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

ANNOUNCEMENT

ISSUE OF NEW SHARES AND CONVERTIBLE BONDS UNDER GENERAL MANDATE

ISSUE OF NEW SHARES AND CONVERTIBLE BONDS

On 25 October 2021 (after trading hours), the Company entered into the Subscription Agreement with the Investor pursuant to which the Investor conditionally agreed to subscribe for, and the Company conditionally agreed to issue:

- (a) the Subscription Shares at the Subscription Price of HK\$5.00 per Subscription Share; and
- (b) the Convertible Bonds in the principal amount of RMB1,835,603,119.35 (equivalent to HK\$2,217,715,500 at the Agreed Exchange Rate)

on and subject to the terms and conditions set out therein.

The Subscription Shares represent approximately 3.84% of the existing total number of issued Shares as at the date of this announcement and approximately 3.70% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no change in the total number of issued Shares from the date of this announcement until the completion of the Share Issue).

Based on the initial Conversion Price (subject to adjustment events) of HK\$6.33 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price, a maximum number of 350,350,000 Conversion Shares will be allotted and issued by the Company, which represents (i) approximately 11.51% of the existing total number of issued Shares as at the date of this announcement; and (ii) approximately 9.98% of the total number of issued Shares as enlarged by the issue of both the Subscription Shares and the Conversion Shares (assuming that there will be no change in the total number of issued Shares from the date of this announcement until the completion of the conversion of the Convertible Bonds in full at the initial Conversion Price other than the issue of the Subscription Shares).

The Subscription Shares and the Conversion Shares will be issued and allotted by the Company pursuant to the General Mandate. The Subscription Shares and the Conversion Shares (assuming full conversion of the Convertible Bonds at the initial Conversion Price) in aggregate represents approximately 13.31% of the total number of issued Shares as enlarged by the issue of both the Subscription Shares and the Conversion Shares.

The aggregate gross proceeds from the Share Issue and the Convertible Bonds Issue will be HK\$2,801,632,165. The Company intends to apply the net proceeds from the Share Issue and the Convertible Bonds Issue for its general corporate purposes, including investing in its Smart Energy Business.

The Subscription Agreement is conditional upon, inter alia, the Listing Committee of the Stock Exchange having granted the approval for the listing of and the permission to deal in all the Subscription Shares and the Conversion Shares.

No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. Applications will be made by the Company to the Stock Exchange for the listing of and the permission to deal in the Subscription Shares and the Conversion Shares.

TRADING HALT AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 1:00 p.m. on Monday, 25 October 2021, pending the release of this announcement. An application will be made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Tuesday, 26 October 2021.

SUBSCRIPTION AGREEMENT RELATING TO ISSUE OF NEW SHARES AND CONVERTIBLE BONDS

On 25 October 2021 (after trading hours), the Company entered into the Subscription Agreement with the Investor pursuant to which the Investor conditionally agreed to subscribe for, and the Company conditionally agreed to issue:

- (a) 116,783,333 Subscription Shares at the aggregate Subscription Price of HK\$583,916,665 (equivalent to HK\$5.00 per Subscription Share); and
- (b) the Convertible Bonds in the aggregate principal amount of RMB1,835,603,119.35 (equivalent to HK\$2,217,715,500 at the Agreed Exchange Rate)

on and subject to the terms and conditions set out therein.

The principal terms of the Subscription Agreement are summarised below:

Date

25 October 2021

Parties

- (1) the Company as issuer; and
- (2) the Investor as subscriber.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Investor and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Share Issue

Pursuant to the Subscription Agreement, the Investor conditionally agreed to, inter alia, subscribe for, and the Company conditionally agreed to, inter alia, allot and issue 116,783,333 Subscription Shares at the aggregate Subscription Price of HK\$583,916,665 (equivalent to a Subscription Price of HK\$5.00 per Subscription Share).

The Subscription Shares

The 116,783,333 Subscription Shares represents approximately 3.84% of the existing total number of issued Shares as at the date of this announcement and approximately 3.70% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming that there will be no change in the total number of issued Shares from the date of this announcement until the completion of the Share Issue).

Lock-up of the Subscription Shares

The Investor has undertaken to the Company that until the expiry of the period commencing from the Completion Date and ending on the earlier of (i) the second anniversary of the Completion Date and (ii) the occurrence of any Default Redemption Event, it will not (a) sell, assign, transfer, dispose of or otherwise deal with any Subscription Shares or Top-up Shares, (b) create or permit to subsist any charges, encumbrances, security interests, claims of any third party, restrictions on transfer, or restrictions on voting over the Subscription Shares or Top-up Shares, (c) enter into any agreement in respect of the votes or any other rights attached to the Subscription Shares or Top-up Shares (other than by way of proxy for a particular shareholder meeting), or (d) agree to do any of the foregoing without first obtaining the prior written consent of the Company, other than by way of any security arrangements in connection with any Investor Financing or any steps taken in connection with (or to avoid) an enforcement event in respect of any security arrangements in connection with any Investor Financing.

The Subscription Price

The Subscription Price of HK\$5.00 per Subscription Share represents (i) a discount of approximately 2.91% to the closing price of HK\$5.15 per Share as quoted on the Stock Exchange immediately prior to the trading halt of the Company on the date of the Subscription Agreement (i.e. 25 October 2021), and (ii) a premium of approximately 11.21% to the average closing price of HK\$4.496 per Share as quoted on the Stock Exchange for the last 5 consecutive Trading Days immediately preceding the date of the Subscription Agreement.

The Subscription Price was determined after arm's length negotiations between the Company and the Investor with reference to the prevailing market price and condition of Shares and the prospects of the Group.

Ranking of Subscription Shares

The Subscription Shares when issued will rank pari passu with, and carry the same rights in all respects as the other Shares then in issue (including the right to participate in any dividends declared, made or paid with a dividend record date which falls on or after the date of issue of the Subscription Shares) and shall on issue be immediately tradeable on the Main Board of the Stock Exchange.

Convertible Bonds Issue

Pursuant to the Subscription Agreement, the Investor conditionally agreed to, inter alia, subscribe for, and the Company conditionally agreed to, inter alia, issue the Convertible Bonds. The Convertible Bonds will constitute direct, unconditional and unsubordinated obligations of the Company and will rank pari passu and rateably without any preference as between themselves, with all other present and future unconditional and unsubordinated obligations of the Company (other than those preferred by applicable law, regulation, code, order, award or judgment etc.). Further particulars in respect of the Convertible Bonds are set out in the section titled "*Terms and Conditions of the Convertible Bonds*" in this announcement.

Principal amount and interest

The principal amount of the Convertible Bonds is RMB1,835,603,119.35 (equivalent to HK\$2,217,715,500 at the Agreed Exchange Rate). The Convertible Bonds bear interest from the issue date of the Convertible Bonds at 1% per annum on the outstanding principal amount of the Convertible Bonds, payable annually in arrears.

The Conversion Shares

Based on the initial Conversion Price (subject to adjustment events) of HK\$6.33 per Conversion Share and assuming full conversion of the Convertible Bonds at the initial Conversion Price based on the principal amount of the Convertible Bonds in HK\$ at the Agreed Exchange Rate of HK\$2,217,715,500, a maximum number of 350,350,000 Conversion Shares will be allotted and issued by the Company, which represents (i) approximately 11.51% of the existing total number of issued Shares as at the date of this announcement; and (ii) approximately 9.98% of the total number of issued Shares as enlarged by the issue of both the Subscription Shares and the Conversion Shares (assuming that there will be no change in the total number of issued Shares from the date of this announcement until the completion of the conversion of the Convertible Bonds in full at the initial Conversion Price other than the issue of the Subscription Shares).

The Conversion Price

The initial Conversion Price of HK\$6.33 per Conversion Share represents (i) a premium of approximately 22.91% to the closing price of HK\$5.15 per Share as quoted on the Stock Exchange immediately prior to the trading halt of the Company on the date of the Subscription Agreement (i.e. 25 October 2021), and (ii) a premium of approximately 40.79% to the average closing price of HK\$4.496 per Share as quoted on the Stock Exchange for the last 5 consecutive Trading Days immediately preceding the date of the Subscription Agreement.

The initial Conversion Price was determined after arm's length negotiations between the Company and the Investor with reference to the prevailing market price and condition of Shares and the prospects of the Group.

Ranking of Conversion Shares

The Conversion Shares when issued will rank pari passu with, and carry the same rights in all respects as, the other Shares then in issue (including the right to participate in any dividends declared, made or paid with a dividend record date which falls on or after the date of issue of the Conversion Shares) and shall on issue be immediately tradeable on the Main Board of the Stock Exchange.

Conditions precedent

Completion of the Subscription Agreement shall be conditional upon the following conditions precedent being satisfied (or if applicable, waived by the Investor):

- (a) the Company having obtained all necessary consents and approvals for the issue of the Subscription Shares, the Convertible Bonds and the Conversion Shares and the Listing Committee of the Stock Exchange having granted the approval for the listing of and the permission to deal in all the Subscription Shares and the Conversion Shares, and such approval remaining valid and effective;
- (b) no order or judgment of any court or governmental, statutory or regulatory body having been issued or made prior to Completion (and no legal or regulatory requirements remaining to be satisfied) which has the effect of making unlawful or otherwise prohibiting the Subscription or any transactions contemplated by the Transaction Documents; and
- (c) the Company having obtained all necessary approvals to appoint the Investor Director as a Director and a member of the Strategic Committee, and such appointment having been made with effect from Completion.

The Investor may waive (in whole or in part, whether conditionally or unconditionally), in writing, any of the Conditions other than the Conditions set out in paragraphs (a) and (b) above. In the event that all the Conditions have not been fulfilled (or waived by the Investor if applicable) by 24 November 2021 or such other date as the Company and the Investor may agree in writing, the Investor may by notice in writing terminate the Subscription Agreement whereupon the Subscription Agreement shall lapse immediately thereafter and be of no further effect, but all rights and liabilities of the parties to the Subscription Agreement which have accrued before termination shall continue to exist.

Completion

Subject to fulfilment (or waiver by the Investor if applicable) of the Conditions, Completion shall take place on the 10th Business Day after the last Condition is satisfied or waived (other than any Condition which is to be fulfilled on the date of Completion), or such other date as the Company and the Investor may agree in writing (the “**Completion Date**”). The Company shall simultaneously issue the Subscription Shares and the Convertible Bonds to the Investor at Completion.

Company’s post-Completion undertakings

The Company has given, inter alia, the following post-Completion undertakings to the Investor:

Corporate governance rights

The Company has undertaken to the Investor that for so long as the Qualification Condition is satisfied:

- (a) the Company shall use its best endeavours to procure the appointment of a person nominated by the Investor from time to time as a Director (the “**Investor Director**”); and
- (b) the Company shall ensure that the Strategic Committee remains constituted by the Board and shall procure that the Investor Director be appointed as a member of such Strategic Committee of the Board.

Investor’s top-up rights

The Company has undertaken to the Investor that for so long as the Investor and/or any of the Investor Affiliates remains a holder of the Convertible Bonds, in the event that the Company issues or proposes to issue any new securities to any third party (other than pursuant to the exercise of any rights of conversion under the Convertible Bonds, any employee incentive plan approved by the Shareholders, a rights issue or an open offer, or a scrip dividend scheme), the Company shall offer to issue a number of such new securities to the Investor (the “**Top-up Securities**”) on the same terms and conditions as those offered to such third party so as to enable the Investor to maintain its proportional interests in the Company (as if the Convertible Bonds were converted, and where the new securities issued to the third party are convertible for Shares, as if those new securities were also converted).

Issue of new securities by the Company

The Company has further undertaken to the Investor that without the prior written consent of the Investor, it will not issue any new securities to 上海燃氣有限公司 (Shanghai Gas Co., Ltd.*) or its affiliates as contemplated in the announcement jointly published by the Company and Parent on 27 October 2020 at a price per Share which is less than the volume weighted average price of a Share for the 5 consecutive Trading Days immediately preceding the date of the proposed issue of such new securities (the “**Shanghai Gas Share Issue**”).

Compliance with laws

The Company has also undertaken to the Investor that it shall (and it shall procure each member of the Group to) comply with all applicable sanctions laws, import-export laws and money laundering laws and that it shall not, and shall ensure that other members of the Group and any director, officer, employee, agent or representative acting for and on behalf of any member of the Group shall not take any action in violation of anti-corruption laws.

TERMS AND CONDITIONS OF THE CONVERTIBLE BONDS

- Issuer:** The Company.
- Principal amount:** RMB1,835,603,119.35 (equivalent to HK\$2,217,715,500 at the Agreed Exchange Rate).
- Issue price:** RMB1,835,603,119.35 (equivalent to HK\$2,217,715,500 at the Agreed Exchange Rate), being 100% of the principal amount of the Convertible Bonds.
- Maturity date:** the date which is the fifth anniversary of the date of issue of the Convertible Bonds (the “**Maturity Date**”).
- Interest:** 1% per annum on the outstanding principal amount of the Convertible Bonds, payable annually in arrears.
- If the Company fails to pay any amount payable by it under the Convertible Bonds on its due date, then simple interest shall accrue on the unpaid sum at a rate of 10% per annum.
- Status and ranking:** The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall, save for such exceptions as may be provided by mandatory provisions of applicable law, regulation, code, order, award or judgment etc, at all times rank pari passu and rateably without preference among themselves, and rank at least equally with all other present and future direct, unconditional, unsubordinated and unsecured obligations of the Company.
- The Conversion Shares will in all respects rank pari passu with any other Shares then existing as at the date the Bondholders are registered in the Company’s share register as the holders of such Conversion Shares and shall on issue be immediately tradeable on the Main Board of the Stock Exchange.
- Transferability:** The Convertible Bonds shall not be transferable except (i) to an Investor Affiliate; (ii) for any grant of security over the Convertible Bonds and/or the rights under the instrument and the terms and conditions of the Convertible Bonds in connection with an Investor Financing or any steps taken in connection with (or to avoid) the enforcement of such security; or (iii) otherwise with the consent of the Company.

Conversion period: The Convertible Bonds shall be convertible in whole or in part at any time from their issue date up to the close of business on the earlier of (i) the date which is 5 Business Days prior to the Maturity Date and (ii) if the Convertible Bonds shall have been called for redemption prior to the Maturity Date, the date which is 5 Business Days prior to the date fixed for redemption.

Conversion Price: HK\$6.33 per Conversion Share, subject to adjustment(s) upon the occurrence of certain events as summarised in the section headed “Adjustment events” below.

Adjustment events: The Conversion Price shall be subject to adjustment upon the occurrence of any of the following events:

- (a) consolidation, subdivision or reclassification of the Shares;
- (b) capitalisation of profits or reserves by the Company;
- (c) capital distributions by the Company (other than (i) any cash dividend which when taken together with any other cash dividend or distribution previously made or paid in respect of the same financial year does not exceed 40% of the Company’s most recently published audited net profit for the period attributable to Shareholders after minority interest for the financial year in respect of which the relevant cash dividend is made, and only the amount of such dividend for the relevant financial year which exceeds the 40% threshold will be counted as capital distribution for the purpose of the adjustment or (ii) a purchase or redemption of Shares by or on behalf of the Company where the weighted average price or consideration on any one day in respect of such purchases does not exceed the Current Market Price of the Shares by more than 5%);
- (d) the issue of any new Shares by the Company to all or substantially all Shareholders by way of rights, or the issue or grant by the Company to all or substantially all Shareholders by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares, in each case at a price per Share which is less than the higher of (i) 95% of the Current Market Price per Share on the date of first announcement of the terms of the issue or grant and (ii) the Conversion Price per Share then in effect immediately prior to the making of the adjustment;

- (e) the issue of any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) by the Company to all or substantially all Shareholders by way of rights, or the issue or grant by the Company to all or substantially all Shareholders by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities of the Company (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares);
- (f) the issue (otherwise than as mentioned in (d) above or pursuant to any Permitted Liquidity Issuances) of any Shares (other than the Conversion Shares) or the issue or grant of (otherwise as mentioned in (d) above) options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares by the Company, in each case at a price per Share which is less than the higher of (i) 95% of the Current Market Price per Share on the date of announcement of the terms of such issue and (ii) the Conversion Price per Share then in effect immediately prior to the making of the adjustment;

“Permitted Liquidity Issuances” means placements of new Shares under the Company’s then existing general mandate to selected independent professional, institutional and other investors (who are not strategic investors or connected persons of the Company) for the purposes of increasing the number of Shares “in public hands” (within the meaning given in the Listing Rules) and improving market liquidity in the Shares which:

- (i) are undertaken at a consideration per Share which is not less than 85% of the Current Market Price per Share on the date of announcement of the terms of such placement; and
 - (ii) do not raise more than HK\$500 million in aggregate under that general mandate (including all other such placements made under that general mandate)
- (g) the issue of any securities (other than the Convertible Bonds) by the Company or any of its subsidiaries (otherwise than as mentioned in (d), (e) or (f) above) or (at the direction or request of or pursuant to an arrangement with the Company or any of its subsidiaries) any other company, person or entity, which by their terms of issue carry rights of conversion into, or exchange or subscription for, Shares to be issued by the Company upon conversion, exchange or subscription at a consideration per Share which is less than the higher of (i) 95% of the Current Market Price per Share on the date of announcement of the terms of issue of such securities and (ii) the Conversion Price per Share then in effect immediately prior to the making of the adjustment;

- (h) any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities as are mentioned in (g) above (other than in accordance with the terms applicable to such securities upon issue) so that following such modification the consideration per Share is reduced and is less than the higher of (i) 95% of the Current Market Price per Share on the date of announcement of the proposals for such modifications and (ii) the Conversion Price per Share then in effect immediately prior to the making of the adjustment;
- (i) the issue, sale or distribution of any securities by the Company or any of its subsidiaries or (at the direction or request of or pursuant to an arrangement with the Company or any of its subsidiaries) any other company, person or entity in connection with an offer pursuant to which the Shareholders (meaning for these purposes the holders of more than 50% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under (d), (e), (f) or (g) above); and
- (j) events which the Company or the Majority Bondholders reasonably determine that the effect of any of the adjustments to the Conversion Price provided for in (a) to (g) above is not appropriate or other events not mentioned above which the Company and the Majority Bondholders reasonably determine that an adjustment should be made to the Conversion Price, and if they cannot agree on the adjustment, the Company shall consult an investment bank or financial advisory company of international repute selected by the Company and approved by the Majority Bondholders to determine the adjustment (if any) to the Conversion Price.

“Current Market Price” means, in respect of a Share at a particular time on a particular date, the arithmetic average of the volume weighted average price of a Share for the 30 consecutive Trading Days ending on and including the Trading Day immediately preceding such date.

No early redemption

Subject to the Majority Bondholder’s right to require redemption upon the occurrence of a Default Redemption Event, neither the Company nor any Bondholder may redeem nor require the redemption of the Convertible Bonds prior to the Maturity Date.

Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem all the Convertible Bonds then outstanding on the Maturity Date at their principal amounts together with the accrued but unpaid interests on the Maturity Date.

Redemption on occurrence of defaulting events

The Majority Bondholders may give written notice to the Company declaring that the outstanding amounts in respect of the Convertible Bonds are immediately due and repayable upon the occurrence of any of the following events (each a “**Default Redemption Event**”), and the Company shall redeem such outstanding amounts of the Convertible Bonds at (i) an amount which equals to their principal amount together with such amount as will provide the Bondholder with a simple interest of 8% per annum as at the relevant date of payment and (ii) interests accrued but unpaid up to such date of payment:

- (a) Parent (or its direct or indirect beneficial owners) who (on the date of issue of the Convertible Bonds) controls (directly or indirectly) the Company, ceases to control (directly or indirectly) the Company; and “*control*” for this purpose means being the single largest Shareholder from time to time;
- (b) the trading of Shares on the Stock Exchange is suspended for a period of 10 consecutive Trading Days;
- (c) the occurrence of an event of default as set out in the conditions of the Convertible Bonds;
- (d) the Company’s auditor has issued a material adverse opinion in connection with the consolidated accounts of the Company or is unable to give its opinion as to audit; or
- (e) any breach or variation of the Parent Confirmation.

Events of default

Circumstances constituting an event of default under the Convertible Bonds include, among others, the following:

- (a) (i) delisting of all the issued Shares on the Stock Exchange or (ii) failure to obtain and maintain a listing on the Stock Exchange for all the Shares to be issued on the exercise of the conversion rights under the Convertible Bond;
- (b) the Company fails to make a payment in accordance with the Bond Documents and fails to remedy the same within the grace period;
- (c) non-delivery by the Company of any Conversion Shares following conversion of the Convertible Bonds;
- (d) cross-default by the Company or any Principal Subsidiary of any relevant indebtedness, guarantees and indemnities of RMB500 million or more;
- (e) a distress or other legal process being enforced against any material part of the property, assets or revenues of the Company which is not discharged or stayed within 120 days;

- (f) any present or future encumbrance created or assumed by the Company on or against any material part of its property, assets or revenues becoming enforceable and any step is taken to enforce it which is not discharged or stayed within 120 days;
- (g) an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Company or any Principal Subsidiary, or the Company or any Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a solvent reconstruction, amalgamation, reorganisation or merger;
- (h) the Company or any Principal Subsidiary is insolvent or bankrupt or unable to pay its debts as they fall due or stops payment of a substantial portion of its debt, proposes or makes any composition or arrangements with its creditors or a moratorium is agreed or declared in respect of or affecting all or any substantial part of the debts of the Company or any Principal Subsidiary; an administrator, liquidator or receiver over the whole or any substantial part of the assets and turnover of the Company or any Principal Subsidiary is appointed and such appointment is not discharged within 30 Business Days;
- (i) the long-term issuer rating of the Company is (i) BB+ or lower by Standard & Poor's Rating Services (“S&P”); (ii) Ba1 or lower by Moody's Investors Service Limited (“Moody's”); or (iii) withdrawn by S&P or Moody's;
- (j) (i) the expropriation or nationalisation of all or a substantial part of the assets of the Company by any competent governmental authority or (ii) the Company is prevented by any competent governmental authority from exercising normal control over all or a substantial part of its property, assets and turnover;
- (k) the Company's performance with any one or more of its material obligations under any of the Convertible Bonds becoming unlawful;
- (l) the Company's conduct of its business as it is currently conducted becoming unlawful, if the effect thereof might have a material adverse effect;
- (m) the Company's failure to procure the appointment of the Investor Director as a non-executive Director or the Company's failure to give the Investor Director reasonable access right to information of the Group;

- (n) a breach of the Company’s undertaking to the Investor in relation to applicable sanctions laws, export-import laws, anti-corruption laws and money laundering laws as more particularly set out under the section headed “*Subscription Agreement relating to issue of new shares and convertible bonds – Company’s post-Completion undertakings – Compliance with Laws*” in this announcement; or
- (o) a breach of the Company’s undertakings to the Investor with respect to the Investor’s top-up rights and the Shanghai Gas Share Issue as more particularly set out under the sections headed “*Subscription Agreement relating to issue of new shares and convertible bonds – Company’s post-Completion undertakings – Investor’s top-up rights*” and “*Subscription Agreement relating to issue of new shares and convertible bonds – Company’s post-Completion undertakings – Issue of new securities by the Company*”, respectively, in this announcement.

Listing: No application will be made for a listing of the Convertible Bonds.

The Bondholders will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of being the holders of the Convertible Bonds.

REASONS FOR AND BENEFITS OF THE SHARE ISSUE AND THE CONVERTIBLE BONDS ISSUE

The Group has been engaging in the business of smart energy system (including renewable energy generation (including but not limited to solar photovoltaic), digitalized energy management services, and carbon management services) (“**Smart Energy Business**”) in the PRC. In particular, to be in line with the PRC’s carbon peak and carbon neutrality goals, the Group has been promoting a “zero-carbon city” smart energy scheme based on the development of photovoltaic and energy storage projects and has been establishing extensive cooperation with sizeable energy companies in the PRC to build a smart energy ecosystem. At present, the global focus is to actively promote the green and low-carbon transformation of global development as the world aims to achieve zero carbon emissions. As such, it is envisaged that the future development trend for the energy business would lean on sustainability and decarbonization. To be in line with such development trend, it is intended for the Group to further expand its Smart Energy Business and to focus reasonable efforts and resources on, investment in and the development of its Smart Energy Business alongside its other existing businesses. Parent is in support of such business development plan of the Group and has confirmed to the Company that in future, Parent Group (other than members of the Group) will not engage, participate or hold any right or interest in any rooftop solar photovoltaic system business other than (i) certain existing rooftop solar photovoltaic system business carried out by the Parent Group (which, subject to compliance with applicable Listing Rules, laws and regulations, are intended to be transferred to the Group), (ii) such business as may be carried out by Parent’s associated companies and certain small scale projects, and (iii) such business as may be carried out by the Group (the “**Parent Confirmation**”).

With the Investor taking a strategic stake in the Company through the Share Issue and the Convertible Bonds Issue, it is expected that the Group will be provided with additional resources to further promote and expand its Smart Energy Business. Further, with the Investor Director being a member of both the Board and the proposed Strategic Committee of the Board, the Company will also be able to benefit from the connections and expertise of the Investor Director.

The Directors consider that the terms of the Subscription Agreement, the Share Issue, the Subscription Price, the Convertible Bonds Issue and the initial Conversion Price are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

USE OF PROCEEDS

The aggregate gross proceeds from the Share Issue and the Convertible Bonds Issue will be HK\$2,801,632,165. The Company intends to apply the net proceeds from the Share Issue and the Convertible Bonds Issue for its general corporate purposes, including investing in its Smart Energy Business.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, there are 3,043,112,010 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after the issue of the Subscription Shares assuming there is no further issue of Shares from the date of this announcement other than the Subscription Shares, and (iii) immediately after the issue of the Subscription Shares and full conversion of the Convertible Bonds, assuming that the Conversion Price is HK\$6.33 per Conversion Share and based on the principal amount of the Convertible Bonds in HK\$ at the Agreed Exchange Rate of HK\$2,217,715,500 and there is no further issue of Shares from the date of this announcement other than the Subscription Shares and the Conversion Shares:

Shareholder	Shareholding as at the date of this announcement		Shareholding immediately after the issue of the Subscription Shares <i>(Note 3)</i>		Shareholding immediately after the issue of the Subscription Shares and the Conversion Shares <i>(Note 4)</i>	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
Parent <i>(Note 1)</i>	2,084,895,656	68.51%	2,084,895,656	65.98%	2,084,895,656	59.39%
Investor	---	---	116,783,333	3.70%	467,133,333	13.31%
Alfred Chan Wing-kin <i>(Note 2)</i>	4,161,034	0.14%	4,161,034	0.13%	4,161,034	0.12%
Peter Wong Wai-yee <i>(Note 2)</i>	3,201,000	0.11%	3,201,000	0.10%	3,201,000	0.09%
John Ho Hon-Ming <i>(Note 2)</i>	1,133,862	0.04%	1,133,862	0.04%	1,133,862	0.03%
James Kwan Yuk-choi <i>(Note 2)</i>	2,265,000	0.07%	2,265,000	0.07%	2,265,000	0.06%
Public Shareholders	947,455,458	31.13%	947,455,458	29.98%	947,455,458	26.99%
Total:	3,043,112,010	100%	3,159,895,343	100%	3,510,245,343	100%

Notes

- 1. The Shares are held through various wholly-owned subsidiaries of Parent. Dr. Lee Ka-kit, a Director, is also deemed under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) to be interested in these Shares.*
- 2. A Director.*
- 3. The figures in this column are for illustrating the dilution effect of the issue of the Subscription Shares on the shareholding of the existing Shareholders and are arrived based on the assumption that there is no further issue of Shares from the date of this announcement other than the Subscription Shares.*
- 4. The figures in this column are for illustrating the dilution effect of the issue of the Subscription Shares and the Conversion Shares on the shareholding of the existing Shareholders and are arrived based on the assumption that the Convertible Bonds are converted in full at the initial Conversion Price and there is no further issue of Shares from the date of this announcement other than the Subscription Shares and the Conversion Shares.*

The Company will continue to remain as a subsidiary of Parent immediately after the issue of the Subscription Shares and full conversion of the Convertible Bonds, assuming that the Conversion Price is HK\$6.33 per Conversion Share and based on the principal amount of the Convertible Bonds in HK\$ at the Agreed Exchange Rate of HK\$2,217,715,500 and there is no further issue of Shares from the date of this announcement other than the Subscription Shares and the Conversion Shares.

GENERAL MANDATE

No Shareholders' approval is required for the Share Issue and the Convertible Bond Issue, and the Subscription Shares and the Conversion Shares will be issued and allotted by the Company pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 27 May 2021. At that annual general meeting, the Shareholders have granted to the Directors, among others, the General Mandate to issue up to 593,786,966 Shares, representing 20% of the total number of issued Shares as at the date of the passing of the General Mandate. 116,783,333 Subscription Shares will be issued pursuant to the Share Issue and assuming full conversion of the Convertible Bond at the initial Conversion Price of HK\$6.33 per Conversion Share, up to 350,350,000 Conversion Shares will be issued. Accordingly, up to 467,133,333 new Shares will be allotted and issued under the General Mandate upon completion of the Share Issue and full conversion of the Convertible Bond. As at the date of this announcement, no Shares have been issued pursuant to the General Mandate.

APPLICATION FOR LISTING

No application will be made for the listing of the Convertible Bond on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company did not conduct any fund raising activities by way of issue of equity securities in the past 12 months immediately prior to the date of this announcement.

INFORMATION ON THE COMPANY AND THE GROUP

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

INFORMATION ON THE INVESTOR

The Investor is ultimately controlled by Affinity Asia Pacific Fund V (the “**Fund**”), a private equity fund advised by an independently owned and operated buyout fund manager, Affinity Equity Partners group. The Fund focuses on control-oriented transactions, control buyouts, growth capital and public-to-private transactions with an emphasis in the regions of Korea, Australia, New Zealand, Greater China and Southeast Asia.

TRADING HALT AND RESUMPTION OF TRADING IN SHARES

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 1:00 p.m. on Monday, 25 October 2021, pending the release of this announcement. An application will be made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on Tuesday, 26 October 2021.

DEFINITIONS

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

“Affinity Fund(s)”	fund(s) advised by Affinity Equity Partner (S) Pte Ltd or any person that (directly or indirectly) Controls, is Controlled by or is under common Control with Affinity Equity Partner (S) Pte Ltd from time to time, together with, in each instance, (i) any of their predecessor or proposed successor funds and (ii) any entity incorporated by or on behalf of any of them (and Controlled by any of them), for the purposes of undertaking one or more investments or transactions
“Agreed Exchange Rate”	the exchange rate of RMB0.8277 : HK\$1.00 as agreed between the Company and the Investor at which the principal amount of the Convertible Bonds in RMB is converted into HK\$
“Board”	the board of Directors
“Bond Documents”	the bond instrument, the certificate of the Convertible Bonds, the terms and conditions of the Convertible Bonds and the Subscription Agreement
“Bondholder(s)”	holder(s) of the Convertible Bond(s)
“Business Day”	a day other than a Saturday, Sunday or public holiday, on which banks are open for the general business in Hong Kong (other than a day on which a tropical cyclone warning no. 8 or above or a black rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) and (in respect of Completion and the Completion Date only) New York
“Company”	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)
“Completion”	completion of the Share Issue and the Convertible Bonds Issue in accordance with the terms and conditions as set out in the Subscription Agreement

“Completion Date”	has the meaning ascribed to it in the section headed “ <i>Subscription Agreement relating to issue of new shares and convertible bonds – Completion</i> ” in this announcement
“Conditions”	the conditions precedent to Completion as more particularly set out under the section headed “ <i>Subscription Agreement relating to issue of new shares and convertible bonds – Conditions precedent</i> ” in this announcement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Control”	means in relation to an undertaking (as defined in the Companies Ordinance, Cap.622 of the Laws of Hong Kong): (i) direct or indirect ownership or control of more than 50% of the outstanding voting securities of such undertaking; (ii) the ability to appoint or remove more than one-half of the directors of the board (or equivalent governing body) of such undertaking; (iii) the right to control more than 50% of the votes at a meeting of the board of directors (or equivalent governing body) of such undertaking; or (iv) the ability to exercise management control over such undertaking (whether by contract or howsoever arising), and the term “Controlled” shall be construed accordingly;
“Convertible Bonds”	the 1% unsecured convertible bonds due 2026 in the principal amount of RMB1,835,603,119.35 (equivalent to HK\$2,217,715,500 at the Agreed Exchange Rate) to be issued by the Company and convertible into the Conversion Shares
“Convertible Bonds Issue”	the issue of the Convertible Bonds by the Company to the Investor pursuant to the terms of the Subscription Agreement
“Conversion Price”	the conversion price of the Convertible Bonds, initially being HK\$6.33 per Conversion Share (subject to adjustment in accordance with the terms and conditions of the Convertible Bonds)
“Conversion Shares”	Shares to be allotted and issued upon the exercise of the conversion right attaching to the Convertible Bonds
“Default Redemption Event”	each of the event as more particularly set out under the section headed “ <i>Terms and conditions of the Convertible Bonds – Redemption on occurrence of defaulting events</i> ” in this announcement
“Directors”	directors of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 27 May 2021 to allot and issue up to 593,786,966 Shares, being 20% of the total number of Shares in issue as at the date of such annual general meeting

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Investor”	Clean Energy Ecosystem Pte. Ltd., a limited liability company incorporated in the Republic of Singapore
“Investor Affiliate”	any person that (directly or indirectly) Controls, is Controlled by or is under common Control with the Investor, and shall include any Affinity Fund or any person that is Controlled by an Affinity Fund but shall exclude investors in the Affinity Funds and portfolio companies of the Affinity Funds from time to time
“Investor Director”	has the meaning ascribed to it in the section headed “ <i>Subscription Agreement relating to issue of new shares and convertible bonds – Company’s post-Completion undertakings – Corporate governance rights</i> ” in this announcement
“Investor Financing”	any actual or prospective financing that is, or may be, put in place by the Investor and/or any Investor Affiliates from time to time for the purpose of financing or refinancing the Subscription
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Majority Bondholders”	a Bondholder or those Bondholders together holding more than 50% of the aggregate principal amount of the Convertible Bonds outstanding at the relevant time
“Maturity Date”	has the meaning ascribed to it in the section headed “ <i>Terms and conditions of the Convertible Bonds – Maturity date</i> ” in this announcement
“Parent”	The Hong Kong and China Gas Company Limited, 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: 003)
“Parent Confirmation”	has the meaning ascribed to it in the section headed “ <i>Reasons for and benefits of the Share Issue and the Convertible Bonds Issue</i> ” in this announcement
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan

“Principal Subsidiary”	any subsidiary of the Company whose revenue or (in the case of a subsidiary which itself has subsidiaries) consolidated revenue as shown in its latest audited income statement are at least 5% of the consolidated revenue as shown in the latest audited published consolidated financial statements of the Company
“Qualification Condition”	the Investor and/or the Investor Affiliates holding not less than 116,783,333 Shares in aggregate up to and including the Maturity Date, and 5% of the issued Shares in aggregate after the Maturity Date (in each case, as adjusted for any share split or share consolidation)
“RMB”	Renminbi, the lawful currency of the PRC
“Share Issue”	the issue of the Subscription Shares by the Company to the Investor pursuant to the terms of the Subscription Agreement
“Shareholders”	holders of Shares
“Shares”	ordinary shares in the Company
“Smart Energy Business”	has the meaning ascribed to it in the section headed “ <i>Reasons for and benefits of the Share Issue and the Convertible Bonds Issue</i> ” in this announcement
“Strategic Committee”	a committee to be formed by the Board comprising 5 Directors (including the Investor Director) with which the Board will consult in relation to, among other things, the strategic direction of the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares and the Convertible Bonds in accordance with the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 25 October 2021 entered into between the Company and the Investor in relation to the Share Issue and the Convertible Bonds Issue
“Subscription Price”	HK\$5.00 per Subscription Share
“Subscription Shares”	116,783,333 new Shares to be allotted and issued to the Investor under the Subscription Agreement
“Top-up Securities”	has the meaning ascribed to it in the section headed “ <i>Subscription agreement relating to issue of new shares and convertible bonds – Company’s post-Completion undertakings - Investor’s top-up rights</i> ” in this announcement

“Top-up Shares”	Shares issued pursuant to the Investor’s top-up rights as described in the section headed “ <i>Subscription agreement relating to issue of new shares and convertible bonds – Company’s post-Completion undertakings - Investor’s top-up rights</i> ” in this announcement
“Trading Day”	a day when the Stock Exchange is open for the business of dealing in securities
“Transaction Documents”	the Bond Documents, the Parent Confirmation and any other document relating to the transactions contemplated in such documents which may from time to time be designated by the Company and the Investor as a Transaction Document
“%”	per cent.

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

Hong Kong, 25 October 2021

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

Non-executive Director:
Dr. Lee Ka-kit (*Chairman*)

Independent Non-Executive Directors:
Moses Cheng Mo-chi
Brian David Li Man-bun
James Kwan Yuk-choi

Executive Directors:
Alfred Chan Wing-kin
Peter Wong Wai-yee (*Chief Executive Officer*)
John Ho Hon-ming (*Company Secretary*)
Martin Kee Wai-ngai (*Chief Operating Officer*)

* *For identification purpose only*