



[For Immediate Release]

Turnover Surges 43.6% to RMB 8,266 Million for 2008
Profit Attributable To Shareholders Increases by 24.3% to RMB 631 Million

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(Hong Kong, 9 April 2009) - Xinao Gas Holdings Limited (“Xinao Gas” or “the Group”) (stock code: 2688), a privately-owned clean energy distributor in China, announced its annual results for the year ended 31 December 2008 (“the year”). During the year, turnover and profit attributable to shareholders increased to RMB8,266 million and RMB 631 million respectively, representing an increase of 43.6% and 24.3% respectively as compared with last year. The Group’s earnings per share increased by 21.8% to RMB 62.5 cents. The Board of Directors has resolved to recommend the payment of a final dividend of HK\$17.71 cents per share, the final dividend per share has been increased by 32.0%, as compared with last year.

The Group’s result maintained impressive growth under the global financial tsunami spreading in the second half of 2008. During the year, the Group completed piped natural gas connections to 710,035 residential households and 2,548 commercial/industrial (“C/I”) customers (connected to gas appliances with total installed designed daily capacity of 2,324,171 cubic meters). As of the end of 2008, the accumulated number of residential households and C/I customers of natural gas were 3,600,387 and 10,857 (connected to gas appliances with a total installed designed daily capacity of 9,009,892 cubic meters) respectively, and the accumulated number of residential households and C/I customers of all piped gas were 3,745,145 and 11,288 (connected to gas appliances with a total installed designed daily capacity of 9,518,438 cubic meters) respectively. The sales volume of natural gas for the year grew by 25.2% as compared to last year to 2,200,291,570 cubic meters. Such increase fully demonstrated the benefits of the economies of scale, the robust development of the Group’s business as well as our achievement in the strategy of vigorously raising the penetration rate of our existing gas projects.

Mr. Wang Yusuo, the Chairman of Xinao Gas, said, “The global financial tsunami arose during the year has affected the economy. However, by fully utilising its good management quality, the Group has not only strengthened its cost control but also devoted more effort in expanding the market. As a result, various business targets were achieved successfully, reflecting the Group’s ability to cope with risks and generate profits. We are very excited and glad about such achievement. The success in 2008 has strengthened our confidence to face the business opportunities and challenges in 2009. The Chinese government has gradually regulated the economic structure, encouraged other modes of growth, optimised energy structure and insisted on attaining development in an economic, clean and safe manner. This will definitely benefit the development of clean energy like natural gas and

other substitute energy. It is believed that with the encouragement and support of the said government policies, the Group is well positioned to secure gas supply and attract new customers.”

Since the Group adjusted its development strategies a few years ago and focused on boosting the gas penetration rate in existing gas projects, the overall connection rate has increased considerably while gas sales has also become the major source of revenue of the Group. As at 31 December 2008, the gas penetration rate for residential households of the Group has increased from 23.6% at the end of 2007 to 27.0%. With the continuous rapid growth in the number of users, the share of gas sales in the Group’s overall revenue keeps rising while in the contrary, revenue attributable from one-off connection fee further dropped from 33.4% in 2007 to 29.3% of the overall revenue. Gas sales attributable to the total revenue generated by the Group rising to 69.8% for the year. This entirely demonstrated that the Group has now possessed a more stable and long-term revenue base, and further reduced its reliance on one-off connection fees and improved and optimised its revenue structure. As the Group continues to spare no effort in boosting penetration rate, providing connection for C/I customers and attracting new vehicle customers, it is expected that the share of revenue from gas sales attributable to the total revenue of the Group will further increase and such development will deliver long-term and stable cash flow to the Group.

For new project development, during the year, the Group secured 4 new projects which were located in Zhaoqing City and Zengcheng City in Guangdong Province, Haiyan County in Zhejiang Province and Quangang District in Quanzhou City of Fujian Province respectively, thus increasing the number of gas project cities to 72. The connectable population also grew to 41,644,000 (approximately 13,881,000 households). Projects secured this year were located in areas with a higher level of industrial and commercial development and this will increase the future gas sales of the Group. Among these projects, the geographical advantage of Quangang District being located next to the Group’s existing project Quanzhou can fully fortify the economies of scale of these projects and thus further enlarging the energy distribution network of the Group.

During the year, the Group continues to regard vehicle gas refuelling stations business as one of its core businesses. The number of vehicle gas refuelling stations newly completed and commenced operation was 39, adding to a total of 128 vehicle gas refuelling stations located in 38 cities of the state, among which 7 were not gas project cities of the Group. In addition, as at the end of 2008, the number of vehicle refuelling stations which have obtained construction approval from the local governments has accumulated to 332. In 2008, the Group has completed the conversion of 7,136 taxis and 819 buses into natural gas

vehicles, an increase of 65.8% and 1.6 times as compared to last year respectively, adding to a total number of 17,976 taxis and 1,340 buses using natural gas. This contributes to the increase in the proportion of vehicle gas sales in the total volume of gas sales from 8.5% last year to 13.0%. In 2007, the Group has successfully developed and launched the world's first vehicle-used dimethyl ether ("DME") refuelling station in business operation in Shanghai. Thereafter, we have received the engagement from the Shanghai government to participate in the World Expo 2010 which will be held in Shanghai, using the vehicle with zero emission within the exhibition area. As the only supplier to provide zero emission vehicle for this project, it is a strong evidence of the Chinese government's recognition to the Group's ability in the development and usage of clean energy.

Following the robust development of the natural gas industry in China, the relevant infrastructure has been further improved. Besides fully utilising such extensive gas pipeline network and LNG terminals, the Group has also endeavored to search for other alternative energy. The coal chemical project located in Inner Mongolia invested by the Group has progressed smoothly during the year and is expected to launch in 2009 to produce coal-based clean energy such as methanol and DME. Apart from the existing LNG processing plants in Beihai, the Group has invested in another two LNG plants in Yinchuan, Ningxia Province and Jincheng, Shanxi Province respectively. After production of these projects commence in 2009, the daily LNG supply capacity will be increased by 900,000 cubic meters and the gas sources of the Group will be further strengthened. The Group also possesses a massive non-pipeline transportation system (including LNG and CNG transportation trucks) with an one-off maximum transportation capacity remained 5.5 million cubic meters. Coupled with this strength, the Group will be able to secure more stable gas supply and hence enjoy a higher degree of protection on gas sources.

In order to build up a strong foundation for future long term growth and development, during the year, the Group has devoted to strengthen its internal control system. During the year, the Group continued to carry out informatisation program in full swing with most of the group companies implementing the Enterprise Resource Planning ("ERP") system and our customer caring and services system going online. These systems ensure more efficient and accurate operational and management information to be delivered to the management and thereby optimising the effectiveness of the management's decision. In order to ensure the efficient transmission and the thorough and effective implementation of the Group's strategies, we have successfully promoted and implemented the strategic performance management project in all group companies during the year, and finished the refinement on the personal balanced scorecard system according to the actual situations in the Group. With such systems in place, every employee of the Group completes their work through strategies and this realises the smooth transition from strategic planning to execution and from

organisation level to individual level. It also guarantees speedy conveying and effective implementation of strategies. During the year, the Group was awarded “Star Organisation of Strategy Execution in China 2008” by the China affiliate of the Balanced Scorecard Institute.

During the year, the Group continued to maintain a good record of safe operation and insisted on placing safe operation as its top priority. We have set up a health, safety and environmental management system last year which have been launched in all group companies during the year. Meanwhile, a great deal of efforts have also been put in promoting the “3-No Campaign” (no accidents, no personal injuries and no harmful acts to the environment) and executing various controlling measures, with an aim to setting a role model in the industry for running a standardised and modern management system of safe operation.

Our 2007 annual report was awarded “Silver, Annual Reports: Energy” by the Annual International Galaxy Awards during the year,. We also received the honor of “Gold, Overall Annual Report: Gas Distribution, Transportation and Transmission” from the International ARC Awards. These remarkable achievements fully evidenced the accurate and clear disclosure of information in our annual reports and our efficient communication with our shareholders.

As the utilisation efficiency of energy resources gains higher attention from the Chinese government, more and more policies which encourage the use of clean energy resources and optimisation of energy structure have been promulgated. During the year, the Chinese government has promulgated the “Circular Economy Promotion Law of the People’s Republic of China” (“Circular Economy Promotion Law”) in the 11th National People’s Congress. The following is specifically regulated in the Circular Economy Promotion Law which comes into effect on 1 January 2009: “the state encourages and supports enterprises to use highly efficient and oil-saving products. Enterprises in such industries as electric power, oil processing, chemical industry, steel, non-ferrous metal and building materials etc. must replace fuel oil with clean energy, such as clean coal, petroleum coke, natural gas, etc. within the scope and time limit prescribed by the state, and must stop using fuel generator sets and oil boilers that fail to satisfy the relevant state provisions”. Moreover, the Chinese government has announced ten measures during the year to further promote economic growth by means of boosting internal demand. Among these measures, the establishment of substantial energy projects and the increase in investment in the energy sector have been clearly listed as one of the important components, and investments amounting to RMB 1,000 billion in environmental protection projects like energy conservation and emission reduction projects was also planned. The promulgation and implementation of such laws

and policies have fully demonstrated the determination of the Chinese government to encourage the use of clean energy. Xinao Gas will strive to maintain its leading position in China's clean energy service market by grasping every business opportunity in the clean energy market and by innovation of business model. As at the end of 2008, the Group has entered into memorandum of understanding with 11 cities or parks whereby the Group will provide customised plans for clean energy usage and solutions for energy saving and emission reduction, thus supplying highly effective energy services.

Mr. Wang concluded, "In 2009, in view of the impact from the financial tsunami and the slowdown of the growth of the global economy, the Group will continue to expand its gas distribution network systematically and acquire new projects, as well as enhance the standard of its customer services, while still maintaining a healthy cash flow. Through the execution and implementation of informatisation and strategic performance programs, the Group's cost control will be further strengthened and the operational efficiency will also be enhanced. The effect of the Group's economies of scale will be more obvious and will reflect in our business. With its rich experience in the energy sector, the Group remains very confident on the business prospect and growth of 2009, and as the Group helps the country to achieve sustainable growth resulting from boosting the supply of clean energy continuously, the total value of the whole clean energy chain will be enhanced at the same time. Devoted to become the leading operator in the energy services sector, we will continue to make contribution to China's environmental protection and energy sector and spare no effort to maximise 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 clean energy distributor in China. The principal business of the Group is the investment in, and the operation and management of, gas pipeline infrastructure, vehicle refuelling stations and the distribution of piped gas and LPG in China. 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 March 2009, the Group currently has 72 project cities in 13 provinces, municipalities and autonomous regions, namely Anhui, Beijing, Fujian, Guangdong, Guangxi, Hebei, Henan, Hunan, Inner Mongolia, Jiangsu, Liaoning, Shandong and Zhejiang, covering a total connectable urban population of 41.6 million.

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Financial and Operational Data for 2008 Annual Result (As of 31 December 2008)

	2008	2007	+/- (%)
Business Development			
No. of projects	72	69	3
Connectable urban population	41,644,000	40,294,000	3.4%
Gas penetration rate (%)	27.0%	23.6%	3.4%
Turnover Analysis (RMB)			
Connection fees	2,421,617,000	1,925,079,000	25.8%
Sales of piped gas	3,094,767,000	2,365,622,000	30.8%
Distribution of bottled LPG	2,009,304,000	1,092,226,000	84.0%
Vehicle gas refuelling stations	661,160,000	275,795,000	1.4 times
Sales of gas appliances	78,660,000	97,548,000	-19.4%
Percentage of segment income in turnover(%)			
-Connection fee	29.3%	33.4%	-4.1
-Sales of gas	37.4%	41.1%	-3.7
-Sales of bottled LPG	24.3%	19.0%	5.3
-Vehicle gas refuelling stations	8.0%	4.8%	3.2
-Sales of gas appliances	1.0%	1.7%	-0.7
Gas infrastructure			
Total length of pipeline (km)	12,584	11,301	11.4%
Gas processing stations	90	83	7
Capacity of gas processing stations (m ³)	14,377,650	14,148,850	1.6%
Gas vehicle refuelling stations	128	89	39
Connection increased during the year			
- Households (household)	710,035	580,876	22.2%
- Commercial / Industrial ("C/I") (Sites)	2,548	2,115	20.5%
- C/I (m ³)	2,324,171	2,212,639	5.0%
Accumulated piped gas connection (including natural gas)			
- Households (household)	3,745,145	3,167,800	18.2%
- C/I (Sites)	11,288	8,869	27.3%
- C/I (m ³)	9,518,438	7,594,338	25.3%
Sales of gas			
Sales of piped Gas (m ³)	2,571,858,000	2,137,488,000	20.3%
-Residential (m ³)	420,880,000	359,991,000	16.9%
-C&I (m ³)	1,816,946,000	1,596,608,000	13.8%
-Gas refuelling stations (m ³)	334,031,000	180,888,000	84.7%
Sales of LPG (tons)	599,567	225,156	1.7 times