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THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 3)

CONNECTED TRANSACTION

ACQUISITION OF FURTHER INTERESTS IN TOWNGAS CHINA COMPANY LIMITED

On 13 November 2010, the Purchaser has agreed to take a placing of the Placing Shares placed by the Vendor through Morgan Stanley & Co. International plc at the aggregate consideration of HK\$907,500,000. The Placing Shares represent approximately 10.21% of the issued share capital of TCCL as at the date of this announcement.

As the Vendor is a substantial shareholder of TCCL which is a non wholly-owned subsidiary of the Company, the Vendor is a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction for the Company under the Listing Rules.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under the Listing Rules.

THE ACQUISITION

On 13 November 2010, the Purchaser, a wholly-owned subsidiary of the Company, has agreed to take a placing of the Placing Shares placed by the Vendor through Morgan Stanley & Co. International plc at the aggregate consideration of HK\$907,500,000 (equivalent to HK\$3.63 per Placing Share).

The Vendor is a substantial shareholder of TCCL currently holding approximately 10.58% of the issued share capital in TCCL. As TCCL is a non wholly-owned subsidiary of the Company, the Vendor is therefore a connected person of the Company under the Listing Rules.

Assets to be acquired

Pursuant to the Acquisition, the Purchaser shall take a placing of the Placing Shares, representing approximately 10.21% of the issued share capital of TCCL as at the date of this announcement.

TCCL is a company incorporated in the Cayman Islands with limited liability which shares are listed on the Stock Exchange and is a non-wholly owned subsidiary of the Company. The principal activities of TCCL and its subsidiaries are the sale and distribution of natural gas in the PRC including the provision of piped natural gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of natural gas automobile refilling stations, and the sale of gas household appliances. As at the date of this announcement, the Purchaser is interested in approximately 54.53% of the issued share capital of TCCL and the Company, through the Purchaser and two other wholly-owned subsidiaries, is interested in approximately 56.28% of the issued share capital of TCCL.

As at 31 December 2009, the audited consolidated net asset value of TCCL was HK\$6,888.1 million and as at 30 June 2010, the unaudited consolidated net asset value of TCCL was HK\$7,114.0 million. The audited consolidated net profits before and after taxation of TCCL for the year ended 31 December 2008 was HK\$361.1 million and HK\$271.2 million respectively and the audited consolidated net profits before and after taxation of TCCL for the year ended 31 December 2009 was HK\$414.2 million and HK\$312.1 million respectively. The unaudited consolidated net profits before and after taxation of TCCL for the six months ended 30 June 2010 was HK\$240.7 million and HK\$192.2 million respectively.

The Company has been informed by the Vendor that the original cost to the Vendor for the acquisition of the Placing Shares was HK\$1,170,000,000 (equivalent to HK\$4.68 per Placing Share).

The Consideration

The aggregate consideration for the Placing Shares is HK\$907,500,000 (equivalent to HK\$3.63 per Placing Share) and is payable by the Purchaser at Completion in cash.

The consideration per Placing Share represents:

- (i) the closing price of HK\$3.63 per TCCL Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 0.055% over the average closing price of HK\$3.628 per TCCL Share as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day.

So far as the Company is aware, the consideration for the Placing Share was arrived at between the Vendor and its placing agent Morgan Stanley & Co. International plc with reference to the recent trading prices of the TCCL Shares on the Stock Exchange.

Completion

Completion of the Acquisition is expected to take place on the Completion Date. Immediately after Completion and assuming that there is no change in the number of issued TCCL Shares during the period from the date of this announcement to Completion, the Company, through the Purchaser and two other wholly-owned subsidiaries, will be interested in approximately 66.49% of the issued share capital of TCCL.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Given the continued improvements on TCCL's operation and business performance, new projects being under development and good business prospects, the Company is of the view

that the Acquisition represents a good opportunity for it to increase its stake in TCCL, thereby allowing it to benefit more from the success of the TCCL Group. Further, the Company believes that the Acquisition would have positive impacts on both TCCL's project development as well as the price of TCCL Shares.

The Directors (including the independent non-executive Directors) consider that the Acquisition is fair and reasonable and on normal commercial terms and is in the interests of the Group and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As the Vendor is a substantial shareholder of TCCL which is a non wholly-owned subsidiary of the Company, the Vendor is a connected person of the Company under the Listing Rules and the Acquisition constitutes a connected transaction for the Company under the Listing Rules.

As the relevant percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition exceed 1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirements under the Listing Rules. As none of the Directors has any material interest in the Acquisition, no Director has abstained from voting on the board resolution approving the Acquisition.

GENERAL

The Group is principally engaged in the business of the production, distribution and marketing of gas, water and related activities in Hong Kong and the PRC.

So far as the Company is aware, the Vendor is principally engaged in the business of investment holding.

DEFINITIONS

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

“Acquisition”	the taking by the Purchaser of the Placing Shares placed by the Vendor through Morgan Stanley & Co. International plc
“Board”	the board of directors of the Company
“Company”	The Hong Kong and China Gas Company Limited, a company incorporated in Hong Kong with limited liability which shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“Completion Date”	the date when Completion shall take place, which is expected to be 17 November 2010
“Directors”	the directors of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Trading Day”	12 November 2010, being the last trading day of the TCCL Shares on the Stock Exchange prior to the suspension of trading of TCCL Shares on the Stock Exchange
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Placing Shares”	250,000,000 TCCL Shares held by the Vendor, representing approximately 10.21% of the issued share capital of TCCL as at the date of this announcement
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Hong Kong & China Gas (China) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TCCL”	Towngas China Company Limited, a company incorporated in the Cayman Islands with limited liability which shares are listed on the Main Board of the Stock Exchange (Stock code: 1083), and a non-wholly owned subsidiary of the Company
“TCCL Group”	TCCL and its subsidiaries
“TCCL Shares”	shares of HK\$0.10 each in TCCL
“Vendor”	Kenson Investment Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Enerchina Holdings Limited, a company which shares are listed on the Main Board of the Stock Exchange (Stock code: 622)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
%	per cent.

By Order of the Board
JOHN H.M. HO
Chief Financial Officer and Company Secretary

Hong Kong, 14 November 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

