



ENN 新奥

XinAo Gas Holdings Limited
(Stock code: 2688)



2008 Annual Results

Investor Presentation

9th April, 2009

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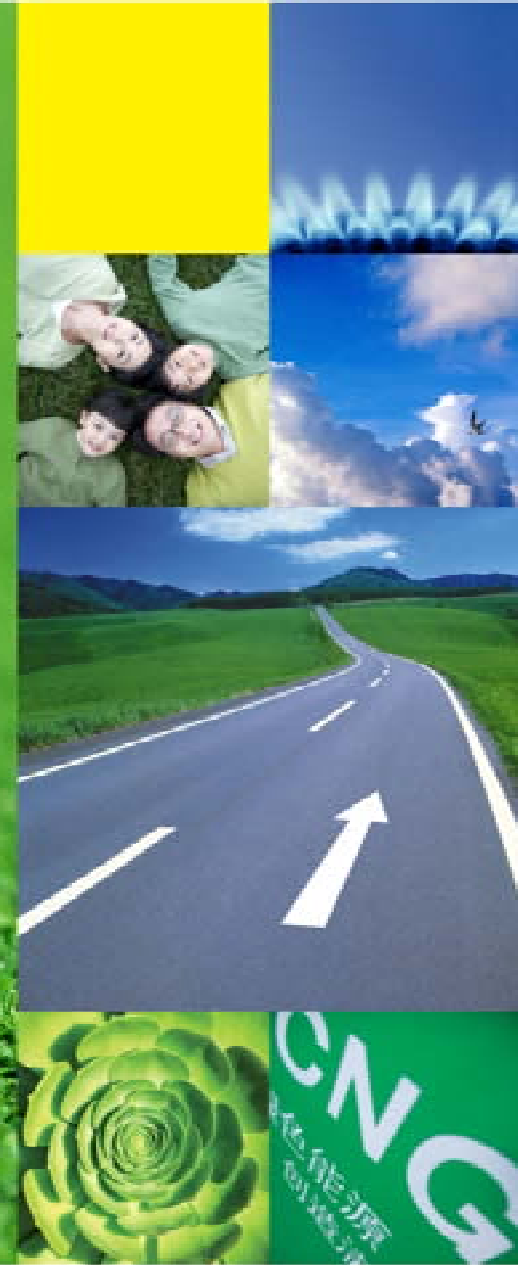
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Financial Highlights

(RMB'000)	2008	2007 (restated)	Change
Turnover	8,265,508	5,756,270	43.6%
Gross Profit	2,246,541	1,749,999	28.4%
EBIT	1,319,273	1,024,588	28.8%
EBITDA	1,632,138	1,268,434	28.7%
Profit attributable to equity shareholders	630,705	507,520	24.3%
EPS - Basic (RMB cents)	62.5	51.3	21.8%
EPS - Diluted (RMB cents)	61.4	50.3	22.1%

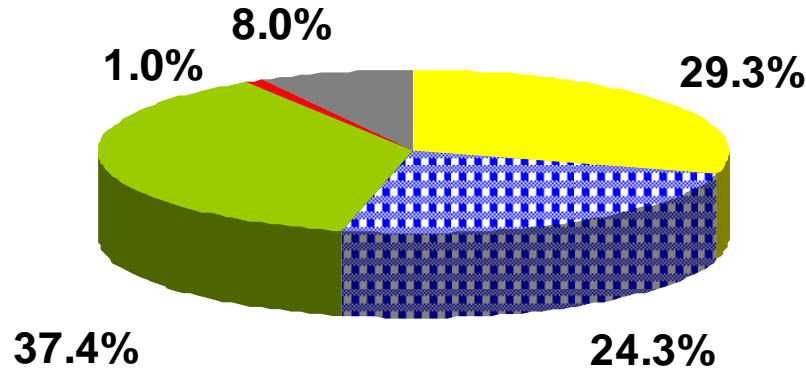
Dividend Policy

- The Board of Directors has resolved to recommend the payment of final dividend HK\$17.71 cents per share for 2008.
- **Our dividend policy:**
 - More subsidiaries have stepped into the mature stage.
 - The Group will balance the development of business and financial position to decide the dividend payout ratio.

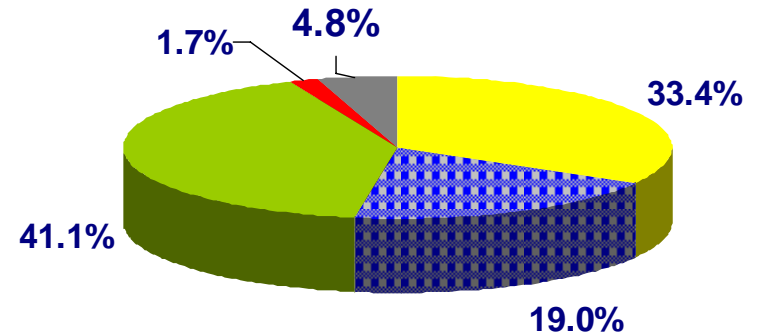
	2004	2005	2006	2007	2008
Final dividend per share (cent/per share)	HKD 2.71	HKD 4.81	HKD 7.75	HKD 13.42	HKD17.71
Increase in dividend per share	N/A	77.5%	61.1%	73.2%	32.0%
Payout ratio	10%	15%	20%	25%	25%

Turnover Breakdown

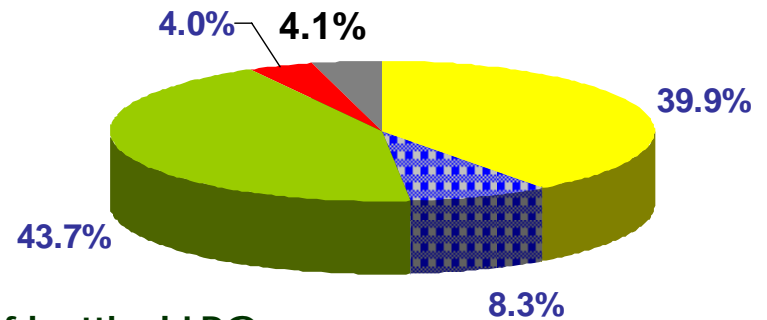
2008



2007



2006



■ Connection fees

■ Sales of piped gas

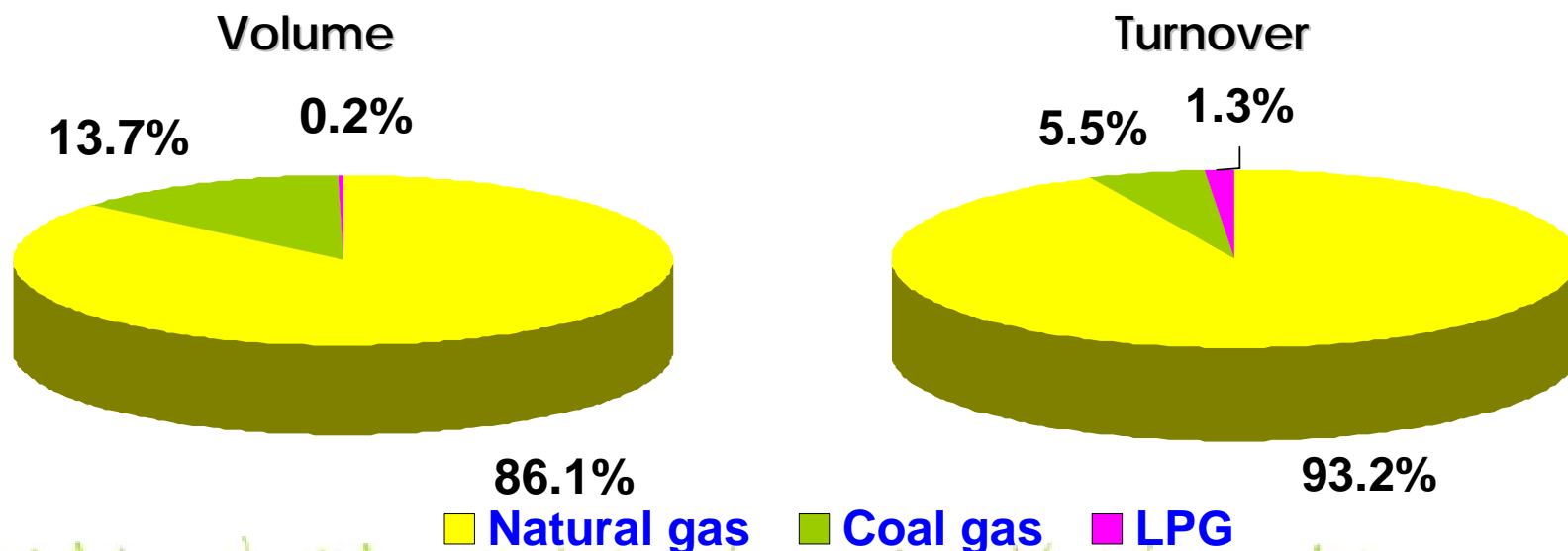
■ Vehicle gas refuelling stations

■ Sales of bottled LPG

■ Sales of gas appliances

Analysis of Piped Gas Sales

- Natural gas is our primary gas sales.
- The sales of natural gas accounted for 93.2% of the sales of piped gas.
- We expect all the other piped gas users will be converted to piped natural gas users.
- Overall margin of piped gas sales has increased due to the rise in natural gas sales over total piped gas sales.



A Balanced Portfolio of Customers ENN 新奥

2006

Connection fees

24.7%



75.3%

2007

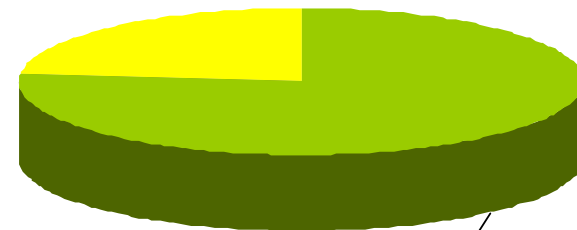
29.0%



71.0%

2008

23.2%

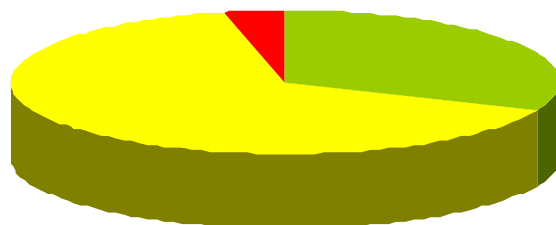


76.8%

Sales of piped gas and vehicle gas

3.5%

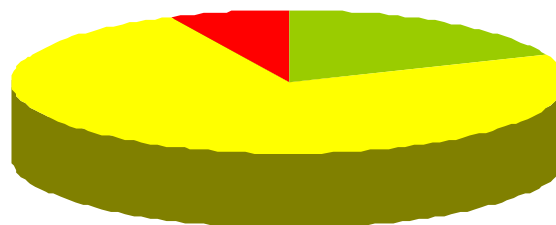
31.7%



64.8%

6.9%

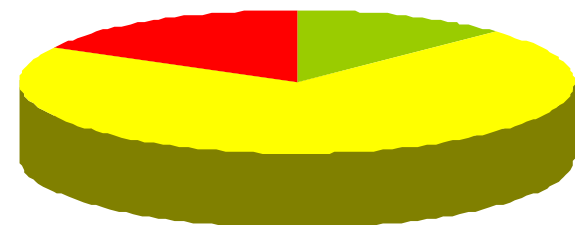
19.0%



74.1%

17.0%

12.9%



70.1%

■ Residential customers

■ C/I customers

■ Gas refuelling stations

Margins Analysis

- The Group's overall gross and net profit margins were 27.2% and 10.5% respectively.
- The decrease in gross profit margin and the net profit margin was due to the following reasons:
 - Change in revenue structure:
 - The Group's major revenue is continuously shifting from higher margin one-off connection fee to relatively lower margin long-term gas sales and LPG sales.
 - The share of connection fee has decreased from 33.4% in last year to 29.3% whereas the share of gas sales has increased from 64.9% to 69.7%.
 - The changes have fully demonstrated the effect of the Group's strategy of reducing its effort in acquiring new projects and putting more emphasis on increasing the gas penetration rate of its existing projects while maintaining its rapid growth momentum.
 - The Group has maintained good control of its administrative and sales expenses.
 - Effective tax rate increased from 14.5% in 2007 to 22.1%. Such tax rate will increase progressively until reaching the full tax rate of 25%.
 - Minority interests accounted for 35.6% of profits for the year as compared to 31.6% in 2007.

Financial Resources and Liquidity ENN 新奥

(RMB million)	<u>2008</u>	<u>2007</u>	<u>Change</u>
Cash on hand	1,805.2	1,693.5	6.6%
A/R Days	28	35	(7 days)
Total Debts	5,403.1	5,054.3	6.9%
- Short-term loans	1,869.5	1,233.1	51.6%
- Long-term loans	2,186.7	2,387.5	-8.4%
- 7- year bonds	1,346.9	1,433.7	(6.1%)
Net Gearing Ratio	67.6%	90.0%	n/a

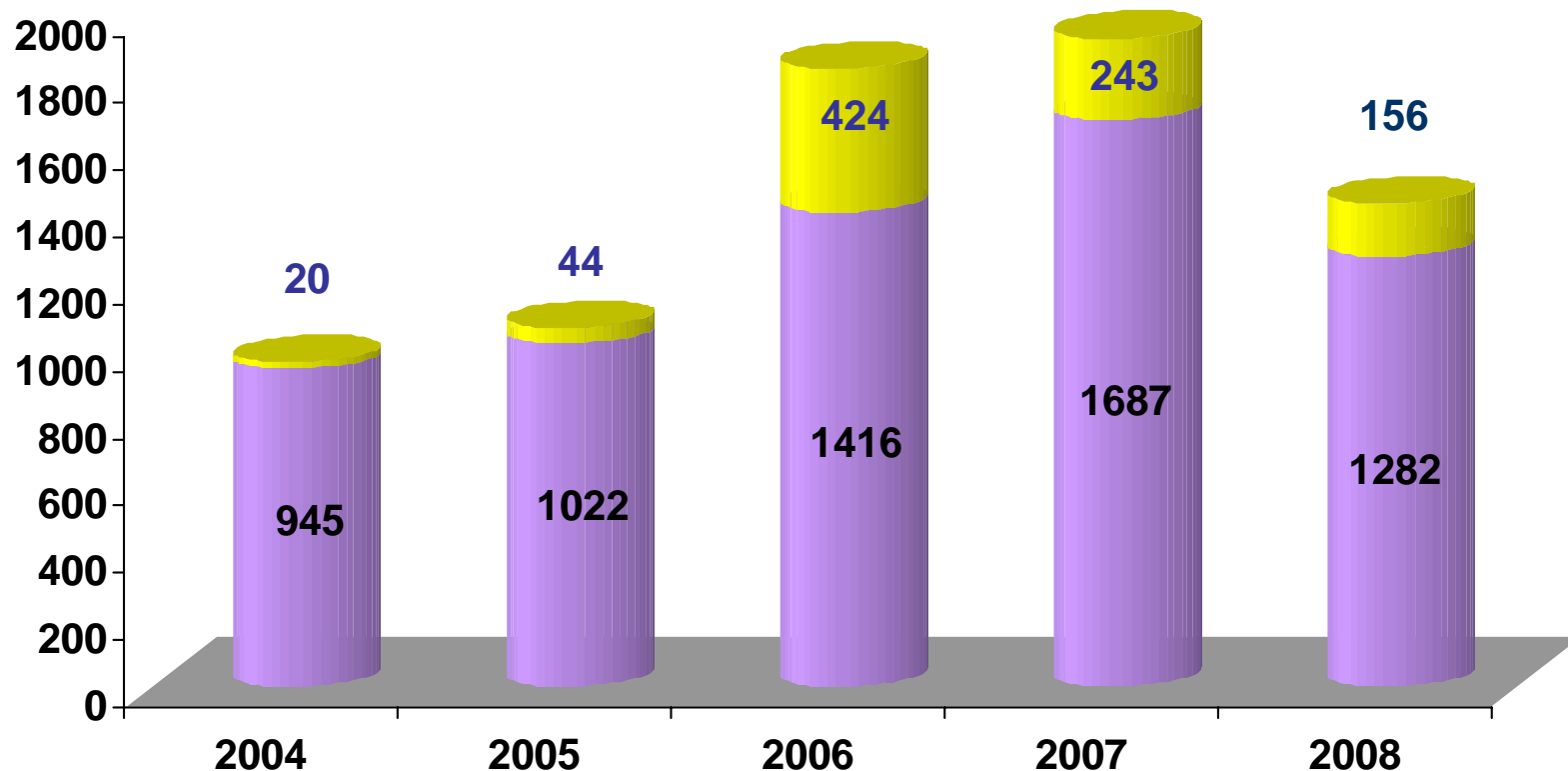
- Only 18 gas projects with project financing among 72 projects, and the remaining 54 projects are clean, without loan, so the debt will not affect our dividend payment ability.
- Not consider large capex project, including the Vietnam project and imported LNG terminal.
- We target at adding 1 middle-to-large-scaled city gas project per year, with the total investment for less than RMB 200-300 million per project.
- We have turn into positive free cash flow in 2008 since IPO. The positive free cash flow will be mainly used for repaying our debts.
- We do not have any swap and derivative contracts.
- The income 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.

Concern for Financial Risk

	As of 31 December 2008 (RMB million)	Refinancing Plan
Total Debt	5,403.14	
- Short-term loans	1,869.49	
in which:		
Subsidiaries level Loans	1,239.45	<ul style="list-style-type: none"> - We have RMB 1.8 billion cash on hand while our working capital demand RMB600-700 million cash only, leading to a surplus cash of RMB1.2 billion. - We have RMB1.3 billion committed undrawn banking facilities in local PRC banks. - So we have RMB 2.5 billion liquidity in total, which is enough to refinance the short-term loans. -We expect to repay more debts in 2009. -It is easy for utility company to roll-over short term loans in PRC banks because of stable cash flow and business model.
	630.04	<ul style="list-style-type: none"> - RMB 630 million expired in February 2009, we have refinanced the short-term debentures by bank loan - We have sufficient internal liquidity to repay the short-term debenture even we do not raise any new funds.
- Long-term loans	2,186.72	- 15 years loan from China National Development Bank which will be expired by 2020, at PBOC rate
- 7-year bonds	1,346.93 (USD 200 million)	- Will be expired in 2012, with a fixed coupon of 7.375%

CAPEX

RMB million



- **CAPEX for 2009 is estimated at RMB 1.2-1.3 billion, and the proportion injected by JV partners will depend on the scales of the JV partners.**

 Injected by the JV partners when the project companies were formed.

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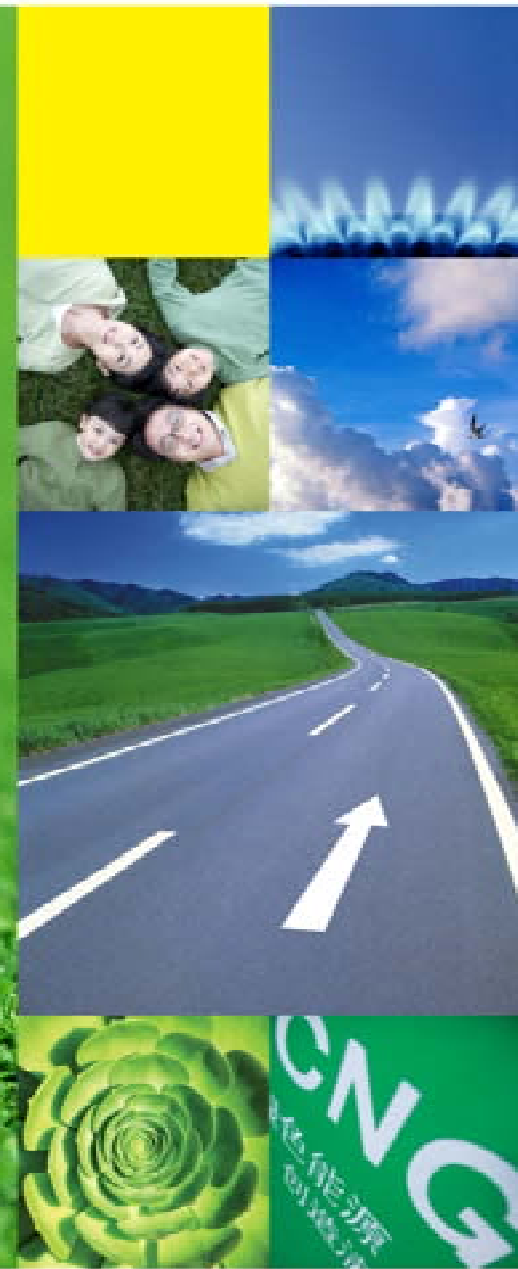
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Key Operational Data

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Pipelines & Stations			
Length of intermediate & main pipelines (km)	12,584	11,301	11.4%
Natural gas processing stations	90	83	7
Combined daily capacity of natural gas processing stations ('000 m ³)	14,378	14,149	1.6%
Vehicle refuelling stations	128	89	39
Coverage & Gas Penetration Rates			
Connectable urban population coverage ('000)	41,644	40,294	3.4%
Connectable household coverage ('000)	13,881	13,431	3.4%
Natural gas penetration rate (%)	25.9%	20.5%	5.4%
Piped gas (including natural gas) penetration rate (%)	27.0%	23.6%	3.4%
Sales of Gas			
Piped natural gas ('000 m ³)	1,883,256	1,604,140	17.4%
Vehicle natural gas ('000 m ³)	317,036	153,750	1.1 times
Total natural gas sales ('000 m³)	2,200,292	1,757,890	25.2%
Other piped gas ('000 m ³)	354,571	352,459	0.6%
Other vehicle gas ('000 m ³)	16,995	27,138	-37.4%
Total sales of piped and vehicle gas ('000 m³)	2,571,858	2,137,487	20.3%
Sales of Bottled LPG (tons)	599,567	225,156	1.7 times

Key Operational Data

	<u>2008</u>	<u>2007</u>	<u>Change</u>
Accumulated Connection of Piped Gas			
- Residential (households)	3,745,145	3,167,800	18.2%
- Commercial / industrial (sites)	11,288	8,869	27.3%
- Installed designed daily capacity (m ³)	9,518,438	7,594,338	25.3%
Connection of Piped Natural Gas			
Acc. connected / converted households	3,600,387	2,749,352	31.0%
- Increase in the period (ex. acq & conversion)	710,035	580,876	22.2%
Acc. connected / converted C / I users (sites)	10,857	8,206	32.3%
- Increase in the period (ex. acq & conversion) (sites)	2,548	2,115	20.5%
Acc. connected / converted C / I users (m ³)	9,009,892	6,930,934	30.0%
- Increase in the period (ex. acq & conversion)	2,324,171	2,212,639	5.0%

Concern for Macro Environment

Concern about C/I consumption volume	Concern about property slowdown to residential connection
<ul style="list-style-type: none"> - There has been some concerns about the impact of economic slow-down on our gas demand from C/I customers. - The most affected sectors (e.g. export based toys, textile and shoes manufacturers) are not our major customers. - Natural gas is a kind of clean energy with cost advantages over its substitutes. Any decrease in demand for C/I can be taken up by demand from other new customers within a very short period of time. - Circular Economy Promotion Law: critical industrial customers with high energy consumption must abandon and replace the use of polluting energy (e.g. petroleum) with clean energy like natural gas. 	<ul style="list-style-type: none"> - Our gas penetration rate is only 27.0%, which is still much lower than the saturation rate of 80%, as such there exists vast scope for future development. - Strategy: allocation of resources between new buildings and old buildings connection based on property market. - The PRC government has started the macro tightening policy since 2004, and its impact has been included in our connection budget every year, and we will adjust our development strategy in a timely manner. - We expect the gas penetration rate will increase by 5-6% per year.

Natural Gas Costs and Tariffs

Wellhead Price (RMB0.98/m ³)	Downstream Price
<ul style="list-style-type: none"> - In China, natural gas wellhead price is linked to the index of 5 years moving average of other major energy prices and subject to review in according to the macro economic situation every year. - Change of upstream cost is linked with the prices of other kinds of energy such as crude oil, LPG and coal, and was not caused by cost increase in upstream industry. That helps natural gas always keep price competitive advantage over other kinds of energy. 	<ul style="list-style-type: none"> - Pricing regulation allows gas distributors to pass through increased costs to customers to ensure stable and safe gas supply. - 8 of our project cities have received written consent from local government for adopting automatic pass-through, and the rest of them which are using piped gas source has obtained oral consent from local governments for cost pass-through. - Major cities in China (i.e. Beijing and Shanghai) have adopted automatic pass-through for their city gas supply, and we expect other cities would follow that pricing mechanism.

Gas Sources

To accommodate the anticipated fast-growing demand for natural gas, the Group has several ways to secure gas sources.

Take-or-pay contracts

- Signed 15-25 years take-or-pay contracts with various pipelines, secured supply of 1,529 million m³ of natural gas in 2009.
- The LNG terminal in Fujian has come into full operation. The gas supply for the Group's seven projects in Fujian Province will be further secured.

Other piped natural gas supply

- Other project cities have also secured guaranteed gas supply contracts, e.g. Shaanxi-Beijing Pipeline II and offshore natural gas in China.

Non-pipeline transmission system

- Possessed 210 LNG/CNG trucks with total maximum one-time transmission capacity of over 5,530,248m³, which can help to secure good projects with no piped natural gas source for short term and also for piped gas backup source.

Take-or-pay contracts	
Pipelines	Annual Supply in 2009 (million m ³)
West-East Pipeline	555
Zhong-Wu Pipeline	535
LNG Imported Terminal (Guangdong)	226
LNG Imported Terminal (Fujian)	133
CNOOC (Yantai)	80
Total	1,529

Gas sources – Upstream projects ENN 新奥

- The Group has invested in various upstream projects to ensure long term security of gas sources and to provide clean energy variety to ensure continuous business growth.
 - Import and export rights of LNG and other kinds of energy
 - LNG plants
 - The group has 3 LNG plants in China, of which 2 factories in Weizhou Island and Shanxi have been put into operation.

LNG plants		
Location	Daily capacity (m ³)	Status
Weizhou Island, Beihai, Guangxi	150,000	In operation
Jincheng, Shanxi	300,000	In operation
Yinchuan, Ningxia	600,000	Under construction

- DME project
 - The Group has invested in a coal chemical project which is established in Erdos, Inner Mongolia in 2006 to produce dimethyl ether (“DME”). The construction work would be completed in 2009 with the annual capacity of 400,000 tons of DME.

Vehicle Refuelling Stations

- Natural gas refuelling stations which provide clean energy as a substitute for gasoline.
- During the year, 39 new vehicle refuelling stations were built and put into operation.
- Vehicle natural gas sales increased 1.1 times compared to last year.
- Completed the conversion of 7,136 taxis and 819 buses into natural gas vehicles during the year, adding to a total number of 17,976 taxis and 1,340 buses using natural gas.
- The Group's have received the engagement from the Shanghai government to use DME vehicle as clean vehicle transportation in the World Expo 2010.

Vehicle refuelling stations	
Commencement of the first vehicle refuelling station for the Group	2002
Aggregate no. of vehicle refuelling stations	128 (in 38 cities)
Vehicle refuelling stations that have been completed but not yet come into operation	11
Number of approval obtained	332
Ratio of vehicle gas sales to total gas sales for 2008	8.0%

Example: Payback calculation of CNG taxi	
Average gasoline price (RMB/litre)	5
Average CNG price (RMB/m ³)	2.5
Gasoline consumption per km (litre)	0.05
CNG consumption per km (m ³)	0.06
Cost saving per km (RMB)	0.1
Average driving distance (km/day)	400
Daily average savings (RMB)	40
Monthly average savings (RMB)	1200
Conversion fee (RMB)	3,500
Monthly maintenance cost (RMB)	200
Payback period (months)	3.5

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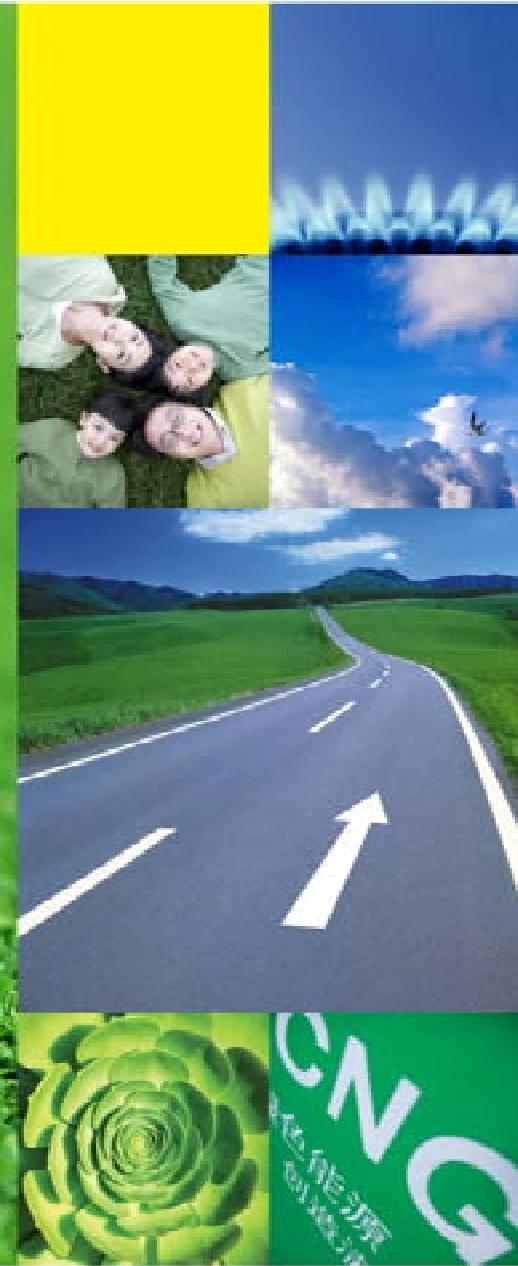
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Project Development

- In 2008, the Group has secured 4 new projects in Guangdong, Fujian, Zhejiang and Hebei province, and the total connectable urban population was 41.6 million at the end of December 2008.

Province	City	Connectable Urban Population
Guangdong	Zhaoqing	500,000
Guangdong	Guangzhou (Zengcheng)	100,000
Fujian	Quangang	120,000
Zhejiang	Haiyan	100,000
Total additional coverage		820,000



Project	Haiyan
Province	Zhejiang
Connectable Population	100,000
Equity stakes of Xinao Gas	100%
Operational Location	Great Bridge Development Zone
Registered Capital	USD 9 million
Estimated connection fees	
- Residential (RMB / household)	2,850
- C/I customer (RMB / m ³ / day)	Commercial negotiation
Gas sales price (RMB / m ³)	3.5 (R) / 4.8 (C/I)
Gas source	W-E Pipeline II, Sichuan Pipeline / Non-piped LNG

Operational Locations

Shandong (11 projects)

2. Liaocheng	564,000
7. Huangdao	327,000
9. Zhucheng	467,000
10. Chengyang	490,000
11. Yantai	-
Development Zone	
12. Yantai	1,800,000
15. Zouping	189,000
17. Laiyang	252,000
23. Rizhao	304,000
41. Jiaozhou	230,000
43. Jiaonan	383,000

Beijing Municipality (3 projects)

3. Miyun	162,000
6. Pinggu	116,000
8. Changping	107,000

Hebei (3 projects)

1. Langfang	462,000
29. Shijiazhuang	2,377,000
48. Luquan	86,000

Henan (5 projects)

24. Xinxiang	1,002,000
40. Kaifeng	842,000
49. Shangqiu	1,473,000
55. Luoyang	1,528,000
68. Xinan	102,000

Liaoning (2 projects)

4. Huludao	466,000
5. Xingcheng	108,000

Jiangsu (8 projects)

13. Gaoyou	150,000
16. Taixing	233,000
18. Yancheng	839,000
19. Huaian	1,151,000
20. Haian	190,000
25. Xinghua	171,000
32. Wujin	975,000
38. Lianyungang	800,000

Zhejiang (12 projects)

27. Haining	226,000
28. Quzhou	267,000
31. Lanxi	124,000
33. Jinhua	115,000
34. Wenzhou	-
35. Longwan	325,000
46. Huzhou	220,000
52. Taizhou	588,000
53. Yongkang	224,000
57. Xiaoshan	401,000
64. Ningbo	244,000
(Yinzhou)	
72. Haiyan	100,000

Fujian (7 projects)

56. Quanzhou	1,070,000
59. Nan'an	363,000
60. Huian	136,000
61. Shishi	101,000
62. Jinjiang	370,000
67. Dehua	100,000
70. Quangan	373,000

Inner Mongolia (1 project)

44. Tongliao	441,000
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Anhui (9 projects)

14. Bengbu	921,000
21. Chuzhou	245,000
22. Luan	329,000
26. Bozhou	221,000
30. Chaohu	226,000
58. Fengyang	106,000
63. Laian	85,000
65. Quanjiao	109,000
66. Guzhen	100,000

Hunan (3 projects)

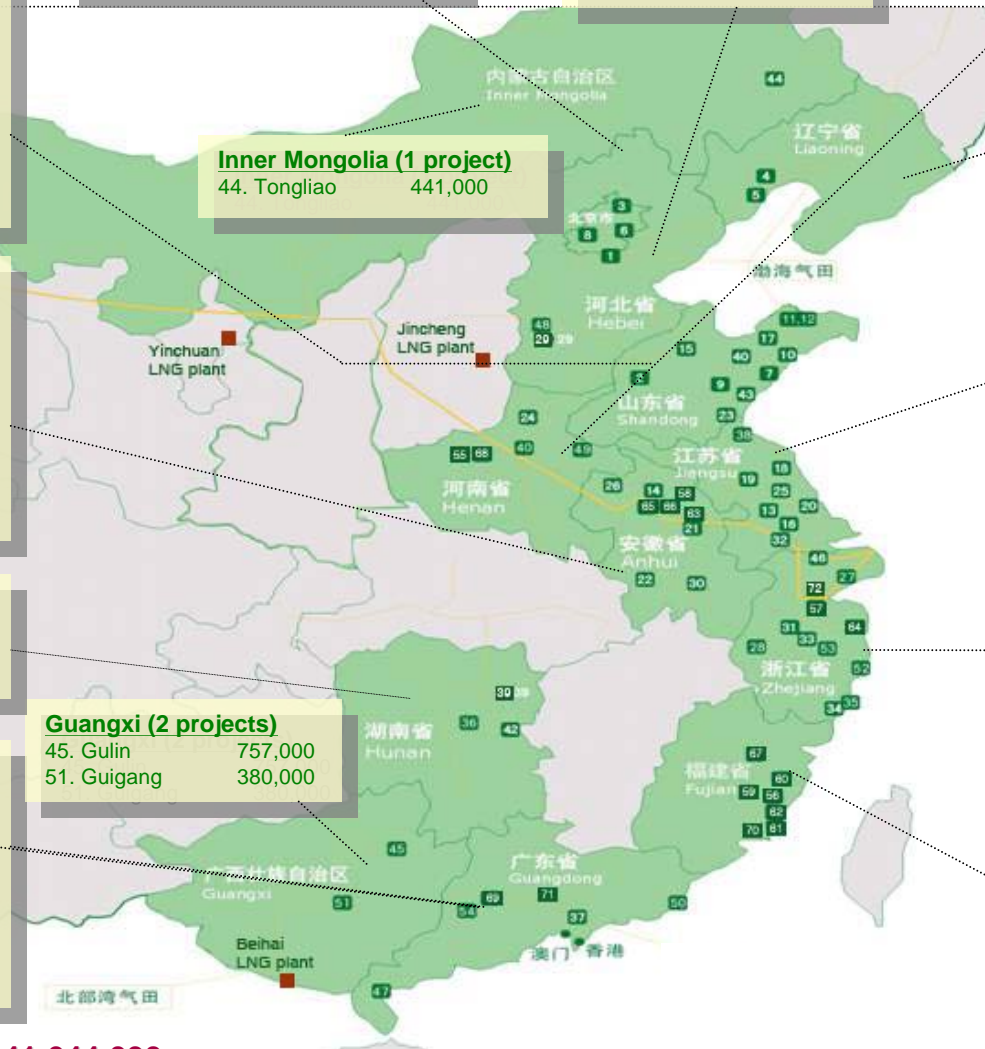
36. Xiangtan	719,000
39. Changsha	2,187,000
42. Zhuzhou	879,000

Guangdong (6 projects)

37. Dongguan	7,550,000
47. Zhanjiang	632,000
50. Shantou	1,441,000
54. Zhaoqing	26,000
Development Zone	
69. Zhaoqing	497,000
71. Guangzhou	100,000
(Zengcheng)	

Guangxi (2 projects)

45. Gulin	757,000
51. Guigang	380,000


Total
41,644,000
City
connectable population

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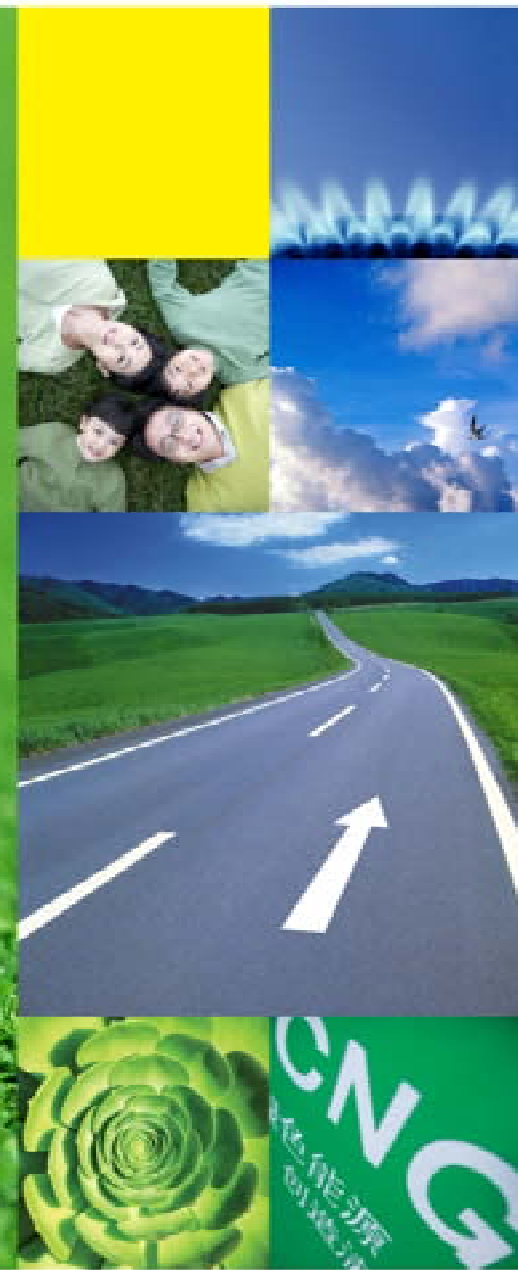
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Prospect

- With sufficient gas sources, support from favourable macro policy support & strong competitive advantages, we believe we are well-positioned to grasp any future business opportunity.

Favourable macro policies	<p>"Circular Economy Promotion Law" which comes into effect on 1 January 2009</p> <ul style="list-style-type: none"> - The state encourages and support enterprises to use highly efficient and oil-saving products.
	<p>Ten measures to promote economic growth by means of boosting internal demand.</p> <ul style="list-style-type: none"> -Investments amounting to approximately RMB 200 billion in petroleum and gas projects. -Investments amounting to RMB 1,000 billion in environmental projects such as energy saving and emission reduction. - Investments amounting to RMB 140 billion in West-to-East Pipeline II.
Sufficient gas sources	<p>"Natural Gas Pipeline Network & the Eleventh Five Year Plan"</p> <ul style="list-style-type: none"> - The construction of the national natural gas pipeline network will be basically completed in 2010 and the supply capacity of natural gas will then reach 92 billion m³. - West-East Pipeline II will formally be put into operation by the end of 2011. - Sichuan-East Pipeline were also in good progress. - Construction of LNG terminals in coastal areas are under construction and were put into operation one by one.
Internal facilities	<p>Advanced collection system for gas usage charges</p> <ul style="list-style-type: none"> - Adopted prepaid stored value card system for all projects. - The widespread network resources of the banks.
	<p>Launching Enterprises Resource Planning (ERP), Balanced Scorecard (BSC) & Customer Caring System (CCS)</p>

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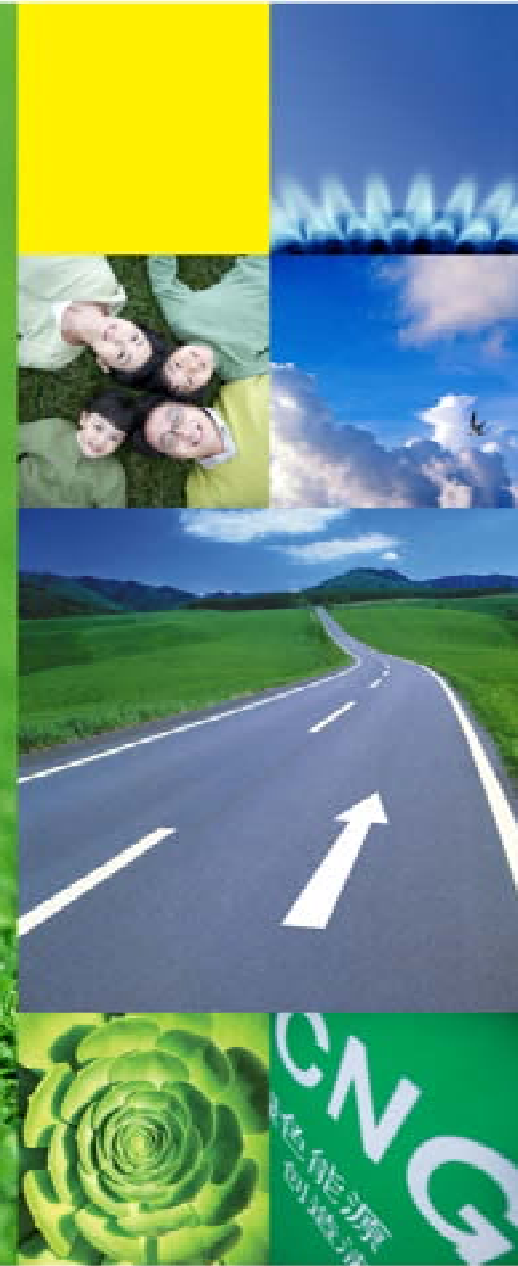
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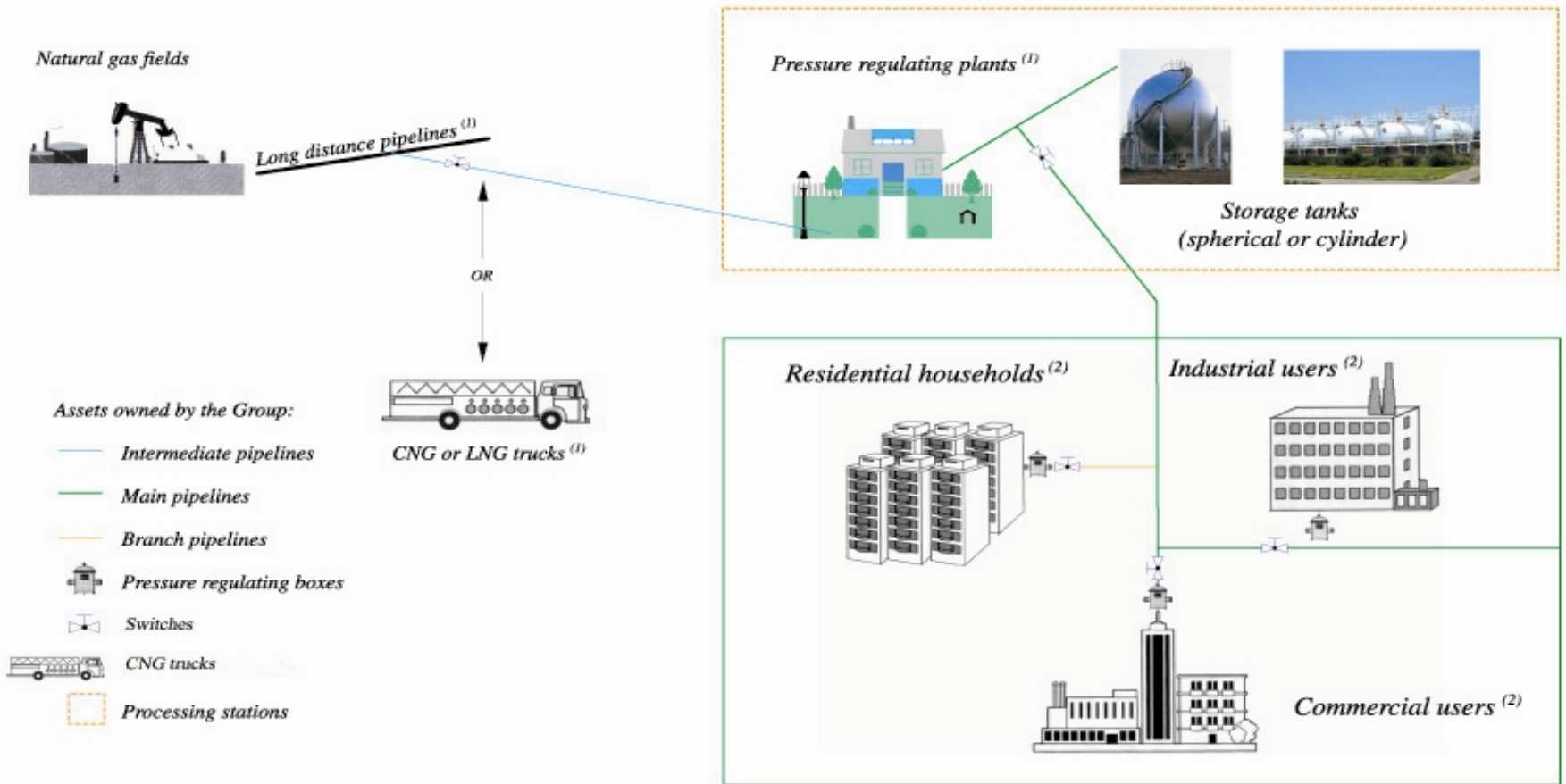
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- Xiniao Gas is one of the first privately-owned piped natural gas operators in the PRC. It was founded by Mr. Wang Yusuo and Ms. Zhao Baoju in 1993.
- In 1998, the Chinese government promoted the use of natural gas and encouraged privately-owned enterprises to invest in city infrastructures.
- Xiniao Gas seized the opportunity and obtained the exclusive rights for operating piped gas in other cities.
- Xiniao Gas was listed in GEM in May 2001 and transferred to the main board (stock code: 2688) in June 2002.
- Xiniao Gas is a leading privately-owned gas operator in China
 - 4 cities when IPO launched in May 2001
 - 72 cities in 13 provinces as of March 2009, covering a connectable urban population of approximately 41.6 million

Gas Delivery Process

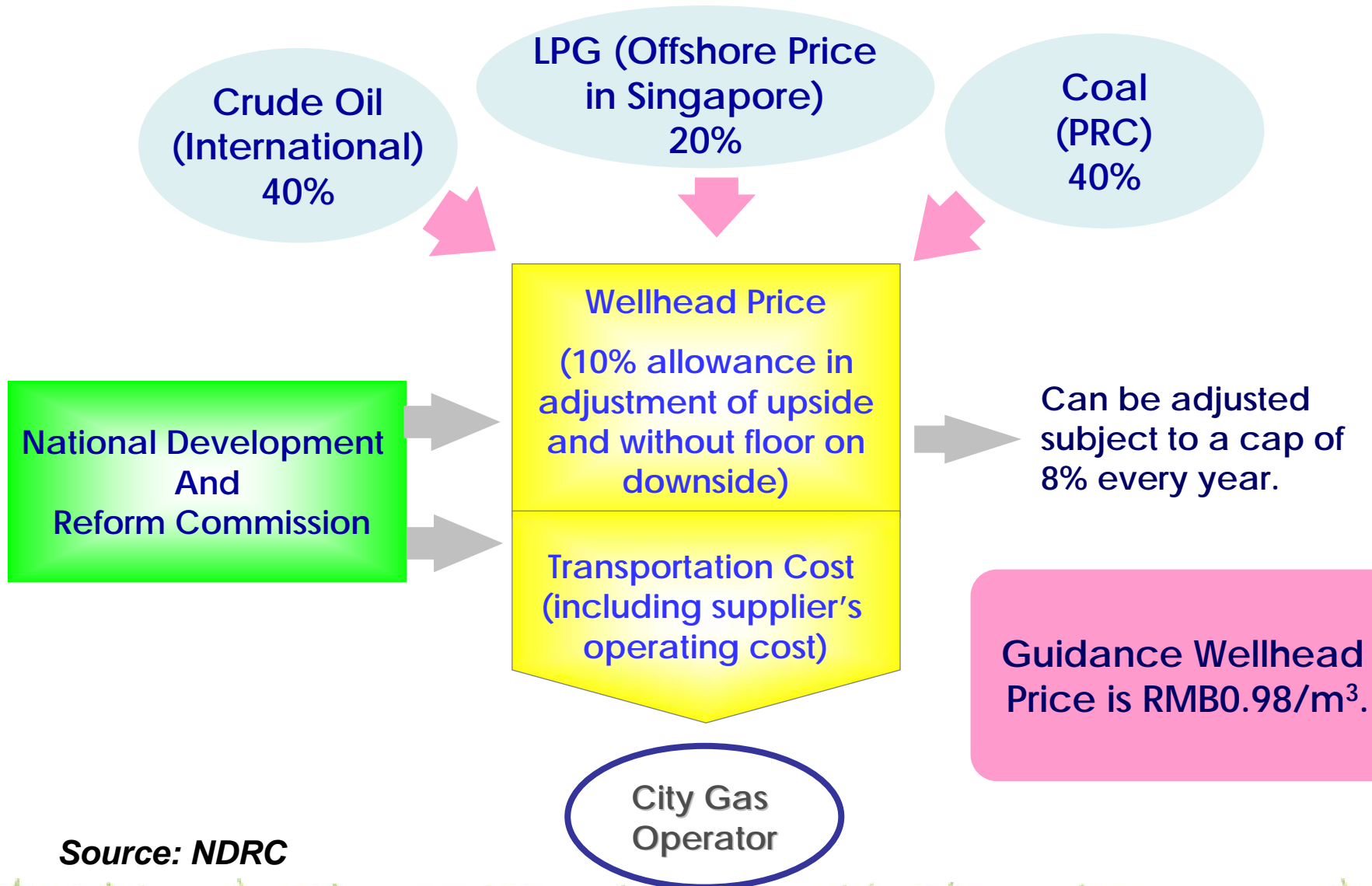


Notes:

(1) Gas delivery using either intermediate pipelines or CNG or LNG trucks.

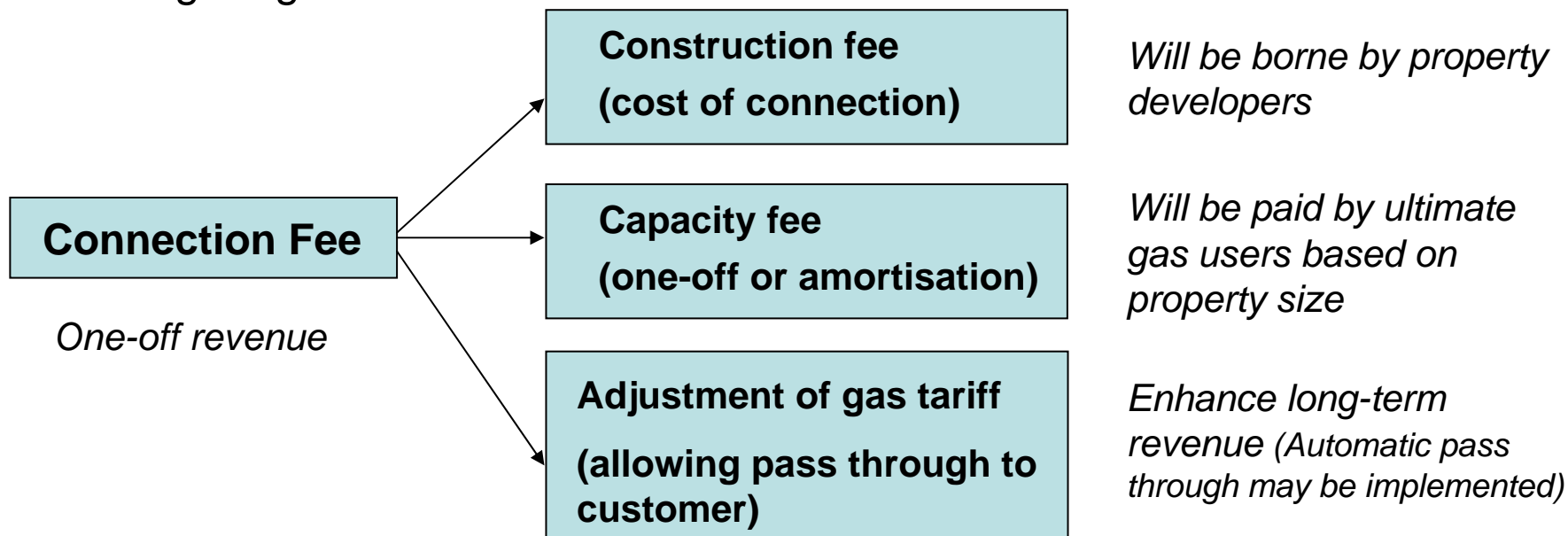
(2) Customers' pipelines and metres which are not owned by the Group are within the customers' premises and are not highlighted in this diagram.

Pricing Mechanism



Connection Fee in Guangdong Province

- The Guangdong Price Bureau announced in December 2006 to change the mechanism of connection fee.
- The one-off connection fee will be replaced by a new two-tier tariff system which includes a capacity fee and gas tariff adjustment in Guangdong Province.



- The average connection fees for residential households and C/I customers were RMB 2,662 / household and RMB 245 / m³ respectively.
- The Group provided special offers on gas connection fee to C/I customers in order to boost the gas sales.

Approximate conversion factors

	To					
	billion cubic meters NG	billion cubic feet NG	million tonnes oil equivalent	million tonnes LNG	trillion British thermal units	million barrels oil equivalent
From	Multiply by					
1 billion cubic meters NG	1	35.3	0.9	0.73	36	6.29
1 billion cubic feet NG	0.028	1	0.026	0.021	1.03	0.18
1 million tonnes oil equivalent	1.111	39.2	1	0.805	40.4	7.33
1 million tonnes LNG	1.38	48.7	1.23	1	52	8.68
1 trillion British thermal units	0.028	0.98	0.025	0.02	1	0.17
1 million barrels oil equivalent	0.16	5.61	0.14	0.12	5.8	1

** $28 m^3 = 1 mmbtu$

Source: BP Global Statistics

Major Long Distance Pipelines in China

China natural gas resources distribution map

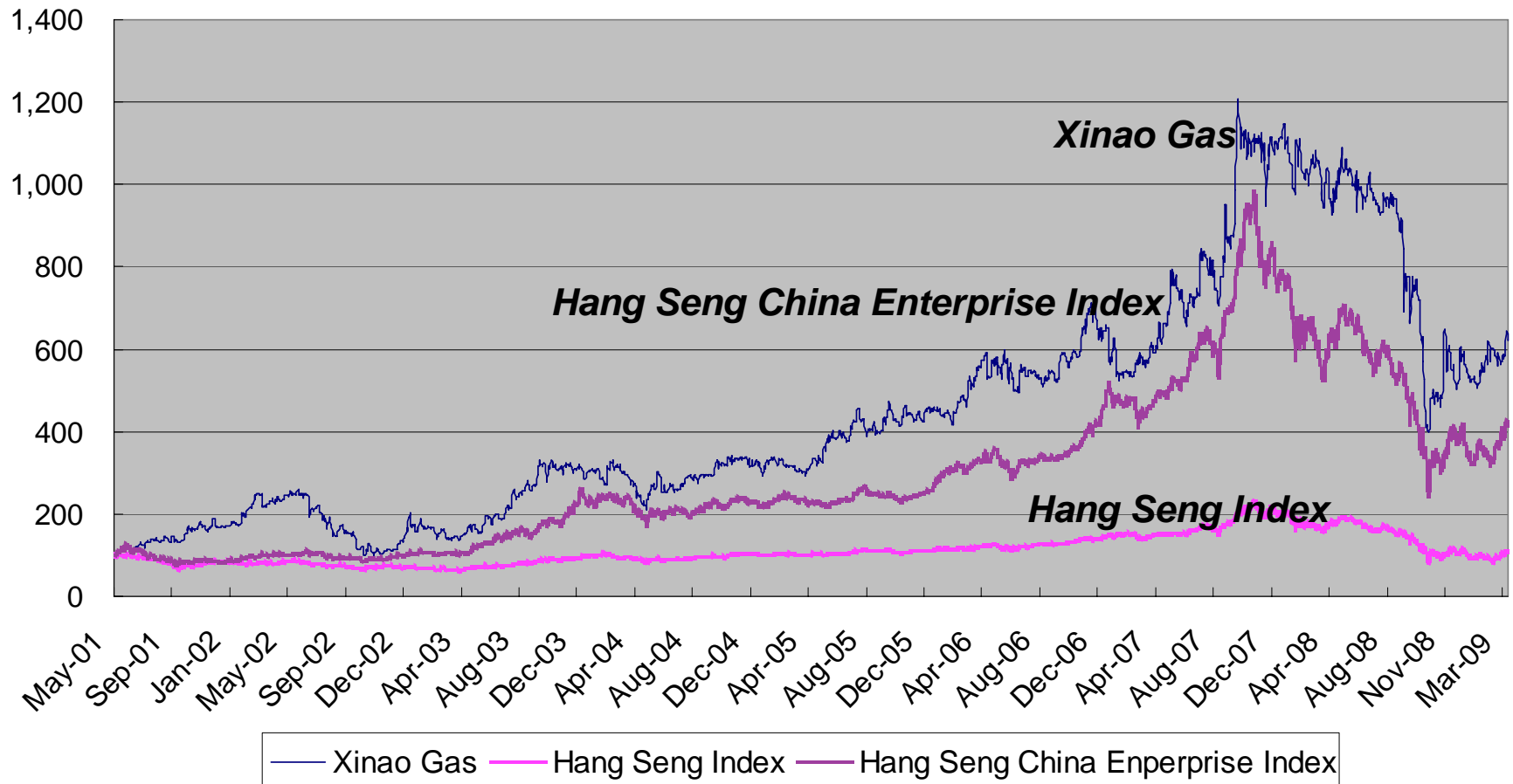


Source: Xinao Gas

Awards from International Media and Organisations

AsiaMoney  <p>“Best Small Cap Company (China)” for 2001, 2002, 2003</p> <p>“Overall Best Managed Company (China)” for 2001, 2003</p> <p>“Overall Best Medium-Cap Company (China)” for 2004</p> <p>“Asia’s Best Managed Company (Medium Cap in China)” for 2005</p>	Yazhou Zhoukan  <p>“1000 Global Chinese Enterprise” for 2007</p> <p>“Chinese Business 500” for 2001, 2002, 2003, 2004, 2005, 2006</p> <p>“Top 20 Chinese Enterprises of Revenue Growth” for 2002, 2003</p> <p>“Top 20 Chinese Enterprises of Assets Growth” for 2003, 2004, 2005</p>
EuroWeek <p>“Best Asian High Yield Bond Issue of 2005”</p>	Annual International ARC Awards <p>“Gold, Overall Annual Report: Gas Distribution, Transport & Transmission” for 2008</p>
FinanceAsia <p>“The Best Small Cap IPO” for 2001</p> <p>“Best Financial Management” for 2002</p> <p>“The Best Small Cap in China” for 2005</p>	Forbes <p>“Honor, Overall Annual Report: Gas Distribution, Transport & Transmission” for 2004, 2006, 2007</p> <p>“Silver, Annual Reports: Energy” for 2004, 2006, 2008</p> <p>“Silver, Annual Report” for 2004</p>
Forbes Global <p>“The 200 Best Under a Billion” for 2001, 2002, 2003</p>	The Hong Kong Management Association <p>“Honourable Mention, The Best Annual Reports Awards ” for 2006</p>
China Affiliate of the Balanced Scorecard Institute <p>“Star Organisation of Strategy Execution in China” for 2008</p>	

Xiniao Gas – Share Price Performance



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