

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Xinao Gas Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES
AND TO REPURCHASE ITS OWN SHARES,
AMENDMENTS TO THE EXISTING ARTICLES OF ASSOCIATION,
RE-ELECTION OF RETIRING DIRECTORS
AND NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the Annual General Meeting of Xinao Gas Holdings Limited to be held at Ballroom, Level 3, JW Marriott Hotel Hong Kong, 1 Pacific Place, 88 Queensway, Hong Kong on Tuesday, 23 May 2006 at 10:00 a.m. is set out on pages 15 to 21 of this Circular. Whether or not you propose to attend the meeting, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders from attending and voting at the meeting, or any adjourned meeting, should they so wish.

28 April 2006

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DEFINITIONS

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

“Annual General Meeting”	the annual general meeting of the Company to be held at Ballroom, Level 3, JW Marriott Hotel Hong Kong, 1 Pacific Place, 88 Queensway, Hong Kong on Tuesday, 23 May 2006 at 10:00 a.m.
“Articles of Association”	the articles of association of the Company, as originally adopted or as from time to time altered in accordance with the Companies Law (Chapter 22) of the Cayman Islands or any applicable laws
“Board”	the board of Directors
“Buyback Mandate”	the general mandate authorising the Directors to exercise the power of the Company to repurchase Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the resolution approving the Buyback Mandate
“Code”	the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules
“Company”	Xinao Gas Holdings Limited, an exempted company incorporated in the Cayman Islands on 20 July 2000 with limited liability
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Group”	the Company and its subsidiaries
“Issue Mandate”	the general mandate authorising the Directors to allot, issue and deal with Shares not exceeding 20% of the issued share capital of the Company as at the date of passing of the resolution approving the Issue Mandate
“Latest Practicable Date”	25 April 2006, being the latest practicable date of ascertaining certain information contained in this circular prior to its publication
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“PRC”	the People’s Republic of China
“SFO”	the Securities and Futures Ordinance
“Shareholder(s)”	registered holder(s) of Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
“XGII”	Xinao Group International Investment Limited, formerly known as Easywin Enterprises Limited
“HK\$”	Hong Kong dollars, the lawfully currency of Hong Kong
“%”	per cent.



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)

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 One, Lippo Centre
89 Queensway
Hong Kong

Head office in the PRC:

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

28 April 2006

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES
AND TO REPURCHASE ITS OWN SHARES,
AMENDMENTS TO THE EXISTING ARTICLES OF ASSOCIATION,
RE-ELECTION OF RETIRING DIRECTORS
AND NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the proposed renewal of the general mandates to allot, issue and deal with Shares and to

LETTER FROM THE BOARD

repurchase its own Shares, the proposed amendments to the existing Articles of Association of the Company, and the proposed re-election of Directors and to seek your approval of the relevant ordinary resolutions and special resolution relating to these matters at the Annual General Meeting.

ISSUE MANDATE

On 23 May 2005, the Shareholders passed an ordinary resolution to give a general mandate to the Directors to allot, issue and deal with Shares. Such general mandate will lapse at the conclusion of the Annual General Meeting of the Company. It is therefore proposed to renew such general mandate at the Annual General Meeting.

Ordinary resolutions will be proposed at the Annual General Meeting to grant to the Directors the Issue Mandate, and authorise the extension of the Issue Mandate, details of which are set out in ordinary resolutions numbered 5A and 5C respectively in the notice of Annual General Meeting.

BUYBACK MANDATE

Also on 23 May 2005, the Shareholders passed an ordinary resolution to give a general mandate to the Directors to exercise the powers of the Company to repurchase its own Shares. Such general mandate will lapse at the conclusion of the Annual General Meeting of the Company. It is therefore proposed to renew such general mandate at the Annual General Meeting.

An ordinary resolution will be proposed at the Annual General Meeting to grant to the Directors the Buyback Mandate, details of which are set out in ordinary resolution numbered 5B in the notice of Annual General Meeting. The Shares which may be repurchased pursuant to the Buyback Mandate is limited to a maximum of 10% of the issued share capital of the Company as at the date of passing of the resolution approving the Buyback Mandate.

An explanatory statement as required under the Listing Rules, giving certain information regarding the Buyback Mandate, is set out in Appendix I to this circular.

AMENDMENTS OF THE EXISTING ARTICLES OF ASSOCIATION

Pursuant to paragraph E.2.1 of the Code and in particular, Rule 13.39(3) of the Listing Rules, the chairman of a meeting and/or directors who, individually or collectively, hold proxies in respect of shares representing 5% or more of the total voting rights at a particular meeting shall demand a poll in certain circumstances where, on a show of hands, a meeting votes in the opposite manner to that instructed in those proxies. If a poll is required under such circumstances, the chairman of the meeting should disclose to the meeting the total number of votes represented by all proxies held by directors indicating an opposite vote to the votes cast at the meeting on a show of hands. In the present form, the existing Article 80 of the Articles of Association does not provide that the chairman of a general meeting and/or any directors holding proxies representing 5% or more of the

LETTER FROM THE BOARD

total voting rights at such meeting shall demand a poll when the meeting, on a show of hands, votes in the opposite manner to that instructed in those proxies and the existing Article 81(a) of the Articles of Association provides there shall be no requirement for the chairman to disclose the voting figures on a poll, both of which are inconsistent with the Code.

Pursuant to paragraph A.4.2 of the Code, all directors appointed by the Board to fill a casual vacancy should be subject to election by Shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term should be subject to retirement by rotation at least once every three years. However, the existing Article 99 of the Articles of Association provide that any Director so appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office only until the next following annual general meeting and shall be eligible for re-election at that meeting.

In addition, the Stock Exchange made certain amendments to the Listing Rules which came into effect on 1 March 2006 whereby paragraph 4(3) of Appendix 3 and paragraph 5(1) of Appendix 13B to the Listing Rules have been amended to provide that a director may be removed by an ordinary resolution in general meeting instead of a special resolution. However, the existing Articles 106 (vii) and 122(a) of the Articles of Association provides that the Shareholders may at any general meeting by special resolution remove a Director.

In addition, the Directors propose to amend the definitions of “Listing Rules” and “subsidiary and holding company” in line with the requirements of Listing Rules and to amend Article 7 of the Articles of Association in order to clarify the source of funds for making the purchase of shares as required to be disclosed in the explanatory statement for repurchase of shares.

Accordingly, the Directors propose to the Shareholders at the Annual General Meeting to pass a special resolution to amend Articles 2, 7, 80, 81(a), 99, 106(vii) and 122(a) of the existing Articles of Association in order to bring the Articles of Association in line with the requirements of paragraph A.4.2 and E.2.1 of the Code, Rule 13.39(3) of the Listing Rules and the amended paragraph 4(3) of Appendix 3 and paragraph 5(1) of Appendix 13B to the Listing Rules.

RE-ELECTION OF RETIRING DIRECTORS

As at the Latest Practicable Date, the executive Directors of the Company are Mr. WANG Yusuo, Mr. YANG Yu, Mr. CHEN Jiacheng, Mr. ZHAO Jinfeng, Mr. QIAO Limin, Mr. JIN Yongsheng, Mr. YU Jianchao, Mr. CHEUNG Yip Sang and Mr. CHENG Chak Ngok; and non-executive Director of the Company is Ms. ZHAO Baoju and the independent non-executive Directors of the Company are Mr. WANG Guangtian, Ms. YIEN Yu Yu, Catherine and Mr. KONG Chung Kau.

LETTER FROM THE BOARD

Pursuant to Article 116 of the Articles of Association, Messrs. YANG Yu, CHEN Jiacheng, ZHAO Jinfeng, YU Jianchao and CHEUNG Yip Sang shall retire from office at the Annual General Meeting and shall be eligible for re-election. Details of the Directors proposed to be re-elected at the Annual General Meeting are set out in Appendix II to this circular.

ANNUAL GENERAL MEETING

The notice convening the Annual General Meeting is set out in pages 15 to 21 of this circular to consider the ordinary resolutions relating to, among others, the re-election of Directors, the Issue Mandate, the Buyback Mandate and the extension of the Issue Mandate and a special resolution relating to the amendments to the existing Articles of Association.

RIGHT TO DEMAND A POLL

Pursuant to Article 80 of the Articles of Association, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or any other applicable laws, rules or regulations or unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:-

- (a) by the chairman of the meeting;
- (b) by at least five Shareholders present in person or by proxy and entitled to vote; or
- (c) by any Shareholder or Shareholders present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all the Shareholders having the right to attend and vote at the meeting; or
- (d) by any Shareholder or Shareholders present in person or by proxy and holding Shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

On a show of hands, every Shareholder present in person (or, in the case of a member being a corporation, by its duly authorized representative) shall have one vote. On a poll, every Shareholder present in person (or, in the case of a member being a corporation by its duly authorized representative) or by proxy shall have one vote for each Share held by him. On a poll, a Shareholder entitled to more than one vote need not, if he votes, use all his votes or cast all the votes he uses the same way.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors believe that the granting of the Issue Mandate, the Buyback Mandate, the extension of the Issue Mandate, the amendments to the existing Articles of Association and the re-election of Directors are all in the best interests of the Company as well as the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favour of all the relevant ordinary resolutions and special resolution to be proposed at the Annual General Meeting.

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

This appendix serves as an explanatory statement, as required by the Listing Rules, to provide you with requisite information for your consideration of the Buyback Mandate.

1. EXERCISE OF THE BUYBACK MANDATE

Exercise in full of the Buyback Mandate, on the basis of 918,045,050 Shares in issue at the Latest Practicable Date could result in up to 91,804,505 Shares being repurchased by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held; or (iii) the revocation, variation or renewal of the Buyback Mandate by ordinary resolution of the Shareholders in general meeting, whichever occurs first.

2. REASONS FOR REPURCHASES

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per Share.

3. FUNDING OF REPURCHASES

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and Articles of Association and the applicable laws of the Cayman Islands. The law of the Cayman Islands provides that the amount to be repaid in connection with a Share repurchase may be paid from the profits of the Company and/or the proceeds of a new issue of Shares made for the purpose of the repurchase or out of capital, if the Company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. The Company may not purchase securities on the Main Board of the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

4. GENERAL

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited accounts contained in the 2005 annual report of the Company) in the event that the Buyback Mandate is exercised in full. However, the Directors do not propose to exercise the Buyback Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing position which in the opinion of the Directors are from time to time appropriate for the Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules, the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

None of the Directors and, to the best of their knowledge, having made all reasonable enquiries, none of their respective associates (as defined in the Listing Rules), have any present intention, if the Buyback Mandate is exercised, to sell Shares to the Company or its subsidiaries.

No connected person (as defined in the Listing Rules) of the Company has notified the Company that he has a present intention to sell Shares to the Company or has undertaken not to do so.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Mr. WANG Yusuo and Ms. ZHAO Baoju (the spouse of Mr. WANG), directors of the Company, together with XGII (a company which is beneficially owned as to 50% by Mr. WANG and 50% by Ms. ZHAO) were beneficially interested in an aggregate of 341,869,000 Shares, representing approximately 37.24% of the issued share capital of the Company. Based on such shareholdings and in the event that the Directors exercised in full the power to repurchase Shares under the Buyback Mandate, the shareholdings of Mr. WANG Yusuo and Ms. ZHAO Baoju together with XGII would be increased to approximately 41.38% of the issued share capital of the Company. Then, Mr. WANG Yusuo and Ms. ZHAO Baoju together with XGII could be required under Rule 26 of the Takeovers Code to make a mandatory offer in respect of all the issued shares of the Company by reason of such increase.

Save as aforesaid, the Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any purchases made under the Buyback Mandate. The Directors will use their best endeavours to ensure that the Buyback Mandate will not be exercised to the extent that the number of Shares held by the public would be reduced to less than 25 per cent. of the issued share capital of the Company. The Directors have no intention to exercise the Buyback Mandate which may result in possible mandatory offer being made under the Takeovers Code.

5. SHARE PURCHASED BY THE COMPANY

The Company had not repurchased any of its Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

6. SHARE PRICES

The table below is a summary of the monthly highest and lowest traded prices in each of the previous twelve months prior to the Latest Practicable Date and for the month of April 2006 up to the Latest Practicable Date:-

	Highest Traded Price HK\$	Lowest Traded Price HK\$
2005		
April	4.53	3.90
May	5.30	4.28
June	5.50	5.00
July	6.15	4.95
August	6.30	5.20
September	6.10	5.25
October	6.40	5.50
November	6.25	5.55
December	6.25	5.60
2006		
January	6.25	5.80
February	6.70	5.55
March	7.35	6.15
April (up to Latest Practice Date)	8.20	7.15

The following are the particulars of the Directors proposed to be elected at the Annual General Meeting:

MR. YANG YU

Mr. YANG Yu, aged 48, is an executive Director and the chief executive officer of the Company responsible for managing and implementing the Group's investment in the PRC, ensuring the safety of the Group's projects, securing gas supply and further increasing gas investments and markets in the PRC. He holds various directorships in 64 principal subsidiaries of the Group (as at the Latest Practicable Date, the Group had 98 principal subsidiaries) and in 6 jointly-controlled entities/associates of the Group. Prior to joining the Group in 1998, he worked at the China Oil and Gas Pipeline Bureau. He graduated from the Pipeline Bureau Staff College of the Ministry of Petroleum Industry in 1985, obtained a master's degree in banking from Renmin University of China in 1999 and a master's degree in business administration from Nanyang Technological University in Singapore in 2005. Mr. YANG has over 20 years of experience in the PRC gas industry. Mr. YANG is also the chairman of Veyong Bio-Chemical Company Limited, a PRC listed company, and an independent director of Kingdream Public Limited Company, a PRC listed company. Save as disclosed above, Mr. YANG has not held any positions with any members of the Group and in the last three years, Mr. YANG had not held any other directorships in any listed public companies.

Mr. YANG has entered into a service agreement with the Company for an initial term of three years commencing 1 March 2001, and the service agreement shall continue thereafter unless and until terminated by either party giving to the other not less than six months' prior written notice. The appointment is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company. Mr. YANG is the president of XGII, which is a controlling Shareholder of the Company. Save as disclosed above, Mr. YANG does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders of the Company. As at the Latest Practicable Date, save for the interest in share options granted by the Company to subscribe for 8,000,000 Shares, Mr. YANG did not have any other interests in the Shares within the meaning of Part XV of the SFO. The remunerations of executive Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions. Mr. YANG is entitled to an annual salary of HK\$800,000 for the year ended 31 December 2005.

Save as disclosed above, Mr. YANG has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election and there are no information that should be disclosed pursuant to rules 13.51(2)(h) to (v) of the Listing Rules.

MR. CHEN JIACHENG

Mr. CHEN Jiacheng, aged 43, is an executive Director and the general manager of the Company. Mr. CHEN joined the Group in 2002 and is responsible for business administration and management of the Group's gas projects. He holds various directorships in 43 principal subsidiaries of the Group and 6 jointly-controlled entities/associates of the Group. He holds a bachelor's degree in engineering from Northwest Industrial University and a master's degree in business administration from Tsinghua University. Mr. CHEN has over 15 years of experience in business administration and management. Save as disclosed above, Mr. CHEN has not held any positions with any members of the Group and in the last three years, Mr. CHEN had not held any other directorships in any listed public companies.

Mr. CHEN has entered into a service agreement with the Company for an initial term commencing 21 May 2003 and expiring on 29 February 2004, and the service agreement shall continue thereafter unless and until terminated by either party giving to the other not less than six months' prior written notice. The appointment is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company. Mr. CHEN does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders of the Company. As at the Latest Practicable Date, save for the interest in share options granted by the Company to subscribe for 6,500,000 Shares, Mr. CHEN did not have any other interests in the Shares within the meaning of Part XV of the SFO. The remunerations of executive Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions. Mr. CHEN is entitled to an annual salary of RMB72,243 for the year ended 31 December 2005.

Save as disclosed above, Mr. CHEN has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election and there are no information that should be disclosed pursuant to rules 13.51(2)(h) to (v) of the Listing Rules.

MR. ZHAO JINFENG

Mr. ZHAO Jinfeng, aged 38, is an executive Director and deputy general manager of the Company responsible for assisting the chief executive officer in managing and implementing the Group's investment projects in the PRC. He holds various directorships in 39 principal subsidiaries of the Group and 2 jointly-controlled entities/associates of the Group. He graduated from the Township and Village Enterprise Cadre College of the Ministry of Agriculture and worked at Langfang City Electrical Company as an economist for resources management prior to joining the Group in 1993. Mr. ZHAO has over 13 years of experience in the PRC gas industry. Save as disclosed above, Mr. ZHAO has not held any positions with any members of the Group and in the last three years, Mr. ZHAO had not held any other directorships in any listed public companies.

Mr. ZHAO has entered into a service agreement with the Company for an initial term of three years commencing 1 March 2001, and the service agreement shall continue thereafter unless and until terminated by either party giving to the other not less than six months' prior written notice. The appointment is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company. Mr. ZHAO is the brother of Ms. Zhao Baoju, a non-executive Director and a controlling Shareholder of the Company, and the brother-in-law of Mr. WANG Yusuo, the spouse of Ms. ZHAO Baoju, the chairman, an executive Director and a controlling Shareholder of the Company. Save as disclosed above, Mr. ZHAO does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders of the Company. As at the Latest Practicable Date, save for the interest in share options granted by the Company to subscribe for 6,500,000 Shares, Mr. ZHAO did not have any other interests in the Shares within the meaning of Part XV of the SFO. The remunerations of executive Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions. Mr. ZHAO is entitled to an annual salary of HK\$400,000 for the year ended 31 December 2005.

Save as disclosed above, Mr. ZHAO has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election and there are no information that should be disclosed pursuant to rules 13.51(2)(h) to (v) of the Listing Rules.

MR. YU JIANCHAO

Mr. YU Jianchao, aged 37, is the finance Director of the Company and has joined the Group since 1998. He holds various directorships in 27 principal subsidiaries of the Group. He graduated from the Hebei Economics and Finance College in 1993 and obtained a master's degree in business administration from China Europe Business School in 2005. Prior to joining the Group, he worked as the chief accountant for a number of foreign enterprises, including GSK (Langfang) Co., Ltd. and Nissin Foods Co., Ltd.. Mr. YU has over 17 years of experience in accounting and finance. Save as disclosed above, Mr. YU has not held any positions with any members of the Group. Mr. YU is an executive director of Enric Energy Equipment Holdings Limited, a company listed in Hong Kong.

Mr. YU has entered into a service agreement with the Company for an initial term of three years commencing 1 March 2001, and the service agreement shall continue thereafter unless and until terminated by either party giving to the other not less than six months' prior written notice. The appointment is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company. Mr. YU does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders of the Company. As at the Latest Practicable Date, save for the interest in share options granted by the Company to subscribe for 6,500,000 Shares, Mr. YU did not have any other interests in the Shares within the meaning of Part XV of the SFO. The remunerations of executive Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions. Mr. YU is entitled to an annual salary of HK\$400,000 for the year ended 31 December 2005.

Save as disclosed above, Mr. YU has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election and there are no information that should be disclosed pursuant to rules 13.51(2)(h) to (v) of the Listing Rules.

MR. CHEUNG YIP SANG

Mr. CHEUNG Yip Sang, aged 39, is an executive Director and deputy general manager of the Company responsible for exploring the piped gas market in the PRC. He holds various directorships in 24 principal subsidiaries of the Group and 6 jointly-controlled entities/associates of the Group. He holds a bachelor's degree in Legal Studies from The Chinese People's Armed Police Force Academy. Prior to joining the Group in 1998, he was the sales manager of Eastern Guangdong Region of Shantou Jiadan Beer Company Limited. Mr. Cheung has extensive experience in marketing and sales. Save as disclosed above, Mr. CHEUNG has not held any positions with any members of the Group and in the last three years, Mr. CHEUNG had not held any other directorships in any listed public companies.

Mr. CHEUNG has entered into a service agreement with the Company for an initial term commencing 10 April 2002 and expiring on 29 February 2004, and the service agreement shall continue thereafter unless and until terminated by either party giving to the other not less than six months' prior written notice. The appointment is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company. Mr. CHEUNG does not have any relationship with any other Directors, senior management, substantial Shareholders or controlling Shareholders of the Company. As at the Latest Practicable Date, save for the interest in share options granted by the Company to subscribe for 5,700,000 Shares, Mr. CHEUNG did not have any other interests in the Shares within the meaning of Part XV of the SFO. The remunerations of executive Directors are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions. Mr. CHEUNG is entitled to an annual salary of HK\$400,000 for the year ended 31 December 2005.

Save as disclosed above, Mr. CHEUNG has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election and there are no information that should be disclosed pursuant to rules 13.51(2)(h) to (v) of the Listing Rules.

NOTICE OF ANNUAL GENERAL MEETING



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)

NOTICE IS HEREBY GIVEN that the annual general meeting (the “Meeting”) of Xinao Gas Holdings Limited (the “Company”) will be held at Ballroom, Level 3, JW Marriott Hotel Hong Kong, 1 Pacific Place, 88 Queensway, Hong Kong on Tuesday, 23 May 2006 at 10:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31 December 2005;
2. To declare a final dividend;
3. To re-elect retiring directors and to authorise the board of directors to fix the directors’ fees;
4. To re-appoint the auditors and to authorise the board of directors to fix their remuneration; and
5. As special business to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

A. “THAT:

- (a) subject to paragraph (c) below, and pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with any unissued shares in the capital of the Company and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options (including but not limited to

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warrants, bonds and debentures convertible into shares of the Company) which might require the exercise of such power after the end of the Relevant Period (as hereinafter defined);

- (c) the aggregate nominal value of the share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) an issue of shares upon the exercise of the subscription rights attaching to any warrants which may be issued by the Company from time to time; or (iii) an issue of shares upon the exercise of options which may be granted under any option scheme or similar arrangement for the time being adopted or to adopt for the grant or issue to any officers, employees and/or directors of the Company and/or any of its subsidiaries and/or any other participants of such scheme or arrangement of shares or rights to acquire shares; or (iv) any scrip dividend scheme or similar arrangement providing for the allotment and issue of shares in lieu of the whole or part of a dividend on shares in accordance with the articles of association of the Company; or (v) a specific authority granted by the shareholders of the Company in general meeting, shall not exceed 20 per cent. of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of this Resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this Resolution; and

“Rights Issue” means an offer of shares or issue of options, warrants or other securities giving the right to subscribe for shares, open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of shareholders of the Company (and, where appropriate, to holders of other securities of the Company entitled to

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the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities), subject in all cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company.”

B. “THAT:

- (a) subject to paragraph (b) below, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to repurchase securities of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other Stock Exchange as amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal value of the shares in the capital of the Company repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period (as hereinafter defined) shall in the case of shares not exceed 10 per cent. of the aggregate nominal value of the share capital of the Company in issue as at the date of passing of this Resolution, and the authority granted pursuant to paragraph (a) above shall be limited accordingly; and
- (c) for the purposes of this Resolution,

“Relevant Period” means the period from the passing of this Resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company; or
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; or
- (iii) the passing of an ordinary resolution by shareholders of the Company in general meeting revoking, varying or renewing the authority given to the directors of the Company by this Resolution.”

- C. “THAT** conditional upon Resolutions numbered 5A and 5B set out in the notice of this meeting being passed, the general mandate granted to the directors of the Company and for the time being in force to exercise the powers

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of the Company to allot, issue and deal with any unissued shares pursuant to Resolution numbered 5A set out in the notice of this meeting be and is hereby extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company under the authority granted pursuant to Resolution numbered 5B set out in the notice of this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal value of share capital of the Company in issue as at the date of passing of the said Resolution.”

6. As special business, to consider and, if thought fit, pass the following resolution as a special resolution of the Company:

SPECIAL RESOLUTION

“**THAT** the articles of association of the Company be and are hereby amended in the following manner:–

- (a) Article 2

By deleting the existing definitions of “Listing Rules” and “subsidiary and holding company” in their entirety and replacing therefor the following new definitions of “Listing Rules” and “subsidiary and holding company” with their marginal notes respectively :

“Listing Rules	“Listing Rules” shall mean the Rules Governing the Listing of Securities on the Exchange as amended from time to time and such guidelines and documents as may be issued by the Exchange in relation to thereto from time to time;”
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“subsidiary and holding company	the meanings attributed to them in the Listing Rules or if there is none, in the Companies Ordinance.”
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- (b) Article 7

By inserting the following sentence at the end of the last sentence thereof :

“The Company may make payments in respect of a purchase of its shares out of capital or out of any other account or in any manner permitted by the Law.”

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(c) Article 80

By deleting the full-stop at the end of sub-paragraph (d), replacing therewith a semicolon and the word “or” and inserting the following new sub-paragraph (e) :

“(e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at such meeting.”

(d) Article 81(a)

By inserting the following sentence at the end of the last sentence thereof:

“The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the Listing Rules.”

(e) Article 99

By deleting the existing Article 99 in its entirety and substituting therefor the following new Article and its marginal note:

Board may fill vacancies appoint additional Directors	99. “The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next following annual general meeting of the Company (in the case of an addition to the existing Board), and shall then be eligible for re-election at the general meeting.”;
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(f) Article 106(vii)

By deleting the words “special resolution” in the first and second lines of Article 106(vii) and replacing them with the words “ordinary resolution”; and

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(g) Article 122(a)

By deleting the existing Article 122(a) in its entirety and substituting therefor the following new Article and its marginal note:

Power to remove Director by ordinary resolution	122.(a) "The Company may by ordinary resolution at any time remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead. Any person so elected shall hold office during such time only as the Director in whose place he is elected would have held the same if he had not been removed."
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By Order of the Board
XINAO GAS HOLDINGS LIMITED
CHENG Chak Ngok
*Executive Director and
Company Secretary*

Hong Kong, 28 April 2006

Principle place of business in Hong Kong:

Rooms 3101-03, 31st Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

Notes:

1. Every shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
3. Completion and delivery of the form of proxy will not preclude a shareholder of the Company from attending and voting at the Meeting if the shareholder of the Company so desires.

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4. Where there are joint registered holders of any share in the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members in respect of the relevant joint holding.
5. For the purpose of determining the entitlements to the proposed final dividend and the identity of shareholders of the Company who are entitled to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 8 May 2006 to Tuesday, 23 May 2006, both days inclusive, during which period no transfer of shares in the Company will be effected. In order to qualify for the proposed final dividend, all transfers of shares in the Company accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712 - 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:00 p.m. on Thursday, 4 May 2006.
6. With regard to item no.3 in this notice, the board of directors of the Company proposes that the retiring directors of the Company, namely Messrs. YANG Yu, CHEN Jiacheng, ZHAO Jinfeng, YU Jianchao and CHEUNG Yip Sang be re-elected as directors of the Company. Particulars of the said retiring directors are set out in the Appendix II to the circular to the shareholders of the Company dated 28 April 2006.
7. With regard to the resolutions referred to in items 5A, 5B, 5C and 6 of this notice, the board of directors of the Company proposes to seek its shareholders' approval of the general mandates to issue shares in the Company and to repurchase shares in the Company and the amendments to the articles of association of the Company and a circular in connection with such proposals will be despatched to the shareholders of the Company together with the 2005 Annual Report of the Company.
8. As at the date of this notice, the board of director of the Company comprises nine executive directors, namely 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 and Mr. CHENG Chak Ngok; one non-executive director, namely Ms. ZHAO Baoju; and three independent non-executive directors, namely Mr. WANG Guangtian, Ms. YIEN Yu Yu, Catherine and Mr. KONG Chung Kau.