

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



# 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 DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

### **DISPOSAL OF EQUITY INTEREST IN COSY HOME (QINGDAO)**

The Board announces that on 22 April 2022, Qingdao Zhongji, a non-wholly owned subsidiary of the Company, and Towngas Home Lifestyle (Qingdao), a non-wholly owned subsidiary of HKCG, entered into the Equity Transfer Agreement pursuant to which Qingdao Zhongji has agreed to sell and Towngas Home Lifestyle (Qingdao) has agreed to purchase 70% equity interest in Cosy Home (Qingdao) at the consideration of RMB1,462,758.37 (approximately HK\$1,801,000).

Upon completion of the Disposal, Cosy Home (Qingdao) will cease to be a subsidiary of the Company and the financial results of Cosy Home (Qingdao) will no longer be consolidated into the Company's consolidated financial statements.

### **LISTING RULES IMPLICATIONS**

As HKCG is a controlling shareholder of the Company, and Towngas Home Lifestyle (Qingdao) is a non-wholly owned subsidiary of HKCG (owned as to 65% in aggregate through its two wholly-owned subsidiaries, namely Towngas Lifestyle (Shenzhen) and Xinmi HKCG), Towngas Home Lifestyle (Qingdao) is a connected person of the Company under the Listing Rules. The entering into of the Equity Transfer Agreement and the 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 Disposal is less than 0.1%, the Disposal and the entering into of the Equity Transfer Agreement on a standalone basis constitutes a de minimis connected transaction for the Company under Rule 14A.76(1) of the Listing Rules and is 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 Disposal; and (ii) the other disposal and formation of joint venture transactions relating to companies carrying out the business of creating a new health business landscape between the Group and the HKCG Group during the previous 12 months on an aggregate basis is more than 0.1% but all are less than 5%, the Disposal 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.

## **THE DISPOSAL AND THE EQUITY TRANSFER AGREEMENT**

The Board announces that on 22 April 2022, Qingdao Zhongji, a non-wholly owned subsidiary of the Company, and Towngas Home Lifestyle (Qingdao), a non-wholly owned subsidiary of HKCG, entered into the Equity Transfer Agreement, pursuant to which Qingdao Zhongji has agreed to sell and Towngas Home Lifestyle (Qingdao) has agreed to purchase 70% equity interest in Cosy Home (Qingdao), on and subject to the terms set out in the Equity Transfer Agreement. The principal terms of the Equity Transfer Agreement are set out as follows:

- Date** : 22 April 2022
- Parties** : Qingdao Zhongji, a non-wholly owned subsidiary of the Company, as transferor and Towngas Home Lifestyle (Qingdao), a non-wholly owned subsidiary of HKCG, as transferee.
- Subject matter** : Pursuant to the Equity Transfer Agreement, Qingdao Zhongji has agreed to sell and Towngas Home Lifestyle (Qingdao) has agreed to purchase 70% equity interest in Cosy Home (Qingdao).
- Consideration** : The consideration for the Disposal shall be RMB1,462,758.37 (approximately HK\$1,801,000), which was determined upon arm's length negotiations between the parties to the Equity Transfer Agreement with reference to the unaudited net asset value of Cosy Home (Qingdao) as at 31 January 2022.
- Payment terms** : The consideration shall be paid in cash in the following manner:
- (a) 50% of the consideration in the amount of RMB731,379.19 (approximately HK\$901,000) shall be paid by Towngas Home Lifestyle (Qingdao) to Qingdao Zhongji within 30 days after Qingdao Zhongji and Towngas Home Lifestyle (Qingdao) having duly signed the Equity Transfer Agreement and the Cosy Home (Qingdao) Articles and all approvals, consents, authorisations and permits required for the execution and performance of the Equity Transfer Agreement having been obtained, and

- (b) the remaining 50% of the consideration in the amount of RMB731,379.18 (approximately HK\$901,000) shall be paid by Towngas Home Lifestyle (Qingdao) to Qingdao Zhongji within 30 days after Cosy Home (Qingdao) having obtained the new business licence for joint venture corporations from the relevant PRC authority.

**Share of profit and loss up to the Completion Date** : The cumulative undistributed profits of Cosy Home (Qingdao) prior to 31 January 2022 and the profit and loss in respect of Cosy Home (Qingdao) during the period from 31 January 2022 to the Completion Date shall be shared as to 30% by Qingdao Zhongji and 70% by Towngas Home Lifestyle (Qingdao).

Upon completion of the Disposal, Cosy Home (Qingdao) will be owned as to 30% by Qingdao Zhongji and 70% by Towngas Home Lifestyle (Qingdao) respectively.

### **INFORMATION ON COSY HOME (QINGDAO)**

Cosy Home (Qingdao) is a limited liability company established in the PRC on 10 March 2020 with a registered capital of RMB1,000,000 (approximately HK\$1,232,000) and as at the date of this announcement is a wholly-owned subsidiary of Qingdao Zhongji, which in turn is a 90% owned subsidiary of the Company. As at the date of this announcement, the entire registered capital of Cosy Home (Qingdao) has been fully paid by Qingdao Zhongji. Cosy Home (Qingdao) is principally engaged in the sales of gas appliances and extended services including installation and maintenance services, and information technology services, etc.

The unaudited net asset value of Cosy Home (Qingdao) as at 31 December 2021 was approximately RMB3,325,000 (approximately HK\$4,095,000), the unaudited net asset value of Cosy Home (Qingdao) as at 31 January 2022 was approximately RMB2,090,000 (approximately HK\$2,574,000), and the audited net profits of Cosy Home (Qingdao) (both before and after tax) for the period from 10 March 2020 to 31 December 2020 and the unaudited net profits of Cosy Home (Qingdao) (both before and after tax) for the year ended 31 December 2021 were as follows:-

	<b>For the period from 10 March 2020 to 31 December 2020 (Audited)</b>	<b>For the year ended 31 December 2021 (Unaudited)</b>
Net profit before tax	RMB66,000 (approximately HK\$81,000)	RMB2,426,000 (approximately HK\$2,988,000)
Net profit after tax	RMB66,000 (approximately HK\$81,000)	RMB2,259,000 (approximately HK\$2,782,000)

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS**

Leveraging on the theme of healthy living promoted by Towngas Lifestyle (Shenzhen) (being the controlling shareholder of Towngas Home Lifestyle (Qingdao)), and its abundant suppliers and cooperative relationships combining with the advantages of Cosy Home (Qingdao) of having offline resources and its familiarity with the needs of users in the areas which it covers, the introduction of Towngas Lifestyle (Shenzhen) as a shareholder of Cosy Home (Qingdao) through Towngas Home Lifestyle (Qingdao) will create a synergistic effect in complementing advantages and resources and support the new form of healthy living business for the Group's extended services under the brand of Towngas Lifestyle on the foundation of the original cosy living business so as to achieve collaborative development and mutual promotion of the new form of healthy living.

The Directors (including the independent non-executive Directors) consider that notwithstanding that the Disposal is not in the ordinary and usual course of business of the Group, the terms of the Disposal, 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.

It is intended that the net proceeds from the Disposal after deducting the expenses in relation to the Disposal be utilised for the Group's general working capital purpose.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

As the consideration for the Disposal is determined based on 70% of the unaudited net asset value of Cosy Home (Qingdao) as at 31 January 2022, it is expected that the Group will not record any gain or loss upon completion of the Disposal. Subject to audit and completion of the Disposal, the actual amount of gain or loss on the Disposal to be recognized by the Group may vary.

Upon completion of the Disposal, Qingdao Zhongji's interest in Cosy Home (Qingdao) will be reduced to 30%, Cosy Home (Qingdao) will cease to be a subsidiary of the Company and the financial results of Cosy Home (Qingdao) will no longer be consolidated into the Company's consolidated financial statements.

## **INFORMATION ON THE PARTIES**

Qingdao Zhongji is owned as to 90% by the Company and 10% by 即墨市市政工程建设总公司 (Jimo City Municipal Engineering Construction Company) as at the date of this announcement and is principally engaged in the business of provision of natural gas and related services and gas pipeline construction. So far as the Company is aware, 即墨市市政工程建设总公司 (Jimo City Municipal Engineering Construction Company) is ultimately owned by the People's Government of Jimo District, Qingdao.

Towngas Home Lifestyle (Qingdao) is owned as to 50%, 20%, 15% and 15% by Towngas Lifestyle (Shenzhen) (a wholly-owned subsidiary of HKCG), Qingdao Zhongji, Longkou HKCG (a wholly-owned subsidiary of the Company) and Xinmi HKCG (a wholly-owned subsidiary of HKCG) respectively as at the date of this announcement and is principally engaged in the business of sales of food in physical shops and online, and provision of consultation services on technology development and household services, etc.

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, other value-added services in the PRC.

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.

## **LISTING RULES IMPLICATIONS**

As HKCG is a controlling shareholder of the Company, and Towngas Home Lifestyle (Qingdao) is a non-wholly owned subsidiary of HKCG (owned as to 65% in aggregate through its two wholly-owned subsidiaries, namely Towngas Lifestyle (Shenzhen) and Xinmi HKCG), Towngas Home Lifestyle (Qingdao) is a connected person of the Company under the Listing Rules. The entering into of the Equity Transfer Agreement and the 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 Disposal is less than 0.1%, the Disposal and the entering into of the Equity Transfer Agreement on a standalone basis constitutes a de minimis connected transaction for the Company under Rule 14A.76(1) of the Listing Rules and is 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 Disposal; and (ii) the other disposal and formation of joint venture transactions relating to companies carrying out the business of creating a new health business landscape between the Group and the HKCG Group during the previous 12 months on an aggregate basis is more than 0.1% but all are less than 5%, the Disposal 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-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 Disposal, the Equity Transfer Agreement and the transactions 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 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 on which Cosy Home (Qingdao) changes its registration and obtains its new business license
“connected person”	has the meaning ascribed to it under the Listing Rules
“Cosy Home (Qingdao)”	青島港華舒適家服務有限公司 (Qingdao Towngas Cosy Home Services Company Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of Qingdao Zhongji as at the date of this announcement
“Cosy Home (Qingdao) Articles”	the articles of Cosy Home (Qingdao) to be formulated by Qingdao Zhongji and Towngas Home Lifestyle (Qingdao) to stipulate matters such as the objectives, organization principles and management methods relating to Cosy Home (Qingdao)
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of 70% equity interest in Cosy Home (Qingdao) held by Qingdao Zhongji to Towngas Home Lifestyle (Qingdao) pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement dated 22 April 2022 entered into between Qingdao Zhongji as transferor and Towngas Home Lifestyle (Qingdao) as transferee in relation to the Disposal
“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)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Longkou HKCG”	龍口港華燃氣有限公司 (Longkou Hongkong and China Gas Company Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the date of this announcement
“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
“Qingdao Zhongji”	青島中即港華燃氣有限公司 (Qingdao Zhongji Hong Kong and China Gas Company Limited), a company established in the PRC with limited liability which is a 90% owned subsidiary of the Company with the remaining 10% owned by 即墨市市政 engineering 建設總公司 (Jimo City Municipal Engineering Construction Company) as at the date of this announcement
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Towngas Home Lifestyle (Qingdao)”	港華到家 (青島) 信息技術有限公司 (Towngas Home Lifestyle (Qingdao) Information Technology Company Limited), a company established in the PRC with limited liability which is owned as to 50% by Towngas Lifestyle (Shenzhen), 20% by Qingdao Zhongji, 15% by Longkou HKCG and 15% by Xinmi HKCG respectively as at the date of this announcement
“Towngas Lifestyle (Shenzhen)”	名氣家 (深圳) 信息服務有限公司 (Towngas Lifestyle (Shenzhen) Information Services Company Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of HKCG as at the date of this announcement

“Xinmi HKCG”

新密港華燃氣有限公司 (Xinmi Hong Kong and China Gas Company Limited), a company established in the PRC with limited liability and a wholly-owned subsidiary of HKCG as at the date of this announcement

“%”

per cent

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

Hong Kong, 22 April 2022

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

*Non-Executive Directors:*

LEE Ka-kit (*Chairman*)

LIU Kai Lap Kenneth

*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*)

*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 RMB0.812 = 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.*