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THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 3)

VOLUNTARY ANNOUNCEMENT

Obtaining of effective control over Towngas China Company Limited

The Board announces that since the Company had obtained effective control over the majority of the board of directors of TCCL on 31 December 2009, the Board decided that TCCL would from then onwards be accounted for and consolidated into the consolidated accounts of the Company as a subsidiary.

The Hong Kong and China Gas Company Limited (the “**Company**”), through various wholly-owned subsidiaries, is currently interested in an aggregate of approximately 45.61% of the issued share capital of Towngas China Company Limited (“**TCCL**”, Stock Code: 1083), a company whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited. TCCL was previously treated as an associated company of the Company and was accounted for by the Company using equity method of accounting in the consolidated accounts of the Company.

Due to the recent changes of the board of directors of TCCL in December 2009, out of the total of 9 directors of TCCL, 5 such directors are also directors or members of the senior management of the Company. Since the Company had obtained effective control over the majority of the board of directors of TCCL, pertaining to the relevant accounting standards which have been discussed and consulted with the auditors of the Company, the board of directors of the Company (the “**Board**”) decided that TCCL would from then onwards be accounted for and consolidated into the consolidated accounts of the Company as a subsidiary.

The resulting accounting treatment of investment in TCCL and impact on the preparation of consolidated accounts of the Company are as follows:

1. In accordance with “Hong Kong Accounting Standard 27 – Consolidated and Separate Financial Statements”, the Company should consolidate TCCL from the date of obtaining control over TCCL (i.e. 31 December 2009). Furthermore, in accordance with “Hong Kong Financial Reporting Standard 3 - Business Combination”, the business combinations between the Company and TCCL should be accounted for by applying purchase method.

2. Prior to 31 December 2009, the Company's investment in TCCL had been accounted for as an investment in associated company using the equity method. Upon obtaining effective control over TCCL on 31 December 2009, the Company's investment in TCCL was accounted for as a subsidiary and was consolidated in the Company's consolidated accounts on a line-by-line basis.

By order of the Board

JOHN H.M. HO

Chief Financial Officer and Company Secretary

Hong Kong, 9 February 2010

As at the date of this announcement, the Board comprises:

Non-executive Directors:

Dr. The Hon. Lee Shau Kee (Chairman),
Mr. Colin Lam Ko Yin, Mr. Lee Ka Kit and
Mr. Lee Ka Shing

Independent Non-executive Directors:

Mr. Leung Hay Man, Dr. The Hon. David Li
Kwok Po and Professor Poon Chung Kwong

Executive Directors:

Mr. Alfred Chan Wing Kin and Mr. James
Kwan Yuk Choi

