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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 DISPOSAL OF INTEREST IN A SUBSIDIARY

DISPOSAL OF INTEREST IN JIANGSU JINZHUO

The Board announces that on 7 May 2021, U-Tech (Guang Dong), an indirect wholly-owned subsidiary of the Company, entered into:

- (a) the First Transfer Agreement with HCIL, an indirect wholly-owned subsidiary of HKCG, pursuant to which U-Tech (Guang Dong) agreed to sell the First Sale Interest to HCIL at the consideration of RMB41,860,000 (approximately HK\$50,042,000); and
- (b) the Second Transfer Agreement with Huzhou Dingchang, pursuant to which U-Tech (Guang Dong) agreed to sell the Second Sale Interest to Huzhou Dingchang.

After completion of the First Disposal on a standalone basis, Jiangsu Jinzhuo will still remain as a subsidiary of the Company. However, in the event that both the First Disposal and the Second Disposal are completed, Jiangsu Jinzhuo will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As HKCG is a controlling shareholder of the Company, and HCIL is a subsidiary of HKCG, HCIL is a connected person of the Company under the Listing Rules. The entering into of the First Transfer Agreement and the First 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 First Disposal under the First Transfer Agreement are more than 0.1% but all of them are less than 5%, the First Disposal 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 Huzhou Dingchang is a substantial shareholder of Jiangsu Jinzhuo which is an insignificant subsidiary of the Company, notwithstanding its interest in Jiangsu Jinzhuo, Huzhou Dingchang is not regarded as a connected person of the Company pursuant to Rule 14A.09 of the Listing Rules. The entering into of the Second Transfer Agreement and the Second Disposal contemplated thereunder therefore does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Further, as all the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the First Disposal and the Second Disposal on a standalone basis as well as in respect of the Disposals on an aggregate basis are less than 5%, the Disposals both on a standalone basis and on an aggregate basis do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules.

DISPOSAL OF INTEREST IN JIANGSU JINZHUO

The Board announces that on 7 May 2021, U-Tech (Guang Dong), an indirect wholly-owned subsidiary of the Company, entered into the First Transfer Agreement with HCIL, an indirect wholly-owned subsidiary of HKCG, pursuant to which U-Tech (Guang Dong) has agreed to sell the First Sale Interest to HCIL on and subject to the terms and conditions set out in the First Transfer Agreement. The principal terms of the First Transfer Agreement are set out as follows:

- Date** : 7 May 2021
- Parties** : U-Tech (Guang Dong), an indirect wholly-owned subsidiary of the Company, as transferor and HCIL, an indirect wholly-owned subsidiary of HKCG, as transferee.
- Subject matter** : Pursuant to the First Transfer Agreement, U-Tech (Guang Dong) has agreed to sell, and HCIL has agreed to purchase, the First Sale Interest, being 29.9% equity interest in Jiangsu Jinzhuo.
- Consideration** : The consideration for the First Disposal shall be RMB41,860,000 (approximately HK\$50,042,000), which was determined upon arm's length negotiations between the parties to the First Transfer Agreement with reference to the initial acquisition cost of the Group for the First Sale Interest and the subsequent amount of further capital injected by U-Tech (Guang Dong) pursuant to an increase in the registered capital of Jiangsu Jinzhuo which is attributable to the First Sale Interest.
- Payment terms** : The consideration shall be paid by way of cash in one lump sum to the bank account designated by U-Tech (Guang Dong) within 5 business days after completion of the registration procedures with the relevant PRC authorities in connection with the First Disposal.

Completion of the First Disposal shall take place upon completion of all necessary filing and registration procedures with the relevant PRC authorities in connection with the First Disposal.

On 7 May 2021, U-Tech (Guang Dong) as transferor also entered into the Second Transfer Agreement with Huzhou Dingchang as transferee pursuant to which U-Tech (Guang Dong) has agreed to sell the Second Sale Interest to Huzhou Dingchang on and subject to the terms and conditions set out in the Second Transfer Agreement. Huzhou Dingchang is a substantial shareholder of Jiangsu Jinzhuo holding 20% equity interest in Jiangsu Jinzhuo as at the date of this announcement. Completion of the Second Disposal shall take place upon completion of all necessary filing and registration procedures with the relevant PRC authorities in connection with the Second Disposal.

Completion of the First Disposal and the Second Disposal are not inter-conditional upon each other.

INFORMATION ON JIANGSU JINZHUO

Jiangsu Jinzhuo is a limited liability company established in the PRC on 7 July 2000 with an initial registered capital of RMB10,000,000 (approximately HK\$11,955,000). In September 2020, U-Tech (Guang Dong) signed an agreement with an independent third party to acquire 80% interest in Jiangsu Jinzhuo at the consideration of RMB80,000,000 (approximately HK\$95,637,000), which consideration has not been paid in full as at the date of this announcement. Jiangsu Jinzhuo is owned as to 80% by U-Tech (Guang Dong) and 20% by Huzhou Dingchang as at the date of this announcement. Subsequent to the acquisition of 80% interest in Jiangsu Jinzhuo by U-Tech (Guang Dong), the registered capital of Jiangsu Jinzhuo was increased to RMB100,000,000 (approximately HK\$119,546,000) and as at the date of this announcement, registered capital in the amount of RMB50,000,000 (approximately HK\$59,773,000) had not yet been paid up. Jiangsu Jinzhuo is principally engaged in the businesses of municipal engineering, civil construction work, road and bridge work, landscaping work, indoor and outdoor decoration and renovation work, steel structure and steel mesh construction work, gas, water and sewage pipeline installation, equipment installation, non-excavation pipeline reconstruction work, leasing of self-owned properties and facilities, pressure pipeline installation, transformation and maintenance, and road cargo transportation.

The unaudited net asset value of Jiangsu Jinzhuo as at 31 December 2020 was approximately RMB52,957,000 (approximately HK\$63,308,000) and the audited net profits of Jiangsu Jinzhuo (both before and after tax) for the financial year ended 31 December 2019 and unaudited net profits of Jiangsu Jinzhuo (both before and after tax) for the financial year ended 31 December 2020 were as follows:-

	For the year ended 31 December	
	2019	2020
	<i>RMB'000 (HK\$'000)</i>	<i>RMB'000 (HK\$'000)</i>
	<i>(Audited)</i>	<i>(Unaudited)</i>
Net profit before tax	1,980,000	4,351,000
	(approximately HK\$2,367,000)	(approximately HK\$5,201,000)
Net profit after tax	1,752,000	3,255,000
	(approximately HK\$2,094,000)	(approximately HK\$3,891,000)

REASONS FOR AND BENEFITS OF THE FIRST DISPOSAL AND USE OF PROCEEDS

HKCG, the parent company of the Group, has been focusing on the development of environmental protection projects relating to water sectors, distributed energy, photovoltaics, energy storage and kitchen waste, and these businesses are expected to continue to grow rapidly. At the same time, Jiangsu Jinzhao is mainly engaged in engineering work services in Jiangsu province and its surrounding areas, and the gas enterprises in this region are mainly subsidiaries of HKCG. Introducing a member of the HKCG Group as a shareholder of Jiangsu Jinzhao will deepen the business and regional synergies, as well as strengthen the management of Jiangsu Jinzhao and increase the opportunities for future business expansion.

The Directors (including the independent non-executive Directors) consider that notwithstanding that the First Disposal is not in the ordinary and usual course of business of the Group, the terms of the First Transfer Agreement and the First Disposal 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 First Disposal after deducting the expenses in relation to the First Disposal be utilised for settlement of the outstanding consideration payable by U-Tech (Guang Dong) for the 80% equity interest in Jiangsu Jinzhao and the Group's general working capital purpose.

FINANCIAL EFFECTS OF THE FIRST DISPOSAL

As the consideration for the First Disposal is the same as that of the aggregate of the initial acquisition cost of the Group for the First Sale Interest and the subsequent amount of further capital injected by U-Tech (Guang Dong) into Jiangsu Jinzhao which is attributable to the First Sale Interest, it is expected that the Group will record neither a gain nor a loss on completion of the First Disposal.

After completion of the First Disposal on a standalone basis, Jiangsu Jinzhao will still remain as a subsidiary of the Company. However, in the event that both the First Disposal and the Second Disposal are completed, Jiangsu Jinzhao will cease to be a subsidiary of the Company and the financial results of Jiangsu Jinzhao will no longer be consolidated into the Company's consolidated financial statements.

INFORMATION ON THE PARTIES

The Company is an investment holding company and the principal activities of its subsidiaries are the sales and distribution of piped gas in the PRC including the provision of piped gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of gas fuel automobile refilling stations and the sale of gas household appliances. HKCG is a controlling shareholder of the Company and through its various wholly-owned subsidiaries holds approximately 68.21% of the total issued shares of the Company as at the date of this announcement.

U-Tech (Guang Dong) is an indirect wholly-owned subsidiary of the Company and is principally engaged in the business of the provision of urban pipeline engineering services, non-excavation engineering work services, water supply, drainage and heating engineering work services, urban pipeline inspection services and pipeline positioning measurement services, technical consultation services for engineering projects, project management services, bidding agency services, cost consultation services for customers, and sale of mechanical equipment and tools for urban engineering work.

HCIL is an indirect wholly-owned subsidiary of HKCG and is principally engaged in the business of investment holding. 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 HCIL is a subsidiary of HKCG, HCIL is a connected person of the Company under the Listing Rules. The entering into of the First Transfer Agreement and the First 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 First Disposal under the First Transfer Agreement are more than 0.1% but all of them are less than 5%, the First Disposal 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 Huzhou Dingchang is a substantial shareholder of Jiangsu Jinzhuo which is an insignificant subsidiary of the Company, notwithstanding its interest in Jiangsu Jinzhuo, Huzhou Dingchang is not regarded as a connected person of the Company pursuant to Rule 14A.09 of the Listing Rules. The entering into of the Second Transfer Agreement and the Second Disposal contemplated thereunder therefore does not constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

Further, as all the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the First Disposal and the Second Disposal on a standalone basis as well as in respect of the Disposals on an aggregate basis are less than 5%, the Disposals both on a standalone basis and on an aggregate basis do not constitute notifiable transactions of the Company under Chapter 14 of the Listing Rules.

As Mr. Alfred Chan Wing-kin, Mr. Peter Wong Wai-yee, Mr. John Ho Hon-ming and Dr. Moses Cheng Mo-chi, all being Directors, are also directors of HKCG, each of them has abstained from voting on the Board resolution to approve the First Transfer Agreement and the First Disposal 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 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
“Disposals”	the First Disposal and the Second Disposal
“First Disposal”	the disposal of the First Sale Interest in Jiangsu Jinzhuo held by U-Tech (Guang Dong) to HCIL pursuant to the First Transfer Agreement
“First Sale Interest”	29.9% equity interest in Jiangsu Jinzhuo
“First Transfer Agreement”	the equity interest transfer agreement dated 7 May 2021 entered into between U-Tech (Guang Dong) as transferor and HCIL as transferee in relation to the First Disposal
“Group”	the Company and its subsidiaries
“HCIL”	港華投資有限公司 (Hong Kong & China Gas Investment Limited), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of HKCG
“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

“Huzhou Dingchang”	湖州鼎昌工程設計合夥企業（普通合夥）(Huzhou Dingchang Engineering Design Partnership Enterprise (General Partnership)), a general partnership registered in the PRC which is a substantial shareholder of Jiangsu Jinzhuo
“insignificant subsidiary”	has the meaning ascribed to it under Rule 14A.09 of the Listing Rules
“Jiangsu Jinzhuo”	江蘇金卓建設工程有限公司 (Jiangsu Jinzhuo Construction Engineering Co., Ltd), a company established in the PRC with limited liability which is owned as to 80% by U-Tech (Guang Dong) and 20% by Huzhou Dingchang as at the date of this announcement
“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
“Second Disposal”	the disposal of the Second Sale Interest by U-Tech (Guang Dong) to Huzhou Dingchang pursuant to the Second Transfer Agreement
“Second Sale Interest”	0.2% equity interest in Jiangsu Jinzhuo
“Second Transfer Agreement”	the equity interest transfer agreement dated 7 May 2021 entered into between U-Tech (Guang Dong) as transferor and Huzhou Dingchang as transferee in relation to the Second Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“U-Tech (Guang Dong)” 卓裕（廣東）工程建設有限公司(U-Tech (Guang Dong) Engineering Construction 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, 7 May 2021

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

Executive Directors:

Alfred Chan Wing-kin (*Chairman*)
Peter Wong Wai-yee (*Chief Executive Officer*)
John Ho Hon-ming (*Company Secretary*)
Martin Kee Wai-ngai (*Chief Operating Officer*)

Independent Non-Executive Directors:

Moses Cheng Mo-chi
Brian David Li Man-bun
James Kwan Yuk-choi

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 RMB0.8365 = 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.