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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 TOWNGAS RENEWABLE ENERGY (HK) COMPANY LIMITED

On 21 June 2023, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Transfer Agreement with the Vendors to acquire all issued shares in Towngas Renewable Energy (HK) and the loan owing to the HKCG Group by Towngas Renewable Energy (HK) from the Vendors at the consideration of HK\$27,507,000.

As HKCG is a controlling shareholder of the Company and the Vendors are both wholly-owned subsidiaries of HKCG, the Vendors are connected persons of the Company under the Listing Rules. The Acquisition under the Transfer Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition under the Transfer Agreement are more than 0.1% but all of them are less than 5%, the Acquisition is 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 TRANSFER AGREEMENT

Summarised below are the principal terms of the Transfer Agreement:

Date

21 June 2023

Parties

- (1) The Share Vendor, a wholly-owned subsidiary of HKCG, as vendor of all issued shares in Towngas Renewable Energy (HK);
- (2) the Loan Vendor, a wholly-owned subsidiary of HKCG, as vendor of the loan owing to the HKCG Group by Towngas Renewable Energy (HK); and
- (3) the Purchaser, a wholly-owned subsidiary of the Company, as purchaser.

Subject matter

The Vendors agreed to sell and the Purchaser agreed to purchase all issued shares in Towngas Renewable Energy (HK) and the loan owing to the HKCG Group by Towngas Renewable Energy (HK).

Completion and consideration

The consideration of HK\$27,507,000 is payable in cash by the Purchaser to the Vendors at completion of the Acquisition, which is scheduled to take place 14 days after the date of the Transfer Agreement (or as otherwise agreed by the parties in writing, provided that if that day is not a business day, then the business day immediately following that day shall be the completion date). The consideration was determined after arm's length negotiations between the parties with reference to the unaudited amount of the loan owing to the HKCG Group by Towngas Renewable Energy (HK) of HK\$30,575,115 and the unaudited consolidated net liabilities of Towngas Renewable Energy (HK) in the amount of HK\$3,067,989, each as at 30 April 2023 based on the consolidated management accounts of Towngas Renewable Energy (HK). The original establishment cost of Towngas Renewable Energy (HK) to the Share Vendor was approximately HK\$3,000. The consideration will be funded by the Group's internal resources.

Termination

The Purchaser may terminate the Transfer Agreement if any warranty or other provision of the Transfer Agreement is breached by the Vendors before Completion. The Transfer Agreement contains warranties by the Vendors customary for transactions of this nature.

INFORMATION ON TOWNGAS RENEWABLE ENERGY (HK)

Towngas Renewable Energy (HK) is a limited liability company incorporated in Hong Kong. It is an investment holding company and holds a 50% equity interest in Ruihua Smart Energy. The remaining 50% equity interest in Ruihua Smart Energy is held by China Power, the ultimate holding company of which is SPIC. The businesses of Ruihua Smart Energy and its subsidiaries are currently focused on renewable energy projects (including solar (photovoltaic), biomass,

wind, etc.) and asset-light service projects (including the development, construction, operation and maintenance of photovoltaic, energy-saving, energy storage, battery charging and swapping and virtual power plant projects, etc.). Their project development is based in the Guangdong-Hong Kong-Macao Greater Bay Area and spreads all over the PRC.

Ruihua Smart Energy has a registered capital of RMB50 million, which has been fully contributed by Towngas Renewable Energy (HK) and China Power as to 50% each.

Set out below is certain audited financial information of Towngas Renewable Energy (HK) (prepared in accordance with the Hong Kong Financial Reporting Standards) for the period from 8 December 2020 (being the date of incorporation of Towngas Renewable Energy (HK)) to 31 December 2021 and as at 31 December 2021.

	For the period from 8 December 2020 to 31 December 2021
	(audited)
	<i>HK\$</i>
Net loss before and after taxation	(12,150)
	As at 31 December 2021
	(audited)
	<i>HK\$</i>
Net liabilities	(12,050)

Set out below is certain unaudited consolidated financial information of Towngas Renewable Energy (HK) (prepared in accordance with the Hong Kong Financial Reporting Standards) for the financial year ended 31 December 2022 and as at 31 December 2022.

	For the financial year ended 31 December 2022
	(unaudited)
	<i>HK\$</i>
Net loss before and after taxation	(670,562)
	As at 31 December 2022
	(unaudited)
	<i>HK\$</i>
Net liabilities	(2,956,679)

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is developing a long-term strategic partnership with SPIC. China Power is an important backbone enterprise of SPIC, and is vigorously developing renewable energy and comprehensive smart energy projects in the Greater Bay Area. Through Ruihua Smart Energy, the Group can benefit from China Power's rich resources, efficiency and experience in the power market and low-cost financing to develop and implement a comprehensive smart energy business more quickly and effectively. The continuing development of the photovoltaic projects and asset-light service business of Ruihua Smart Energy as already being vigorously pursued would bring practical benefits out of, and serves as an example of the success of, the strategic cooperation between the Group and SPIC, and would reinforce the Company's leading position in smart energy businesses.

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

INFORMATION ON THE VENDORS, THE PURCHASER, HKCG AND THE COMPANY

The Share Vendor is an investment holding company and a wholly-owned subsidiary of HKCG. The principal business 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. The Loan Vendor is a wholly-owned subsidiary of HKCG and is principally engaged in the provision of finance to the HKCG Group. 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.

The Purchaser is an investment holding company and a wholly-owned subsidiary of the Company. The Company is an investment holding company and the principal business 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.

LISTING RULES IMPLICATIONS

As HKCG is a controlling shareholder of the Company (holding through its various wholly-owned subsidiaries approximately 66.36% of the total issued shares of the Company as at the date of this announcement) and the Vendors are both wholly-owned subsidiaries of HKCG, the Vendors are connected persons of the Company under the Listing Rules. The Acquisition under the Transfer Agreement therefore constitutes a connected transaction of the Company under Chapter 14A of

the Listing Rules. Given that one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Acquisition under the Transfer Agreement are more than 0.1% but all of them are less than 5%, the Acquisition is 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-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 has abstained from voting on the board resolutions to approve the Transfer Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the Transfer Agreement and the transactions contemplated thereunder.

DEFINITIONS

“Acquisition”	acquisition of all issued shares in Towngas Renewable Energy (HK) and loan owing to the HKCG Group by Towngas Renewable Energy (HK) by the Purchaser from the Vendors
“China Power”	China Power International Development 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: 2380)
“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)
“Director”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HKCG”	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: 3)
“HKCG Group”	HKCG and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Vendor”	HKCG (Finance) Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of HKCG
“percentage ratios”	has the same meaning as ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes the Hong Kong Special Administrative Region, the Macao Special Administrative Region and Taiwan
“Purchaser”	Towngas China Energy Investment Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Ruihua Smart Energy”	Ruihua (Shenzhen) Integrated Smart Energy Co., Ltd.* (睿華(深圳)綜合智慧能源有限公司), a company established in the PRC with limited liability
“SPIC”	State Power Investment Corporation Limited* (國家電力投資集團有限公司), a wholly State-owned enterprise established by the approval of the State Council of the PRC
“Share Vendor”	Towngas Renewable Energy Company Limited, a BVI business company incorporated in the British Virgin Islands and a wholly-owned subsidiary of HKCG
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Towngas Renewable Energy (HK)”	Towngas Renewable Energy (HK) Company Limited, a limited liability company incorporated in Hong Kong
“Transfer Agreement”	the agreement for the Acquisition dated 21 June 2023 entered into amongst the Share Vendor, the Loan Vendor and the Purchaser

“Vendors”

the Share Vendor and the Loan Vendor, and each a “Vendor”

By Order of the board of directors of
Towngas Smart Energy Company Limited

John Ho Hon-ming

Executive Director and Company Secretary

Hong Kong, 21 June 2023

As at the date of this announcement, the board of directors of the Company comprises:

Non-executive Directors: Dr. Lee Ka-kit (Chairman) and Mr. Liu Kai Lap Kenneth

Independent Non-executive Directors: Dr. the Hon. Moses Cheng Mo-chi, Mr. Brian David Li Man-bun, Mr. James Kwan Yuk-choi and Dr. Loh Kung Wai Christine

Executive Directors: Mr. Peter Wong Wai-yee (Chief Executive Officer), Mr. John Ho Hon-ming (Company Secretary), Mr. Martin Kee Wai-ngai (Chief Operating Officer – Gas Business) and Dr. John Qiu Jian-hang (Chief Operating Officer – Renewable Business)

** For identification purposes only*