



[For Immediate Release]

Turnover Surges 53.2% to RMB 3,538 Million for First Half of 2008
Profit Attributable To Shareholders Increases 63.0% to RMB 286 Million

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(Hong Kong, 19 September 2008) - 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 2008 (“the Period”). During the Period, turnover and profit attributable to shareholders increased to RMB 3,538 million and RMB 286 million respectively, representing an increase of 53.2% and 63.0% respectively as compared to the corresponding period last year. The Group’s earnings per share increased by 58.1% to RMB 28.3 cents. The Board of Directors did not recommend the payment of an interim dividend.

Mr. Wang Yusuo, Chairman of Xinao Gas, said, “The Group has reported encouraging result in the first half of the year. Apart from the continuous enhancement of revenue structure, the increase in net profit margin has also reflected the Group’s effective cost control. In particular, the significant increase in revenue from gas sales, especially the 92.3% increase in the sales volume of compressed natural gas vehicle refuelling stations, has also revealed the Group’s success in realizing the strategy of shifting from reliance on one-off connection fees to long-term stable gas sales. With the significant growth in the Group’s gas sales volume, secured gas supply is of utmost importance. A number of natural gas sources projects will start to construct or come into production in the next few years. Expected to come into full operation next year, the liquefied natural gas (“LNG”) terminal in Fujian Province has now begun supplying natural gas in spot market. As a result, the gas supply for the Group’s seven projects in the Fujian province, including Quanzhou city, the large industrial base gas project, will be further secured. In addition, the production of the coal conversion project in Erdos, Inner Mongolia, an upstream project with the Group’s participation, will be commenced next year. The sufficient gas supply will facilitate more connections to both residential and commercial / industrial (“C/I”) customers and strengthen the Group with stable and long-term revenue.”

Taking advantage of its industry experience and good management, the Group achieved sustained growth in the number of new connections. The new piped natural gas connections made to residential households and the designed daily capacity for C/I customers newly installed during the Period were 285,158 households and 1,136,349m³ respectively, representing an increase of 26.4% and 40.4% as compared to the corresponding period last year. In view of this, the Group is very optimistic that the annual connections target can be achieved. During the Period, gas connection fee revenue reached RMB898,314,000, representing an increase of 15.6% over the corresponding period last year and accounting for 25.4% of the total revenue.

During the Period, piped gas sales revenue reached RMB1,476,991,000, representing an

increase of 20.7% over the corresponding period last year and accounting for 41.3% of the total revenue. The sales volume of piped gas was also increased by 21.8%. During the first half of 2008, overall gas sales have made up 73.5% of the Group's revenue, whilst the share of one-off connection fee in total revenue has further declined to 25.1% from 33.7% as recorded during the corresponding period last year. This leads the Group's way to develop into a real utilities company gradually with good and stable cash flow. With more and more gas sources completed and coming into production, it is expected that numerous projects of the Group will be benefited, leading to more new connections to high usage C/I customers, and a more considerable growth in gas sales volume can be anticipated.

Currently, the Group has an overall gas penetration rate of 24.6% only, and from the Group's past experience, the gas penetration rates can reach as high as 70% to 80%. In association with the economic growth in China, the demand for natural gas from C/I customers are growing continuously. The Group is still at the rapid development stage in its connection and gas sales business to residential and C/I customers, which provides good revenue protection in the future.

In recent years, the Group reached the critical mass in terms of the number of gas projects and the connectable population in China, and this enables the Group to selectively acquire high-quality new piped gas projects and at the same time, to boost the gas penetration rates of our existing gas projects, develop the business of compressed natural gas (as a substitute of gasoline) refuelling stations that can increase long-term natural gas sales, as well as develop the energy distribution channels in peripheral towns and cities of our gas projects, so as to achieve sustainable business expansion. The number of vehicle refuelling stations ("refuelling stations") has further increased from 89 as at the end of 2007 to 98, whilst the number of refuelling stations that have been completed but not yet come into operation was 11. As a result, the gas sales to vehicles during the Period increased by 1.2 times. Thanks to its contribution to environmental protection and significant advantage over prices, natural gas refuelling stations which provide clean energy as a substitute for gasoline is expected to experience rapid growth continuously. The Group can take advantage of the existing gas source in the refuelling station business, as well as increase the economies of scale for the gas projects on hand. It is expected that the refuelling station business will become one of the major catalysts for the increase in the Group's gas sales revenue in the long run.

During the Period, the Group secured three new piped gas projects. Apart from the Zhaoqing project in Guangdong province acquired early this year, the Group has also announced the acquisition of Xintang town in Zengcheng city, Guangdong Province, and Quangang county in Quanzhou city, Fujian Province. As a result, the Group's total number of city gas projects increased to 71, with the connectable urban population raised to 40,469,000.

Through its 60% owned subsidiary Quanzhou Gas Company Limited ("Quanzhou Gas"), the Group has established Quanzhou Quangang Xinao Gas Company Limited ("Quangang

Xinao”) which is owned as to 100% by Quanzhou Gas. The registered capital of Quangan Xinao is RMB 20 million. Quangan county is located in the south of Meizhouwan, the central of the Fujian coastal area. After its commencement of production, the natural gas terminal in Putian, Fujian will provide stable and sufficient gas supply for the Quangan project. In 2006, the GDP of the Quangan county increased by 17.2% to RMB8.3 billion, and the connectable urban population reached 120,000. In addition, the Group has also established Guangzhou Fucheng Piped Gas Company Limited (“Guangzhou Fucheng”) through its wholly-owned subsidiary Xinao Gas Development Company Limited (“Xinao Development”) to operate piped gas business in Xintang town of the city. The registered capital of Guangzhou Fucheng, which is owned as to 90% by Xinao Development, is RMB 2 million. Xintang town is the core of business and industrial activities in Zengcheng city, as well as the centre of Guangdong Province. It is also the most prosperous town in Zengcheng, with the connectable urban population reaching 100,000. It is expected that the Dapeng LNG Import Terminal Phase Two in Shenzhen and the Second West-East Pipeline will become the gas source of the project in the future, laying a sound foundation for the Group to achieve more new connections to high-usage C/I customers and proving that the Group will take gas source as the most important criterion when selecting new projects to ensure project returns.

After years of excellent operation, the Group has established a strong brand identity and extensive customer base. It has also taken a proactive stance to formulate new business model while establishing a distribution model which is advantageous in various aspects through the provision of comprehensive regional clean energy solution. As of to-date, the Group has entered into a cooperation framework agreement in relation to energy saving and emission reduction with about eight cities including Luoyang, Zhuzhou and Fuzhou for the purpose of providing comprehensive clean energy solutions to such cities, parks and enterprises, promoting the use of clean energy, enhancing the utilization efficiency of energy and reducing emission. This enables the Group to, besides becoming a provider of comprehensive regional clean energy and energy saving solutions, enhance its earnings and earnings basis and develop the long-term continuous growing ability on the basis of the existing sustained growth of natural gas connections and sales, eventually making significant contribution to the continuous, healthy development of the society and economy in respect of energy resources.



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Mr. Wang concluded, “As for the macro environment, the Chinese government has devoted a great deal of effort in promoting the use of clean energy, substitute energy and renewable energy and therefore constructing more long distance pipelines. With such strong support from the government, and complemented by the Group’s vigorous development of upstream and downstream projects, sound management and effective use of resources, we believe that, besides making contribution to environmental protection, the benefits of all shareholders, employees and society will also be maximized at the same time.”

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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 refuelling 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 September 2008, the Group currently has 71 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 40 million.

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Financial and Operational Data for 2008 Interim Results (As of 30 June, 2008)

	2008	2007	+/- (%)
Business Development			
No. of projects	71	66	5
Connectable urban population	40,469,000	39,417,000	2.7%
Gas penetration rate (%)	24.6%	20.9%	n/a
Turnover Analysis (RMB)			
Connection fees	898,314,000	776,937,000	15.6%
Sales of piped gas	1,476,991,000	1,223,209,000	20.7%
Sales of bottled LPG	864,479,000	152,238,000	4.7 times
Sales of gas appliances	35,327,000	39,955,000	-11.6%
Vehicle gas Refuelling Stations	262,857,000	117,271,000	1.2 times
Percentage of segment income in turnover(%)			
-Connection fee	25.4	33.6	-8.2
-Sales of gas	41.7	53.0	-11.3
-Sales of bottled LPG	24.4	6.6	17.8
-Sales of gas appliances	1.1	1.7	-0.6
-Vehicle gas Refuelling Stations	7.4	5.1	2.3
Gas infrastructure			
Total length of pipeline (km)	11,704	10,058	16.4%
Gas processing stations	86	77	9 stations
Capacity of gas processing stations (m ³)	14,250,850	14,123,250	0.9%
Vehicle Refuelling Stations	98	72	26 stations
Connection increased in the period			
- Households (household)	285,158	225,606	26.4%
- Commercial / Industrial ("C/I") (Sites)	910	837	8.7%
- C/I (m ³)	1,136,349	809,581	40.4%
Accumulated piped gas connection (including natural gas)			
- Households (household)	3,313,919	2,751,582	20.4%
- C/I (Sites)	9,379	7,280	28.8%
- C/I (m ³)	8,315,765	5,844,882	42.3%
Sales of gas			
Sales of piped gas (m ³)	1,100,145,457	902,958,614	21.8%
-Residential (m ³)	220,756,329	183,187,727	20.5%
-C/I (m ³)	879,389,129	719,770,888	22.2%
Vehicle Refuelling Stations (m ³)	131,296,650	77,563,665	69.3%
Sales of LPG (tons)	219,651	36,422	5 times