[For Immediate Release]

Revenue Surges to RMB 8,413 Million for 2009
Profit for the year Attributable To Owners of the Company
Increases by 26.9% to RMB 801 Million

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(Hong Kong, 1 April 2010) - 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 2009 ("the year"). During the year, revenue increased to RMB 8,413 million, and profit for the year attributable to owners of the company and earnings per share reached RMB 801 million and RMB 77.5 cents respectively, representing an increase of 26.9% and 24.0% as compared with last year. The Board of Directors has resolved to recommend the payment of a final dividend of HK$21.65 cents per share, representing an increase of 22.2% as compared with last year.

In 2009, although the global financial crisis has exerted significant negative impacts on the economy, the Group continued to record substantial growth in its results during the year, maintaining the trend of encouraging performance as in previous years. During the year, the Group completed piped natural gas connections to 788,281 residential households and 2,715 commercial/industrial ("C/I") customers (connected to gas appliances with total installed designed daily capacity of 3,961,090 cubic meters). As of the end of 2009, the accumulated number of residential households and C/I customers of natural gas were 4,536,753 and 13,583 (connected to gas appliances with a total installed designed daily capacity of 13,024,142 cubic meters) respectively, while in terms of all piped gas users, the accumulated number of residential households and C/I customers reached 4,706,663 and 14,020 (connected to gas appliances with a total installed designed daily capacity of 13,486,437 cubic meters) respectively. The sales volume of natural gas for the year grew rapidly by 19.6% as compared with last year to 2,631,502,000 cubic meters. The Group's ability to achieve such impressive results and maintain satisfactory growth under the negative impact of the worst global financial crisis ever fully demonstrated the benefits of the economies of scale, the robust business development of the Group, as well as our strong execution ability in vigorously raising the penetration rate of our existing gas projects.

During the year, the gas penetration rate for residential households of the Group has increased from 27.0% at the end of 2008 to 32.4%. From the Group's past experience, the gas penetration rates can reach as high as 70% to 80%. In view of the huge number of connectable but not yet connected population under the coverage of the Group's projects which have obtained exclusive operational rights, the low gas penetration rate not only shows that the Group is still at the rapid development stage but also ensures good revenue in the future.

Mr. Wang Yusuo, the Chairman of Xinao Gas, said, "In 2009, the global financial crisis that hit the world has affected the real economy of different sectors in China to different extents. However, by maximising the advantage of the industry, and its own strengths in business scale, operation models and good management, the Group, with collective efforts from its employees, was able to step out from the crisis and achieve sustained rapid growth for its year-end results, and I feel very proud of it. In the future, the gradual recovery of China's economy and the arrival of the era of low-carbon economy will both provide the Group with more business opportunities."

During the year, the Group's overall gross and net profit margins were 30.2% and 12.8% respectively, representing increases of 3.0% and 2.3% as compared with last year. The main contributor for the increase in gross and net profit margins came from the Group's strategy to substantially slowdown the bottled LPG business which was down by 40.4% during the year, and as a result the revenue maintained at a similar level as last year in general. Since the margins of the bottled LPG business was only below 1.0% while that of gas connections and gas sales reached 57.1% and 21.4% respectively, the shrink in the bottled LPG segment directly attributed to the increase in the Group's overall gross and net profit margins, which enables the Group to allocate more resources on high margin business. As for the increase in net profit margin, in addition to the shrink in the LPG segment, the effective cost control on specific items also plays a significant role. As compared with the corresponding period last year, the cost of sales has dropped by 2.4%, while the percentage of administrative expenses over revenue has considerably decreased from 12.6% to 10.2%, showing the benefits of the Group's economies of scale and good cost control.

The Group continued to maintain a stable financial position. As at 31 December 2009, the Group's cash on hand was equivalent to RMB 2,712,661,000, while its net gearing ratio (net debts to equity (including minority interests), also decreased substantially to 49.0% from 67.6% as at the end of 2008. Stable revenue from gas sales has generated adequate cash flow for the Group, recording a positive free cash flow (net cash from operating activities less capital expenditure) of RMB 517.4 million during the year. Net cash from operating activities also increased to RMB 2.2 billion while the return on equity further increased from 14.8% in 2008 to 15.5%, and brought attractive return for the shareholders. Sufficient cash on hand and strong cash flow, together with the healthy revenue structure of the Group, where the percentage of gas sales revenue over total revenue attaining 68.6%, and the further reduction of the reliance on one-off connection fees, all provide strong support for the Group's long-term development.

The Group continued to regard vehicle gas refuelling business as one of its core businesses. The number of vehicle gas refuelling stations completed and started operation was 34 during the year, adding to a total of 162 vehicle gas refuelling stations located in 44 cities of the state, among which 9 were not gas project cities of the Group. In addition, as of the end of 2009, the number of vehicle refuelling stations which have obtained construction approval from the local governments has accumulated to 361. In 2009, the Group has completed the conversion of 5,425 taxis and 267 buses into natural gas vehicles, adding to a total number of 23,401 taxis and 1,091 buses using natural gas. This contributes to the increase in the proportion of vehicle gas sales over the total volume of gas sales to 13.2%. Gas emission from vehicles is one of the major causes of pollution. Hence, as the Chinese government puts more emphasis on the optimisation and adjustment of energy structure and environmental protection, and takes more stringent stance on the implementation of energy saving and emission reduction policies, the use of clean energy by vehicle has become a growing trend. In addition, the overwhelming economic benefits and environmental friendliness of clean energy such as natural gas and dimethyl ether (“DME”) as compared to vehicle-used gasoline and diesel has given immense momentum to the growth of the promising refuelling station business which has delivered significant contribution to both environmental protection and the Group’s profitability.

As for new project development, during the year, the Group secured 7 new projects, including Sihui City in Guangdong Province, Yongchun County in Quanzhou City of Fujian Province, Luan County in Hebei Province, Yichuan County in Henan Province, Longyou County and Nanxun County in Huzhou City of Zhejiang Province and Sanghai Development Zone in Nanchang City of Jiangxi Province, thus increasing the number of gas project cities to 79. The connectable population also grew to 43,565,000 (approximately 14,522,000 households). Projects secured this year were located in areas with a higher level of industrial and commercial development. Among these projects, Sanghai Development Zone in Nanchang, Jiangxi Province was the Group’s first gas project in that province and thus possessed strategic implication. The remaining 6 projects were located in peripheral towns and cities near existing gas projects, and are therefore able to fully utilise existing resources of the Group to reduce project management and operational costs, thereby enhancing future gas sales of the Group.

On the other hand, Xinao Gas has secured the piped gas operational right of Huadu District of Guangzhou City in Guangdong province in 2010. As the contract was signed by its wholly owned Xinao (China) Investment Company Limited (“Xinao China”) and Xinao Gas (Hong Kong) Investment Limited (“Xinao Hong Kong”), the Group owns 100% stake in the project and is able to operates city piped gas business in the administrative district of Huadu for 30 years with a first-phase registered capital of RMB 45 million. Huadu is located in northern Guangzhou, and is serving as the northern gate to mainland China from Guangzhou City and Pearl River Delta. The total area of the district is 969 square kilometers, and its main industries includes vehicle and leather products manufacturing. The Guangzhou Baiyun International Airport, one of the three large hub airports in China, is also located in Huadu. Together with its fast growing property development, it has provided promising connection potential. The urban population of the district is approximately 444,000, equivalent to 148,000 household.

Following the robust development of the natural gas industry in China, the relevant infrastructure has been further improved and the supply capacity is also rising year by year. Part of the pipelines of the western section of the West-East Pipeline II and the Sichuan-East Pipeline, which have a total annual transportation capacity of 40 billion cubic meters and 12 billion cubic meters respectively, have started to supply gas during the year. Consequently, the growing demand for natural gas has received strong support. At the same time, this further ensures that piped gas projects of the Group will be able to enjoy stable supply of piped natural gas in the long run.

For the internal gas source, apart from the existing LNG processing plants in Beihai, the other two LNG plants in Yinchuan, Ningxia Province and Jincheng, Shanxi Province were completed and came into operation as scheduled during the year. The annual production capacity of these LNG plants exceeds 400 million cubic meters in aggregate and has created new gas sources for the Group. Moreover, the Group possesses a massive non-pipeline transportation system (including LNG and CNG transportation trucks) with an one-off maximum transportation capacity of over 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.

The Group has strived to strengthen internal management. During the year, the informatisation program launched by the Group in cooperation with IBM (China) Company Limited (“IBM”) has attained good progress and has been implemented in the group companies according to the original schedule, leading to a significant enhancement in the operational efficiency. In light of the outstanding achievement in implementing informatisation, the Group received the honor of “Achievement in Promoting Informatisation by Major Company” together with seven renowned corporations in the “Top 500 in Informatisation 2008” organised by the National Informatisation Evaluation Center during the year. The Group has also won the award “Best Management and Application of Customers’ Relations” on its own.

In 2009, in recognition of our well-developed business models, excellent financial performance, enormous potential for growth and distinguished corporate governance, the Company was ranked number one by the famous financial magazine The Asset as “China’s

Most Promising Companies 2009" for the power and utilities sector. On the other hand, our annual report was again awarded "Gold, Annual Reports: Energy" by the Annual International Galaxy Awards. We also received the honor of "Citation for Design, The Best Annual Reports Awards" for year 2009 from the Hong Kong Management Association. These remarkable achievements fully evidenced the accurate and updated disclosure of information with detailed contents in our annual reports, and our efficient communication with our shareholders.

Mr. Wang concluded, "The Chinese government has gradually regulated the economic structure, encouraged other modes of growth and insisted on attaining development in an economic, clean and safe manner. It has also paid a great deal of efforts in establishing an resources saving and environmental friendly society. Such change in mode of development has created the most tremendous opportunities for the natural gas industry ever. The Group will continue to build innovative business models and promote energy management projects. As of the end of 2009, the Group's various energy management projects, including polygeneration, central supply of heat have achieved substantial progress. This not only helps the Group to satisfy customers' needs through providing different forms of clean energy, but also reduces the cost of consuming energy and enhances the energy efficiency. Looking ahead, in 2010, the Group will continue to remain demand-oriented and improve its competence in project evaluation, solution formulation, resources integration and project operation by applying the concept and methodology of energy efficiency. As the Group helps boosting the sustainable growth of clean energy supply, the industrial value chain of the clean energy industry will be enhanced at the same time. Meanwhile, with an aim to become an international energy distributor with excellent operation, we will expand into the international market proactively yet properly and improve our competence in managing international projects. By doing so, the Group is able to make contribution to the environmental protection as well as the energy sector of not only China but also the whole world, while at the same time 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 2010, the Group currently has 80 project cities in 14 provinces, municipalities and autonomous regions, namely Anhui, Beijing, Fujian, Guangdong, Guangxi, Hebei, Henan, Hunan, Inner Mongolia, Jiangsu, Jiangxi, Liaoning, Shandong and Zhejiang, covering a total connectable urban population of over 44 million.

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Financial and Operational Data for 2009 Annual Result (As of 31 December 2009)

	2009	2008	+/- (%)
Business Development			
No. of project cities	79	72	7
Connectable urban population	43,565,000	41,644,000	4.6%
Gas penetration rate (%)	32.4%	27.0%	5.4%
Revenue Analysis (RMB)			
Connection fees	2,553,755,000	2,421,617,000	5.5%
Sales of piped gas	4,077,527,000	3,094,767,000	31.8%
Distribution of bottled LPG	897,121,000	2,009,304,000	-55.4%
Vehicle gas refuelling stations	797,663,000	661,160,000	20.6%
Sales of gas appliances	86,814,000	78,660,000	10.4%
Percentage of segment income in Revenue(%)			
-Connection fee	30.4%	29.3%	1.1%
-Sales of gas	48.5%	37.4%	11.1%
-Sales of bottled LPG	10.6%	24.3%	-13.6%
-Vehicle gas refuelling stations	9.5%	8.0%	1.5%
-Sales of gas appliances	1.0%	1.0%	N/A
Gas infrastructure			
Total length of pipeline (km)	14,126	12,584	12.3%
Gas processing stations	94	90	4 stations
Capacity of gas processing stations (m^3)	14,637,650	14,377,650	1.8%
Gas vehicle refuelling stations	162	128	34 stations
Connection increased during the year			
- Households (household)	788,281	710,035	11.0%
- Commercial / Industrial ("C/I") (Sites)	2,715	2,548	6.6%
- C/I (m^3)	3,961,090	2,324,171	70.4%
Accumulated piped gas connection (including natural gas)			
- Households (household)	4,706,663	3,745,145	25.7%
- C/I (Sites)	14,020	11,288	24.2%
- C/I (m^3)	13,486,437	9,518,438	41.7%
Sales of gas			
Sales of piped Gas (m^3)	2,939,832,000	2,571,858,000	14.3%
-Residential (m^3)	520,170,000	420,880,000	23.6%
-C&I (m^3)	2,031,242,000	1,816,946,000	11.8%
-Gas refuelling stations (m^3)	388,420,000	334,031,000	16.3%
Sales of LPG (tons)	357,364	599,567	-40.4%