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DISCLOSEABLE AND CONNECTED TRANSACTION  
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY  
ASSIGNMENT OF THE SHAREHOLDER LOANS  
AND  
POTENTIAL CONTINUING CONNECTED TRANSACTIONS



**The Hong Kong and China Gas Company Limited**  
*(incorporated in Hong Kong with limited liability)*  
(Stock code: 3)

APPLICATION FOR WHITEWASH WAIVER

**Morgan Stanley**

Financial Adviser to HKCG

***The Acquisition***

On 17 March 2010, TCC entered into the Agreement with HK&CG(China) pursuant to which TCC has conditionally agreed to purchase from HK&CG(China) the Sale Share and to purchase and take assignment of the Shareholder Loans subject to the terms and conditions of the Agreement.

In satisfaction of the consideration for the purchase of the Sale Share and the assignment of the Shareholder Loans, TCC has agreed to allot and issue the Consideration Shares (each credited as fully paid) to HK&CG(China). Such Consideration Shares will be issued at a unit price of HK\$3.55 per Share (to be credited as fully paid). The consideration of the Acquisition was determined after arm's length negotiations between the parties.

HK&CG(China) is a wholly-owned subsidiary of HKCG and the Target Company is a wholly-owned subsidiary of HK&CG(China). Upon completion of the Reorganisation, the Target Company will be the holding company of the Target Group which holds equity interests varying from 40% to 100% in the Project Companies. The Project Companies operate in various cities in the PRC including a number of cities in Liaoning and Zhejiang provinces. They are all engaged in the operation of piped gas assets and related business in the PRC.

#### ***Discloseable and Connected Transaction for TCC***

As all of the relevant applicable percentage ratios in respect of the Acquisition are higher than 5% but all the relevant applicable percentage ratios are below 25%, the Acquisition constitutes a discloseable transaction of TCC and is subject to the announcement requirements under Chapter 14 of the Listing Rules. As HKCG is interested in an aggregate of approximately 45.61% of the issued share capital of TCC through its three wholly-owned subsidiaries, namely HK&CG(China), Planwise and Superfun, which are interested in approximately 43.41%, 2.07% and 0.13% of the issued share capital of TCC respectively as at the date of this announcement, it is a substantial shareholder of TCC and a connected person of TCC and the Acquisition also constitutes a connected transaction of TCC. As the relevant applicable percentage ratios in respect of the Acquisition are higher than 2.5% and the consideration for the Acquisition exceeds HK\$10,000,000, the Acquisition is subject to TCC Independent Shareholders' approval, reporting and announcement requirements under Chapter 14A of the Listing Rules. HK&CG(China) and its associates will abstain from voting in respect of the resolution to approve the Acquisition at the TCC EGM.

#### ***Whitewash Waiver Application***

HK&CG(China) will acquire the Consideration Shares upon Completion. As this will result in HK&CG(China) and the persons acting in concert with it increasing their interests in the voting rights of TCC by more than 2% within the 12-month period immediately preceding the Completion Date, an obligation on the part of HK&CG(China) and persons acting in concert with it to make a mandatory general offer for all the securities of TCC not already owned by HK&CG(China) and persons acting in concert with it will accordingly arise under Rule 26 of the Takeovers Code, unless an appropriate waiver is obtained. In this regard, an application will be made by HK&CG(China) to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the TCC Independent Shareholders at the TCC EGM by way of poll. HK&CG(China) and persons acting in concert with it and persons interested or involved in the Acquisition and the Whitewash Waiver would abstain from voting in respect of the resolution to approve the Whitewash Waiver at the TCC EGM.

#### ***Potential Continuing Connected Transactions***

Immediately following Completion, HK&CG(China) will be interested in 54.65% of the enlarged issued share capital of TCC. As HK&CG(China) is a connected person of TCC, and the Target Group will become part of the TCC Group upon Completion, any transactions continuing between the Target Group and HK&CG(China) or its associates after Completion will become continuing connected transactions for the TCC Group.

TCC will comply with the Listing Rules with regard to such continuing connected transactions (if any) that may continue after Completion.

#### ***General***

As mentioned above, the Acquisition constitutes a discloseable and connected transaction of TCC and is subject to the approval of the TCC Independent Shareholders.

A circular containing, inter alia, further information on the Acquisition, the Whitewash Waiver, the Consideration Share Issue, the recommendation of the Independent Board Committee and a letter of advice from the Independent Financial Adviser in relation to the Acquisition, the Consideration Share Issue and the Whitewash Waiver and the notice convening the TCC EGM will be despatched to the TCC Shareholders as soon as practicable.

Morgan Stanley is the financial adviser to HKCG in connection with the Acquisition and the Consideration Share Issue and the Whitewash Waiver.

**Warning: Completion of the Agreement is subject to the fulfillment of the Conditions and the Acquisition and the Consideration Share Issue may or may not proceed. Accordingly, the issue of this announcement does not in any way imply that the Acquisition and the Consideration Share Issue will be completed. Shareholders of TCC and HKCG and investors should exercise caution when dealing in the shares of TCC and HKCG.**

## THE ACQUISITION

On 17 March 2010, TCC entered into the Agreement with HK&CG(China) pursuant to which TCC has conditionally agreed to purchase from HK&CG(China) the Sale Share and to purchase and take assignment of the Shareholder Loans subject to the terms and conditions of the Agreement.

Set out below is a summary of the principal terms of the Agreement:

Date: 17 March 2010

Parties: TCC (as the purchaser)  
HK&CG(China) (as the vendor)

TCC was incorporated in the Cayman Islands and its principal activities are the provision of piped-gas, construction of gas pipelines, operation of city gas pipeline network and gas fuel automobile refilling stations, and the sale of household gas appliances.

HK&CG(China) was incorporated in BVI and is an investment holding company. HK&CG(China) holds the entire issued capital of the Target Company which, upon completion of the Reorganisation, will indirectly hold 40% to 100% equity interest in the Project Companies. The Project Companies are engaged in the operation of piped gas assets and related business in the PRC. HK&CG(China) is a controlling shareholder of TCC interested in approximately 43.41% of the issued share capital of TCC.

HKCG was incorporated in Hong Kong with limited liability. It is principally engaged in the production, distribution and marketing of gas, water and related activities in Hong Kong and the PRC. HKCG is held as to approximately 39.88% by Henderson Land Development Company Limited, a company incorporated in Hong Kong with limited liability which shares are listed on the Stock Exchange (stock code: 0012) through its wholly-owned subsidiaries. HKCG is the holding company of both HK&CG(China) and TCC. HKCG, through HK&CG(China), Planwise and Superfun, is indirectly interested in approximately 45.61% of the issued share capital of TCC as at the date of this announcement.

Subject matter: The subject of the Acquisition are:

(1) The Sale Share

1 share of US\$1 in the capital of the Target Company representing the entire issued share capital of the Target Company which, upon completion of the Reorganisation, will indirectly hold equity interests varying from 40% to 100% in the Project Companies. The Project Companies operate in various cities in the PRC including a number of cities in Liaoning and Zhejiang provinces. They are

all engaged in the operation of piped gas assets and related business in the PRC.

## (2) The Shareholder Loans

The outstanding loans due from the Target Company to HK&CG(China) as at Completion, together with all interest accrued thereon, if any. The Shareholder Loans will be assigned to TCC (or its subsidiary) upon Completion such that TCC (or its subsidiary) will become the beneficiary to whom these loans will be repaid.

The original aggregated purchase/set up costs of the Target Group for HK&CG(China) was US\$64,549,169 and had been fully settled by HK&CG(China), such purchase/set up amount has not taken into account the unpaid portion of the registered capital of US\$1,400,000 and US\$3,000,000 of certain members of the Target Group which are due on 6 November 2010 and 22 September 2010 respectively, which shall be of the account of HK&CG(China) before or after Completion.

Consideration: The consideration of the Acquisition is calculated by reference to the final valuation of the Target Group, which the parties have agreed to be HK\$1,721,750,000.

The consideration of the Acquisition will be satisfied by the allotment and issue by TCC of the Consideration Shares to HK&CG(China). Such Consideration Shares will be issued at a unit price of HK\$3.55 per Share (to be credited as fully paid). Based on the issued share capital of TCC of 1,958,360,330 Shares as at the date of this announcement, the Consideration Shares represents approximately 24.77% of the existing issued share capital of TCC and represents 19.85% of the issued share capital of TCC as at the date of the Agreement as enlarged by the issue of the Consideration Shares. The Consideration Shares are to be issued by TCC under a specific mandate to be sought at the TCC EGM. There is no lockup arrangement regarding the Consideration Shares.

The closing price of the Shares as quoted on the Stock Exchange on 16 March 2010, being the last trading day in respect of the Shares immediately prior to the date of this announcement was HK\$3.57 per Share ("Last Closing Price"). The issue price of the Consideration Shares, being HK\$3.55 per Share, represents a discount of approximately 0.56% over the Last Closing Price, and a discount of approximately 0.11% and a premium of approximately 0.57% over the average closing price of the Shares as quoted on the Stock Exchange for the last five and ten consecutive trading days in respect of the Shares immediately prior to and including the last trading day prior to the date of this announcement, respectively.

The consideration for the Acquisition has been determined after arm's length negotiations between the parties, taking into account the following factors:

- (a) the future prospects of the Target Group, including its expected profit-generating capability;
- (b) the price to book ratios of other piped gas companies;
- (c) the operational synergies anticipated to be achieved through the Acquisition;
- (d) the expected improvement of TCC's market and competitive position as a result of the Acquisition; and

- (e) the prospective benefits associated with HKCG obtaining majority control of TCC.

The Consideration Shares will rank pari passu in all respects with the Shares in issue as at the Completion Date. TCC will apply to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

Conditions  
Precedent:

Completion of the Agreement is conditional upon the satisfaction of the following Conditions on or before the Long Stop Date:

- (a) the passing by the TCC Independent Shareholders of the resolutions approving the purchase of the Sale Share, the taking of assignment of the Shareholder Loans and the Consideration Share Issue in accordance with the Agreement and the relevant requirements of the Listing Rules;
- (b) the passing by the TCC Independent Shareholders of the resolution approving the Whitewash Waiver in accordance with the relevant requirements of the Takeovers Code;
- (c) the listing of and permission to deal in the Consideration Shares on the Main Board of the Stock Exchange having been granted by the Stock Exchange without conditions or with conditions which HK&CG(China) agrees (such agreement not to be unreasonably withheld);
- (d) the Executive granting the Whitewash Waiver;
- (e) no relevant government, governmental, quasi-governmental, statutory or regulatory body, court or agency having granted any order or made any decision that restrict or prohibit the implementation of the transactions contemplated in the Agreement;
- (f) all necessary consents, permits, approvals, registrations, filings, authorisations, and waivers for the consummation of the transactions contemplated by the Agreement having been obtained and/or completed;
- (g) the completion of the Reorganisation;
- (h) the warranties given by HK&CG(China) under the Agreement remaining true and not misleading in all material respects at Completion; and
- (i) the warranties given by TCC under the Agreement remaining true and not misleading in all material respects at Completion.

HK&CG(China) shall provide all reasonable assistance to TCC with respect to the performance of its obligations to fulfil the Conditions (a) to (d) above by no later than the Long Stop Date.

Neither TCC nor HK&CG(China) has the right to waive any of the Conditions (a) to (e) and (g). TCC may waive Conditions (f) (so far as it relates to the obligations of HK&CG(China) only) and (h) and HK&CG(China) may waive Conditions (f) (so far as it relates to the obligations of TCC only) and (i).

Pre-Completion  
Undertaking  
regarding  
dividends:

HK&CG(China) undertakes that it shall procure that no member of the Target Group shall, without the prior written consent of TCC, declare, pay or make any dividends or other distribution, save and except for the declaration of dividends by Project Co 1, Project Co 2, Project Co 3 and Project Co 6 up to the maximum aggregate amount of RMB 105.6 million before the Completion Date of which payment of such dividends may be made before or after the Completion Date.

Completion:

TCC shall not be obliged to complete the purchase or take assignment of, and

HK&CG(China) shall not be obliged to complete the sale or the assignment of, any of the Sale Share and the Shareholder Loans unless the sale and purchase of all the Sale Share and the assignment of the Shareholder Loans are completed simultaneously.

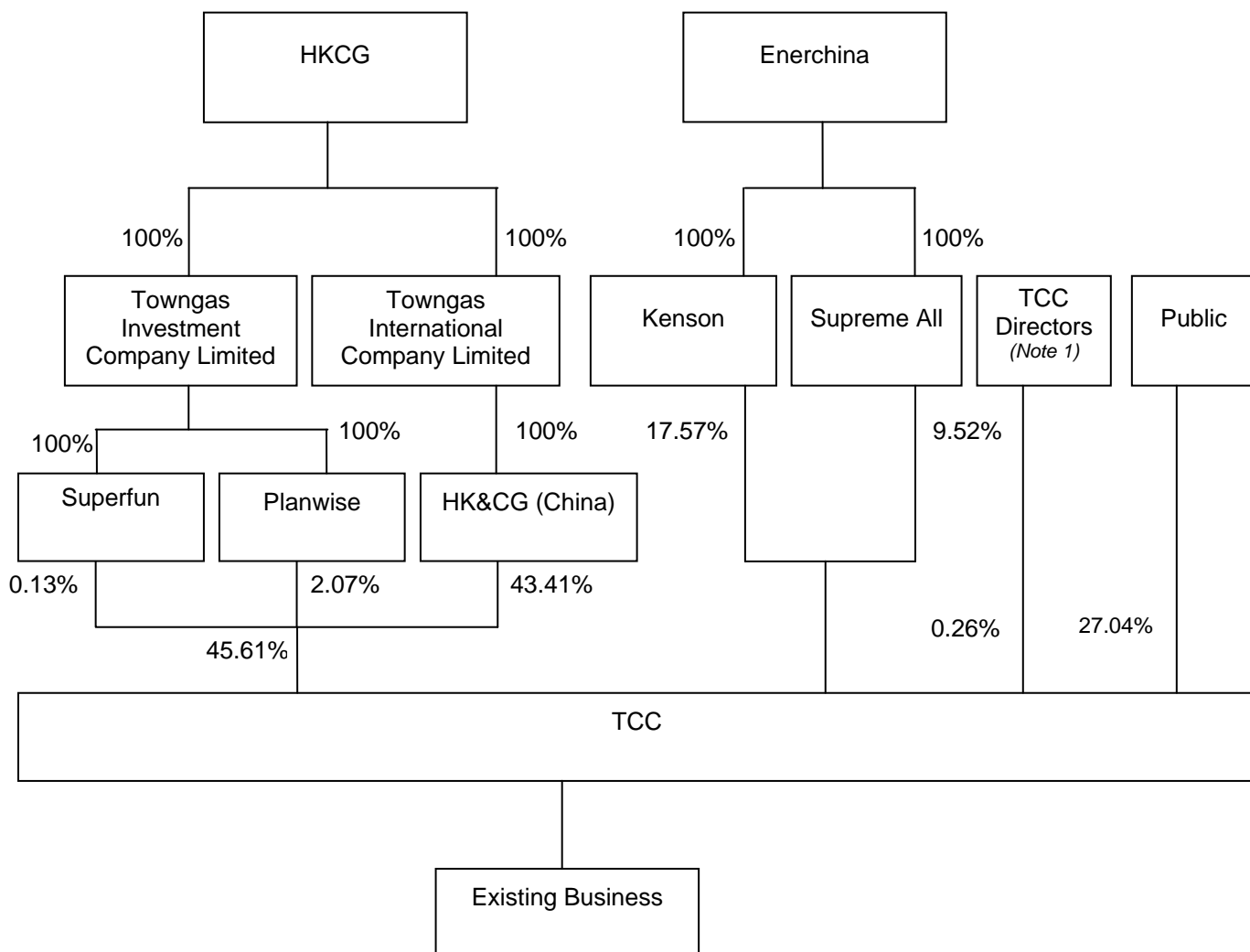
Subject to fulfilment or waiver of all the Conditions, the Agreement shall be completed on the Completion Date.

If any of the Conditions is not satisfied or waived (as the case may be) on or before the Long Stop Date, the Agreement shall terminate (save and except otherwise stated in the Agreement) and no party shall have any claim against the others except in respect of any antecedent breach of the terms of the Agreement.

## **SHAREHOLDING STRUCTURE OF TCC AND THE TARGET GROUP**

The diagrams below illustrate the simplified corporate structure of TCC and the Target Group as at the date of this announcement and immediately after the Completion.

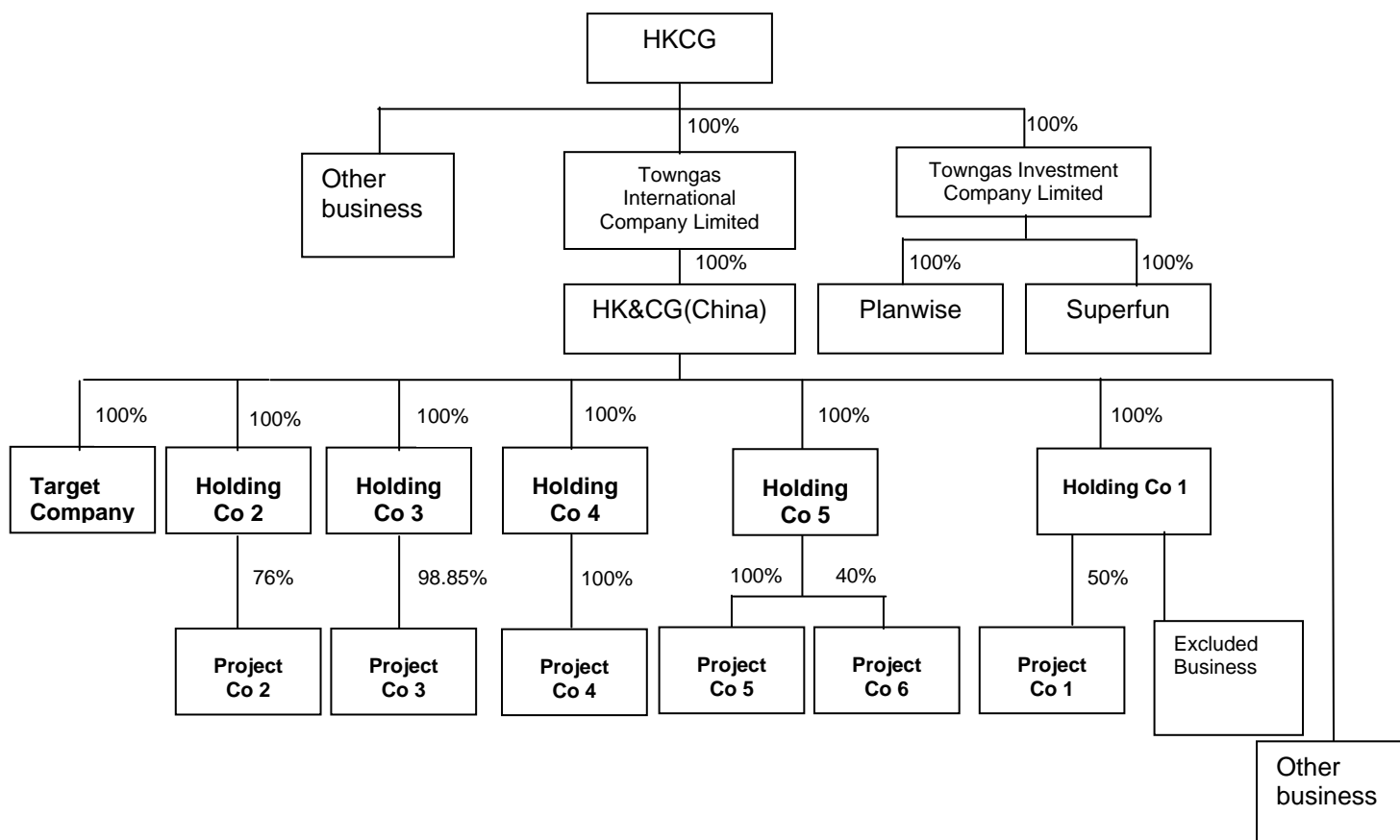
**Simplified corporate structure of TCC as at the date of this announcement:**



**Note:**

1. Mr. Ou Yaping held 3,618,000 Shares and Dr. Chow Yei Ching held 1,600,000 Shares.
2. The figures in the above corporate structure graph have been rounded to two decimal places.

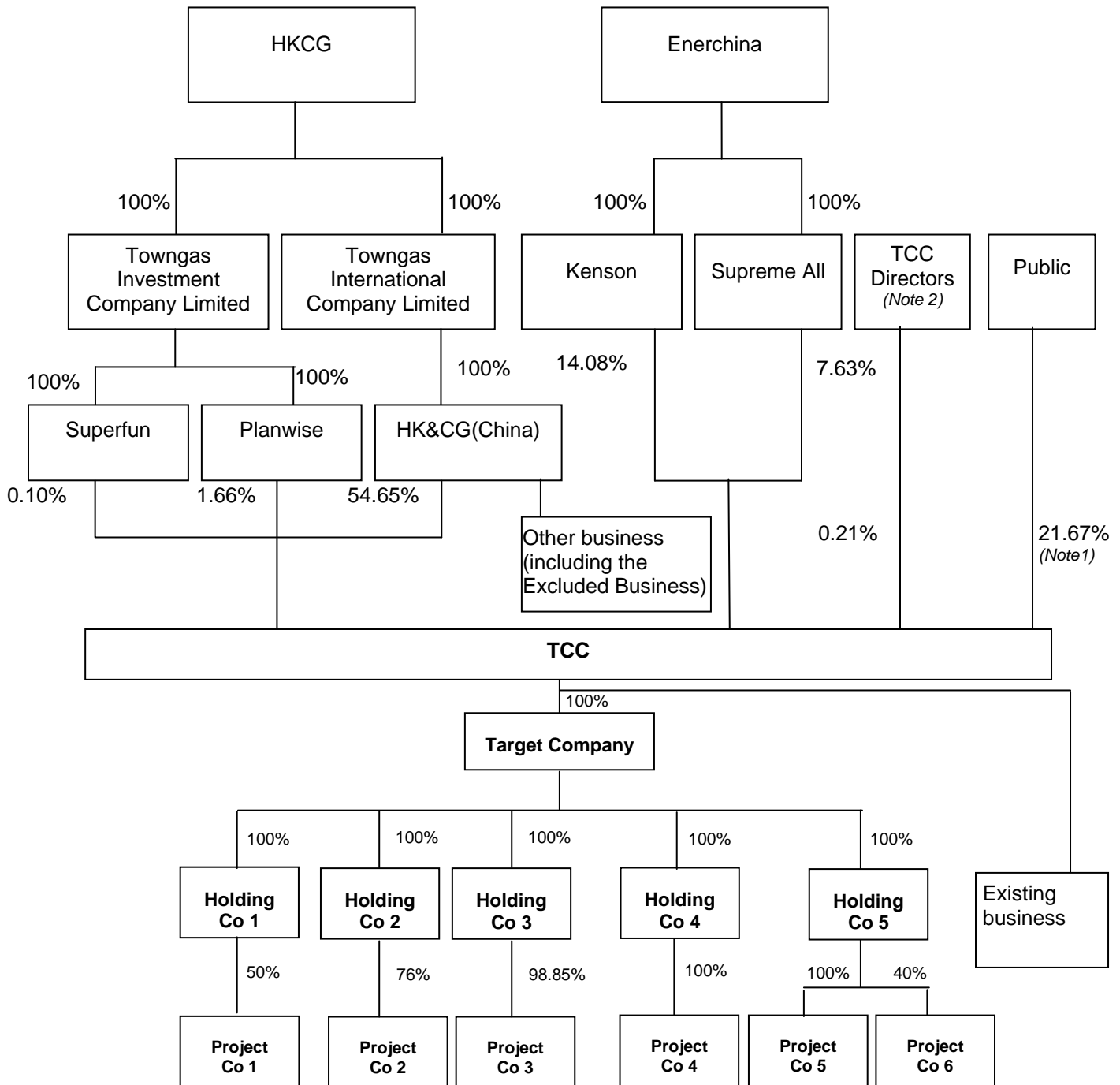
**Simplified corporate structure of the Target Group as at the date of this announcement:**



*Note: The figures in the above corporate structure graph have been rounded to two decimal places.*



**Simplified corporate structure of TCC immediately after Completion:**



**Notes:**

1. Assuming that there is no change in the number of Shares being held by the public as at the date of this announcement, TCC will have insufficient public float upon Completion, and TCC and HKCG shall use their respective best endeavours to restore the public float to the required level within 2 months from Completion.
2. Mr. Ou Yaping held 3,618,000 Shares and Dr. Chow Yei Ching held 1,600,000 Shares.

3. The figures in the above corporate structure graph have been rounded to two decimal places.

The following table illustrates the shareholdings of TCC before and immediately after the Acquisition and the Consideration Share Issue:

	Before the Acquisition and the Consideration Share Issue		Immediately after the Acquisition and the Consideration Share Issue	
	Number of Shares held as at the date of this announcement	% share capital as at the date of this announcement	Number of Shares held	% share capital as enlarged by the Consideration Share Issue
Kenson	344,046,568	17.57	344,046,568	14.08
Supreme All	186,440,677	9.52	186,440,677	7.63
HK&CG(China)	850,202,901	43.41	1,335,202,901	54.65
Planwise	40,470,000	2.07	40,470,000	1.66
Superfun	2,500,000	0.13	2,500,000	0.10
TCC Directors (Note 2)	5,218,000	0.26	5,218,000	0.21
Public shareholders	529,482,184	27.04	529,482,184 (Note 1)	21.67 (Note 1)
<b>Total number of Shares</b>	<b>1,958,360,330</b>	<b>100.00%</b>	<b>2,443,360,330</b>	<b>100.00%</b>

Note 1: Assuming that there is no change in the number of Shares being held by the public as at the date of this announcement, TCC will have insufficient public float upon Completion, and TCC and HKCG shall use their respective best endeavours to restore the public float to the required level within 2 months from Completion.

Note 2: TCC Directors include Mr. Ou Yaping holding 3,618,000 Shares and Dr. Chow Yei Ching holding 1,600,000 Shares.

## INFORMATION ON THE TARGET GROUP

The Target Company is a private company incorporated in BVI and is a wholly-owned subsidiary of HK&CG(China). The Target Company will, upon completion of the Reorganisation, hold indirectly equity interests varying from 40% to 100% in the Project Companies. The Project Companies operate in various cities in the PRC including a number of cities in Liaoning and Zhejiang provinces, which are all engaged in the operation of piped gas assets and related business in the PRC.

Rules 14.58(6) and 14.58(7) of the Listing Rules, respectively, require disclosure of the asset value of, and the net profits attributed to, the Target Company in this announcement. In connection with these requirements, an application for waiver was made by TCC to the Stock Exchange for excluding such information from this announcement (the “**Relevant Waiver**”). Such application was made for reasons that (1) the figures for the net asset value of, and net profits attributable to, the Target Company are unaudited and unpublished figures (which is the only available form as at the date of this announcement) and, Rule 10 of the Takeovers Code requires such unaudited financial information to be reported on in accordance with the Takeovers Code if such information is included in this announcement; and (2) it would be burdensome on TCC to withhold this announcement until the report(s) are available.

The Stock Exchange has granted the Relevant Waiver to TCC subject to the conditions that the value of the assets of, and the net profits attributed to, the Target Company as referred to in Rules 14.58(6) and 14.58(7) of the Listing Rules will be included in the circular by TCC in relation to the Acquisition and a further announcement by TCC containing such financial information on the date of the dispatch of the circular. As a condition to the Relevant Waiver, the directors of TCC confirm their view that the information contained in this announcement, taking into account the exclusion of the financial information on the Target Company referred to in Rules 14.58(6) and (7) of the Listing Rules, remains

accurate and complete in all material respects and is not misleading or deceptive in accordance with Rule 2.13(2) of the Listing Rules.

After Completion, the Project Companies in which the Target Company has more than 50% equity interests (Project Co 2, Project Co 3, Project Co 4 and Project Co 5) will be treated as subsidiaries of TCC and their results will be consolidated into the accounts of TCC. The Project Companies in which the Target Company has no more than 50% equity interests will be treated as either an associated company (Project Co 6) or a jointly controlled entity (Project Co 1) of TCC and their results will be equity accounted for in the books of TCC.

As HKCG had since 31 December 2009 obtained effective control over TCC such that HKCG's investment in TCC was accounted for as a subsidiary, TCC will after Completion continue to be a non wholly-owned subsidiary of HKCG and the results of TCC will continue to be consolidated into the accounts of HKCG.

As at the date of this announcement, the issued share capital of HKCG was HK\$1,632,345,896 divided into 6,529,383,584 shares of HK\$0.25 each.

### **INFORMATION ON TCC**

As at the date of this announcement, the issued share capital of TCC is HK\$195,836,033, divided into 1,958,360,330 Shares. In addition, there are outstanding options granted under the share option schemes of TCC which would entitle the holders thereof to subscribe for an aggregate of 33,225,300 Shares, representing approximately 1.70% of the issued share capital of TCC as at the date of this announcement.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

#### **Reasons for and benefits of the Acquisition for TCC**

The Acquisition represents an opportunity to further strengthen TCC's position as a leading operator of piped gas businesses in the PRC. After Completion, TCC will have a robust portfolio of 53 piped gas projects in 43 cities serving around 5.5 million users in the PRC with combined piped gas sales volume of 3.4 billion cubic metres.

TCC will acquire six projects from HKCG in the Liaoning and Zhejiang province. TCC currently has existing piped gas projects in Liaoning province. After Completion, all of the piped gas businesses in the Liaoning and Zhejiang provinces will be held exclusively under TCC. Liaoning and Zhejiang are strategically important provinces as they are located on the vibrant Eastern coast of China and situated adjacent to Jilin, Shandong, and Anhui where TCC currently has a significant presence.

TCC believes that the Acquisition of the Target Company will enhance TCC's financial and cash flow profile. The Acquisition also allows TCC to increase its scale by issuing new shares as consideration, without having to raise additional cash to fund a transaction.

Lastly, the Acquisition will result in TCC becoming a majority owned subsidiary of HKCG. TCC believes that HKCG's increased ownership position will bring considerable benefits. HKCG's sponsorship is beneficial in TCC securing new piped gas projects as HKCG is widely recognized for its experience and expertise in the piped gas business in the PRC. Furthermore, TCC will have continued access to HKCG's considerable financial resources and continue to benefit from its operational expertise and managerial support at the corporate and regional management levels.

The board of directors of TCC approving the Agreement believes the terms of the Agreement are fair and reasonable and in the interests of its shareholders as a whole and the Agreement has been entered into on normal commercial terms after arm's length negotiations between the parties.

## **Reasons for and benefits of the Acquisition for HKCG**

The Acquisition represents an intra-group restructuring exercise by allowing HKCG to consolidate existing piped gas projects in the Liaoning and Zhejiang provinces under TCC and, upon Completion, making TCC a majority-owned subsidiary.

TCC is an important platform through which HKCG will make PRC piped gas investments in the future. The Acquisition will increase TCC's scale and improve its financial and cashflow profile to allow it to more effectively capitalize on the rapid development of piped gas infrastructure in the PRC. Furthermore, the Acquisition further affirms HKCG's commitment to promote TCC in becoming a leading piped gas operator in the PRC. The restructuring also facilitates complementary asset injections from HKCG in the future.

HKCG believes that the current structure preserves maximum investment flexibility for future project acquisitions. HKCG intends to continue to evaluate the most appropriate platform to make future piped gas investments in the PRC on a by-project basis. Factors to be considered will include, among others, the ability to extract operational synergies with existing operations, legal requirements of the project and the scale of the investment.

The directors of HKCG believe that the Agreement has been entered into on normal commercial terms after arm's length negotiations between the parties and the terms of the Agreement are fair and reasonable and are in the interests of the HKCG Group and HKCG's shareholders as a whole.

## **DISCLOSEABLE AND CONNECTED TRANSACTION FOR TCC**

As all of the relevant applicable percentage ratios in respect of the Acquisition are higher than 5% but all the relevant applicable percentage ratios are below 25%, the Acquisition constitutes a discloseable transaction of TCC and is subject to the announcement requirements under Chapter 14 of the Listing Rules. As HKCG is interested in an aggregate of approximately 45.61% of the issued share capital of TCC through its three wholly-owned subsidiaries, namely HK&CG(China), Planwise and Superfun, which are interested in approximately 43.41%, 2.07% and 0.13% of the issued share capital of TCC respectively as at the date of this announcement, it is a substantial shareholder of TCC and a connected person of TCC and the Acquisition also constitutes a connected transaction of TCC. As the relevant applicable percentage ratios in respect of the Acquisition are higher than 2.5% and the consideration for the Acquisition exceeds HK\$10,000,000 the Acquisition is subject to TCC Independent Shareholders' approval, reporting and announcement requirements under Chapter 14A of the Listing Rules. HK&CG(China) and its associates will abstain from voting in respect of the resolution to approve the Acquisition at the TCC EGM.

## **WHITEWASH WAIVER APPLICATION**

HK&CG(China) will acquire the Consideration Shares upon Completion. As this will result in HK&CG(China) and the persons acting in concert with it increasing their interests in the voting rights of TCC by more than 2% within the 12-month period immediately preceding the Completion Date, an obligation on the part of HK&CG(China) and persons acting in concert with it to make a mandatory general offer for all the securities of TCC not already owned by HK&CG(China) and persons acting in concert with it will accordingly arise under Rule 26 of the Takeovers Code, unless an appropriate waiver is obtained. In this regard, an application will be made by HK&CG(China) to the Executive for the Whitewash Waiver pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Takeovers Code. The Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval of the TCC Independent Shareholders at the TCC EGM by way of poll. HK&CG(China) and persons acting in concert with it and persons interested or involved in the Acquisition and the Whitewash Waiver would abstain from voting in respect of the resolution to approve the Whitewash Waiver at the TCC EGM.

None of HK&CG(China) and persons acting or presumed to be acting in concert with it has acquired voting rights in TCC in the 6 months prior to the date of this announcement, which would constitute disqualifying transactions under the Takeovers Code.

Save as set out in the table below, as at the date of this announcement, none of HK&CG(China) or any persons acting or presumed to be acting in concert with it owns or has control or direction over any voting rights in any Shares or any convertible securities, warrants or options in respect of the Shares, or any outstanding derivative in respect of any securities in TCC; nor is there any arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of HK&CG(China) and which might be material to the Whitewash Waiver, or any agreements or arrangements to which HK&CG(China) is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Whitewash Waiver.

<b>Name</b>	<b>Number of Shares</b>	<b>Approximate % of TCC's issued share capital as at the date of this announcement</b>
HK&CG(China) (Note 1)	850,202,901	43.41%
Planwise (Note 1)	40,470,000	2.07%
Superfun (Note 1)	2,500,000	0.13%
Kenson (Note 2)	344,046,568	17.57%
Supreme All (Note 2)	186,440,677	9.52%
Ou Yaping (Note 2)	3,618,000	0.18%
<b>Total</b>	<b>1,427,278,146</b>	<b>72.88%</b>

<b>Name</b>	<b>Interest in underlying Shares pursuant to share options</b>	<b>Approximate % of TCC's issued share capital as at the date of this announcement</b>
Mr. Alfred Chan Wing Kin (Note 3)	3,618,000	0.18%
Mr. James Kwan Yuk Choi (Note 3)	3,015,000	0.15%
Mr. John Ho Hon Ming (Note 4)	3,015,000	0.15%
<b>Total</b>	<b>9,648,000</b>	<b>0.48%</b>

Notes:

1. *HK&CG(China) is a wholly-owned subsidiary of Towngas International Company Limited ("Towngas International") and Planwise and Superfun are wholly-owned subsidiaries of Towngas Investment Company Limited ("Towngas Investment"). Towngas International and Towngas Investment are in turn wholly-owned subsidiaries of HKCG. Accordingly, each of HKCG, Towngas Investment, Towngas International, Planwise and Superfun are persons acting in concert with HK&CG (China). Towngas International is deemed interested in the Shares held by HK&CG(China) under the SFO, Towngas Investment is deemed interested in the Shares held by Planwise and Superfun under the SFO, and, HKCG is deemed interested in the Shares which HK&CG(China), Planwise and Superfun are interested in under the SFO.*
2. *Under the SFO, each of Mr Ou Yaping, Asia Pacific Promotion Limited ("Asia Pacific") and Enerchina is deemed interested in the Shares held by Kenson and Supreme. Currently, Mr Ou and his associates (including Asia Pacific, Sinolink Worldwide Holdings Ltd., Enerchina, Kenson and Supreme All) are persons presumed to be acting in concert with HK&CG(China). HKCG and HK&CG(China) had applied to the SFC for a ruling to rebut Mr Ou Yaping and his associates as persons presumed to be acting in concert with HK&CG(China). The SFC has not yet given its ruling as at the date of this announcement.*
3. *Mr. Alfred Chan Wing Kin and Mr. James Kwan Yuk Choi, being directors of HKCG and HK&CG(China) are deemed persons acting in concert with HK&CG(China) under the Takeovers Code. They are also executive directors of TCC.*
4. *Mr. John Ho Hon Ming, being a director of HK&CG(China) is deemed a person acting in concert with HK&CG(China) under the Takeovers Code. He is also an executive director of TCC.*

As at the date of this announcement:

- (a) there is no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in TCC which HK&CG(China) or any persons acting in concert with it has borrowed or lent; and
- (b) none of HK&CG(China) or any persons acting in concert with it has received an irrevocable commitment to vote in favour or against the Acquisition, the Consideration Share Issue and the Whitewash Waiver.

## **PUBLIC FLOAT**

Assuming that there is no change in the number of Shares being held by the public as at the date of this announcement, TCC will have insufficient public float upon Completion, and TCC and HKCG shall use their respective best endeavours to restore the public float to the required level within two months from Completion. In such event, the parties shall explore various means to maintain the public float of TCC including considering the possibility of TCC issuing additional primary Shares to public investors or HKCG disposing of Shares.

## **POTENTIAL CONTINUING CONNECTED TRANSACTIONS**

Immediately following Completion, HK&CG(China) will be interested in 54.65% of the enlarged issued share capital of TCC. As HK&CG(China) is a connected person of TCC, and the Target Group will become part of the TCC Group upon Completion, any transactions continuing between the Target Group and HK&CG(China) or its associates after Completion will become continuing connected transactions for the TCC Group. TCC will comply with the Listing Rules with regard to such continuing connected transactions (if any) that may continue after Completion.

## **GENERAL**

**Completion of the Agreement is subject to the fulfillment of the Conditions and the Acquisition and the Consideration Share Issue may or may not proceed. Accordingly, the issue of this announcement does not in any way imply that the Acquisition and the Consideration Share Issue will be completed. Shareholders of TCC and HKCG and investors should exercise caution when dealing in the shares of TCC and HKCG.**

The Acquisition constitutes a discloseable and connected transaction of TCC under the Listing Rules. The Acquisition and the Consideration Share Issue are subject to the approval of the TCC Independent Shareholders.

As HKCG and its associates hold in aggregate approximately 45.61% of the issued share capital of TCC and are connected persons of TCC under the Listing Rules, HKCG and its associates are required to abstain from voting at the TCC EGM to approve the Acquisition and the transactions contemplated under the Agreement (including the Consideration Share Issue).

Further, HKCG and persons acting in concert with it are required to abstain from voting at the TCC EGM on the resolution approving the Whitewash Waiver under the Takeovers Code on grounds that they are involved in, or interested in, the Whitewash Waiver.

The Independent Board Committee comprising the independent non-executive directors of TCC has been established to advise the TCC Independent Shareholders in respect of the Acquisition, the Consideration Share Issue and the Whitewash Waiver.

An independent financial adviser has been appointed by TCC to advise the Independent Board Committee and the TCC Independent Shareholders in respect of the Acquisition, the Consideration Share Issue and the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee. CIMB Securities (HK) Limited has been appointed as the Independent Financial Adviser.

TCC will make an application to the Stock Exchange for the listing of and permission to deal in the Consideration Shares.

A circular containing, inter alia, further information on the Acquisition, the Consideration Share Issue, the Whitewash Waiver, the recommendation of the Independent Board Committee, a letter of advice from the Independent Financial Adviser in respect of the Acquisition, the Consideration Share Issue and the Whitewash Waiver, the financial information on the Target Group as required under Rules 14.58(6) and (7) of the Listing Rules and a notice convening the TCC EGM will be despatched to the TCC Shareholders as soon as practicable and in accordance with the requirements of the Listing Rules and the Takeovers Code.

Morgan Stanley has been appointed as financial adviser to HKCG in connection with the Acquisition and the Consideration Share Issue and the Whitewash Waiver.

## DEFINITIONS

“Acquisition”	the acquisition by TCC of the Sale Share and the taking of the assignment of the Shareholder Loans in consideration of the Consideration Share Issue and subject to other terms and conditions of the Agreement
“Agreement”	the Sale and Purchase Agreement dated 17 March 2010 between TCC and HK&CG(China) in relation to the Acquisition
“BVI”	the British Virgin Islands
“Completion”	the completion of the Acquisition in accordance with the terms of the Agreement
“Completion Date”	the date on which Completion shall take place, being the second business day after the date on which the last of the Conditions is fulfilled or waived, or such other date as HK&CG(China) and TCC may agree
“Conditions”	conditions precedent to Completion as set out in the Agreement
“Consideration Shares”	485,000,000 Shares (representing approximately 19.85% of the issued share capital of TCC as at the date of the Agreement as enlarged by the issue of the Consideration Shares)
“Consideration Share Issue”	the allotment and issue of the Consideration Shares to HK&CG(China) as consideration of the Acquisition
“Enerchina”	Enerchina Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 622)
“Excluded Business”	all other assets, business and operations held by Holding Co 1 other than its equity interest in Project Co 1
“Executive”	the executive director of the Corporate Finance Division of the SFC or his delegates
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKCG”	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 (Stock Code: 0003)
“HKCG Group”	HKCG and its subsidiaries

“HK&CG(China)”	Hong Kong & China Gas (China) Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of HKCG
“Holding Co 1”	Hong Kong & China Gas (Hangzhou) Limited (香港中華煤氣(杭州)有限公司), a company incorporated in the BVI with limited liability
“Holding Co 2”	Hong Kong & China Gas (Tongxiang) Limited (香港中華煤氣(桐鄉)有限公司), a company incorporated in the BVI with limited liability
“Holding Co 3”	Hong Kong & China Gas (Huzhou) Limited (香港中華煤氣(湖州)有限公司), a company incorporated in the BVI with limited liability
“Holding Co 4”	Hong Kong & China Gas (Yingkou) Limited (香港中華煤氣(營口)有限公司), a company incorporated in the BVI with limited liability
“Holding Co 5”	Hong Kong and China Gas (Dalian) Limited (香港中華煤氣(大連)有限公司), a company incorporated in Hong Kong with limited liability
“Holding Companies”	Holding Co 1, Holding Co 2, Holding Co 3, Holding Co 4 and Holding Co 5
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the board of directors of TCC comprising all independent non-executive directors of TCC
“Independent Financial Adviser”	the independent financial adviser appointed to advise the Independent Board Committee and TCC Independent Shareholders in respect of the Acquisition, the Consideration Share Issue and the Whitewash Waiver
“Kenson”	Kenson Investment Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Enerchina
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2010 or such later date as the parties to the Agreement may agree in writing
“Morgan Stanley”	Morgan Stanley Asia Limited, a company incorporated in Hong Kong, which is licensed for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO and financial advisor to HKCG
“Planwise”	Planwise Properties Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of HKCG
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Project Co 1”	杭州港華燃氣有限公司(Hangzhou Hong Kong and China Gas Company Limited), a jointly controlled entity established in



	accordance with the laws of the PRC and held as to 50% by Holding Co 1
“Project Co 2”	桐鄉港華天然氣有限公司(Tongxiang Hong Kong and China Gas Company Limited), a joint venture company established in accordance with the laws of the PRC and held as to 76% by Holding Co 2
“Project Co 3”	湖州港華燃氣有限公司(Huzhou Hong Kong and China Gas Company Limited), a joint venture company established in accordance with the laws of the PRC and held as to 98.85% by Holding Co 3
“Project Co 4”	營口港華燃氣有限公司(Yingkou Hong Kong and China Gas Company Limited), a wholly-foreign owned company established in accordance with the laws of the PRC and wholly-owned by Holding Co 4
“Project Co 5”	大連長興港華燃氣有限公司(Dalian Changxing Hong Kong and China Gas Co. Ltd.), a wholly-foreign owned company established in accordance with the laws of the PRC and wholly-owned by Holding Co 5
“Project Co 6”	大連德泰港華燃氣有限公司(Dalian DETA Hong Kong and China Gas Co., Ltd.), a joint venture company established in accordance with the laws of the PRC and held as to 40% by Holding Co 5
“Project Companies”	Project Co 1, Project Co 2, Project Co 3, Project Co 4, Project Co 5 and Project Co 6
“Reorganisation”	the proposed reorganisation steps (including the disposal or transfer out of the Excluded Business) to be undertaken by HK&CG(China) for the purpose of the Acquisition which will result in the Target Group comprising the Target Company, the Holding Companies and their interests in the Project Companies
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share”	1 share of US\$1 in the capital of the Target Company, representing the entire issued share capital of the Target Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.10 each in the share capital of TCC
“Shareholder Loans”	all outstanding loans and indebtedness due from the Target Company to HK&CG(China) as at Completion
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning attributed to it under the Companies Ordinance (Cap. 32 of the laws of Hong Kong)
“Superfun”	Superfun Enterprises Limited, a company incorporated in BVI with limited liability and a wholly-owned subsidiary of HKCG

“Supreme All”	Supreme All Investments Limited, a company incorporated in the BVI and a wholly-owned subsidiary of Enerchina
“Takeovers Code”	the Code on Takeovers and Mergers (as amended from time to time) issued by the SFC
“Target Company”	Towngas (BVI) Holdings Limited (港華燃氣(維爾京)控股有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of HK&CG(China)
“Target Group”	Target Company and its subsidiaries (including the Holding Companies and those Project Companies which are subsidiaries of the Holding Companies)
“TCC”	Towngas China Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1083)
“TCC EGM”	an extraordinary general meeting of TCC to be convened for the purpose of considering and, if thought fit, approving the Acquisition, the Consideration Share Issue and the Whitewash Waiver
“TCC Group”	TCC and its subsidiaries
“TCC Independent Shareholders”	in respect of the resolutions approving the Acquisition, the Consideration Share Issue and the Whitewash Waiver, TCC Shareholders who are not required to abstain from voting at TCC EGM under the Takeovers Code and/or the Listing Rules, as the case may be
“TCC Shareholders”	holders of Shares
“US\$”	United States dollars, the lawful currency of the United States of America
“Whitewash Waiver”	a waiver of the obligation of HK&CG(China) and parties acting in concert with it to make a mandatory offer for all the securities of TCC (other than those already owned by them immediately after Completion) from the SFC pursuant to Note 1 of the Notes on Dispensations from Rule 26 of the Takeovers Code

By Order of the Board  
**Towngas China Company Limited**  
John HO Hon Ming  
*Executive Director and  
Company Secretary*

By Order of the Board  
**The Hong Kong and China Gas Company  
Limited**  
Alfred CHAN Wing Kin  
*Managing Director*

Hong Kong, 17 March 2010

At the date of this announcement, the boards of directors of TCC and HKCG, respectively comprise:

**Towngas China Company Limited**

*Executive Directors:*

**Mr. Alfred CHAN Wing Kin (Chairman)**  
**Mr. Peter WONG Wai Yee (Chief Executive Officer)**  
**Mr. James KWAN Yuk Choi**  
**Mr. John HO Hon Ming**  
**Ms. Margaret LAW Wai Fun**  
**Mr. OU Yaping**  
**Mr. Francis TANG Yui Man**  
**(alternate director to Mr. OU Yaping)**

*Independent Non-executive Directors:*

**Dr. CHOW Yei Ching**  
**Dr. Moses CHENG Mo Chi**  
**Mr. Brian David LI Man Bun**

**The Hong Kong and China Gas Company Limited**

*Non-executive Directors:*

**Dr. The Hon. LEE Shau Kee (Chairman)**  
**Mr. Colin LAM Ko Yin**  
**Mr. LEE Ka Kit**  
**Mr. LEE Ka Shing**

*Independent Non-executive Directors:*

**Mr. LEUNG Hay Man**  
**Dr. The Hon. David LI Kwok Po**  
**Professor POON Chung Kwong**

*Executive Directors:*

**Mr. Alfred CHAN Wing Kin (Managing Director)**  
**Mr. James KWAN Yuk Choi**

*The directors of TCC jointly and severally accept full responsibility for the accuracy of the information (other than that in respect of HKCG, HK&CG(China) and persons acting in concert with it and the Target Group and opinions expressed by HKCG or its directors) in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by HKCG or its directors) have been arrived at after due and careful consideration and there are no other facts (other than those relating to HK&CG(China), HKCG and the Target Group) not contained in this announcement the omission of which would make any statements in this announcement misleading.*

*The directors of HKCG jointly and severally accept full responsibility for the accuracy of the information (other than that in respect of TCC and opinions expressed by TCC or its directors) in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by TCC or its directors) have been arrived at after due and careful consideration and there are no other facts (other than those relating to TCC) not contained in this announcement the omission of which would make any statements in this announcement misleading.*