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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

CONNECTED TRANSACTION DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

DISPOSAL OF EQUITY INTEREST IN NANJING CHUNGANG ENERGY

The Board announces that on 5 December 2022, Nanjing Gaochun, an indirect wholly-owned subsidiary of the Company, and HKCG International Energy, an indirect wholly-owned subsidiary of HKCG, entered into the Equity Transfer Agreement, pursuant to which Nanjing Gaochun has agreed to sell and HKCG International Energy has agreed to purchase the entire equity interest in Nanjing Chungang Energy at the consideration of RMB2,000,000 (approximately HK\$2,340,000).

Upon completion of the Disposal, Nanjing Chungang Energy will cease to be a subsidiary of the Company and the financial results of Nanjing Chungang Energy will no longer be consolidated into the Company's consolidated financial statements.

LISTING RULES IMPLICATIONS

As HKCG is a controlling shareholder of the Company and HKCG International Energy is an indirect wholly-owned subsidiary of HKCG, HKCG International Energy is a connected person of the Company under the Listing Rules. The entering into of the Equity Transfer Agreement and the Disposal contemplated thereunder therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal is less than 0.1%, the Disposal and the entering into of the Equity Transfer Agreement on a standalone basis constitutes a de minimis connected transaction for the Company under Rule 14A.76(1) of the Listing Rules and is fully exempt from all reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, as one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of (i) the Disposal; and (ii) the other disposal transaction between the Group and the HKCG Group during the previous 12 months on an aggregate basis is more than 0.1% but all are less than 5%, the Disposal is therefore subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE DISPOSAL AND THE EQUITY TRANSFER AGREEMENT

The Board announces that on 5 December 2022, Nanjing Gaochun, an indirect wholly-owned subsidiary of the Company, and HKCG International Energy, an indirect wholly-owned subsidiary of HKCG, entered into the Equity Transfer Agreement, pursuant to which Nanjing Gaochun has agreed to sell and HKCG International Energy has agreed to purchase the entire equity interest in Nanjing Chungang Energy, on and subject to the terms set out in the Equity Transfer Agreement. The principal terms of the Equity Transfer Agreement are set out as follows:

- Date** : 5 December 2022
- Parties** : Nanjing Gaochun, an indirect wholly-owned subsidiary of the Company, as transferor and HKCG International Energy, an indirect wholly-owned subsidiary of HKCG, as transferee.
- Subject matter** : Pursuant to the Equity Transfer Agreement, Nanjing Gaochun has agreed to sell and HKCG International Energy has agreed to purchase the entire equity interest in Nanjing Chungang Energy.
- Consideration** : The consideration for the Disposal shall be RMB2,000,000 (approximately HK\$2,340,000), which was determined upon arm's length negotiations between the parties to the Equity Transfer Agreement with reference to the unaudited net asset value of Nanjing Chungang Energy as at 30 June 2022.

The consideration shall be paid in cash in the following manner:

- (a) 10% of the consideration in the amount of RMB200,000 (approximately HK\$234,000) shall be paid by HKCG International Energy to Nanjing Gaochun within 10 days after the signing of the Equity Transfer Agreement by the parties thereto; and
- (b) the remaining 90% of the consideration in the amount of RMB1,800,000 (approximately HK\$2,106,000) shall be paid by HKCG International Energy to Nanjing Gaochun within 10 days from the completion of the changes in industrial and commercial registration of Nanjing Chungang Energy.

If HKCG International Energy fails to pay the relevant consideration to Nanjing Gaochun within the time specified in the Equity Transfer Agreement, for each day of delay in payment, HKCG International Energy shall pay to Nanjing Gaochun liquidated damages in an amount equal to one-tenth of the amount then payable.

INFORMATION ON NANJING CHUNGANG ENERGY

Nanjing Chungang Energy is a limited liability company established in the PRC on 6 April 2022 with a registered capital of RMB2,000,000 (approximately HK\$2,340,000) and as at the date of this announcement is a wholly-owned subsidiary of Nanjing Gaochun, which in turn is an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, the entire registered capital of Nanjing Chungang Energy has been fully paid by Nanjing Gaochun. Nanjing Chungang Energy is principally engaged in the business of gas, storage and transportation of petroleum and pipeline natural gas and gas appliances installation.

The unaudited net asset value of Nanjing Chungang Energy as at 30 June 2022 and 30 September 2022 was approximately RMB1,882,000 (approximately HK\$2,202,000) and approximately RMB1,715,000 (approximately HK\$2,007,000) respectively. The unaudited net loss of Nanjing Chungang Energy (both before and after tax) for the period from 6 April 2022 to 30 June 2022 and for the period from 6 April 2022 to 30 September 2022 were as follows:-

	For the period from 6 April 2022 to 30 June 2022 (unaudited)	For the period from 6 April 2022 to 30 September 2022 (unaudited)
Net loss (both before and after tax)	RMB118,000 (approximately HK\$138,000)	RMB285,000 (approximately HK\$334,000)

The original establishment cost of Nanjing Chungang Energy to the Group was RMB2,000,000 (approximately HK\$2,340,000).

REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS

Nanjing Chungang Energy is currently the regional gas dispatch operation platform of both HKCG Group and the Group in the Jiangsu and Zhejiang regions, and plays an important role in the gas source stability and market operation of the various project companies of the HKCG Group and the Group in Jiangsu and Zhejiang. At present, Nanjing Chungang Energy has established a long-term coordination and operation mechanism with the companies of the Group and with Jiangsu province's pipeline network companies in the region, which has achieved good results. With the expansion of business scale, the operating status of Nanjing Chungang Energy as a wholly-owned subsidiary under the HKCG Group will be conducive to the exertion of the above advantages and the continuation of the benefits. The Disposal will improve the Group's gas source operation efficiency and integrate gas source operation resources.

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

It is intended that the net proceeds from the Disposal after deducting the expenses in relation to the Disposal be utilised for the Group's general working capital purpose.

FINANCIAL EFFECTS OF THE DISPOSAL

As the consideration for the Disposal is determined with reference to 100% of the unaudited net asset value of Nanjing Chungang Energy as at 30 June 2022, it is currently expected that after deduction of transaction expenses, the Group will not record any gain or loss upon completion of the Disposal. Subject to audit and completion of the Disposal, the actual amount of gain or loss on the Disposal to be recognized by the Group may vary.

Upon completion of the Disposal, the Company will cease to hold any interests in Nanjing Chungang Energy, Nanjing Chungang Energy will cease to be a subsidiary of the Company and the financial results of Nanjing Chungang Energy will no longer be consolidated into the Company's consolidated financial statements.

INFORMATION ON THE PARTIES

Nanjing Gaochun is an indirect wholly-owned subsidiary of the Company and is principally engaged in the business of production of natural gas and liquefied gas, construction and installation of pipeline gas engineering, production, installation and maintenance of gas appliances; consulting services for gas technology development, etc..

HKCG International Energy is an indirect wholly-owned subsidiary of HKCG and is principally engaged in the business of natural gas' wholesale, import and export and commission agency business.

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, other value-added services in the PRC.

HKCG is a controlling shareholder of the Company and through its various wholly-owned subsidiaries holds approximately 66.36% of the total issued shares of the Company as at the date of this announcement. The principal activities of the HKCG Group are 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, 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.

LISTING RULES IMPLICATIONS

As HKCG is a controlling shareholder of the Company and HKCG International Energy is an indirect wholly-owned subsidiary of HKCG, HKCG International Energy is a connected person of the Company under the Listing Rules. The entering into of the Equity Transfer Agreement and the Disposal contemplated thereunder therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Disposal is less than 0.1%, the Disposal and the entering into of the Equity Transfer Agreement on a standalone basis constitutes a de minimis connected transaction for the Company under Rule 14A.76(1) of the Listing Rules and is fully exempt from all reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, as one of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of (i) the Disposal; and (ii) the other disposal transaction between the Group and the HKCG Group during the previous 12 months on an aggregate basis is more than 0.1% but all are less than 5%, the Disposal is therefore subject to the reporting and announcement requirements, but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) Dr. Lee Ka-kit, a Director, is deemed interested in approximately 41.53% of the total issued shares of HKCG as at the date of this announcement; and (ii) Dr. Lee Ka-kit, Mr. Peter Wong Wai-yee, Mr. John Ho Hon-ming and Dr. the Hon. Moses Cheng Mo-chi, all being Directors, are also directors of HKCG, each of them had abstained from voting on the board resolution to approve the Disposal, the Equity Transfer Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of 100% equity interest in Nanjing Chungang Energy held by Nanjing Gaochun to HKCG International Energy pursuant to the Equity Transfer Agreement

“Equity Transfer Agreement”	the equity transfer agreement dated 5 December 2022 entered into between Nanjing Gaochun as transferor and HKCG International Energy as transferee in relation to the Disposal
“Group”	the Company and its subsidiaries
“HKCG International Energy”	港華國際能源貿易有限公司 (Hong Kong and China Gas International Energy Trading Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of HKCG as at the date of this announcement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKCG”	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)
“HKCG Group”	HKCG and its subsidiaries (save and except the Company and its subsidiaries)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Chungang Energy”	南京淳港能源科技有限公司 (Nanjing Chungang Energy Technology Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of this announcement
“Nanjing Gaochun”	南京高淳港華燃氣有限公司 (Gao Chun Hong Kong and China Gas Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as at the date of 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
“RMB”	Renminbi yuan, the lawful currency of the PRC

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“%”

per cent

By Order of the Board
Towngas Smart Energy Company Limited
John Ho Hon-ming
Executive Director and Company Secretary

Hong Kong, 5 December 2022

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

Non-Executive Directors:

LEE Ka-kit (*Chairman*)

LIU Kai Lap Kenneth

Executive Directors:

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

John HO Hon-ming (*Company Secretary*)

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

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

Independent Non-Executive Directors:

Moses CHENG Mo-chi

Brian David LI Man-bun

James KWAN Yuk-choi

LOH Kung Wai Christine

English names of the PRC established companies/entities in this announcement are only translations of their official Chinese names. In case of inconsistency, the Chinese names prevail.

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.8546 = 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.