
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisor.

If you have sold or transferred all your shares in **Towngas China Company Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

PROPOSALS INVOLVING GENERAL MANDATES TO ISSUE AND BUY BACK SHARES, DECLARATION OF DIVIDEND, SCRIP DIVIDEND SCHEME AND CLOSURE OF REGISTER OF MEMBERS, RE-ELECTION OF DIRECTORS AND NOTICE OF ANNUAL GENERAL MEETING

The notice convening an annual general meeting of the Company to be held at Meeting Rooms S426-S427 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, Wanchai, Hong Kong on Thursday, 21 May 2020 at 11:00 a.m. is set out on pages 22 to 28 of this circular. Whether or not you are able to attend the meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 11:00 a.m. on Tuesday, 19 May 2020, or not less than 48 hours before the time appointed for the holding of any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting (or any adjournment thereof) should you so wish.

PRECAUTIONARY MEASURES FOR ANNUAL GENERAL MEETING

To safeguard the health and safety of shareholders and to prevent and control the spread of the novel coronavirus disease (COVID-19), the following precautionary measures will be implemented at the annual general meeting:

- compulsory body temperature checks and health declarations
- wearing of surgical face mask
- no distribution of refreshment or gift

Any person who does not comply with the precautionary measures or is subject to any HKSAR Government prescribed quarantine may be denied entry into the annual general meeting venue. The Company reminds shareholders that they may consider appointing the chairman of the annual general meeting as their proxy to vote on the relevant resolution(s) at the annual general meeting as an alternative to attending the annual general meeting in person.

CONTENTS

	<i>Page</i>
PRECAUTIONARY MEASURES FOR ANNUAL GENERAL MEETING	1
DEFINITIONS	3
LETTER FROM THE BOARD	6
1. INTRODUCTION	6
2. GENERAL MANDATE TO BUY BACK SHARES	7
3. GENERAL MANDATE TO ISSUE SHARES.	8
4. DECLARATION OF DIVIDEND, SCRIP DIVIDEND SCHEME AND CLOSURE OF REGISTER OF MEMBERS	8
5. RE-ELECTION OF DIRECTORS	9
6. ANNUAL GENERAL MEETING	11
7. ACTION TO BE TAKEN	11
8. RECOMMENDATION	11
9. DIRECTORS' RESPONSIBILITY STATEMENT	12
 APPENDIX I – EXPLANATORY STATEMENT ON THE BUY-BACK MANDATE	 13
 APPENDIX II – BIOGRAPHICAL DETAILS OF THE DIRECTORS PROPOSED FOR RE-ELECTION	 17
 NOTICE OF ANNUAL GENERAL MEETING.	 22

PRECAUTIONARY MEASURES FOR ANNUAL GENERAL MEETING

In light of the epidemic situation of novel coronavirus disease (COVID-19), the following precautionary measures will be implemented at the annual general meeting of the Company (“AGM”) to safeguard the health and safety of shareholders who might be attending the AGM in person:

1. Compulsory body temperature checks will be conducted for every attendee at the entrance of the AGM venue. Any person with a body temperature above the reference range quoted by the Department of Health of the HKSAR Government from time to time may be denied entry into the AGM venue and be required to leave the AGM venue.
2. Every attendee will be required to wear a surgical face mask throughout the AGM and inside the AGM venue, and to sit at a distance from other attendees.
3. No refreshment will be served, and there will be no gift.
4. Each attendee may be asked whether (a) he/she has travelled outside of Hong Kong within the 14-day period immediately before the AGM; (b) he/she is subject to any HKSAR Government prescribed quarantine; and (c) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Anyone who responds positively to any of these questions may be denied entry into the AGM venue and be required to leave the AGM venue.

In addition, the Company reminds all shareholders that physical attendance in person at the AGM is not necessary for the purpose of exercising voting rights. Shareholders may consider appointing the chairman of the AGM as their proxy to vote on the relevant resolution(s) at the AGM instead of attending the AGM in person, by completing and return the form of proxy enclosed with this circular.

PRECAUTIONARY MEASURES FOR ANNUAL GENERAL MEETING

If any shareholder has any question relating to the AGM, please contact the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited as follows:

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

Email: hkinfo@computershare.com.hk

Tel: (852) 2862 8555

Fax: (852) 2865 0990

DEFINITIONS

In this circular, the following expressions have the following meanings unless the context requires otherwise:

“AGM”	the annual general meeting of the Company to be held at Meeting Rooms S426-S427 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, Wanchai, Hong Kong on Thursday, 21 May 2020 at 11:00 a.m. and any adjournment thereof, notice of which is set out on pages 22 to 28 of this circular
“AGM Notice”	the notice for convening the AGM set out on pages 22 to 28 of this circular
“Annual Report”	the annual report of the Company for the year ended 31 December 2019
“Articles”	the articles of association of the Company
“Board”	the board of Directors
“Buy-back Mandate”	a general mandate to the Directors to exercise the power of the Company to buy back Shares during the period as set out in Ordinary Resolution No. 5 in the AGM Notice up to a maximum of 10% of the total number of issued shares of the Company as at the date of passing of such resolution
“Companies Law”	the Companies Law (2020 Revision) of the Cayman Islands
“Company”	Towngas China Company Limited (Stock Code: 1083), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Dividend”	the final dividend proposed to be paid out of the share premium account of the Company of HK fifteen cents per Share in respect of the year ended 31 December 2019
“Group”	the Company and its subsidiaries
“HKCG”	The Hong Kong and China Gas Company Limited, a controlling Shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	6 April 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the AGM Notice
“Scrip Dividend Scheme”	the scrip dividend scheme proposed by the Board and announced in the results announcement of the Company on 16 March 2020 which offers Shareholders a scrip alternative whereby Shareholders may elect to receive the Dividend wholly or partly by the allotment of new Share(s) credited as fully paid to be issued under the Scrip Dividend Scheme in lieu of cash
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“Share Buy-Back Rules”	the relevant rules set out in the Listing Rules to regulate the buy-backs by companies with primary listing on the Stock Exchange of their own securities
“Shareholder(s)”	holder(s) of Shares
“Share Issue Mandate”	a general mandate to the Directors to exercise the powers of the Company to allot, issue and deal with the Shares during the period as set out in Ordinary Resolution No. 6 in the AGM Notice up to a maximum of 20% of the total number of issued shares of the Company as at the date of passing of such resolution
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



港華燃氣有限公司
Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

Executive Directors:

Mr. Alfred Chan Wing-kin (*Chairman*)
Mr. Peter Wong Wai-ye (Chief Executive Officer)
Mr. John Ho Hon-ming (*Company Secretary*)
Mr. Martin Kee Wai-ngai (*Chief Operating Officer*)

Independent Non-Executive Directors:

Dr. Moses Cheng Mo-chi
Mr. Brian David Li Man-bun
Mr. James Kwan Yuk-choi

Registered Office:

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

*Head Office and Principal Place of
Business in Hong Kong:*

23rd Floor
363 Java Road
North Point
Hong Kong

15 April 2020

To the Shareholders

Dear Sir or Madam,

**PROPOSALS INVOLVING GENERAL MANDATES
TO ISSUE AND BUY BACK SHARES,
DECLARATION OF DIVIDEND, SCRIP DIVIDEND SCHEME AND
CLOSURE OF REGISTER OF MEMBERS,
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

1. INTRODUCTION

At the annual general meeting of the Company held on 21 May 2019, resolutions were passed by the Shareholders, amongst other things, to give general unconditional mandates to the Directors to exercise the powers of the Company to:

- (i) allot, issue and otherwise deal with Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing of such resolution;

LETTER FROM THE BOARD

- (ii) buy back Shares up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing of such resolution; and
- (iii) extend the general mandate for issuing Shares as mentioned in paragraph (i) above by an amount representing the aggregate nominal amount of the share capital of the Company bought back by the Company under the general mandate granted to the Directors to buy back Shares as mentioned in paragraph (ii) above.

The above general mandates will lapse at the conclusion of the AGM. It is therefore proposed to seek your approval at the AGM to grant fresh general mandates to the Directors to exercise the above powers.

The Board announced in the results announcement of the Company dated 16 March 2020 that it was the intention of the Board to recommend the payment of the dividend out of the share premium account of the Company of HK fifteen cents per Share in respect of the year ended 31 December 2019. It is therefore proposed to seek your approval at the AGM for the payment of the Dividend.

The purpose of this circular is to, inter alia, provide you with information regarding the proposals for the grant of the Buy-back Mandate and the Share Issue Mandate, the declaration of the Dividend, the Scrip Dividend Scheme and closure of the register of members of the Company, the re-election of retiring Directors, and to seek your approval in connection with such matters at the AGM.

2. GENERAL MANDATE TO BUY BACK SHARES

An ordinary resolution will be proposed at the AGM to grant to the Directors the Buy-back Mandate, details of which are set out in Ordinary Resolution No. 5 in the AGM Notice. The Shares which may be bought back by the Company pursuant to the Buy-back Mandate shall not exceed 10% of the total number of issued shares of the Company as at the date of passing of the Ordinary Resolution approving the Buy-back Mandate (subject to adjustment in the total number of issued shares of the Company in the case of consolidation, division or sub-division of all or any of the share capital of the Company).

An explanatory statement as required under the Share Buy-Back Rules to be sent to the Shareholders, giving certain information regarding the Buy-back Mandate to enable the Shareholders to make an informed decision on whether to vote for or against Ordinary Resolution No. 5, is set out in Appendix I hereto.

LETTER FROM THE BOARD

3. GENERAL MANDATE TO ISSUE SHARES

Two ordinary resolutions, namely Ordinary Resolutions Nos. 6 and 7 in the AGM Notice, will be proposed at the AGM (i) to grant to the Directors a general mandate to allot, issue and deal with new Shares not exceeding 20% of the total number of issued shares of the Company as at the date of passing of Ordinary Resolution No. 6 in the AGM Notice (subject to adjustment in the total number of issued shares of the Company in the case of consolidation, division or sub-division of all or any of the share capital of the Company) and (ii) to extend such general mandate so granted to the Directors by adding thereto any Shares bought back by the Company pursuant to the Buy-back Mandate up to 10% of the total number of issued shares of the Company as at the date of passing of Ordinary Resolution No. 7 in the AGM Notice (subject to adjustment in the total number of issued shares of the Company in the case of consolidation, division or sub-division of all or any of the share capital of the Company).

Details of the Share Issue Mandate and the extension of the Share Issue Mandate are respectively set out in Ordinary Resolutions Nos. 6 and 7 in the AGM Notice.

4. DECLARATION OF DIVIDEND, SCRIP DIVIDEND SCHEME AND CLOSURE OF REGISTER OF MEMBERS

As mentioned in the results announcement of the Company dated 16 March 2020, it was the intention of the Board to recommend the payment of the Dividend out of the share premium account of the Company of HK fifteen cents per Share in respect of the year ended 31 December 2019 to Shareholders whose names appear on the register of members of the Company as at the close of business on 29 May 2020, totaling not less than HK\$430,603,000, subject to the approval of the Shareholders at the AGM and compliance with the Companies Law.

The Dividend will be payable in cash, with an option granted to Shareholders to receive new and fully paid Shares in lieu of cash in whole or in part under the Scrip Dividend Scheme. The new Shares will, on issue, rank *pari passu* in all respects with Shares in issue on the date of the allotment and issue of the new Shares except that they shall not be entitled to the Dividend. The circular containing details of the Scrip Dividend Scheme and the relevant election form is expected to be sent to Shareholders on or about 5 June 2020.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the Dividend at the AGM and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be issued under the Scrip Dividend Scheme.

LETTER FROM THE BOARD

It is expected that the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be sent by ordinary mail to Shareholders at their own risk on or about 6 July 2020.

Under Section 34(2) of the Companies Law, the share premium account may be applied by the company paying dividends to shareholders provided that no dividend may be paid to members out of the share premium account unless, immediately following the date on which the dividend is proposed to be paid, the company shall be able to pay its debts as they fall due in the ordinary course of business. The Board confirms that with respect to the Dividend, the Company meets the solvency test as laid down under the Companies Law and shall be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which the Dividend is proposed to be paid.

The register of members will be closed for the following periods:

- (1) from 18 May 2020 to 21 May 2020, both days inclusive, during which period no transfer of Shares will be registered for the purpose of ascertaining the Shareholders entitled to attend and vote at the AGM; and
- (2) from 27 May 2020 to 29 May 2020, both days inclusive, during which period no transfer of Shares will be registered for the purpose of ascertaining the Shareholders entitled to the Dividend to be approved at the AGM.

All completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 15 May 2020 and 26 May 2020 respectively.

5. RE-ELECTION OF DIRECTORS

The Board currently consists of seven Directors, namely Mr. Alfred Chan Wing-kin (Chairman), Mr. Peter Wong Wai-yee (Chief Executive Officer), Mr. John Ho Hon-ming (Company Secretary) and Mr. Martin Kee Wai-ngai (Chief Operating Officer), being the executive Directors, and Dr. Moses Cheng Mo-chi, Mr. Brian David Li Man-bun and Mr. James Kwan Yuk-choi, being the independent non-executive Directors.

LETTER FROM THE BOARD

Pursuant to article 112 of the Articles, at each annual general meeting, one-third of the Directors for the time being who have been longest in office since their last election shall retire from office by rotation such that each Director will be subject to retirement by rotation at least once every three years at the annual general meeting.

In accordance with article 112 of the Articles, Mr. Alfred Chan Wing-kin, Mr. Martin Kee Wai-ngai and Dr. Moses Cheng Mo-chi shall retire from office by rotation at the AGM and all of them, being eligible, would offer themselves for re-election at the AGM.

The nomination of Dr. Moses Cheng Mo-chi for re-appointment as an independent non-executive Director at the forthcoming AGM has been considered by the Nomination Committee of the Company in accordance with the nomination procedures and selection criteria as set out under the nomination policy of the Company (including without limitation, skills, knowledge and experience, time commitment and standing) as well as taking into account the diversity aspects (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service), with due regard to the benefits of diversity, as set out under the board diversity policy of the Company.

Dr. Cheng was appointed to the Board on 23 May 2007 and has served on the Board for more than 9 years. Dr. Cheng has given a confirmation in writing of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. The Board, through the assessment and recommendation by the Nomination Committee, is of the view that Dr. Cheng meets the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and has considered him to be independent. The Board is of the view that, as Dr. Cheng is not involved in the daily management of the Group nor in any relationships or circumstances which would interfere with the exercise of his independent judgment as an independent non-executive Director, he has demonstrated his ability to provide an independent view to the Company's affairs and is able to continue to fulfill his role as required.

The Board has been informed by Dr. Cheng that he has already held directorships in more than 6 listed public companies. Dr. Cheng (i) is of the view that he would be able to and would have the capacity to devote sufficient time to fulfill his duties as a director of the Company; and (ii) would from time to time review his workload and timing arrangements in relation thereto.

LETTER FROM THE BOARD

Dr. Cheng is a legal professional with an illustrious career, and has extensive experiences in corporate law. Dr. Cheng is currently the Chairman of the Insurance Authority. With his professional legal and insurance experience, skills and knowledge, Dr. Cheng would provide related valuable advice to the business development of the Company and contribute to diversity of the existing Board. Dr. Cheng has actively participated in meetings of the Board and various committees held by the Company in the past. In view of this, the Board, through the assessment and recommendation by the Nomination Committee, believes that Dr. Cheng would still be able to devote sufficient time to the Board and demonstrate his ability to provide professional and independent views to the Company's affairs and is able to continue to fulfill his role as required and thus recommends him for re-election at the AGM.

Brief biographical details of the above-mentioned Directors who are proposed to be re-elected at the AGM are set out in Appendix II to this circular.

6. ANNUAL GENERAL MEETING

The AGM Notice, which contains, inter alia, the Ordinary Resolutions for the Buy-back Mandate, the Share Issue Mandate, the extension of the Share Issue Mandate, the declaration of the Dividend, the Scrip Dividend Scheme, closure of the register of members and the re-election of retiring Directors, is set out on pages 22 to 28 of this circular.

7. ACTION TO BE TAKEN

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 11:00 a.m. on Tuesday, 19 May 2020, or not less than 48 hours before the time appointed for the holding of any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjourned meeting (as the case may be).

8. RECOMMENDATION

The Directors are of the opinion that the proposals referred to in this circular are in the best interests of the Company and the Shareholders and therefore recommend you to vote in favour of all the relevant resolutions to be proposed at the AGM.

LETTER FROM THE BOARD

9. DIRECTORS' RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,

By Order of the Board

Towngas China Company Limited

John Ho Hon-ming

Executive Director and Company Secretary

APPENDIX I EXPLANATORY STATEMENT ON THE BUY-BACK MANDATE

1. LISTING RULES

The Listing Rules permit companies with a primary listing on the Stock Exchange to buy back their own shares on the Stock Exchange subject to certain restrictions. This appendix serves as an explanatory statement as required by the Share Buy-back Rules to be sent to the Shareholders in connection with the proposed Buy-back Mandate.

2. REASONS FOR BUY-BACK

The Directors believe that the Buy-back Mandate is in the best interests of the Company and its Shareholders as a whole. Such buy-back may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share of the Company and will only be made when the Directors believe that such a buy-back will benefit the Company and its Shareholders.

3. TOTAL NUMBER OF ISSUED SHARES

As at the Latest Practicable Date, the total number of issued shares of the Company comprised 2,870,687,008 Shares.

Subject to the passing of Ordinary Resolution No. 5 in the AGM Notice and on the basis that no further Shares will be issued or bought back by the Company prior to the AGM, the Company would be allowed under the Buy-back Mandate to buy back a maximum of 287,068,700 Shares (representing 10% of the total number of issued shares of the Company as at the Latest Practicable Date) (subject to adjustment in the total number of issued shares of the Company in the case of consolidation, division or sub-division of all or any of the share capital of the Company) during the period from the date of passing of Ordinary Resolution No. 5 set out in the AGM Notice up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or any applicable laws of the Cayman Islands to be held; or (iii) the revocation, variation or renewal of the Buy-back Mandate by ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

APPENDIX I EXPLANATORY STATEMENT ON THE BUY-BACK MANDATE

4. FUNDING OF BUY-BACK

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum of association, the Articles and the applicable laws and regulations of the Cayman Islands. The Company may not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

5. GENERAL

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited consolidated financial statements contained in the Annual Report) in the event that the Buy-back Mandate is exercised in full. However, the Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on its gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

6. SHARE PRICES

The highest and lowest prices at which the Shares were traded on the Stock Exchange during each of the previous twelve months and up to the Latest Practicable Date were as follows:

	Share Price	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
May 2019	6.25	5.66
June 2019	6.02	5.57
July 2019	6.21	5.66
August 2019	6.01	5.05
September 2019	6.44	5.25
October 2019	6.17	5.67
November 2019	6.05	5.35
December 2019	5.78	5.13
January 2020	5.58	4.77
February 2020	5.23	4.43
March 2020	4.72	3.12
April 2020 (up to the Latest Practicable Date)	3.90	3.53

7. UNDERTAKING

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make buy-back pursuant to the Buy-back Mandate and in accordance with the Listing Rules, the memorandum of association of the Company, the Articles and the applicable laws of the Cayman Islands.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention to sell any Shares to the Company under the Buy-back Mandate if such is approved by the Shareholders and exercised by the Board.

No core connected person (as defined in the Listing Rules) of the Company has notified the Company that it has a present intention to sell Shares to the Company, nor has undertaken not to do so, in the event that the Buy-back Mandate is approved by the Shareholders and exercised by the Board.

8. TAKEOVERS CODE AND SHARES BUY-BACKS

If as a result of a buy-back of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the relevant Shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Saved as disclosed above, the Directors are not aware of any other consequences which will arise under the Takeovers Code as a result of the exercise of the Buy-back Mandate. The Directors do not intend to exercise the Buy-back Mandate to an extent which would, in the circumstances, trigger any potential consequences under the Takeovers Code.

APPENDIX I EXPLANATORY STATEMENT ON THE BUY-BACK MANDATE

As at the Latest Practicable Date, so far as is known to the Directors, (a) the number of Shares held by HKCG, through its various wholly-owned subsidiaries, was 1,945,034,864 Shares representing approximately 67.76% of the total number of issued shares of the Company as at the Latest Practicable Date and (b) the number of Shares held by Mitsubishi UFJ Financial Group, Inc., through its various indirect wholly-owned subsidiaries, was 200,440,585 Shares representing approximately 6.98% of the total number of issued shares of the Company as at the Latest Practicable Date. In the event that the Directors exercise in full the power to buy back Shares under the Buy-back Mandate, (a) the percentage shareholding of HKCG, through its various wholly-owned subsidiaries, in the Company shall increase from approximately 67.76% to approximately 75.28% and (b) the aggregate percentage shareholding of Mitsubishi UFJ Financial Group, Inc., through its various indirect wholly-owned subsidiaries, in the Company shall increase from approximately 6.98% to approximately 7.76%. The Directors consider that such an increase would not give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. However, the Directors will not exercise the Buy-back Mandate such that the number of Shares held by the public will fall below 25% of the total number of issued Shares, being the minimum public float requirement under the Listing Rules.

9. SHARE BUY-BACKS BY THE COMPANY

No buy-back of Shares have been made by the Company in the six months preceding the Latest Practicable Date, whether on the Stock Exchange or otherwise.

(1) MR. ALFRED CHAN WING-KIN

Mr. Alfred Chan Wing-kin, *B.B.S., Hon.F.E.I., Hon.F.I.I.U.S., C.Eng., F.H.K.I.E., F.I.Mech.E., F.I.G.E.M., M.Sc.(Eng), B.Sc.(Eng)*, aged 69, has been the Chairman and an Executive Director of the Company since March 2007. Mr. Chan is the Managing Director of HKCG (a listed public company and the controlling shareholder of the Company) and is a director of major local and overseas subsidiaries of HKCG. He is also the Vice Chairman of Shenzhen Gas Corporation Ltd., a Director of Foran Energy Group Co., Ltd. (formerly known as Foshan Gas Group Co., Ltd.) and a Non-executive Director of the tenth session of the board of directors of Shanghai Dazhong Public Utilities (Group) Co., Ltd., all of which are listed public companies. He is an Honorary President of The Hong Kong Management Association and a Vice Chairman of China Gas Association. Mr. Chan is a Member of the Standing Committee on Judicial Salaries and Conditions of Service of the Government of the Hong Kong Special Administrative Region. He was previously the Deputy Chairman of the Council of The Hong Kong Institute of Education (now known as The Education University of Hong Kong) and a Member of the Board of Stewards of The Education University of Hong Kong Foundation. Mr. Chan received the Executive Award under the DHL/SCMP Hong Kong Business Awards 2005, the Director of the Year Awards – Listed Companies (SEHK – Hang Seng Index Constituents) Executive Directors from The Hong Kong Institute of Directors in 2006, the Leadership Award in Gas Industry Award 2015 from the Institution of Gas Engineers & Managers and the Energy and Utilities Alliance of the United Kingdom, “The CEO of the Year 2017” Award from China Newsweek in 2017 and was named consecutively as one of “The 100 Best-Performing CEOs in the World” by Harvard Business Review from 2015 to 2019. He was awarded an Honorary Fellowship by The Hong Kong Institute of Education (now known as The Education University of Hong Kong) in 2016. Mr. Chan, a Chartered Engineer, is also Honorary Fellow of the Energy Institute of the United Kingdom, Fellow of The Hong Kong Institution of Engineers; Fellow of The Institution of Mechanical Engineers, Fellow of the Institution of Gas Engineers & Managers of the United Kingdom and Honorary Fellow of International Institute of Utility Specialists. Save as disclosed above, Mr. Chan did not hold any directorship in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the previous 3 years or hold any other major appointments or professional qualifications.

Pursuant to an appointment letter dated 1 April 2012 between the Company and Mr. Chan, Mr. Chan has no fixed or proposed term of director's service with the Company but his term of office is subject to the Listing Rules and the provisions of the Company's memorandum of association and the Articles in force from time to time, including but not limited to, the requirements for retirement, rotation and vacation of office of directors as set forth in the Company's Articles. Mr. Chan's current director's fee is HK\$200,000 per annum, subject to determination by the Board from time to time with reference to his duties and responsibilities and the Company's performance and profitability.

As at the Latest Practicable Date, Mr. Chan had personal interest in 3,881,901 Shares, representing approximately 0.14% of the total number of the then issued Shares. Mr. Chan also had personal interest in 322,697 shares in HKCG (a listed public company in Hong Kong and the controlling shareholder of the Company) (being an associated corporation of the Company) as at the Latest Practicable Date, representing approximately 0.0019% of the total number of the then issued shares of HKCG.

Save as disclosed herein, as at the Latest Practicable Date, (a) Mr. Chan did not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company; and (b) as far as the Directors are aware, there were no other matters concerning Mr. Chan that need to be brought to the attention of the shareholders of the Company nor any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to Rule 13.51(2)(w) of the Listing Rules.

(2) MR. MARTIN KEE WAI-NGAI

Mr. Martin Kee Wai-ngai, *C.Eng., M.I.G.E.M., M.B.A., B.Sc.(Eng)*, aged 53, has been an Executive Director of the Company since May 2015 and was appointed as the Chief Operating Officer of the Company in July 2017. Mr. Kee graduated from the Department of Engineering, The University of Hong Kong and holds a master degree in Business Administration. He joined HKCG (a listed public company and the controlling shareholder of the Company) in 1990. In 2003, Mr. Kee was appointed as the general manager of Changzhou Hong Kong and China Gas Company Limited. He has become the general manager of Nanjing Hong Kong and China Gas Company Limited since October 2006, and was appointed as the senior vice president in February 2009, responsible for the overall operation and management of the gas project companies in Jiangsu region. He was then appointed as the executive vice president in October 2012, responsible for the operation and management of the gas project companies in Jiangsu, Anhui and Zhejiang regions, and then the southwest and Jiangxi regions starting from April 2015. He was appointed as the executive vice president of Hong Kong & China Gas Investment Limited and Hua Yan Water business in July 2017. He is the Vice Chairman of Anhui Province Natural Gas Development Co., Ltd. and a director of Nanjing Public Utilities Development Co., Ltd., both of which are listed public companies. Mr. Kee is a member of the 14th Nanjing Committee of the Chinese People's Political Consultative Conference. Save as disclosed above, Mr. Kee did not hold any directorship in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the previous 3 years or hold any other major appointments or professional qualifications.

Pursuant to an appointment letter dated 29 May 2015 between the Company and Mr. Kee, Mr. Kee has no fixed or proposed term of director's service with the Company but his term of office is subject to the Listing Rules and the provisions of the Company's memorandum of association and the Articles in force from time to time, including but not limited to, the requirements for retirement, rotation and vacation of office of directors as set forth in the Articles. Mr. Kee's current director's fee is HK\$200,000 per annum. In addition, Mr. Kee has also received other emoluments of approximately HK\$3,939,000 for the year ended 31 December 2019. His remuneration is subject to determination by the Board from time to time with reference to his duties and responsibilities and the Company's performance and profitability.

As at the Latest Practicable Date, Mr. Kee did not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed herein, as at the Latest Practicable Date, (a) Mr. Kee did not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company; and (b) so far as the Directors are aware, there were no other matters concerning Mr. Kee that need to be brought to the attention of the shareholders of the Company nor any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to Rule 13.51(2)(w) of the Listing Rules.

(3) DR. MOSES CHENG MO-CHI

Dr. Moses Cheng Mo-chi, *GBM, GBS, OBE, JP*, aged 70, has been an Independent Non-Executive Director of the Company since May 2007 and is the Chairman of the Remuneration Committee and a member of the Board Audit and Risk Committee and the Nomination Committee of the Company. He is also an independent non-executive director of HKCG (a listed public company and the controlling shareholder of the Company). Dr. Cheng is a practising solicitor and the consultant of Messrs. P.C. Woo & Co. after serving as its senior partner from 1994 to 2015. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the founder chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng is now also serving as Chairman of the Insurance Authority. In addition, he is a Fellow of the Hong Kong Academy of Finance. Dr. Cheng currently holds directorships in China Mobile Limited, China Resources Beer (Holdings) Company Limited, Guangdong Investment Limited, K. Wah International Holdings Limited, Liu Chong Hing Investment Limited and Tian An China Investments Company Limited, all of which are listed public companies in Hong Kong. His other directorships in listed public companies in the last 3 years include Kader Holdings Company Limited and ARA Asset Management Limited, a company whose shares were formerly listed on the Singapore Stock Exchange. Save as disclosed above, Dr. Cheng did not hold any directorship in any other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the previous 3 years or hold any other major appointments or professional qualifications.

Pursuant to an appointment letter dated 21 May 2019 between the Company and Dr. Cheng, Dr. Cheng was appointed for a term of 3 years commencing from 21 May 2019 to 20 May 2022. His term of office is also subject to the Listing Rules and the provisions of the Company's memorandum of association and the Articles in force from time to time, including but not limited to, the requirements for retirement, rotation and vacation of office of directors as set forth in the Articles. Dr. Cheng's director's fee is HK\$500,000 per annum, subject to determination by the Board from time to time with reference to his duties and responsibilities and the Company's performance and profitability.

As at the Latest Practicable Date, Dr. Cheng did not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed herein, as at the Latest Practicable Date, (a) Dr. Cheng did not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company; and (b) as far as the Directors are aware, there were no other matters concerning Dr. Cheng that need to be brought to the attention of the shareholders of the Company nor any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to Rule 13.51(2)(w) of the Listing Rules.

NOTICE OF ANNUAL GENERAL MEETING



港華燃氣有限公司 Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

NOTICE IS HEREBY GIVEN THAT the annual general meeting (the “**Annual General Meeting**”) of TOWNGAS CHINA COMPANY LIMITED (the “**Company**”) will be held at Meeting Rooms S426-S427 (Harbour Road Entrance), Hong Kong Convention and Exhibition Centre, Wanchai, Hong Kong, on Thursday, 21 May 2020, at 11:00 a.m., for the following purposes:

1. To receive and adopt the audited consolidated financial statements and the reports of the directors of the Company (the “**Directors**”) and the auditor of the Company for the year ended 31 December 2019;
2. To re-elect the retiring Directors, each as a separate resolution;
3. To authorise the board of Directors (the “**Board**”) to fix the remuneration of the Directors;
4. To re-appoint the auditor of the Company and to authorise the Board to fix the remuneration of the auditor of the Company;
5. To consider and, if thought fit, pass (with or without modifications) the following resolution as an ordinary resolution of the Company:

“**THAT:**

- (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all powers of the Company to buy back the issued shares in the share capital of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or any other stock exchange on which the shares of the Company may be listed and recognised by The Securities and Futures Commission of Hong Kong (the “**Securities and Futures Commission**”) and the Stock Exchange for such purpose, subject to and in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the aggregate number of Shares which the Directors are authorised to buy back pursuant to the approval in paragraph (a) of this resolution during the Relevant Period shall not exceed 10% of the total number of issued Shares as at the date of passing of this resolution (subject to adjustment in the total number of issued Shares in the case of consolidation, division or sub-division of all or any of the share capital of the Company during the Relevant Period) and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
 - (c) for the purpose of this resolution, “**Relevant Period**” means the period from the date of passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and
 - (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.”
6. To consider and, if thought fit, pass (with or without modifications) the following resolution as an ordinary resolution of the Company:

“**THAT:**

- (a) subject to paragraph (c) of this resolution, and pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company (the “**Directors**”) during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares of HK\$0.10 each in the share capital of the Company (the “**Shares**”) and to make or grant offers, agreements and options (including bonds, warrants, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the approval in paragraph (a) of this resolution shall authorise the Directors during the Relevant Period to allot, issue and deal with additional Shares and to make or grant offers, agreements and options (including bonds, warrants, debentures, notes and any securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require the exercise of such powers after the end of the Relevant Period;
- (c) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) of this resolution during the Relevant Period, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) any issue of Shares for the grant or exercise of any option under any share option scheme of the Company or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; or (iii) any issue of Shares as scrip dividend or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association of the Company in force from time to time; or (iv) any issue of Shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company, shall not exceed 20% of the total number of issued Shares as at the date of passing of this resolution (subject to adjustment in the total number of issued Shares in the case of consolidation, division or sub-division of all or any of the share capital of the Company during the Relevant Period) and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and
- (d) for the purpose of this resolution, “**Relevant Period**” means the period from the date of passing of this resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law of the Cayman Islands to be held; and

NOTICE OF ANNUAL GENERAL MEETING

- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution.

“**Rights Issue**” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company whose names appear on the register on a fixed record date in proportion to their holdings of such shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).”

7. To consider and, if thought fit, pass (with or without modifications) the following resolution as an ordinary resolution of the Company:

“**THAT** conditional upon the passing of resolutions nos. 5 and 6 set out in the notice convening this meeting, the unconditional general mandate granted to the directors of the Company to allot, issue and deal with additional Shares and to make or grant offers, agreements and options which might require the exercise of such powers pursuant to resolution no. 6 set out in the notice convening this meeting be and is hereby extended by the addition thereto of such number of Shares representing the aggregate number of Shares bought back by the Company under the authority granted pursuant to resolution no. 5 set out in the notice convening this meeting, provided that such number of additional Shares shall not exceed 10% of the total number of issued Shares as at the date of passing of this resolution (subject to adjustment in the total number of issued Shares in the case of consolidation, division or sub-division of all or any of the share capital of the Company during the Relevant Period).”

NOTICE OF ANNUAL GENERAL MEETING

8. As special business, to consider and, if thought fit, pass (with or without modifications) the following resolution as an ordinary resolution of the Company:

“**THAT** the payment of a final dividend, with an option for scrip dividend, from the share premium account of the Company of HK fifteen cents per share in respect of the year ended 31 December 2019 to the shareholders of the Company whose names appear on the register of members of the Company on 29 May 2020 be and is hereby approved.”

By Order of the Board
Towngas China Company Limited
John Ho Hon-ming
Executive Director and Company Secretary

Hong Kong, 15 April 2020

Registered Office:

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong:

23rd Floor
363 Java Road
North Point
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote instead of such member. A proxy need not be a member of the Company.
 2. In light of the epidemic situation of novel coronavirus disease (COVID-19), the following precautionary measures will be implemented at the Annual General Meeting to safeguard the health and safety of shareholders who might be attending the Annual General Meeting in person:
 - Compulsory body temperature checks will be conducted for every attendee at the entrance of the Annual General Meeting venue. Any person with a body temperature above the reference range quoted by the Department of Health of the HKSAR Government from time to time may be denied entry into the Annual General Meeting venue and be required to leave the Annual General Meeting venue.
 - Every attendee will be required to wear a surgical face mask throughout the Annual General Meeting and inside the Annual General Meeting venue, and to sit at a distance from other attendees.
 - No refreshment will be served, and there will be no gift.
 - Each attendee may be asked whether (a) he/she travels outside of Hong Kong within the 14-day period immediately before the Annual General Meeting; (b) he/she is subject to any HKSAR Government prescribed quarantine; and (c) he/she has any flu-like symptoms or close contact with any person under quarantine or with recent travel history. Anyone who responds positively to any of these questions may be denied entry into the meeting venue and be required to leave the meeting venue.
- In addition, the Company reminds all shareholders that physical attendance in person at the Annual General Meeting is not necessary for the purpose of exercising voting rights. Shareholders may consider appointing the chairman of the Annual General Meeting as their proxy to vote on the relevant resolution(s) at the Annual General Meeting instead of attending the Annual General Meeting in person, by completing and return the form of proxy.
3. Completion and delivery of the form of proxy will not preclude a member of the Company from attending and voting at the meeting if the member so desires.
 4. At the Annual General Meeting, in compliance with Rule 13.39(4) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the chairman of the meeting will exercise his power under article 76 of the Articles of Association to put each of the resolutions set out in this notice of Annual General Meeting to vote by way of poll.

NOTICE OF ANNUAL GENERAL MEETING

5. In order to be valid, the form of proxy together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 11:00 a.m. on Tuesday, 19 May 2020, or not less than 48 hours before the time appointed for holding of any adjourned meeting (as the case may be).

6. With regard to item no. 2 in this notice, the Board proposes that the retiring Directors, namely, Mr. Alfred Chan Wing-kin, Mr. Martin Kee Wai-ngai and Dr. Moses Cheng Mo-chi, be re-elected as Directors. Biographical details of these Directors are set out in Appendix II to the circular despatched to shareholders of the Company dated 15 April 2020.

7. As at the date of this notice, the executive Directors of the Company are Mr. Alfred Chan Wing-kin (Chairman), Mr. Peter Wong Wai-yee (Chief Executive Officer), Mr. John Ho Hon-ming (Company Secretary) and Mr. Martin Kee Wai-ngai (Chief Operating Officer), and the independent non-executive Directors of the Company are Dr. Moses Cheng Mo-chi, Mr. Brian David Li Man-bun and Mr. James Kwan Yuk-choi.