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新奥燃气控股有限公司
XinAo Gas Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2688)

(Website: www.xinaogas.com)

DISCLOSEABLE TRANSACTION
PROPOSED ESTABLISHMENT OF A NEW PROJECT IN
QUANZHOU, FUJIAN PROVINCE, PRC

A letter from the board of directors of Xinao Gas Holdings Limited is set out on pages 4 to 10 of this circular.

20 February 2006

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“Board”	the board of Directors
“Company”	Xinao Gas Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of Stock Exchange as at the date of this circular
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of PRC
“Latest Practicable Date”	17 February 2006, being the latest practicable date of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange
“LNG”	liquefied natural gas
“Nominee Agreement”	an agreement dated 30 December 2005 entered into between Xinao China and XGCL in relation to the entering into of the Quanzhou Agreement by XGCL for Xinao China
“PRC”	the People’s Republic of China
“PRC Partners”	Quanzhou State-Owned and Quanzhou Zhongyuan
“Quanzhou Agreement”	a conditional joint venture agreement dated 30 December 2005 entered into between XGCL (for Xinao China) and each of the PRC Partners in relation to the establishment of Quanzhou Gas
“Quanzhou Gas”	泉州市燃氣有限公司 (Quanzhou City Gas Company Limited*), a PRC equity joint venture proposed to be established in PRC pursuant to the Quanzhou Agreement, which name will be changed to 泉州新奧燃氣有限公司 (Quanzhou Xinao Gas Company Limited*) after all the registered capital of Quanzhou Gas have been paid by the parties according to the terms of the Quanzhou Agreement

DEFINITIONS

“Quanzhou State-Owned”	泉州市國有資產投資經營公司 (Quanzhou City State-Owned Asset Investment and Operation Company Limited*), a PRC State-owned company established in PRC
“Quanzhou Zhongyuan”	泉州市中遠房地產開發有限公司 (Quanzhou City Zhongyuan Property Development Company Limited*), a company established in PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“XGCL”	新奧集團股份有限公司 (Xinao Group Company Limited*), a joint stock limited company incorporated in PRC, is ultimately controlled and owned by Mr. Wang Yusuo, the chairman, an executive director and one of the controlling shareholders of the Company and his spouse, Ms. Zhao Baoju, the non-executive Director and one of the controlling shareholders of the Company, and is regarded as a connected person of the Company under the Listing Rules as at the date of this circular
“XGCL’s Instructions”	a written unconditional and irrevocable instruction proposed to be given by XGCL to Quanzhou Gas on or as soon as practicable after the date of establishment of Quanzhou Gas, instructing Quanzhou Gas that for so long as XGCL shall remain as a shareholder of Quanzhou Gas, Quanzhou Gas shall pay or distribute any profits, reserves, assets, properties, cash or whatsoever payable or distributable to XGCL as a shareholder of Quanzhou Gas (including without limitation, those payable or distributable on dissolution or winding up of Quanzhou Gas) directly to Xinao China provided that under no circumstances should any profits, reserves, assets, properties, cash or whatsoever be paid or distributed to XGCL without the prior written consent of Xinao China
“Xinao China”	新奧(中國)燃氣投資有限公司 (Xinao (China) Gas Investment Company Limited*), a wholly-owned foreign enterprise established in PRC and a wholly-owned subsidiary of the Company as at the date of this circular

DEFINITIONS

“HK\$” or “HK Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB” or “Renminbi”	Renminbi, the lawful currency of PRC
“%”	per cent.
“*”	for identification purpose only

For the purposes of illustration only and unless otherwise stated, the conversion of Renminbi into HK Dollars is based on the exchange rate of HK\$1.00 = RMB1.04. Such conversion should not be construed as a representation that the amount in question have been, could have been or could be converted at any particular rate or at all.



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XinAo Gas Holdings Limited

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*As at the date of this circular, the Board
consists of the following Directors:*

Executive Directors:

Mr. Wang Yusuo (*Chairman*)
Mr. Yang Yu (*Chief Executive Officer*)
Mr. Chen Jiacheng
Mr. Zhao Jinfeng
Mr. Qiao Limin
Mr. Jin Yongsheng
Mr. Yu Jianchao
Mr. Cheung Yip Sang
Mr. Cheng Chak Ngok

Non-executive Director:

Ms. Zhao Baoju

Independent non-executive Directors:

Mr. Wang Guangtian
Ms. Yien Yu Yu, Catherine
Mr. Kong Chung Kau

Registered Office:

Ugland House
P.O. Box 309
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

*Principal place of business
in Hong Kong:*

Rooms 3101-03, 31st Floor
Tower 1, Lippo Centre
No. 89 Queensway
Hong Kong

Head office in PRC:

Huaxiang Road
Langfang Economic and Technical
Development Zone
Langfang City
Hebei Province
PRC

20 February 2006

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION
PROPOSED ESTABLISHMENT OF A NEW PROJECT IN
QUANZHOU, FUJIAN PROVINCE, PRC

INTRODUCTION

In an announcement of the Company dated 27 January 2006 and published on 1 February 2006, the Company announced, amongst other things, that on 30 December 2005,

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XGCL (a connected person of the Company) had, in accordance with the Nominee Agreement, entered into the Quanzhou Agreement for Xinao China in relation to the proposed establishment of Quanzhou Gas with each of the PRC Partners.

The Quanzhou Agreement constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide information on the Quanzhou Agreement and on the Group according to the Listing Rules.

THE QUANZHOU AGREEMENT DATED 30 DECEMBER 2005

Parties

- (1) XGCL, an investment holding company and the principal businesses of its subsidiaries are the investment in bio-chemical industry and property and property management in PRC, is entering the Quanzhou Agreement for Xinao China, which is principally engaged in the sale of piped gas, the supply of electricity and water and the investment in infrastructure projects in PRC;
- (2) Quanzhou State-Owned, which is principally engaged in the operation of and investment in enterprises which engage in the provision of utilities and public transport in PRC; and
- (3) Quanzhou Zhongyuan, which is principally engaged in the construction and sale of properties in Quanzhou City.

The Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the PRC Partners and their respective ultimate beneficial owners are independent third parties of the Company and its connected persons.

Condition precedent

The Quanzhou Agreement is conditional upon the approval by the relevant PRC government.

Business of Quanzhou Gas

Upon establishment, Quanzhou Gas will principally engage in the construction and installation of piped gas infrastructure in and the transportation and distribution of piped natural gas to the Administrative Zone of Quanzhou City (泉州市行政區劃範圍), Fujian Province, PRC.

The Board currently expects that Quanzhou Gas will be granted an exclusive right to supply piped natural gas to the Administrative Zone of Quanzhou City for an initial term of 29 years from the date of issue of its business license. The Board currently expects that the business license of Quanzhou Gas would be issued within around five months from the date of this circular and the operation of Quanzhou Gas will commence as soon as practicable after obtaining the business license.

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Upon establishment of Quanzhou Gas, Xinao China will be the beneficial owner of 60% equity interests in Quanzhou Gas. Since the Group will not have material control over the financial and operating policies of Quanzhou Gas, Quanzhou Gas is currently considered to be an associate of the Company upon its establishment.

Registered capital

The registered capital of Quanzhou Gas will be RMB450,000,000 (equivalent to approximately HK\$432,692,000), of which:

- (1) 60%, being RMB270,000,000 (equivalent to approximately HK\$259,615,000), will be payable by XGCL and contributed in cash by Xinao China;
- (2) 32%, being RMB144,000,000 (equivalent to approximately HK\$138,462,000), will be contributed in cash by Quanzhou State-Owned; and
- (3) 8%, being RMB36,000,000 (equivalent to approximately HK\$34,615,000), will be contributed in cash by Quanzhou Zhongyuan.

Each party to the Quanzhou Agreement shall complete its contribution to the registered capital of Quanzhou Gas within one year after the issue of the business license of Quanzhou Gas by three instalments in the following manner:

- (1) 30% of its contribution of the registered capital of Quanzhou Gas be paid within 10 days after the issue of the business license of Quanzhou Gas;
- (2) 30% of its contribution of the registered capital of Quanzhou Gas be paid within six months after the issue of the business license of Quanzhou Gas; and
- (3) 40% of its contribution of the registered capital of Quanzhou Gas be paid within 12 months after the issue of the business license of Quanzhou Gas.

The registered capital of Quanzhou Gas was determined on an arm's length basis between Xinao China (through XGCL) and each of the PRC Partners and represents the expected initial total amount required for the setting-up and operation of Quanzhou Gas. Other than the amount of the registered capital to be invested by the parties under the Quanzhou Agreement, as at the date of this circular, the parties do not have any further commitment to invest in Quanzhou Gas.

Xinao China's contribution to the registered capital will be funded by internal resources of the Group, the net proceeds from the notes of the Company issued in August 2005 and possibly bank borrowings. Upon establishment of Quanzhou Gas, it will be owned by XGCL (for Xinao China), Quanzhou State-Owned and Quanzhou Zhongyuan as to 60%, 32% and 8% respectively. Pursuant to the Nominee Agreement, XGCL will be holding its 60% equity interests in Quanzhou Gas for Xinao China and in effect, Xinao China will be the beneficial owner of 60% equity interests in Quanzhou Gas. As mentioned

LETTER FROM THE BOARD

above, Quanzhou Gas is currently considered to be an associate of the Company upon its establishment and if this is the case, it is currently expected that Quanzhou Gas will not have any impact on the assets and liability of the Company.

Board of directors

The board of directors of Quanzhou Gas will comprise of seven directors, of whom four (including the chairman, who will also be the legal representative of Quanzhou Gas) will be nominated by XGCL (which will act in the direction of Xinao China with regard to such nominations of directors), two (including the deputy chairman) will be nominated by Quanzhou State-Owned and the remaining one will be nominated by Quanzhou Zhongyuan. Therefore, Xinao China will in effect have control of the majority of the board of directors of Quanzhou Gas.

Resolution in relation to each of the following matters shall only be passed at board meeting with unanimous approval of all directors of Quanzhou Gas:

- (1) any proposed amendments to the articles of association of Quanzhou Gas;
- (2) any proposed termination, dissolution and liquidation of Quanzhou Gas;
- (3) any proposed increases in, adjustments to or transfers of the registered capital of Quanzhou Gas;
- (4) any proposed mergers or acquisitions of any economic entities by Quanzhou Gas; and
- (5) any pledges or charges of any assets of Quanzhou Gas or the giving of any guarantees to or on behalf of any third parties.

Resolution in relation to each of the following matters shall only be passed at board meeting with approval of five or more directors of Quanzhou Gas:

- (1) any proposals in relation to the business developments of Quanzhou Gas;
- (2) the proportion of funds for company development, employees' fringe benefits and company reserves to be taken from profits of Quanzhou Gas;
- (3) the formation of and adjustments to the operational and management structure of Quanzhou Gas;
- (4) any decisions on the employment, scope of work and salary of any senior operational management staff of Quanzhou Gas;
- (5) the approval of the annual business plan, annual budget and cut-off plan;

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- (6) the approval of any payment obligations which exceed the annual business plan budget of RMB5,000,000 (equivalent to approximately HK\$4,808,000) (or equivalent amount);
- (7) sales of any material part of the businesses or assets of Quanzhou Gas; and
- (8) any proposals in relation to the distribution of profits of Quanzhou Gas.

Term

The term of Quanzhou Gas will be 50 years from the date of issue of the business license of Quanzhou Gas, which term can be extended upon agreement between the parties.

Profits

Profits will be distributed to each of the parties to the Quanzhou Agreement in proportion to their respective equity interests in Quanzhou Gas. Pursuant to XGCL's Instructions, any profits payable to XGCL will be paid or distributed by Quanzhou Gas directly to Xinao China.

Dissolution

Upon early termination of the Quanzhou Agreement or the expiry of the term of Quanzhou Gas, the remaining assets of Quanzhou Gas (after the payment of all its debts, if any) will be distributed to each of the parties to the Quanzhou Agreement in proportion to their respective equity interests in Quanzhou Gas. Pursuant to XGCL's Instructions, any assets or whatsoever distributable to XGCL on dissolution of Quanzhou Gas will be distributed by Quanzhou Gas directly to Xinao China.

REASONS FOR AND EFFECTS OF THE ESTABLISHMENT OF QUANZHOU GAS

Quanzhou City is located in the southeast of Fujian Province, PRC, which is to the west coast of the Taiwan Strait and has long been an important port city of PRC. The Board considers that the establishment of Quanzhou Gas under the Quanzhou Agreement to be an important milestone for the Group since Quanzhou Gas is the first operational location the Group has secured in Fujian Province, thereby signifies the Group's successful market penetration and establishment of a foothold in Fujian Province.

Quanzhou has a population of approximately 7,800,000 and the city centre population of Quanzhou City is approximately 680,000 which population is expected to be increased to approximately 1,240,000 by 2011. Quanzhou is well developed in its industrial and commercial sectors, which main industries include the manufacturing of textiles, clothing, shoes, construction materials, handicrafts, food, beverages, machineries and equipments. Its economic growth reached approximately 14.2% in 2004. Due to the aforesaid, the Board currently anticipates that there will be a large demand of natural gas by its population as well as commercial/industrial customers and therefore currently expects that the operation of Quanzhou Gas will eventually lead to a significant contribution to the future earnings of the Company.

LETTER FROM THE BOARD

As natural gas is a cleaner, less expensive and safer source of fuel when compared to other sources of fuel, the PRC government has since 1998 been actively promoting the use of natural gas as an environment friendly, economical and efficient source of fuel. As there is a lack of natural gas wells in the southeast regions of PRC and most of these regions are very far away from natural gas well supply in other regions of PRC, imports of natural gas from overseas are necessary in order to provide adequate supply of natural gas to the southeast regions of PRC. The port of Quanzhou is one of the LNG import terminals approved by the PRC government for the imports of LNG from overseas. Securing an operational location with LNG import terminal will shorten the transport distance of natural gas considerably, thereby enabling the Group to gain easy access of LNG from overseas' imports at lower costs. It will also secure natural gas sources for future developments of large-scaled customers and other projects in the region for the Group.

Upon establishment, Quanzhou Gas will principally engage in the construction and installation of piped gas infrastructure in and the transportation and distribution of piped natural gas to the Administrative Zone of Quanzhou City. According to the PRC legal advisers to the Company, the current PRC law and regulations allow foreign investors to invest in the business of constructions and operations of piped gas network and sales of related products. However, the invitation on the establishment of Quanzhou Gas by the Quanzhou government requested, amongst others, for a PRC-established company which has or had a long history of good knowledge and reputation in the gas-related industry to be its major legal shareholder. Although the Group commenced its first gas project in Langfang, Hebei Province, PRC back in 1993 and possesses over ten years of experience and reputation in the natural gas industry, it is regarded by the Quanzhou government as a group of foreign companies. However, XGCL, with its previous long history and good reputation in the gas-related industry, is considered by the Quanzhou government as being qualified to be the requisite gas-related shareholder for the establishment of Quanzhou Gas. Therefore, in order to enable the Group to fulfil the requirements for the bidding and participate in the establishment of Quanzhou Gas, the Group (through Xinao China) entered into the Nominee Agreement with XGCL whereby it was agreed that XGCL shall enter into the Quanzhou Agreement for Xinao China free of charge, thereby allowing the Group to participate in the investment of Quanzhou Gas through XGCL.

The Directors believe that the Quanzhou Agreement was entered into upon normal commercial terms and in the ordinary business of the Company. The Directors consider that terms of the Quanzhou Agreement are fair and reasonable and the Quanzhou Agreement is in the interest of the shareholders of the Company as a whole.

As the applicable registered capital of Quanzhou Gas exceeds 5% of the applicable percentage ratios (other than the profits ratio) of the Company under the Listing Rules, the entering into of the Quanzhou Agreement constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

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GENERAL

The Company acts as an investment holding company. The Group is one of the first non state-owned piped natural gas operators in PRC. The principal business of the Group is the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped and bottled gas in 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.

Your attention is drawn to the general information set out in the appendix to this circular.

By order of the Board
XINAO GAS HOLDINGS LIMITED
WANG Yusuo
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other matters the omission of which would make any statement in this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of each Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("the SFO")) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules, were as follows:

Name of Director	Capacity	Interests in Shares			(D) Interests in underlying Shares pursuant to share options	(E) = (C) + (D)	Approximate percentage of the Company's total issued share capital
		(A) Personal interests	(B) Corporate interests	(C) = (A) + (B) Total interests in Shares		Total aggregate interests in Shares and underlying Shares	
Mr. Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	2,594,000	384,486,000 (Note 1)	387,080,000	700,000	387,780,000	42.88%
Ms. Zhao Baoju ("Ms. Zhao")	Interest of spouse and interest of controlled corporation	2,594,000 (Note 2)	384,486,000 (Note 1)	387,080,000	700,000 (Note 3)	387,780,000	42.88%
Mr. Yang Yu	Beneficial owner	1,000,000	-	1,000,000	-	1,000,000	0.11%

Notes:

1. The two references to 384,486,000 Shares relate to the same block of Shares. Such Shares are held by Xinao Group International Investment Limited, which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.
2. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these Shares held by Mr. Wang.
3. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these share options which were granted by the Company to Mr. Wang.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules.

(b) Persons or corporations who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

So far as is known to each Director or the chief executive of the Company, as at the Latest Practicable Date, the following persons or corporations had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at

general meetings of any other member of the Group and the amount of each of such person's/corporate's interest in such securities, together with particulars of any options in respect of such capital, were as follows:

(i) *The Company*

Name of Shareholder	Capacity	Interests in Shares			Interests in underlying Shares pursuant to share options	(E) = (C) + (D)	
		(A)	(B)	(C) = (A) + (B)		(D)	Total
		Personal interests	Corporate interests	Total interests in Shares		Interests in underlying Shares and	Approximate percentage of the Company's total issued share capital
Mr. Wang	Beneficial owner and interest of controlled corporation	2,594,000	384,486,000 (Note 1)	387,080,000	700,000	387,780,000	42.88%
Ms. Zhao	Interest of spouse and interest of controlled corporation	2,594,000 (Note 2)	384,486,000 (Note 1)	387,080,000	700,000 (Note 3)	387,780,000	42.88%
Xinao Group International Investment Limited	Beneficial owner	-	384,486,000 (Note 1)	384,486,000	-	384,486,000	42.52%
The Capital Group Companies, Inc.	Investment manager	-	91,587,000	91,587,000	-	91,587,000	10.13%
Penta Investment Advisers Ltd.	Investment manager	-	45,589,770 (Note 4)	45,589,770	-	45,589,770	5.04%
Michael William Moore	Interest of controlled corporation	-	45,589,770 (Note 4)	45,589,770	-	45,589,770	5.04%
John Zwaanstra	Interest of controlled corporation	-	45,589,770 (Note 4)	45,589,770	-	45,589,770	5.04%
TIAA-CREF Investment Management, LLC	Beneficial owner	-	45,217,200	45,217,200	-	45,217,200	5.00%

Notes:

1. The three references to 384,486,000 Shares relate to the same block of Shares. Such Shares are held by Xinao Group International Investment Limited, which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.
2. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these Shares held by Mr. Wang.
3. Ms. Zhao, being the spouse of Mr. Wang, is deemed to be interested in these share options which were granted by the Company to Mr. Wang.
4. The three references to 45,589,770 Shares relate to the same block of Shares. Such Shares are held by Penta Investment Advisers Ltd., which is beneficially owned as to 50% by Michael William Moore and 50% by John Zwaanstra, in the capacity of an investment manager.

(ii) The subsidiaries of the Company

	Name of subsidiaries	Name of shareholders	% of interest held
1.	北京新奧京昌燃氣有限公司 (Beijing Xinao Jingchang Gas Company Limited*)	北京市昌平區市政經濟發展總公司 (Beijing City Changping District Municipal Economic Development Corporation*)	20%
2.	北京新奧京谷燃氣有限公司 (Beijing Xinao Jinggu Gas Company Limited*)	北京市平谷區液化石油氣公司 (Beijing City Pinggu District Liquefied Petroleum Gas Company*)	10%
3.	蚌埠新奧燃氣有限公司 (Bengbu Xinao Gas Company Limited*)	蚌埠市城市投資控股有限公司 (Bengbu City Urban Investment Holdings Limited*)	30%
4.	蚌埠新奧燃氣發展有限公司 (Bengbu Xinao Gas Development Company Limited*)	蚌埠市城市投資控股有限公司 (Bengbu City Urban Investment Holdings Limited*)	30%
5.	亳州新奧燃氣有限公司 (Bozhou Xinao Gas Company Limited*)	亳州市建設投資有限責任公司 (Bozhou City Construction Investment Company Limited*)	30%
6.	亳州新奧燃氣工程有限公司 (Bozhou Xinao Gas Engineering Company Limited*)	亳州市建設投資有限責任公司 (Bozhou City Construction Investment Company Limited*)	30%
7.	長沙新奧燃氣有限公司 (Changsha Xinao Gas Company Limited*)	長沙市燃氣實業有限公司 (Changsha City Gas Industry Company Limited*)	45%

	Name of subsidiaries	Name of shareholders	% of interest held
8.	長沙星沙新奧燃氣有限公司 (Changsha Xingsha Xinao Gas Company Limited*)	長沙經濟技術開發有限公司 (Changsha Economical and Technical Development Company*)	15%
9.	常州新奧燃氣發展有限公司 (Changzhou Xinao Gas Company Limited*)	常州市武進燃氣有限公司 (Changzhou City Wujin Gas Company Limited*)	40%
10.	常州新奧燃氣工程有限公司 (Changzhou Xinao Gas Engineering Company Limited*)	常州市武進燃氣有限公司 (Changzhou City Wujin Gas Company Limited*)	40%
11.	滁州新奧燃氣有限公司 (Chuzhou Xinao Gas Company Limited*)	滁州市城市基礎設施開發建設有限公司 (Chuzhou City Urban Infrastructure Development & Construction Company Limited*)	10%
12.	桂林新奧燃氣有限公司 (Guilin Xinao Gas Company Limited*)	桂林旅遊股份有限公司 (Guilin Travel Company Limited*)	40%
13.	桂林新奧燃氣發展有限公司 (Guilin Xinao Gas Development Company Limited*)	桂林旅遊股份有限公司 (Guilin Travel Company Limited*)	40%
14.	海寧新奧燃氣有限公司 (Haining Xinao Gas Company Limited*)	海寧市萬通燃氣有限責任公司 (Haining City Wantong Gas Company Limited*)	15%
15.	淮安新奧燃氣有限公司 (Huaian Xinao Gas Company Limited*)	淮安市燃氣總公司 (Huaian City Gas Corporation*)	20%
16.	葫蘆島新奧燃氣有限公司 (Huludao Xinao Gas Company Limited*)	葫蘆島市城市建設投資有限公司 (Huludao City Urban Construction Investment Company Limited*)	10%
17.	湖南銀通科技有限責任公司 (Hunan Yintong Technology Company Limited*)	陳東如 (Chen Dongru) 湖南省國開經濟技術發展有限責任公司 (Hunan Province Guokai Economic & Technical Development Company Limited*)	approx. 10.65% approx. 20.09%

	Name of subsidiaries	Name of shareholders	% of interest held
18.	開封新奧燃氣有限公司 (Kaifeng Xinao Gas Company Limited*)	開封市發展投資有限公司 (Kaifeng City Development Investment Company Limited*)	10%
19.	開封新奧燃氣工程有限公司 (Kaifeng Xinao Gas Engineering Company Limited*)	開封市發展投資有限公司 (Kaifeng City Development Investment Company Limited*)	10%
20.	蘭溪新奧燃氣有限公司 (Lanxi Xinao Gas Company Limited*)	蘭溪東昇能源有限公司 (Lanxi Dongsheng Energy Company Limited*)	20%
21.	連雲港新奧燃氣有限公司 (Lianyungang Xinao Gas Company Limited*)	連雲港市城市建設投資有限責任公司 (Lianyungang City Urban Construction Investment Company Limited*)	30%
22.	連雲港新奧燃氣工程有限公司 (Lianyungang Xinao Gas Development Company Limited*)	連雲港市城市建設投資有限責任公司 (Lianyungang City Urban Construction Investment Company Limited*)	30%
23.	聊城新奧燃氣有限公司 (Liaocheng Xinao Gas Company Limited*)	聊城市熱力公司 (Liaocheng City Heating Company*)	10%
24.	洛陽新奧華油燃氣有限公司 (Luoyang Xinao Huayou Gas Company Limited*)	洛陽市燃氣總公司 (Luoyang City Gas Corporation*) 中國華油集團公司 (China Huayou Group Company*)	30% 19%
25.	青島新奧燃氣有限公司 (Qingdao Xinao Gas Company Limited*)	青島經濟技術開發區熱電燃氣總公司 (Qingdao Economic & Technical Development Zone Heating, Electricity & Gas Corporation*)	10%
26.	青島新奧燃氣設施開發有限公司 (Qingdao Xinao Gas Establishment Exploiture Co. Ltd.*)	青島經濟技術開發區熱電燃氣總公司 (Qingdao Economic & Technical Development Zone Heating, Electricity & Gas Corporation*)	10%
27.	青島新奧膠城燃氣有限公司 (Qingdao Xinao Jiaocheng Gas Company Limited*)	膠州市新源城市建設發展有限公司 (Jiaozhou City Xinyuan Urban Construction Development Company Limited*)	10%

	Name of subsidiaries	Name of shareholders	% of interest held
28.	青島新奧新城燃氣有限公司 (Qingdao Xinao Xincheng Gas Company Limited*)	青島城陽建設工程監理有限公司 (Qingdao Chengyang Construction Project Supervisory Company Limited*)	10%
29.	衢州新奧燃氣有限公司 (Quzhou Xinao Gas Company Limited*)	衢州市城市建設投資有限公司 (Quzhou City Urban Construction Investment Company Limited*)	10%
30.	衢州新奧燃氣發展有限公司 (Quzhou Xinao Gas Development Company Limited*)	衢州市城市建設投資有限公司 (Quzhou City Urban Construction Investment Company Limited*)	10%
31.	日照新奧燃氣有限公司 (Rizhao Xinao Gas Company Limited*)	日照市煤氣公司 (Rizhao City Coal Gas Company*)	20%
32.	汕頭新奧燃氣有限公司 (Shantou Xinao Gas Company Limited*)	汕頭市澄燃管道供氣有限公司 Shantou City Chengran Piped Gas Company Limited*)	approx. 28.43%
		汕頭市澄海燃氣建設有限公司 (Shantou City Chenghai Gas Construction Company Limited*)	approx. 11.31%
33.	石家莊新奧燃氣有限公司 (Shijiazhuang Xinao Gas Company Limited*)	石家莊燃氣集團有限公司 (Shijiazhuang Gas Group Company Limited*)	40%
		河北新地市政建設工程有限公司 (Hebei Xindi Municipal Construction Engineering Company Limited*) (which holds such 11% equity interest for 新奧(中國)燃氣投資有限公司 (Xinao (China) Gas Investment Company Limited*))	11%
34.	石家莊新奧車用燃氣有限公司 (Shijiazhuang Xinao Vehicle Gas Company Limited*)	中國石化集團石家莊石油有限公司 (Sinopec Shijiazhuang Petroleum Company Limited*)	35%
35.	泰興新奧燃氣有限公司 (Taixing Xinao Gas Company Limited*)	泰興市管道液化氣公司 (Taixing City Piped Liquefied Petroleum Gas Company*)	10%
36.	台州新奧燃氣有限公司 (Taizhou Xinao Gas Company Limited*)	台州市黃岩區國有資產經營有限公司 (Taizhou City Huangyan District State-Owned Assets Management Company Limited*)	20%

	Name of subsidiaries	Name of shareholders	% of interest held
37.	通遼新奧燃氣有限公司 (Tongliao Xinao Gas Company Limited*)	通遼市日新天然氣有限責任公司 (Tongliao City Rixin Natural Gas Company Limited*)	20%
38.	湘潭新奧燃氣有限公司 (Xiangtan Xinao Gas Company Limited*)	湘潭市煤氣公司 (Xiangtan City Coal Gas Company*)	15%
39.	鹽城新奧燃氣有限公司 (Yancheng Xinao Gas Company Limited*)	鹽城市天然氣開發利用有限公司 (Yancheng City Natural Gas Development and Usage Company Limited*)	30%
40.	煙台新奧實業有限公司 Yantai Xinao Industry Company Limited*)	煙台市管道煤氣公司 (Yantai City Piped Coal Gas Company*)	40%
41.	湛江新奧燃氣有限公司 (Zhanjiang Xinao Gas Company Limited*)	湛江市燃氣集團公司 (Zhanjiang City Gas Group Company*)	40%
42.	株州新奧燃氣有限公司 (Zhuzhou Xinao Gas Company Limited*)	株州市城市建設投資經營有限公司 (Zhuzhou City Urban Construction Investment & Operation Company Limited*)	45%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person or corporation who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who/which was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or any options in respect of such capital.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without compensation, other than statutory compensation.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and his/her associates (as defined under the Listing Rules) had any interests which competed or was likely to compete, either directly or indirectly, with the Company's business.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration proceedings of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any member of the Group.

6. GENERAL

- (a) The secretary and qualified accountant of the Company is Mr. Cheng Chak Ngok, who is a fellow member of the Association of Chartered Certified Accountants in England, and also an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in England.
- (b) The Company's branch registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.