, which commences production this year and becomes the fourth LNG production plant in the PRC. It supplies gas to the Group's projects in Guangdong and Guangxi. In addition, a subsidiary of the Group has successfully obtained the license from the Ministry of Commerce to become the fourth enterprise in the PRC that has the rights for the import and export of natural gas and other energy sources, and it allows the Group to be able to buy energy from overseas to increase the Group's gas supply. In addition, the Group also invests in a coal conversion project this year to establish in Erdos, Inner Mongolia a plant that have annual production capacity of up to 400,000 tons of dimethyl ether ("DME"). DME is also a clean fuel, and it can directly substitute natural gas and LPG. It is expected that the coal conversion project will be put into production in three years, and so the Group will have more of its own gas sources. At present, the project has been approved by the National Development and Reform Commission, and it has obtained equity and loan investments from IFC, the private sector arm of the World Bank Group. The first LNG import terminal in the PRC has been completed and commenced gas supply in Shenzhen in the second half of the year, it started to supply gas to Dongguan, our largest project city in August 2006.

Mr. Wang concluded, "With more LNG import terminals and long distance pipelines being completed in the future, and the upstream development of the Group, there is expected to be more sufficient gas sources, which ensure the Group to have even higher penetration rates and gas sales in its gas projects. The Group's strategic adjustment, total IT solutions and streamlining of business processes will facilitate the Group to have higher revenue, lower costs and more effective risk management, and the Group can make more efficient use of resources and take full advantage of the Group's leading edges in the industry. The Group will maintain high growth in the coming years, and at the same time, with the increase in penetration rates, the Group will gradually turn from a high growth company into a public utilities company, so as to minimise investment risks and maximise shareholders' wealth."

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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.

As of the end of June 2006, the Group currently has 63 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 33,615,000.

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Operational Data for 2006 interim result
(As of 30 June, 2006)

	6/2006	6/2005	+/- (%)
Business Development			
No. of projects	63	56	n/a
Connectable urban population	33,615,000	31,446,000	6.9%
Gas penetration rate (%)	19.4	11.8	n/a
Turnover Analysis			
Connection fees (RMB)	583,036,000	410,962,000	41.9%
Sales of piped gas (RMB)	696,170,000	333,228,000	108.9%
Percentage of segment income in turnover(%)			
-Connection fee	40.2	48.2	n/a
-Sales of gas	48.0	39.0	n/a
-Sales of bottled LPG	8.9	10.7	n/a
-Sales of gas appliances	2.9	2.1	n/a
Gas infrastructure			
Additional pipeline construction (km)	1,865	1,710	9.1%
Total length of pipeline (km)	8,446	6,581	28.3%
Gas processing station	73	59	23.7%
Daily capacity of gas processing station	12,963,000	7,948,000	63.1%
Gas vehicle refuelling station	47	8	n/a
Connection increased in the period			
- Households (household)	194,787	123,799	57.3%
- C&I (Sites)	603	516	16.9%
- C&I (m^3)	601,412	438,739	37.1%
Accumulated piped gas connection			
- Households (household)	2,174,193	1,234,652	76.1%
- C&I (Sites)	5,185	3,074	68.7%
- C&I (m^3)	4,051,134	1,733,791	133.7%
Conversion of piped coal gas and LPG			
- Households (household)	169,767	n/a	n/a
- C&I (Sites)	205	n/a	n/a
- C&I (m^3)	108,289	n/a	n/a
Sales of gas (m^3)			
Sales of piped Gas	483,144,000	217,079,000	122.6%
-Residential	158,266,000	96,460,000	64.1%
-C&I	324,878,000	120,619,,000	169.3%
Sales of LPG (tons)	24,697	22,799	8.3%