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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

On 5 April 2013, the Company and HKCG entered into:

- (1) the Gas Purchase Master Agreement with respect to the Gas Purchase Transactions; and
- (2) the Pipeline Materials Purchase Master Agreement with respect to the Pipeline Materials Purchase Transactions.

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The entering into of the CCT Master Agreements and the Non-Exempt Continuing Connected Transactions contemplated thereunder, which are to be carried out in the ordinary and usual course of business of the Group and 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 all of the Cap Amounts for each of the Non-Exempt Continuing Connected Transactions exceed HK\$1,000,000 but the relevant applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Annual Cap Amounts under each of the Non-Exempt Continuing Connected Transactions are greater than 0.1% but less than 5%, each of the Non-Exempt Continuing Connected Transactions is only subject to the reporting, annual review and announcement requirements but is exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE GAS PURCHASE MASTER AGREEMENT

Members of the Group had from time to time purchased various types of fuel gas (including but not limited to liquefied coalbed methane, compressed natural gas and liquefied natural gas) from members of the HKCG Group pursuant to the 2010 Gas Purchase Master Agreement, which term will expire on 30 April 2013. Whilst the occurrence of the Gas Purchase Transactions will depend on the business requirements of the Group and the HKCG Group, it is anticipated that the Group will continue to enter into the Gas Purchase Transactions with the HKCG Group in its ordinary and usual course of business from time to time after the expiration of the 2010 Gas Purchase Master Agreement. The Company had

therefore on 5 April 2013 entered into the Gas Purchase Master Agreement with HKCG with respect to the Gas Purchase Transactions containing, inter alia, the following terms:

- Date : 5 April 2013
- Parties : (i) the Company; and
(ii) HKCG, the controlling shareholder of the Company
- Term : The Gas Purchase Master Agreement shall be for a term commencing from 1 May 2013 to 31 December 2015 (both days inclusive) unless terminated earlier by agreement signed by the parties thereto.
- Transaction nature : HKCG agrees to, or to procure members of the HKCG Group to, enter into the Gas Purchase Transactions with members of the Group to sell various types of fuel gas (including but not limited to liquefied coalbed methane, compressed natural gas and liquefied natural gas) to members of the Group during the term of the Gas Purchase Master Agreement. Each Gas Purchase Transaction will be effected and governed by the relevant purchase contract or purchase order to be entered into between the relevant member of the Group and the relevant member of the HKCG Group.
- Pricing and other terms : The terms of each Gas Purchase Transaction (including the amount of consideration payable by the Group and the payment terms) shall be on normal commercial terms, negotiated on an arm's length basis and be on similar basis as the relevant member of the HKCG Group transacts business with other independent third party customers and shall be on terms which are no less favourable than those offered by members of the HKCG Group to such third party customers.

Reasons for and Benefits of the Gas Purchase Transactions

It is believed that the Gas Purchase Transactions will benefit the Group for the following reasons:

- (i) the members of the Group will be able to obtain more gas supplies to promote market development;
- (ii) purchasing from the HKCG Group can ensure a steady and continuous gas supply, thereby guaranteeing a steady provision of gas to the Group's customers; and
- (iii) it will minimize the Group's purchasing costs, thus enhancing the gross profit.

THE PIPELINE MATERIALS PURCHASE MASTER AGREEMENT

Members of the Group had from time to time purchased various pipeline construction materials and tools from members of the HKCG Group pursuant to the 2010 Pipeline Materials Purchase Master Agreement, which term will expire on 30 April 2013. Whilst the occurrence of the Pipeline Materials Purchase Transactions will depend on the business requirements of the respective parties, it is anticipated that the Group will continue to enter into the Pipeline Materials Purchase Transactions with the HKCG Group in its ordinary and usual course of business from time to time after the expiration of the 2010 Pipeline Materials Purchase Master Agreement. The Company had therefore on 5 April 2013 entered into the Pipeline Materials Purchase Master Agreement with HKCG with respect to the Pipeline Materials Purchase Transactions containing, inter alia, the following terms:

- Date : 5 April 2013
- Parties : (i) the Company; and
(ii) HKCG, the controlling shareholder of the Company
- Term : The Pipeline Materials Purchase Master Agreement shall be for a term commencing from 1 May 2013 to 31 December 2015 (both days inclusive) unless terminated earlier by agreement signed by the parties thereto.
- Transaction nature : HKCG agrees to, or to procure members of the HKCG Group to, enter into the Pipeline Materials Purchase Transactions with members of the Group to sell various pipeline construction materials and tools (including but not limited to gas meters) to members of the Group during the term of the Pipeline Materials Purchase Master Agreement. Each Pipeline Materials Purchase Transaction will be effected and governed by the relevant purchase contract or purchase order to be entered into between the relevant member of the Group and the relevant member of the HKCG Group.
- Pricing and other terms : The terms of each Pipeline Materials Purchase Transaction (including the amount of consideration payable by the Group and the payment terms) shall be on normal commercial terms, negotiated on an arm's length basis and be on similar basis as the relevant member of the HKCG Group transacts business with other independent third party customers and shall be on terms which are no less favourable than those offered by members of the HKCG Group to such third party customers.

Reasons for and Benefits of the Pipeline Materials Purchase Transactions

It is believed that the Pipeline Materials Purchase Transactions will benefit the Group for the following reasons:

- (i) the members of the Group will be able to maintain consistent quality of materials supply for pipeline construction works;
- (ii) it will minimize the Group's purchasing costs thus contributing to reduction of capital expenditure for pipelines construction; and
- (iii) it will enhance the accuracy of gas measurement thus reducing the difference between supply and demand and increase the sales revenue of the Group.

HISTORICAL FIGURES

The aggregate approximate amounts paid by the Group pursuant to the Gas Purchase Transactions and Pipeline Materials Purchase Transactions for the three years ended 31 December 2010, 2011 and 2012 and the two months ended 28 February 2013 were as follows:

	For the year ended 31 December 2010	For the year ended 31 December 2011	For the year ended 31 December 2012	For the two months ended 28 February 2013
Gas Purchase Transactions	RMB2,870,000 (approximately HK\$3,558,800)	RMB22,390,000 (approximately HK\$27,763,600)	RMB43,120,000 (approximately HK\$53,468,800)	RMB8,000,000 (approximately HK\$9,920,000)
Pipeline Materials Purchase Transactions	RMB4,400,000 (approximately HK\$5,456,000)	RMB5,740,000 (approximately HK\$7,117,600)	RMB5,260,000 (approximately HK\$6,522,400)	RMB670,000 (approximately HK\$830,800)

ANNUAL CAP AMOUNTS AND BASIS FOR DETERMINING THE ANNUAL CAP AMOUNTS

It is expected that the annual consideration payable by the Group under each of the Non-Exempt Continuing Connected Transactions for the three years ending 31 December 2013, 2014 and 2015 will not exceed the amounts set out below (the "Annual Cap Amounts").

	For the year ending 31 December 2013	For the year ending 31 December 2014	For the year ending 31 December 2015
Gas Purchase Transactions	RMB48,000,000 (approximately HK\$59,520,000)	RMB56,000,000 (approximately HK\$69,440,000)	RMB61,000,000 (approximately HK\$75,640,000)
Pipeline Materials Purchase Transactions	RMB18,000,000 (approximately HK\$22,320,000)	RMB20,000,000 (approximately HK\$24,800,000)	RMB26,000,000 (approximately HK\$32,240,000)

The Annual Cap Amounts in respect of the Gas Purchase Transactions have been determined with reference to:

- (a) the historical figures on amounts paid by the Group in respect of the Gas Purchase Transactions;
- (b) the estimated demand of the Group for fuel gas.;
- (c) the estimated volume of fuel gas that HKCG Group can supply;
- (d) the gas sources that can be provided by other independent suppliers and related tariffs; and
- (e) seasonal factors affecting the demand and supply of fuel gas.

The Annual Cap Amounts in respect of the Pipeline Materials Purchase Transactions have been determined with reference to:

- (a) the historical figures on amounts paid by the Group in respect of the Pipeline Materials Purchase Transactions;
- (b) the estimated amount of pipeline construction works; and
- (c) the similar products that can be provided by other independent suppliers and related prices.

The Directors (including the independent non-executive Directors) considered that the Non-Exempt Continuing Connected Transactions are and will continue to 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 an arm's length basis and are on normal commercial terms, and both the terms of the CCT Master Agreements and the relevant Annual Cap Amounts are fair and reasonable and are in the interest of the Group and the shareholders of the Company taken as a whole.

CONTINUING CONNECTED TRANSACTIONS

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The entering into of the CCT Master Agreements and the Non-Exempt Continuing Connected Transactions contemplated thereunder, which are to be carried out in the ordinary and usual course of business of the Group and 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 all of the Cap Amounts for each of the Non-Exempt Continuing Connected Transactions exceed HK\$1,000,000 but the relevant applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Annual Cap Amounts under each of the Non-Exempt Continuing Connected Transactions are greater than 0.1% but less than 5%, each of the Non-Exempt Continuing Connected Transactions is only subject to the reporting, annual review and announcement requirements but is 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 beneficially interested in approximately 0.0019%, 0.0003% and 0.0014% of the issued share capital of HKCG and 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 AND HKCG

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 HKCG Group are the production, distribution and marketing of gas, water and energy related activities in Hong Kong and the PRC.

DEFINITIONS

“2010 Gas Purchase Master Agreement”	the agreement dated 12 May 2010 entered into between the Company and HKCG relating to the Gas Purchase Transactions, particulars of which are set out in the announcement of the Company dated 12 May 2010
“2010 Pipeline Materials Purchase Master Agreement”	the agreement dated 12 May 2010 entered into between the Company and HKCG relating to the Pipeline Materials Purchase Transactions, particulars of which are set out in the Company’s announcement dated 12 May 2010
“CCT Master Agreements”	the Gas Purchase Master Agreement and the Pipeline Materials Purchase Master Agreement
“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
“Directors”	the directors of the Company
“Gas Purchase Master Agreement”	the agreement dated 5 April 2013 entered into between the Company and HKCG relating to the Gas Purchase Transactions, particulars of which are set out in the section titled “The Gas Purchase Master Agreement” of this announcement

“Gas Purchase Transactions”	the purchase of various types of fuel gas (including but not limited to liquefied coalbed methane, compressed natural gas and liquefied natural gas) by members of the Group from members of the HKCG Group
“Group”	the Company and its subsidiaries
“HKCG”	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
“HKCG Group”	HKCG and its subsidiaries (save and except the Company and any of its subsidiaries) and associates (as defined under the Listing Rules)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Non-Exempt Continuing Connected Transactions”	the Gas Purchase Transactions and the Pipeline Materials Purchase Transactions
“Pipeline Materials Purchase Master Agreement”	the agreement dated 5 April 2013 entered into between the Company and HKCG relating to the Pipeline Materials Purchase Transactions, particulars of which are set out in the section titled “The Pipeline Materials Purchase Master Agreement” of this announcement
“Pipeline Materials Purchase Transactions”	the purchase of pipeline construction materials and tools (including but not limited to gas meters) by members of the Group from members of the HKCG Group
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi yuan, the lawful currency of the PRC

“**Stock Exchange**”

The Stock Exchange of Hong Kong Limited

“**%**”

per cent.

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

Hong Kong, 5 April 2013

As at the date of this announcement, the board of Directors 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

In this announcement, RMB has been converted to HK\$ at the rate of RMB1 = HK\$1.24 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.