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港華燃氣有限公司
Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1083)

CONTINUING CONNECTED TRANSACTIONS

The Board would like to announce that on 5 September 2014, the Company entered into:

- (i) the Master Project Management Agreement with Shenyang Sanquan pursuant to which Shenyang Sanquan shall from time to time provide Project Management Services to members of the Group according to their needs, and the relevant member of the Group shall pay to Shenyang Sanquan relevant service fees in connection therewith;
- (ii) the Master System Software and Supporting Services Agreement with HKCG (Wuhan) pursuant to which HKCG (Wuhan) shall from time to time provide System Software and Supporting Services to members of the Group according to their needs, and the relevant member of the Group shall pay to HKCG (Wuhan) relevant fees in connection therewith; and
- (iii) the Master Cloud Computing System and Supporting Services Agreement with Towngas Telecom (Shenzhen) pursuant to which Towngas Telecom (Shenzhen) shall from time to time provide Cloud Computing System and Supporting Services to members of the Group according to their needs, and the relevant member of the Group shall pay to Towngas Telecom (Shenzhen) relevant fees in connection therewith.

As each of Shenyang Sanquan, HKCG (Wuhan) and Towngas Telecom (Shenzhen) is a subsidiary of HKCG, which in turn is a controlling shareholder of the Company, each of Shenyang Sanquan, HKCG (Wuhan) and Towngas Telecom (Shenzhen) is a connected person of the Company under the Listing Rules. The CCT Transactions, which are all to be carried out in the ordinary and usual course of business of the Group and are expected to continue and extend over a period of time, will therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the Annual Cap Amounts for each of the CCT Transactions exceed HK\$3,000,000 but some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Annual Cap Amounts are more than 0.1% but less than 5%, the CCT Transactions are only subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE PROJECT MANAGEMENT TRANSACTIONS AND THE MASTER PROJECT MANAGEMENT AGREEMENT

The Group is in the business of, inter alia, the sales and distribution of piped gas in the PRC and the Group will from time to time construct gas facilities for the purposes of transporting gas. In this connection, members of the Group had from time to time entered into Project Management Transactions with Shenyang Sanquan pursuant to the 2011 Master Project Management Agreement, which term will expire on 30 September 2014. As it is envisaged that members of the Group will in their ordinary course of business continue to enter into Project Management Transactions with Shenyang Sanquan from time to time after the expiration of the 2011 Master Project Management Agreement, the Company had therefore on 5 September 2014 entered into the Master Project Management Agreement with Shenyang Sanquan to set out the principal terms and conditions governing the Project Management Transactions. Set out below are the principal terms of the Master Project Management Agreement:

Date:

5 September 2014

Parties:

The Company and Shenyang Sanquan, a non-wholly owned subsidiary of HKCG

Subject Matter:

Pursuant to the Master Project Management Agreement, Shenyang Sanquan shall from time to time provide Project Management Services to members of the Group according to their needs, and the relevant member of the Group shall pay to Shenyang Sanquan relevant service fees in connection with the provision of the Project Management Services. Each Project Management Transaction will be effected and governed by terms of the relevant service contract to be entered into between the relevant member of the Group and Shenyang Sanquan.

Duration:

The Master Project Management Agreement shall be for a term commencing from 1 October 2014 up to 31 December 2016 (both days inclusive) unless terminated by either party to the Master Project Management Agreement by not less than one month's written notice.

Pricing and Other Terms:

Pursuant to the Master Project Management Agreement, the terms of each Project Management Transaction (including but not limited to the amount of service fees payable by the Group and the payment terms) shall be determined on a fair basis and on normal commercial terms based on the scale, degree of difficulty of the project, geographical location, duration of the project etc., and on terms which are no less favourable than those offered by Shenyang Sanquan to other independent third party customers (such terms to comply with the relevant price fluctuation regulations prescribed by the PRC and not of cut-throat competition nature, and the level of service and technology management standards should not be lower than that provided by Shenyang Sanquan to other independent third party customers).

THE SYSTEM SOFTWARE AND SUPPORTING SERVICES TRANSACTIONS AND THE MASTER SYSTEM SOFTWARE AND SUPPORTING SERVICES AGREEMENT

Members of the Group had from time to time need to install and use the System Software in connection with its business operations and had from time to time entered into System Software and Supporting Services Transactions with HKCG (Wuhan) pursuant to the 2011 Master System Software and Supporting Services Agreement, which term will expire on 30 September 2014. As it is envisaged that members of the Group will in their ordinary course of business continue to enter into System Software and Supporting Services Transactions with HKCG (Wuhan) from time to time after the expiration of the 2011 Master System Software and Supporting Services Agreement, the Company had therefore on 5 September 2014 entered into the Master System Software and Supporting Services Agreement with HKCG (Wuhan) to set out the principal terms and conditions governing the System Software and Supporting Services Transactions. Set out below are the principal terms of the Master System Software and Supporting Services Agreement:

Date:

5 September 2014

Parties:

The Company and HKCG (Wuhan), a non-wholly owned subsidiary of HKCG

Subject Matter:

Pursuant to the Master System Software and Supporting Services Agreement, HKCG (Wuhan) shall from time to time provide System Software and Supporting Services to members of the Group according to their needs, and the relevant member of the Group shall pay to HKCG (Wuhan) relevant fees in connection with the System Software and Supporting Services Transactions. Each System Software and Supporting Services Transaction will be effected and governed by terms of the relevant contract to be entered into between the relevant member of the Group and HKCG (Wuhan).

Duration:

The Master System Software and Supporting Services Agreement shall be for a term commencing from 1 October 2014 up to 31 December 2016 (both days inclusive) unless terminated by either party to the Master System Software and Supporting Services Agreement by not less than one month's written notice.

Pricing and Other Terms:

Pursuant to the Master System Software and Supporting Services Agreement, the terms of each System Software and Supporting Services Transaction (including but not limited to the amount of fees payable by the Group and the payment terms) shall be determined on a fair basis and on normal commercial terms strictly in accordance with relevant laws and regulations of the PRC and commercial transaction management and monitoring procedures of the Group, and the pricing of the System Software and Supporting Services Transaction shall be determined with reference to the pricing of similar types of products and services in the market and the favourable terms offered to the Group by HKCG (Wuhan). Further, the System Software and Supporting Services Transaction shall be on terms which are no less favourable than those that would be offered by HKCG (Wuhan) to other independent third party customers.

THE CLOUD COMPUTING SYSTEM AND SUPPORTING SERVICES TRANSACTIONS AND THE MASTER CLOUD COMPUTING SYSTEM AND SUPPORTING SERVICES AGREEMENT

Members of the Group had from time to time need to install and use the Cloud Computing System in connection with its business operations and had from time to time entered into Cloud Computing System and Supporting Services Transactions with Towngas Telecom (Shenzhen) pursuant to the 2011 Master Cloud Computing System and Supporting Services Agreement, which term will expire on 30 September 2014. As it is envisaged that members of the Group will in their ordinary course of business continue to enter into Cloud Computing System and Supporting Services Transactions with Towngas Telecom (Shenzhen) after the expiration of the 2011 Master Cloud Computing System and Supporting Services Agreement, the Company has therefore on 5 September 2014 entered into the Master Cloud Computing System and Supporting Services Agreement with Towngas Telecom (Shenzhen) to set out the principal terms and conditions governing the Cloud Computing System and Supporting Services Transactions. Set out below are the principal terms of the Master Cloud Computing System and Supporting Services Agreement:

Date:

5 September 2014

Parties:

The Company and Towngas Telecom (Shenzhen), a wholly-owned subsidiary of HKCG

Subject Matter:

Pursuant to the Master Cloud Computing System and Supporting Services Agreement, Towngas Telecom (Shenzhen) shall from time to time provide Cloud Computing System and Supporting Services to members of the Group according to their needs, and the relevant member of the Group shall pay to Towngas Telecom (Shenzhen) relevant fees in connection with the Cloud Computing System and Supporting Services Transactions. Each Cloud Computing System and Supporting Services Transaction will be effected and governed by terms of the relevant contract to be entered into between the relevant member of the Group and Towngas Telecom (Shenzhen).

Duration:

The Master Cloud Computing System and Supporting Services Agreement shall be for a term commencing from 1 October 2014 up to 31 December 2016 (both days inclusive) unless terminated by either party to the Master Cloud Computing System and Supporting Services Agreement by not less than one month's written notice.

Pricing and Other Terms:

Pursuant to the Master Cloud Computing System and Supporting Services Agreement, the terms of each Cloud Computing System and Supporting Services Transaction (including but not limited to the amount of fees payable by the Group and the payment terms) shall be determined on a fair basis and on normal commercial terms strictly in accordance with relevant laws and regulations of the PRC and commercial transaction management and monitoring procedures of the Group, and the pricing of the Cloud Computing System and Supporting Services Transaction shall be determined with reference to the pricing of similar types of products and services in the market and the favourable terms offered to the Group by Towngas Telecom (Shenzhen). Further, the Cloud Computing System and Supporting Services Transaction shall be on terms which are no less favourable than those offered by Towngas Telecom (Shenzhen) to other independent third party customers.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CCT TRANSACTIONS

The provision of the Project Management Services by Shenyang Sanquan ensures that the construction work of the Group's projects complies with the Underground Work Safety Regulations (地下安全工作守則) (DM 11), the Aboveground Gas Work Safety Regulations (地上燃氣安全工作守則) (DM 12) and other applicable laws and regulations of the PRC. It also provides assurance as to the quality and safety of such construction work and enables the Group to control its project cost.

Each of the System Software and Supporting Services Transactions and Cloud Computing System and Supporting Services Transactions increases the application of information system by the relevant members of the Group, thereby enhancing both their quality of customer services and operations management standards, while lowering the Group's costs for such information system services.

In light of the above, the Directors (including the independent non-executive Directors) consider that the CCT Transactions will be conducted in the ordinary and usual course of business of the Group and on arm's length basis, the terms of the CCT Master Agreements have been negotiated on arm's length basis and on normal commercial terms and the terms thereof are fair and reasonable and in the interest of the Group and the shareholders of the Company as a whole.

HISTORICAL FIGURES

The aggregate amounts paid by the Group to Shenyang Sanquan, HKCG (Wuhan) and Towngas Telecom (Shenzhen) pursuant to the Project Management Transactions, the System Software and Supporting Services Transactions and the Cloud Computing System and Supporting Services Transactions respectively for the years ended 31 December 2011, 2012 and 2013 and for the 6 months ended 30 June 2014, which have not exceeded the annual cap amounts, were as follows:

	For the year ended 31 December 2011	For the year ended 31 December 2012	For the year ended 31 December 2013	For the 6 months ended 30 June 2014
Project Management Transactions	RMB1,479,000 (approximately HK\$1,782,000)	RMB2,866,000 (approximately HK\$3,525,000)	RMB4,284,000 (approximately HK\$5,405,000)	RMB2,710,000 (approximately HK\$3,407,000)
System Software and Supporting Services Transactions	RMB1,369,000 (approximately HK\$1,650,000)	RMB3,080,000 (approximately HK\$3,788,000)	RMB3,607,000 (approximately HK\$4,551,000)	RMB599,000 (approximately HK\$753,000)
Cloud Computing System and Supporting Services Transactions	Nil	RMB4,177,000 (approximately HK\$5,138,000)	RMB6,828,000 (approximately HK\$8,615,000)	RMB3,055,000 (approximately HK\$3,840,000)

ANNUAL CAP AMOUNTS AND BASIS FOR DETERMINING THE ANNUAL CAP AMOUNTS

It is expected that the maximum aggregate fees payable by the Group to Shenyang Sanquan, HKCG (Wuhan) and Towngas Telecom (Shenzhen) under the CCT Transactions per annum will not exceed the amounts set out below (“**Annual Cap Amounts**”):

	For the year ending 31 December 2014	For the year ending 31 December 2015	For the year ending 31 December 2016
Project Management Transactions	RMB9,200,000 (approximately HK\$11,592,000)	RMB9,600,000 (approximately HK\$12,096,000)	RMB11,500,000 (approximately HK\$14,490,000)
System Software and Supporting Services Transactions	RMB16,900,000 (approximately HK\$21,294,000)	RMB29,400,000 (approximately HK\$37,044,000)	RMB33,600,000 (approximately HK\$42,336,000)
Cloud Computing System and Supporting Services Transactions	RMB8,100,000 (approximately HK\$10,206,000)	RMB10,000,000 (approximately HK\$12,600,000)	RMB10,600,000 (approximately HK\$13,356,000)

The Annual Cap Amounts in respect of:

- (a) the Project Management Transactions were arrived at with reference to historical figures for such transactions, the estimated demand for Project Management Services and the service fees charged by other independent providers of the Project Management Services;
- (b) the System Software and Supporting Services Transactions were arrived at with reference to historical figures for such transactions, the progress of promoting the use of System Software within the Group and the progress of the development and introduction of new information technology products; and
- (c) the Cloud Computing System and Supporting Services Transactions were arrived at with reference to historical figures for such transaction, the progress of promoting the use of Cloud Computing System within the Group and the progress of the development and introduction of new information technology products.

The Directors (including the independent non-executive Directors) considered that the Annual Cap Amounts are fair and reasonable and in the interest of the Group and the shareholders of the Company taken as a whole.

CONTINUING CONNECTED TRANSACTIONS

As each of Shenyang Sanquan, HKCG (Wuhan) and Towngas Telecom (Shenzhen) is a subsidiary of HKCG, which in turn is a controlling shareholder of the Company, each of Shenyang Sanquan, HKCG (Wuhan) and Towngas Telecom (Shenzhen) is a connected person of the Company under the Listing Rules. The CCT Transactions, which are all to be carried out in the ordinary and usual course of business of the Group and are expected to continue and extend over a period of time, will therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the Annual Cap Amounts for each of the CCT Transactions exceed HK\$3,000,000 but some of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Annual Cap Amounts are more than 0.1% but less than 5%, the CCT Transactions are only subject to the reporting, announcement and annual review requirements but are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of Mr. Chan Wing Kin, Alfred, Mr. Ho Hon Ming, John and Mr. Kwan Yuk Choi, James, all being Directors, are interested in approximately 0.0019%, 0.0003% and 0.0014% of the total number of issued shares in HKCG and each of Mr. Chan Wing Kin, Alfred and Mr. Wong Wai Yee, Peter are also directors of HKCG, each of them has abstained from voting on the board resolutions to approve the CCT Master Agreements and the transactions contemplated thereunder.

PRINCIPAL ACTIVITIES OF THE COMPANY, SHENYANG SANQUAN, HKCG (WUHAN) AND TOWNGAS TELECOM (SHENZHEN)

The Company is an investment holding company and the principal activities of its subsidiaries are the sales and distribution of piped gas in the PRC including the provision of piped gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances.

The principal activities of Shenyang Sanquan are project management of construction and installation projects relating to buildings for industrial and civil use, gas and heating and other related specialized fields.

The principal activities of HKCG (Wuhan) are the development, sales, system implementation and relevant after-sales services of software application systems for the public utilities industry and the provision of management consultation services for business process reforms relating to public utilities enterprises, and outsourced maintenance services of hardware and software systems for public utilities enterprises.

The principal activities of Towngas Telecom (Shenzhen) are the design of automated-buildings, technology development and the provision of technical support, the wholesale of electric wires and cables, the management of commission fees, import and export services and other relevant services, as well as the provision of services in relation to the management and maintenance of system applications and technical support for the management of business logistics outsourced from other parties.

DEFINITIONS

“2011 Master Cloud Computing System and Supporting Services Agreement”	the agreement dated 19 December 2011 entered into between the Company and Towngas Telecom (Shenzhen) relating to the Cloud Computing System and Supporting Services Transactions
“2011 Master Project Management Agreement”	the agreement dated 19 December 2011 entered into between the Company and Shenyang Sanquan relating to the Project Management Transactions
“2011 Master System Software and Supporting Services Agreement”	the agreement dated 19 December 2011 entered into between the Company and HKCG (Wuhan) relating to the System Software and Supporting Services Transactions
“Board”	the board of Directors
“CCT Master Agreements”	the Master Project Management Agreement, the Master System Software and Supporting Services Agreement and the Master Cloud Computing System and Supporting Services Agreement
“CCT Transactions”	the Project Management Transactions, the System Software and Supporting Services Transactions and the Cloud Computing System and Supporting Services Transactions
“Cloud Computing System”	a cloud computing hardware system which will manage, operate and monitor the network infrastructure of information systems, including but not limited to, Towngas Customer Information System (燃氣客戶資訊管理系統)
“Cloud Computing System and Supporting Services”	the user authorization, installation, management and maintenance and the provision of technical supporting services relating to the Cloud Computing System
“Cloud Computing System and Supporting Services Transactions”	the provision of the Cloud Computing System and Supporting Services by Towngas Telecom (Shenzhen) to members of the Group and the payment by the relevant member of the Group to Towngas Telecom (Shenzhen) of the relevant fees in connection therewith
“Company”	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)
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“HKCG (Wuhan)”	港華科技(武漢)有限公司 (Hongkong and China Technology (Wuhan) Company Limited), a company established in the PRC with limited liability and a non-wholly owned subsidiary of HKCG
“HKCG”	The Hong Kong and China Gas Company Limited (香港中華煤氣有限公司), 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)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Master Cloud Computing System and Supporting Services Agreement”	the agreement dated 5 September 2014 entered into between the Company and Towngas Telecom (Shenzhen) relating to the Cloud Computing System and Supporting Services Transactions
“Master Project Management Agreement”	the agreement dated 5 September 2014 entered into between the Company and Shenyang Sanquan relating to the Project Management Transactions
“Master System Software and Supporting Services Agreement”	the agreement dated 5 September 2014 entered into between the Company and HKCG (Wuhan) relating to the System Software and Supporting Services Transactions
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project Management Services”	project management services relating to the monitoring and managing of gas facilities and construction and installation projects of the Group
“Project Management Transactions”	the provision of Project Management Services by Shenyang Sanquan to members of the Group and the payment by the relevant member of the Group to Shenyang Sanquan of the relevant service fees in connection therewith
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shenyang Sanquan”	瀋陽三全工程監理諮詢有限公司 (Shenyang Sanquan Project Management Consulting Co., Ltd.), a company established in the PRC with limited liability and a non wholly-owned subsidiary of HKCG
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“System Software”	system software developed by HKCG (Wuhan), including but not limited to the Towngas Customer Information System (燃氣客戶資訊管理系統), the Towngas Customer Services Centre Hotline System (燃氣客戶服務中心熱線系統) and the Production Operating Management System (生產運營管理系統產品)
“System Software and Supporting Services Transactions”	the provision of the System Software and Supporting Services by HKCG (Wuhan) to members of the Group, and the payment by the relevant member of the Group to HKCG (Wuhan) of the relevant fees in connection therewith
“System Software and Supporting Services”	the user authorization, installation, management and maintenance and the provision of technical supporting services relating to the System Software
“Towngas Telecom (Shenzhen)”	名氣通智能科技(深圳)有限公司 (Towngas Telecommunications (Shenzhen) Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of HKCG
“%”	per cent.

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

Hong Kong, 5 September 2014

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

Executive Directors:

CHAN Wing Kin, Alfred (*Chairman*)
WONG Wai Yee, Peter (*Chief Executive Officer*)
HO Hon Ming, John (*Company Secretary*)

Independent Non-executive Directors:

CHENG Mo Chi, Moses
LI Man Bun, Brian David
CHOW Vee Tsung, Oscar

Non-executive Director:

KWAN Yuk Choi, James

English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this announcement, RMB has been converted to HK\$ at the rate of RMB1 = HK\$1.26 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.