



Towngas

The Hong Kong and China Gas Company Limited

Press Release

The notes and the guarantees have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and, subject to certain exceptions, may not be offered or sold within the United States. The notes and guarantees are being offered and sold outside the United States in reliance on Regulation S and within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act ("Rule 144A"). This announcement is not for distribution, directly or indirectly, in or into the United States. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. No public offering of the notes will be made in the United States.

**HKCG (Finance) Limited, a wholly-owned subsidiary of
The Hong Kong and China Gas Company Limited,
prices inaugural bond offering of
US\$1 billion 6.25% Guaranteed Notes due 2018**

(Hong Kong, 1 August, 2008) – The Hong Kong and China Gas Company Limited ("HKCG", SEHK: 3), a leading piped city-gas operator in Hong Kong and the PRC, announced that it has entered into a subscription agreement with The Hongkong and Shanghai Banking Corporation and Morgan Stanley in connection with the issue and sale of US\$1 billion Reg S/Rule 144A Guaranteed Notes issued by its wholly-owned subsidiary and guaranteed by HKCG, after the completion of a roadshow in Singapore, Hong Kong, London and certain US cities.

The Notes will be issued in the principal amount of US\$1 billion (HK\$7.8 billion) at a fixed coupon rate of 6.25% per annum, and at an issue price of 99.319%. The Notes have a maturity of 10 years. HKCG will apply the net proceeds towards the refinancing of part of the existing indebtedness of the group, funding capital expenditures of HKCG or the group, or for general corporate purposes. The Hongkong and Shanghai Banking Corporation and Morgan Stanley acted as the joint bookrunners and joint lead managers.

The transaction is the largest investment grade corporate debt issue to-date from Asia in 2008. Notwithstanding a challenging market environment, HKCG's new issue was able to price within a narrow favourable market window on the back of falling US Treasury yields and was successfully priced at the tight end of the revised price guidance at 237.5bps over 10-year US Treasury. The issue was very well-received with the final orderbook mainly consisting of top quality investors, who viewed HKCG as a quality investment opportunity.

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The Notes have been assigned a rating of A1 (stable) from Moody's and A+ (stable) from Standard & Poor's. Application has been made for listing of and permission to deal in the Notes and the Notes are expected to be listed on The Stock Exchange of Hong Kong Limited on 8 August 2008.

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