

Towngas Launches First Mainland Water Project,
Signs Joint Venture Contract With Wujiang City in Jiangsu Province

(Shenzhen, 30 June, 2005) The Hong Kong and China Gas Company Limited (Towngas) today signed a joint venture agreement with Jiangsu Province's Wujiang Water Investment Company Limited establishing Wujiang Hong Kong and China Water Company Limited. Towngas will have an 80% stake in the joint venture company, its first water project in mainland China, and will be responsible for the company's management. The joint venture involves a total investment of RMB 970 million and holds a 30-year exclusive franchise for supplying water to the Wujiang administrative zone.

Towngas Managing Director Alfred Chan Wing-kin said, "This water project represents another significant milestone in Towngas' investment in China. It is fitting that the project is located in Wujiang, where we have been involved in a city piped gas joint venture since 2003. Many cities in China are experiencing rapid physical and economic growth and development, prompting the authorities to pay special attention to the management of the country's water resources. This offers Towngas attractive investment opportunities to enter the water business in mainland China."

"The mainland government is committed to actively improving the people's quality of life and our investment in water projects therefore offers relatively low risks and stable returns. Towngas brings rich experience in both mainland gas utility projects and network construction and management, as well as a tradition of excellent customer service to the water joint venture. This wealth of related experience will create

synergies with our piped gas business, bringing us enhanced cost effectiveness.” Chan continued.

Wujiang, situated at the southern tip of Jiangsu province, is one of the up and coming cities in the Yangtze River Delta region. The city is adjacent to Zhejiang province and in close proximity to both Shanghai and Suzhou; it is only 56 km from Shanghai’s Hongqiao Airport. Wujiang is a major destination for investment by Taiwan manufacturing ventures, and in 2004 Wujiang county was ranked ninth among China’s Top 100 Counties in economic growth.

Wujiang city occupies an area of 1,176 sq km, and boasts a regular population of around 780,000 and a mobile population of around 350,000. Water is currently supplied to 180,000 households, and the water consumption in 2005 is forecast at 115 million cubic metres. Wujiang had a GNP of RMB 34 billion and per capita GNP of RMB 43,742. Demand for water has grown at an annual rate of over 20% since 2001 and is expected to remain high in the future due to rapid economic, social and business development. The city’s industrial and commercial sectors consume more than 60% of the total water consumed each year.

Alfred Chan concluded, “As China continues to open its utility markets there is tremendous potential for growth in the water business, and I believe the Wujiang water project marks an excellent start to our presence in the mainland’s water market. We will continue to explore opportunities to develop water projects in other Chinese cities, bringing better returns to our shareholders.”

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 and an 85% economic reach, the company supplies town gas to over 1.5 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 the 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; and Wuhan in Hubei province. The company also participates in a midstream gas project in Anhui province, and recently established a city piped gas joint venture in the capital, Beijing, its first project in Northern China.

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