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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

CONNECTED TRANSACTION

The Board would like to announce that on 19 March 2013, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Equity Interests Transfer Agreement with the Vendor pursuant to which the Purchaser has agreed to purchase 50% equity interests in Gongzhuling Gangtian from the Vendor at the consideration of RMB4,900,000. After completion of such purchase, Gongzhuling Gangtian will become a wholly-owned subsidiary of the Company. Since Gongzhuling Gangtian currently does not own vehicles for transport of compressed natural gas, in order for it to expand its sales market and be able to meet all transportation requirements of customers after it becomes a wholly-owned subsidiary of the Company, Gongzhuling Gangtian has on 19 March 2013 entered into the Vehicle Transfer Agreement with the Vendor pursuant to which Gongzhuling Gangtian has agreed to purchase the CNG Vehicles from the Vendor at the consideration of RMB3,170,000. Completion of the Vehicle Transfer Agreement shall take place after completion of the Equity Interests Transfer Agreement.

As the Vendor is a company owned as to 49% by HKCG, which in turn is a controlling shareholder of the Company, the Vendor is an associate of HKCG and thus a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Equity Interests Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Vehicle Transfer Agreement was entered into in light of the Group's acquisition of the remaining 50% interests in Gongzhuling Gangtian and both the Equity Interests Transfer Agreement and the Vehicle Transfer Agreement will be completed within the same 12-month period, the consideration payable under the Vehicle Transfer Agreement will be aggregated with the consideration payable under the Equity Interests Transfer Agreement for the purposes of calculation of the consideration ratio under Rule 14.07 of the Listing Rules. As the aggregate consideration payable under the Equity Interests Transfer Agreement and the Vehicle Transfer Agreement exceeds HK\$1,000,000 and certain of the relevant applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Equity Interests Transfer Agreement exceed 0.1% but all such applicable percentage ratios are below 5%, the entering into of the Equity Interests Transfer Agreement is only subject to the reporting and announcement requirement but is exempt from the independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

THE EQUITY INTERESTS TRANSFER AGREEMENT

On 19 March 2013, the Purchaser (a wholly-owned subsidiary of the Company) entered into the Equity Interests Transfer Agreement with the Vendor pursuant to which the Purchaser has conditionally agreed to purchase 50% equity interests in Gongzhuling Gangtian from the Vendor at the consideration of RMB4,900,000, on and subject to the terms and conditions of the Equity Interests Transfer Agreement.

Date

19 March 2013

Parties

Vendor: 吉林省天然氣有限公司(Jilin Province Natural Gas Limited Company)

Purchaser: 公主嶺港華燃氣有限公司 (Gongzhuling Towngas Limited), a wholly-owned subsidiary of the Company

As the Vendor is owned as to 49% by HKCG, the controlling shareholder of the Company, the Vendor is an associate of HKCG and therefore a connected person of the Company under the Listing Rules.

Asset to be acquired

50% equity interests in Gongzhuling Gangtian held by the Vendor.

The Equity Consideration

The Equity Consideration is RMB4,900,000 (equivalent to approximately HK\$6,076,000) and was arrived at after arms' length negotiations between the Vendor and Purchaser with reference to the net asset value of Gongzhuling Gangtian and the initial investment amount contributed by the Vendor into Gongzhuling Gangtian.

Manner of payment of Equity Consideration

The Equity Consideration shall be payable in the following manner:

- (i) 50% of the Equity Consideration, i.e. RMB2,450,000 (equivalent to approximately HK\$3,038,000), shall be payable within 10 working days from the date of signing of the Equity Interests Transfer Agreement; and
- (ii) 50% of the Equity Consideration, i.e. RMB2,450,000 (equivalent to approximately HK\$3,038,000), shall be payable within 10 working days from the date of completion of the Equity Interests Transfer Procedures.

In the event that the Equity Interests Transfer Procedures cannot be completed as the approval from relevant PRC authorities cannot be obtained, either party has the right to terminate the Equity Interests Transfer Agreement. Upon such termination of the Equity Interests Transfer Agreement, the Vendor shall within 30 days refund to the Purchaser the entire amount of the Equity Consideration already paid by the Purchaser pursuant to the Equity Interests Transfer Agreement.

THE VEHICLE TRANSFER AGREEMENT

On the same day as the Equity Interests Transfer Agreement, Gongzhuling Gangtian has entered into the Vehicle Transfer Agreement with the Vendor pursuant to which Gongzhuling Gangtian has agreed to purchase the CNG Vehicles from the Vendor at the consideration of RMB3,170,000, on and subject to the terms and conditions of the Vehicle Transfer Agreement.

Date

19 March 2013

Parties

Vendor: 吉林省天然氣有限公司 (Jilin Province Natural Gas Limited Company)

Buyer: 公主嶺港天壓縮天然氣有限公司 (Gongzhuling Gangtian Compressed Natural Gas Co., Ltd.)

Asset to be acquired

The CNG Vehicles, comprising 5 tractor trucks and 5 sleighs for transportation of compressed natural gas.

Consideration

The Vehicle Consideration is RMB3,170,000 (equivalent to approximately HK\$3,930,800) and was arrived at after arms length negotiations between the Vendor and Gongzhuling Gangtian with reference to the value of the CNG Vehicles set out in the valuation report prepared by an asset valuer designated by the Vendor and Gongzhuling Gangtian.

Delivery of the CNG Vehicles

The CNG Vehicles shall be delivered by the Vendor to Gongzhuling Gangtian within 3 working days after the satisfaction and completion of the following conditions:

- (a) the completion of the Equity Interests Transfer Procedures;
- (b) the Vendor having completed the change of registered owner procedures in respect of the CNG Vehicles; and
- (c) Gongzhuling Gangtian having inspected and confirmed the status of the CNG Vehicles according to the relevant certificates and licences and such other matters as set out in the Vehicle Transfer Agreement.

Manner of payment of Vehicle Consideration

The Vehicle Consideration shall be payable by Gongzhuling Gangtian to the Vendor in the following manner:

- (i) 30% of the Vehicle Consideration, i.e. RMB951,000 (equivalent to approximately HK\$1,179,240), shall be payable within 7 working days from the date of signing of the Vehicle Transfer Agreement;
- (ii) 65% of the Vehicle Consideration, i.e. RMB2,060,500 (equivalent to approximately HK\$2,555,020), shall be payable within 7 working days from the date of delivery of the CNG Vehicles to Gongzhuling Gangtian; and
- (iii) 5% of the Vehicle Consideration, i.e. RMB158,500 (equivalent to approximately HK\$196,540), shall be payable within 7 working days from the date of obtaining of the transportation permit for dangerous goods in respect of the CNG Vehicles by Gongzhuling Gangtian.

In the event that the Equity Interests Transfer Agreement is terminated by whatever reason (including but not limited to the Vendor being unable to transfer the 50% equity interests in Gongzhuling Gangtian held by it to the Purchaser in accordance with the Equity Interests Transfer Agreement), the Vehicle Transfer Agreement shall be automatically terminated on the date of termination of the Equity Interests Transfer Agreement and the Vendor shall within 30 days refund to Gongzhuling Gangtian the entire amount of the Vehicle Consideration already paid by Gongzhuling Gangtian pursuant to the Vehicle Transfer Agreement.

INFORMATION ON GONGZHULING GANGTIAN AND THE CNG VEHICLES

General

Gongzhuling Gangtian is a limited liability company established in the PRC principally engaged in the sales of compressed natural gas located in Gongzhuling of Jilin Province of the PRC. In the recent years, Gongzhuling Gangtian has from time to time purchased various types of fuel gas from members of the Group for supply to its customers, constituting continuing connected transactions of the Group, pursuant to the Gas Sales Master Agreement. Following completion of the Equity Interests Transfer Agreement, Gongzhuling Gangtian shall become a wholly-owned subsidiary of the Company, thus future purchases of fuel gas by Gongzhuling Gangtian from members of the Group would no longer constitute continuing connected transactions of the Company.

The CNG Vehicles comprise 5 tractor trucks and 5 sleighs, and are used for transportation of compressed natural gas.

Financial information

Based on the audited financial statements of Gongzhuling Gangtian for the two years ended 31 December 2012, its net loss before and after taxation for the financial year ended 31 December 2011 were approximately RMB856,000 (equivalent to approximately HK\$1,061,440) and approximately RMB856,000 (equivalent to approximately HK\$1,061,440) respectively; and its net profit before and after taxation for the financial year ended 31 December 2012 were approximately RMB327,000 (equivalent to approximately HK\$405,480) and approximately RMB327,000 (equivalent to approximately HK\$405,480) respectively.

The audited net asset value and the audited total asset value of Gongzhuling Gangtian as at 31 December 2012 amounted to approximately RMB7,470,000 (equivalent to approximately HK\$9,262,800) and approximately RMB16,320,000 (equivalent to approximately HK\$20,236,800) respectively.

The original purchase cost of the Vendor in respect of its 50% equity interests in Gongzhuling Gangtian was RMB4,000,000 (equivalent to approximately HK\$4,960,000).

The aggregate original purchase cost of the Vendor in respect of the CNG Vehicles was approximately RMB8,333,000 (equivalent to approximately HK\$10,332,920).

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY INTERESTS TRANSFER AGREEMENT AND THE VEHICLE TRANSFER AGREEMENT

The Company was informed by Jilin Investment that its investment strategy focuses on long-distance gas pipeline business in the midstream market. As Jilin Investment, the controlling shareholder of the Vendor, intends to adjust the investment strategy and development approach of the Vendor such that it will focus on the midstream long-distance gas pipeline business; the Vendor therefore disposes of its interests in Gongzhuling Gangtian and the CNG Vehicles.

Currently, as the Purchaser only holds 50% equity interests in Gongzhuling Gangtian, it is not a controlling shareholder of Gongzhuling Gangtian and has no absolute control over the internal management of Gongzhuling Gangtian. Further acquisition of equity interests in Gongzhuling Gangtian would enable the Purchaser to enhance control over Gongzhuling Gangtian's management.

Since Gongzhuling Gangtian currently does not own vehicles for transport of compressed natural gas, it is unable to meet all transportation requirements of customers, thus limiting its sales market. In order to expand Gongzhuling Gangtian's sales market and be able to meet all transportation requirements of customers after it becomes a wholly-owned subsidiary of the Company, simultaneously with the entering into of the Equity Interests Transfer Agreement between the Vendor and the Purchaser, Gongzhuling Gangtian has entered into the Vehicle Transfer Agreement with the Vendor to purchase the CNG Vehicles.

The Directors (including the independent non-executive Directors) consider that Equity Interests Transfer Agreement are 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.

LISTING RULES IMPLICATIONS

As the Vendor is a company owned as to 49% by HKCG, which in turn is a controlling shareholder of the Company, the Vendor is an associate of HKCG and thus a connected person of the Company under the Listing Rules. Accordingly, the entering into of the Equity Interests Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the Vehicle Transfer Agreement was entered into in light of the Group's acquisition of the remaining 50% interests in Gongzhuling Gangtian and both the Equity Interests Transfer Agreement and the Vehicle Transfer Agreement will be completed within the same 12-month period, the consideration payable under the Vehicle Transfer Agreement will be aggregated with the consideration payable under the Equity Interests Transfer Agreement for the purposes of calculation of the consideration ratio under Rule 14.07 of the Listing Rules. As the aggregate consideration payable under the Equity Interests Transfer Agreement and the Vehicle Transfer Agreement exceeds HK\$1,000,000 and certain of the relevant applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Equity Interests Transfer Agreement exceed 0.1% but all such applicable percentage ratios are below 5%, the entering into of the Equity Interests Transfer Agreement is only subject to the reporting and announcement requirement but is exempt from the independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

As none of the Directors has any material interest in the Equity Interests Transfer Agreement or the Vehicle Transfer Agreement, no Director is required to abstain from voting on the board resolution to approve the Equity Interests Transfer Agreement and the transactions contemplated thereunder.

PRINCIPAL ACTIVITIES OF THE GROUP, THE PURCHASER AND THE VENDOR

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 activity of the Purchaser is the operation of piped gas business in Gongzhuling of Jilin Province.

The principal activities of the Vendor are, including but not limited to, the construction and operation of major and branch gas pipelines, and the operation and management of city gas business in Jilin Province.

DEFINITIONS

“Board”	the board of Directors
“CNG Vehicles”	5 tractor trucks and 5 sleighs used for the transport of compressed natural gas owned by the Vendor
“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
“Equity Consideration”	the consideration payable by the Purchaser to the Vendor for the acquisition of 50% equity interests in Gongzhuling Gangtian pursuant to the terms and conditions of the Equity Interests Transfer Agreement
“Equity Interests Transfer Procedures”	the procedures required to be undertaken for completion of the transfer by the Vendor of 50% equity interests in Gongzhuling Gangtian to the Purchaser, including but not limited to the approval of the new articles and change of business licence of Gongzhuling Gangtian
“Equity Interests Transfer Agreement”	the equity interests transfer agreement dated 19 March 2013 entered into between the Purchaser and the Vendor in respect of the transfer of 50% equity interests in Gongzhuling Gangtian
“Gas Sales Master Agreement”	the agreement dated 12 May 2010 entered into between the Company and HKCG relating to the sales of various types of fuel gas by members of the Group to members of the HKCG Group, particulars of which were disclosed in the Company’s announcement dated 12 May 2010
“Gongzhuling Gangtian”	公主嶺港天壓縮天然氣有限公司 (Gongzhuling Gangtian Compressed Natural Gas Co., Ltd.), a company incorporated in the PRC with limited liability which is owned as to 50% by the Purchaser and 50% by the Vendor
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“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)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jilin Investment”	吉林省投資(集團)有限公司 (Jilin Province Investment (Group) Co., Ltd.), a company incorporated in the PRC with limited liability owned by the Jilin Provincial Government
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“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
“Purchaser”	公主嶺港華燃氣有限公司 (Gongzhuling Towngas Limited), a company incorporated in the PRC with limited liability wholly owned by the Company
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Vehicle Consideration”	the consideration payable by Gongzhuling Gangtian to the Vendor for the purchase of the CNG Vehicles pursuant to the terms and conditions of the Vehicle Transfer Agreement
“Vehicle Transfer Agreement”	the vehicle transfer agreement dated 19 March 2013 entered into between the Vendor and Gongzhuling Gangtian in relation to the transfer of the CNG Vehicles by the Vendor to Gongzhuling Gangtian
“Vendor”	吉林省天然氣有限公司 (Jilin Province Natural Gas Limited Company), a company incorporated in the PRC with limited liability which is owned as to 49% by HKCG and 51% by Jilin Investment
“%”	per cent.

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

Hong Kong, 19 March 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

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\$1.24 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.