

[For Immediate Release]

**XINAO GAS ENTERS INTO LETTER OF INTENT WITH WORLD FAMOUS PIPELINE
ENGINEERING AND TECHNOLOGY COMPANY ADVANTICA**

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**A COLLABORATION IN NATURAL GAS TRANSPORTATION, STORAGE,
DISTRIBUTION, OPERATING PERFORMANCE AND ENGINEERING TECHNOLOGY**

(Hong Kong, 29 November 2001) – Xinao Gas Holdings Limited (“Xinao Gas” or “the Group”) (Stock Code: 8149), the non state-owned gas distributor, announced that it has signed a letter of intent with Advantica Technologies Ltd. (“Advantica”), a subsidiary of the UK-based infrastructure technology group, Lattice Group. Both parties will collaborate closely in the transportation, storage, distribution, operating performance and engineering technology of natural gas, for the purpose of improving the gas supply technology of Xinao Gas.

Under the cooperation, Advantica will seek to understand Xinao Gas’s training needs and provide training where appropriate. Advantica will also provide consultancy services that will address the key technological challenges Xinao Gas will encounter as its business develops, and to provide engineering support when necessary. Furthermore, both parties agree to jointly explore business opportunities in the PRC natural gas distribution sector. Each of Advantica and the Group will appoint liaison officers for regular contacts and to arrange annual management review meetings for the next three years.

Mr. Wang Yusuo, Chairman of Xinao Gas, said, “Advantica is a well-known UK-based technology company focusing on the provision of pipeline-related advanced technological and management services to top notch oil and natural gas and petro-chemical companies. It has extensive experience in network planning and pipeline design for transmission and intermediate pipeline networking projects, full life-cycle asset management, and the delivery of professional training courses for customers across the energy and pipeline industries. In addition, Advantica has over thirty years of first-hand experience in servicing the UK natural gas infrastructure, one of the largest and most sophisticated natural gas distribution networks in the world. I am very pleased that Xinao can have this cooperation with Advantica, a company with international standard in pipeline engineering and technology. This will enhance the Group’s pipeline engineering technology even further and lift the Group’s capabilities in gas supply technology.”

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Formerly the technological development department of well-known British Gas plc., Advantica was established after a merger of the pipeline engineering department and the technological training department of the UK network company Transco, a company under the previous UK natural gas corporation, Lattice Group. Advantica is an integrated technology company specialising in technology, innovative technological development, engineering technology services and technological training. Headquartered in the UK, Advantica also has offices in Houston and Charlotte, among other locations in the US. Advantica's major business consists of pipeline transmission projects, including air and water transmission, land and marine transmission, high pressure distant pipeline transmission and gas supply networks for districts, metallic and non-metallic pipelines, pipeline planning and design, pipeline construction, network operation and monitoring, pipeline inspection, assessment and maintenance. Advantica has provided quality technology services to many prominent oil and natural gas companies such as the BG Group, Transco, BP, Shell, Total FinaElf, Exxon/Esso and the TransCanada Pipeline. Advantica is a core member of Natural Gas Pipeline Industry Associations in both Europe and North America. Recently, Advantica acquired US-based Stoner Associates Inc. ("Stoner") Stoner's client base across forty-eight countries worldwide enables Advantica to further expand its service scope.

Mr. Wang concluded, "The Group's cooperation with Advantica will focus on technological exchange, which will help to improve technological standards in network modification and new network construction for the Group. It will also increase network project efficiencies and assure the safety and reliability of pipeline operation. Most importantly, the enhancement in network construction technology will further reduce construction and operation costs, thus increasing profit for the Group."

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ABOUT XINAO GAS HOLDINGS LIMITED

Xinao Gas is mainly engaged in the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped gas. The Group's other business activities include the sale of gas appliances and equipment, as well as the provision of repair and maintenance services. Currently, the Group's business has expanded from Langfang City in Hebei Province to Liaocheng, Zhucheng, Yantai, and Huangdao and Chengyang of Qingdao City located in Shandong Province, Miyun, Pinggu and Changping in Beijing Municipality, Huludao in Liaoning Province and Bengbu City in Anhui Province, a total of 11 regions.

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