

For Immediate Release

Towngas Natural Gas Receiving Station kick-starts in Tai Po

Bringing customers about 12% savings on gas bills

(Hong Kong, 16 November 2006) Dr. Lee Shau Kee, Chairman of The Hong Kong and China Gas Company Limited (Towngas) and Mr. Alfred Chan, Managing Director of Towngas today invited The Honourable Donald Tsang, GBM, Chief Executive of the HKSAR and Secretary for Economic Development and Labour Mr. Stephen Ip, GBS to officiate the opening of the Towngas Natural Gas Receiving Station.

"Our success in introducing natural gas to produce town gas is the result of years of hard work," said Dr. Lee Shau Kee, Chairman of Towngas. "We started discussions with Guangdong Dapeng LNG Company Limited since year 2000, and subsequently won over an annual quota of 330,000 tonnes of natural gas. In 2003, we signed a 25-year contract with an Australian natural gas supplier to ensure a secure, long-term supply of natural gas."

"When we signed the supplier contract, the price of natural gas was set with reference to the then oil price, which was around US\$25 per barrel. With the oil price currently standing at US\$60 per barrel, we can achieve substantial savings for our customers," continued Dr. Lee.

He added, "With the introduction of natural gas in October, Towngas is able to provide customers with a 12 percent saving on gas bills, with total savings for all our customers in Hong Kong amounting to HK\$800 million per year. This demonstrates our long-term commitment to our customers."

According to Mr. Alfred Chan, Managing Director of Towngas, using dual feedstock comprising naphtha and natural gas to produce town gas will provide savings on gas bills to both residential and commercial customers. As the consumption of town gas of commercial customers is higher, their savings will also be higher, thus enhancing their competitiveness in the market.

Starting last month, customers' gas charges were calculated under a fuel cost adjustment mechanism on the basis of the dual feedstock comprising natural gas and naphtha. Towngas

has introduced a newly designed gas bill in order to display clearly the updated gas charges information and savings to customers following the introduction of natural gas.

“In addition to cost savings, the use of natural gas will bring environmental benefits. Natural gas is a clean fossil fuel. Using it together with naphtha will further lower the already very minor emissions during our production process. This helps to improve the air quality of Hong Kong,” Chan said.

He added, “Towngas is firmly committed to environmental protection, with plans to expand the scale of methane collection at the landfill in Takuling. After purification, the methane will be transmitted through pipeline to our Tai Po Plant. The collection and use of methane not only lower emissions, but also reduce fuel consumption, thus contributing to sustainable development and air quality improvements in Hong Kong.”

The natural gas utilised by Towngas comes from the gas fields in Northwestern Australia where it is liquefied at a temperature of -162°C, and thus reduced by 600 times in volume, before being transported by special dedicated tankers to the Dapeng liquefied natural gas (LNG) receiving terminal in Shenzhen, China. In Shenzhen the LNG undergoes a gasification process and is then transported through a pair of 34 km-long high-pressure submarine pipelines to the Towngas Natural Gas Receiving Station at Tai Po.

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This Press Release is issued by Upstream Asia on behalf of The Hong Kong and China Gas Company Limited.

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