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# 港華智慧能源有限公司 Towngas Smart Energy Company Limited

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1083)

## CONNECTED TRANSACTION

### ACQUISITION OF 25% EQUITY INTEREST IN YANGXIN HONGKONG & CHINA GAS COMPANY LIMITED\*

On 28 March 2024, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Transfer Agreement with the Vendor to acquire 25% equity interest in the Target Company from the Vendor at the consideration of RMB20 million.

HKCG is a controlling shareholder of the Company, and is therefore a controller of the Company under Chapter 14A of the Listing Rules. Shandong Towngas, a substantial shareholder of the Target Company, is owned as to 49% by HKCG and is therefore an associate of HKCG. Accordingly, the Acquisition under the Transfer Agreement constitutes a connected transaction of the Company under Rule 14A.28(2) of the Listing Rules. Given that one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition under the Transfer Agreement are more than 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## THE TRANSFER AGREEMENT

Summarised below are the principal terms of the Transfer Agreement:

### Date

28 March 2024

## **Parties**

- (1) The Vendor, as vendor; and
- (2) The Purchaser, an indirect wholly-owned subsidiary of the Company, as purchaser.

## **Subject matter**

As at the date of the Transfer Agreement, the Target Company is owned as to 51% by the Purchaser, 22.22% by Shandong Towngas, 25% by the Vendor and 1.78% by Yangxin Investment.

The Vendor agreed to sell and the Purchaser agreed to purchase the entire 25% equity interest in the Target Company held by the Vendor. All profits and losses of the Target Company attributable to such equity interest before the Completion Date (but excluding the right to receive the 2023 Dividend) shall belong to or be borne by the Purchaser. The Vendor's right to appoint 1 director and 1 deputy general manager of the Target Company based on such equity interest shall be inherited and enjoyed by the Purchaser. As a result, the Purchaser will be entitled to appoint a total of 4 out of the 6 directors of the Target company upon completion of the Acquisition.

## **Completion and consideration**

Within 5 working days from the date of the Transfer Agreement, the parties shall cooperate to complete the handover and handle the procedure for change of industrial and commercial registration.

The consideration of RMB20 million is payable in cash by the Purchaser to the Vendor within 5 working days from the Completion Date, failing which the Purchaser shall be liable to pay interest thereon at the rate of 0.05% per day until payment has been made in full.

The consideration was determined after arm's length negotiations between the parties with reference to the unaudited consolidated net asset value of the Target Group of approximately RMB52,317,900 as at 30 November 2023 and the continuing growth of the profits of the Target Group in recent years (in which the unaudited consolidated net profits after tax of the Target Group increased from approximately RMB11,206,000 for the year ended 31 December 2022 to approximately RMB13,509,000 for the year ended 31 December 2023).

The consideration will be funded by the Purchaser's internal resources.

Upon completion of the Acquisition, the Target Company will continue to be a non-wholly owned subsidiary of the Company and its financial results will continue to be consolidated into the financial statements of the Group.

## INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 18 October 2013 with a registered capital of RMB18 million, which has been fully paid up. The Target Group is principally engaged in the supply and operation of piped gas and sales of kitchen utensils and home appliances.

Set out below is certain unaudited consolidated financial information of the Target Group for the two financial years ended 31 December 2022 and 31 December 2023 and as at 31 December 2022 and 31 December 2023 (prepared in accordance with the China Accounting Standards for Business Enterprises).

	<b>For the year ended 31 December 2022 RMB '000 (unaudited)</b>	<b>For the year ended 31 December 2023 RMB '000 (unaudited)</b>
Net profits before taxation	15,319	18,255
Net profits after taxation	11,206	13,509
	<b>As at 31 December 2022 RMB '000 (unaudited)</b>	<b>As at 31 December 2023 RMB '000 (unaudited)</b>
Net assets	49,324	36,984

*Note: The unaudited consolidated financial information set out above is prepared based on the audited financial statements of each of the Target Company and its subsidiaries, as consolidated financial statements of the Target Group as a whole are not required by the PRC law to be audited.*

## REASONS FOR AND BENEFITS OF THE ACQUISITION

After the Acquisition, the Target Company will be owned by the Purchaser, Shandong Towngas and Yangxin Investment, with a more stable and reasonable shareholding structure. It is expected that such optimisation of the equity holding structure would further increase the recognition and support of the Target Company by the government, thereby enhancing the local brand presence of the Target Company. The Target Company would also be able to further cooperate with Yangxin Investment to explore business opportunities in integrated energies and natural gas extended businesses. The increase in the Group's equity interest in the Target Company will increase the Group's management control of the Target Company and enjoyment of the benefits from the development of the Target Company's business.

The Directors (including the independent non-executive Directors) consider that notwithstanding that the Acquisition is not in the ordinary and usual course of business of the Group, the terms of the Transfer Agreement and the Acquisition contemplated thereunder are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

## **INFORMATION ON THE VENDOR, THE PURCHASER, THE COMPANY AND THE OTHER SHAREHOLDERS OF THE TARGET COMPANY**

The Vendor is a company established in the PRC with limited liability and is principally engaged in technology development, technology consultation, technology service and technology transfer in the fields of information technology, electronic products and mechanical equipment, as well as the purchase and sale of natural gas pressure regulating equipment. It is owned as to 90% by Shandong Xinaotai Construction Co., Ltd.\* (山東鑫奧泰建設有限公司) (which is ultimately owned by Mr. Song Zhaoxin (宋兆新) and Mr. Ma Weiguo (馬為國)) and 10% by Mr. Zhao Rui (趙瑞).

The Purchaser is an investment holding company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Company is an investment holding company and the principal business activities of its subsidiaries are the sales of piped gas, renewable energy and other energy, construction of gas pipelines, the sale of gas appliances and related products and other value-added services in the PRC.

Shandong Towngas is a company established in the PRC with limited liability and is principally engaged in gas business, gas vehicle refueling business, construction engineering design, installation and maintenance of gas burners. It is owned as to 51% by Jinan Energy Group Co., Ltd.\* (濟南能源集團有限公司) and 49% by HKCG. Jinan Energy Group Co., Ltd.\* (濟南能源集團有限公司) is principally engaged in heat production and supply, gas operation, sewage treatment and recycling and is ultimately owned by Jinan People's Government State-owned Assets Supervision and Administration Commission.

HKCG is an investment holding company and its subsidiaries are principally engaged in the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the PRC. Henderson Land Development Company Limited ("Henderson Land"), which is a company listed on the Stock Exchange (Stock Code: 12), is a controlling shareholder of HKCG and through its various wholly-owned subsidiaries holds approximately 41.53% of the total issued shares of HKCG as at the date of this announcement. Henderson Land is an investment holding company and its subsidiaries are principally engaged in the businesses of property development and investment, construction, project management, property management, finance, hotel operation, department store operation and investment holding. The shareholding information of Henderson Land is available on the Stock Exchange's website (<https://www.hkexnews.hk>).

Yangxin Investment is a company established in the PRC with limited liability and is principally engaged in the operation of State-owned assets and management of government investment projects within the scope of authorisation by the PRC government. It is owned as to 51% by Binzhou State-owned Capital Investment Operation Group Co., Ltd.\* (濱州國有資本投資運營集團有限公司) and 49% by Yangxin County State-owned Assets Services Center\* (陽信縣國有資產服務中心). Binzhou State-owned Capital Investment Operation Group Co., Ltd. (濱州國有資本投資運營集團有限公司) is principally engaged in the investment, operation and management of State-owned assets, and other capital market services, and is ultimately owned by Binzhou People's Government State-owned Assets Supervision and Administration Commission\* (濱州市人民政府國有資產監督管理委員會, a public institution). Yangxin County State-owned Assets Services Center\* (陽信縣國有資產服務中心) is a public institution established in the PRC to supervise its county-owned assets, and is ultimately owned by the People's Government of Yangxin County.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for Shandong Towngas (which is an associate of HKCG and therefore a connected person of the Company), each of the Vendor and Yangxin Investment and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company.

## **LISTING RULES IMPLICATIONS**

HKCG is a controlling shareholder of the Company, and is therefore a controller of the Company under Chapter 14A of the Listing Rules. Shandong Towngas, a substantial shareholder of the Target Company, is owned as to 49% by HKCG and is therefore an associate of HKCG. Accordingly, the Acquisition under the Transfer Agreement constitutes a connected transaction of the Company under Rule 14A.28(2) of the Listing Rules. Given that one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition under the Transfer Agreement are more than 0.1% but all of them are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) Dr. Lee Ka-kit, a Director, is deemed interested in approximately 41.53% of the total number of issued shares in HKCG, and (ii) Dr. Lee Ka-kit, Mr. Peter Wong Wai-yee, and Dr. the Hon. Moses Cheng Mo-chi, all being Directors, are also directors of HKCG, each of them has abstained from voting on the board resolutions to approve the Transfer Agreement and the Acquisition contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the Transfer Agreement and the Acquisition contemplated thereunder.

## DEFINITIONS

<b>“2023 Dividend”</b>	the cash dividend of RMB3.75 million to which the Vendor was entitled to receive from the Target Company out of the total cash dividend payable to all shareholders of the Target Company of RMB15 million declared by the Target Company on 14 November 2023, which has been paid
<b>“Acquisition”</b>	the acquisition of 25% equity interest in the Target Company by the Purchaser from the Vendor
<b>“associate”</b>	has the same meaning as ascribed to it under the Listing Rules
<b>“Company”</b>	Towngas Smart Energy Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1083)
<b>“Completion Date”</b>	the date of completion of the change of industrial and commercial registration of the Target Company in respect of the change in equity holdings pursuant to the Acquisition
<b>“controlling shareholder”</b>	has the same meaning as ascribed to it under the Listing Rules
<b>“Director(s)”</b>	director(s) of the Company
<b>“Group”</b>	the Company and its subsidiaries
<b>“HKCG”</b>	The Hong Kong and China Gas Company Limited (香港中華煤氣有限公司), a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 3)
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“percentage ratios”</b>	has the same meaning as ascribed to it under the Listing Rules
<b>“PRC”</b>	the People’s Republic of China, which for the purpose of this announcement excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan

<b>“Purchaser”</b>	Towngas Investments Limited* (港華燃氣投資有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Shandong Towngas”</b>	Shandong Towngas Group Co., Ltd.*, (山東港華燃氣集團有限公司), a company established in the PRC with limited liability
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“substantial shareholder”</b>	has the same meaning as ascribed to it under the Listing Rules
<b>“Target Company”</b>	Yangxin Hongkong & China Gas Company Limited* (陽信港華燃氣有限公司), a company established in the PRC with limited liability
<b>“Target Group”</b>	the Target Company and its subsidiaries
<b>“Transfer Agreement”</b>	the agreement for the Acquisition dated 28 March 2024 entered into between the Vendor and the Purchaser
<b>“Vendor”</b>	Shandong Longlin Information Technology Co., Ltd.* (山東隆霖信息科技有限公司), a company established in the PRC with limited liability
<b>“Yangxin Investment”</b>	Yangxin County City Construction and Investment Group Co., Ltd.*, (陽信縣城市建設投資集團有限公司), a company established in the PRC with limited liability

By Order of the Board of Directors

**Elsa Wong Lai-kin**

*Company Secretary*

Hong Kong, 28 March 2024

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

*Non-Executive Directors:*

LEE Ka-kit (*Chairman*)

LIU Kai Lap Kenneth

*Independent Non-Executive Directors:*

Moses CHENG Mo-chi

Brian David LI Man-bun

LOH Kung Wai Christine

*Executive Directors:*

Peter WONG Wai-yee (*Chief Executive Officer*)

Martin KEE Wai-ngai (*Chief Operating Officer – Gas Business*)

John QIU Jian-hang (*Chief Operating Officer – Renewable Business*)

*\* For identification purposes only*