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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

CONNECTED TRANSACTIONS

PROPOSED ISSUE OF NEW SHARES TO CONNECTED PERSONS

PROPOSED ISSUE OF NEW SHARES TO CONNECTED PERSONS

On 18 March 2022, the Company entered into a Subscription Agreement with each of the Subscribers pursuant to which each of the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to issue an aggregate 5,584,000 Subscription Shares at the Subscription Price of HK\$3.69 per Subscription Share in cash, representing an aggregate subscription consideration of HK\$20,604,960, on and subject to the terms and conditions set out therein.

The Subscription Shares in aggregate represent approximately 0.1767% of the existing total number of issued Shares as at the date of this announcement and approximately 0.1764% 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).

The gross proceeds from the Share Issue will be HK\$20,604,960. The Company intends to apply the net proceeds from the Share Issue for its general working capital purposes.

Completion of each of the Subscription Agreement shall be conditional upon (1) where the relevant Subscriber is a PRC resident, the completion of the necessary registration and filing procedures relating to the issue and subscription of the Subscription Shares as contemplated under the relevant Subscription Agreement with the State Administration of Foreign Exchange in accordance with PRC laws and regulations; (2) the approval from the Independent Shareholders in respect of the relevant Subscription Agreement and the share issue contemplated thereunder having been obtained; and (3) the granting of the listing of, and permission to deal in, the relevant Subscription Shares by the Listing Committee of the Stock Exchange.

Application will be made by the Company to the Stock Exchange for the listing of and the permission to deal in the Subscription Shares.

LISTING RULES IMPLICATIONS

The Subscribers comprise (1) directors of the Company; and (2) directors each of whom holds directorships in a number of subsidiaries of the Company each of which on a standalone basis is an insignificant subsidiary of the Company but when aggregated with the other subsidiaries which the relevant director sits on the board, are not regarded as insignificant subsidiaries of the Company. As such, the Subscribers are all connected persons of the Company under Chapter 14A of the Listing Rules and the entering into of the Subscription Agreements and the Share Issue constitute connected transactions of the Company under the Listing Rules and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

A circular containing, among other things, (i) details of the Subscription Agreements and the Share Issue; (ii) the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreements and the Share Issue; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements and the Share Issue; and (iv) a notice of the EGM, is expected to be despatched by the Company to the Shareholders on or before 11 April 2022.

PROPOSED ISSUE OF NEW SHARES TO CONNECTED PERSONS

On 18 March 2022, the Company entered into a Subscription Agreement with each of the Subscribers pursuant to which the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to issue, in aggregate 5,584,000 Subscription Shares at the Subscription Price of HK\$3.69 per Subscription Share in cash, representing an aggregate subscription consideration of HK\$20,604,960, on and subject to the terms and conditions set out therein. Summarized below are the principal terms of the Subscription Agreements:

Date of the Subscription Agreements

18 March 2022

Parties to the Subscription Agreements

- (1) the Company as issuer; and
- (2) each of the Subscribers as subscriber.

The Subscribers comprise (i) directors of the Company; and (ii) directors each of whom holds directorships in a number of subsidiaries of the Company each of which on a standalone basis is an insignificant subsidiary of the Company but when aggregated with the other subsidiaries which the relevant director sits on the board are not regarded as insignificant subsidiaries of the Company.

Particulars of the Subscribers, the Subscription Shares and the subscription consideration payable

Pursuant to the respective Subscription Agreements, each of the Subscribers conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue, such number of Subscription Shares at the Subscription Price of HK\$3.69 per Subscription Share as set out against his/her name as follows:

Name of Subscriber	No. of Subscription Shares subscribed for	Subscription consideration (HK\$)	Approx. percentage of total issued Shares as at the Latest Practicable Date	Approx. percentage of total issued Shares immediately after completion of the Share Issue (Note 3)
Peter Wong Wai-ye (Note 1)	1,800,000	6,642,000	0.0570%	0.0569%
John Ho Hon-ming (Note 1)	900,000	3,321,000	0.0285%	0.0284%
Martin Kee Wai-ngai (Note 1)	900,000	3,321,000	0.0285%	0.0284%
John Qiu Jian-hang (Note 1)	1,350,000	4,981,500	0.0427%	0.0426%
Zhou Heng-xiang (Note 2)	138,000	509,220	0.0044%	0.0044%
Lawrence Fok Chi-cheong (Note 2)	138,000	509,220	0.0044%	0.0044%
Huang Jie (Note 2)	110,000	405,900	0.0035%	0.0035%
Kenneth Fan Chun-choi (Note 2)	110,000	405,900	0.0035%	0.0035%
Patrick Lau Kai-hung (Note 2)	69,000	254,610	0.0022%	0.0022%
Zhao Xu (Note 2)	69,000	254,610	0.0022%	0.0022%
Total:	5,584,000		0.1767%	0.1764%

Notes:

1. Director of the Company
2. Director of subsidiaries of the Company and director of subsidiaries of The Hong Kong and China Gas Company Limited, the holding company of the Company
3. 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

The Subscription Shares in aggregate represent approximately 0.1767% of the existing total number of issued Shares as at the date of this announcement and approximately 0.1764% 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).

Reference is made to announcement of the Company also dated 18 March 2022 relating to the proposed issue of new shares under general mandate where it was disclosed that the Company had also on 18 March 2022 entered into subscription agreements with various individuals pursuant to which such individuals will subscribe for in aggregate 6,079,000 Shares to be issued under the general mandate of the Company (“GM Subscription Shares”). If both the Subscription Shares and the GM Subscription Shares are allotted and issued, the Subscription Shares will represent approximately 0.1761% of the total number of issued Shares as enlarged by the allotment and issue of the Subscription Shares and the GM Subscription Shares.

The Subscription Price

The Subscription Price of HK\$3.69 per Subscription Share represents (i) a discount of approximately 14.39% to the closing price of HK\$4.31 per Share as quoted on the Stock Exchange on the date of the Subscription Agreements (i.e. 18 March 2022), and (ii) a discount of approximately 19.85% to the average closing price of HK\$4.604 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days immediately preceding the date of the Subscription Agreements.

The Subscription Price was determined with reference to prevailing market price and prospects of the Group with a discount as incentive in order to retain the Subscribers to continue to contribute to the operations and further development of the Group.

Ranking of Subscription Shares

The Subscription Shares when issued will rank pari passu in all respects with the Shares in issue at the Issue Date and in particular will rank in full for all dividends and other distributions declared made or paid at any time at or after the Issue Date.

Condition precedent

Completion of each of the Subscription Agreements shall be conditional upon the following conditions (the “**Conditions**”) being fulfilled by 4:00 p.m. on 31 December 2022 or such later time and date as may be agreed between the Company and the relevant Subscriber in writing:

- (a) where the relevant Subscriber is a PRC resident, the completion of the necessary registration and filing procedures relating to the issue and subscription of the Subscription Shares as contemplated under the relevant Subscription Agreement with the State Administration of Foreign Exchange in accordance with PRC laws and regulations;
- (b) the approval from the Independent Shareholders in respect of the relevant Subscription Agreement and the share issue contemplated thereunder having been obtained; and
- (c) the granting of the listing of, and permission to deal in, the relevant Subscription Shares by the Listing Committee of the Stock Exchange.

Completion

Completion of the Subscription Agreements shall take place on the 5th Business Day after the day on which the last of the Conditions have been satisfied or such other date as the Company and the relevant Subscribers may agree in writing.

Undertakings from the Subscribers

Each of the Subscriber has unconditionally and irrevocably undertaken to the Company under the relevant Subscription Agreement that save for the creation of any encumbrances over all or any of the Subscription Shares subscribed by such Subscriber as security under a Permitted Bank Loan, it shall not during the period of 2 years from the Issue Date (the “**Lock-up Period**”) sell or transfer the relevant Subscription Shares subscribed by it to any other party or create any charge, mortgage, lien, pledge, option, other security interest or other encumbrance or create or grant any interest or rights in favour of any other party over or in relation to such Subscription Shares.

Each of the Subscriber has further unconditionally and irrevocably undertaken to the Company under the relevant Subscription Agreement that if he wishes to transfer all or any of the Subscription Shares held by him after the expiry of the Lock-up Period, he shall give not less than 5 Business Days prior written notice to the Company and shall only execute such transfer(s) through one or more designated brokers specified by the Company and notified to the Subscriber from time to time.

THE INVESTOR’S TOP-UP RIGHTS UNDER THE INVESTOR AGREEMENT AND ADJUSTMENT TO CONVERSION PRICE UNDER THE CONVERTIBLE BONDS

Reference is made to the Transaction Announcement of the Company dated 25 October 2021. According to an undertaking given by the Company under the Investor Agreement, in light of the Share Issue, the Company is required offer to issue such number of new shares to the Investor on the same terms and conditions as those offered to the Subscribers so as to enable the Investor to maintain its proportional interests on a fully diluted and as converted basis in the Company immediately before such dilutive event (“**Investor’s Top-up Rights**”). Further, pursuant to conditions of the Convertible Bonds, the conversion price of the Convertible Bonds will also be subject to adjustment as the Subscription Shares will be issued at the Subscription Price which is less than the price stated in the conditions of the Convertible Bonds thereby triggering an adjustment event. Please refer to the Transaction Announcement for further details of the Investor’s Top-up Rights and the events triggering adjustments under the Convertible Bonds.

The Company has received confirmation that the Investor will not exercise the Investor’s Top-up Rights and will not require adjustment to be made to the conversion price under the Convertible Bonds as a result of, inter alia, the Share Issue.

REASONS FOR AND BENEFITS OF THE SHARE ISSUE

In order to maintain the competitiveness of the Company, a share award scheme was adopted by the Company on 17 August 2021 pursuant to which the Company may award Shares to selected directors and employees of the Group as incentives in order to retain them for the continual operation and development of the Group. The Share Issue will further attract and retain suitable personnel to promote the further development of the Company by providing incentives for the management personnel of the Group to continuously contribute to the operations and further development of the Group and enabling them to enjoy the results of the Group achieved through their contributions to the Group.

The Directors (excluding the independent non-executive Directors who will render their views after considering the advice to be given by the independent financial adviser to the Independent Board Committee and the Independent Shareholders) consider that the terms of the Subscription Agreements, the Share Issue and the Subscription Price are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds from the Share Issue will be HK\$20,604,960. The Company intends to apply the net proceeds from the Share Issue for its general working capital purposes.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

Save for the issue of Shares and the Convertible Bonds to the Investor pursuant to the Investor Agreement, the Company has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, there are 3,159,895,343 Shares in issue. Set out below is a table showing the shareholding structure of the Company (i) as at the date of this announcement, and (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:

Shareholder	Shareholding immediately before the issue of the Subscription Shares		Shareholding immediately after the issue of the Subscription Shares <i>(Note 3)</i>	
	<i>No. of Shares</i>	<i>Approx. %</i>	<i>No. of Shares</i>	<i>Approx. %</i>
HKCG <i>(Note 1)</i>	2,084,895,656	65.9799%	2,084,895,656	65.8635%
Investor	116,783,333	3.6958%	116,783,333	3.6893%
Alfred Chan Wing-kin <i>(Note 2)</i>	4,161,034	0.1317%	4,161,034	0.1315%
Peter Wong Wai-ye <i>(Note 2)</i>	3,201,000	0.1013%	5,001,000	0.1580%
John Ho Hon-ming <i>(Note 2)</i>	1,133,862	0.0359%	2,033,862	0.0643%
James Kwan Yuk-choi <i>(Note 2)</i>	2,265,000	0.0717%	2,265,000	0.0716%
Martin Kee Wai-ngai <i>(Note 2)</i>	---	---	900,000	0.0284%
John Qiu Jian-hang <i>(Note 2)</i>	---	---	1,350,000	0.0426%
The Subscribers (other than Peter Wong Wai-ye, John Ho Hon-ming, Martin Kee Wai-ngai and John Qiu Jian-hang)	---	---	634,000	0.0200%
Other public Shareholders	947,455,458	29.9838%	947,455,458	29.9309%
Total:	3,159,895,343	100%	3,165,479,343	100%

Notes

1. The Shares are held through various wholly-owned subsidiaries of HKCG. 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.

LISTING RULES IMPLICATIONS

The Subscribers comprise (1) directors of the Company; and (2) directors each of whom holds directorships in a number of subsidiaries of the Company each of which on a standalone basis is an insignificant subsidiary of the Company but when aggregated with the other subsidiaries which the relevant director sits on the board, are not regarded as insignificant subsidiaries of the Company. As such, the Subscribers are all connected persons of the Company under Chapter 14A of the Listing Rules and the entering into of the Subscription Agreements and the Share Issue constitute connected transactions of the Company under the Listing Rules and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that Mr. Peter Wong Wai-yee, Mr. John Ho Hon-ming, Mr. Martin Kee Wai-ngai and Dr. John Qiu Jian-hang are Subscribers and therefore interested in the relevant Subscription Agreements and the Share Issue, they had abstained from voting on the Board resolutions approving the Subscription Agreements and the Share Issue.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, save for Mr. Peter Wong Wai-yee and Mr. John Ho Hon-ming who are Subscribers, no Shareholder is required under the Listing Rules to abstain from voting on the resolution to approve the Subscription Agreements and the Share Issue at the EGM.

APPLICATION FOR LISTING

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

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.

EGM

The EGM will be proposed for the Independent Shareholders to consider and, if thought fit, pass the requisite resolution to approve the Subscription Agreements and the Share Issue.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in relation to, among other things, whether the terms of the Subscription Agreements and the Share Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on voting, taking into account the recommendation of the independent financial adviser. The Company shall appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further details of the Subscription Agreements and the Share Issue; (ii) the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Subscription Agreements and the Share Issue; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreements and the Share Issue; and (iv) a notice of the EGM, is expected to be despatched by the Company to the Shareholders on or before 11 April 2022.

DEFINITIONS

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

“Board”	the board of Directors
“Business Days”	means a day (other than a Saturday, Sunday or public holiday or a day on which a typhoon signal 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open 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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the 1% unsecured convertible bonds due 2026 in the principal amount of RMB1,835,603,119.35 issued by the Company and convertible into Shares, the particulars of which are set out in the Transaction Announcement
“Director(s)”	director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Subscription Agreements and the Share Issue
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors

“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM on the resolution to approve the Subscription Agreements and the Share Issue
“insignificant subsidiary”	has the meaning ascribed to it under the Listing Rules
“Investor”	Clean Energy Ecosystem Pte. Ltd., a limited liability company incorporated in the Republic of Singapore
“Investor Agreement”	the subscription agreement dated 25 October 2021 entered into between the Company and the Investor in relation to the issue of shares and convertible bonds to the Investor, the particulars of which are set out in the Transaction Announcement
“Issue Date”	the date of issue of the Subscription Shares to the Subscribers
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Permitted Bank Loan”	a loan advanced by a licensed bank approved by the Company to a Subscriber for the purpose of financing the consideration payable by such Subscriber under the relevant Subscription Agreement
“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
“Share Issue”	the issue of the Subscription Shares by the Company to the Subscribers pursuant to the terms of the Subscription Agreements
“Shareholders”	holders of Shares
“Shares”	ordinary shares in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the individuals set out in the table under the section headed “ <i>Issue of new shares under General Mandate - Particulars of the Subscribers, the Subscription Shares and the subscription consideration payable</i> ” in this announcement, and each a “Subscriber”
“Subscription Agreements”	10 subscription agreements all dated 18 March 2022 and entered into between the Company and each Subscriber in relation to the subscription by the relevant Subscriber of Shares in the Company, and each subscription agreement entered into between the Company and a Subscriber is referred to as a “Subscription Agreement”
“Subscription Price”	HK\$3.69 per Subscription Share
“Subscription Shares”	new Shares to be allotted and issued to the Subscribers under the Subscription Agreements

“Transaction Announcement” the announcement of the Company dated 25 October 2021 in relation to the issue of new shares and convertible bonds by the Company under general mandate

“%” per cent.

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

Hong Kong, 18 March 2022

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

Non-Executive Directors:

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

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