

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)

(Stock Code: 3)

CONNECTED TRANSACTION

U-Tech, a wholly-owned subsidiary of the Company, had by signing and returning the Letter of Award to Heng Shung on 19 February 2014 successfully tendered for a sub-contract for the carrying out of the Electrical Installation Works at the Property for Heng Shung.

As Heng Shung is a wholly-owned subsidiary of Henderson Land, which in turn is a controlling shareholder of the Company, Heng Shung is a connected person of the Company under the Listing Rules and the Transaction therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the Maximum Contract Amount is more than HK\$1,000,000 and some of the relevant percentage ratios calculated pursuant to Chapter 14 of the Listing Rules in respect of the Maximum Contract Amount is greater than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements, and is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE TRANSACTION

U-Tech, a wholly-owned subsidiary of the Company, had by signing and returning the Letter of Award to Heng Shung on 19 February 2014 successfully tendered for a sub-contract for the carrying out of the Electrical Installation Works at the Property for Heng Shung. Heng Shung is a wholly-owned subsidiary of Henderson Land, which in turn is a controlling shareholder of the Company.

Under the terms of the Letter of Award, U-Tech will carry out the Electrical Installation Works at the Property at the sum of HK\$58,300,000. Heng Shung may also at its option request U-Tech to provide additional services in respect of the preparation of the combined services drawings and combined builder's work drawing of the Property as well as the supply and installation of all conduit work and its accessories inside the gypsum block walls for residential block in Phase 5A of the Property (the "**Additional Works**") at an aggregate additional costs of up to HK\$1,900,000.

The Consideration was arrived at after arm's length negotiations between U-Tech and Heng Shung during the tender process and was determined with reference to the prices and terms normally offered by U-Tech to independent third party customers and are no more favourable than those offered by U-Tech to its other independent third party customers. It is intended that the Consideration shall be payable by Heng Shung to U-Tech on a monthly basis and the amount payable by Heng Shung to U-Tech for each installment shall be determined by Heng Shung based on its assessment of the actual volume of the Electrical Installation Works

performed by U-Tech in the relevant month. It is expected that the maximum aggregate amount receivable by U-Tech from Heng Shung for carrying out the Electrical Installation Works and providing the Additional Works at the Property will not exceed HK\$60,200,000 (the “**Maximum Contract Amount**”).

It is intended that U-Tech and Heng Shung will subsequently enter into a formal agreement which should contain similar terms as those set out in the Letter of Award, except that the terms and conditions of the Transaction (including the timing of payment of the Consideration and the specifications of the Electrical Installation Works) will be set out in more detail.

REASONS FOR AND BENEFITS OF THE TRANSACTION

U-Tech is principally engaged in the installation of underground pipes, ducts and cables, the development of service systems in buildings for utility and telecommunication facilities and other related services and will from time to time in its ordinary and usual course of business submit tenders for contracts to carry out electrical and mechanical installation works. It is expected that the entering into of the Transaction will contribute to the profit of U-Tech, and hence the Group as a whole.

The Directors (including the independent non-executive Directors) are of the view that the Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Transaction are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

CONNECTED TRANSACTION

As Heng Shung is a wholly-owned subsidiary of Henderson Land, which in turn is a controlling shareholder of the Company, Heng Shung is a connected person of the Company under the Listing Rules and the Transaction therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the Maximum Contract Amount is more than HK\$1,000,000 and some of the relevant percentage ratios calculated pursuant to Chapter 14 of the Listing Rules in respect of the Maximum Contract Amount is greater than 0.1% but less than 5%, the Transaction is only subject to the reporting and announcement requirements, and is exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

As Dr. the Hon. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing have deemed interests in Henderson Land under the Securities and Futures Ordinance (Cap.571 of the Laws of Hong Kong), they are regarded to be materially interested in the Transaction and had abstained from voting on the relevant board resolutions of the Company approving the Transaction.

GENERAL

The Group is principally engaged in the business of the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the People’s Republic of China.

So far as the Company is aware, Heng Shung is principally engaged in construction works.

DEFINITIONS

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

| | |
|---------------------------------|---|
| “Company” | The Hong Kong and China Gas Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 3) |
| “connected person” | shall have the same meaning as provided in the Listing Rules |
| “Consideration” | the consideration to be paid by Heng Shung to U-Tech for carrying out the Electrical Installation Works, and where required, the Additional Works, at the Property |
| “Directors” | the directors of the Company |
| “Electrical Installation Works” | the supply and installation of electrical equipment and the testing and commissioning of electrical systems |
| “Group” | the Company and its subsidiaries |
| “Henderson Land” | Henderson Land Development Company Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 12) |
| “Heng Shung” | Heng Shung Construction Co. Ltd., a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Henderson Land |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Letter of Award” | a letter issued by Heng Shung to U-Tech to confirm that its tender for the Electrical Installation Works will be accepted on the terms as set out therein |
| “Listing Rules” | Rules Governing the Listing of Securities on the Stock Exchange |
| “Property” | Phases 4B, 5A and 5B of the comprehensive development situated at Shatin Town Lot No. 502, Lok Wo Sha, Ma On Shan, New Territories, Hong Kong |
| “Shares” | the ordinary shares of HK\$0.25 each in the capital of the Company |
| “Shareholders” | the holders of the Shares from time to time |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |

| | |
|---------------|---|
| “Transaction” | the carrying out of the Electrical Installation Works at the Property and Additional Works (if required) by U-Tech for Heng Shung |
| “U-Tech” | U-Tech Engineering Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| % | per cent. |

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

Hong Kong, 19 February 2014

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

| | |
|---|---|
| <i>Non-executive Directors:</i> | Dr. the Hon. Lee Shau Kee (Chairman), Mr. Colin Lam Ko Yin, Mr. Lee Ka Kit and Mr. Lee Ka Shing |
| <i>Independent Non-executive Directors:</i> | Mr. Leung Hay Man, Dr. the Hon. David Li Kwok Po and Professor Poon Chung Kwong |
| <i>Executive Directors:</i> | Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee |

