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CHINA HK POWER SMART ENERGY GROUP LIMITED

中國港能智慧能源集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

MAJOR TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN THE TARGET COMPANY INVOLVING ISSUE OF INITIAL CONSIDERATION SHARES UNDER GENERAL MANDATE

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 21 December 2023 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Sellers in relation to the Acquisition, pursuant to which the Sellers have conditionally agreed to sell, and the Company has conditionally agreed to purchase the Sale Shares (representing the entire issued share capital of the Target Company), at an Initial Consideration of HK\$100,000,000 (subject to the Adjustment), which shall be satisfied by way of allotment and issue of the 232,558,140 Initial Consideration Shares at the Issue Price of HK\$0.43 per Initial Consideration Share by the Company to the Sellers under the General Mandate upon Completion credited as fully paid.

Completion of Reorganisation is one of the conditions precedent to Completion under the Sale and Purchase Agreement. Upon completion of the Reorganisation, the Target Company will own the entire issued share capital in the Project Company. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Company will be consolidated into the financial statements of the Company.

The 232,558,140 Initial Consideration Shares represent approximately 4.05% of the issued share capital of the Company as of the date of this announcement and 3.89% of the issued share capital of the Company as enlarged by the allotment and issue of the Initial Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement and the allotment and issue of the Initial Consideration Shares). The Initial Consideration Shares, when allotted and issued, will rank pari passu in all respects among themselves and with the Shares in issue. An application will be made by the Company to the Stock Exchange for the approval for the listing of, and permission to deal in, the Initial Consideration Shares.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 25% but are all less than 100%, the Acquisition constitutes a major transaction of the Company pursuant to Chapter 14 of the Listing Rules and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder; and (b) the written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at the general meeting to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Dr. Kan holds 3,386,433,139 Shares, representing approximately 58.96% of the issued Shares. As the Company has obtained the written approval from Dr. Kan, no extraordinary general meeting will be convened by the Company for the purpose of approving the Sale and Purchase Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

GENERAL

A circular containing, among others, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; (iv) the valuation report in relation to the Target Group; and (v) general information will be despatched to the Shareholders in accordance with Listing Rules for information purposes only on or before 17 January 2024.

WARNING

Shareholders and potential investors of the Company should be aware that the Acquisition is subject to conditions to be satisfied, and consequently the Acquisition may or may not proceed. Accordingly, Shareholders and potential investors are advised to exercise caution when dealing or contemplating dealing in the securities of the Company.

BACKGROUND

The Board is pleased to announce that on 21 December 2023 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Sellers in relation to the Acquisition, pursuant to which the Sellers have conditionally agreed to sell, and the Company has conditionally agreed to purchase, the Sale Shares, representing the entire issued share capital of the Target Company at an Initial Consideration of HK\$100,000,000 (subject to the Adjustment). The Company will settle the Initial Consideration by the allotment and issue of 232,558,140 Initial Consideration Shares at the Issue Price of HK\$0.43 per Initial Consideration Share to the Sellers under the General Mandate upon Completion credited as fully paid.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarized below:

Date: 21 December 2023 (after trading hours)

Parties: (a) the Company as the buyer
(b) Sunland and Old Boy, as the Sellers

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of Sunland and Old Boy and their ultimate beneficial owners is an Independent Third Party.

Subject matter

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase, and the Sellers have conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target Company.

The Target Company is a company incorporated in the British Virgin Islands principally engaged in investment holding. Immediately after Reorganisation but before Completion, the Sale Shares are held as to 50% by Sunland and as to 50% by Old Boy. For further details of the Target Company, please refer to the section headed "Information on the Target Group" below.

Pursuant to the Sale and Purchase Agreement, the Sellers agreed to implement the Reorganisation, the completion of which is a condition precedent to the Completion. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and Target Company will own the entire issued share capital in the Project Company. Further information of the Reorganisation and the Target Group is set out in the paragraphs headed "Reorgainsation" and "Information of the Target Group and its business" in this announcement.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the Company.

Initial Consideration

Pursuant to the Sale and Purchase Agreement, subject to the Adjustment, the Initial Consideration payable by the Company for the Acquisition is HK\$100,000,000. The Company will settle the Initial Consideration by the allotment and issue of an aggregate of 232,558,140 Initial Consideration Shares at the Issue Price of HK\$0.43 per Initial Consideration Share to the Sellers under General Mandate upon Completion credited as fully paid.

The Initial Consideration was determined after arm's length negotiations between the Sellers and the Company on normal commercial terms with reference to (i) the historical financial performance of the Target Group pursuant to its audited financial statements for the years ended 31 December 2020, 2021 and 2022 and 31 July 2023; (ii) the net asset value of the Target Group as at 31 July 2023 prepared based on HKFRSs of approximately HK\$25,167,000; (iii) the business overview and prospect of the Target Group; (iv) the adjustment mechanism of the Initial Consideration which is subject to downward adjustments depending on the achievement of the Guaranteed Profit by the Sellers; (v) the preliminary valuation of the Target Group of approximately RMB95,000,000 (equivalent to approximately HK\$103,645,000) based on market approach as at 31 July 2023 conducted by Access Partner Consultancy & Appraisal Limited, an independent professional valuer engaged by the Company; and (vi) the reasons for and benefits of the Acquisition as stated under the section headed "Reasons for and benefits of the Acquisition" below.

The Directors (including the independent non-executive Directors) consider that the Initial Consideration is fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

Initial Consideration Shares

The 232,558,140 Initial Consideration Shares representing approximately 4.05% of the issued share capital of the Company as of the date of this announcement and approximately 3.89% of the issued share capital of the Company as enlarged by the allotment and issue of the Initial Consideration Shares (assuming there will be no change in the total number of issued Shares of the Company between the date of this announcement and the allotment and issue of the Initial Consideration Shares).

The issue price of HK\$0.43 per Initial Consideration Share represents:

- (i) a discount of approximately 1.16% to the closing price of HK\$0.435 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 1.16% to the average closing price of HK\$0.435 per Share as stated in the Stock Exchange's daily quotation sheets for the last five consecutive trading days immediately preceding the date of the Sale and Purchase Agreement.
- (iii) a discount of approximately 2.56% to the average closing price of HK\$0.441 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to the date of the Sale and Purchase Agreement.

The issue price of HK\$0.43 per Initial Consideration Share was arrived at after arm's length negotiation between the Sellers and the Company with reference to, among others, the then prevailing market price of the Shares, the average closing price of approximately HK\$0.441 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Sale and Purchase Agreement and the then market conditions. The Sellers are not expected to become a substantial shareholder of the Company upon Completion and the allotment and issue of the Initial Consideration Shares will not result in a change of control of the Company. Accordingly, the Directors (including the independent non-executive Directors) consider that the Issue Price is fair and reasonable and the allotment and issue of the Initial Consideration Shares at such Issue Price is in the interests of the Company and the Shareholders as a whole.

The aggregate nominal value of the Initial Consideration Shares is HK\$4,651,163.

The Initial Consideration Shares will be allotted and issued pursuant to the General Mandate. Under the General Mandate, the Directors are allowed to allot and issue up to 1,128,759,418 Shares, representing 20% of the issued share capital of the Company as of the date on which the General Mandate was granted. As at the date of this announcement, a total of 100,000,000 Shares have been issued by the Company pursuant to the General Mandate. The General Mandate is sufficient for the allotment and issue of the Initial Consideration Shares, and the issue of the Initial Consideration Shares is therefore not subject to the approval of the Shareholders.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Initial Consideration Shares. The Initial Consideration Shares, when issued and fully paid, will rank *pari passu* in all respects with each other and with the Shares in issue at the time of issue of the Initial Consideration Shares, except that the holder(s) of the Initial Consideration Shares shall not be entitled to receive the dividend, distribution or entitlement declared, paid or made by reference to a record date prior to the date of allotment and issue of the Initial Consideration Shares.

Lock-up of Initial Consideration Shares

The Sellers, jointly and severally, and irrevocably undertake to the Company that all Initial Consideration Shares shall be subject to a lock-up period of 12 calendar months from the date of completion of the issuance, during which the Sellers shall not transfer, charge, encumber or dispose of any such Initial Consideration Shares without the consent of the Company. Upon expiration of the 12-month lock-up period and until 30 September 2027, the Sellers may sell or otherwise dispose of the Initial Consideration Shares in the event that the relevant Initial Consideration Shares were disposed at the aggregated total number of Shares of no more than 23,256,000 and the aggregated total value of no more than HK\$10,000,000.

Having considered the above, the Board is of the view that there is a mechanism under the Sale and Purchase Agreement in respect of the Adjustment of the Initial Consideration to safeguard the interest of the Company and its Shareholders as a whole.

Conditions Precedent

Completion of the Sale and Purchase Agreement is subject to the satisfaction (or waiver in accordance with the Sale and Purchase Agreement) of the following conditions precedent:

Conditions precedent for the benefits of all parties

1. the transactions contemplated under the Sale and Purchase Agreement having complied with applicable laws of relevant jurisdictions, and having obtained all approvals, consents, clearance or waivers from all relevant governmental authorities;
2. no notice that the transactions contemplated under the Sale and Purchase Agreement shall be treated as or decided (as the case may be) by the Stock Exchange as reverse takeover or extreme transaction under the Listing Rules having been received;
3. completion of the Reorganisation;

Conditions precedent in favour of the Sellers

4. all the warranties of the Company under the Sale and Purchase Agreement in all material respects remaining true and accurate and not misleading in any respect as of the Completion, as though such representations and warranties were made on and as of the Completion;
5. the Company having performed and complied in all material respects with all agreements and obligations required by the Sale and Purchase Agreement to be performed and complied by it prior to the Completion;
6. the Sellers having received a certified true copy of the resolutions of the Board of the Company approving, among other things, execution and the performance of the Sale and Purchase Agreement, including the allotment and issue of the Initial Consideration Shares to the Sellers;

Conditions precedent in favour of the Company

7. there is no material adverse change in the business or financial conditions of each member of the Target Group since the date of the Sale and Purchase Agreement;
8. all the warranties of the Sellers remaining true and accurate and not misleading in any respect as of the Completion, as though such representations and warranties were made on and as of the Completion;
9. each of the Sellers having performed and complied in all material respects with all agreements and obligations required by the Sale and Purchase to be performed and complied with by them prior to the Completion;
10. the Shareholders (other than those Shareholders as required under the Listing Rules to abstain from voting to approve the execution of the Sale and Purchase Agreement and the transactions contemplated thereby) having passed resolutions approving the execution, delivery and performance of the Sale and Purchase Agreement;
11. the Company having obtained all necessary approvals, consents, clearance and waivers (if applicable) under the Listing Rules and any applicable laws from the regulatory authorities, including the Stock Exchange in respect of the transactions contemplated by the Sale and Purchase Agreement;

12. the Listing Committee having granted or agreed to grant (either unconditional or conditional) the listing of, and permission to deal in the Initial Consideration Shares, and where any such grant or permission is subject to conditions, such conditions being acceptable to the absolute discretion of the Company;
13. the legal or other advisers of the Company having completed due diligence reviews on the Target Group, and are satisfied with the results of such reviews in all respects;
14. tax filing with the PRC tax authority for the transactions contemplated under the Sale and Purchase Agreement having been completed, and the tax arising from the transaction under the Sale and Purchase Agreement required to be paid to the PRC tax authority having been paid or settled to the satisfaction of the Company; and
15. all other consents, approvals, authorizations and waivers as may be required or necessary under any instrument, contract, document or agreement to which the Sellers is a party or by which the Sellers or their assets are bound, for the sale and transfer of the Sale Shares as contemplated under the Sale and Purchase Agreement.

The above conditions precedent set out in 1 to 3 are made in favour of all parties to the Sale and Purchase Agreement; the conditions precedent set out from 4 to 6 are made in favour of the Sellers; while conditions precedent set out from 7 to 15 are made in favour of the Company. Only the parties which have the benefit of a condition precedent shall be entitled to waive (to the extent that it is capable of waiving) that condition precedent by giving written notice to the other parties to the Sale and Purchase Agreement and such waiver may be subject to the terms and conditions as the party waiving may require. For avoidance of doubt, no conditions precedent set out in 1, 2, 3 and from 10 to 12 may be waived by any party.

If any of the conditions precedent set out above has not been satisfied before the Long Stop Date or waived in accordance with the above terms, the party for the benefit of whom the conditions precedent that are not satisfied or waived may terminate the Sale and Purchase Agreement by written notice to the other parties. If the conditions precedent set out in 1, 2 or 3 has not been satisfied before the Long Stop Date, the Sellers (acting jointly) or the Company may, in its own discretion, terminate the Sale and Purchase Agreement by written notice to the other parties.

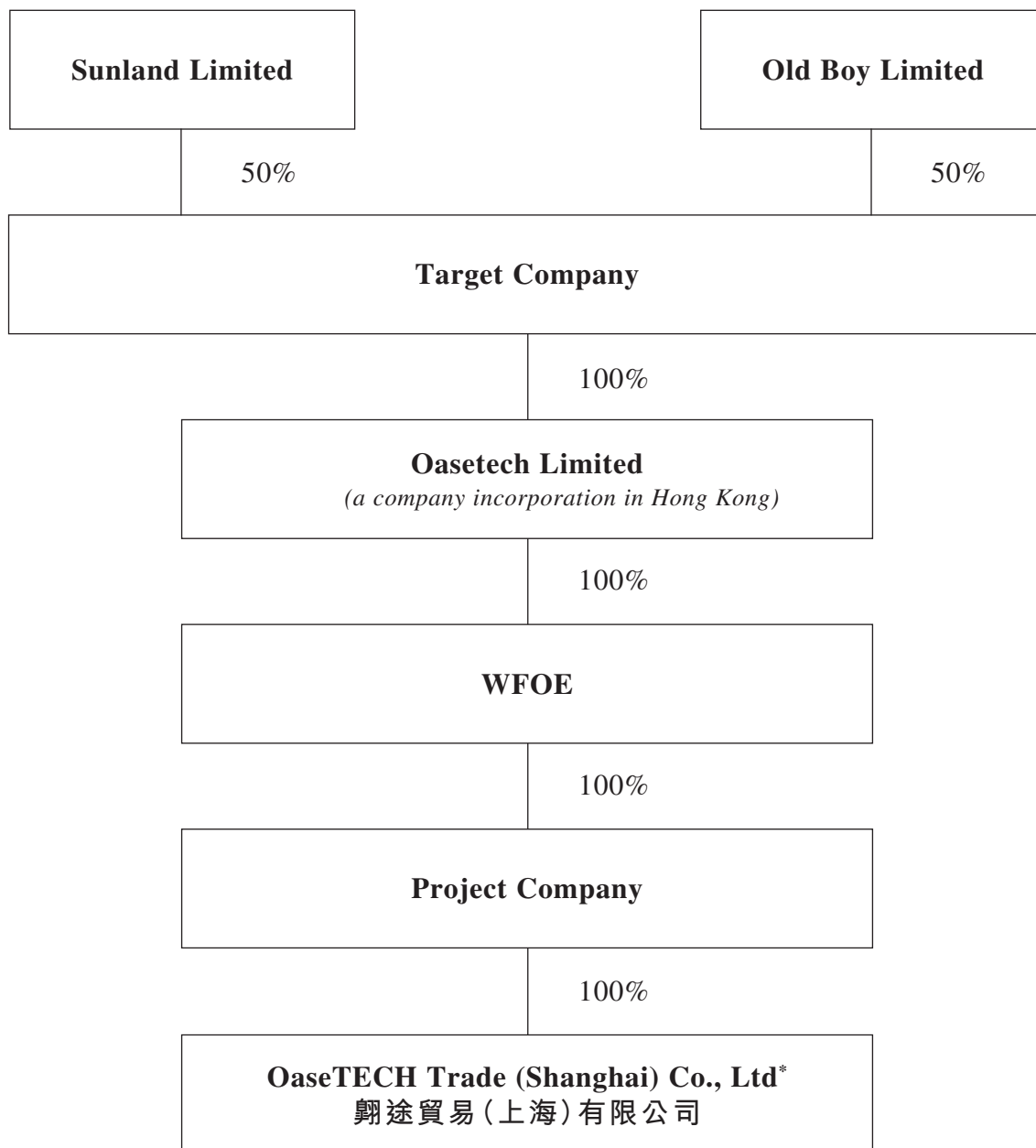
As at the date of the Sale and Purchase Agreement, Written Approval was obtained from Dr. Kan, which held approximately 58.96% of the entire issued share capital of the Company at that time, approving the Acquisition. Accordingly, condition 10 was satisfied as at the date of the Sale and Purchase Agreement.

Reorganisation

Pursuant to the Reorganisation under the Sale and Purchase Agreement, the Target Group would undergo a reorganisation so that the entire equity interest of the Project Company will be wholly owned by the Target Company indirectly. Upon completion of the Reorganisation, the Target Group will comprise, among others, the Target Company as the investment holding company and the Project Company specialized in the development and production of innovative energy technology products and integrated solutions, with a focus on cooling and heating sector, in the PRC. Upon Completion, the financial results of the Target Group will be consolidated into the Group.

Before the Reorganisation, Project Company was directly owned as to 45% by Mr. Chen Leixin, 25% by Mr. Huang Jianhui, 10% by Mr. Gao Huaibao, 10% by Mr. Gao Lei and 10% by Mr. Wang Quan, respectively.

Set out below is a chart showing the shareholding structure of the Target Group after the Reorganisation and immediately before Completion:



PROFIT GUARANTEE AND ADJUSTMENT ARRANGEMENT

(a) Profit guarantee

Pursuant to the Sale and Purchase Agreement, the Sellers, irrevocably guarantee and undertake on a joint and several basis to the Company that the aggregated net profit after tax excluding all extraordinary items of the Target Group recognized by the auditor's report issued by the audit firm mutually agreed by the Company, shall not be less than RMB31,844,400 (the “**Guaranteed Profit**”) for the three consecutive financial years commencing from 1 April 2024 and ending on 31 March 2027 (the “**Profit Guarantee Period**”).

During the Guarantee Period, holder(s) of the Initial Consideration Shares will be entitled to exercise voting rights attaching to, and receive any dividends (including scrip dividend), rights issue, bonus issue and distribution in specie in respect of, all of the Initial Consideration Shares.

(b) Adjustment arrangement

In the event that the aggregated actual consolidated net profit after tax excluding all extraordinary items as shown in the audited financial statements (to be prepared by the auditor in accordance with HKFRSs) of the Target Group for the three consecutive financial years ending 31 March 2027 (the “**Actual Net Profit**”) shall be less than the Guaranteed Profit, the Initial Consideration shall be adjusted downward to determine the Final Consideration Shares[#] as follows:

$$\text{Repurchase Shares} = \frac{(\text{Guaranteed Profit} - \text{Actual Net Profit})}{\text{Guaranteed Profit}} \times \frac{\text{Initial Consideration}}{\text{Issue Price}}$$

Where the issue per share price of the Initial Consideration Share is HK\$0.43.

[#] round down to the nearest integer

Provided always that the Final Consideration Shares shall not be more than the Initial Consideration Shares and if the Actual Net Profit is at a loss, the Final Consideration Shares shall be zero. The difference between the Final Consideration Shares and the Initial Consideration Shares shall be referred to as the “**Repurchase Shares**”.

The Sellers, on a joint and several basis, shall, within one month after the audited financial statements for the Guarantee Period is made available, compensate for the Repurchase Shares to the Company. The Company will (i) repurchase and cancel all the Repurchase Shares at a nominal consideration of HK\$1 and (ii) require the Sellers to return all distribution and dividends declared and paid by the Company (if any) before such repurchase, in which case the Company will carry out the share repurchase after obtaining all regulatory approval(s).

The Directors consider that the Initial Consideration, Final Consideration, Issue Price for the Initial Consideration Shares together with the above profit guarantee and adjustment arrangement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

COMPLETION

Upon the fulfilment of the conditions precedent, Completion shall take place on the 5th Business Day after the fulfilment or waiver (if applicable) of the conditions precedent under the Sale and Purchase Agreement or such other day as may be agreed in writing between the Sellers and the Company.

Upon Completion, the Target Company shall become a wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the financial statements the Company.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 5,743,797,090 Shares in issue. Set out below is a table showing the shareholding structure of the Company as at the date of this announcement and immediately after Completion, assuming there will be no change in the total number of Shares in issue (other than the issue of the Initial Consideration Shares) from the date of this announcement to the date of Completion:

Name of Shareholders	As at the date of this announcement		Immediately after the allotment and issue of the Initial Consideration Shares	
	Number of Shares	Approximate % shareholding	Number of Shares	Approximate % shareholding
Directors:				
Dr. Kan ^(Note)	3,386,433,139	58.96%	3,386,433,139	56.65%
Mr. Li Kai Yien, Arthur Albert	200,000	0.01%	200,000	0.01%
The Sellers				
Sunland	–	–	116,279,070	1.95%
Old Boy	–	–	116,279,070	1.95%
Public Shareholders	2,357,163,951	41.03%	2,357,163,951	39.44%
Total:	<u>5,743,797,090</u>	<u>100.00%</u>	<u>5,976,355,230</u>	<u>100.00%</u>

Note:

5,000,000 shares among these Shares are held by Ground Up Profits Limited (“**Ground Up**”). Dr. Kan beneficially owns the entire issued share capital of Ground Up. Therefore he is deemed to be interested in all the Shares held by Ground Up by virtue of the SFO. Dr. Kan is the chairman of the Board and an executive Director. Dr. Kan is also a director of Ground Up.

Assuming there is no change in the issued share capital of the Company from the date of this announcement to the date of Completion other than the allotment and issue of the Initial Consideration Shares, there will be no change to the control of the Company.

INFORMATION ON THE TARGET GROUP AND ITS BUSINESS

The Target Company is a company incorporated in the British Virgin Islands on 19 October 2023 principally engaged in investment holding of Project Company. The total issued capital of the Target Company is in the sum of US\$10,000 divided into 10,000 ordinary shares of US\$1.00 each, which have been issued to and are fully paid up as to 50% by Sunland and 50% by Old Boy. The Target Company will be the holding company of the Target Group upon completion of the Reorganisation. After the Reorganisation, the Target Group's business will primarily be conducted by the Project Company.

Incorporated in 2017, the Project Company specialized in the development and production of innovative energy technology products and integrated solutions which involved energy control, hydraulic regulation and energy efficiency optimization. It has focused on the introduction, production, research and implementation of high efficiency energy stations, regional energy centres, civilian high efficiency chiller plants and waste heat recovery and utilization systems for many years. It is also engaged in energy management contract (EMC), engineering, procurement and construction (EPC) and equipment as a service (EaaS) in the energy provision field.

The Project Company offers its energy products and solutions to the following sectors spanning from (i) industrial, electricity, petrochemical, leading automotive and pharmaceutical, such as power plants, data centres, leading automobile factories and pharmaceutical factories, (ii) transportation hubs, such as western gateway airports, metro and high speed railway stations in multiple cities; (iii) leisure and recreation facilities, such as 5-star hotels, international conference centres; international expo centres and theme parks; (iv) commercial and residential buildings, such as Grade A office space, shopping malls, sports stadiums, hospital, residential properties and public and government properties; and (v) regional energy supply, such as energy station, regional energy centres, heat exchange stations district heating etc. These users require a constant supply of energy with high standards of technology reliability and security while also focus on energy and economic efficiency.

Financial Information of the Target Group

Set out below is the audited financial information of the Target Group for the two years ended 31 December 2021 and 2022, which were prepared in accordance with the accounting principles generally accepted in Hong Kong:

	For the year ended 31 December 2021 (audited) HK\$'000	For the year ended 31 December 2022 (audited) HK\$'000
Revenue	65,574	89,691
Profit before taxation	4,194	8,363
Profit after taxation	4,152	7,467
Net assets as at the year end	22,328	27,923

Based on the management accounts of the Project Company for the seven months ended 31 July 2023, the net asset value of the Target Group is HK\$25,167,000.

According to the valuation report prepared by Access Partner Consultancy & Appraisals Limited, the appraised value of equity interest of the Target Group based on market approach as of 31 July 2023 is RMB95,000,000 (equivalent to HK\$103,645,000).

REASONS FOR AND BENEFITS OF THE ACQUISITION

While diligently developing its existing business, the Company continues to focus on the key strategic industry of clean energy and actively seeks suitable investment opportunities to enhance long-term growth and increase shareholder returns for promoting the diversification of existing business portfolio and broadening the sources of income in order to improve the business operations and financial position of the Company. The Company has been actively allocating its resources to the smart energy application, it has launched a series of new projects, the integration of the Target Group into the Company will expand the sources of income and the vertical optimization of the Group in the field as a whole.

The Project Company is engaged in the development and production of innovative energy technology products and integrated solutions in the PRC for many years and has market-leading technical capabilities and industry status, especially in the energy cooling and heating technologies application areas which have obtained multiple outstanding professional and technical commendations, it been well recognized in the industry and its main customers include the first-tier large companies in the automotive and pharmaceutical field.

With the aim of achieving the Group's strategic goal of capturing the market opportunities in smart energy in terms of developing distributed central heating services, the Group has entered into an investment agreement with a partnership enterprise. Pursuant to which to establish a project company in Shaanxi province in the PRC aiming to leverage the partner's marketing expertise to effectively promote and sell the distributed central heating services by replace traditional boilers with heat pumps and become the leading heating service provider in northern China in order to increase the variety of the Group's service and leverage on the increase in the popularity of clean energy.

Leverage the Target Group's excellent energy-saving technologies and its research and development ability and productivity, the Target Group will add synergy to the Group in its development of smart energy applications and continuously to take action to explore new business opportunities in order to expand its sources of revenue, enhance its profitability and create value for its shareholders. Also, the issuance of the Initial Consideration Shares to settle the Initial Consideration represents the confidence of the business partners in the prospect of the Company's development. The Directors consider that the Acquisition, if materialised, represents a good opportunity for the Group to expand its business to a new dimension, and to capture the business opportunities in connection with the centralized distribution heating and cooling ecosystem.

The Directors consider that the settlement of the consideration by the Initial Consideration Shares will enable the Group to (i) retain more cash for the general working capital requirements and future business development of the Group after Completion; and (ii) avoid weakening the Group's ability to meet its current liabilities as and when they fall due only with quick assets, thereby enabling the management of the Group to more flexibly and efficiently use of the cash resources readily available and utilise it for the Group's daily business operations and future business development. As a result, the Acquisition and the terms under the Acquisition Agreement are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE SALE AND PURCHASE AGREEMENT

The Company

The Company is an investment holding company, the subsidiaries of the Company are principally engaged in the sales and distribution of natural gas and the provision of financial services business. The natural gas business of the Group includes natural gas energy center, natural gas point-to-point supply services, natural gas truck filling stations, natural gas transportation fleet logistics, local government and gas company natural gas peak shaving storage, national natural gas pipeline network gas transmission, natural gas trading, pipeline natural gas direct supply services and pipeline natural gas trading.

The Company is a green, low-carbon, smart and efficient comprehensive energy service provider, its new energy business engages in nine market categories including northern residential heating, building energy efficiency, ecological agriculture, energy management services, power operation services, industrial power, energy storage business, energy and carbon trading and digital intelligence integration. The Company will continue to identify suitable investments to expand its clean energy portfolio in order to optimize and accelerate the release of production capacity and enhance its comprehensive competitiveness. The Company will fully leverage its resource advantages, integrate different energy sources to build a smart low-carbon new energy model to pursue green and ecological development, commence from the northern heating and industrial energy conservation, and strive to become a leading comprehensive smart energy service provider in China.

Sunland

Sunland Limited is a company incorporated in the British Virgin Islands principally engaged in investment holding and is ultimately controlled by Mr. Chen Leixin (“**Mr. Chen**”) as at the date of this announcement. Mr. Chen is an individual engaging in the business of investment.

Old Boy

Old Boy Limited is a company incorporated in the British Virgin Islands principally engaged in investment holding and is ultimately controlled by Mr. Chen who is interested in 55% of the total issued share capital of Old Boy as at the date of this announcement. The other shareholders are Mr. Huang Jianhui, Mr. Gao Lei and Mr. Wang Quan, holding 25%, 15% and 5% respectively of the issued share capital of Old Boy.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Sellers and their respective ultimate beneficial owners are Independent Third Parties.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed 25% but are all less than 100%, the Acquisition constitutes a major transaction of the Company pursuant to Chapter 14 of the Listing Rules and is subject to the notification, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder.

Pursuant to Rule 14.44 of the Listing Rules, Shareholders' approval may be obtained by written Shareholders' approval in lieu of convening a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Sale and Purchase Agreement and the transactions contemplated thereunder; and (b) the written approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the issued share capital of the Company giving the right to attend and vote at the general meeting to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the date of this announcement, Dr. Kan owns 3,386,433,139 Shares (representing approximately 58.96% of the issued Shares). As the Company has obtained the Written Approval from Dr. Kan, no special general meeting will be convened by the Company for the purpose of approving the Sale and Purchase Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules.

A circular containing, among others, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) financial information of the Target Company; (iii) unaudited pro forma financial information of the Group as enlarged by the Acquisition; and (iv) details of the valuation report will be despatched to the Shareholders in accordance with Listing Rules for information purposes only on or before 17 January 2024.

As Completion is subject to fulfillment of the conditions precedent as set out under the section headed "Conditions precedent" in this announcement, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquisition”	the acquisition of the entire issued share capital of the Target Company from the Sellers pursuant to the terms and conditions of the Sale and Purchase Agreement
“Adjustment”	the Initial Consideration Shares are subject to adjustment arrangement to determine the Final Consideration Shares pursuant to the Sale and Purchase Agreement, details of the Adjustment are set out in the paragraph headed “Profit Guarantee and Adjustment Arrangement”
“Board”	the board of Directors
“Business Day”	a day (other than Saturdays, Sundays and public holidays in Hong Kong and such other days where a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above is in force in Hong Kong), on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	China HK Power Smart Energy Group Limited (formerly known as “China LNG Group Limited”), an exempted company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange (stock code: 931)
“Completion”	the completion of the Acquisition
“Director(s)”	director(s) of the Company
“Dr. Kan”	Dr. Kan Che Kin, Billy Albert, an executive Director and a substantial shareholder
“Enlarged Group”	the Group as enlarged by the Acquisition
“Final Consideration”	the Initial Consideration as adjusted (if any) pursuant to the Sale and Purchase Agreement
“Final Consideration Shares”	the Initial Consideration Shares as Adjusted pursuant to the terms of the Sale and Purchase Agreement, as described in the section “Profit Guarantee and Adjustment Arrangement”

“General Mandate”	the general mandate granted to the Directors pursuant to the ordinary resolution of the Shareholders passed at the annual general meeting of the Company held on 25 August 2023, which allowed the Directors to allot, issue and/or deal with up to 1,128,759,418 Shares, representing 20% of the total number of issued Shares as of the date on which such general mandate was granted
“Group”	the Company and its subsidiaries
“Guaranteed Profit”	the aggregated net profit after tax excluding all extraordinary items of the Target Group recognized by the auditor’s report in accordance with HKFRSs issued by the audit firm mutually agreed by the Company for the Profit Guarantee Period, shall not be less than RMB31,844,400
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is not a connected person of the Company pursuant to the Listing Rules
“Initial Consideration”	the Initial Consideration for the acquisition of the entire issued share capital of the Target Company, being HK\$100,000,000, payable by the Company to the Sellers by way of Initial Consideration Shares, subject to the Adjustment
“Initial Consideration Shares”	an aggregate of 232,558,140 new Shares to be allotted and issued by the Company under the General Mandate at the price of HK\$0.43 per share as settlement of the Initial Consideration, pursuant to the terms of the Sale and Purchase Agreement, of which 116,279,070 shares will be allotted and issued to Sunland and 116,279,070 shares will be allotted and issued to Old Boy, subject to the Adjustment
“Issue Price”	HK\$0.43 per Initial Consideration Share
“Last Trading Day”	21 December 2023, being the last trading day of the Shares before the signing of the Sale and Purchase Agreement
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 April 2024 or other date as mutually agreed among the parties to the Sale and Purchase Agreement in writing
“Old Boy”	Old Boy Limited, a company incorporated in the British Virgin Islands with limited liability and is ultimately controlled by Mr. Chen Leixin

“PRC”	the People’s Republic of China, which shall for the purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Profit Guarantee Period”	the three consecutive financial years commencing from 1 April 2024 and ending on 31 March 2027
“Project Company”	OaseTECH Energy Technology (Wuxi) Company Limited* (翱途能源科技(無錫)有限公司), a company incorporated in the PRC with limited liability which is wholly owned by WFOE and indirectly wholly-owned by the Sellers, upon completion of the Reorganisation and immediately before the Completion
“Reorganisation”	such arrangement and restructuring of companies comprising the Target Group in accordance with the terms of the Sale and Purchase Agreement, further details of which are set out in the paragraph headed “Reorganisation” in this announcement
“Repurchase Shares”	the difference in number of Shares between the Final Consideration Shares and the Initial Consideration Shares
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the sale and purchase agreement dated 21 December 2023 entered into among the Company and the Sellers in relation to the Acquisition
“Sale Shares”	10,000 shares in the share capital of the Target Company, being the entire issued share capital of the Target Company
“Sellers”	Sunland and Old Boy
“Share(s)”	ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sunland”	Sunland Limited, a company incorporated in the British Virgin Islands with limited liability and is ultimately controlled by Mr. Chen Leixin
“Target Company”	Oasetech Limited, a company incorporated in the British Virgin Islands with limited liability which is owned as to 50% by Sunland and 50% by Old Boy upon completion of the Reorganisation and immediately before the Completion

“Target Group”	Target Company and its subsidiaries upon completion of the Reorganisation
“WFOE”	Aozhi Energy Technology (Yixing) Co., Ltd* (翱志能源科技(宜興)有限公司), a company incorporated in the PRC which is indirectly wholly-owned by the Target Company
“Written Approval”	the written approval in relation to the Acquisition by Dr. Kan pursuant to Rule 14.44 of the Listing Rules
“%”	per cent

* *English translations of the names are provided for ease of reference only and they are not official English names of the companies and authority concerned.*

By order of the Board
China HK Power Smart Energy Group Limited
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 21 December 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Dr. Kan Che Kin, Billy Albert (Chairman), Mr. Deng Yaobo (chief executive officer) and Mr. Li Kai Yien, Arthur Albert; and two non-executive Directors, namely Dr. Lam, Lee G. and Mr. Simon Murray; and three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee.