

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

# THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)  
(Stock Code: 0003)

## CONNECTED TRANSACTION

The Directors announce that Pathview, a wholly-owned subsidiary of the Company, has granted the Loan Facility to Yieldway, a connected person of the Company.

The Board, including the independent non-executive Directors, considers that the Loan Facility is on normal commercial terms and the grant of the Loan Facility is fair and reasonable so far as the shareholders of the Company are concerned.

The grant of the Loan Facility constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios are more than 0.1% but less than 2.5%, under Rule 14A.66(2)(a) of the Listing Rules, the Loan Facility is only subject to reporting and announcement requirements and are exempt from independent shareholders' approval requirements. Details of the Loans will be included in the Company's next published annual report and accounts in accordance with Rule 14A.45 of the Listing Rules.

### BACKGROUND

Yieldway is the holding company of the Development of which Henderson Land is the project manager. The Development is constructed by E Man Construction Company Limited, a wholly-owned subsidiary of Henderson Land. The Company, through Pathview, and Henderson Land, through its wholly-owned subsidiary, hold 50% each of the issued share capital in Yieldway. Pathview has entered into a connected transaction with Yieldway in relation to the Development.

### LOAN FACILITY

In order to finance the Development, Pathview, which holds 50% of the entire issued share capital of Yieldway, has granted the Loan Facility to Yieldway pursuant to which Pathview agreed, upon demand by Yieldway, to provide loans to Yieldway in proportion to its shareholding in Yieldway. As a holder of 50% of the entire issued share capital of Yieldway, the wholly-owned subsidiary of Henderson Land has also granted a loan facility for the same amount and on the same terms and conditions as the Loan Facility.

<b>Parties:</b>	Pathview and Yieldway (an associate of Henderson Land)
<b>Date:</b>	22 September 2004
<b>Amount of Loan Facility:</b>	The maximum amount of Loans available to Yieldway under the Loan Facility is limited to HK\$110,000,000. As Yieldway is indirectly owned as to 50% by each of the Company and Henderson Land, no security was provided by Yieldway in respect of the Loan Facility and likewise in respect of the facility provided by Henderson Land to Yieldway.
<b>Interest rate:</b>	Interest rate on each Loan will be equal to the aggregate of (i) 2% per annum and (ii) the rate (which is not subject to any cap) determined by Pathview and notified to Yieldway on the relevant drawdown date expressed as a percentage rate per annum reflecting Pathview's cost of funding for that Loan. Where necessary, Pathview may seek external funding from third party banks for its commitments under the Loan. As a wholly-owned subsidiary of the Company, Pathview can obtain external funding at a very competitive rate from major commercial banks in Hong Kong.
<b>Default interest rate:</b>	Default interest on any overdue sum will be payable on demand at the rate of 2% per annum above such aggregate rate as referred to in the paragraph "Interest rate" above.
<b>Term:</b>	The last drawdown date under the Loan Facility will be 31 July 2005, being the scheduled completion date of the construction of the Development.
<b>Repayment:</b>	Yieldway shall repay to Pathview the Loans in full on the earlier of the actual completion date of the construction of the Development (which is expected to be in the third quarter of 2005) and 31 December 2005. Yieldway may, by giving not less than 2 days' prior notice to Pathview, prepay any Loan in whole or in part without premium or penalty.

### GENERAL

The Company's principal areas of business are the production, distribution and marketing of town gas and related activities.

Henderson Land, through its subsidiaries, is entitled to exercise, or control the exercise of, 10% or more of the voting power of the Company at its general meeting and is therefore a substantial shareholder of the Company. As Henderson Land, through its wholly-owned subsidiary, is entitled to exercise, or control the exercise of, 30% or more of the voting power of Yieldway at its general meeting, Yieldway is an associate of Henderson Land and hence a connected person of the Company.

The Board, including the independent non-executive Directors, confirms that the terms of the Loan Facility (including the interest rate and default interest rate) were determined by Pathview and Yieldway based on a cost analysis of providing the Loan as against obtaining external funding from commercial banks generally. From Pathview's perspective, the Loan Facility was granted on terms no less favourable than those offered by third party banks. The Board considers that financing the Development by way of shareholders' loans is relatively simple and straight-forward, and provides a flexible alternative to Yieldway obtaining funding directly from the banks, which would otherwise require security by way of parent company guarantees. In addition, Pathview will also earn the interest margin of 2% under the Loan Facility irrespective of whether the Loan Facility is financed from internal or external sources. In view of the above, the Board, including the independent non-executive Directors, considers that the Loan Facility is on normal commercial terms (or better to the Company) and the granting of the Loan Facility is fair and reasonable so far as the shareholders of the Company are concerned.

The grant of the Loan Facility constitutes a connected transaction of the Company under the Listing Rules. As the applicable percentage ratios are more than 0.1% but less than 2.5%, under Rule 14A.66(2)(a) of the Listing Rules, the Loan Facility is only subject to reporting and announcement requirements and are exempt from independent shareholders' approval requirements. Details of the Loans will be included in the Company's next published annual report and accounts in accordance with Rule 14A.45 of the Listing Rules.

Between 31 March 2004 and 29 July 2004, Pathview has advanced, in aggregate, an amount of approximately HK\$108,000,000 to Yieldway on the same terms and conditions as the Loan Facility. The parties had not entered into any agreement in respect of these loans. This principal amount, together with accrued interest of approximately HK\$624,000, has been fully repaid by Yieldway on 16 August 2004. The Company should have disclosed details of these loans at the material times but inadvertently did not disclose details of such loans under Rule 14A.66(2)(a) of the Listing Rules. The Company acknowledges that such non-disclosure constitutes non-compliance with the Listing Rules. The Company will seek professional advice should there be any proposed connected transactions in the future and will comply with the requirements of the Listing Rules. The Stock Exchange reserves the right to take appropriate action for such non-compliance.

### DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

associate	has the meaning ascribed to it in the Listing Rules
Board	the Board of Directors of the Company
Company	The Hong Kong and China Gas Company Limited
Development	the residential development at Inland Lot No.8955, also known as Grand Promenade
Directors	the directors for the time being of the Company
Henderson Land	Henderson Land Development Company Limited, a substantial shareholder holding approximately 36.78% of the entire issued share capital of the Company and a company listed on the Stock Exchange
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Loans	outstanding loans owed by Yieldway to Pathview under the Loan Facility, which shall not exceed, in aggregate, HK\$110,000,000
Loan Facility	loan facility letter dated 22 September 2004 entered into between Pathview and Yieldway
Pathview	Pathview Properties Limited, a wholly-owned subsidiary of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
Yieldway	Yieldway International Limited, a company in which each of the Company and Henderson Land, through their respective wholly-owned subsidiaries, holds indirectly 50% of its issued share capital

By Order of the Board  
Ronald T. H. Chan  
Executive Director & Company Secretary

Hong Kong, 22 September 2004

As at the date of this announcement, the Board comprises: Dr. Lee Shau Kee (Chairman), Mr. Liu Lit Man\*, Mr. Leung Hay Man\*, Mr. Lee Hon Chiu\*, Mr. Colin Lam Ko Yin, Dr. The Hon. David Li Kwok Po\*, Mr. Ronald Chan Tat Hung, Mr. Lee Ka Kit, Mr. Alfred Chan Wing Kin, Mrs. James Kwan Yuk Choi and Mr. Lee Ka Shing.

\* Independent Non-executive Director



**Towngas**

The Hong Kong and China Gas Company Limited