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# 港華燃氣有限公司 Towngas China Company Limited

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

## CONNECTED TRANSACTION

## FORMATION OF JOINT VENTURE

### FORMATION OF JOINT VENTURE

The Board is pleased to announce that for the purpose of establishing the Shenyang JV Company to carry out the business of creating a new form of health business, including the sale of health services and health products, Qiqihar Towngas China (an indirect non-wholly owned subsidiary of the Company), Anshan Towngas China (an indirect wholly-owned subsidiary of the Company), Yingkou Towngas China (an indirect wholly-owned subsidiary of the Company), Jilin Towngas China (an indirect non-wholly owned subsidiary of HKCG) and Towngas Lifestyle (Shenzhen) (an indirect wholly-owned subsidiary of HKCG) had on 17 December 2021 signed the Shenyang JV Articles. According to the Shenyang JV Articles, each of Qiqihar Towngas China, Anshan Towngas China, Yingkou Towngas China and Jilin Towngas China shall make a capital contribution of RMB800,000 (approximately HK\$963,000) in cash, each representing 10% of the registered capital of the Shenyang JV Company, and Towngas Lifestyle (Shenzhen) shall make a capital contribution of RMB4,800,000 (approximately HK\$5,780,000) in cash, representing 60% of the registered capital of the Shenyang JV Company, and accordingly, the Shenyang JV Company will be owned by the Shenyang JV Parties in the above proportion.

### LISTING RULES IMPLICATIONS

As HKCG is a controlling shareholder of the Company, each of Jilin Towngas China and Towngas Lifestyle (Shenzhen), being a subsidiary of HKCG, is therefore a connected person of the Company under the Listing Rules. As such, the establishment of the Shenyang JV Company and the signing of the Shenyang JV Articles 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 capital contribution to be made by the Group in the Shenyang JV Company is less than 0.1%, the establishment of the Shenyang JV Company constitutes a de minimis connected transaction under Rule 14A.76(1) of the Listing Rules and is therefore 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 capital contribution to be made by the Group in the Shenyang JV Company; and (ii) the other formation of joint venture transactions between the Group and the HKCG Group for the previous 12 months on an aggregate basis is more than 0.1% but all are less than 5%, the establishment of the Shenyang JV Company 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.

## **FORMATION OF JOINT VENTURE**

The Board is pleased to announce that for the purpose of establishing the Shenyang JV Company to carry out the business of creating a new form of health business, including the sale of health services and health products, Qiqihar Towngas China (an indirect non-wholly owned subsidiary of the Company), Anshan Towngas China (an indirect wholly-owned subsidiary of the Company), Yingkou Towngas China (an indirect wholly-owned subsidiary of the Company), Jilin Towngas China (an indirect non-wholly owned subsidiary of HKCG) and Towngas Lifestyle (Shenzhen) (an indirect wholly-owned subsidiary of HKCG) had on 17 December 2021 signed the Shenyang JV Articles, the principal terms of which are set out below.

### **THE SHENYANG JV ARTICLES**

#### **Date**

17 December 2021

#### **Signing Parties**

- (i) Qiqihar Towngas China, an indirect non-wholly owned subsidiary of the Company in which the Company has approximately 61.67% interest;
- (ii) Anshan Towngas China, an indirect wholly-owned subsidiary of the Company;
- (iii) Yingkou Towngas China, an indirect wholly-owned subsidiary of the Company;
- (iv) Jilin Towngas China, an indirect non-wholly owned subsidiary of HKCG in which HKCG has 63% interest; and
- (v) Towngas Lifestyle (Shenzhen), an indirect wholly-owned subsidiary of HKCG.

#### **Proposed name of joint venture and term of joint venture**

The proposed name of the Shenyang JV Company is 港華到家（瀋陽）信息技術有限公司 and the Shenyang JV Company will be owned as to 10% by each of Qiqihar Towngas China, Anshan Towngas China, Yingkou Towngas China and Jilin Towngas China respectively and as to 60% by Towngas Lifestyle (Shenzhen). It is proposed that the Shenyang JV Company be a company of perpetual duration.

## **Registered capital of the Shenyang JV Company and details of capital contribution**

The registered capital of the Shenyang JV Company shall be RMB8,000,000 (approximately HK\$9,634,000) of which:

- (a) RMB800,000 (approximately HK\$963,000), representing 10% of the registered capital of the Shenyang JV Company, shall be contributed by each of Qiqihar Towngas China, Anshan Towngas China, Yingkou Towngas China and Jilin Towngas China respectively within 90 days from the date of obtaining of the business licence; and
- (b) RMB4,800,000 (approximately HK\$5,780,000), representing 60% of the registered capital of the Shenyang JV Company, shall be contributed by Towngas Lifestyle (Shenzhen) within 90 days from the date of obtaining of the business licence.

The amount of the capital contributions under the Shenyang JV Articles was determined after arm's length negotiations between the Shenyang JV Parties after taking into account various factors, including the nature of the business, the estimated working capital requirements and the future development plans of the Shenyang JV Company. The capital contribution by the Group will be funded by the Group's internal resources.

## **Management structure of the Shenyang JV Company**

### *Composition of the board of directors*

The board of directors of the Shenyang JV Company shall consist of three directors, of which Towngas Lifestyle (Shenzhen) shall nominate two directors, one of whom shall also be the chairman of the board of directors of the Shenyang JV Company, and Qiqihar Towngas China, Anshan Towngas China, Yingkou Towngas China and Jilin Towngas China shall together nominate one director. There shall be one secretary of the board of directors of the Shenyang JV Company reporting to such board.

### *Supervisors*

The Shenyang JV Company shall have one supervisor to be nominated by Towngas Lifestyle (Shenzhen). Directors and senior management of the Shenyang JV Company may not concurrently serve as supervisor.

### *Senior management*

The Shenyang JV Company shall have one general manager, one deputy general manager and one chief financial officer, all to be nominated by Towngas Lifestyle (Shenzhen). The general manager of the Shenyang JV Company shall concurrently serve as the legal representative of the Shenyang JV Company.

## **Restrictions on transfer**

Save for the permitted transfer of equity interest in the Shenyang JV Company between a Shenyang JV Party and its related parties (as defined in the Shenyang JV Articles), the transfer of all or part of the equity interest in the Shenyang JV Company between the Shenyang JV Parties requires the consent of other Shenyang JV Parties. Further, a Shenyang JV Party shall not transfer all or part of its equity interest in the Shenyang JV Company to other parties without the consent of more than half of the other Shenyang JV Parties. The transferring Shenyang JV Party shall notify the non-transferring Shenyang JV Parties of the particulars of the proposed transfer by written notice (the "**Shenyang JV Transfer Notice**"). If more than half of the other Shenyang JV Parties do not consent to such transfer, those

Shenyang JV Parties not consenting to the transfer shall purchase the relevant equity interest from the transferring Shenyang JV Party. Where two or more Shenyang JV Parties wish to exercise their pre-emptive right to acquire the equity interest proposed to be transferred by the transferring Shenyang JV Party, they shall agree among themselves as to the proportion which they would acquire respectively, and failing agreement, they shall exercise their pre-emptive rights according to the proportion of their respective equity interests in the Shenyang JV Company. If the non-transferring Shenyang JV Parties do not wish to purchase the relevant equity interest or if no response is received from the non-transferring Shenyang JV Parties within 30 days from the receipt of the Shenyang JV Transfer Notice, the non-transferring Shenyang JV Parties shall be deemed to have consented to the proposed transfer by the transferring Shenyang JV Party and waived their pre-emptive right to acquire the equity interest proposed to be transferred.

### **Profits distribution**

The remaining after-tax profits of the Shenyang JV Company, after making up any losses over the years and retaining of relevant amount as statutory reserve funds and other discretionary reserve funds in accordance with the Shenyang JV Articles, may be distributed to the Shenyang JV Parties in proportion to their respective equity interests in the Shenyang JV Company after taking into consideration factors relating to the financials, business and operation of the Shenyang JV Company.

### **REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF THE SHENYANG JV COMPANY**

Leveraging on the theme of healthy and cosy living promoted by Towngas Lifestyle (Shenzhen) and the ability of the Group to penetrate the offline community and its massive user base, the joint establishment of the Shenyang JV Company will create a synergistic effect whereby Towngas Lifestyle (Shenzhen) will be able to provide a high quality of healthy living and introduce products such as high-end ingredients and kitchenware to users through using community service centres as an immersive experience, and promote its online e-commerce.

The Directors (including the independent non-executive Directors) consider that the terms of the Shenyang JV Articles are fair and reasonable and on normal commercial terms, the establishment of the Shenyang JV Company is in the ordinary and usual course of business of the Group and in the interests of the Group and the shareholders of the Company taken as a whole.

### **LISTING RULES IMPLICATIONS**

As HKCG is a controlling shareholder of the Company, each of Jilin Towngas China and Towngas Lifestyle (Shenzhen), being a subsidiary of HKCG, is therefore a connected person of the Company under the Listing Rules. As such, the establishment of the Shenyang JV Company and the signing of the Shenyang JV Articles constitute 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 capital contribution to be made by the Group in the Shenyang JV Company is less than 0.1%, the establishment of the Shenyang JV Company constitutes a de minimis connected transaction under Rule 14A.76(1) of the Listing Rules and is therefore 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 capital contribution to be made by the Group in the Shenyang JV Company; and (ii) the other formation of joint venture transactions between the Group and the HKCG Group for the previous 12 months on an aggregate basis is more than 0.1% but all are less than 5%, the establishment of the Shenyang JV Company 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 number of issued shares in HKCG, and (ii) Dr. Lee Ka-kit, Mr. Alfred Chan Wing-kin, Mr. Peter Wong Wai-ye, 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 resolutions to approve the establishment of the Shenyang JV Company, the Shenyang JV Articles and the transactions contemplated thereunder.

## **INFORMATION ON THE PARTIES, THE COMPANY AND HKCG**

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 sales of gas appliances and related products, and other value-added services in the PRC.

Qiqihar Towngas China is indirectly owned as to approximately 61.67% by the Company and directly owned as to approximately 38.33% by 齊齊哈爾佳誠信息諮詢服務有限公司 (Qiqihar Jiacheng Information Consulting Services Co., Ltd.). So far as the Company is aware, 齊齊哈爾佳誠信息諮詢服務有限公司 (Qiqihar Jiacheng Information Consulting Services Co., Ltd.) is ultimately owned as to 20% by Wang Xingwen (王興文), and 10% by each of Liu Yanjun (劉艷君), Liu Jiaxue (劉加學), Liu Haidong (劉海東), Wang Xingqi (王興岐), Wang Honghai (王洪海), Jiang Lan (姜嵐), Mao Zhizhong (毛治中) and Bao Xiaojuan (暴曉娟). So far as the Company is aware, save that Wang Xingwen (王興文), Liu Haidong (劉海東) and Mao Zhizhong (毛治中) are also directors of Qiqihar Towngas China, the aforesaid individuals are independent of the Company and its connected persons. Qiqihar Towngas China is principally engaged in the business of provision of natural gas and related services and gas pipeline construction.

Anshan Towngas China is an indirect wholly-owned subsidiary of the Company and is principally engaged in the business of provision of natural gas and related services and gas pipeline construction.

Yingkou Towngas China is an indirect wholly-owned subsidiary of the Company and is principally engaged in the business of provision of natural gas and related services and gas pipeline construction.

Jilin Towngas China is indirectly owned as to 63% by HKCG and directly owned as to 37% by 吉林市淞江燃氣有限公司 (Jilin Songjiang Gas Co., Ltd.). So far as the Company is aware, 吉林市淞江燃氣有限公司 (Jilin Songjiang Gas Co., Ltd.) is ultimately owned as to 90% by the State-owned Assets Supervision & Administration Commission of the People's Government of Jilin Province and 10% by Jilin Province Department of Finance. Jilin Towngas China is principally engaged in gas sales and related businesses.

Towngas Lifestyle (Shenzhen) is an indirect wholly-owned subsidiary of HKCG and is principally engaged in gas value-adding services, healthy foods and kitchenware e-commerce, research and development of and consultancy services relating to gas cloud platform technology, computer and network technology development, technology consultancy, transfer and services.

HKCG is a controlling shareholder of the Company and through its various wholly-owned subsidiaries holds approximately 65.98% 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.

## DEFINITIONS

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

“Anshan Towngas China”	鞍山港華燃氣有限公司 (An Shan Hong Kong and China Gas Company Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“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) and associates (as defined under the Listing Rules)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jilin Towngas China”	吉林港華燃氣有限公司 (Jilin Hong Kong and China Gas Company Limited), a company established in the PRC with limited liability which is indirectly owned as to 63% by HKCG
“Listing Rules”	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
“Qiqihar Towngas China”	齊齊哈爾港華燃氣有限公司 (Qiqihar Hong Kong and China Gas Company Limited), a company established in the PRC with limited liability which is indirectly owned as to approximately 61.67% by the Company
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shenyang JV Articles”	the articles of the Shenyang JV Company signed by the Shenyang JV Parties on 17 December 2021
“Shenyang JV Company”	港華到家（瀋陽）信息技術有限公司, a joint venture company to be established in the PRC for the purpose of new healthcare business, including the sales of healthcare services and healthcare products, to be held as to 10%, 10%, 10%, 10% and 60% by Qiqihar Towngas China, Anshan Towngas China, Yingkou Towngas China, Jilin Towngas China and Towngas Lifestyle (Shenzhen) respectively
“Shenyang JV Parties”	collectively, Qiqihar Towngas China, Anshan Towngas China, Yingkou Towngas China, Jilin Towngas China and Towngas Lifestyle (Shenzhen), and each a “Shenyang JV Party”
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Towngas Lifestyle (Shenzhen)”	名氣家（深圳）信息服務有限公司 (Towngas Lifestyle (Shenzhen) Information Services Co., Ltd.), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of HKCG

“Yingkou Towngas  
China”

營口港華燃氣有限公司 (Yingkou 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

“%”

per cent.

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

Hong Kong, 17 December 2021

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  
HU Zhang-hong

*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*)

*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 RMB0.8304 = 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.*