[For Immediate Release]

Turnover Surges 13.5% to RMB 4,016 Million for First Half of 2009

Profit Attributable To Shareholders Increases 30.8% to RMB 374 Million

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(Hong Kong, 16 September 2009) - 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 2009 ("the Period"). During the Period, turnover and profit attributable to shareholders increased to RMB 4,016 million and RMB 374 million respectively, representing an increase of 13.5% and 30.8% respectively as compared to the corresponding period last year. The Group's earnings per share increased by 30.4% to RMB 36.9 cents. The Board of Directors did not recommend the payment of an interim dividend.

Mr. Wang Yusuo, Chairman of Xinao Gas, said, " Although financial tsunami has affected many large enterprises globally, the Group is still able to achieve the encouraging results in the Period. Under the financial tsunami occurred last year, China still maintains healthy growth in respect of its economic development as compared to most countries and regions in other parts of the world. Also, contributed by the recovery of the property market during the Period and the stability nature of the public utilities sector, the Group has delivered impressive performance during the Period with a growth rate exceeding the original target set at the beginning of the year."

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 commercial / industrial ("C/I") customers newly installed during the Period increased by 25.1% and 22.8% respectively as compared to the corresponding period last year. Gas connection fee revenue reached RMB1,182,883,000, representing an increase of 31.7% over the corresponding period last year and accounting for 29.5% of the total revenue. The average connection fees for residential households and C/I customers were RMB2,742 and RMB219 (per m^3) respectively. As compared to the figure in 2008, the average connection fees for residential households increased during the Period, which reveals that China maintains a stable policy over the charge of connection fees. On the other hand, the Group constantly provides C/I customers with promotions on connection fee in order to boost the gas sales.

During the Period, piped gas sales revenue reached RMB1,792,007,000, representing an increase of 21.3% over the corresponding period last year and accounting for 44.6% of the total revenue. Sales of piped gas and vehicle gas continue to accelerate, making up 54.5% more than half of the revenue. This shows that the Group has a more stable and long-term revenue base. The further decrease in reliance on one-off connection fee leads to a more enhanced revenue structure. On the other hand, the number of vehicle gas refuelling stations ("refuelling stations") has further increased from 98 to 141 compared with the same period of last year, whilst the number of refuelling stations that are under construction or have already been built and will come into operation was 39. As a result, the revenue of gas sales to vehicles increased by 51.8% as compared to the corresponding period last year. Thanks to its contribution to environmental protection, the great reduction in fuel cost for vehicle users and the rapid increase in the number of vehicles in China, 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, sales revenue from bottled liquefied petroleum gas ("LPG") reached RMB597,768,000, representing a decrease of 30.9% as compared to the corresponding period last year, leading to a shrink in its share over the total revenue from 24.4% in the corresponding period last year to 14.9%. Given the drop in the sales of bottled LPG, the Group allocates more resources to gas connections and sales of natural gas which can both generate higher margins.

Due to the continuous improvement in the Group's revenue structure, the overall gross profit margin and net profit margin (before minority interests) of the Group were 30.5% and 12.3% respectively, both showing an increase as compared to the corresponding period last year. During the Period, the Group has reduced the low-margin bottled LPG business, which then contributes to the increase in the Group's overall gross profit margin. As for the increase in net profit margin, in addition to the abovementioned factor which helps stimulate the increase in gross profit margin, the effective cost control by the Group also plays a significant role. As a result of the cost control, the ratio of administrative expenses to revenue decreases further from 12.4% to 11.5% as compared to the corresponding period last year. Moreover, in light of the further growth in the business of the Group, the share of results of associates and jointly controlled entities increased by 20.2% and 31.5% respectively as compared to the corresponding period last year, which in turn provides a good foundation for the Group's profits and cash flows.

The Group continues to maintain a stable financial position. As at 30 June, 2009, the Group's cash on hand was equivalent to RMB 2,218,461,000. The net gearing ratio (net debts to equity (included minority interest), also decreased to 59.0% from 67.6% as 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 139,591,000 during the Period. The net cash from operating activities also increased to RMB 694,588,000 while the return of equity increased from 14.6% in the corresponding period last year to 15.9%.

Given the Group's strategy of acquiring projects with low gas penetration rates, currently, the overall gas penetration rate of the Group's projects is 30.2% only. 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.

With the continuous growth in the Group's gas sales volume, secured gas supply is of utmost importance. Following the operation of the liquefied natural gas ("LNG") import terminal in Fujian Province during 2009, the Group has also entered into a take-or-pay contract in relation to that terminal with CNOOC. This enables the Group to enjoy a more secured gas supply for its projects. Meanwhile, the construction of the West-East Pipeline II and Sichuan-East Pipeline connecting the eastern and western region of China has also been kicked off. Consequently, these new gas sources fundamentally secure the gas supply for the Group's piped natural gas projects in Guangdong Province, Guangxi Autonomous Region, Fujian Province and Zhejiang Province. In addition to these large-scale natural gas infrastructure projects by the State, the Group also develops its own upstream projects such as the investments in LNG plants located in Jincheng of Shanxi Province and Yinchuan of Ningxia Autonomous Region which have been completed and will come into production in 2009 respectively. The annual LNG production capacity of these two projects reached over 300million m^3 and can benefit more downstream projects of the Group.

During the Period, the Group secured three new piped gas projects, namely Yichuan in Henan, Luanxian in Hebei and the Sanghai Development Zone in Jiangxi. As a result, the Group has increased the total number of city gas projects to 75, with the connectable urban population raised to 41,874,000 (representing about 13,958,000 households). Currently, the Group is operating vehicle gas refuelling stations in 43 cities, among which 11 were not piped gas project cities of the Group. It shows that the Group will be able to expand the vehicle gas refuelling business to more and more cities. On the other hand, the Group stuck to its existing strategy of acquiring peripheral towns and cities near existing gas projects and obtaining strategic projects, so that the economies of scale for existing gas projects could be fortified while the strategic planning of the Group's future development could be enhanced. The newly acquired project Sanghai, located in Nancheng City of Jiangxi Province, is the first gas project of the Group in the that Province, and has established a good foundation for further business development of the Group in the province.

Thanks to the increase in energy consumption efficiency and decrease in cost resulted from the improvement of technology, and enhancement in the public awareness of environmental protection, efficient use of clean energy has now gained wider recognition in the society. After years of excellent operation, the Group has built a strong brand identity and extensive customer resources. It has also taken a proactive stance to formulate new business model. On the other hand, primarily through the provision of comprehensive regional clean energy solutions, the Group has formulated various energy distribution systems and established supply models for multi-energy products including gas, photoelectricity and calorific capacity. By applying its extensive experience and utlising its advantage on advanced information systems, the Group has exercised effective management on the energy business and provide energy management services to its customers. As of to-date, the Group has entered into cooperation framework agreements with 11 cities or parks for the purpose of providing comprehensive clean energy solutions to such cities, parks and enterprises, promoting the use of clean energy, enhancing the efficient use of energy, reducing pollution and minimising emission. This enables the Group to, besides becoming a regional provider of comprehensive solutions on clean energy, energy saving and emission reduction, enhance its revenue base and earnings level 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 saving and emission reduction.

Mr. Wang concluded, “As for the macro environment, the Chinese government has devoted a great deal of effort in promoting the development of clean energy, new energy and renewable energy. Various laws and plans in relation to energy development have also been introduced by the Chinese government to support the promotion of energy. One of the examples of the supporting actions taken by the government is the development of energy infrastructure projects which includes construction of long distance natural gas pipelines. With such strong support from the government, and complemented by the energy services business vigorously promoted by the Group, sound management as well as the effective use of resources, we believe that, besides making contribution to environmental protection, the benefits of all shareholders and employees and the utilisation of social resources will also be maximised 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 gas 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 June 2009, the Group currently has 75 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 41,874,000.

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Financial and Operational Data for 2009 Interim Results
(As of 30 June, 2009)

	30.06.2009	30.06.2008	+/-
Business Development			
No. of projects	75	71	4
Connectable urban population	41,874,000	40,469,000	3.5%
Gas penetration rate (%)	30.2%	24.6%	5.6%
Turnover Analysis (RMB)			
Gas connection fees	1,182,883,000	898,314,000	31.7%
Sales of piped gas	1,792,007,000	1,476,991,000	21.3%
Sales of bottled LPG	597,768,000	864,479,000	-30.9%
Sales of gas appliances	44,645,000	35,327,000	26.4%
Vehicle gas refuelling stations	399,112,000	262,857,000	51.8%
Percentage of segment income in turnover(%)			
-Gas connection fee	29.5	25.4	4.1
-Sales of piped gas	44.6	41.8	2.8
-Sales of bottled LPG	14.9	24.4	-9.5
-Sales of gas appliances	1.1	1.0	0.1
-Vehicle gas refuelling stations	9.9	7.4	2.5
Gas infrastructure			
Total length of pipeline (km)	13,222	11,704	13.0%
Gas processing stations	91	86	5
Capacity of gas processing stations (m^3)	14,537,650	14,250,850	2.0%
Vehicle gas refuelling stations	141	98	43
New natural gas connections during the period			
- Residential (household)	356,675	285,158	25.1%
- Commercial / Industrial (“C/I”) (Sites)	1,196	910	286 sites
- C/I (m^3)	1,394,926	1,136,349	22.8%
Accumulated piped gas connection (including natural gas)			
- Residential (household)	4,210,159	3,313,919	27.0%
- C/I (Sites)	12,495	9,379	3,116 sites
- C/I (m^3)	10,919,138	8,315,765	31.3%
Sales of Natural gas			
Total sales of natural gas (m^3)	1,187,994,000	1,037,294,000	14.5%
-Residential (m^3)	251,903,000	174,775,000	44.1%
-C/I (m^3)	758,541,000	739,837,000	2.5%
Vehicle gas refuelling stations (m^3)	177,550,000	122,682,000	44.7%

Financial position			
Cash on hand (RMB)	2,218,461,000	(31.12.08) 1,725,358,000	28.6%
Net Gearing Ratio (%)	59.0	(31.12.08) 67.6	-8.6
ROE (%)	15.9	14.6	1.3