

Towngas Seals Deal in Shanxi for First Coalbed Gas Project

(14 November 2006, Hong Kong) The Hong Kong and China Gas Company Limited (Towngas) announces that it has signed a joint venture agreement with Shanxi Jincheng Anthracite Coal Mining Group Co. Ltd. (Jincheng) in Tai Yuan for the development of a coalbed gas liquefaction project. Towngas holds a 70% stake in the joint venture, which has a tenure of 30 years and involves a total investment of RMB400 million. Yu Youjun, governor of Shanxi province and many other senior provincial officials attended the signing ceremony.

Coalbed gas, whose main chemical component is methane, is a flammable gas found in coal mines. Released during the mining process, coalbed gas easily leaks into the coal pit, increasing the risk of coal mine accidents and posing potentially fatal threats to miners. To prevent coal mine accidents, coalbed gas is usually extracted during the mining process and burned off. However, this measure would waste energy resources, at the same time produce greenhouse gas and cause air pollution.

These problems would be solved if coalbed gas is appropriately utilised and developed. The joint venture, which involves the utilisation and development of coalbed gas, would not only significantly reduce the incidence of coal mine accidents, but also help mitigate pollution to the environment.

The reserve of coalbed gas in China is comparable to that of natural gas. Shanxi province has the largest reserve of coalbed gas resources in mainland China. The project is situated in the Qinshui basin, which is recognised as having the best commercial exploration prospects due to its abundant high quality coalbed gas resources. The joint venture, based on the coalbed gas production of Jincheng, involves the liquefaction, storage, sale and distribution of coalbed gas.

Towngas Managing Director Alfred Chan Wing-kin said, “Coalbed gas can be developed as a major alternative source of energy to help alleviate energy shortages in China. As China is the world’s largest coal producer, developing and utilising coalbed gas will greatly alleviate the country’s energy and

environmental problems. The Central Government has recently launched policies to promote the production and utilisation of coalbed gas. This will help drive the development of the industry.”

“As Towngas’ first coalbed gas project, this joint venture will become a model for similar projects in the future. It is also a key coalbed gas project in Shanxi province which has received robust support from the provincial authorities and governor Yu Youjun.

“The project is divided into two phases. Planned to come on stream in mid-2008, the first phase is expected to involve liquefaction processing with an annual production capacity of 100 million cubic metres, target customers include those in eastern China. The scale of the second phase will be similar to that of the first phase. In the long run, Towngas will, depending on the prevailing demand in the downstream market, explore the development of piped network for the transmission of coalbed gas over long distances,” Mr Chan added.

The Hong Kong and China Gas Company Limited

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 reaching 85% of households, the company supplies town 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-sales services. In recent years, Towngas has diversified into various green businesses including LPG filling stations and the utilisation of landfill gas.

Towngas has actively developed city piped gas businesses across the mainland in the past ten years. In addition to participating in an LNG project in Guangdong, the company has set up city piped gas joint venture companies in cities across China, including Shenzhen, Panyu, Zhongshan, Shunde, Dongyong in Guangzhou and Guangzhou Science City in the Pearl River Delta; Nanjing, Suzhou Industrial Park, Zhangjiagang, Yixing, Changzhou, Taizhou,

Xuzhou, Wujiang and Danyang in Jiangsu province; eastern Jinan, Weifang, Weihai, Taian, Jimo and the Laoshan High-Tech Development Zone in Qingdao, Zibo and Longkou in Shandong province; Maanshan and Anqing in Anhui province; Tongxiang in Zhejiang province; Wuhan in Hubei province; and Jilin in Jilin province. The company also participates in midstream gas projects in Anhui province and Hebei province, and recently established a city piped gas joint venture in the capital, Beijing, its first project in Northern China. In 2005 Towngas also began developing city water projects, with three city water joint venture companies established.

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Media Enquiries:

The Hong Kong and China Gas Company Limited

Corporate Communications Department

Tel.: (852) 2963 3493

Fax: (852) 2516 7368

e-mail: ccd@towngas.com

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