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

## **CONTINUING CONNECTED TRANSACTIONS**

The Board would like to announce that on 5 December 2016, 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; and
- (ii) the Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement with Zhuhai S-Tech pursuant to which Zhuhai S-Tech shall from time to time provide System Software, Cloud Computing System and Safety Inspection Supporting Services to members of the Group according to their needs, and the relevant member of the Group shall pay to Zhuhai S-Tech relevant fees in connection therewith.

As each of Shenyang Sanquan and Zhuhai S-Tech is a subsidiary of HKCG, which in turn is a controlling shareholder of the Company, each of Shenyang Sanquan and Zhuhai S-Tech is a connected person of the Company under the Listing Rules. The entering into of the CCT Master Agreements, and the CCT Transactions contemplated thereunder, 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 under each of the CCT Transactions are more than 0.1% but less than 5%, each of the CCT Transactions is only subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **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 2014 Master Project Management Agreement, which will expire on 31 December 2016. Although the demand for the Project Management Services would depend on the business requirements of the Group, it is envisaged that members of the Group will from time to time in their ordinary course of business continue to enter into Project Management Transactions after the expiration of the 2014 Master Project Management Agreement. The Company had therefore on 5 December 2016 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 December 2016

### **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 January 2017 to 31 December 2019 (both days inclusive) unless terminated by either party to the Master Project Management Agreement by not less than one month's written notice.

### **Pricing Basis 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, negotiated on an arm's length basis and be on similar basis as the relevant member of the Group transacts business with other independent third party service providers and shall be on terms which from the Group's perspective are no less favourable to the Group than those which the Group could obtain from other independent third party service providers.

The relevant member of the Group will, before placing any purchase order or entering into any service contracts with Shenyang Sanquan, make reference to the pricing of similar types of services in the market and then shortlist at least two service providers. It will then make evaluation based on the scale, degree of difficulty of the project, geographical location, duration of the project etc.. After reviewing and considering the above factors, the management of the relevant member of the Group will then decide on whether to place a purchase order or enter into a service contract with Shenyang Sanquan.

## **THE MASTER SYSTEM SOFTWARE, CLOUD COMPUTING SYSTEM AND SAFETY INSPECTION SUPPORTING SERVICES AGREEMENT**

Members of the Group had from time to time need to install and use the System Software and the Cloud Computing System in connection with their business operations and had from time to time:

- (a) engaged Towngas Telecom (Shenzhen) to provide Cloud Computing System and Supporting Services pursuant to the 2014 Master Cloud Computing System and Supporting Services Agreement, which will expire on 31 December 2016; and
- (b) engaged Zhuhai S-Tech to provide System Software and Safety Inspection Supporting Services.

Although the demand for the System Software, Cloud Computing System and Safety Inspection Supporting Services would depend on the business requirements of the Group, it is envisaged that members of the Group will from time to time in their ordinary course of business continue to enter into transactions for obtaining the System Software, Cloud Computing System and Safety Inspection Supporting Services after the expiration of the term of the 2014 Master Cloud Computing System and Supporting Services Agreement. The Company had therefore on 5 December 2016 entered into the Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement with Zhuhai S-Tech to set out the principal terms and conditions governing the System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions. Set out below are the principal terms of the Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement:

### **Date:**

5 December 2016

### **Parties:**

The Company and Zhuhai S-Tech, a wholly-owned subsidiary of HKCG

### **Subject Matter:**

Pursuant to the Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement, Zhuhai S-Tech shall from time to time provide System Software, Cloud Computing System and Safety Inspection Supporting Services to members of the Group according to their needs, and the relevant member of the Group shall pay to Zhuhai S-Tech relevant fees in connection with the System Software, Cloud Computing System and Safety Inspection Supporting Services. Each System Software, Cloud Computing System and Safety Inspection 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 Zhuhai S-Tech.

### **Duration:**

The Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement shall be for a term commencing from 1 January 2017 to 31 December 2019 (both days inclusive) unless terminated by either party to the Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement by not less than one month's written notice.

## Pricing Basis and Other Terms:

Pursuant to the Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement, the terms of each System Software, Cloud Computing System and Safety Inspection 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 shall be on terms which from the Group's perspective are no less favourable to the Group than those which the Group could obtain from other independent third party service providers.

The relevant member of the Group will, before placing any purchase order or entering into any contracts with Zhuhai S-Tech, make reference to the pricing of similar types of products and services in the market and then shortlist at least two service providers. It will then make evaluation based on the relevant laws and regulations of the PRC, commercial transaction management and monitoring procedures of the Group and the favourable terms offered to the Group by Zhuhai S-Tech. After reviewing and considering the above factors, the management of the relevant member of the Group will then decide on whether to place a purchase order or enter into a contract with Zhuhai S-Tech.

## HISTORICAL FIGURES

The aggregate approximate amounts paid by the Group to (i) Shenyang Sanquan in connection with the Project Management Services and (ii) Zhuhai S-Tech in connection with System Software and Safety Inspection Supporting Services respectively for the years ended 31 December 2014 and 2015 and for the 9 months ended 30 September 2016 were as follows:

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2015</b>	<b>For the 9 months ended 30 September 2016</b>
To Shenyang Sanquan in connection with the Project Management Services	RMB3,984,000 (approximately HK\$4,485,000)	RMB5,184,000 (approximately HK\$5,837,000)	RMB4,122,000 (approximately HK\$4,641,000)
To Zhuhai S-Tech in connection with the System Software and Safety Inspection Supporting Services	RMB129,000 (approximately HK\$145,000)	RMB53,000 (approximately HK\$60,000)	RMB132,000 (approximately HK\$149,000)

## 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 and Zhuhai S-Tech under the CCT Transactions per annum will not exceed the amounts set out below (“Annual Cap Amounts”):

	For the year ending 31 December 2017	For the year ending 31 December 2018	For the year ending 31 December 2019
Project Management Transactions	RMB11,810,000 (approximately HK\$13,297,000)	RMB7,262,000 (approximately HK\$8,176,000)	RMB6,826,000 (approximately HK\$7,685,000)
System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions	RMB35,000,000 (approximately HK\$39,406,000)	RMB38,000,000 (approximately HK\$42,783,000)	RMB43,000,000 (approximately HK\$48,413,000)

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

## 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 pipeline construction regulations of the Group 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.

The System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions increase 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 are and will continue to be conducted in the ordinary and usual course of business of the Group and on an 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 or better and both the terms of CCT Master Agreements and the relevant Annual Cap Amounts are fair and reasonable and are in the interests of the Group and the shareholders of the Company taken as a whole.

## **CONTINUING CONNECTED TRANSACTIONS**

As each of Shenyang Sanquan and Zhuhai S-Tech is a subsidiary of HKCG, which in turn is a controlling shareholder of the Company, each of Shenyang Sanquan and Zhuhai S-Tech is a connected person of the Company under the Listing Rules. The entering into of the CCT Master Agreements and the CCT Transactions contemplated thereunder, 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 under each of the CCT Transactions are more than 0.1% but less than 5%, each of the CCT Transactions is only subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As 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 respectively 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 as well as the Annual Cap Amounts.

## **PRINCIPAL ACTIVITIES OF THE COMPANY, SHENYANG SANQUAN AND ZHUHAI S-TECH**

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 Zhuhai S-Tech are development of software products, system implementation and application integration, and the provision of information technology solutions services such as cloud computing, information technology solutions and consultation for internal and external corporate clients of HKCG and its subsidiaries.

## DEFINITIONS

<b>“2014 Master Cloud Computing System and Supporting Services Agreement”</b>	the agreement dated 5 September 2014 entered into between the Company and Towngas Telecom (Shenzhen) relating to the Cloud Computing System and Supporting Services
<b>“2014 Master Project Management Agreement”</b>	the agreement dated 5 September 2014 entered into between the Company and Shenyang Sanquan relating to the Project Management Services
<b>“Board”</b>	the board of Directors
<b>“CCT Master Agreements”</b>	the Master Project Management Agreement and the Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement
<b>“CCT Transactions”</b>	the Project Management Transactions and the System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions
<b>“Cloud Computing System”</b>	a cloud computing hardware system which will manage, operate and monitor the network infrastructure of information systems
<b>“Cloud Computing System and Supporting Services”</b>	the user authorization, installation, management and maintenance and the provision of technical supporting services relating to the Cloud Computing System
<b>“Company”</b>	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)
<b>“Directors”</b>	the directors of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<b>“HKCG”</b>	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)
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Listing Rules”</b>	Rules Governing the Listing of Securities on the Stock Exchange

<b>“Master Project Management Agreement”</b>	the agreement dated 5 December 2016 entered into between the Company and Shenyang Sanquan relating to the Project Management Transactions
<b>“Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement”</b>	the agreement dated 5 December 2016 entered into between the Company and Zhuhai S-Tech relating to the System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions
<b>“PRC”</b>	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
<b>“Project Management Services”</b>	project management services relating to the monitoring and managing of gas facilities projects and construction and installation projects of the Group
<b>“Project Management Transactions”</b>	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
<b>“RMB”</b>	Renminbi yuan, the lawful currency of the PRC
<b>“Shenyang Sanquan”</b>	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
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“System Software”</b>	system software developed by Zhuhai S-Tech including but not limited to Towngas Customer Information System (燃氣客戶資訊管理系統), Geographic Information System (燃氣地理信息系統), Supervisory Control and Data Acquisition (燃氣管網監控及數據採集系統), Mobility Meter Reading Application (移動抄表應用), Mobility Regular Safety Inspection Application (移動安檢應用) and Mobility Maintenance Service Application (移動維修應用)
<b>“System Software and Safety Inspection Supporting Services”</b>	the user authorization, installation, management and maintenance and the provision of technical supporting services relating to the System Software
<b>“System Software, Cloud Computing System and Safety Inspection Supporting Services”</b>	the System Software and Safety Inspection Supporting Services and the Cloud Computing System and Supporting Services



<b>“System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions”</b>	the provision of the System Software, Cloud Computing System and Safety Inspection Supporting Services by Zhuhai S-Tech to members of the Group, and the payment by the relevant member of the Group to Zhuhai S-Tech of the relevant fees in connection therewith
<b>“Towngas Telecom (Shenzhen)”</b>	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
<b>“Zhuhai S-Tech”</b>	珠海卓銳高科信息技術有限公司 (Zhuhai S-Tech Technology Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of HKCG
<b>“%”</b>	per cent.

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

Hong Kong, 5 December 2016

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

<i>Executive Directors:</i>	<i>Independent Non-executive Directors:</i>
CHAN Wing Kin, Alfred ( <i>Chairman</i> )	CHENG Mo Chi, Moses
WONG Wai Yee, Peter ( <i>Chief Executive Officer</i> )	LI Man Bun, Brian David
HO Hon Ming, John ( <i>Company Secretary</i> )	KWAN Yuk Choi, James
KEE Wai Ngai, Martin	

*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 RMB0.8882= HK\$1 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.*