

Towngas Press Release - For immediate release

Towngas establishes second mainland water supply project:

Wuhu Hong Kong and China Water

(Wuhu, 13 September, 2005) The Hong Kong and China Gas Company Limited (Towngas) has established its second water project joint venture company in the mainland. The joint venture company, Wuhu Hong Kong and China Water Company Limited, involves a total investment of RMB 700 million and holds a 30 year exclusive franchise for supplying water to the Wuhu administrative zone of Anhui province. Towngas holds a 75% stake in the joint venture company and will be responsible for the company's overall management.

“Rapid economic and population growth in many Chinese cities is spurring demand for fresh water resources. It is estimated that the aggregate demand for fresh water resources will increase to 700 billion cubic metres in 2030 from 530 billion cubic metres in 2003,” Towngas Managing Director Alfred Chan Wing-kin said at the opening ceremony.

“The Chinese government is currently taking a pro-active approach in reforming its water supply business to attract investment, providing an excellent opportunity for Towngas to enter the mainland water business,” he added.

“Towngas has years of experience in operating city piped gas projects in the mainland. Our extensive experience in both network construction and management has laid a solid foundation for us to branch out into water projects. Given our strong tradition of quality customer service and excellent environmental protection track record, our customers can rest assured that we will provide clean and safe potable water in a friendly and reliable manner,” Chan said.

Wuhu is the second largest city in Anhui province. Located in the southern part of the province, the city occupies an area of 3,317 sq km and has a population of 2.25 million. In 2004 Wuhu consumed 85 million cubic metres of water, and consumption in 2005 is expected to exceed 86 million cubic metres.

“We will continue to develop our water business in the mainland. With over 140 years of safe and reliable operations, we believe our mainland piped gas business and water business complement each other, creating synergies that enhance cost effectiveness and bring better returns to our shareholders,” Chan concluded.

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-sale services. In recent years, Towngas has diversified into various green businesses including LPG filling stations and the utilisation of landfill gas.

Towngas has been active in developing city piped gas businesses as well as LNG receiving terminals and a number of midstream projects across the mainland. In 2005 Towngas has also begun developing city water projects, establishing projects in Wujiang (Jiangsu province) and Wuhu (Anhui province).

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Media Enquiries:

The Hong Kong and China Gas Company Limited
Corporate Communications Department

Tel.: (852) 2963 3493

e-mail: ccd@towngas.com

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