



[For Immediate Release]

**Turnover Surges 69.5% to RMB 5,756.3 Million for 2007
Profit Attributable To Shareholders Increases 33.7% to RMB 507.5 Million**

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(Hong Kong, 23 April 2007) - 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 2007 (“the Year”). During the Year, turnover and profit attributable to shareholders increased to RMB5,756.3 million and RMB 507.5 million respectively, representing an increase of 69.5% and 33.7% respectively as compared with last year. The Group’s earnings per share increased by 26.7% to RMB 51.3 cents. The Board of Directors has resolved to recommend the payment of a final dividend HK\$13.42 cents per share.

As at the end of 2007, 2,749,352 households and 8,206 commercial/industrial (“C/I”) customers (connected to gas appliances of a total installed designed daily capacity of 6,930,934 cubic meters) have subscribed our natural gas connection services, with 580,876 of residential users and 2,115 C/I customers (connected to gas appliances of a total installed designed daily capacity of 2,212,639 cubic meters) increased when compared to 2006. In 2007, the number of new connection of residential and C&I customers (installed designed daily capacity) has increased by 28.8% and 49.3% respectively when compared to last year, which fully demonstrates the Group’s ability to increase the number of connection of existing gas projects. The penetration rate of the Group has increased from 18.9% in 2006 to 23.6%. Low penetration rate demonstrates the Group’s huge development potential. With the rapid growth in C/I and vehicle customers, the piped gas sales volume has been increased by 70.6% to 2.1 billion m³. The share of piped gas sales as compared to the Group’s overall income rose to 45.9% at the end of 2007. When the gas sales of liquefied petroleum gas (“LPG”) is also included, the ratio of total gas sales volume to total revenue has reached 64.9%, while, income attributable to one-off connection fee has further dropped to 33.4% of the overall income. The Group believes that this optimised income structure will secure a long-term stable income for the Group.

As the Group has entered a fast growing phase, and its subsidiaries are gradually stepping into a mature stage, the Group has started to pay out dividend since 2004 and the payout ratio has been increasing every year. The Board of Directors has resolved to recommend the payment of dividend HK\$13.42 cents per share, representing a 73.2% increase from



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HK\$7.75 per share of last year, and the dividend payout ratio has been increased to 25% from 10% in 2004. The dramatic increase in dividend payment and dividend payout ratio has fully demonstrated the Group's mature development, and is one of the few companies that have the ability to maintain a high dividend payout ratio. It also shows the Group's management are sharing the Group's reward from rapid growth with the shareholders.

Mr. Wang Yusuo, Chairman of Xinao Gas, said, "We are delighted that the Group's business has continue to prove its strength through continuous growth of its business and earning capability in a healthy and fast manner. The rising global demand for energy and the growing emphasis on environmental protection both help encourage the promotion and use of clean energy. The Group, together with International Finance Corporation (a member of the World Bank Group) ("IFC") and Industrial Bank, has launched the "China Utility-Based Energy Efficiency Finance Program" last year to promote the use of clean energy among customers. As at the end of 2007, a total of 34 C&I customers have received financial and technical support from IFC. After switching to clean energy, these customers have succeeded in reducing their carbon dioxide emission level by 93,557 tons and made valuable contribution to environmental protection. The Chinese government has further tightened its control on policies regarding energy conservation and emission reduction during the year. This measure is congruous to the social responsibility of the Group which the Group has always adhered to and under the requirements of these policies, the Group will achieve greater result in its future development."

During the year, the Group secured five new projects which were located in Yinzhou District in Ningbo City of Zhejiang Province, Quanjiao and Guzhen of Anhui Province, Xinan of Henan Province and Dehua of Fujian Province respectively, thus increasing the number of urban gas project cities from 64 last year to 69 this year. The connectable population also grew to 40,294,000 (approximately 13,431,000 households) by the end of 2007. Projects secured this year were located in areas with a higher level of industrial and commercial development and this will greatly boost the growth of gas sales of the Group in the future. The addition of the Yinzhou District Project will further enhance the Group's scale of gas supply in Zhejiang Province while Xinan, Quanjiao and Guzhen, all are in close proximity to our existing projects, will help the Group to implement the strategy of using its existing projects to distribute clean energy to nearby regions and fully utilize the resources of the existing urban gas projects. The Dehua Project is the sixth project the Group secured in Fujian Province and will further enhance the Group's market position and influence in Fujian Province.



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The Group continues to actively develop its gas refuelling station business. In 2007, the Group has obtained relevant approvals from various local governments for 48 refuelling stations and raising the total approval number to 260 and among the approvals, 32 refuelling stations have been constructed and have commenced operation during the year and as at the end of 2007, the number of operating refuelling stations has reached 89. The above developments fully illustrate the Group's capability in developing the refuelling station business and the brilliant perspective of this business. In addition, the Group has collaborated with Shanghai Jiaotong University and Shanghai Tongji University on a research on the development and application of an alternative clean energy for vehicular use. In May 2007, the first commercially-run vehicle-used dimethyl ether refuelling station in the world was introduced in Shanghai and this achievement has broken new ground for alternative fuel for vehicles and the sales of dimethyl ether.

The Group always places great emphasis on long term development. Besides fully utilising the extensive gas pipeline network, the Group has also endeavored to search for alternative energy. The project located in Inner Mongolia, which the Group has started last year, has progressed smoothly during the year and is expected to commence production next year, delivering 400,000 tons of dimethyl ether per year which is a combustible and environmental friendly gas comparable to natural gas. Since Xinao Energy Trading Company Limited, a company under the Group has acquired the rights for import and export of natural gas, LPG and various kinds of gas materials in last year, it made the first shipment of imported LPG amounted to 10,000 tons from overseas in June 2007. Besides enhancing the development of the Group's energy trading business, such move has also fully demonstrated our capability in securing energy resources through international trading and served to further secure the Group's gas supply. This enables the Group to start the vital step of turning into a public utility company by speeding up connection, boosting penetration rate in order to maintain high growth and make a solid foundation for stable revenue growth in the future. During the year, the Group sold 225,156 tons of LPG (2006: 58,136 tons), increased by 2.9 times over last year. The Group has stepped up its effort in innovation during the year, rewarding results of which including the establishment of an SAAS platform with central call center playing a major role. Such platform effectively links the upstream purchasing activities, midstream manufacturing and storage activities and downstream wholesaling and distribution activities, thus increasing our efficiency and minimizing our operating costs simultaneously.



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Thanks to the Group's outstanding performance, during the year, the Company was elected one of the "Global Chinese Enterprises 1000" by Yazhou Zhoukan and this marked the seventh consecutive years that the Company was ranked by the prestigious magazine. The Company's annual report was also awarded "Honourable Mention, Best Annual Report Awards". This is the second time that the Company has been honored by such award since 2006. Such award shows that the Company's annual reports provide clear and accurate disclosure and have served the function of shareholder communication effectively. These awards also reflected the recognition of investors and professional institutions towards the Company's management quality and high degree of transparency.

Furthermore, after securing five new projects in 2007, Xinao Gas successfully secured the exclusive right to operate piped gas business in Zhaoqing City, Guangdong Province in 2008. The Group has set up Zhaoqing Xinao Gas Company Limited ("Zhaoqing Xinao") through a wholly-owned subsidiary, Xinao (China) Gas Investment Company Limited ("Xinao Investment") to operate piped gas business in Zhaoqing's city centre. 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 first phase registered capital of Zhaoqing Xinao is RMB\$38 million. Xinao Investment holds 100% stake in it.

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 entire 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 the south-western provinces. The city has a total urban population of 660,000, equivalent to 220,000 households. In 2006, the GDP of Zhaoqing was RMB52.6 billion. Industries in Zhaoqing are well-developed, with beverage, new and high technology, biochemistry, mechanic, textile, infrastructure and light industries etc. It is estimated that the annual total natural gas sales volume of the project can reach 150 million m³ in 2015.

Mr. Wang concluded, "After recording rapid growth in the past few years, the Group has consolidated its leading position in the industry in terms of customer base and market position. In 2008, the Group will continue to enhance its management standard through its informatisation and strategic performance appraisal management projects and deliver more



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satisfactory and comprehensive services to its customers by adhering to its customer-oriented principle. We will also endeavor to ensure our business operates in a safe manner by establishing a secure and safe working environment and fully standardizing our operation. In order to further improve our results in the piped gas segment, we will take initiatives to participate in the consolidation of the industry and optimize the structure of our projects. In addition, the Group will modify our strategy based on national policy in place, and thereby becoming the provider of regional clean energy, energy saving and pollutant emission reduction solution. For the coming year, we will continue to make contribution to China's environmental protection and energy sector and spare no effort to maximize the long-term benefits of our shareholders, customers, staff, society and enterprises.”

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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, vehicle refueling station 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 April 2008, the Group currently has 70 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 41 million.

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**Financial and Operational Data for 2007 annual result
(As of 31 December, 2007)**

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	2007	2006	+/- (%)
Business Development			
No. of projects	69	64	5
Connectable urban population	40,294,000	39,073,000	3.1%
Gas penetration rate (%)	23.6%	18.9%	4.7%
Turnover Analysis			
Connection fees (RMB)	1,925,079,000	1,354,892,000	42.1%
Sales of piped gas (RMB)	2,641,417,000	1,623,510,000	62.7%
Distribution of bottled LPG	1,092,226,000	282,606,000	2.9 times
Percentage of segment income in turnover(%)			
-Connection fee	33.4%	39.9%	-6.5%
-Sales of gas	45.9%	47.8%	-1.9%
-Sales of bottled LPG	19.0%	8.3%	10.7%
-Sales of gas appliances	1.7%	4.0%	-2.3%
Gas infrastructure			
Total length of pipeline (km)	11,301	9,234	22.4%
Gas processing station	83	74	9
Capacity of gas processing stations (m ³)	18,649,000	13,563,000	37.5%
Gas vehicle refuelling station	89	57	32
Connection increased in the period			
- Households (household)	580,876	451,072	28.8%
- Commercial / Industrial (“C/I”) (Sites)	2,115	1,493	41.7%
- C/I (m ³)	2,212,639	1,481,611	49.3%
Accumulated piped gas connection (including natural gas)			
- Households (household)	3,167,800	2,458,735	28.8%
- C/I (Sites)	8,869	6,290	41.0%
- C/I (m ³)	7,594,338	5,023,652	51.2%
Sales of gas			
Sales of piped Gas (m ³)	2,137,488,000	1,253,003,000	70.6%
-Residential (m ³)	359,991,000	299,806,000	20.1%
-C&I (m ³)	1,777,497,000	953,197,000	86.5%
Sales of LPG (tons)	225,156	58,136	2.9 times