



## News Release

### **Towngas Partners with Panva to Grow Piped Gas Businesses in Mainland China**

HONG KONG, December 4, 2006 -- The Hong Kong and China Gas Company Limited (“Towngas”) and Panva Gas Holdings Limited (“Panva”) jointly announced today that Panva will acquire equity interests in 10 Mainland China piped gas companies and shareholder loans from Towngas. Panva will issue approximately 773 million new shares to Towngas, equaling to 45% of Panva’s enlarged share capital, making Towngas the largest shareholder in Panva.

The transaction is conditional on Panva and Enerchina Holdings Limited (“Enerchina”) shareholders approving the acquisition and the issuance of new shares. The transaction is also conditional on, among other things, the SFC granting and Panva independent shareholders voting in favor of a Whitewash Waiver dispensing Towngas’ obligation to make a mandatory general offer under Rule 26 of the Takeovers Code.

“Towngas is extremely pleased to announce our partnership with Panva,” said Towngas Managing Director Alfred Chan Wing-kin. “The transaction represents a significant milestone in achieving the goal of becoming the premier piped gas operator in Asia. The combination of our 45% stake in Panva and our directly-held piped gas operations improves our ability to capitalize on the rapid development of piped gas infrastructure in the Mainland.”

“On a combined basis, Towngas and Panva will have 60 projects spanning 55 cities and 12 provinces across mainland China,” added Mr. Chan. “For Panva, the acquisition of our eight projects in Shandong province and two in Anhui will create an even more robust footprint across Northeast and East China in addition to their significant Sichuan operations.”

“We will work closely together and support Panva as a platform for future piped gas investments in the Mainland, further strengthening their position in China’s piped gas market,” said Towngas’ Mr. Chan.

“This is an important transaction for Panva that builds on the growth we have achieved since we entered the piped gas business,” commented Thomas Ou Yaping, Chairman of Panva. “With this acquisition, Panva will have a portfolio of 35 piped gas projects in 32 cities serving over 1.7 million users, with combined piped gas sales volume of 367 million cubic metres in the first half of 2006.”

“We are excited about the prospects of operational synergies as well as the value-add that Towngas will bring as our largest shareholder after the transaction,” added Mr. Ou. “Towngas’ financial strength and extensive expertise in the areas of project management,



engineering, marketing, customer service and safety will be invaluable to our continued growth.”

Panva will be acquiring equity interests in 10 private Mainland piped gas companies, held indirectly through intermediate holding companies of Hong Kong & China Gas (China) Limited (“HK&CG (China)”), a wholly-owned subsidiary of Towngas. HK&CG (China) owns equity interests ranging from 27% to 100% in these 10 PRC piped gas companies, which operate in various cities including Qingdao, Zibo, Longkou, Weifang, Weihai, Taian, Maanshan and Anqing.

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### **The Hong Kong and China Gas Company Limited (003.HK)**

Founded in 1862, The Hong Kong and China Gas Company Limited (“Towngas”) was the first public utility company in Hong Kong. With a pipeline network of over 3,000 km and an 85% economic reach, the company supplies gas to over 1.6 million customers in the territory. Its core business comprises the production and distribution of gas, the marketing of gas and appliances and comprehensive after-sale services. In recent years, Towngas has diversified into various environmentally friendly businesses including LPG filling stations and the utilization of landfill gas.

Towngas is active in developing city piped gas businesses, LNG businesses and a number of midstream projects in the Mainland. In 2005, Towngas also began to develop city water projects, including water supply and water treatment. Towngas operates more than 40 joint venture companies in the Mainland.

### **Panva Gas Holdings Limited (1083.HK)**

Panva Gas Holdings Limited (“Panva”) is a leading market player in LPG and natural gas businesses in China. Its principal activities are the sale and distribution of LP Gas and natural gas in the PRC, including the sale of LP Gas in bulk and in cylinders, the provision of piped gas and natural gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of gas fuel automobile refilling stations, and the sale of LP Gas and natural gas household appliances. Its customers include residential, commercial and industrial users. With increasing focus on domestic environmental issues, the Chinese government has been enhancing environmental protection standards. Panva has seized the opportunity and capitalized on the market demand for clean energy. Panva is currently operating 41 piped gas and LPG projects in 12 provinces in China, including Sichuan, Guizhou, Hunan, Jiangsu, Yunnan, Anhui, Shandong, Guangdong, Heilongjiang, Jilin, Liaoning and Zhejiang.

### **Enerchina Holdings Limited (622.HK)**



Enerchina Holdings Ltd. (“Enerchina”) is principally engaged in the electricity generation and sale of electricity, and through Panva the sales and distribution of liquefied petroleum gas and piped gas, and gas pipelines construction. Sinolink Worldwide Holdings Ltd (“Sinolink”) and Warburg Pincus, one of the world's largest venture investment funds are the major shareholders of Enerchina.

Shenzhen Fuhuade Power Plant, a wholly owned subsidiary of Enerchina, was jointly established in 1994 by Shenzhen Power Supply Bureau and Sinolink. At present it has three generator sets with a combined output of 665 Megawatts. Application is currently in process to expand the overall capacity to 1400 Megawatts. The power plant is situated only 8 kilometers away from the Guangdong liquefied natural gas terminal. This strategic location has established an important foundation for the plant applying natural gas as its main fuel source in the future.



**For media enquiries, please contact:**

The Hong Kong and China Gas Company Limited

Ms. Wong Sau Ying

Tel: (852) 2963-3493

Fax: (852) 2516 7368

Email: [sy.wong@towngas.com](mailto:sy.wong@towngas.com)

Panva Gas Holdings Limited

Ms. Jenny Chan / Ms. Alice Li

Tel: (852) 3183 0231 / 3183 0232

Fax: (852) 2583 9138

E-mail: [jenny.chan@prasia.net](mailto:jenny.chan@prasia.net) / [alice.li@prasia.net](mailto:alice.li@prasia.net)