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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)

## **CONTINUING CONNECTED TRANSACTIONS**

### **MASTER PIPELINE MATERIALS PURCHASE AGREEMENT**

Reference is made to the announcement of the Company dated 10 December 2021 in respect of, among others, the Existing Master Pipeline Materials Purchase Agreement entered into between the Company and HKCG in respect of the Transactions for a term from 1 January 2022 to 31 December 2024. As it is anticipated that members of the Group and members of the HKCG Group will continue to enter into the Transactions from time to time after expiry of the Existing Master Pipeline Materials Purchase Agreement, on 6 December 2024 the Company and HKCG entered into the Master Pipeline Materials Purchase Agreement with respect to the Transactions.

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The entering into of the Master Pipeline Materials Purchase Agreement and the Transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Annual Cap Amounts are more than 0.1% but all of them are less than 5%, the Transactions are subject to the reporting, announcement and annual review requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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**Date**

6 December 2024

**Parties**

The Company and HKCG.

**Duration**

1 January 2025 to 31 December 2027, unless terminated earlier by agreement by the parties.

**Subject Matter**

HKCG shall, or shall procure members of the HKCG Group to, enter into the Transactions with members of the Group to sell various pipeline construction materials, gas meters and measuring tools to members of the Group according to their needs. Each Transaction will be effected and governed by the terms of the relevant purchase order or purchase contract to be entered into between the relevant member of the Group and the relevant member of the HKCG Group.

**Pricing Basis and Other Terms**

The terms of each Transaction (including the amount of consideration payable by the Group and the payment terms) shall be on normal commercial terms, negotiated on an arm's length basis and be on similar basis as the relevant member of the Group transacts business with other independent third party suppliers and shall be on terms which from the Group's perspective are no less favourable to the Group than those which the Group can obtain from other independent third party suppliers.

The relevant member of the Group will, before placing any purchase order or entering into any purchase contract with the HKCG Group, invite suppliers which are in the Group's list of approved suppliers for pipeline construction materials, gas meters and measuring tools with the relevant production and delivery capability as well as quality assurance to submit tenders or fee quotations in respect of the sale of pipeline construction materials, gas meters and measuring tools to the relevant member of the Group. The management of the relevant member of the Group will then consider and evaluate each of such supplier's pricing proposal, relevant reputation, experience, delivery capability, historical performance (if applicable) and compare them with those of the HKCG Group and thereafter decide on whether to place a purchase order or enter into a purchase contract with the relevant member of the HKCG Group or a third party supplier.

## HISTORICAL FIGURES

The approximate amounts paid by the Group to the HKCG Group in connection with the Transactions for the years ended 31 December 2022 and 2023 and for the 9 months ended 30 September 2024 were as follows:

<b>For the year ended 31 December 2022</b>	<b>For the year ended 31 December 2023</b>	<b>For the 9 months ended 30 September 2024</b>
RMB176,047,000 (approximately HK\$189,115,000)	RMB102,242,000 (approximately HK\$109,831,000)	RMB53,878,000 (approximately HK\$57,877,000)

## ANNUAL CAP AMOUNTS AND BASIS FOR DETERMINING THE ANNUAL CAP AMOUNTS

It is expected that the maximum amounts payable by the Group to the HKCG Group in connection with the Transactions per annum under the Master Pipeline Materials Purchase Agreement will not exceed the amounts set out below (the “Annual Cap Amounts”):

<b>For the year ending 31 December 2025</b>	<b>For the year ending 31 December 2026</b>	<b>For the year ending 31 December 2027</b>
RMB100,000,000 (approximately HK\$107,423,000)	RMB110,000,000 (approximately HK\$118,165,000)	RMB120,000,000 (approximately HK\$128,908,000)

The Annual Cap Amounts were arrived at with reference to the historical figures and the estimated demand for the Transactions, and similar products that can be provided by other independent suppliers and related prices.

## REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The Transactions will enable the Group to maintain a steady supply of high quality pipeline construction materials, gas meters and measurement tools to meet the demand of the Group’s pipeline construction and metering works, to optimise the Group’s purchasing costs and therefore reduce capital expenditure for pipeline construction and metering works. The improvement on the engineering quality of pipeline construction and metering works will reduce gas loss during transportation and improve the accuracy of gas measurement, thereby enhancing the gross profit of the Group through the reduction of the difference between reported gas supply and actual gas supply.

The Directors (including the independent non-executive Directors) consider that the Transactions are and will continue to be conducted in the ordinary and usual course of business of the Group, the terms of the Master Pipeline Materials Purchase Agreement and the Transactions contemplated thereunder are on normal commercial terms or better to the Group and such terms and the Annual Cap Amounts are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

## INFORMATION ON THE HKCG GROUP AND THE GROUP

The principal activities of HKCG and its subsidiaries are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the Chinese mainland. 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>).

The Company is an investment holding company and its subsidiaries are principally engaged in the sales of piped gas, renewable energy and other types of energy, construction of gas pipelines, the sales of gas appliances and related products and other value-added services in the PRC.

## LISTING RULES IMPLICATIONS

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected person of the Company under the Listing Rules. The entering into of the Master Pipeline Materials Purchase Agreement and the Transactions contemplated thereunder therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Annual Cap Amounts are more than 0.1% but all of them are less than 5%, the Transactions are subject to the reporting, announcement and annual review 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-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 Master Pipeline Materials Purchase Agreement and the Transactions contemplated thereunder and the Annual Cap Amounts. Save as disclosed, none of the Directors has a material interest in the Master Pipeline Materials Purchase Agreement and the transactions contemplated thereunder.

## DEFINITIONS

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

<b>“Annual Cap Amounts”</b>	has the meaning ascribed to it under the section headed “ANNUAL CAP AMOUNTS AND BASIS FOR DETERMINING THE ANNUAL CAP AMOUNTS” in this announcement
<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>“Existing Master Pipeline Materials Purchase Agreement”</b>	the agreement dated 10 December 2021 entered into between the Company and HKCG relating to the Transactions, particulars of which are set out in the announcement of the Company dated 10 December 2021
<b>“Group”</b>	the Company and its subsidiaries
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong
<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 Group”</b>	HKCG and its subsidiaries and associates (as defined under the Listing Rules), excluding the Group
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Listing Rules”</b>	Rules Governing the Listing of Securities on the Stock Exchange
<b>“Master Pipeline Materials Purchase Agreement”</b>	the agreement dated 6 December 2024 entered into between the Company and HKCG relating to the Transactions
<b>“PRC”</b>	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
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Transactions”</b>	the purchase of pipeline construction materials, gas meters and measuring tools by members of the Group from members of the HKCG Group, and each a <b>“Transaction”</b>
<b>“%”</b>	per cent.

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

Hong Kong, 6 December 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*)

*In this announcement, RMB has been converted to HK\$ at the rate of RMB0.9309 = HK\$1 for illustration purpose only. No representation is made that any amounts in RMB or HK\$ have been, could have been or could be converted at the above rate or at any other rates or at all.*