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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,
REFRESHMENT OF THE SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME,
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 Mont Blanc Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Tuesday, 29 May 2007 at 10:00 a.m. is set out on pages 16 to 20 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.

27 April 2007

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	
Introduction	4
Issue Mandate	4
Buyback Mandate	4
Refreshment of the Scheme Mandate Limit under the Share Option Scheme	4
Re-election of Retiring Directors	6
Annual General Meeting	6
Right to Demand a Poll	6
Recommendation	7
Appendix I — Explanatory Statement	8
Appendix II — Details of Directors Proposed to be Re-elected	11
Notice of Annual General Meeting	16

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 Mont Blanc Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Tuesday, 29 May 2007 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
“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”	23 April 2007, 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

DEFINITIONS

“Refreshment of the Share Option Scheme Mandate Limit”	the proposed refreshment of the Scheme Mandate Limit under the Share Option Scheme
“Scheme Mandate Limit”	the maximum number of Shares that may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company, which shall not in aggregate exceed 10% limit of the total number of Shares in issue as at the date of adoption of the Share Option Scheme
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the existing share option scheme of the Company adopted by the Company on 21 May 2002
“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 lawful 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. YU Jianchao
Mr. CHEUNG Yip Sang
Mr. CHENG Chak Ngok

Non-executive Directors:

Ms. ZHAO Baoju
Mr. JIN Yongsheng

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

27 April 2007

To the Shareholders

Dear Sir or Madam,

**PROPOSALS FOR
GENERAL MANDATES TO ISSUE SHARES
AND TO REPURCHASE ITS OWN SHARES,
REFRESHMENT OF THE SCHEME MANDATE LIMIT
UNDER THE SHARE OPTION SCHEME,
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 Refreshment of Share Option Scheme Mandate Limit and the proposed re-election of Directors and to seek your approval of the relevant ordinary resolutions relating to these matters at the Annual General Meeting.

ISSUE MANDATE

On 23 May 2006, 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. 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 2006, 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 are 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.

REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME

The Directors are also proposing to seek the approval of the Shareholders at the Annual General Meeting in relation to the Refreshment of the Scheme Mandate Limit.

The Company adopted the Share Option Scheme pursuant to an ordinary resolution passed on 21 May 2002.

LETTER FROM THE BOARD

Pursuant to the Listing Rules and the rules of the Share Option Scheme, the maximum number of Shares which may be issued upon the exercise of all options available to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed the Scheme Mandate Limit. The Scheme Mandate Limit may be refreshed by approval of the Shareholders in general meeting from time to time, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the total number of Shares in issue as at the date of approval. Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Notwithstanding the above, the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time and no options may be granted if this will result in the limit being exceeded.

In view of the substantial increase in issued share capital of the Company subsequent to the date of adoption of Share Option Scheme, the Board proposes to refresh the Scheme Mandate Limit to 10% of the total number of Shares in issue as at the date of approval of such refreshment, by passing an ordinary resolution by the Shareholders at the Annual General Meeting. As at the Latest Practicable Date, options carrying rights to subscribe for 59,400,000 Shares (representing approximately 6.1% of the total number of Shares in issue as at the Latest Practicable Date) were granted under the Share Option Scheme which have not yet been exercised. No options granted under the Share Option Scheme have been cancelled or lapsed.

Assuming that (i) there is no change in the issued share capital of the Company from the Latest Practicable Date up to the date of the Annual General Meeting; and (ii) the Refreshment of Share Option Scheme Mandate Limit is approved by the Shareholders at the Annual General Meeting, the Company will have 973,958,599 Shares in issue as at the date of the Annual General Meeting, and the refreshed Scheme Mandate Limit will allow the Company to issue under the Share Option Scheme a maximum of 97,395,859 Shares. Accordingly, the Directors believe that it is in the interest of the Company to refresh the Scheme Mandate Limit to permit the Company to have the right to grant more options under the Share Option Scheme, which will increase the flexibility of the Company to reward eligible participants in recognition of their contributions to the Company.

The Refreshment of Share Option Scheme Mandate Limit is conditional on:

- (i) the passing by the Shareholders of an ordinary resolution to approve the Refreshment of Share Option Scheme Mandate Limit at the Annual General Meeting; and
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and the permission to deal in, the Shares to be issued and allotted pursuant

LETTER FROM THE BOARD

to the exercise of the share options granted under the Scheme Mandate Limit as refreshed.

Application will be made to the Stock Exchange for the listing of, and permission to deal in, any Shares, which may fall to be issued upon the exercise of options that may be granted under the Scheme Mandate Limit as refreshed.

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

RE-ELECTION OF RETIRING DIRECTORS

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

Pursuant to Article 116 of the Articles of Association, Mr. WANG Yusuo, Mr. QIAO Limin, Mr. CHENG Chak Ngok, Ms. ZHAO Baoju and Mr. WANG Guangtian 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 16 to 20 of this circular to consider the ordinary resolutions relating to, among others, the Issue Mandate, the Buyback Mandate, the extension of the Issue Mandate, the Refreshment of Share Option Scheme Mandate Limit and the re-election of Directors.

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; or

LETTER FROM THE BOARD

- (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; or
- (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.

Pursuant to Article 85 of the Articles of Association, at any general meeting, 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 and 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, the extension of the Issue Mandate, the Refreshment of Share Option Scheme Mandate Limit 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 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 973,958,599 Shares in issue at the Latest Practicable Date could result in up to 97,395,859 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 2006 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 Yusuo), directors of the Company, together with XGII (a company which is beneficially owned as to 50% by Mr. WANG Yusuo and 50% by Ms. ZHAO Baoju) were beneficially interested in an aggregate of 341,869,000 Shares, representing approximately 35.10% 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 39.00% 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 2007 up to the Latest Practicable Date:-

	Highest Traded Price <i>HK\$</i>	Lowest Traded Price <i>HK\$</i>
2006		
April	8.20	6.70
May	8.60	7.00
June	8.10	6.50
July	7.60	6.70
August	7.42	6.84
September	8.17	6.90
October	8.09	7.45
November	9.70	7.75
December	9.75	8.12
2007		
January	8.63	7.03
February	7.84	7.10
March	8.56	7.39
April (up to Latest Practice Date)	9.19	7.97

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

MR. WANG Yusuo

Mr. WANG Yusuo, aged 43, is the co-founder, chairman and an executive Director of the Company. He is responsible for overseeing the Group's overall strategic planning and providing leadership for and overseeing the functioning of the Board. Mr. WANG has over 20 years of experience in the investment in, and the management of, the gas business in the PRC. He holds a master's degree in management from the Tianjin University of Finance and Economics. Mr. WANG is currently a committee member of the Tenth Chinese People's Political Consultative Conference and a Vice Chairman of the Ninth Executive Committee of the All-China Federation of Industry and Commerce. He has won various awards, including Hebei's Top 10 Outstanding Young Persons and Outstanding Entrepreneurs in China.

Mr. WANG holds various directorships in 96 principal subsidiaries of the Group. He is also the chairman of Enric Energy Equipment Holdings Limited, a Hong Kong listed company. Save as disclosed above, Mr. WANG has not held any positions with any members of the Group and in the last three years, he had not held any other directorships in any listed public companies.

Mr. WANG 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. WANG is a director and a controlling shareholder of XGII, which is a controlling Shareholder of the Company. Mr. WANG is the spouse of Ms. ZHAO Baoju and the brother-in-law of Mr. ZHAO Jinfeng. Mr. WANG and Ms. ZHAO Baoju jointly own various investment holding companies. Save as disclosed above, Mr. WANG 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 2,594,000 Shares, share options granted by the Company to subscribe for 700,000 Shares, and together with spouse, 100% interest in XGII, which holds 339,275,000 Shares, Mr. WANG 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. WANG is entitled to an annual remuneration of RMB1,345,000 for the year ended 31 December 2006.

Save as disclosed above, Mr. WANG 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. QIAO LIMIN

Mr. QIAO Limin, aged 48, is an executive Director of the Company responsible for coordination and operational matters of the Group. Prior to joining the Group in 1993, he worked at Baotou City Education College and was an assistant lecturer at Langfang City Health College. He graduated from Baotou City Education College in 1984. Mr. QIAO has over 14 years of experience in managing gas projects and supervising gas supply operations and safety.

He holds various directorships in 4 principal subsidiaries of the Group. Save as disclosed above, Mr. QIAO has not held any positions with any members of the Group and in the last three years, Mr. QIAO had not held any other directorships in any listed public companies.

Mr. QIAO 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. QIAO 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. QIAO 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. QIAO is entitled to an annual remuneration of RMB414,000 for the year ended 31 December 2006.

Save as disclosed above, Mr. QIAO 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. CHENG CHAK NGOK

Mr. CHENG Chak Ngok, aged 36, is an executive Director, financial controller and company secretary of the Company responsible for financial management, corporate finance, corporate governance as well as investor relations management. Prior to joining the Group in 2000, he worked at an international accounting firm and also worked as the chief accountant of a freight forwarding company. He graduated from Manchester Metropolitan University with a first class honours bachelor's degree in accounting and finance. He is a fellow member of the Association of Chartered Certified Accountants in England, and also an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in England. Mr. CHENG has over 14 years of experience in accounting, financial management and corporate finance.

Mr. CHENG has not held any positions with any principal subsidiaries of the Group, and in the last three years, Mr. CHENG had not held any other directorships in any listed public companies.

Mr. CHENG 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. CHENG is the financial controller of XGII, which is a controlling Shareholder of the Company. Save as disclosed above, Mr. CHENG 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 800,000 Shares, Mr. CHENG 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. CHENG is entitled to an annual remuneration of RMB538,000 for the year ended 31 December 2006.

Save as disclosed above, Mr. CHENG 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.

MS. ZHAO BAOJU

Ms. ZHAO Baoju, aged 41, is the co-founder and a non-executive Director of the Company. She has over 14 years of experience in investing in gas fuel projects in the PRC. She graduated from the Hebei Medical College Nursing School in 1987 and the Chinese Language Faculty of Capital Normal University in 1998.

Ms. ZHAO holds various directorships in 2 principal subsidiaries of the Group. She is also a non-executive director of Enric Energy Equipment Holdings Limited, a Hong Kong listed company. Save as disclosed above, Ms. ZHAO has not held any positions with any members of the Group and in the last three years, she had not held any other directorships in any listed public companies.

Ms. ZHAO was re-appointed by the Company for a term of three years commencing 1 March 2004, and the appointment 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.

Ms. ZHAO is a director and a controlling shareholder of XGII, which is a controlling shareholder of the Company. Ms. ZHAO is the spouse of Mr. WANG Yusuo and the sister of Mr. ZHAO Jinfeng. Ms. ZHAO and Mr. WANG Yusuo jointly own various investment holding companies. Save as disclosed above, Ms. 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 of spouse in 2,594,000 Shares, share options granted by the Company to her spouse to subscribe for 700,000 Shares, and together with spouse, 100% interest in XGII, which holds 339,275,000 Shares, Ms. ZHAO did not have any other interests in the Shares within the meaning of Part XV of the SFO.

The remunerations of non-executive Directors are determined by reference to the remuneration benchmark in the industry and the prevailing market conditions. Ms. ZHAO is entitled to an annual remuneration of RMB62,000 for the year ended 31 December 2006.

Save as disclosed above, Ms. ZHAO has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with her 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. WANG GUANGTIAN

Mr. WANG Guangtian, aged 43, is an independent non-executive Director appointed by the Company in 2001. He is also a chairman of the audit committee of the Company. He holds a master's degree in world economics from Hebei University and has over 24 years of experience in financial and administrative management. He is currently a vice president of Guofu Group and a director and the general manager of Guofu (Hong Kong) Holdings Limited.

Mr. WANG had been an executive director of China Sci-Tech Holdings Limited, a Hong Kong listed company in the past three years. Save as disclosed above, Mr. WANG has not held any positions with any members of the Group and in the last three years, he had not held any other directorships in any listed public companies.

Mr. WANG was re-appointed by the Company for a term of three years commencing 1 March 2007, and the appointment can be 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. WANG 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, Mr. WANG did not have any interests in the Shares within the meaning of Part XV of the SFO.

The remunerations of non-executive Directors are determined by reference to the remuneration benchmark in the industry and the prevailing market conditions. Mr. WANG is entitled to an annual remuneration of RMB62,000 for the year ended 31 December 2006.

Save as disclosed above, Mr. WANG 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 Mont Blanc Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Tuesday, 29 May 2007 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 2006;
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 warrants, bonds and debentures convertible into shares of the Company)

NOTICE OF ANNUAL GENERAL MEETING

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 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 the offer) on a fixed record date in proportion to their then holdings of

NOTICE OF ANNUAL GENERAL MEETING

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 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 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 of the Company to allot, issue and deal with any unissued shares pursuant to

NOTICE OF ANNUAL GENERAL MEETING

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 with or without amendments, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

REFRESHMENT OF THE SCHEME MANDATE LIMIT UNDER THE SHARE OPTION SCHEME

“**THAT** subject to and conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in shares of the Company (the “Shares”) to be issued pursuant to the exercise of options which may be granted under the Refreshed Limit (as hereinafter defined), the refreshment of the scheme mandate limit of the share option scheme of the Company adopted on 21 May 2002 (the “Share Option Scheme”), up to 10 per cent. of the total number of Shares in issue as at the date of passing of this Resolution (the “Refreshed Limit”) be and is hereby approved and that directors of the Company be and are hereby authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of any such options up to the Refreshed Limit.”

By Order of the Board
XINAO GAS HOLDINGS LIMITED
CHENG Chak Ngok
Executive Director and
Company Secretary

Hong Kong, 27 April 2007

Principal place of business in Hong Kong:
Rooms 3101-03, 31st Floor
Tower One, Lippo Centre
89 Queensway
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

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.
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 Friday, 25 May 2007 to Tuesday, 29 May 2007, 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 4:30 p.m. on Wednesday, 23 May 2007.
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 Mr. WANG Yusuo, Mr. QIAO Limin, Mr. CHENG Chak Ngok, Ms. ZHAO Baoju and Mr. WANG Guangtian 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 27 April 2007.
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 refreshment of share option scheme mandate limit and a circular in connection with such proposals will be despatched to the shareholders of the Company together with the 2006 Annual Report of the Company.
8. As at the date of this notice, the board of director of the Company comprises eight executive directors, namely Mr. WANG Yusuo (Chairman), Mr. YANG Yu (Chief Executive Officer), Mr. CHEN Jiacheng, Mr. ZHAO Jinfeng, Mr. QIAO Limin, Mr. YU Jianchao, Mr. CHEUNG Yip Sang and Mr. CHENG Chak Ngok; two non-executive directors, namely Ms. ZHAO Baoju and Mr. JIN Yongsheng; and three independent non-executive directors, namely Mr. WANG Guangtian, Ms. YIEN Yu Yu, Catherine and Mr. KONG Chung Kau.