

Towngas Adjusts its Tariff

(Hong Kong • 4 July 2008) The Hong Kong and China Gas Company Limited (Towngas) plans to raise basic tariff by 0.3 cents per MJ (or 1.4%) with effect from 1 October 2008. After the adjustment, over 90% of its residential customers would pay an increment of less than \$5 for their gas supply each month.

Towngas has maintained a basic tariff freeze since 1998. That year, Hong Kong was badly hit by the Asian financial crisis, and Towngas swiftly announced a policy of “no tariff increase, no staff redundancy, no pay cut”. Since the introduction of natural gas as additional feedstock in October 2006, fuel savings amounting to HK\$1.9 billion have been passed on to customers. Towngas also utilises landfill gas from Shuen Wan Landfill and the North East New Territories Landfill for town gas production. These initiatives enable the Company to reduce importing 43,000 tonnes of fossil fuel (i.e. naphtha) annually and to cut greenhouse gas emissions by 135,000 tonnes per annum.

Over the years, the Company’s staff and pipeline material costs have risen, with the latter jumping 70% in recent years and salaries cumulatively have increased by 20% in the last ten years. Rental for Towngas’ customer centres, fuel costs for the Company’s fleet of service vehicles, and insurance premiums have also gone up drastically. In order to support city development by providing gas supply to newly-developed areas, Towngas has continued to invest in network infrastructure. Total capital expenditure during the ten-year period from 1998 to 2007 amounted to around HK\$6.5 billion whilst capital expenditure for the coming six years is projected to be about HK\$5.2 billion.

Managing Director of Towngas Mr Alfred Chan Wing-kin said, “The Company has, over the years, introduced a range of cost saving measures and strived to increase our operational efficiency. However, these initiatives no longer completely offset additional costs and a modest basic tariff adjustment is now necessary. The Company will raise basic tariff by 0.3 cents per MJ (or 1.4%),

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and this increase is far lower than the inflation rate. We have also taken into account the impact of the tariff adjustment on the economy and the people's livelihood. After the tariff adjustment, over 90% of our residential customers would pay an increment of less than \$5 for their gas supply each month."

Mr Chan continued, "As a corporation which always attaches great importance to its social responsibilities, Towngas will continue to take care of the underprivileged in the society. Looking forward, we will continue our safe and reliable gas supply to, as well as high quality customer services for our customers."

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