

XinAo Gas Announces 2004 Annual Results
Turnover Grows 64.0% to RMB1.44 Billion, Net Profit Rises 37.8% to RMB252
Million

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4 New Projects in Guangdong and Zhejiang Provinces
55 Projects Covering a Connectable Population about 30 Million

(Hong Kong, 20 April 2005) – XinAo Gas Holdings Limited (“XinAo Gas” or “the Group”) (Stock code: 2688), a privately-owned piped gas operator in the PRC, announced its annual results for the year ended 31 December 2004. During the year, the Group recorded a turnover of approximately RMB1.44 billion and a net profit of approximately RMB252 million, representing increases of 64.0% and 37.8% respectively over 2003. Earnings per share grew 19.8% to RMB29.7 cents. The Board of Directors of XinAo Gas has resolved to recommend the payment of a final dividend HK\$2.71 cents per share.

In 2004, XinAo Gas successfully expanded into 3 new markets, namely, Guangxi, Inner Mongolia and Shaanxi and secured 11 new projects, which exceeded the project development target for the year. The projects secured during the year were in general cities with strong economy, well-developed industries and large population, which enable the Group to increase its connections in the future. Among these cities, Yantai city in Shandong Province has 1.7 million urban population with a good Commercial/Industrial (“C/I”) customers base. Securing this project has demonstrated once more the government’s recognition of the Group’s management ability, operation safety and financial strength, and it also enriches the Group’s experience in managing large-scale city projects.

During 2004, XinAo Gas was awarded the “Overall Best Managed Company in China (Medium Cap)” by *AsiaMoney*, and ranked first in five other individual awards, namely, “Clearest Corporate Strategy”, “Best Financial Management”, “Best Investor Relations”, “Best Annual Reports” and “Most Improved Website”. Also, the Group was awarded the “Chinese Business 500” for four consecutive years and “Top 20 Chinese Enterprises of Highest Total Asset Growth” for two consecutive years by *Yazhou Zhoukan*.

Mr. Wang Yusuo, Chairman of XinAo Gas, said, “We are delighted that the Group was able to achieve such outstanding growth and had even higher brand recognition and influence in the industry. Apart from the numerous awards won from various international magazines, XinAo Gas also gained 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 enhanced the Group’s status and influence in the regions.”

As at the end of 2004, the Group in total made natural gas connections to 634,678 residential households and 1,515 C/I customers (with gas appliances of designed daily capacity of 1,058,114 m³), representing increases of 253,395 households and 733 C/I

customers (with gas appliances of designed daily capacity of 525,321 m³) when compared to 2003. In respect of gas facilities, as at the end of 2004, the Group had 4,871 km intermediate and main pipelines, an addition of 2,913 km as compared to 2003. It also had 51 processing stations with a combined daily capacity of approximately 7,493,000 m³.

In respect of gas sales, approximately 105 million m³ and 143 million m³ of piped gas were sold to residential households and C/I customers respectively, up by 133.3% and 99.4% against 2003 respectively. The gas sales volume to C/I customers made up 57.6% of the total volume, strengthening the Group's revenue base in long term. The Group sold 37,760 tons of bottled LPG in the year, decreasing by 28.3% when compared to last year.

In 2004, the Group operated compressed natural gas ("CNG") vehicle refuelling stations ("CNG stations") in Shijiazhuang City and Langfang City, Hebei Province, and 1,736 taxis and 353 buses have been converted into CNG vehicles. The Group has set up a department for CNG stations and planned to launch this business in our existing project cities extensively in 2005. We intend to set up 50-100 CNG stations in Qingdao, Liaocheng, Bengbu, Xinxiang and Shijiazhuang to further increase the Group's profit source and long term revenue.

In respect of gas source, in 2004, the Group established formal strategic cooperation relations with China Huayou (Group) Corporation and CNOOC Nanhai Western Corporation for securing large projects. This cooperation not only ensures the gas supply, but also increases the Group's competitiveness in developing new projects. At the same time, the Group actively engaged in the construction of gas source emergency system and establishing our own gas source bases to guarantee gas supply of various means and types. The Liquefied Natural Gas ("LNG") Project in Weizhou Island, Beihai, Guangxi is expected to be finished by 2005. This project will supply LNG to Zhanjiang, Guilin, Dongguan and other southern gas projects to be obtained by the Group, meet the gas demand of these projects and further reduce the purchase cost of gas.

After the long distance pipelines of the West-to-East Project commenced gas supply in 2003, more branch pipelines were built along the long distance pipelines in 2004. Currently, five projects of the Group, namely, Xinxiang, Chuzhou, Wujin, Bengbu and Huzhou, have started to use piped natural gas of West-to-East ("W-E") Pipelines. With the completion of more branch pipelines of the W-E Pipelines and other pipeline constructions, more and more of the Group's projects will use piped natural gas. It is expected that Changsha, Xiangtan and Zhuzhou projects in Hunan Province will use the piped natural gas of Zhong-Wu Pipeline in 2005. The Group expects that using piped natural gas will minimize the purchase cost of gas, increase profit from piped gas sales and further enhance our ability for market development.

At the same time, Xinao Gas announced the securing of 4 city gas projects, which are Shantou City and Zhaoqing High New Development Zone in Guangdong Province and Yongkang City and Huangyan District of Taizhou City in Zhejiang Province. The number of operational locations of Xinao Gas increases to 55 while its connectable population coverage is approximately 30 million. Xinao Gas has become one of the professional gas operators in

the PRC covering the largest urban population.

Through its wholly-owned subsidiary Xinao (China) Gas Investment Company Limited (“Xinao (China)”), Xinao Gas has acquired in Shantou City a local gas company, which has become a joint venture company with the new name Shantou Xinao Gas Company Limited (“Shandon Xinao”), and operated the city piped gas business in part of the city center of Shantou. The registered capital of Shandon Xinao is RMB34.58 million, and Xinao (China) holds 51.01% interest in the company. Shantou is located at the eastern part in Guangdong. It is one of the five Special Economic Zones in China and an important harbour in the Southeastern coast with a total urban population of 1.2 million. In 2004, its GDP and gross industrial output value were RMB60.4 billion and RMB107.6 billion respectively.

At the same time, through Xinao (China), the Group set up the joint venture company Zhaoqing City High New Zone Xinao Gas Company Limited (“Zhaoqing Xinao”) with Zhaoqing City High New Zone Construction Investment and Development Company Limited to operate city piped gas business in Zhaoqing High New Zone. The registered capital of Zhaoqing Xinao is USD2.1 million (approximately RMB17.36 million), and Xinao (China) holds 95% interest in the company. Zhaoqing High New Zone is located at the middle western part of Guangdong with a total urban population of 60,000. It is only 50km away from Guangzhou and it is one of the new growing economy zones in Zhaoqing. There are various large enterprises, such as SK Group of Korea, LP Group of US and Asia Aluminum, located in that district.

Furthermore, through its wholly-owned subsidiary Xinao Zhejiang Investment Limited (“Zhejiang BVI”) and Xinao (China), Xinao Gas has set up Yongkang Xinao Gas Company Limited (“Yongkang Xinao”), a wholly subsidiary, to operate city piped gas business in Yongkang city. The registered capital of Yongkang Xinao is USD8 million (approximately RMB66.14 million) while Zhejiang BVI and Xinao (China) holds 49% and 51% interests in the Yongkang Xinao respectively. Yongkang city is located at the middle part of Zhejiang Province and at the southeast of Jinhua. It is the largest metal export supply base in China with a total urban population of 538,000. In 2002, its GDP and gross industrial output value were RMB9.34 billion and RMB30.2 billion respectively.

In addition, the Group, through Xinao (China) and Zhejiang BVI, set up a joint venture company, namely, Taizhou Xinao Gas Company Limited (“Taizhou Xinao”), with Taizhou City Huangyan District State-Owned Asset Management Company Limited to operate the city piped gas business in Huangyan District of Taizhou City. The registered capital of Taizhou Xinao is USD5 million (approximately RMB41.34 million) while Xinao (China) and Zhejiang BVI holds 50% and 30% interests in the Taizhou Xinao respectively. Huangyan district of Taizhou is located at the coastal part of middle Zhejiang Province, with a total area of 988 km² and with a total urban population of 220,000. It is one of the 14 small to medium sized fine chemical bases. The main industries in the district are pharmacy, machinery, plastic, textile and food processing, etc.

Mr. Wang concluded, “The success of Xinao Gas depends on the continuous efforts and innovation of all the staff and management, as well as the support and trust of our shareholders and investors. The construction of various large natural gas projects, the emphasis on using natural gas by the central and local governments and the higher popularity of natural gas among consumers are all favorable for the continuous fast growth of the natural gas downstream market. We promise that we will maintain our integrity and reliability and seize the golden opportunities in the PRC natural gas market with vigorous and steady investment strategies to maximise the value to our shareholders, investors, customers, staff and the 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 55 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 approximately 30 million.

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