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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 49% EQUITY INTEREST IN GUANGZHOU SCIENCE CITY-TOWNGAS SMART ENERGY CO., LTD.*

On 25 August 2023, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Transfer Agreement with the Vendor to acquire 49% equity interest in the Target Company from the Vendor at the consideration of approximately RMB2,338,000.

As HKCG is a controlling shareholder of the Company and the Vendor is a wholly-owned subsidiary of HKCG, the Vendor is a connected person 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 is 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

25 August 2023

Parties

- (1) The Vendor, a wholly-owned subsidiary of HKCG, as vendor of 49% equity interest in the Target Company;
- (2) the Purchaser, a wholly-owned subsidiary of the Company, as purchaser.

Subject matter

The Vendor agreed to sell and the Purchaser agreed to purchase the entire 49% equity interest in the Target Company held by the Vendor as at the date of the Transfer Agreement. Such equity interest and all the rights, powers, interests and obligations associated therewith shall be transferred to the Purchaser on the date of the Transfer Agreement.

Consideration and completion

The consideration of approximately RMB2,338,000 is payable in cash by the Purchaser to the Vendor within 45 days following the date of the Transfer Agreement. The Vendor shall cooperate with the Purchaser and use its best endeavours to complete the necessary registrations, filings and notifications for the change of equity-holding in the Target Company as soon as practicable following the receipt of the consideration.

The consideration was determined after arm's length negotiations between the parties with reference to the unaudited net asset value of the Target Company of approximately RMB3,864,000 as at 30 June 2023 and the registered capital of the Target Company in the amount of approximately RMB908,000 subsequently contributed by Science City GZ Environmental on 18 August 2023.

The consideration will be funded by the Group's internal resources.

INFORMATION ON THE TARGET COMPANY

The Target Company is a limited liability company established in the PRC on 18 November 2021 and owned as to 51% by Science City GZ Environmental and as to 49% by the Vendor. It is principally engaged in renewable energy projects (including but not limited to solar (photovoltaic), biomass, wind, etc.) and integrated smart energy projects (including but not limited to the application of waste heat in power plants, regional distributed energy stations, power storage projects, etc.), and its project development is based in the Guangdong-Hong Kong-Macao Greater Bay Area.

The Target Company has a registered capital of RMB100 million, of which approximately RMB3,713,000 has been contributed by Science City GZ Environmental and approximately RMB3,567,000 (being the original establishment cost of the Target Company to the Vendor) has been contributed by the Vendor as at the date of this Transfer Agreement. The unpaid registered capital of the Target Company will be contributed by the equity holders of the Target Company in proportion to their equity holdings according to development needs.

Science City GZ Environmental is a wholly-owned subsidiary of Science City GZ. Science City GZ Environmental is principally engaged in comprehensive ecological environmental preventative services, focusing on smart environmental protection consulting, comprehensive pollution prevention and control, solid waste disposal, carbon asset management and urban ecology building. Benefiting from the comprehensive development of the Science City GZ Group in the past 30 years and the support from the local government, Science City GZ Environmental has seen rapid development in its environmental protection business while shouldering the major strategic mission and responsibility of serving the Huangpu District of Guangzhou City and the Guangzhou Development Zone. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Science City GZ Environmental and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company.

Set out below is certain unaudited financial information of the Target Company (prepared in accordance with the China Accounting Standards for Business Enterprises) for the period from 18 November 2021 (the date of incorporation of the Target Company) to 31 December 2021 and as at 31 December 2021. No audited financial statements were prepared for such period as the Target Company had not commenced business during that time.

	For the period from 18 November 2021 to 31 December 2021 (unaudited) RMB
Net profits before and after taxation	0

	As at 31 December 2021 (unaudited) RMB
Net assets	0

Set out below is certain audited financial information of the Target Company (prepared in accordance with the China Accounting Standards for Business Enterprises) for the financial year ended 31 December 2022 and as at 31 December 2022.

	For the financial year ended 31 December 2022 (audited) RMB
Net loss before and after taxation	(1,566,000)
	As at 31 December 2022 (audited) RMB
Net assets	3,934,000

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is developing a long-term strategic partnership with the Science City GZ Group. Through its interest in the Target Company, the Group can have access to the resources of the industrial parks managed and operated by the Science City GZ Group, including Guangde Industrial Park* (廣德產業園), Beijing-Guangzhou Collaborative Innovation Center* (京廣協同創新中心), Sino-Singapore Knowledge City* (中新知識城), Guangqing Industrial Park* (廣清產業園), etc. , while at the same time promote the Group's offerings of integrated energy project development, investment and operations in these industrial parks.

The Company believes that the Target Company will benefit from the State-owned background of the Science City GZ Group and be able to work with local government and businesses, giving full play to the strengths of the Group in the fields of energy planning, scheme design, operation management and high-quality services. The Company further believes that a complementary and mutually beneficial strategic cooperation with the Science City GZ Group can be formed for the pursuance of renewable energy and smart energy development in the Guangdong-Hong Kong-Macao Greater Bay Area.

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 VENDOR, THE PURCHASER, HKCG AND THE COMPANY

The Vendor is a company established in the PRC with limited liability and a wholly-owned subsidiary of HKCG. It is principally engaged in investment holding. 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. 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 a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding. 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 and the Vendor is a wholly-owned subsidiary of HKCG, the Vendor is a connected person 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 is 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-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 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 49% equity interest in the Target Company by the Purchaser from the Vendor
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Science City GZ”	Science City (Guangzhou) Investment Group Co., Ltd. * (科學城(廣州)投資集團有限公司), a wholly State-owned enterprise established by the approval of the State-owned Assets Supervision and Administration Commission of the Guangzhou Development Zone

“Science City GZ Environmental”	Science City (Guangzhou) Environmental Protection Investment Group Co., Ltd.* (科學城（廣州）環保產業投資集團有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Science City GZ
“Science City GZ Group”	Science City GZ and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Guangzhou Science City-Towngas Smart Energy Co., Ltd.* (廣州科城港華智慧能源有限公司), a company established in the PRC with limited liability
“Transfer Agreement”	the agreement for the Acquisition dated 25 August 2023 entered into amongst the Vendor and the Purchaser
“Vendor”	Hong Kong and China Integrated Power Investment (Shenzhen) Limited* (港華綜合電能投資（深圳）有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of HKCG

By Order of the Board of Directors
John Ho Hon-ming
Executive Director and Company Secretary

Hong Kong, 25 August 2023

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

Non-Executive Directors:

LEE Ka-kit (*Chairman*)

LIU Kai Lap Kenneth

Executive Directors:

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

* For identification purposes only