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

REVISION OF ANNUAL CAP FOR 2015 FOR CONTINUING CONNECTED TRANSACTIONS UNDER PIPELINE MATERIALS PURCHASE MASTER AGREEMENT

Reference is made to the announcement of the Company dated 5 April 2013 in relation to, among other matters, the Pipeline Materials Purchase Master Agreement entered into between the Company and HKCG, pursuant to which members of the Group purchase various pipeline construction materials and tools (including but not limited to gas meters) from members of the HKCG Group for a term commencing from 1 May 2013 to 31 December 2015.

In view of the continuous business development of the Group in the PRC and the expansion of its geographical footprints, and the acquisition and development of new projects in 2013 (as disclosed in the Business Review of 2013 Annual Report) and 2014 (as disclosed in the 2014 Annual Results Announcement dated 17 March 2015), the Company estimates that the overall purchase of various pipeline construction materials and tools (including but not limited to gas meters) by members of the Group under the Pipeline Materials Purchase Master Agreement will increase. The annual transaction amount of the Pipeline Materials Purchase Transactions under the Pipeline Materials Purchase Master Agreement for the year ending 31 December 2015 is expected to exceed the original 2015 Annual Cap as set out in the announcement of the Company dated 5 April 2013. The Company has therefore decided to revise the 2015 Annual Cap from RMB26,000,000 (approximately HK\$32,240,000) to RMB75,000,000 (approximately HK\$93,000,000).

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the revised 2015 Annual Cap are greater than 0.1% but less than 5%, the revision to the 2015 Annual Cap is 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.

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THE PIPELINE MATERIALS PURCHASE MASTER AGREEMENT

On 5 April 2013, the Company 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 is 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.

The Group invites suppliers with requisite production and delivery capacity, technical and equipment standards, quality assurance, quality control, management system, third-party certification (including independent third party suppliers in the market) to participate in an annual tender and bidding process in respect of the sale of pipeline construction materials and tools (including but not limited to gas meters) to the Group. The Group considers and evaluates each of the tenderers' pricing proposal, relevant reputation, experience, delivery capability, historical performance (if applicable) to generate an approved list of suppliers (usually around 3 to 5 selected suppliers), among which, the relevant member of the Group will select suitable suppliers from such approved list in the particular year for each Pipeline Materials Purchase Transaction.

ORIGINAL ANNUAL CAPS AND THE REVISED 2015 ANNUAL CAP

The original annual caps (in RMB) set for the Pipeline Materials Purchase Transactions for the three years ending 31 December 2015 as set out in the announcement of the Company dated 5 April 2013 were as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2014	For the year ending 31 December 2015
Original annual caps of the 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 actual amounts (in RMB) paid by the Group pursuant to the Pipeline Materials Purchase Transactions for the two years ended 31 December 2014 and one month ended 31 January 2015 were as follows:

	For the year ended 31 December 2013	For the year ended 31 December 2014	For the one month ended 31 January 2015
Actual amounts of the Pipeline Materials Purchase Transactions	<i>(audited)</i> RMB13,699,000 (approximately HK\$16,987,000)	<i>(audited)</i> RMB19,539,000 (approximately HK\$24,228,000)	<i>(unaudited)</i> RMB5,921,000 (approximately HK\$7,342,000)

For the reason stated below, the Company has decided to revise the 2015 Annual Cap from RMB26,000,000 (approximately HK\$32,240,000) as mentioned above to RMB75,000,000 (approximately HK\$93,000,000).

REASON FOR REVISING THE 2015 ANNUAL CAP

In view of the continuous business development of the Group in the PRC and the expansion of its geographical footprints, and the acquisition and development of new projects in 2013 (as disclosed in the Business Review of 2013 Annual Report) and 2014 (as disclosed in the 2014 Annual Results Announcement dated 17 March 2015), the Company estimates that the overall purchase of various pipeline construction materials and tools (including but not limited to gas meters) by members of the Group under the Pipeline Materials Purchase Master Agreement will increase. The annual transaction amount of the Pipeline Materials Purchase Transactions under the Pipeline Materials Purchase Master Agreement for the year ending 31 December 2015 is expected to exceed the original 2015 Annual Cap as set out in the announcement of the Company dated 5 April 2013. The Company has therefore decided to revise the 2015 Annual Cap from RMB26,000,000 (approximately HK\$32,240,000) to RMB75,000,000 (approximately HK\$93,000,000).

The revised 2015 Annual Cap has 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, including the anticipated works relating to the new projects to be carried out in 2015; and
- (c) the similar products that can be provided by other independent suppliers and related prices.

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 Pipeline Materials Purchase Transactions contemplated under the Pipeline Materials Purchase Master Agreement which are carried out in the ordinary and usual course of business of the Group, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the revised 2015 Annual Cap are greater than 0.1% but less than 5%, the revision to the 2015 Annual Cap is 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 Directors, including the independent non-executive Directors, considered that the Pipeline Materials Purchase 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 Pipeline Materials Purchase Master Agreement are on normal commercial terms, and the revised 2015 Annual Cap as set out in this announcement is fair and reasonable and is in the interest of the Group and the shareholders of the Company taken as a whole.

As each of Mr. Chan Wing Kin, Alfred, Mr. Ho Hon Ming, John and Mr. Kwan Yuk Choi, James, all being Directors, were beneficially interested in approximately 0.0019%, 0.0003% and 0.0014% of the total number of issued shares of HKCG and Mr. Chan Wing Kin, Alfred and Mr. Wong Wai Yee, Peter were also directors of HKCG, each of them had abstained from voting on the board resolutions which approved the revision to the 2015 Annual Cap.

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 supply and emerging environmentally-friendly energy businesses in Hong Kong and the PRC.

DEFINITIONS

“2015 Annual Cap”	the annual cap of the Pipeline Materials Purchase Transactions under the Pipeline Materials Purchase Master Agreement for the year ending 31 December 2015
“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
“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)
“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 People’s Republic of China
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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, details of which are set out in the section titled “The Pipeline Materials Purchase Master Agreement” of the announcement of the Company dated 5 April 2013
“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, 25 March 2015

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.