



## Corporate Profile

### China Natural Gas, Inc.

#### China Office:

19th Floor, Building B, Van Metropolis,  
Tang Yan Road, Hi-Tech Zone, Xi'an,  
Shaanxi Province, PRC 710065

#### US Office:

370 Lexington Ave, Suite 2210  
New York, NY 10017

[www.naturalgaschina.com](http://www.naturalgaschina.com)

(English)

[www.xltrq.com](http://www.xltrq.com) (Chinese)

### Investor Relations contact

CHNG

Jackie Shi

Tel: +86 29 8845-4353, +86 139 9287  
9998

Email: [ir.chng@naturalgaschina.com](mailto:ir.chng@naturalgaschina.com)

10/15/09

## Select Financials

Fiscal Year End	Dec. 31st
Current Price (9/25/2009)	\$11.96
52-Week Range	\$ 3.02 – 12.49
Shares Outstanding	21.2 M
Market Cap	\$ 253.4 M
EBITDA TTM	\$ 29.5 M



## China Natural Gas, Inc. (NasdaqGM: CHNG)

China Natural Gas, Inc. is an integrated natural gas operator and market leader specializing in the operation of CNG fueling stations as well as pipeline natural gas services. As of June 30, 2009, the Company operates 23 CNG fueling stations in Shaanxi Province and 12 CNG fueling stations in Henan Province. The Company also transports, distributes and sells natural gas to commercial, industrial and residential customers through its natural gas pipeline networks in Lantian County and the districts of Lintong and Baqiao in Shaanxi Province, and the city of Lingbao in Henan Province. The Company owns approximately 120 km of high pressure pipelines in Xi'an, Shaanxi Province.

China Natural Gas's four primary business lines include: (1) the distribution and sale of CNG through Company-owned CNG fuelling stations for hybrid (natural gas/gasoline) powered vehicles; (2) the installation, distribution and sale of piped natural gas to residential, commercial and industrial customers through Company-owned pipelines; (3) the distribution and sale of gasoline through Company-owned CNG fuelling stations for hybrid (natural gas/gasoline) powered vehicles; and (4) the conversion of gasoline-fuelled vehicles to hybrid (natural gas/gasoline) powered vehicles through its auto conversion division.

## Investment Highlights

### Government Supports Clean Energy Initiatives

China is the world's second largest energy consumer, with an annual energy consumption growth rate as high as 13% between 2002 and 2006. However, energy usage currently depends heavily on coal and oil, which accounts for approximately 90% of total energy consumption. In an effort to reduce China's dependence on heavy polluting energy sources, in its Eleventh Five-Year Plan, the Chinese government has set the target to increase the country's natural gas consumption to 8% of total energy consumption by 2010 and 10% by 2020. The Company believes that the cost savings provided by the use of natural gas will continue to benefit the industry in the long run.

### Robust Demand for Natural Gas

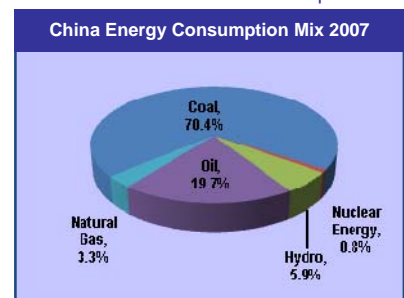
Natural gas has only accounted for 3% of the country's total energy usage in recent years – compared to the world average of 23% – a share that is expected to increase quickly. Demand for gas is projected to triple by 2030, growing at an annual rate of 4.5%\*, driven by growing consumption in the industrial and commercial sectors, increased urbanization, new property development as well as the Chinese Government's efforts to encourage natural gas usage.

### Geographic Expansion Drives Revenue Growth

China Natural Gas continues to expand its CNG fueling station network in Shaanxi Province through acquisition and construction, and in other Provinces through Joint Venture with CNPC Kunlun Natural Gas, Co. The Company is also expanding its pipeline coverage in Shaanxi Province and Henan Province to serve greater number of residential, commercial and industrial customers. The Company currently operates 35 CNG filling stations in Shaanxi and Henan Provinces. With growing demand for natural gas from vehicle owners and residential, industrial and commercial customers in the Company's existing market, as well as further penetration into other regions, the Company will continue to drive long term performance.

### LNG Project Sustains Long-term Growth

The Company started the construction of an LNG processing and distribution plant in Jingbian, Shaanxi Province, in September 2007. The Company believes the diversification of its current product offerings through the addition of LNG will

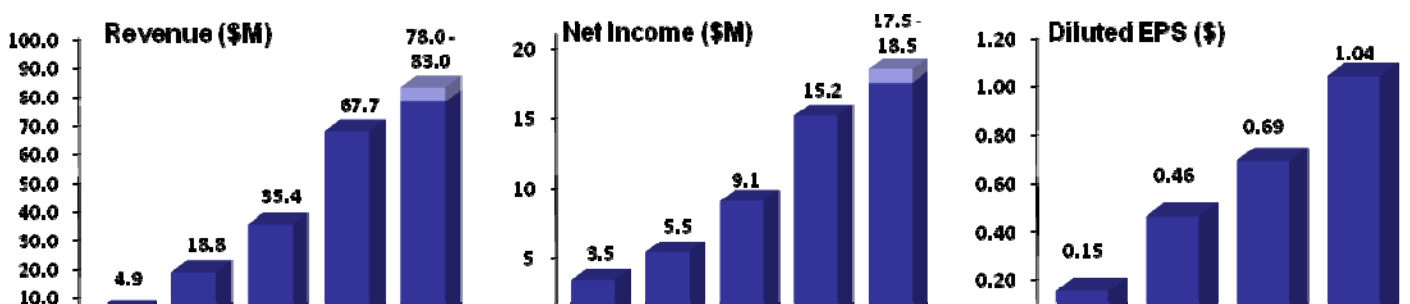


further expand its geographic presence. The Company expects to invest approximately \$45 million in this project and has invested approximately \$32 million to date. The Company expects the project to be completed by end of 2009 with payback of initial investment within 3 years. The LNG processing plant will initially have an annual processing capacity of approximately 150 million normal cubic meters.

### Consistent Financial Performance

China Natural Gas has demonstrated consistent and solid financial performance. Revenue increased to \$67.7 million in 2008 from \$4.9 million in 2005, representing a CAGR of approximately 141%; net income increased to \$15.2 million in 2008 from \$1.3 million in 2005, representing a CAGR of approximately 130%. For the full year of 2009, it expects revenue of \$78-83 million and net income of \$17.5-18.5 million. Net cash provided by operating activities was \$10.5 million, \$20.9 million and \$14.4 million for fiscal year 2007, 2008, and first half of 2009, respectively.

*\*Source: 2009 International Energy Outlook*



## Management Team

### Qin'an Ji

CEO and Chairman of the Board of Directors

- More than 20 years experience in the energy and petroleum industries in operational, administrative, management and government relations roles.
- Acquired CHNG in 2003
- Received a bachelor's degree in Economic Management from Northwest University (Shaanxi).

### Veronica Chen

Chief Financial Officer

- Joined CHNG in May 2009
- 20 years in accounting and finance
- Served as CFO of China Valves Technology (CVVT) and Origin Agritech (SEED)
- CPA Australia; Ph.D. in Business Administration from Victoria University, Switzerland; MBA from City University USA in Seattle

### Bin Wang

Chief Engineer

## Core Services



The Company currently generates revenue from the following segments:  
1. Sales of natural gas and gasoline, which accounted for 85% of the Company's total revenue in the first half year of 2009.

The company distributes natural gas and gasoline through three channels:

- Company owned CNG stations. This represented approximately 74% of 1H09 revenue.
- Sale of gasoline in company owned CNG stations accounts for approximately 7% of the Company's 1H09 revenue..
- Delivery to end users through the Company-owned pipeline distribution system. This represents less than 4% of 1H09 revenue.

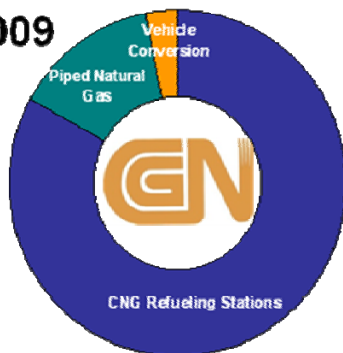


2. Pipeline Installation fees charged to connect end-user customers to the Company's natural gas distribution system accounted for 12% of 1H09 revenue.

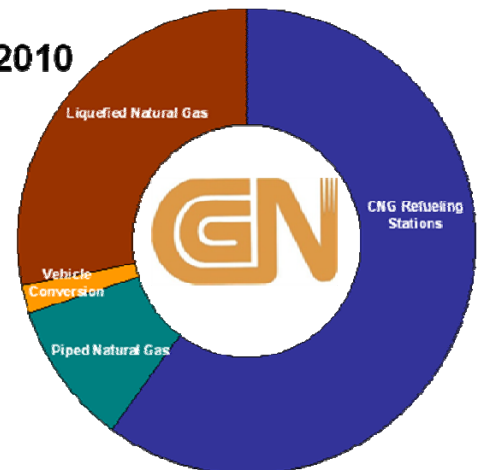
3. Automobile conversions: Auto body shop division provides conversion services of gasoline-fueled vehicles to hybrid- (natural gas/gasoline) powered vehicles. This represented 3% of 1H09 revenue.

## Increasing Diversification of Revenue Sources

2009



2010



## LNG production will commence in January 2010

This fact sheet includes statements that may constitute forward-looking statements made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. For example, statements about the future plans and goals of the JV with CNPC and its prospects are forward looking and subject to risks. China Natural Gas, Inc. may also make written or oral forward-looking statements in its periodic reports to the U.S. Securities and Exchange Commission on forms 10-K, 10-Q and 8-K, in its annual report to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. A number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Potential risks and uncertainties include, but are not limited to, risks outlined in the Company's filings with the U.S. Securities and Exchange Commission, including its registration statements on Forms S-1 and S-3, in each case as amended. The Company does not undertake any obligation to update any forward-looking statement, except as required under applicable law.