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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 TRANSACTIONS

### **(1) TRANSFER OF, AND DISPOSAL OF EQUITY INTERESTS AND ASSETS IN RELATION TO, EXTENDED BUSINESS IN THE PRC**

### **(2) ACQUISITION OF EQUITY INTEREST IN HOLDING COMPANY OF THE PRC/HK EXTENDED BUSINESS OF THE HONG KONG AND CHINA GAS COMPANY LIMITED GROUP**

On 25 October 2024, the Company entered into the Transfer Agreement with HKCG and Towngas Lifestyle (being a wholly-owned subsidiary of HKCG), pursuant to which:

- (a) HKCG and Towngas Lifestyle shall procure that the HKCG Extended Business be held and operated, and the HKCG PRC EB Assets be owned, by Towngas Lifestyle and its subsidiaries or associates, so that Towngas Lifestyle shall become the holding company of the HKCG Extended Business;
- (b) Towngas Lifestyle Chengdu shall acquire the entire 49% equity interests in the Group B Companies (which carry on the Extended Business) held by the Group for an aggregate cash consideration of RMB22,432,000 (or such other amount as may be agreed between the Parties), so that the Group B Companies will become wholly-owned by Towngas Lifestyle Chengdu;
- (c) the Company shall:
  - (i) carry out a restructuring in order that the Group's direct or indirect equity interests in certain other companies carrying on the Extended Business directly or indirectly (namely Towngas Lifestyle Chengdu and the Group A Companies) and the TSEL Higher Valued Functions will be grouped under the Target Company as a holding company platform, and then transfer the entire equity interest in the Target Company to a wholly-owned subsidiary of Towngas Lifestyle; and
  - (ii) procure certain other companies in which the Group has interest (namely the Transferring Companies) to transfer their Transferring EB to the New Providers,

in exchange for approximately 12% equity interest in Towngas Lifestyle (subject to adjustment); and

- (d) the Transferring Companies shall transfer their Target Assets to the New Providers for cash consideration equivalent to their book values (or such other amounts as may be agreed between the Parties).

HKCG is a controlling shareholder of the Company and therefore a connected person of the Company. As the New Providers, Towngas Lifestyle Chengdu, Excel Creation, Towngas Lifestyle and Eminent Power are or may be associates (as defined in the Listing Rules) of HKCG, they are also connected persons of the Company. Accordingly, the EB Transactions constitute connected transactions of the Company under Chapter 14A 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 EB Transactions are more than 0.1% but all of them are less than 5%, the EB Transactions are subject to the reporting and announcement requirements but are 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**

25 October 2024.

### **Parties**

- (1) HKCG;
- (2) the Company; and
- (3) Towngas Lifestyle, a wholly-owned subsidiary of HKCG.

### **The Towngas Lifestyle Setup**

HKCG and Towngas Lifestyle shall procure that the HKCG Extended Business be held and operated, and the HKCG PRC EB Assets be owned, by Towngas Lifestyle and its subsidiaries or associates as soon as reasonably practicable and in any event on or before the date which is 1 year after the date of this Agreement (or such other date as may be agreed between the Parties), so that Towngas Lifestyle shall become the holding company of the HKCG Extended Business (the “**Towngas Lifestyle Setup**”).

### **The TSEL EB Restructuring**

The Company shall use its reasonable endeavours to complete the following restructuring steps as soon as reasonably practicable, in order that the Group's direct or indirect equity interests in certain companies carrying on the Extended Business directly or indirectly and the TSEL Higher Valued Functions will be grouped under the Target Company as a holding company platform:

- (a) the Target PRC Subsidiary acquires the entire 40% equity interest in Towngas Lifestyle Chengdu held by TSEL Investments (being a wholly-owned subsidiary of the Company);
- (b) the Target PRC Subsidiary acquires the entire 49% equity interests in the Group A Companies held respectively by the Group A Transferors (all being wholly-owned subsidiaries of the Company);
- (c) the Target Group houses the employment of the employees or engagement of consultants or contractors (if any) to carry on the TSEL Higher Valued Functions; and
- (d) the Target PRC Subsidiary acquires an engineering company in the PRC with specific licence for conducting household piping works and fire alarm installation services, and such engineering company retains or recruits key project management personnel for household piping works and fire alarm installation services.

### **The Group B Company Transfers**

The Company and Towngas Lifestyle shall use their respective reasonable endeavours to procure the transfer of the 49% equity interests in the Group B Companies held respectively by the Group B Company Transferors (all being non-wholly owned subsidiaries of the Company) to Towngas Lifestyle Chengdu, so that the Group B Companies will become wholly-owned by Towngas Lifestyle Chengdu (each, an “**Group B Company Transfer**”).

### **The TSEL EB Transfer**

The Parties shall procure the transfer of all issued shares of, and the shareholder’s loan owing by, the Target Company by the Group to Excel Creation (collectively, the “**TSEL EB Transfer**”) at the Second Equity Issue Completion.

### **The Business Transfers**

The Company and Towngas Lifestyle shall use their respective reasonable endeavours to procure the taking over of the Transferring EB of each Transferring Company by the relevant New Provider as soon as practicable (each, a “**Business Transfer**”), including but not limited to, where applicable:

- (a) in relation to customer service centre premises in respect of the Transferring EB:
  - (i) the Transferring Company bearing the cost of operation of the customer service centre until 31 December 2024 (or such other date as may be agreed between the Parties);
  - (ii) in cases where they are owned by such Transferring Company, such Transferring Company leasing such premises to such New Provider at market rent for such duration as may be agreed between such Transferring Company and such New Provider (but rent free for the period up to and including 31 December 2024);
  - (iii) in cases where they are not owned by such Transferring Company, such Transferring Company transferring the lease of such premises to such New Provider, but with the Transferring Company bearing the rent for the period up to and including 31 December 2024; and

- (iv) such New Provider providing gas supply customer service to such Transferring Company's customers from handover of the customer service centre to the New Provider up to and including 31 December 2024 free of charge;
- (b) such New Provider to house the employment of the employees in respect of the Transferring EB (including but not limited to those working at customer service centres thereof, where applicable); and
- (c) the Target Group providing (or procuring the provision of) Higher Valued Functions to each New Provider from the commencement of the relevant Business Transfer up to and including 31 December 2024 free of charge.

### **The Asset Transfers**

The Parties shall use their respective reasonable endeavours to procure the transfer of each Target Asset by the relevant Transferring Company to the relevant New Provider (each, an “**Asset Transfer**”) as soon as reasonably practicable. The Company shall ensure that the Target Assets of the Transferring Companies (including inventory levels of the Transferring Companies in respect of their Transferring EB) are appropriately managed such that the consideration for such transfers will not exceed RMB40 million in aggregate.

### **Implementation**

Each Party shall take or procure to be taken all actions (including but not limited to entering in agreements on normal commercial terms, but the terms of the Transfer Agreement shall prevail to the extent of any inconsistency) reasonably necessary to implement the Transactions.

All further implementations of the Transactions (other than the Towngas Lifestyle Setup and the TSEL EB Transfer) shall cease on the date which is 1 year after the date of the Transfer Agreement (or such other date as may be agreed between the Parties).

### **The Consideration**

The consideration for each Asset Transfer shall be such amount as agreed between the relevant Transferring Company and New Provider (which, unless agreed otherwise between the Parties, shall be the book value of the relevant Target Asset), which shall be paid in cash in RMB by the relevant New Provider to the Transferring Company (or as it may direct) at or before completion of such Asset Transfer (or on such other date(s) or at such other time(s) as may be agreed between the Parties).

The aggregate consideration for the Group B Company Transfers shall be RMB22,432,000 (or such other consideration as may be agreed between the Parties). The consideration for each Group B Company Transfer shall be paid in cash in RMB by Towngas Lifestyle Chengdu to the relevant Group B Company Transferor (or as it may direct) at or before completion of such transfer (or on such other date(s) or at such other time(s) as may be agreed between the Parties). The consideration was determined after arm's length negotiations between the Parties with reference to valuations of 49% equity interests in the Group B Companies as at 31 March 2024, being RMB22,432,000 in aggregate, as appraised by an independent valuer using the guideline public company method under the market approach by selecting a number of comparable companies publicly listed on the Stock Exchange for comparison and applying the median of their enterprise value to EBITDA ratios (with adjustments for the difference in natures between the comparable

companies and the Group B Companies (including for capital structure, size and country risk) and using the ratio of EBITDA to net operating profit after tax as a scale factor) and a discount for lack of marketability considered by the valuer to be appropriate.

The aggregate consideration for the TSEL EB Transfer and the Business Transfers is the TSEL EB Final Value, which shall be satisfied as follows:

- (a) within 60 days after the date of the Transfer Agreement, (i) Towngas Lifestyle shall allot and issue 600 new shares in the capital of Towngas Lifestyle with a par value of USD1 each and credited as fully paid (the “**First Consideration Shares**”, which shall represent approximately 6.38% of the then total number of issued shares of Towngas Lifestyle (including the First Consideration Shares) at the time of issue of such shares) to the Company; and (ii) HKCG shall procure the assignment of the First Transfer Shareholder’s Loans by the relevant members of the HKCG Group to the Company (collectively, the “**First Equity Issue**”); and
- (b) within 60 days after the Second Equity Issue Fixing Date, (i) Towngas Lifestyle shall allot and issue the Second Consideration Shares credited as fully paid to the Company; (ii) HKCG shall procure the assignment of the Second Transfer Shareholder’s Loans by the relevant members of the HKCG Group to the Company (together with (i), the “**Second Equity Issue**”); and (iii) Towngas Lifestyle shall pay the Adjustment Amount to the Company (or as it may direct) in cash in RMB (where applicable).

The TSEL EB Transfer and the Business Transfers have an aggregate value attributable by the Parties of RMB293,865,000 (the “**TSEL EB Total Value**”, subject to adjustment reflected in the calculation of the number of Second Consideration Shares and the Adjustment Amount as described in this announcement), which was determined after arm’s length negotiations between the Parties with reference to the valuation of:

- (i) 40% equity interest in Towngas Lifestyle Chengdu as at 31 March 2024, being RMB32,170,000;
- (ii) 49% equity interests in the Group A Companies as at 31 March 2024, being RMB53,250,000 in aggregate;
- (iii) the Company’s interests in the Transferring EB of the Transferring Companies as at 31 March 2024, being RMB84,038,000 in aggregate; and
- (iv) the Company’s interests in the TSEL Higher Valued Functions as at 31 March 2024, being RMB124,407,000 in aggregate,

as appraised by an independent valuer using the guideline public company method under the market approach by selecting a number of comparable companies publicly listed on the Stock Exchange for comparison and applying the median of their enterprise value to EBITDA ratios (with adjustments for the difference in natures between the comparable companies and those companies and businesses (including for capital structure, size and country risk) and using the ratio of EBITDA to net operating profit after tax as a scale factor), a control premium (where applicable) and a discount for lack of marketability considered by the valuer to be appropriate.

The value attributable by the Parties to the approximately 12% equity interest in Towngas Lifestyle (subject to adjustment) to be acquired by the Company as consideration for the TSEL EB Transfer and the Business Transfers is equal to the TSEL EB Total Value, which was determined after arm's length negotiations between the Parties with reference to the valuation of Towngas Lifestyle as at 31 March 2024 (being RMB2,442,563,000 (the "**Towngas Lifestyle Total Value**"), and on the basis that the Transactions had already been completed then) as appraised by an independent valuer using the guideline public company method under the market approach by selecting a number of comparable companies publicly listed on the Stock Exchange for comparison and applying the median of their enterprise value to EBITDA ratios (with adjustments for the difference in natures between the comparable companies and Towngas Lifestyle (including for capital structure, size and country risk) and using the ratio of EBITDA to net operating profit after tax as a scale factor) and a discount for lack of marketability considered by the valuer to be appropriate.

The original total cost of acquisition of 100% equity interest in Towngas Lifestyle to the HKCG Group is approximately RMB444,500,000.

### **Shareholders' Agreement**

At First Equity Issue Completion, the Company and Towngas Lifestyle shall, and HKCG shall procure Eminent Power to, enter into a shareholders' agreement in respect of Towngas Lifestyle. Under such shareholders' agreement,

- (a) unless agreed otherwise by all shareholders of Towngas Lifestyle, the board of directors of Towngas Lifestyle shall comprise of not more than 5 directors, and each of the shareholders of Towngas Lifestyle shall be entitled to nominate one director in respect of every 20% of the total number of issued shares of Towngas Lifestyle held by it, provided that the Company shall always be entitled to nominate at least one director as long as it is a shareholder of Towngas Lifestyle;
- (b) without the Company's consent, Towngas Lifestyle shall not issue any new shares to any person which implies that the total valuation of Towngas Lifestyle is less than RMB2,442,563,000, and for any proposed new issue of shares by Towngas Lifestyle, the Company shall have the right to subscribe for new shares at the same price and on the same terms offered to the proposed subscriber(s) (or better) to maintain its shareholding percentage in Towngas Lifestyle;
- (c) if any shareholder of Towngas Lifestyle other than the Company proposes to transfer shares of Towngas Lifestyle, the Company may tag along to transfer up to the same proportion of shareholding as being proposed to be transferred by such other shareholder; and
- (d) change of the nature of the business of the Towngas Lifestyle Group as a whole, amendment of the articles of association of Towngas Lifestyle and certain other matters in respect of the Towngas Lifestyle Group shall require the unanimous consent of all shareholders of Towngas Lifestyle.

**INFORMATION ON THE TARGET COMPANY, TOWNGAS LIFESTYLE CHENGDU, TOWNGAS LIFESTYLE, THE GROUP A COMPANIES, THE GROUP B COMPANIES AND THE COMPANY'S EXTENDED BUSINESS CARRIED ON THROUGH THE TRANSFERRING COMPANIES**

**The Target Company**

The Target Company is an investment holding company and will be the holding company of the Extended Business of the Group after completion of the TSEL EB Restructuring, and the entire equity interest in which will then be acquired indirectly by Towngas Lifestyle pursuant to the TSEL EB Transfer.

**TSEL Higher Valued Functions**

Set out below is certain unaudited financial information of the TSEL Higher Valued Functions prepared in accordance with the China Accounting Standards for Business Enterprises:

<b>Net profit before and after taxation for the financial year ended 31 December</b>	
<b>2022</b> <i>RMB</i>	<b>2023</b> <i>RMB</i>
18,593,000 (before tax)	31,696,000 (before tax)
14,030,000 (after tax)	23,918,000 (after tax)

**Towngas Lifestyle Chengdu**

Towngas Lifestyle Chengdu and its subsidiaries are principally engaged in the Extended Business.

Set out below is certain audited consolidated financial information of Towngas Lifestyle Chengdu prepared in accordance with the China Accounting Standards for Business Enterprises:

<b>Consolidated net assets as at 31 December</b>		<b>Consolidated net profit before and after taxation for the financial year ended 31 December</b>	
<b>2022</b> <i>RMB</i>	<b>2023</b> <i>RMB</i>	<b>2022</b> <i>RMB</i>	<b>2023</b> <i>RMB</i>
71,538,000	85,095,000	24,220,000 (before tax) 23,032,000 (after tax)	27,340,000 (before tax) 25,496,000 (after tax)

## Towngas Lifestyle

Towngas Lifestyle is an investment holding company and will be the holding company of the HKCG Extended Business after completion of the Towngas Lifestyle Setup.

Set out below is certain unaudited financial information of the HKCG Extended Business prepared in accordance with the Hong Kong Financial Reporting Standards:

<b>Net profit before and after taxation for the financial year ended 31 December</b>	
<b>2022</b> <i>RMB</i>	<b>2023</b> <i>RMB</i>
488,560,000 (before tax)	525,060,000 (before tax)
403,026,000 (after tax)	433,492,000 (after tax)

The unaudited book value of the HKCG PRC EB Assets as at 31 December 2023 was approximately RMB21 million.

## The Group A Companies

Each Group A Company is principally engaged in the Extended Business, and is owned as to 51% by Towngas Lifestyle Chengdu and as to 49% by a wholly-owned subsidiary of the Company established in the PRC with limited liability.

In respect of each Group A Company, set out below is the identity of the wholly-owned subsidiary of the Company which holds 49% equity interest in such Group A Company (a “**Group A Transferor**”) and certain audited financial information of such Group A Company prepared in accordance with the China Accounting Standards for Business Enterprises:

Group A Company	Group A Transferor	Net assets as at 31 December		Net profit before and after taxation for the financial year ended 31 December	
		2022 <i>RMB</i>	2023 <i>RMB</i>	2022 <i>RMB</i>	2023 <i>RMB</i>
Lu Liang Towngas Cosy Home Services Company Limited* (陸良港華舒適家科技服務有限公司)	Luliang Hong Kong & China Gas Company Limited* (陸良港華燃氣有限公司)	1,644,000	1,953,000	276,000 (before tax) 269,000 (after tax)	693,000 (before tax) 657,000 (after tax)
Jian Yang Towngas Cosy Home Services Company Limited* (港華舒適家(簡陽)科技服務有限公司)	Jiayang Hong Kong & China Gas Co., Ltd.* (簡陽港華燃氣有限公司)	3,544,000	4,060,000	1,935,000 (before tax) 1,863,000 (after tax)	2,018,000 (before tax) 1,889,000 (after tax)
Mian Yang Towngas Cosy Home Services Company Limited* (綿陽港華舒適家科技服務有限公司)	Miayang Hong Kong & China Gas Co., Ltd.* (綿陽港華燃氣有限公司)	5,616,000	5,909,000	2,937,000 (before tax) 2,803,000 (after tax)	2,929,000 (before tax) 2,783,000 (after tax)
Peng Xi Towngas Cosy Home Services Company Limited* (港華舒適家蓬溪科技服務有限公司)	Peng Xi Hong Kong and China Gas Company Limited* (蓬溪港華燃氣有限公司)	4,789,000	4,384,000	2,086,000 (before tax) 2,007,000 (after tax)	1,749,000 (before tax) 1,641,000 (after tax)



Group A Company	Group A Transferor	Net assets as at 31 December		Net profit before and after taxation for the financial year ended 31 December	
		2022 RMB	2023 RMB	2022 RMB	2023 RMB
San Tai Towngas Cosy Home Services Company Limited* (三台港華舒適家科技服務有限公司)	Santai Hong Kong & China Gas Co., Ltd* (三台港華燃氣有限公司)	3,970,000	4,359,000	1,708,000 (before tax) 1,638,000 (after tax)	2,104,000 (before tax) 1,997,000 (after tax)
Wei Yuan Towngas Cosy Home Services Company Limited* (港華舒適家威遠科技服務有限公司)	Weiyuan Hong Kong & China Gas Co., Ltd.* (威遠港華燃氣有限公司)	4,483,000	5,315,000	2,283,000 (before tax) 2,190,000 (after tax)	2,855,000 (before tax) 2,712,000 (after tax)
Xin Du Towngas Cosy Home Services Company Limited* (港華舒適家成都新都科技服務有限公司)	Chengdu Xindu Hong Kong and China Gas Co., Ltd.* (成都新都港華燃氣有限公司)	4,484,000	4,415,000	2,579,000 (before tax) 2,475,000 (after tax)	1,909,000 (before tax) 1,813,000 (after tax)
Zhong Jiang Towngas Cosy Home Services Company Limited* (港華舒適家中江科技服務有限公司)	Zhong Jiang Hong Kong and China Gas Company Limited* (中江港華燃氣有限公司)	3,191,000	3,895,000	1,367,000 (before tax) 1,312,000 (after tax)	2,250,000 (before tax) 2,141,000 (after tax)
Da Yi Towngas Cosy Home Services Company Limited* (港華舒適家(大邑)科技服務有限公司)	Da Yi Hong Kong and China Gas Company Limited* (大邑港華燃氣有限公司)	4,368,000	4,572,000	1,905,000 (before tax) 1,828,000 (after tax)	2,127,000 (before tax) 2,023,000 (after tax)
Cang Xi Towngas Cosy Home Services Company Limited* (港華舒適家蒼溪科技服務有限公司)	Cang Xi Hong Kong and China Gas Company Limited* (蒼溪港華燃氣有限公司)	4,342,000	5,127,000	2,086,000 (before tax) 2,001,000 (after tax)	2,726,000 (before tax) 2,589,000 (after tax)
Le Zhi Towngas Cosy Home Services Company Limited* (港華舒適家(樂至)科技服務有限公司)	Lezhi Hong Kong and China Gas Company Limited* (樂至港華燃氣有限公司)	4,577,000	4,919,000	1,760,000 (before tax) 1,641,000 (after tax)	2,385,000 (before tax) 2,273,000 (after tax)

## Financial information of the Group B Companies

Each Group B Company is principally engaged in the Extended Business, and is owned as to 51% by Towngas Lifestyle Chengdu and as to 49% by a non-wholly owned subsidiary of the Company.

In respect of each Group B Company, set out below is the identity of the non-wholly owned subsidiary of the Company which holds 49% equity interest in such Group B Company (a “**Group B Company Transferor**”) and certain audited financial information of such Group B Company prepared in accordance with the China Accounting Standards for Business Enterprises:

Group B Company	Group B Company Transferor	Net assets as at 31 December		Net profit before and after taxation for the financial year ended 31 December	
		2022 RMB	2023 RMB	2022 RMB	2023 RMB
Zi Yang Towngas Cosy Home Services Company Limited* (港華舒適家資陽科技服務有限公司)	Transferor B1	3,574,000	3,752,000	1,877,000 (before tax) 1,808,000 (after tax)	1,656,000 (before tax) 1,568,000 (after tax)

Group B Company	Group B Company Transferor	Net assets as at 31 December		Net profit before and after taxation for the financial year ended 31 December	
		2022 RMB	2023 RMB	2022 RMB	2023 RMB
Yue Chi Towngas Cosy Home Services Company Limited* (港華舒適家岳池科技服務有限公司)	Transferor B2	2,482,000	3,173,000	601,000 (before tax) 578,000 (after tax)	1,569,000 (before tax) 1,491,000 (after tax)
Ping Chang Towngas Cosy Home Services Company Limited* (港華舒適家平昌科技服務有限公司)	Transferor B3	2,878,000	3,522,000	1,297,000 (before tax) 1,257,000 (after tax)	1,747,000 (before tax) 1,658,000 (after tax)
Xin Jin Towngas Cosy Home Services Company Limited* (港華舒適家成都新津科技服務有限公司)	Transferor B4	3,326,000	3,737,000	1,936,000 (before tax) 1,864,000 (after tax)	1,800,000 (before tax) 1,667,000 (after tax)
Meishan Peng Shan Towngas Cosy Home Services Company Limited* (眉山市彭山港華舒適家科技服務有限公司)	Transferor B5	2,915,000	3,488,000	1,581,000 (before tax) 1,524,000 (after tax)	1,694,000 (before tax) 1,608,000 (after tax)
Mian Zhu Towngas Cosy Home Services Company Limited* (綿竹港華舒適家科技服務有限公司)	Transferor B6	1,466,000	1,709,000	478,000 (before tax) 466,000 (after tax)	520,000 (before tax) 494,000 (after tax)

### Financial information of the Transferring EB of the Transferring Companies

Set out below is certain unaudited financial information of the Company's Transferring EB carried on through the Transferring Companies prepared in accordance with the China Accounting Standards for Business Enterprises:

Net profit before and after taxation for the financial year ended 31 December	
2022 RMB	2023 RMB
11,821,000 (before tax) 9,610,000 (after tax)	19,292,000 (before tax) 15,683,000 (after tax)

### REASONS FOR AND BENEFITS OF THE TRANSACTIONS

Upon completion of the Transactions, the Group will cease to carry on or have any material equity interest in the Extended Business, except for its equity interest in Towngas Lifestyle. The Group could then focus on the development of its principal business of energy, including gas and renewable energy, which is in line with Company's long-term goal for green energy development. With new shares of Towngas Lifestyle to be issued to the Company as part of the consideration for transfer of its Extended Business, the Company will hold equity interest in Towngas Lifestyle and continue to maintain a strategic interest in the Extended Business. Furthermore, after completion of the Transactions, Towngas Lifestyle will be better placed to attract new investments from strategic investors when appropriate, and the Company as a shareholder of Towngas Lifestyle will benefit from the continuing development of Towngas Lifestyle.

The Directors (including the independent non-executive Directors) consider that notwithstanding that the transactions contemplated under the Transfer Agreement are not in the ordinary and usual course of business of the Group, the terms of the Transfer Agreement and the transactions 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.

The Company intends to utilise the net proceeds from the Asset Transfers and the disposal of the 49% equity interests in the Group B Companies by the Group B Company Transferors for potential investments in the Group's gas and renewable energy business and for general working capital purpose.

## **FINANCIAL EFFECTS OF THE EB TRANSACTIONS**

The unaudited gain after taxation and after transaction costs and expenses which the Group expects to recognise on the EB Transactions (other than the Asset Transfers, for which no material gain or loss is expected to be recognised as the Target Assets are expected to be sold at book values) is approximately HK\$191 million. Such gain is calculated based on the consideration receivable (being the aggregate of the fair value of the 12% equity interest in Towngas Lifestyle (taking into account the effect of the TSEL EB Transfer and based on the valuations of Towngas Lifestyle and the relevant equity interests in Towngas Lifestyle Chengdu, the Group A Companies and the Group B Companies referred to above) and the cash consideration for the Group B Company Transfers in the total sum of approximately RMB316 million) less the Group's unaudited carrying values of the investments in the Target Company, Towngas Lifestyle Chengdu, the Group A Companies, the Group B Companies, the Transferring EB of the Transferring Companies and the TSEL Higher Valued Functions as at 31 July 2024 and the costs and expenses in relation to the Transfer Agreement (including the TSEL EB Restructuring) and after making of appropriate accounting adjustments.

The actual amount of gain or loss on the EB Transactions to be recognised by the Group may be different from the above estimate as it will depend on the carrying values of the investments in the Target Company, Towngas Lifestyle Chengdu, the Group A Companies, the Group B Companies, the Transferring EB of the Transferring Companies and the TSEL Higher Valued Functions as at completion of their respective disposals and is subject to any accounting adjustment and audit.

Upon completion of the TSEL EB Transfer, (a) the Target Company and its then subsidiaries (including companies which will become subsidiaries of the Target Company as a result of the TSEL EB Restructuring) will cease to be subsidiaries of the Company and their financial results and net assets which are currently consolidated (or, as a result of the TSEL EB Restructuring, to be consolidated) into the consolidated financial statements of the Group will then cease to be so consolidated; and (b) the financial results and net assets of Towngas Lifestyle Chengdu and its subsidiaries which are currently equity accounted for in the consolidated financial statements of the Group will then cease to be so equity accounted for.

As the Group will have a representative on the board of Towngas Lifestyle and can participate in its decision making process, the Group's equity interest in Towngas Lifestyle will be equity accounted for as an associate in the consolidated financial statements of the Group.

## **INFORMATION ON THE PARTIES TO THE TRANSFER AGREEMENT AND THE TRANSACTIONS**

### **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 sales of gas appliances and related products and other value-added services in the PRC.

### **The HKCG Group**

HKCG 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, 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>).

Eminent Power is a direct wholly-owned subsidiary of HKCG and an investment holding company.

Excel Creation is a direct wholly-owned subsidiary of Towngas Lifestyle and an investment holding company.

### **TSEL Investments**

TSEL Investments is a wholly-owned subsidiary of the Company and is principally engaged in gas sales and related business

### **The Group A Transferors**

Each Group A Transferor is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company, and is principally engaged in gas sales and related business.

### **The Group B Company Transferors**

Each Group B Company Transferor is a non-wholly owned subsidiary of the Company and is principally engaged in gas sales and related business. Set out below is a description of the shareholders and beneficial owners of the Group B Company Transferors and the principal business activities of such beneficial owners:

<b>Group B Company Transferor</b>	<b>Shareholders and beneficial owner(s) and the principal business activities of the beneficial owner(s) (where applicable)</b>
Transferor B1	It is indirectly owned as to 90% by the Company and directly owned as to 10% by Ziyang Urban Construction Investment Group Co., Ltd.* (資陽城建投資集團有限公司), which in turn is held as to 91.2% by the State-owned Assets Management Commission of Ziyang Municipal Government* (資陽市政府國有資產監督管理委員會).
Transferor B2	It is indirectly owned as to 90% by the Company and directly owned as to 10% by Sichuan Yuechi Yintai Investment (Holding) Co., Ltd.* (四川省岳池銀泰投資(控股)有限公司), which in turn is held as to 49% by the Finance Bureau of Yuechi County People's Government* (岳池縣財政局) and 51% by Guang'an Jincai Investment and Financing (Group) Co., Ltd.* (廣安金財投融資(集團)有限責任公司), which is ultimately owned by State-owned Assets Management Commission of Guang'an Municipal Government* (廣安市政府國有資產監督管理委員會) and Finance Bureau of the People's Government of Sichuan Province* (四川省財政廳).
Transferor B3	It is indirectly owned as to 90% by the Company and directly owned as to 10% Pingchang County Construction Investment and Development Co., Ltd.* (平昌縣建設投資開發有限公司), which is majority-owned by Pingchang County State-owned Assets Administration Bureau* (平昌縣國有資產管理局).
Transferor B4	It is indirectly owned as to 60% by the Company, directly owned as to 30% by Jiang Lingyun (姜凌雲) and 10% by Wang Xiaoli (王小利).
Transferor B5	It is indirectly owned as to 70% by the Company and directly owned as to 30% by Meishan Pengshan Yonghe Gas Investment Co., Ltd.* (眉山市彭山永和燃氣投資有限公司), which is majority-owned by Sichuan Shengnian Energy Co., Ltd* (四川省晟年能源有限公司), a company principally engaged in the business of new energy technology research and development, which in turn is owned as to 52% and 48% by Yang Ziqian (楊紫茜) and Yang Bin (楊斌) respectively.
Transferor B6	It is indirectly owned as to 80% by the Company and directly owned as to 20% by Sichuan Shirong Enterprise Management Co., Ltd* (四川詩融企業管理有限公司), a company principally engaged in the business of enterprise management consulting and is wholly-owned by Feng Chi (馮馳).

Save as disclosed above, all shareholders of the Group B Company Transferors and their respective ultimate beneficial owners 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 therefore a connected person of the Company. As the New Providers, Towngas Lifestyle Chengdu, Excel Creation, Towngas Lifestyle and Eminent Power are or may be associates (as defined in the Listing Rules) of HKCG, they are also connected persons of the Company. Accordingly, the EB Transactions constitute connected transactions of the Company under Chapter 14A 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 EB Transactions are more than 0.1% but all of them are less than 5%, the EB Transactions are subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) Dr. the Hon. Lee Ka-kit, a Director, is deemed interested in approximately 41.53% of the total number of issued shares in HKCG, and (ii) Dr. the Hon. Lee Ka-kit, Mr. Peter Wong Wai-ye, 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 transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the Transfer Agreement and the transactions contemplated thereunder.

## DEFINITIONS

<b>“Adjustment Amount”</b>	an amount which is equal to the fractional part of the Second Equity Issue Entitlement multiplied by the Towngas Lifestyle Value Per Share, or nil if the Second Equity Issue Entitlement is a whole number
<b>“Asset Transfer”</b>	has the meaning ascribed to it under the section headed “THE TRANSFER AGREEMENT – The Asset Transfers” in this announcement
<b>“Business Transfer”</b>	has the meaning ascribed to it under the section headed “THE TRANSFER AGREEMENT – The Business Transfers” in this announcement
<b>“Business Transfers Omitted Items Value”</b>	the sum of the values of the Business Transfers as set out in the Transfer Agreement which have not been implemented by the Second Equity Issue Fixing Date, provided that where any such Business Transfer has been partially implemented as at such date, part of the value for such Business Transfer as reasonably agreed between the Parties shall be taken into account for such calculation
<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>“Director(s)”</b>	director(s) of the Company

<b>“EB Transactions”</b>	the Group B Company Transfers, the TSEL EB Transfer, the Asset Transfers and the Business Transfers
<b>“EBITDA”</b>	earnings before interests, taxes, depreciation and amortisation
<b>“Eminent Power”</b>	Eminent Power Enterprises Limited (威卓企業有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of HKCG
<b>“Excel Creation”</b>	Excel Creation Investments Limited (創熙投資有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of Towngas Lifestyle
<b>“Extended Business”</b>	businesses of smart kitchens, insurance, home safety services and community retail in the PRC carried out by the relevant companies
<b>“First Consideration Shares”</b>	has the meaning ascribed to it under the section headed “THE TRANSFER AGREEMENT – The Consideration” in this announcement
<b>“First Equity Issue”</b>	has the meaning ascribed to it under the section headed “THE TRANSFER AGREEMENT – The Consideration” in this announcement
<b>“First Equity Issue Completion”</b>	completion of the First Equity Issue
<b>“First Shareholder’s Loans”</b>	all amounts owing by Towngas Lifestyle to the HKCG Group (whether principal, interest or otherwise) immediately before the First Equity Issue Completion
<b>“First Transfer Shareholder’s Loans”</b>	6.38% of the First Shareholder’s Loans, which is to be assigned to the Company at the First Equity Issue Completion
<b>“Group”</b>	the Company and its subsidiaries
<b>“Group A Company”</b>	a company named in the column headed “Group A Company” in the table under the section headed “INFORMATION ON THE TARGET COMPANY, TOWNGAS LIFESTYLE CHENGDU, TOWNGAS LIFESTYLE, THE GROUP A COMPANIES, THE GROUP B COMPANIES AND THE COMPANY’S EXTENDED BUSINESS CARRIED ON THROUGH THE TRANSFERRING COMPANIES – The Group A Companies”, each being a company established in the PRC with limited liability

<b>“Group A Transferor”</b>	has the meaning ascribed to it under the section headed “INFORMATION ON THE TARGET COMPANY, TOWNGAS LIFESTYLE CHENGDU, TOWNGAS LIFESTYLE, THE GROUP A COMPANIES, THE GROUP B COMPANIES AND THE COMPANY’S EXTENDED BUSINESS CARRIED ON THROUGH THE TRANSFERRING COMPANIES – The Group A Companies” in this announcement, and being a company named in the column headed “Group A Transferor” in the table under that section
<b>“Group B Company”</b>	a company named in the column headed “Group B Company” in the table under the section headed “INFORMATION ON THE TARGET COMPANY, TOWNGAS LIFESTYLE CHENGDU, TOWNGAS LIFESTYLE, THE GROUP A COMPANIES, THE GROUP B COMPANIES AND THE COMPANY’S EXTENDED BUSINESS CARRIED ON THROUGH THE TRANSFERRING COMPANIES – Financial Information of the Group B Companies” in this announcement, each being a company established in the PRC with limited liability
<b>“Group B Company Transfer”</b>	has the meaning ascribed to it under the section headed “THE TRANSFER AGREEMENT – The Group B Company Transfers” in this announcement
<b>“Group B Company Transferor”</b>	Transferor B1, Transferor B2, Transferor B3, Transferor B4, Transferor B5 or Transferor B6
<b>“Higher Valued Functions”</b>	higher valued functions in respect of the Extended Business including supply chain management, marketing strategy, business insurance and home safety services such as household piping works and fire alarm installation services
<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>“HKCG Extended Business”</b>	the PRC/HK Extended Business carried on by HKCG and its associates (excluding the Group and the Transferring Companies)
<b>“HKCG Group”</b>	HKCG and its subsidiaries, and for the purpose of this announcement, excluding the Group



<b>“HKCG PRC EB Assets”</b>	the inventory, equipment, furniture, fixtures and fittings in respect of the HKCG Extended Business (such as gas related household appliances and related products) which are owned by the companies carrying on the HKCG Extended Business in the PRC, other than fixtures and fittings attached to any premises owned by such companies
<b>“HK\$”</b>	Hong Kong dollar, the lawful currency of Hong Kong
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange
<b>“New Provider”</b>	in relation to a Transferring Company, a company nominated by Towngas Lifestyle to replace such Transferring Company in serving the customers of such Transferring Company in respect of its Transferring EB which, unless agreed otherwise between the Parties, shall be a company directly or indirectly (a) wholly-owned by Towngas Lifestyle China; or (b) owned by Towngas Lifestyle China and one or more persons which have direct or indirect equity interest in such Transferring Company (or their affiliates) (excluding the Group)
<b>“Parties”</b>	the parties to the Transfer Agreement, being HKCG, the Company and Towngas Lifestyle, and each a <b>“Party”</b>
<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>“PRC/HK Extended Business”</b>	businesses of smart kitchens, insurance, home safety services and community retail in the PRC and Hong Kong
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Second Consideration Shares”</b>	The Second Equity Issue Number of new shares in the capital of Towngas Lifestyle with a par value of USD1 each to be allotted and issued by Towngas Lifestyle to the Company and credited as fully paid as consideration in part for the TSEL EB Transfer and the Business Transfers, which together with the First Consideration Shares shall represent the TSEL Share Proportion of the then total number of issued shares of Towngas Lifestyle (including the First Consideration Shares and the Second Consideration Shares) at the time of issue of such shares after (where applicable) taking into account payment of the Adjustment Amount for non-issuance of fractional share

<b>“Second Equity Issue”</b>	has the meaning ascribed to it under the section headed “THE TRANSFER AGREEMENT – The Consideration” in this announcement
<b>“Second Equity Issue Completion”</b>	completion of the Second Equity Issue
<b>“Second Equity Issue Entitlement”</b>	the TSEL EB Final Value divided by the Towngas Lifestyle Value Per Share, and then subtracts 600
<b>“Second Equity Issue Fixing Date”</b>	the earliest of: <ul style="list-style-type: none"> <li>(a) the date on which the Transactions (other than the TSEL EB Transfer) are all fully completed;</li> <li>(b) the date on which all further implementations of the Transactions (other than the Towngas Lifestyle Setup and the TSEL EB Transfer) are to cease, as may be agreed by the Parties; or</li> <li>(c) the date which is 1 year after the date of the Transfer Agreement (or such other date as may be agreed between the Parties)</li> </ul>
<b>“Second Equity Issue Number”</b>	the Second Equity Issue Entitlement, rounded down to the nearest whole number (where applicable)
<b>“Second Transfer Shareholder’s Loans”</b>	the amounts owing by Towngas Lifestyle to the HKCG Group (whether principal, interest or otherwise) which is equal to the TSEL Loan Proportion of all amounts owing by Towngas Lifestyle to the HKCG Group and the Company (whether principal, interest or otherwise) immediately before the Second Equity Issue Completion, less the amount of the First Transfer Shareholder’s Loans, which is to be assigned to the Company at the Second Equity Issue Completion
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Target Asset”</b>	in relation to an Asset Transfer by a Transferring Company, all inventory, equipment, furniture, fixtures and fittings (other than fixtures and fittings attached to any premises owned by the Transferring Company) in respect of the Transferring EB (such as gas related household appliances and related products) of such Transferring Company which are owned by such Transferring Company as at completion of such Asset Transfer, other than any items which the Parties may agree to be excluded
<b>“Target Company”</b>	TCCL (PCB) Limited, a company incorporated in the Cayman Islands with limited liability and a direct wholly-owned subsidiary of the Company

<b>“Target Group”</b>	the Target Company and its subsidiaries
<b>“Target PRC Subsidiary”</b>	TSEL Lifestyle Information Company Limited* (港華名氣家信息(深圳)有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Target Company
<b>“Towngas Lifestyle”</b>	Towngas Lifestyle Holding Company Limited (名氣家控股有限公司), a company incorporated in the Cayman Islands with limited liability and a direct wholly-owned subsidiary of Eminent Power
<b>“Towngas Lifestyle Chengdu”</b>	Towngas Lifestyle (Chengdu) Life Services Co., Ltd.* (名氣家(成都)生活服務有限公司), a company established in the PRC with limited liability, which is owned as to 60% by Towngas Lifestyle Services and as to 40% by TSEL Investments
<b>“Towngas Lifestyle China”</b>	Towngas Lifestyle (China) Company Limited (名氣家(中國)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of HKCG, which will become a direct wholly-owned subsidiary of Excel Creation pursuant to the Towngas Lifestyle Setup
<b>“Towngas Lifestyle Final Value”</b>	Towngas Lifestyle Total Value less the sum of (a) the Towngas Lifestyle Setup Omitted Items Value; (b) the TSEL EB Restructuring Omitted Items Value; and (c) the Business Transfers Omitted Items Value
<b>“Towngas Lifestyle Services”</b>	Towngas Lifestyle Information Services Company Limited* (名氣家信息服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Towngas Lifestyle
<b>“Towngas Lifestyle Setup”</b>	has the meaning ascribed to it under the section headed “THE TRANSFER AGREEMENT – The Towngas Lifestyle Setup” in this announcement
<b>“Towngas Lifestyle Setup Omitted Items Value”</b>	in the event that part of the Towngas Lifestyle Setup has not been completed by the Second Equity Issue Fixing Date, such amount as may be reasonably agreed between the Parties to be the reduction in enterprise value of Towngas Lifestyle as a result of such non-completion, and failing such agreement but without prejudice to the Company’s rights and remedies in relation to such non-completion (or if there is no such non-completion) then nil
<b>“Towngas Lifestyle Total Value”</b>	has the meaning ascribed to it under the section headed “THE TRANSFER AGREEMENT – The Consideration” in this announcement

“ <b>Towngas Lifestyle Value Per Share</b> ”	Towngas Lifestyle Final Value minus TSEL EB Final Value, and then divided by 8,800
“ <b>Transactions</b> ”	the Towngas Lifestyle Setup, the TSEL EB Restructuring, the TSEL EB Transfer, the Group B Company Transfers, the Asset Transfers and the Business Transfers
“ <b>Transfer Agreement</b> ”	the agreement dated 25 October 2024 entered into between HKCG, the Company and Towngas Lifestyle
“ <b>Transferor B1</b> ”	Ziyang Hong Kong & China Gas Co., Ltd.* (資陽港華燃氣有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“ <b>Transferor B2</b> ”	Yue Chi Hong Kong and China Gas Company Limited* (岳池港華燃氣有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“ <b>Transferor B3</b> ”	Pingchang Hong Kong & China Gas Co., Ltd.* (平昌港華燃氣有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“ <b>Transferor B4</b> ”	Xin Jin Hong Kong and China Gas Company Limited* (新津港華燃氣有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“ <b>Transferor B5</b> ”	Meishan Peng Shan Hong Kong and China Gas Company Limited* (眉山市彭山港華燃氣有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“ <b>Transferor B6</b> ”	Mianzhu Hong Kong and China Gas Co., Ltd.* (綿竹港華燃氣有限公司), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
“ <b>Transferring Companies</b> ”	certain subsidiaries and affiliates of the Company carrying on the Transferring EB, and “ <b>Transferring Company</b> ” means any of them
“ <b>Transferring EB</b> ”	the Extended Business, excluding Higher Valued Functions
“ <b>TSEL EB Final Value</b> ”	TSEL EB Total Value less the sum of (a) the TSEL EB Restructuring Omitted Items Value; and (b) the Business Transfers Omitted Items Value

<b>“TSEL EB Restructuring”</b>	the restructuring steps set out in the section headed “THE TRANSFER AGREEMENT – The TSEL EB Restructuring” in this announcement
<b>“TSEL EB Restructuring Omitted Items Value”</b>	the sum of the values of the items of the TSEL EB Restructuring as set out in the Transfer Agreement which have not been implemented by the Second Equity Issue Fixing Date, provided that where any such item has been partially implemented as at such date, part of the value for such item as reasonably agreed between the Parties shall be taken into account for such calculation
<b>“TSEL EB Total Value”</b>	has the meaning ascribed to it under the section headed “THE TRANSFER AGREEMENT – The Consideration” in this announcement
<b>“TSEL EB Transfer”</b>	has the meaning ascribed to it under the section headed “THE TRANSFER AGREEMENT – The TSEL EB Transfer” in this announcement
<b>“TSEL Higher Valued Functions”</b>	the Higher Valued Functions carried on by certain subsidiaries and affiliates of TSEL
<b>“TSEL Investments”</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>“TSEL Loan Proportion”</b>	the sum of 600 and the Second Equity Issue Number as a proportion of the then total number of issued shares of Towngas Lifestyle (including the Second Consideration Shares) at the time of issue of such shares
<b>“TSEL Share Proportion”</b>	the TSEL EB Final Value as a proportion of the Towngas Lifestyle Final Value

By Order of the Board of Directors  
**Elsa Wong Lai-kin**  
*Company Secretary*

Hong Kong, 25 October 2024

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

*Non-Executive Directors:*

LEE Ka-kit (*Chairman*)  
Kenneth LIU Kai-lap

*Independent Non-Executive Directors:*

Moses CHENG Mo-chi  
Brian David LI Man-bun  
Christine LOH Kung-wai

*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*