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THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 3)

DISCLOSURE PURSUANT TO RULE 13.09 OF THE LISTING RULES

PROPOSED ISSUE OF GUARANTEED NOTES

The Board wishes to announce the proposal for the issue of the Notes by the Issuer, a wholly-owned subsidiary of the Company, being US dollar denominated guaranteed notes in one or more tranches, which, if issued, will be unconditionally and irrevocably guaranteed by the Company. Certain terms of the Notes, including the aggregate principal amount, coupon and tenor have yet to be determined.

The Notes and the Guarantee have not been and will not be offered or sold within the United States unless they are registered or exempt from registration under the Securities Act. None of the Notes will be offered to the public in Hong Kong. The Issuer is in the process of applying to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes.

The Preliminary Offering Circular to be made available to selected professional investors in the Notes will contain certain material financial information relating to the Group not previously disclosed to shareholders of the Company, particulars of which are set out below.

The documentation relating to the proposed issue of the Notes is subject to negotiation and finalization. The Company and the Issuer may or may not proceed with the issue of the Notes. Accordingly, shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

PROPOSED ISSUE OF THE NOTES

The Board wishes to announce the proposal for the issue of the Notes by the Issuer, being US dollar denominated guaranteed notes in one or more tranches, which, if issued, will be unconditionally and irrevocably guaranteed by the Company. Certain terms of the Notes, including the aggregate principal amount, coupon and tenor have yet to be determined.

None of the Notes will be offered to the public in Hong Kong. The Issuer is in the process of applying to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes.

The documentation relating to the proposed issue of the Notes is subject to negotiation and finalization. The Company and the Issuer may or may not proceed with the issue of the Notes. Accordingly, shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

USE OF PROCEEDS

The net proceeds from the issue of the Notes are currently intended to be used by the Issuer or the Company to refinance part of the existing indebtedness of the Group; to fund capital expenditures of the Company or the Group or for general corporate purposes.

CERTAIN FINANCIAL INFORMATION RELATING TO THE GROUP NOT PREVIOUSLY DISCLOSED

In connection with the proposed issue of the Notes, the Company and the Issuer are in the process of preparing the Preliminary Offering Circular which is expected to be made available to selected professional investors in connection with the arrangements for marketing the issue of the Notes. The Preliminary Offering Circular will contain certain material financial information relating to the Group not previously disclosed to shareholders of the Company, particulars of which are set out below:

Unaudited condensed consolidated financial statements of the Company for the four months ended 30th April 2008 (with comparative figures for the four months ended 30th April 2007)

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE FOUR MONTHS ENDED 30TH APRIL

	2008	2007
	<i>HK\$M</i>	<i>HK\$M</i>
Revenue	4,495.4	3,947.1
Total operating expenses	<u>(3,062.5)</u>	<u>(2,447.4)</u>
	1,432.9	1,499.7
Investment (expenses)/income, net	(9.5)	179.0
Other gains	—	2,235.7 [#]
Interest expense	(88.9)	(111.7)
Share of profits less losses of associated companies	647.6	429.0
Share of profits less losses of jointly controlled entities	<u>226.6</u>	<u>161.8</u>
Profit before taxation	2,208.7	4,393.5
Taxation	<u>(254.5)</u>	<u>(264.8)</u>
Profit for the period	<u><u>1,954.2</u></u>	<u><u>4,128.7</u></u>
Attributable to:		
Shareholders of the Company	1,926.1	4,109.3
Minority interests	<u>28.1</u>	<u>19.4</u>
	<u><u>1,954.2</u></u>	<u><u>4,128.7</u></u>
Earnings per share – basic and diluted, HK cents	<u><u>31.8</u></u>	<u><u>67.8*</u></u>

* *Adjusted for the bonus issue in 2007*

[#] *Other gains represents gain on disposal of the eight wholly owned subsidiaries, which held ten piped city-gas joint ventures, to Towngas China Company Limited, formerly known as Panva Gas Holdings Limited of which the details was published in 2007 interim report.*

CONSOLIDATED BALANCE SHEET (UNAUDITED)

AS AT 30TH APRIL 2008

	At 30th April 2008 <i>HK\$M</i>	At 31st December 2007 <i>HK\$M</i>
Assets		
Non-current assets		
Property, plant and equipment	14,049.8	13,051.6
Investment property	410.0	410.0
Leasehold land	551.9	534.1
Intangible asset	192.0	185.1
Associated companies	9,196.1	8,386.5
Jointly controlled entities	6,974.9	6,501.7
Available-for-sale financial assets	1,020.1	1,066.9
Retirement benefit assets	42.2	42.2
Other non-current assets	100.7	105.8
	<hr/> 32,537.7 <hr/>	<hr/> 30,283.9 <hr/>
Current assets		
Completed property for sale	99.4	99.4
Inventories	1,045.7	987.8
Trade and other receivables	4,181.3	4,791.9
Loans to associated companies	103.3	175.0
Loans to jointly controlled entities	58.4	63.0
Loans to minority interests	67.6	36.1
Housing loans to staff	57.5	62.5
Financial assets at fair value through profit or loss	1,891.2	1,906.8
Time deposits over three months	13.9	19.9
Time deposits up to three months, cash and bank balances	5,930.4	4,818.8
	<hr/> 13,448.7 <hr/>	<hr/> 12,961.2 <hr/>

	At 30th April 2008 <i>HK\$M</i>	At 31st December 2007 <i>HK\$M</i>
Current liabilities		
Trade and other payables	(2,808.2)	(3,140.7)
Amount due to an associated company	(85.3)	—
Amount due to a jointly controlled entity	(261.0)	(43.9)
Provision for taxation	(547.6)	(498.9)
Borrowings	(3,862.7)	(3,504.8)
	<u>(7,564.8)</u>	<u>(7,188.3)</u>
Net current assets	<u>5,883.9</u>	<u>5,772.9</u>
Total assets less current liabilities	<u>38,421.6</u>	<u>36,056.8</u>
Non-current liabilities		
Customers' deposits	(1,055.6)	(1,046.3)
Deferred taxation	(1,234.5)	(1,228.2)
Borrowings	(4,305.4)	(4,273.4)
Loans from minority interests	(10.0)	(9.6)
	<u>(6,605.5)</u>	<u>(6,557.5)</u>
Net assets	<u>31,816.1</u>	<u>29,499.3</u>
Capital and reserves		
Share capital	1,514.9	1,514.9
Share premium	3,770.1	3,770.1
Reserves	24,333.9	22,098.5
Proposed dividend	1,393.7	1,393.7
	<u>31,012.6</u>	<u>28,777.2</u>
Shareholders' funds	31,012.6	28,777.2
Minority interests	<u>803.5</u>	<u>722.1</u>
Total equity	<u>31,816.1</u>	<u>29,499.3</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

FOR THE FOUR MONTHS ENDED 30TH APRIL

	2008	2007
	<i>HK\$M</i>	<i>HK\$M</i>
Net cash from operating activities	1,610.3	1,349.9
Net cash (used in)/ from investing activities	(780.8)	2,182.9
Net cash from/ (used in) financing activities	204.9	(786.4)
Increase in cash and cash equivalents	1,034.4	2,746.4
Cash and cash equivalents at 1st January	4,808.8	1,720.3
Effect of foreign exchange rate changes	43.7	9.1
Cash and cash equivalents at 30th April	5,886.9	4,475.8
Analysis of balances of cash and cash equivalents		
Cash and bank balances	1,281.8	1,067.6
Time deposits up to three months	4,648.6	3,455.1
Bank overdrafts	(43.5)	(46.9)
	5,886.9	4,475.8

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE FOUR MONTHS ENDED 30TH APRIL 2008

	Attributable to Share- holders of the Company <i>HK\$M</i>	Minority Interests <i>HK\$M</i>	Total <i>HK\$M</i>
Total equity as at 1st January 2008	28,777.2	722.1	29,499.3
Revaluation deficit of available-for-sale financial assets transferred to equity	(97.5)	—	(97.5)
Exchange differences	406.8	35.0	441.8
	<hr/>	<hr/>	<hr/>
Net income recognised directly in equity	309.3	35.0	344.3
Profit for the period	1,926.1	28.1	1,954.2
	<hr/>	<hr/>	<hr/>
Total recognised net income for the period	2,235.4	63.1	2,298.5
Capital injection	—	29.4	29.4
Dividends paid to minority interests	—	(11.1)	(11.1)
	<hr/>	<hr/>	<hr/>
Total equity as at 30th April 2008	<u>31,012.6</u>	<u>803.5</u>	<u>31,816.1</u>
	<hr/>	<hr/>	<hr/>
Total equity as at 1st January 2007	20,693.7	524.5	21,218.2
Revaluation surplus of available-for-sale financial assets transferred to equity	23.4	—	23.4
Exchange differences	139.7	11.6	151.3
Recognition of exchange reserve on disposal of subsidiaries	(21.3)	—	(21.3)
	<hr/>	<hr/>	<hr/>
Net income recognised directly in equity	141.8	11.6	153.4
Profit for the period	4,109.3	19.4	4,128.7
	<hr/>	<hr/>	<hr/>
Total recognised net income for the period	4,251.1	31.0	4,282.1
Capital injection	—	12.5	12.5
Disposal of subsidiaries	—	(20.0)	(20.0)
Dividends paid to minority interests	—	(6.2)	(6.2)
	<hr/>	<hr/>	<hr/>
Total equity as at 30th April 2007	<u>24,944.8</u>	<u>541.8</u>	<u>25,486.6</u>

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors
“Company”	The Hong Kong and China Gas Company Limited, a company incorporated in Hong Kong under the Companies Ordinances (Cap 32 of the laws of Hong Kong)
“Directors”	the directors of the Company
“Group”	the Company and all its direct and indirect subsidiaries and also including the Company’s interest in associated companies and joint ventures
“Guarantee”	the guarantees to be enfaced on the Notes and to be authorized by the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Issuer”	HKCG (Finance) Limited, a company incorporated with limited liability under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Notes”	the US dollar denominated guaranteed notes in one or more tranches proposed to be issued by the Issuer and guaranteed by the Company
“Preliminary Offering Circular”	the preliminary offering circular to be issued by the Issuer in connection with the proposed issue of the Notes

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“Securities Act” United States Securities Act of 1933, as amended

By Order of the Board
ALFRED W.K. CHAN
Managing Director

Hong Kong, 23rd July 2008

As at the date of this announcement, the Board of the Company 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. Liu Lit Man, Mr. Leung Hay Man and Dr. The Hon. David Li Kwok Po

Executive Directors: Mr. Ronald Chan Tat Hung, Mr. Alfred Chan Wing Kin and Mr. James Kwan Yuk Choi

This announcement is also available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkex.com.hk and on the website of the Company at www.towngas.com



Towngas

The Hong Kong and China Gas Company Limited