

**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 OF THE COMPANY  
AND  
RE-ELECTION OF DIRECTORS**

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A notice convening the Annual General Meeting of XinAo Gas Holdings Limited to be held at Salon 6, Level 3, JW Marriott Hotel Hong Kong, 1 Pacific Place, 88 Queensway, Hong Kong on Friday, 28 May 2004 at 10:00 a.m. is set out on pages 10 to 22 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 Rooms 1901-5, 19th 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.

30 April 2004

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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 Salon 6, Level 3, JW Marriott Hotel Hong Kong, 1 Pacific Place, 88 Queensway, Hong Kong on Friday, 28 May, 2004 at 10:00 a.m.
“Board”	the board of Directors
“Buyback Mandate”	the general mandate 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
“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
“Issue Mandate”	the general mandate 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”	28 April 2004, 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
“PRC”	the People’s Republic of China
“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 of Hong Kong
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
“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  
Mr. Yang Yu  
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  
Mr. Xu Liang

*Registered Office:*

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

*Principal office in Hong Kong:*

Offices Nos. 1-3, 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

30 April 2004

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 OF THE COMPANY  
AND  
RE-ELECTION OF DIRECTORS**

**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 repurchase its own Shares and the proposed amendments to the existing articles of association of the Company, and to

## **LETTER FROM THE BOARD**

seek your approval of the relevant ordinary resolutions and special resolution relating to these matters at the Annual General Meeting.

### **ISSUE MANDATE**

On 21 May 2003, 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 forthcoming 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 4A and 4C respectively in the notice of Annual General Meeting.

### **BUYBACK MANDATE**

Also on 21 May 2003, 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 forthcoming 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 4B 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 the Appendix I to this circular.

### **AMENDMENTS OF EXISTING ARTICLES OF ASSOCIATION**

Listing Rules have recently been amended. Listed issuers are required to amend their articles of association to ensure compliance with the amended provisions of Appendix 3 of the Listing Rules including the following provisions which became effective on 31 March 2004:–

- (1) the minimum seven-day period for lodgment by shareholders of the notice to nominate a director shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days before the date of such meeting;
- (2) directors shall abstain from voting at the board meeting on any matter in which any of his associates has a material interest and are not to be counted towards the quorum of the relevant board meeting; and
- (3) where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

## **LETTER FROM THE BOARD**

Accordingly, the Directors propose to the shareholders to approve a special resolution at the Annual General Meeting to amend the relevant provisions of the existing articles of association of the Company in order to bring the articles of association of the Company in line with the amended provisions of Appendix 3 of the Listing Rules.

### **ANNUAL GENERAL MEETING**

The notice convening the Annual General Meeting at which ordinary resolutions and a special resolution will be proposed to approve the Issue Mandate, the Buyback Mandate, the extension of the Issue Mandate and the amendments to the existing articles of association is set out in pages 10 to 22 of this circular.

### **RIGHT TO DEMAND A POLL**

Pursuant to article 80 of articles of association of the Company, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands 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; or
- (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.

### **RECOMMENDATION**

The Directors believe that the granting of the Issue Mandate, the Buyback Mandate and the extension of the Issue Mandate and, the proposed amendments to the existing articles of association are all in the best interests of the Company as well as to the Shareholders. Accordingly, the Directors recommend that all the Shareholders should vote in favour of all the aforesaid resolutions.

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 867,100,000 Shares in issue at the Latest Practicable Date could result in up to 86,710,000 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 of the Company 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 2003 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, Easywin Enterprises Limited together with its associates (as defined in the Listing Rules) were beneficially, interested in an aggregate of 413,344,000 Shares, representing approximately 47.67% 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 Easywin Enterprises Limited together with its associates would be increased to approximately 52.97% of the issued share capital of the Company. The Directors are not aware of any consequence which may arise under the Takeovers Code as a consequence of any repurchases made under the Buyback Mandate.

#### **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.

	<b>Highest Traded Price</b> <i>HK\$</i>	<b>Lowest Traded Price</b> <i>HK\$</i>
<b>2003</b>		
April	2.000	1.800
May	2.450	1.960
June	2.675	2.050
July	2.800	2.325
August	3.525	2.700
September	3.875	3.250
October	4.500	3.600
November	4.450	3.950
December	4.500	4.050
<b>2004</b>		
January	4.300	3.800
February	4.275	3.525
March	4.600	3.800
April (up to Latest Practicable Date)	4.250	3.100

## APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED

The following are the particulars of the four Directors (as required by the Listing Rules) proposed to be re-elected at the AGM to be held on 28 May 2004.

1. Mr. WANG Yusuo, aged 39, chairman and executive Director. Mr. Wang is the co-founder of the Company and has been an executive Director of the Company since 2000. Mr. Wang holds various directorships and chairmanships in the subsidiaries of the Group. He holds a master's degree in management from the Tianjin University of Finance and Economics, and is currently a committee member of the Ninth Chinese People's Political Consultative Conference and a Vice Chairman of the Tenth Executive Committee of the All-China Federation of Industry and Commerce. Mr. Wang has entered into a service agreement with the Company for an initial term of three years commencing on 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. Mr. Wang is the spouse of Ms. Zhao Baoju, a non-executive Director of the Company, whose brother is Mr. Zhao Jinfeng, an executive Director and deputy general manager of the Company. Mr. Wang is also a director and a controlling shareholder of Easywin Enterprises Limited, a controlling shareholder of the Company. Save as disclosed above, he does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Wang has an interest of 411,044,000 shares and 2,300,000 share options of the Company within the meaning of Part XV of the SFO. The emoluments of 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.
2. Ms. Zhao Baoju, aged 38, non-executive Director. She is the co-founder of the Company and has been a non-executive director of the Company since 2000. She is also a director of Xinao Gas Investment Group Limited, a wholly owned subsidiary of the Company. She graduated from the Hebei Medical College Nursing School in 1987 and the Chinese Language Faculty of Capital Normal University in 1998. She has entered into a service agreement with the Company for an initial term of three years commencing on 1 March 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. Ms. Zhao is the spouse of Mr. Wang Yusuo, the chairman and executive Director of the Group, and the sister of Mr. Zhao Jinfeng, an executive Director and deputy general manager of the Company. Ms. Zhao is also a director and a controlling shareholder of Easywin Enterprises Limited, a controlling shareholder of the Company. Save as disclosed above, she does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. Ms. Zhao is deemed to have an interest of 411,044,000 shares and 2,300,000 share options of the Company within the meaning of Part XV of the SFO. The annual Director's fee of Ms. Zhao as a non-executive Director is HK\$60,000.

<b>APPENDIX II      DETAILS OF DIRECTORS PROPOSED TO BE RE-ELECTED</b>
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3. Mr. CHEN Jiacheng, aged 41, executive Director and executive general manager. Mr. Chen joined the Group in 2002 and has been an executive Director of the Company since 2003. He holds various directorships in the subsidiaries of the Group. He holds a bachelor's degree in engineering from Northwest Industrial University and a master's degree in business administration from Tsing Hua University. Mr. Chen has entered into a service agreement with the Company for an initial term commencing on 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. Mr. Chen does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Chen is the beneficial owner of 2,300,000 share options of the Company within the meaning of Part XV of the SFO. The emoluments of 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.
  
4. Mr. Wang Guangtian, aged 40, independent non-executive Director. He has been an independent non-executive Director of the Company since 2000. He holds a master's degree in world economics from Hebei University. He has entered into a service agreement with the Company for a term of three years commencing on 1 March 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. Mr. Wang does not have any relationship with any other directors, senior management, substantial shareholders or controlling shareholders of the Company nor have any interest in the shares of the Company within the meaning of Part XV of the SFO. The annual Director's fee of Mr. Wang as an independent non-executive Director and also a member of the Audit Committee is HK\$60,000.

## 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 OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (the “Meeting”) of Xinao Gas Holdings Limited (the “Company”) will be held at Salon 6, Level 3, JW Marriott Hotel Hong Kong, 1 Pacific Place, 88 Queensway, Hong Kong on Friday, 28 May 2004 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 2003;
2. To re-elect retiring directors and to authorise the board of directors to fix the directors’ fees; and
3. To re-appoint the auditors and to authorise the board of directors to fix their remuneration.
4. 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;

## NOTICE OF ANNUAL GENERAL MEETING

- (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 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 of the total nominal value of 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;
  
- (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

## NOTICE OF ANNUAL GENERAL MEETING

“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 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 securities 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 of the total nominal value of 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”

## NOTICE OF ANNUAL GENERAL MEETING

- C. “**THAT** conditional upon Resolutions numbered 4A and 4B 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 of the Company to allot, issue and deal with any unissued shares pursuant to Resolution numbered 4A 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 4B set out in the notice of this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate of the total nominal value of share capital of the Company in issue as at the date of passing of the said Resolution.”
5. As special business, to consider and, if thought fit, to pass the following resolution as a special resolution of the Company:–

### SPECIAL RESOLUTION

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

- (a) Article 2

by deleting the definition of subsidiary and holding company and substituting therefor the following:

“subsidiary” and “holding company” shall have the meanings ascribed to them under the Listing Rules.

## NOTICE OF ANNUAL GENERAL MEETING

(b) Article 16

by deleting the existing Article 16 in its entirety and substituting therefor the following new Article and its marginal note:–

16. Every person whose name is entered as a member in the register shall be entitled to receive within such period of time as may be prescribed by the Companies Ordinance or the Listing Rules after allotment or lodgment of a transfer (or within such other period as the conditions of issue shall provide) one certificate for all his shares or, if he so request, in a case where the allotment or transfer is of a number of shares in excess of the number for the time being forming the stock exchange board lot, upon payment, (i) in the case of an allotment, of a fee not exceeding such maximum amount as may from time to time be prescribed by the Listing Rules for every certificate after the first; or (ii) in the case of a transfer, of a fee not exceeding such maximum amount as may from time to time be prescribed by the Listing Rules for every certificate, such number of certificates for shares in stock exchange board lots or multiples thereof as he shall request and one for the balance (if any) of the shares in question, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue a certificate or certificates to each other person, and the issue and delivery of a certificate or certificates to one of several joint holders shall be sufficient delivery to all such holders.

Share certificates

(c) Article 42

by adding the words “of share (not being a fully paid up share)” after the word “transfer” in the first line of Article 42.

(d) Article 43

by deleting the words “without charge” after the word “issued” and “him” in the fourth line and the eighth line of Article 43 and substituting therefor the words “with a fee not exceeding such maximum amount as may from time to time be prescribed by the Listing Rules”.



## NOTICE OF ANNUAL GENERAL MEETING

- (e) Article 80
  - (i) By adding the words “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” immediately before the word “unless” in the first sentence of Article 80;
  - (ii) By adding the words “a poll is so taken as required under the Listing Rules or any other applicable laws, rules or regulations or unless” immediately after the word “Unless” at the beginning of the second paragraph of Article 80.
- (f) Article 81
  - (i) By adding the words “required or” immediately before the word “demanded” in the first line, the seventh line and the twelfth line of Article 81(a);
  - (ii) By adding the words “requirement or” immediately before the word “demand” in the first line of Article 81(b).
- (g) Article 83

By adding the words “required or” immediately before the word “demanded” in the fourth line of Article 83.
- (h) Article 89(a)

By renumbering the existing Article 89(a) as Article 89(a)(i) and adding the following new paragraph (ii):–

  - (ii) Where any member is, under any applicable laws or the Listing Rules from time to time, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.
- (i) Article 106(vii)

By deleting the words “special resolution” in the first line of Article 106(vii) and replacing it with the words “ordinary resolution”.

## NOTICE OF ANNUAL GENERAL MEETING

- (j) Article 107(c), (e) and (f)
- (i) By deleting the existing paragraph (c) of Article 107 in its entirety and substituting therefor the following new paragraph (c) and its marginal note:–
- (c) A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:–
- Director may not vote where he has a material interest
- (i) the giving of any security or indemnity either:–
- Director may vote in respect of certain matters
- (aa) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

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- (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iii) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in the shares of that company, provided that, the Director, and any of his associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:–
  - (aa) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or his associate(s) may benefit; or

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- (bb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
  
  - (v) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (ii) By deleting the existing paragraph (e) of Article 107 in its entirety and substituting therefor the following new paragraph (e) and its marginal note:—
- |   |  |
|---|--|
| <p>(e) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director or his associate(s) or the significance of a contract, arrangement or transaction or proposed contract, arrangement or transaction or as to the entitlement of any Director to vote or form part of a quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting (or, where question relates to the interest of the Chairman, to the other</p> | <p>Who to decide whether a Director may vote</p> |
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Directors at the meeting) and his ruling (or, as appropriate, the ruling of the other Directors) in relation to any other Director (or, as appropriate, the Chairman) shall be final and conclusive except in a case where the nature or extent of the interests of the Director and/or his associate(s) concerned (or, as appropriate, the Chairman) as known to such Director (or, as appropriate, the Chairman) has not been fairly disclosed to the Board.

(iii) By deleting the existing Article 107(f) in its entirety and substituting therefor the following new paragraph (f) and its marginal note:–

(f) For the purpose of paragraphs (c) and (e) of this Article, associate(s) mean, in relation to any Director of the Company:

Definition of  
“associate(s)”

- (i) his spouse;
- (ii) any child or step-child, natural or adopted, under the age of 18 years of such individual or of his spouse (together with (f)(i) above, the “family interests”);
- (iii) the trustees, acting in their capacity as such trustees, of any trust of which he or any of his family interests is a beneficiary or, in the case of a discretionary trust, is (to his knowledge) a discretionary object and any company (“trustee-controlled company”) in the equity capital of which the trustees, acting in their capacity as such trustees, are directly or indirectly interested so as to exercise or control the exercise of 30 per cent. (or such other amount as may from time to time be specified in the HK Code on Takeovers and Mergers as being the level for triggering a

## NOTICE OF ANNUAL GENERAL MEETING

mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary (together, the “trustee interests”);

- (iv) a holding company of a trustee-controlled company or a subsidiary of any such holding company; and
- (v) any company in the equity capital of which he, his family interests, any of the trustees referred to in (f)(iii) above, acting in their capacity as such trustees, and/or any trustee interests taken together are directly or indirectly interested so as to exercise or control the exercise of 30 per cent. (or such other amount as may from time to time be specified in the HK Code on Takeovers and Mergers as being the level for triggering a mandatory general offer) or more of the voting power at general meetings, or to control the composition of a majority of the board of directors and any other company which is its subsidiary or holding company or a fellow subsidiary of any such holding company.

(k) Article 116

By deleting the words “(other than the Managing Director or Joint Managing Director)” after the word “Directors” in the second line of Article 116.

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(l) Article 120

By deleting the existing Article 120 in its entirety and substituting therefor the following new Article and its marginal note:

<p>120. No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least 7 days. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting.</p>	<p>Notice to be given when person proposed for election</p>
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(m) Article 122(a)

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

<p>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.</p>	<p>Power to remove Director by ordinary resolution</p>
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By Order of the Board  
**XINAO GAS HOLDINGS LIMITED**  
**CHENG Chak Ngok**  
*Company Secretary*

Hong Kong, 30 April 2004

## NOTICE OF ANNUAL GENERAL MEETING

*Principal place of business in Hong Kong:*

Xinao Gas Holdings Limited,  
Offices Nos. 1-3, 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. In order to ascertain the identity of the shareholders for attending the forthcoming Meeting of the Company, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1901-5, 19th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the appointed time for holding the Meeting or any adjournment thereof.
3. 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, Rooms 1901-5, 19th 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.
4. 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.
5. With regard to item no.2 in this notice, the Board of Directors of the Company proposes that the retiring Directors, namely Mr. WANG Yusuo, Ms. ZHAO Baoju, Mr. CHEN Jiacheng and Mr. WANG Guangtian, be re-elected as Directors of the Company. Details of the said retiring Directors are set out in the Appendix II of the circular to shareholders dated 30 April 2004.