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THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 3)

CONNECTED TRANSACTION

FORMATION OF JOINT VENTURE IN FENGCHENG CITY, JIANGXI PROVINCE

The Board announces that a wholly-owned subsidiary of the Company, ECO, entered into the Joint Venture Agreement on 11th March 2009 with Fengcheng Mining Bureau, Xinyu Iron & Steel and Sansteel MinGuang, pursuant to which the Parties have agreed to form Xingao Coking JV, a sino-foreign joint venture, and to contribute to the registered capital thereof. Upon completion of the transactions contemplated under the Joint Venture Agreement, the registered capital of Xingao Coking JV will be RMB350,000,000 and held as to 30% by ECO, 37% by Fengcheng Mining Bureau, 30% by Xinyu Iron & Steel and 3% by Sansteel MinGuang.

The Joint Venture Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules as Fengcheng Mining Bureau is a connected person by reason of it being a substantial shareholder of an existing subsidiary of the Company. Given that the relevant applicable percentage ratios set out in the Listing Rules for the transactions contemplated under the Joint Venture Agreement are less than 2.5% but more than 0.1%, the Joint Venture Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

ECO, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement on 11th March 2009 with Fengcheng Mining Bureau, Xinyu Iron & Steel and Sansteel MinGuang. Pursuant to the Joint Venture Agreement, the Parties have agreed to form Xingao Coking JV, a sino-foreign joint venture, and to contribute to the registered capital thereof. Upon completion of the transactions contemplated under the Joint Venture Agreement, the registered capital of Xingao Coking JV will be RMB350,000,000 and held as to 30% by ECO, 37% by Fengcheng Mining Bureau, 30% by Xinyu Iron & Steel and 3% by Sansteel MinGuang.

THE JOINT VENTURE AGREEMENT

Date

11th March 2009

Parties

- (a) ECO
- (b) Fengcheng Mining Bureau
- (c) Xinyu Iron & Steel
- (d) Sansteel MinGuang

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Xinyu Iron & Steel and Sansteel MinGuang and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Registered Capital of Xingao Coking JV

Having considered the scale of operations and scope of business of Xingao Coking JV, the Parties have determined that the registered capital of Xingao Coking JV will be RMB350,000,000 (equivalent to approximately HK\$397,727,273).

The Parties will pay up their respective contributions to the registered capital of Xingao Coking JV as follows:

| Party | Amount of contribution | Equity interest in Xingao Coking JV |
|-------------------------|--|--|
| ECO | RMB105,000,000 (equivalent to approximately HK\$119,318,182) | 30% |
| Fengcheng Mining Bureau | RMB129,500,000 (equivalent to approximately HK\$147,159,091) | 37% |
| Xinyu Iron & Steel | RMB105,000,000 (equivalent to approximately HK\$119,318,182) | 30% |
| Sansteel MinGuang | RMB10,500,000 (equivalent to approximately HK\$11,931,818) | 3% |

It is currently intended that the amount of RMB105,000,000 to be contributed by ECO will be funded by internal cash resources of the Group.

Pursuant to the Joint Venture Agreement, none of the Parties may pledge any of its equity interest or use its equity interest in Xingao Coking JV as any form of guarantee for third parties without the unanimous consent of the board of directors of Xingao Coking JV.

Timing of the Capital Contribution

Pursuant to the Joint Venture Agreement, the first instalment of capital contributions shall be made as to RMB30,000,000 (equivalent to approximately HK\$34,090,909) by ECO, RMB37,000,000 (equivalent to approximately HK\$42,045,455) by Fengcheng Mining Bureau, RMB30,000,000 (equivalent to approximately HK\$34,090,909) by Xinyu Iron & Steel and RMB3,000,000 (equivalent to approximately HK\$3,409,091) by Sansteel MinGuang within 1 month upon the fulfilment of the following conditions:

- (i) the approval documents from the relevant state-owned assets regulatory departments governing Fengcheng Mining Bureau, Xinyu Iron & Steel and Sansteel MinGuang in respect of the capital contributions for the formation of Xingao Coking JV having been obtained;
- (ii) the relevant PRC government approval documents in respect of the Xingao Coking JV project and Xingao Coking JV having been obtained; and
- (iii) the business licence of Xingao Coking JV having been obtained.

The balance of the capital contribution shall be made by the Parties within 2 years in accordance with the resolution of the board of directors of Xingao Coking JV.

XINGAO COKING JV

Scope of business

The scope of business of Xingao Coking JV shall be the production of coke, coke oven gas and ancillary products. The scale of production of Xingao Coking JV shall be 620,000 tons of coke per year.

Profit distribution

The profits of Xingao Coking JV available for distribution shall be distributed to ECO, Fengcheng Mining Bureau, Xinyu Iron & Steel and Sansteel MinGuang in proportion to their respective share of actual contribution to the registered capital.

Board composition

The board of directors of Xingao Coking JV will consist of 11 directors, of whom 3 will be appointed by ECO, 4 will be appointed by Fengcheng Mining Bureau, 3 will be appointed by Xinyu Iron & Steel and 1 will be appointed by Sansteel MinGuang.

The chairman of the board of directors of Xingao Coking JV will be one of the directors appointed by Fengcheng Mining Bureau.

Term of operation

The term of operation of Xingao Coking JV shall be 50 years from the date of issue of the business licence. If any one of the Parties proposes to extend the term of operation 6 months before the expiration thereof and the board of directors of Xingao Coking JV unanimously agrees to such extension, Xingao Coking JV may apply to the relevant PRC government authority for the extension of its term of operation.

INFORMATION ON THE GROUP

The principal activities of the Group are the production, distribution and marketing of gas, water and related activities in Hong Kong and the PRC.

INFORMATION ON FENGCHENG MINING BUREAU, XINYU IRON & STEEL AND SANSTEEL MINGUANG

Fengcheng Mining Bureau, established in 1957, is a major coking coal production base in Southern Yangtze River Area and a key enterprise of Jiangxi Province, the PRC. It is a state-owned large-to-medium size enterprise with a coal production capacity of 2.8 million tons per year.

Xinyu Iron & Steel is a large state-owned iron and steel conglomerate and is the holding company of Xinhua Metal Products Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange. The Company understands that in 2006, its steel production capacity was 5.09 million tons per year.

Sansteel MinGuang is a company listed on the Shenzhen Stock Exchange. Sansteel MinGuang engages in the production, processing and sale of coking coal, pig iron, steel ring and steel wire rods primarily in Fujian Province, the PRC.

REASONS FOR AND BENEFITS OF ENTERING INTO THE JOINT VENTURE AGREEMENT AND FORMING XINGAO COKING JV

The Group currently engages in a large number of activities in the PRC and Hong Kong. In the PRC, in addition to its piped city-gas projects, the Group is also endeavouring to develop emerging energy projects including projects involving coal-based energy. The Group aims to participate in upstream, midstream and downstream energy projects and as such, the Company believes that an equity interest in Xingao Coking JV will be complementary to the Company's existing businesses and will further enhance the Group's natural resources businesses and operations in the PRC. The Parties are in discussions on entering into formal agreement(s) in respect of sale and purchase of raw materials, coke-related products and other products of Xingao Coking JV in due course. The final terms of such formal agreement(s) have yet to be negotiated and finalised.

The Directors (including the independent non-executive Directors) are of the view that the terms of the transactions contemplated under the Joint Venture Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The Joint Venture Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules as Fengcheng Mining Bureau is a connected person by reason of it being a substantial shareholder of an existing subsidiary of the Company. In addition to the Joint Venture Agreement, ECO also entered into the Capital Increase Agreement on 25th August 2008 with, among others, Fengcheng Mining Bureau. Pursuant to Rule 14A.25 of the Listing Rules, the Capital Increase Agreement should be aggregated with the Joint Venture Agreement. Given that the relevant applicable percentage ratios set out in the Listing Rules for the transactions contemplated under the Joint Venture Agreement and the Capital Increase Agreement are, after aggregation, less than 2.5% but more than 0.1%, the Joint Venture Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

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| “Board” | the board of Directors |
| “Capital Increase Agreement” | the capital increase agreement entered into among Fengcheng Mining Bureau, Longyan City Hongfu Investment Company Limited and ECO on 25th August 2008, details of which are set out in the Company's announcement dated 25th August 2008 |
| “Company” | The Hong Kong and China Gas Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Main Board of the Stock Exchange |
| “connected person” | has the meaning given to it under the Listing Rules |
| “Directors” | the directors of the Company |
| “ECO” | ECO Coal Resources Development (Fengcheng) Limited (易高煤礦資源開發(豐城)有限公司), a company incorporated in Hong Kong and an indirect wholly-owned subsidiary of the Company |
| “Fengcheng Mining Bureau” | 豐城礦務局 (Fengcheng Mining Bureau), a state-owned enterprise established in the PRC |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Joint Venture Agreement” | the joint venture agreement entered into among ECO, Fengcheng Mining Bureau, Xinyu Iron & Steel and Sansteel MinGuang on 11th March 2009 in relation to the formation of Xingao Coking JV |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |

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|---------------------------|---|
| “Parties” | the parties to the Joint Venture Agreement, namely, ECO, Fengcheng Mining Bureau, Xinyu Iron & Steel and Sansteel MinGuang |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau and Taiwan |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sansteel MinGuang” | 福建三鋼閩光股份有限公司 (Sansteel MinGuang Co., Ltd., Fujian), an enterprise established in the PRC with a majority interest held by the state |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder” | has the meaning given to it under the Listing Rules |
| “Xingao Coking JV” | 豐城新高焦化有限公司 (Fengcheng Xingao Coking Co., Ltd.), a sino-foreign joint venture limited liability company to be established in the PRC |
| “Xinyu Iron & Steel” | 新餘鋼鐵有限責任公司 (Xinyu Iron & Steel Co., Ltd.), an enterprise established in the PRC with a majority interest held by the state |

This announcement contains translation of HK\$ into RMB at the rate of HK\$1.00 to RMB0.88. The translation shall not be taken as representation that any amounts in RMB or HK\$ could be converted at such rate or at any other rate.

By Order of the Board

JOHN H. M. HO

Chief Financial Officer and Company Secretary

Hong Kong, 11th March 2009

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. Liu Lit Man, Mr. Leung Hay Man and
Dr. The Hon. David Li Kwok Po

Executive Directors:

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

