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

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

## CONNECTED TRANSACTION

### ACQUISITION OF 49% EQUITY INTEREST IN A PRC COMPANY

#### ACQUISITION OF 49% EQUITY INTEREST IN ANGUO HUAGANG

The Board announces that on 27 May 2022, Towngas China Investments, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Equity Transfer Agreement pursuant to which the Vendor has agreed to sell and Towngas China Investments has agreed to purchase 49% equity interest in Anguo Huagang at the consideration of RMB23,000,000 (approximately HK\$28,128,000).

#### LISTING RULES IMPLICATIONS

HKCG is a controlling shareholder of the Company and a controller of the Company under Chapter 14A of the Listing Rules. Hebei Natural Gas, a substantial shareholder of Anguo Huagang, is indirectly owned as to 43% by HKCG and is an associate of HKCG under the Listing Rules. As Towngas China Investments is acquiring equity interest in a company (namely Anguo Huagang) which a substantial shareholder (namely Hebei Natural Gas) is an associate of the controller of the Company (namely HKCG), the Acquisition constitutes a connected transaction of the Company under Rule 14A.28(2) of the Listing Rules.

As all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but are less than 5%, the Acquisition is only 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.

#### ACQUISITION OF 49% EQUITY INTEREST IN ANGUO HUAGANG

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**Date**

27 May 2022

**Parties**

- (1) The Vendor (as transferor)
- (2) Towngas China Investments, an indirect wholly-owned subsidiary of the Company (as transferee)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, save for the Vendor being a 49% shareholder of Anguo Huagang of which the other shareholder is an associated company of HKCG (namely Hebei Natural Gas), the Vendor is a third party independent of the Company and its connected persons.

**Subject matter**

Pursuant to the Equity Transfer Agreement, the Vendor has agreed to sell, and Towngas China Investments has agreed to purchase, the Sale Interest, being 49% equity interest in Anguo Huagang owned by the Vendor.

**Consideration**

The consideration for the Acquisition shall be RMB23,000,000 (approximately HK\$28,128,000), which was determined upon arm's length negotiations between the parties to the Equity Transfer Agreement after taking into account the audited net asset value attributable to the Sale Interest of Anguo Huagang as at the Benchmark Date of RMB20,051,000 (approximately HK\$24,521,000).

The consideration for the Acquisition will be financed by the internal resources of the Group.

The consideration for the Acquisition shall be paid by Towngas China Investments to the Vendor in the following manner:

- (i) the amount of RMB9,200,000 (approximately HK\$11,251,000), shall be paid on or before the fifteenth Business Day from the effective date of the Equity Transfer Agreement;
- (ii) the amount of RMB11,800,000 (approximately HK\$14,431,000), shall be paid on or before the fifteenth Business Day following the satisfaction or waiver of all of the followings:-
  - (a) completion of the Acquisition by Towngas China Investments and the Vendor in accordance with the Equity Transfer Agreement;
  - (b) evidence of payment by the Vendor of the income tax payable in respect of the Acquisition; and
  - (c) full repayment of the debts owed by the Vendor and his related parties to Anguo Huagang in the aggregate sum of RMB4,377,470.13 (approximately HK\$5,353,393.82);

- (iii) the balance of the consideration in the amount of RMB2,000,000 (approximately HK\$2,446,000) shall be paid on or before the fifteenth Business Days following the satisfaction or waiver of the condition that within two years from the effective date of the Equity Transfer Agreement:-
  - (a) Anguo Huagang has not paid or undertaken to pay any additional compensation or claim in relation to an incident in June 2016; or
  - (b) if Anguo Huagang has paid or undertaken to pay any additional compensation or claim in relation to the aforesaid incident during such 2 years period, the Vendor has agreed in writing that Towngas China Investments may deduct an amount equal to 49% of such additional compensation from the balance of the consideration payable.

### **Conditions precedent**

Completion of the Acquisition is subject to the satisfaction and/or waiver (as the case may be) of the following conditions precedent:

- (a) the representations, undertakings and warranties given, and any material or information provided, by the Vendor under the Equity Transfer Agreement, remaining true, correct and not misleading in all respects up to the Completion Date, and the Vendor has performed and abided by all agreements, undertakings and obligations which shall be completed or complied with on or before the Completion Date as stipulated in the transaction documents in relation to the Acquisition and there has been no breach thereof;
- (b) there having been no judgments, rulings or injunctions under the PRC laws, court, arbitration institutions or relevant government departments restricting, prohibiting or cancelling the transaction under the Equity Transfer Agreement;
- (c) there are no material adverse changes to Anguo Huagang, and there are no events or factors that exist which would have a material adverse effect on, or which would affect the sustainability of, the principal business of Anguo Huagang;
- (d) the charge in relation the Sale Interest charged by the Vendor in favour of Hebei Natural Gas having been released by Hebei Natural Gas; and
- (e) Hebei Natural Gas have in writing agreed to the Acquisition and waived its right of first refusal.

The Vendor shall notify Towngas China Investments in writing within one (1) Business Day after the satisfaction of the conditions precedent set out in paragraphs (d) and (e) above and provide supporting documents evidencing the same.

If any of the conditions precedent has not been fulfilled within six months from the date of the Equity Transfer Agreement or on such other date as agreed by the Vendor and Towngas China Investments in writing resulting in failure to complete the Acquisition, the Equity Transfer Agreement shall be automatically terminated with immediate effect.

## Completion

Completion of the transfer of 49% equity interest in Anguo Huagang to Towngas China Investments shall take place when all the conditions precedent under the Equity Transfer Agreement are satisfied and/or waived (as the case may be), or at such other time as may be agreed by the Vendor and Towngas China Investments in writing.

## Arrangement during transitional period

Any profit or loss of Anguo Huagang during the period from the Benchmark Date to the Completion Date shall be borne by the Vendor and Hebei Natural Gas according to their respective shareholdings prior to the Completion Date.

## INFORMATION ON ANGUO HUAGANG

Anguo Huagang is a limited liability company established in the PRC on 9 March 2011 with a registered capital of RMB20,000,000 (approximately HK\$24,459,000) which has been fully paid up. Anguo Huagang is principally engaged in the businesses of operation of pipeline gas (natural gas) (in the urban area to the south of Yaohua Road in Anguo City, excluding Huadu Qiyuan); investment in projects such as gas filling stations; gas related technical services; and sales, installation and maintenance of pipeline equipment, gas appliances and stoves. As at the date of this announcement, Anguo Huagang is owned a to 49% by the Vendor and 51% by Hebei Natural Gas and the Sale Interest is currently charged by the Vendor in favour of Hebei Natural Gas.

The audited net asset value of Anguo Huagang as at 31 December 2021 was approximately RMB33,988,000 (approximately HK\$41,565,000) and the audited net profits of Anguo Huagang (both before and after tax) for the two financial years ended 31 December 2021 and 31 December 2020 were as follows:-

	<b>For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<i>RMB</i>	<i>RMB</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Net profit before tax	2,149,000	871,000
	(approximately HK\$2,628,000)	(approximately HK\$1,065,000)
Net profit after tax	2,378,000	244,000
	(approximately HK\$2,908,000)	(approximately HK\$298,000)

Upon completion of the Acquisition, Anguo Huagang will become a joint venture between Towngas China Investments and Hebei Natural Gas, with Towngas China Investments and Hebei Natural Gas holding 49% and 51% equity interests in Anguo Huagang respectively.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Anguo Huagang is mainly engaged in the sales of pipeline natural gas and has obtained the franchising rights for the pipeline coverage area along the urban area to the south of Yaohua Road, Shifo Town and Wurenqiao Town in Anguo City. As Anguo Huagang has been making profits and the local industry in Anguo City is developing steadily, its future market has great potential. The Acquisition will enable the Group to further benefit from the economic returns brought by the sustainable development of the local industry in Anguo City. With Hebei Natural Gas as a cooperation partner and gas supplier, the gas supply and gas price can be kept stable, which will not only safeguard the future return of the Group from the Acquisition but also assist the Group in developing downstream gas market in the surrounding regions.

Anguo Huagang has an integrated franchise area, a mature gas market, a stable and diversified pipeline gas source, stable profitability and good overall operating conditions. Further, as the other shareholder of Anguo Huagang is Hebei Natural Gas which is an associated company of HKCG, the Group can therefore benefit from the strong regional synergies generated in terms of gas sources, management and relationship with government and business sectors. By managing Anguo Huagang with Hebei Natural Gas with the franchising rights aforementioned, the Group can enter into the gas market in those regions and also integrate projects involving gas, zero-carbon parks, photovoltaics in surrounding regions to further expands the Group's overall layout in integrated energy market.

The Directors (including the independent non-executive Directors) consider that the Acquisition is in the ordinary and usual course of business of the Group, the terms of Acquisition, 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.

## **INFORMATION ON THE PARTIES**

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.

Towngas China Investments is an indirect wholly-owned subsidiary of the Company and its principal business is investment holding.

The Vendor is a businessman who has experience in real estate development. As at the date of this announcement, Anguo Huagang is owned as to 49% by the Vendor and 51% by Hebei Natural Gas respectively.

## LISTING RULES IMPLICATIONS

HKCG is a controlling shareholder of the Company and a controller of the Company under Chapter 14A of the Listing Rules. Hebei Natural Gas, a substantial shareholder of Anguo Huagang, is indirectly owned as to 43% by HKCG and is an associate of HKCG under the Listing Rules. As Towngas China Investments is acquiring equity interest in a company (namely Anguo Huagang) which a substantial shareholder (namely Hebei Natural Gas) is an associate of the controller of the Company (namely HKCG), the Acquisition constitutes a connected transaction of the Company under Rule 14A.28(2) of the Listing Rules.

As all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition are more than 0.1% but are less than 5%, the Acquisition is only subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As (i) Dr. Lee Ka-kit, a Director, is deemed interested in approximately 41.53% of the total number of issued shares in HKCG, and (ii) Dr. Lee Ka-kit, Mr. Peter Wong Wai-yee, 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 Equity Transfer Agreement and the Acquisition contemplated thereunder in light of their aforesaid relationship with HKCG. As Mr. Alfred Chan Wing-kin is a director of HKCG and he was still a Director at the time of holding of the board meeting to approve the Equity Transfer Agreement and the Acquisition, he had also abstained from voting on the board resolution to approve the Equity Transfer Agreement and the Acquisition contemplated thereunder in light of his aforesaid relationship with HKCG.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Interest by Towngas China Investments from the Vendor pursuant to the Equity Transfer Agreement
“Anguo Huagang”	安國市華港燃氣有限公司 (Anguo Huagang Gas Company Limited), a company established in the PRC with limited liability which is owned as to 49% and 51% by the Vendor and Hebei Natural Gas respectively as at the date of this announcement
“Benchmark Date”	30 June 2021
“Board”	the board of Directors
“Business Day(s)”	any day other than a Saturday, Sunday or any other day on which banks in the PRC are closed for business
“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)

“Completion Date”	the date of completion of the transfer of the Sale Interest by the Vendor to Towngas China Investments
“connected person”	has the meaning ascribed to it under the Listing Rules
“controller”	has the meaning ascribed to it under Chapter 14A of the Listing Rules
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 27 May 2022 entered into between the Vendor as transferor and Towngas China Investments as transferee in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Hebei Natural Gas”	河北省天然氣有限責任公司(Hebei Natural Gas Company Limited), a company established in the PRC with limited liability which is owned as to 43% by HKCG and which holds 51% of Anguo Huagang 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)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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, the lawful currency of the PRC
“Sale Interest”	49% equity interest in Anguo Huagang owned by the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“Towngas China Investments”	港華燃氣投資有限公司 (Towngas Investments Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Vendor”	劉福拴 (Liu Fu-shuan)
“%”	per cent.

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

Hong Kong, 27 May 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 RMB0.8177 = 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.*