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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 TRANSACTIONS ACQUISITION OF EQUITY INTERESTS IN THE SUBJECT COMPANIES

On 8 December 2023, the Purchaser (being a wholly-owned subsidiary of the Company) entered into the Transfer Agreements to acquire from the Vendor its entire equity interests of 50% in Shanghai Electric Energy, 50% in Jilin Electric Energy and 100% in Suqian Photovoltaic for the consideration of RMB7,371,549, RMB603,912 and RMB53,118,256 respectively.

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 Acquisitions under the Transfer Agreements therefore constitute connected transactions 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 Acquisitions under the Transfer Agreements, when aggregated with the Previous Acquisitions, are more than 0.1% but all of them are less than 5%, the Acquisitions are subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## THE TRANSFER AGREEMENTS

Summarised below are the principal terms of the Transfer Agreements, each of which being entered into on 8 December 2023 between the Purchaser (being a wholly-owned subsidiary of the Company) as purchaser and the Vendor (being a wholly-owned subsidiary of HKCG) as vendor:

	<b>Subject Company in which equity interests are to be transferred</b>	<b>Total paid up capital out of registered capital (RMB)</b>	<b>Amount (RMB) and percentage of paid up capital to be transferred</b>	<b>Consideration (RMB)</b>	<b>Basis for determination of the consideration</b>
1	Shanghai Electric Energy	8,654,000 out of 190,000,000	8,154,000 (50% <sup>Note 1</sup> )	7,371,549 <sup>Note 1</sup>	The consideration was determined after arm's length negotiations between the parties with reference to the unaudited book value of the net assets of the Subject Company of RMB7,089,098 as at 31 October 2023, and the capital contributions of RMB7,154,000 and RMB500,000 to be made by the Vendor and Shanghai Power respectively
2	Jilin Electric Energy	1,200,000 <sup>Note 2</sup> out of 50,000,000	600,000 (50%)	603,912 <sup>Note 3</sup>	The consideration was determined after arm's length negotiations between the parties with reference to the unaudited book value of the net assets of the Subject Company of RMB1,207,824 as at 31 October 2023
3	Suqian Photovoltaic	50,924,800 out of 50,950,000	50,924,800 (100%)	53,118,256 <sup>Note 3</sup>	The consideration was determined after arm's length negotiations between the parties with reference to the unaudited book value of the equity attributable to shareholders of the Subject Company of RMB53,118,256 as at 31 October 2023

*Notes:*

1. Taking into account (i) paid up capital of RMB1,000,000 and RMB7,654,000 already contributed by the Vendor and Shanghai Power respectively; and (ii) RMB7,154,000 and RMB500,000 which the Vendor and Shanghai Power are obliged to contribute by 31 January 2024 respectively. Completion of the transfer is conditional on the Vendor having made such contribution of RMB7,154,000, and the Purchaser shall pay the consideration in cash to the Vendor within 45 days after fulfilment of such condition.
2. The paid up capital of Jilin Electric Energy was contributed by its existing shareholders Jilin Power and the Vendor as to RMB600,000 each.

- The Purchaser shall pay the consideration in cash to the Vendor within 45 days after the date of the Transfer Agreement.

The Vendor's original acquisition cost of the paid up capital of each Subject Company to be transferred to the Purchaser was or will be equal to the amount of such paid up capital.

Under each 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 Subject Company as soon as practicable following the receipt of the consideration.

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

## INFORMATION ON THE SUBJECT COMPANIES

### *Principal business activities*

Set out below is a description of the principal business activities of Shanghai Electric Energy, Jilin Electric Energy and Suqian Photovoltaic (and its subsidiaries):

	<b>Subject Company</b>	<b>Principal business activities</b>
1	Shanghai Electric Energy	Renewable energy projects (including solar (photovoltaic), biomass and wind) 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), the development of which is based in the Yangtze River Delta Economic Circle
2	Jilin Electric Energy	Investment in ground distributed photovoltaic power station
3	Suqian Photovoltaic (and its subsidiaries)	Renewable energy (including solar (photovoltaic)) projects, the development of which are based in Suqian

### *The other shareholders of Shanghai Electric Energy and Jilin Electric Energy*

The other 50% equity interest in Shanghai Electric Energy is held by Shanghai Power (see Note 1 above), a joint stock limited company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600021). Shanghai Power is principally engaged in the production and sale of electricity and thermal power. The controlling shareholder of Shanghai Power is SPIC.

The other 50% equity interest in Jilin Electric Energy is held by Jilin Power, a joint stock limited company established in the PRC and the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000875). Jilin Power is principally engaged in the generation and distribution of electricity, thermal power and new energy products. The controlling shareholder of Jilin Power is SPIC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of Shanghai Power and Jilin Power and its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company.

### ***Financial information***

#### *Shanghai Electric Energy*

Set out below is certain unaudited financial information of Shanghai Electric Energy for the period from 21 October 2021 (being the date of incorporation) to 31 December 2021 and as at 31 December 2021 and certain audited financial information of the Shanghai Electric Energy for the year ended 31 December 2022 and as at 31 December 2022 (prepared in accordance with the China Accounting Standards for Business Enterprises). No audited financial statements were prepared for the period ended 31 December 2021 as Shanghai Electric Energy had not commenced business during that time.

	<b>For the period from 21 October 2021 to 31 December 2021 (<i>unaudited</i>)</b>	<b>For the year ended 31 December 2022 (<i>audited</i>)</b>
Net loss before and after taxation	Nil	RMB(916,000)
	<b>As at 31 December 2021 (<i>unaudited</i>)</b>	<b>As at 31 December 2022 (<i>audited</i>)</b>
Net assets	Nil	RMB1,084,000

### *Jilin Electric Energy*

Set out below is certain unaudited financial information of Jilin Electric Energy (prepared in accordance with the China Accounting Standards for Business Enterprises) for the period from 9 August 2021 (being the date of incorporation) to 31 December 2021 and for the year ended 31 December 2022 and as at 31 December 2021 and 31 December 2022 respectively. No audited financial statements were prepared for such periods as Jilin Electric Energy had not commenced business during that time.

	<b>For the period from 9 August 2021 to 31 December 2021 (unaudited)</b>	<b>For the year ended 31 December 2022 (unaudited)</b>
Net profits before and after taxation	Nil	RMB100
	<b>As at 31 December 2021 (unaudited)</b>	<b>As at 31 December 2022 (unaudited)</b>
Net assets	Nil	RMB600,000

### *Suqian Photovoltaic*

Set out below is certain unaudited consolidated financial information of Suqian Photovoltaic (prepared in accordance with the China Accounting Standards for Business Enterprises) for the year ended 31 December 2021 and the year ended 31 December 2022 and as at 31 December 2021 and 31 December 2022 respectively. No audited financial statements were prepared for such periods as Suqian Photovoltaic had not commenced business during that time.

	<b>For the year ended 31 December 2021 (unaudited)</b>	<b>For the year ended 31 December 2022 (unaudited)</b>
Net profits before and after taxation	Nil	RMB80,000
	<b>As at 31 December 2021 (unaudited)</b>	<b>As at 31 December 2022 (unaudited)</b>
Net assets	Nil	RMB10,055,000

***Contribution of unpaid registered capital and restrictions on transfer of equity interests in Shanghai Electric Energy and Jilin Electric Energy***

The unpaid registered capital of each of Shanghai Electric Energy and Jilin Electric Energy will be contributed by the equity holders of such Subject Company in proportion to their equity holdings according to development needs.

Under the articles of association of each of Shanghai Electric Energy and Jilin Electric Energy, a transfer of equity interest in such Subject Company by a shareholder will be subject to the pre-emptive right of the other shareholder(s) to acquire such equity interest. Shanghai Power and Jilin Power had given written consent for giving up their respective pre-emptive rights in respect of the Transfer Agreements.

**REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

The Group is developing a long-term strategic partnership with SPIC. Shanghai Power is an important backbone enterprise of SPIC, and is vigorously developing renewable energy and comprehensive smart energy projects in the PRC. Through Shanghai Electric Energy, the Group can benefit from Shanghai 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 vigorous pursuit of the development of distributed photovoltaic projects and the pilot of an asset under management model 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.

Jilin Power is an important backbone enterprise of SPIC. It has established new energy bases in more than 30 provinces, municipalities and autonomous regions within the Northeastern, Northwestern, Eastern, Central and Northern regions of the PRC. Through Jilin Electric Energy, the Group can benefit from Jilin 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. Jilin Electric Energy can leverage on Jilin Power's in-depth cooperations with local governments and businesses and the Group's expertise in energy planning, program design, operation management and quality services, creating a strategic cooperation with mutual benefits through development of renewable energy and smart energy projects.

Acquisition of Suqian Photovoltaic will facilitate the development by the Group of renewable energy and smart energy projects in Suqian.

The Directors (including the independent non-executive Directors) consider that notwithstanding that the Acquisitions are not in the ordinary and usual course of business of the Group, the terms of the Transfer Agreements and the Acquisitions 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. HKCG and its subsidiaries are principally engaged in 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 (“Henderson Land”), 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. Henderson Land is an investment holding company and its subsidiaries are principally engaged in the businesses of property development and investment, construction, project management, property management, finance, hotel operation, department store operation and investment holding. The shareholding information of Henderson Land is available on the Stock Exchange’s website (<https://www.hkexnews.hk/>).

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 Acquisitions under the Transfer Agreements therefore constitute connected transactions 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 Acquisitions under the Transfer Agreements, when aggregated with the Previous Acquisitions, are more than 0.1% but all of them are less than 5%, the Acquisitions are subject to the reporting and announcement requirements but are 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 Agreements and the transactions contemplated thereunder. Save as disclosed above, none of the Directors has a material interest in the Transfer Agreements and the transactions contemplated thereunder.

## DEFINITIONS

“ <b>Acquisitions</b> ”	the acquisitions of equity interests in the Subject Companies contemplated under the Transfer Agreements, and each an “Acquisition”
“ <b>Company</b> ”	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)
“ <b>Director(s)</b> ”	director(s) of the Company
“ <b>Group</b> ”	the Company and its subsidiaries
“ <b>HKCG</b> ”	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)
“ <b>HKCG Group</b> ”	HKCG and its subsidiaries
“ <b>Jilin Electric Energy</b> ”	Jilin Electric Power & Towngas Smart Energy (Jinan) Co., Ltd.* (吉電港華智慧能源(濟南)有限公司), a company established in the PRC with limited liability on 9 August 2021
“ <b>Jilin Power</b> ”	Jilin Electric Power Co., Ltd.* (吉林電力股份有限公司), a joint stock limited company established in the PRC and the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000875)
“ <b>Listing Rules</b> ”	the Rules Governing the Listing of Securities on the Stock Exchange
“ <b>percentage ratios</b> ”	has the same meaning as ascribed to it under the Listing Rules
“ <b>PRC</b> ”	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



<b>“Previous Acquisitions”</b>	acquisition transactions of the Group with the HKCG Group (excluding the Group) during the 12 months before the date of this announcement, including the acquisition of equity interests in two companies announced by the Company on 21 June 2023 and 25 August 2023 respectively
<b>“Purchaser”</b>	Towngas China Energy Investment Limited* (港華能源投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“Shanghai Electric Energy”</b>	Shanghai Electric & Towngas Energy Technology Co., Ltd.* (上海上電港華能源科技有限公司), a company established in the PRC with limited liability on 21 October 2021
<b>“Shanghai Power”</b>	Shanghai Electric Power Co., Ltd.* (上海電力股份有限公司), a joint stock limited company established in the PRC and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600021)
<b>“SPIC”</b>	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
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“Subject Companies”</b>	Shanghai Electric Energy, Jilin Electric Energy and Suqian Photovoltaic, and each a “Subject Company”
<b>“Suqian Photovoltaic”</b>	Suqian Towngas China Photovoltaic Co., Ltd.* (宿遷港能投光伏有限公司), a company established in the PRC with limited liability on 6 July 2020
<b>“Transfer Agreements”</b>	the 3 agreements dated 8 December 2023 entered into between the Vendor and the Purchaser for the transfer of equity interests in the Subject Companies, a summary of which are set out in the section headed “THE TRANSFER AGREEMENTS” of this announcement, and each a “Transfer Agreement”

**“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, 8 December 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*