

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in **Towngas China Company Limited**, you should at once hand this circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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No Shareholder receiving a copy of this circular and/or an Election Form in any territory outside Hong Kong may treat the same as an invitation to elect for Shares unless in the relevant territory such invitation could lawfully be made to him/her/it without Towngas China Company Limited having to comply with any registration or other legal requirements, governmental or regulatory procedures or any other similar formalities. It is the responsibility of any Shareholder outside Hong Kong who wishes to receive New Shares under the Scrip Dividend Scheme to comply with the laws of the relevant jurisdictions including procedures or any other similar formalities.



港華燃氣有限公司
Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

**SCRIP DIVIDEND SCHEME IN RELATION TO
THE FINAL DIVIDEND
FOR THE YEAR ENDED 31 DECEMBER 2014**

11 June 2015

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held at Meeting Rooms S426-S427 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, Wanchai, Hong Kong on Friday, 29 May 2015 at 11:00 a.m.
“Board”	the board of directors of the Company
“CCASS”	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
“Company”	Towngas China Company Limited (Stock Code: 1083), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Election Form”	the form of election in relation to the Scrip Dividend Scheme
“Eligible Shareholders”	Shareholders whose names appeared on the register of members of the Company on the Record Date
“Final Dividend”	the final dividend of ten HK cents per Share for the year ended 31 December 2014 payable on Friday, 10 July 2015 to Shareholders whose names appeared on the register of members of the Company on the Record Date
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	Monday, 8 June 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“New Share(s)”	new Share(s) credited as fully paid to be issued under the Scrip Dividend Scheme
“Overseas Shareholders”	Shareholders whose names appeared on the register of members of the Company on the Record Date and whose addresses as shown on such register on that date were in places outside Hong Kong

DEFINITIONS

“Record Date”	Monday, 8 June 2015, being the date for determining Shareholders who qualify for the Final Dividend
“Scrip Dividend Scheme”	the scrip dividend scheme proposed by the Board and announced in the results announcement of the Company on Tuesday, 17 March 2015 which offers Shareholders a scrip alternative whereby Shareholders may elect to receive the Final Dividend wholly or partly by the allotment of New Shares in lieu of cash
“Share(s)”	share(s) of nominal value of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



港華燃氣有限公司
Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

Executive Directors:

Mr. Chan Wing Kin, Alfred (*Chairman*)
Mr. Wong Wai Yee, Peter (*Chief Executive Officer*)
Mr. Ho Hon Ming, John (*Company Secretary*)
Mr. Kee Wai Ngai, Martin

Independent Non-Executive Directors:

Dr. Cheng Mo Chi, Moses
Mr. Li Man Bun, Brian David
Mr. Kwan Yuk Choi, James

Registered Office:

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*

23rd Floor
363 Java Road
North Point
Hong Kong

11 June 2015

To the Shareholders

Dear Sir or Madam,

**SCRIP DIVIDEND SCHEME IN RELATION TO
THE FINAL DIVIDEND
FOR THE YEAR ENDED 31 DECEMBER 2014**

INTRODUCTION

On 17 March 2015, the Company announced that the Board had declared the payment of the Final Dividend to Shareholders whose names appear on the register of members of the Company on the Record Date. At the AGM, the Final Dividend was approved by the Shareholders. Eligible Shareholders may elect to receive the Final Dividend in cash, or in the form of fully paid New Shares in lieu of cash, or partly in cash and partly in the form of fully paid New Shares under the Scrip Dividend Scheme.

The purpose of this circular is to provide you with the procedures which apply in relation to the Scrip Dividend Scheme and the action which should be taken by the Shareholders in relation thereto.

LETTER FROM THE BOARD

PARTICULARS OF THE SCRIP DIVIDEND SCHEME

Eligible Shareholders may elect to receive the Final Dividend in one of the following ways:

- (a) cash of ten HK cents per Share; or
- (b) an allotment of such number of New Shares having a market value (as calculated below) equal to, save for adjustment for fractions, the amount of Final Dividend which Shareholders would otherwise be entitled to receive in cash; or
- (c) partly cash and partly New Shares.

BASIS OF ALLOTMENT OF NEW SHARES

For the purpose of calculating the number of New Shares to be allotted pursuant to the Scrip Dividend Scheme, the market value of a New Share, which is calculated as equivalent to the average closing price of one Share as quoted on the Stock Exchange for the five consecutive trading days commencing from Tuesday, 2 June 2015 to Monday, 8 June 2015 (both days inclusive), is HK\$7.802 per Share (the "Average Closing Price"). Accordingly, the number of New Shares which the Eligible Shareholders are entitled to receive in respect of the Shares registered in their names as at the Record Date is calculated as follows:

$$\begin{array}{l} \text{Number of New Shares} \\ \text{to be received} \end{array} = \begin{array}{l} \text{Number of Shares held on the Record} \\ \text{Date and elected for the New Shares} \end{array} \times \frac{\text{HK\$0.1 (Final Dividend per Share)}}{\text{HK\$7.802 (Average Closing Price)}}$$

The number of New Shares to be issued to the Eligible Shareholders will be rounded down to the nearest whole number. Fractional entitlements to the New Shares in respect of choices (b) and (c) above will be paid in the form of cash dividend to the respective Shareholders concerned. The New Shares will, on issue, rank pari passu in all respects with the Shares in issue on the date of the allotment and issue of the New Shares except that they shall not be entitled to the Final Dividend.

ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give the Shareholders an opportunity to increase their investment in the Company at market value without incurring brokerage fees, stamp duty and related dealing costs. It will also benefit the Company to the extent that cash which would otherwise have been paid to the Shareholders who elect to receive the New Shares, in whole or in part in lieu of cash dividend, will be retained for use as working capital of the Company.

LETTER FROM THE BOARD

EFFECT OF THE SCRIP DIVIDEND SCHEME

Based on 2,642,908,769 Shares in issue as at the Record Date, if all Eligible Shareholders elect to receive the Final Dividend in cash, the total cash dividend payable by the Company would be HK\$264,290,876.90. If all Eligible Shareholders elect to receive all of their entitlements to the Final Dividend in the form of New Shares in lieu of cash, based on the Average Closing Price, the maximum number of New Shares to be issued under the Scrip Dividend Scheme will be 33,874,759 Shares, representing approximately 1.28% of the issued share capital of the Company as at the Latest Practicable Date and approximately 1.27% of the issued share capital of the Company as enlarged by the issue of such New Shares.

Shareholders should note that the New Shares to be issued under the Scrip Dividend Scheme may give rise to disclosure requirements under Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). **Shareholders who are in any doubt as to how these provisions may affect them as a result of the issue of the New Shares are recommended to seek their own professional advice. Shareholders who are in any doubt as to their taxation position are also recommended to seek their own professional advice.**

ELECTION FORM

An Election Form is enclosed with this circular for use by the Eligible Shareholders who wish to receive the Final Dividend wholly in New Shares or partly in cash and partly in New Shares. Please read carefully the instructions below and the instructions printed on the Election Form.

If you wish to receive your Final Dividend wholly in cash, you DO NOT need to take any action and DO NOT need to return the Election Form. Shareholders who do not make an election to receive their Final Dividend in New Shares will receive their Final Dividend in cash.

If you wish to receive your Final Dividend wholly in New Shares, please just SIGN, DATE and RETURN the Election Form.

If you wish to receive your Final Dividend partly in cash and partly in New Shares, you should fill in Box C of the Election Form the number of registered Shares you held on the Record Date for which you wish your Final Dividend to be paid in New Shares and then SIGN, DATE and RETURN the Election Form.

If you do not specify the number of Shares in respect of which you wish to receive New Shares, or if you elect to receive New Shares in respect of a greater number of Shares than your registered holding as at the Record Date, you will be deemed to have exercised your election to receive only New Shares in respect of all the Shares registered in your name on the Record Date. Therefore, you will receive only New Shares for the Final Dividend.

LETTER FROM THE BOARD

The enclosed Election Form should be completed in accordance with the instructions printed thereon and you should return the same to the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, **by 4:30p.m. on Friday, 26 June 2015**. The deadline for submission of Election Forms will be adjusted if there is a tropical cyclone warning signal no. 8 or above, or a "black" rainstorm warning:

- (a) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 26 June 2015. Instead the deadline for submission of Election Forms will be 5:00 p.m. on the same business day; or
- (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 26 June 2015. Instead the deadline for submission of Election Forms will be rescheduled to 4:00 p.m. on the next business day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

Failure to complete and return the Election Form in accordance with the instructions printed thereon will result in the relevant Eligible Shareholder's Final Dividend being paid wholly in the form of cash. Election in respect of the Final Dividend cannot be in any way withdrawn, revoked, superseded, or altered after the relevant Election Form is signed and lodged with the Company's Hong Kong Branch Share Registrar. No acknowledgement of receipt of the Election Form will be issued.

SHAREHOLDERS RESIDENT OUTSIDE HONG KONG

Based on the relevant legal opinion obtained and/or on account of the relevant legal and/or regulatory restrictions and/or requirements as at the Latest Practicable Date, Overseas Shareholders are eligible to participate in the Scrip Dividend Scheme.

The Scrip Dividend Scheme is made in compliance with the laws of Hong Kong and with all other relevant codes, rules and other requirements that apply to the Scrip Dividend Scheme in Hong Kong. All Shareholders resident outside Hong Kong should consult their professional advisers as to whether or not they are permitted to participate in the Scrip Dividend Scheme or whether any government or other consent is required or other formalities need to be observed. No Shareholder receiving a copy of this circular and/or an Election Form in any territory outside Hong Kong may treat the same as an invitation to elect for Shares unless in the relevant territory such invitation could lawfully be made to him/her/it without the Company having to comply with any registration or other legal requirements, governmental or regulatory procedures or any other similar formalities. It is the responsibility of any Shareholder outside Hong Kong who wishes to receive New Shares under the Scrip Dividend Scheme to comply with the laws of the relevant jurisdictions including procedures or any other similar formalities. Persons who receive New Shares in lieu of cash dividend must also comply with any restrictions on the resale of Shares which may apply outside Hong Kong.

LETTER FROM THE BOARD

BOOK CLOSURE PERIOD

The register of members of the Company was closed from Thursday, 4 June 2015 to Monday, 8 June 2015, both days inclusive, for the purpose of determining Shareholders who qualify for the Final Dividend.

CONDITIONS OF SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme is conditional upon the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Shares.

In the unlikely event that the above condition is not satisfied, the Scrip Dividend Scheme will not become effective and the Election Forms will be void, and the Final Dividend will then be paid wholly in cash.

SHARE CERTIFICATES AND STOCK EXCHANGE LISTING

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares. It is expected that the share certificates for the New Shares and cheques for cash dividends will be sent by ordinary mail to Shareholders at their own risk on or about Friday, 10 July 2015. The first day of dealings in the New Shares on the Stock Exchange is expected to be on or about Monday, 13 July 2015.

The Shares are listed on and dealt in the Stock Exchange. No part of the share capital of the Company is listed or dealt in on any other stock exchange and the Company is not currently seeking to list its securities on any other stock exchange.

CENTRAL CLEARING AND SETTLEMENT SYSTEM

Subject to the granting of the listing of, and permission to deal in, the New Shares to be issued under the Scrip Dividend Scheme on the Stock Exchange, such New Shares to be issued by the Company will be admitted as eligible securities by Hong Kong Securities Clearing Company Limited for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the New Shares on the Stock Exchange or such other date as determined by Hong Kong Securities Clearing Company Limited. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Shareholders should seek the advice of their stockbroker or other professional adviser for details of these settlement arrangements and how such arrangements will affect their rights and interests.

LETTER FROM THE BOARD

GENERAL

New Shares issued to the Eligible Shareholders pursuant to an election to receive some or all of their Final Dividend in New Shares may be allocated in odd lots (of less than a board lot of 1,000 Shares). No special dealing arrangements will be put in place by the Company to facilitate the trading or disposal of New Shares issued in odd lots. Eligible Shareholders should be aware that odd lots usually trade at a discount to the price of board lots.

Whether or not it is to your advantage to receive cash or the New Shares, in whole or in part, depends upon your own individual circumstances, and the decision in this regard and all effects resulting therefrom are the sole responsibility of each Shareholder. If you are in doubt as to what to do, you should consult your professional advisers.

Shareholders who are trustees are recommended to take professional advice as to whether the choice of New Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

Yours faithfully,
By Order of the Board
Towngas China Company Limited
Ho Hon Ming, John
Executive Director and Company Secretary