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香港中華煤氣有限公司
THE HONG KONG AND CHINA GAS COMPANY LIMITED
(Incorporated in Hong Kong under the Companies Ordinance with limited liability)
(Stock Code: 3)



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

JOINT ANNOUNCEMENT

(1) SUBSCRIPTION OF EQUITY INTEREST IN SHANGHAI GAS CO., LTD.* BY TCCL AND THEIR COOPERATION TO PROMOTE THE PROPOSED SOUTHBOUND SUBSCRIPTION OF SHARES IN TCCL BY SHANGHAI GAS CO., LTD.*

(2) DISCLOSEABLE TRANSACTION OF HKCG

AND

(3) MAJOR TRANSACTION OF TCCL

INVESTMENT IN SHANGHAI GAS CO., LTD.*

The HKCG Board and the TCCL Board are pleased to announce that, on 27 October 2020, TCCL entered into:

- (a) the Capital Increase Agreement with Shenergy Group and the Target Company, pursuant to which TCCL agreed to increase the registered capital and capital reserves of the Target Company by way of capital contribution in the amount of RMB4,700,000,000 (equivalent to approximately HK\$5,362,230,000). Upon Completion, the equity interests in the Target Company will be owned as to 25% by TCCL and 75% by Shenergy Group;

- (b) the Shareholders Agreement with Shenergy Group and the Target Company in relation to, among others, the rights and obligations of TCCL and Shenergy Group as the equity holders of the Target Company, and the operation and management of the Target Company; and
- (c) the Enhanced Strategic Cooperation Agreement with the Target Company, pursuant to which TCCL and the Target Company agreed to work together to promote the issuance of ordinary shares by TCCL to the Target Company within one (1) year from the effective date of the Capital Increase Agreement, such that upon completion of the Proposed Southbound Subscription, the Target Company will own 25% of the issued share capital of TCCL as enlarged by the Proposed Southbound Subscription.

LISTING RULES IMPLICATIONS

For HKCG, as the highest of the applicable percentage ratios in respect of the Capital Increase exceeds 5% but is below 25%, the Capital Increase constitutes a discloseable transaction of HKCG and is therefore subject to the notification and announcement requirements (but not the circular and shareholders' approval requirements) under Chapter 14 of the Listing Rules.

For TCCL, as the highest of the applicable percentage ratios in respect of the Capital Increase exceed 25%, but are all less than 100%, the Capital Increase constitutes a major transaction of TCCL and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval for a major transaction may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (i) no shareholder is required to abstain from voting if the listed company were to convene a general meeting for the approval of the transaction; and (ii) the written shareholders' approval has been obtained from a shareholder of the listed company or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting of to approve the transaction.

As at the date of this announcement, HKCG (through its wholly owned subsidiaries, (a) Planwise Properties Limited, (b) Superfun Enterprises Limited and (c) Hong Kong & China Gas (China) Limited (that is, the **Immediate Shareholders**), holding (a) 171,524,099 shares, (b) 2,918,639 shares and (c) 1,850,656,677 shares of TCCL respectively) holds a total of 2,025,099,415 shares of TCCL, representing approximately 68.21% of the total issued shares having the right to attend and vote at a general meeting of TCCL. On 27 October 2020, TCCL has obtained an irrevocable and unconditional written approval of the Capital Increase from the Immediate Shareholders. As such written approval has been obtained from the Immediate Shareholders, the TCCL Board does not

intend to convene a general meeting of TCCL for obtaining shareholders' approval of the Capital Increase as a major transaction of TCCL.

A circular containing, among others, further details of the Capital Increase and the Transaction Documents, is expected to be despatched to the shareholders of TCCL for information purposes. TCCL intends to apply to the Stock Exchange for an extension of the time required under Rule 14.41(a) of the Listing Rules for the despatch of the circular, as it is expected that more than 15 business days will be required for the preparation of the circular.

As Completion is subject to the satisfaction and/or waiver (as applicable) of the Conditions Precedent, the Capital Increase may or may not proceed. In addition, as completion of the Proposed Southbound Subscription is subject to the requirements as set out in the Enhanced Strategic Cooperation Agreement, the Proposed Southbound Subscription also may or may not proceed. Shareholders and potential investors of HKCG and TCCL should exercise caution when dealing in the securities of HKCG and TCCL.

1. INTRODUCTION

The HKCG Board and the TCCL Board are pleased to announce that, on 27 October 2020, TCCL entered into:

- (a) the Capital Increase Agreement with Shenergy Group and the Target Company, pursuant to which TCCL agreed to increase the registered capital and capital reserves of the Target Company by way of capital contribution in the amount of RMB4,700,000,000 (equivalent to approximately HK\$5,362,230,000). Upon Completion, the equity interests in the Target Company will be owned as to 25% by TCCL and 75% by Shenergy Group;
- (b) the Shareholders Agreement with Shenergy Group and the Target Company in relation to, amongst others, the rights and obligations of TCCL and Shenergy Group as the equity holders of the Target Company, and the operation and management of the Target Company; and
- (c) the Enhanced Strategic Cooperation Agreement with the Target Company, pursuant to which TCCL and the Target Company agreed to work together to promote the issuance of ordinary shares by TCCL to the Target Company within one (1) year from the effective date of the Capital Increase Agreement, such that upon completion of the Proposed Southbound Subscription, the Target Company will own 25% of the issued share capital of TCCL as enlarged by the Proposed Southbound Subscription.

Background of the Tender and the Capital Increase

The Tender process formally started with a public tender notice for the Capital Increase, issued by the Target Company (through the Shanghai Assets and Equity Exchange) on 24 June 2020. After TCCL's submission of an application to the Shanghai Assets and Equity Exchange in response to the public tender notice, its participation in the Tender process and related negotiations, the parties reached a consensus on the Capital Increase and the Proposed Southbound Subscription. Most recently, the Transaction Documents were entered into by the parties on 27 October 2020.

2. THE CAPITAL INCREASE AGREEMENT

Date

27 October 2020

Parties

- (1) the Target Company;
- (2) TCCL; and
- (3) Shenergy Group.

Capital Increase

Pursuant to the Capital Increase Agreement, upon Completion, the registered capital of the Target Company will be increased from RMB1,000,000,000 (equivalent to approximately HK\$1,140,900,000) to RMB1,333,333,333 (equivalent to approximately HK\$1,521,200,000), and the remaining capital contribution by TCCL in the amount of RMB4,366,666,667 (equivalent to approximately HK\$4,981,930,000) will be allocated to the capital reserves of the Target Company.

As at the date of this announcement, Shenergy Group owns 100% of the equity interest in the Target Company. Upon Completion, the equity interests in the Target Company will be owned as to 25% by TCCL and 75% by Shenergy Group.

Consideration

The Consideration is RMB4,700,000,000 (equivalent to approximately HK\$5,362,230,000), which shall be paid by TCCL to a bank account specified by the Shanghai Assets and Equity Exchange within five (5) Business Days upon the Capital Increase Agreement becoming effective (see the section below headed "Conditions to the Capital Increase Agreement becoming effective" below for further details).

The Consideration payable under the Capital Increase Agreement was determined through the Tender process and is on normal commercial terms, taking into account (a) the amount of approximately RMB333,333,333 (equivalent to approximately HK\$380,300,000), intended to be raised by the Target Company through the Tender; (b) the preliminary valuation of the Target Company as at 31 December 2019 as assessed by the Valuer appointed by TCCL, being approximately RMB14,300,000,000 (equivalent to approximately HK\$16,314,870,000); and (c) the potential synergies brought by the Target Company and the HKCG Group and the TCCL Group.

TCCL intends that the Consideration will be funded from internal resources and external financing.

In addition to the Consideration, a transaction fee of RMB5,875,000 (which is equivalent to approximately HK\$6,702,788) will be payable by TCCL to the Shanghai Assets and Equity Exchange pursuant to the terms and conditions of the Tender.

Conditions to the Capital Increase Agreement becoming effective

The Capital Increase Agreement will become effective on the next day upon the satisfaction of the following conditions:

- (a) the approval by the relevant PRC regulatory authorities designated to perform national security review on foreign investments in PRC companies, in respect of the Capital Increase;
- (b) the approval by SASAC or its local equivalent in respect of the Capital Increase; and
- (c) the Capital Increase having been approved by the shareholders of TCCL at an extraordinary general meeting of TCCL or, if permitted under applicable laws (including but not limited to the Listing Rules), by the controlling shareholder of TCCL in writing.

Conditions Precedent to Completion

Under the Capital Increase Agreement, Completion is conditional upon the satisfaction of a number of Conditions Precedent, which are summarised as follows:

- (a) the Capital Increase having been approved by the shareholders of TCCL at an extraordinary general meeting of TCCL or, if permitted under applicable laws (including but not limited to the Listing Rules), by the controlling shareholder of TCCL in writing;
- (b) TCCL and the Target Company having completed the national security review in respect of the Capital Increase;

- (c) completion of the requisite tender procedure of the Shanghai Assets and Equity Exchange, being the issuance of the completion certificate by the Shanghai Assets and Equity Exchange in respect of the Capital Increase;
- (d) completion of the capital verification process in respect of the Capital Increase by the Target Company, and the obtaining of the capital verification report by the Target Company;
- (e) completion of the requisite filing or registration for the change in ownership of state-owned assets in respect of the Capital Increase;
- (f) the Target Company having completed the approval process with the relevant SASAC in respect of the Capital Increase;
- (g) there being no material breach of the warranties given by the Target Company and Shenergy Group under the Capital Increase Agreement, and such warranties being true, accurate and not misleading in all material respects, and there being no breach of such warranties that would or may lead to the failure of TCCL to realise the objective or expectation of the Capital Increase; and
- (h) there being (i) no material adverse change to the Target Company; and (ii) no event or circumstance that exists which has a material adverse effect on, or which would affect the sustainability of, the principal business of the Target Company.

TCCL shall use all reasonable endeavours to procure the satisfaction of the Conditions Precedent set out in paragraphs (a) and (b) above as soon as possible, and in any event on or before the Long Stop Date.

Each of Shenergy Group and the Target Company shall use all reasonable endeavours to procure the satisfaction of the Conditions Precedent set out in paragraphs (c) to (h) above as soon as possible, and in any event on or before the Long Stop Date.

If any of the Conditions Precedent has not been satisfied on or before the Long Stop Date, the Capital Increase Agreement shall be automatically terminated with immediate effect.

Completion

Completion shall take place on the fifth (5th) Business Day immediately following the satisfaction or waiver of the last item of the Conditions Precedent (in any event not later than the Long Stop Date), or such other date as may be agreed by the parties to the Capital Increase Agreement.

Termination rights

The Capital Increase Agreement may be terminated under any of the following circumstances:

- (a) at any time as agreed between the parties to the Capital Increase Agreement, namely, TCCL, Shenergy Group and the Target Company in writing; and
- (b) prior to payment of the Consideration by TCCL and upon written notice by the Target Company or Shenergy Group at least ten (10) Business Days to terminate the Capital Increase Agreement on the occurrence of any of the following:
 - (i) any material misrepresentation or omission in the representations and warranties given by TCCL;
 - (ii) any material breach of the terms, obligations and duties under the Capital Increase Agreement by TCCL which is not effectively remedied within ten (10) Business Days of a notice regarding such breach by the Target Company or Shenergy Group; and
 - (iii) TCCL's failure to fully pay the Consideration into the bank account specified by the Shanghai Assets and Equity Exchange in accordance with the terms of the Capital Increase Agreement, and such payment is overdue for more than ten (10) Business Days.

3. THE SHAREHOLDERS AGREEMENT

In connection with the Capital Increase, on 27 October 2020, TCCL, Shenergy Group and the Target Company also entered into the Shareholders Agreement, governing, amongst others, the rights and obligations of TCCL and Shenergy Group as the equity holders of the Target Company, and the operation and management of the Target Company.

The Shareholders Agreement

Date

27 October 2020

Parties

- (1) the Target Company;
- (2) TCCL; and
- (3) Shenergy Group.

TCCL's entitlement to appoint board member

Upon Completion, the board of directors of the Target Company will be comprised of five (5) directors, of which TCCL will be entitled to nominate one (1) director or the deputy chairman, subject to TCCL holding not less than 10% of the equity interest in the Target Company.

TCCL's entitlement to appoint supervisor

Upon Completion, the supervisory board of the Target Company will be comprised of three (3) supervisors, of which TCCL will be entitled to nominate one (1) supervisor, subject to TCCL holding not less than 10% of the equity interest in the Target Company.

TCCL's entitlement to appoint senior management and other staff

Upon Completion, subject to TCCL holding not less than 10% of the equity interest in the Target Company, TCCL will be entitled to nominate the deputy general manager of the Target Company. TCCL will also be entitled to nominate the deputy financial manager of the Target Company.

Equity holders reserved matters

Upon Completion and prior to the listing of the Target Company (if applicable), TCCL, as an equity holder of the Target Company, will have veto rights over certain reserved matters of the Target Company, including but not limited to, amendment of articles of association, change in registered capital, change in principal business or initial public offering of the equity interests in the Target Company.

Board reserved matters

The director nominated by TCCL to the board of directors of the Target Company, will have veto rights over certain reserved matters of the board of the Target Company, including but not limited to, the pricing mechanism for related party transactions of the Target Company, certain material transactions of the Target Company, certain material related party transactions of the Target Company not in the ordinary course of business, and provision of certain material guarantees or loans by the Target Company.

Equity holding restrictions on TCCL

Subject to the prior written consent of the Target Company, TCCL will be prohibited from holding more than 25% of the equity interest in the Target Company.

Lock-up undertaking by TCCL

Subject to the prior written consent of the Target Company and certain other exceptions, TCCL will be prohibited from selling or transferring all or any part of its 25% equity interest in the Target Company within three (3) years following the Completion.

Pre-emptive rights of TCCL

Subject to the 25% equity holding restrictions in the Target Company on TCCL under the Shareholders Agreement:

- (a) in the event the Target Company proposes to increase its registered capital, TCCL will have a pre-emptive right to subscribe for a portion of the registered capital; and
- (b) in the event Shenergy Group proposes to transfer its equity interests in the Target Company, TCCL will have a right of first refusal to purchase such equity interests on the same terms under the proposed transfer by Shenergy Group.

4. THE ENHANCED STRATEGIC COOPERATION AGREEMENT

In connection with the Capital Increase, on 27 October 2020, TCCL and the Target Company entered into the Enhanced Strategic Cooperation Agreement, pursuant to which TCCL and the Target Company agreed on certain arrangements to deepen the strategic cooperation between the parties.

The Enhanced Strategic Cooperation Agreement

Date

27 October 2020

Parties

- (1) the Target Company; and
- (2) TCCL.

The Target Company and TCCL agreed to take certain actions to facilitate and implement the Proposed Southbound Subscription, with a view to achieving a cross-shareholding of 25% between the Target Company and TCCL including, among other things:

- (a) within one (1) year immediately following the effective date of the Capital Increase Agreement or such other period as the parties may agree, an agreement will be entered into between the Target Company and TCCL in respect of the Proposed Southbound Subscription and the Proposed Southbound Subscription will become effective upon the conditions as set out in such agreement. The Enhanced Strategic Cooperation

Agreement will be automatically extended for one (1) year in the event the agreement is not entered into within such prescribed timeframe; and

- (b) the Target Company and TCCL will, on the basis of reciprocity and through fair, reasonable and good faith evaluation and negotiations, agree on the valuation of the Proposed Southbound Subscription based on relevant parameters as set out in the Enhanced Strategic Cooperation Agreement.

In the event the Proposed Southbound Subscription is not completed within the prescribed timeframe under the Enhanced Strategic Cooperation Agreement, each of the Target Company and TCCL will discuss and negotiate in good faith on the further actions to be taken.

5. INFORMATION ON THE TARGET GROUP AND SHENERGY GROUP

The Target Group

The Target Company is a company incorporated in the PRC with limited liability incorporated on 27 December 2018 and commenced operation on 1 February 2019. The principal business of the Target Group includes piped gas operation, construction, operation and management of piped gas infrastructures, liquefied natural gas terminals and storages, sale of gas-related construction materials, appliances and utilities, gas-related quality control services, and gas-related technology development, consultation, services and transfer. The Target Group has 4,300 employees and about 25,000 kilometres of gas pipelines supplying gas to 6.3 million customers. The Target Company sold 8.37 billion cubic metres of gas in the eleven months ended 31 December 2019.

As at the date of this announcement, the Target Company has a registered capital of RMB1,000,000,000 (equivalent to approximately HK\$1,140,900,000) and 100% of its equity interest is held by Shenergy Group.

Set out below is some financial information of the Target Company for the 11 months ended 31 December 2019 and as at 31 December 2019 prepared in accordance with general accepted accounting principles of the PRC:

	For the 11 months ended 31 December 2019
	<i>RMB'000 (HK\$'000)</i>
	Audited
Revenue	26,453,391 (equivalent to approximately HK\$30,180,674)
Profit before taxation	735,389 (equivalent to approximately HK\$839,005)
Profit after taxation	620,333 (equivalent to approximately HK\$707,738)

As at 31 December 2019

RMB'000 (HK\$'000)

Audited

Net asset value 5,766,072 (equivalent to approximately HK\$6,578,512)

Shenergy Group

Shenergy Group is a wholly state-owned enterprise incorporated in the PRC in 1996 with a registered capital of RMB10,000,000,000 (equivalent to approximately HK\$11,409,000,000) under the supervision of Shanghai SASAC. The principal business of the Shenergy Group is the production and supply of electricity and gas, investment, construction and management of gas infrastructures including liquefied natural gas terminals and storages and investments in financial institutions. The subsidiaries of Shenergy Group include Shenergy Company Limited* (申能股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code 600642).

To the best of the HKCG Board's and the TCCL Board's knowledge, information and belief having made all reasonable enquiries, the Target Company, Shenergy Group and their respective ultimate beneficial owners are third parties independent of HKCG, TCCL and their respective connected persons.

6. INFORMATION ON THE HKCG GROUP AND THE TCCL GROUP

The HKCG Group

The HKCG Group is principally engaged in the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the PRC. HKCG, together with its subsidiaries, is the controlling shareholder of TCCL and holds (through its wholly owned subsidiaries, Planwise Properties Limited, Superfun Enterprises Limited and Hong Kong & China Gas (China) Limited) approximately 68.21% of the total issued shares in TCCL as at the date of this announcement.

The TCCL Group

The TCCL Group is a specialised gas investment and management entity focused on 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 networks, the operation of gas fuel automobile refilling station, and the sale of gas household appliances.

7. REASONS FOR AND BENEFITS OF THE CAPITAL INCREASE

The Target Group is principally engaged in the sales and distribution of piped gas (including, the procurement or production of piped gas, the construction of gas pipelines, and the operation of gas pipeline networks), which is broadly similar to the HKCG Group's and the TCCL Group's business. The Target Group's network of pipes is situated mainly in the Shanghai area, an area where the HKCG Group's and the TCCL Group's network of pipes currently do not extend to.

As disclosed in TCCL's and HKCG's 2019 annual report, the HKCG Group and the TCCL Group are identifying future environmentally friendly projects that will provide both investors and shareholders with value-added returns and contribute to the ongoing business growth the HKCG Group and the TCCL Group. The HKCG Group and the TCCL Group share the same management philosophy, corporate governance and customer service level with the Target Group. The Target Group is one of the leading city gas operators in the PRC. The HKCG Board and the TCCL Board believe that strategic partnership with the Target Company will strengthen TCCL's business growth, profit potential and assets size, as well as its positioning in the Eastern part of China and its influence in the PRC city gas market.

The Target Group has a large customer base in Shanghai where the HKCG Group and the TCCL Group will help to grow and exploit its huge market potential in extended business. The Target Group also possesses a liquefied natural gas receiving terminal whereas the HKCG Group has a natural gas underground carven storage in Jintan, Jiangsu province where these terminal and storage resources can be connected through regional gas pipelines and better utilised to benefit the stable and low cost supply of natural gas to the city gas companies of both the Target Group and the HKCG Group located in Eastern China. The HKCG Board and the TCCL Board believe that the Target Group and the HKCG Group can deepen their strong co-operation in areas of engineering, purchasing, customer service and other extended value-added business, and share the best practices in management know-how, talents and operational expertise. TCCL and the Target Group will also ride on both technical expertise to develop the smart energy business in Shanghai.

In light of the current projects and business of the Target Group, the HKCG Board and the TCCL Board are of the view that the Capital Increase can create regional synergies between the projects currently operated by the Target Group and the projects of the TCCL Group by broadening the TCCL Group's customer base, potentially enhance the TCCL Group's future earnings and increase the TCCL Group's market share in the relevant market. In addition, the Capital Increase is also in line with the national strategic development of Yangtze River Delta.

Accordingly, the HKCG Board and the TCCL Board are of the view that the Capital Increase Agreement has been entered into on normal commercial terms and the terms of the Capital Increase Agreement are fair and reasonable and the transactions contemplated under the Capital Increase Agreement are in the interests of HKCG, TCCL and their respective shareholders as a whole.

8. LISTING RULES IMPLICATIONS

For HKCG, as the highest of the applicable percentage ratios in respect of the Capital Increase exceeds 5% but is below 25%, the Capital Increase constitutes a discloseable transaction of HKCG and is therefore subject to the notification and announcement requirements (but not the circular and shareholders' approval requirements) under Chapter 14 of the Listing Rules.

For TCCL, as the highest of the applicable percentage ratios in respect of the Capital Increase exceed 25%, but are all less than 100%, the Capital Increase constitutes a major transaction of TCCL and is therefore subject to the notification, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval for a major transaction may be obtained by way of written shareholders' approval in lieu of holding a general meeting if (i) no shareholder is required to abstain from voting if the listed company were to convene a general meeting for the approval of the transaction; and (ii) a written shareholders' approval has been obtained from a shareholder of the listed company or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting of to approve the transaction.

To the best of the knowledge, information and belief of the TCCL Board having made all reasonable enquiries, no shareholder of TCCL is materially interested in the Capital Increase. As such, no shareholder of TCCL is required to abstain from voting if TCCL were to convene a general meeting for the approval of the Capital Increase and the entry into the Transaction Documents by TCCL.

As at the date of this announcement, HKCG (through its wholly owned subsidiaries, (a) Planwise Properties Limited, (b) Superfun Enterprises Limited and (c) Hong Kong & China Gas (China) Limited (together, the "**Immediate Shareholders**"), holding (a) 171,524,099 shares, (b) 2,918,639 shares and (c) 1,850,656,677 shares of TCCL respectively) holds a total of 2,025,099,415 shares of TCCL, representing approximately 68.21% of the total issued shares having the right to attend and vote at a general meeting of TCCL. On 27 October 2020, TCCL has obtained an irrevocable and unconditional written approval of the Capital Increase. As such written approval has been obtained from the Immediate Shareholders, the TCCL Board does not intend to convene a general meeting of TCCL for obtaining shareholders' approval of the Capital Increase as a major transaction of TCCL.

A circular containing, among others, further details of the Capital Increase and the Transaction Documents, is expected to be despatched to the shareholders of TCCL for information purposes. TCCL intends to apply to the Stock Exchange for an extension of the time required under Rule 14.41(a) of the Listing Rules for the despatch of the circular, as it is expected that more than 15 business days will be required for the preparation of the circular.

9. WARNING

As Completion is subject to the satisfaction and/or waiver (as applicable) of the Conditions Precedent, the Capital Increase may or may not proceed. In addition, as completion of the Proposed Southbound Subscription is subject to the requirements as set out in the Enhanced Strategic Cooperation Agreement, the Proposed Southbound Subscription also may or may not proceed. Shareholders and potential investors of HKCG and TCCL should exercise caution when dealing in the securities of HKCG and TCCL.

10. DEFINITIONS

“Business Day”	a day excluding a Saturday or Sunday or statutory holiday in the PRC or Hong Kong
“Capital Increase”	the injection of the Consideration to the capital of the Target Company by TCCL pursuant to the terms of the Capital Increase Agreement
“Capital Increase Agreement”	the capital increase agreement dated 27 October 2020 entered into between TCCL, the Shenergy Group and the Target Company in relation to the Capital Increase
“Completion”	completion of the Capital Increase
“Conditions Precedent”	the conditions precedent to Completion as set out in the section headed “Conditions Precedent to Completion”
“connected person(s)”	has the same meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate amount of RMB4,700,000,000 (equivalent to approximately HK\$5,362,230,000), being the total capital contribution to be injected to the Target Company by TCCL pursuant to the Capital Increase Agreement

“Enhanced Strategic Cooperation Agreement”	the agreement on deepening the TCCL-Target Company cooperation dated 27 October 2020 between TCCL and the Target Company, pursuant to which TCCL and the Target Company agreed on certain arrangements to deepen the strategic cooperation between the parties
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“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 Board”	the board of directors of HKCG
“HKCG Group”	HKCG and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Immediate Shareholders”	has the meaning defined in the section headed “8. Listing Rules Implications”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date that is one year after the date of the Capital Increase Agreement or such other date as may be agreed in writing by TCCL, the Target Company and Shenergy Group
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Southbound Subscription”	the proposed issuance of ordinary shares by TCCL to the Target Company within one (1) year from the effective date of the Capital Increase Agreement, pursuant to the Enhanced Strategic Cooperation Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC

“Shanghai Assets and Equity Exchange”	Shanghai United Assets and Equity Exchange (上海聯合產權交易所)
“Shareholders Agreement”	the shareholders agreement dated 27 October 2020 between TCCL, the Shenergy Group and the Target Company in relation to, amongst others, the operation and management of the Target Company
“Shenergy Group”	Shenergy (Group) Company Limited* (申能(集團)有限公司), a company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shanghai Gas Co., Ltd.* (上海燃氣有限公司), a company incorporated in the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries
“TCCL”	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) and held as to approximately 68.21% by HKCG (through its wholly owned subsidiaries, Planwise Properties Limited, Superfun Enterprises Limited and Hong Kong & China Gas (China) Limited) as at the date of this announcement
“TCCL Board”	the board of directors of TCCL
“TCCL Group”	TCCL and its subsidiaries
“Tender”	the public tender for the investment in the Target Company by way of capital contribution as announced by the Shanghai Assets and Equity Exchange on 24 June 2020
“Transaction Documents”	the Capital Increase Agreement, the Shareholders Agreement and the Enhanced Strategic Cooperation Agreement
“Valuer”	WeValue Advisory Limited, the independent valuer appointed by TCCL to assess the valuation of the Target Company
“%”	per cent

By Order of the board of directors of
The Hong Kong and China Gas Company Limited
Alfred Chan Wing-kin
Managing Director

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

Hong Kong, 27 October 2020

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

<i>Non-executive Directors:</i>	Dr. Lee Ka-kit (<i>Chairman</i>) Mr. Lee Ka-shing (<i>Chairman</i>) Dr. Colin Lam Ko-yin
<i>Independent Non-executive Directors:</i>	Dr. the Hon. Sir David Li Kwok-po Prof. Poon Chung-kwong Dr. Moses Cheng Mo-chi
<i>Executive Directors:</i>	Mr. Alfred Chan Wing-kin (<i>Managing Director</i>) Mr. Peter Wong Wai-yee (<i>Executive Director and Chief Operating Officer – Utilities Business</i>) Mr. John Ho Hon-ming (<i>Executive Director, Chief Financial Officer and Company Secretary</i>)

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

<i>Executive Directors:</i>	Mr. Alfred Chan Wing-kin (<i>Chairman</i>) Mr. Peter Wong Wai-yee (<i>Chief Executive Officer</i>) Mr. John Ho Hon-ming (<i>Company Secretary</i>) Mr. Martin Kee Wai-ngai (<i>Chief Operating Officer</i>)
<i>Independent Non-executive Directors:</i>	Dr. Moses Cheng Mo-chi Mr. Brian David Li Man-bun Mr. James Kwan Yuk-choi

** For identification purposes only*

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