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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)

CONTINUING CONNECTED TRANSACTIONS

The Board would like to announce that on 17 March 2023, the Company and HKCG entered into:

- (i) the Master Gas and Smart Energy Related Agreement with respect to the Gas and Smart Energy Related Purchase Transactions and the Gas and Smart Energy Related Sale Transactions;
- (ii) the Master Engineering Works and Consultation Services Agreement with respect to the Engineering Works and Consultation Services Provision Transactions and the Engineering Works and Consultation Services Acquisition Transactions; and
- (iii) the Master Comprehensive Products and Services Agreement with respect to the Comprehensive Products and Services Purchase Transactions and the Comprehensive Products and Services Sale Transactions.

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The entering into of the CCT Master Agreements and the CCT Transactions contemplated thereunder, which are all to be carried out in the ordinary and usual course of business of the Group and are expected to continue and extend over a period of time, will therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the Annual Cap Amounts for each of the CCT Transactions exceeds HK\$3,000,000 and all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Annual Cap Amount under each of the CCT Transactions are more than 0.1% but less than 5%, each of the CCT Transactions is only subject to the reporting, announcement and annual review requirements but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE MASTER GAS AND SMART ENERGY RELATED AGREEMENT

Members of the Group had from time to time purchased Fuel Gas and Energy from members of the HKCG Group. Whilst the demand for Fuel Gas and Energy will depend on the business requirements of the Group, it is envisaged that members of the Group will from time to time in their ordinary and usual course of business continue to enter into the Gas and Smart Energy Related Purchase Transactions with the HKCG Group.

On the other hand, it is envisaged that members of the HKCG Group may from time to time in accordance with their needs purchase Fuel Gas, Energy and Smart Energy Services from members of the Group. Whilst the occurrence of the Gas and Smart Energy Related Sale Transactions will depend on the business requirements of the HKCG Group, it is envisaged that members of the Group will from time to time in their ordinary and usual course of business enter into Gas and Smart Energy Related Sale Transactions with members of the HKCG Group.

The Company had therefore on 17 March 2023 entered into the Master Gas and Smart Energy Related Agreement with HKCG to set out the principal terms and conditions governing the Gas and Smart Energy Related Purchase Transactions and the Gas and Smart Energy Related Sale Transactions. Set out below are the principal terms of the Master Gas and Smart Energy Related Agreement:

Date:

17 March 2023

Parties:

The Company and HKCG

Subject matter:

Pursuant to the Master Gas and Smart Energy Related Agreement, (i) HKCG shall, or shall procure members of the HKCG Group to, enter into the Gas and Smart Energy Related Purchase Transactions with members of the Group to sell Fuel Gas and Energy to members of the Group according to their needs; and (ii) the Company shall, or shall procure members of the Group to, enter into the Gas and Smart Energy Related Sale Transactions with members of the HKCG Group to sell Fuel Gas, Energy and Smart Energy Services to members of the HKCG Group according to their needs.

Each of the Gas and Smart Energy Related Purchase Transaction and Gas and Smart Energy Related Sale Transaction will be effected and governed by the terms of the relevant order or contract to be entered into between the relevant member of the Group and the relevant member of the HKCG Group.

In light of the entering into of the Master Gas and Smart Energy Related Agreement, the Company and HKCG had agreed that the 2021 Master Gas Purchase Agreement be terminated with effect from the date of the Master Gas and Smart Energy Related Agreement.

Duration:

The Master Gas and Smart Energy Related Agreement shall be for the term commencing from 17 March 2023 to 31 December 2023 (both days inclusive) unless terminated earlier by agreement signed by the parties thereto.

Pricing Basis and Other Terms:*Gas and Smart Energy Related Purchase Transactions*

The terms of each Gas and Smart Energy Related Purchase Transaction (including the amount of consideration payable by the Group and the payment terms) shall be on normal commercial terms, negotiated on an arm's length basis and be on similar basis as the relevant member of the Group transacts business with other independent third party suppliers and shall be on terms which from the Group's perspective are no less favourable to the Group than those which the Group can obtain from other independent third party suppliers.

The relevant member of the Group will, before placing any purchase order or entering into any purchase contract with the HKCG Group, obtain pricing information from the open market and then shortlist at least two suppliers via tendering or other process (including requesting for fee quotations). It will then make evaluation taking into account the prevailing market price of the Fuel Gas and Energy, transportation cost, production cost and other costs. Under normal circumstances, the relevant member of the Group will first consider the supplier with the lowest price but it will also take into consideration other non-price factors, such as the demand and supply of Fuel Gas and Energy, as appropriate. If the demand exceeds supply, the delivery capability of the supplier will be the priority consideration for selection of supplier, but if the supply exceeds demand, the price factor will be the priority consideration. After reviewing and considering the above factors, the management of the relevant member of the Group will then decide on whether to place a purchase order or enter into a purchase contract with the relevant member of the HKCG Group or a third party supplier.

Gas and Smart Energy Related Sale Transactions

The terms of each Gas and Smart Energy Related Sale Transaction (including the amount of consideration payable by the HKCG Group and the payment terms) shall be on normal commercial terms, negotiated on an arm's length basis and be on similar basis as the relevant member of the Group transacts business with other independent third party customers and shall be on terms which are no more favourable than those which the Group offers to other independent third party customers.

The price of the Fuel Gas, Energy and Smart Energy Services to be sold by members of the Group to members of the HKCG Group shall be determined in accordance with the following principles:

- (i) for products and services that are subject to government-set prices, their selling price would be fixed and promulgated by the relevant government department (such as the price bureau); and
- (ii) for products and services that are not subject to government-set prices, the price would be determined based on a mark-up on the corresponding material, fuel and labour costs and with reference to the price of similar products in the market.

THE MASTER ENGINEERING WORK AND CONSULTATION SERVICES AGREEMENT

Members of the Group had from time to time provided Engineering Works and Consultation Provision Services to members of the HKCG Group. Whilst the HKCG Group's demand for Engineering Works and Consultation Provision Services will depend on the business requirements of the HKCG Group, it is envisaged that members of the HKCG Group will from time to time continue to require the Group to provide Engineering Works and Consultation Provision Services in future.

On the other hand, members of the Group had from time to time engaged members of the HKCG Group to provide Engineering Works and Consultation Acquisition Services. It is envisaged that members of the Group may from time to time in accordance with their needs continue to engage members of the HKCG Group to provide Engineering Works and Consultation Acquisition Services. Whilst the Group's demand for the Engineering Works and Consultation Acquisition Services will depend on the business requirements of the Group, it is envisaged that members of the Group will from time to time in its ordinary and usual course of business enter into Engineering Works and Consultation Acquisition Services Transactions with members of the HKCG Group.

The Company had therefore on 17 March 2023 entered into the Master Engineering Works and Consultation Services Agreement with HKCG to set out the principal terms and conditions governing the Engineering Works and Consultation Provision Services Transactions and the Engineering Works and Consultation Acquisition Services Transactions. Set out below are the principal terms of the Master Engineering Works and Consultation Services Agreement:

Date:

17 March 2023

Parties:

The Company and HKCG

Subject matter:

Pursuant to the Master Engineering Works and Consultation Services Agreement, (i) members of the Group shall from time to time provide Engineering Works and Consultation Provision Services to members of the HKCG Group according to their needs, and the relevant members of the HKCG Group shall pay relevant service fees to the relevant members of the Group in connection with the provision of the Engineering Works and Consultation Provision Services; and (ii) members of the Group shall from time to time engage members of the HKCG Group to provide Engineering Works and Consultation Acquisition Services, and the relevant members of the Group shall pay relevant service fees to the relevant members of the HKCG Group in connection with the provision of the Engineering Works and Consultation Acquisition Services.

Each of the Engineering Works and Consultation Provision Services Transaction and the Engineering Works and Consultation Acquisition Services Transaction will be effected and governed by the terms of the relevant service contract to be entered into between the relevant member of the Group and the relevant member of the HKCG Group.

In light of the entering into of the Master Engineering Works and Consultation Services Agreement, the Company and HKCG had agreed that the 2021 Master Engineering Works and Consultation Services Agreement be terminated with effect from the date of the Master Engineering Works and Consultation Services Agreement.

Duration:

The Master Engineering Works and Consultation Services Agreement shall be for a term commencing from 17 March 2023 to 31 December 2023 (both days inclusive) unless terminated earlier by agreement signed by the parties thereto.

Pricing Basis and Other Terms:

Engineering Works and Consultation Provision Services Transactions

The terms of each Engineering Works and Consultation Provision Services Transaction (including but not limited to the amount of service fees payable by the relevant member of the HKCG Group and the payment terms) shall be determined on a fair basis and on normal commercial terms, negotiated on an arm's length basis and be on similar basis as relevant member of the Group transacts business with other independent third party customers and shall be on terms which from the Group's perspective are no more favourable than those which the Group offers to other independent third party customers.

The service fees for the Engineering Work and Consultation Provision Services to be provided by members of the Group to members of the HKCG Group shall be determined with reference to the pricing basis and method promulgated by the relevant State or provincial or industry departments of the PRC. If the services are not subject to pricing basis and method promulgated by the relevant government body, the relevant member of the Group will make reference to the pricing of similar types of services in the market and then shortlist at least two service providers, and then make evaluation based on the scale, degree of difficulty, geographical location, duration of the project etc.. After reviewing and considering the above factors, the management of the relevant member of the Group will then decide on whether to enter into a service contract with the relevant member of the HKCG Group.

The Group will regularly review the service fees chargeable by other service providers on services similar to the Engineering Work and Consultation Provision Services provided to the HKCG Group and compare them with the service fees which the relevant member of the Group charges for the Engineering Work and Consultation Provision Services before the approval of separate service contract(s) between members of the Group and members of the HKCG Group to ensure that the Engineering Work and Consultation Provision Services Transactions will be conducted in the interests of the Group.

Engineering Works and Consultation Acquisition Services Transactions

The terms of each Engineering Works and Consultation Acquisition Services Transaction (including but not limited to the amount of service fees payable by the relevant member of the Group and the payment terms) shall be determined on a fair basis and on normal commercial terms, negotiated on an arm's length basis and be on similar basis as relevant member of the Group transacts business with other independent third party service providers and shall be on terms which from the Group's perspective are no more favourable than those which the Group can obtain from other independent third party service providers.

The relevant member of the Group will, before entering into any service contract with the relevant member of the HKCG Group, make reference to the pricing of similar types of services in the market and then shortlist at least two service providers. It will then make evaluation based on the scale, degree of difficulty, geographical location, duration of the project etc.. After reviewing and considering the above factors, the management of the relevant member of the Group will then decide on whether to enter into a service contract with the relevant member of the HKCG Group.

THE MASTER COMPREHENSIVE PRODUCTS AND SERVICES AGREEMENT

Members of the Group had from time to time purchased Healthy and Lifestyle Products and Services and IT Related Products and Services from members of the HKCG Group. Whilst the Group's demand for the Healthy and Lifestyle Products and Services and IT Related Products and Services will depend on the business requirements of the Group, it is envisaged that members of the Group will from time to time in their ordinary and usual course of business continue to enter into the Comprehensive Products and Services Purchase Transactions with the members of the HKCG Group.

On the other hand, members of the HKCG Group may from time to time purchase maintenance services, rapid leak detection services and promotion and marketing consulting services and household related services from members of the Group. Whilst the HKCG Group's demand for the Comprehensive Products and Services Sale Transactions will depend on the business requirements of the HKCG Group, it is envisaged that members of the Group will from time to time in their ordinary and usual course of business enter into the Comprehensive Products and Services Sale Transactions with the members of the HKCG Group.

The Company had therefore on 17 March 2023 entered into the Master Comprehensive Products and Services Agreement with HKCG to set out the principal terms and conditions governing the Comprehensive Products and Services Purchase Transactions and the Comprehensive Products and Services Sale Transactions. Set out below are the principal terms of the Master Comprehensive Products and Services Agreement:

Date:

17 March 2023

Parties:

The Company and HKCG

Subject matter:

Pursuant to the Master Comprehensive Products and Services Agreement, (i) HKCG shall, or shall procure members of the HKCG Group to, enter into the Comprehensive Products and Services Purchase Transactions with members of the Group according to their needs; and (ii) the Company shall, or shall procure members of the Group to, enter into the Comprehensive Products and Services Sale Transactions with members of the HKCG Group according to their needs.

Each of the Comprehensive Products and Services Purchase Transaction and the Comprehensive Products and Services Sale Transaction will be effected and governed by the terms of the relevant contract to be entered into between the relevant member of the Group and the relevant member of the HKCG Group.

In light of the entering into of the Master Comprehensive Products and Services Agreement, the Company and HKCG had agreed that the 2021 Master Healthy and Lifestyle Products and Services Purchase Agreement be terminated with effect from the date of the Master Comprehensive Products and Services Agreement.

Duration:

The Master Comprehensive Products and Services Agreement shall be for a term commencing from 17 March 2023 to 31 December 2023 (both days inclusive) unless terminated earlier by agreement signed by the parties thereto.

Pricing Basis and Other Terms:

Comprehensive Products and Services Purchase Transactions

The terms of each transaction relating to the purchase of Healthy and Lifestyle Products and Services (including the amount of consideration payable by the Group and the payment terms) shall be on normal commercial terms, negotiated on an arm's length basis and be on similar basis as the relevant member of the Group transacts business with other independent third party suppliers and shall be on terms which from the Group's perspective are no less favourable to the Group than those which the Group can obtain from other independent third party suppliers.

In respect of the purchase of Healthy and Lifestyle Products and Services, the relevant member of the Group will, before placing any purchase order or entering into any purchase contract with the HKCG Group, invite suppliers for Healthy and Lifestyle Products and Services which are in the Group's list of approved suppliers and which meet the Group's requirements in terms of delivery capability as well as quality assurance to submit tenders or fee quotations in respect of the sale of the Healthy and Lifestyle Products and Services to the relevant member of the Group. The management of the relevant member of the Group will then consider and evaluate each of such supplier's quotation, reputation, experience, delivery capability, historical performance (if applicable) and compare them with those of relevant member of the HKCG Group and thereafter decide on whether to place a purchase order or enter into a purchase contract with the relevant member of the HKCG Group or a third party supplier.

The terms of each transaction relating to the purchase of IT Related Products and Services (including the amount of consideration payable by the relevant member of the Group and the payment terms) shall be determined on a fair basis and on normal commercial terms strictly in accordance with relevant laws and regulations of the PRC and commercial transaction management and monitoring procedures of the Group and shall be on terms which from the Group's perspective are no less favourable to the Group than those which the Group can obtain from other independent third party suppliers.

In respect of the purchase of IT Related Products and Services, the relevant member of the Group will, before entering into any contracts with the HKCG Group for the purchase of IT Related Products and Services, make reference to the pricing of similar types of products and services in the market and then shortlist at least two service providers. It will then make evaluation based on the relevant laws and regulations of the PRC, commercial transaction management and monitoring procedures of the Group and the favourable terms offered to the Group by the HKCG Group. After reviewing and considering the above factors, the management of the relevant member of the Group will then decide on whether to enter into a contract with the relevant member of the HKCG Group.

Comprehensive Products and Services Sale Transactions

The terms of each Comprehensive Products and Services Sale Transaction (including the amount of consideration payable by the HKCG Group and the payment terms) shall be on normal commercial terms, negotiated on an arm's length basis and be on similar basis as the relevant member of the Group transacts business with other independent third party purchasers and shall be on terms which from the Group's perspective are no less favourable to the Group than those which the Group offers to other independent third party purchasers.

The Group will, before entering into any sales contracts with the HKCG Group, review the pricing of similar types of products and services provided by other service providers and compare such prices with those charged by the relevant member of the Group to ensure that the Comprehensive Products and Services Sale Transactions are in the best interests of the Group.

HISTORICAL FIGURES

The aggregate approximate amounts paid by the Group to the HKCG Group in connection with the Gas and Smart Energy Related Purchase Transactions, Engineering Works and Consultation Acquisition Services Transactions and Comprehensive Products and Services Purchase Transactions, and the aggregate approximate amounts received by the Group from the HKCG Group in connection with the Gas and Smart Energy Related Sale Transactions, Engineering Works and Consultation Provision Services Transactions, Comprehensive Products and Services Sale Transactions for the years ended 31 December 2020, 2021 and 2022 were as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Gas and Smart Energy Related Purchase Transactions	RMB66,416,000 (approximately HK\$75,757,000)	RMB58,774,000 (approximately HK\$67,040,000)	RMB44,787,000 (approximately HK\$51,086,000)
Gas and Smart Energy Related Sale Transactions	RMB8,419,000 (approximately HK\$9,603,000)	RMB7,371,000 (approximately HK\$8,408,000)	RMB7,471,000 (approximately HK\$8,522,000)
Engineering Works and Consultation Acquisition Services Transactions	RMB7,636,000 (approximately HK\$8,710,000)	RMB16,950,000 (approximately HK\$19,334,000)	RMB16,140,000 (approximately HK\$18,410,000)
Engineering Works and Consultation Provision Services Transactions	RMB1,606,000 (approximately HK\$1,832,000)	RMB7,871,000 (approximately HK\$8,978,000)	RMB19,517,000 (approximately HK\$22,262,000)
Comprehensive Products and Services Purchase Transactions	RMB16,832,000 (approximately HK\$19,199,000)	RMB37,456,000 (approximately HK\$42,724,000)	RMB77,217,000 (approximately HK\$88,077,000)

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Comprehensive Products and Services Sale Transactions	-	RMB452,000 (approximately HK\$516,000)	RMB4,390,000 (approximately HK\$5,007,000)

ANNUAL CAP AMOUNTS AND BASIS FOR DETERMINING THE ANNUAL CAP AMOUNTS

It is expected that, the maximum aggregate fees payable by the Group to the HKCG Group in connection with the Gas and Smart Energy Related Purchase Transactions, Engineering Works and Consultation Acquisition Services Transactions and Comprehensive Products and Services Purchase Transactions, and the maximum aggregate fees receivable by the Group from the HKCG Group in connection with the Gas and Smart Energy Related Sale Transactions, Engineering Works and Consultation Provision Services Transactions, Comprehensive Products and Services Sale Transactions per annum will not exceed the amounts set out below (“**Annual Cap Amounts**”):

**For the year ending
31 December 2023**

Maximum aggregate fees payable by the Group to the HKCG Group

Gas and Smart Energy Related Purchase Transactions	RMB450,000,000 (approximately HK\$513,288,000)
Engineering Works and Consultation Acquisition Services Transactions	RMB40,000,000 (approximately HK\$45,626,000)
Comprehensive Products and Services Purchase Transactions	RMB220,000,000 (approximately HK\$250,941,000)

Maximum aggregate fees receivable by the Group from the HKCG Group

Gas and Smart Energy Related Sale Transactions	RMB50,000,000 (approximately HK\$57,032,000)
Engineering Works and Consultation Provision Services Transactions	RMB100,000,000 (approximately HK\$114,064,000)
Comprehensive Products and Services Sale Transactions	RMB200,000,000 (approximately HK\$228,128,000)

The Annual Cap Amounts in respect of:

- (a) the Gas and Smart Energy Related Purchase Transactions were arrived at with reference to the historical figures and the estimated demand for the Gas and Smart Energy Related Purchase Transactions, the estimated volume of Fuel Gas which the HKCG Group is able to supply, the gas sources that can be provided by other independent suppliers and related tariffs and seasonal factors affecting the demand and supply of Fuel Gas and Energy;
- (b) the Gas and Smart Energy Related Sale Transactions were arrived at with reference to the historical figures and the estimated demand for the Gas and Smart Energy Related Sale Transactions, the development plan of the Group in meeting national carbon peak and carbon neutrality targets, the estimated volume of Fuel Gas, Energy and Smart Energy Services which the Group is able to supply, the gas sources and smart energy services that can be provided by other independent suppliers and related tariffs and seasonal factors affecting the demand and supply of Fuel Gas, Energy and Smart Energy Services;
- (c) the Engineering Works and Consultation Provision Services Transactions were arrived at with reference to historical figures for such transactions, the estimated demand for the Engineering Works and Consultation Provision Services and the service fees charged by other independent service providers of the Engineering Works and Consultation Provision Services;
- (d) the Engineering Works and Consultation Acquisition Services Transactions were arrived at with reference to the historical figures, the expanded scale and operations of the businesses of the Group, the anticipated growth and development of such businesses and the estimated demand for the Engineering Works and Consultation Acquisition Services Transactions, as well as the estimated market share of the relevant member of the Group, and the relevant service fees chargeable by other independent service providers for similar services;
- (e) the Comprehensive Products and Services Purchase Transactions were arrived at with reference to (i) the historical figures for the Healthy and Lifestyle Products and Services, the expanded scale and operations of the businesses of the Group, the anticipated growth and development of such businesses and the estimated demand for the Healthy and Lifestyle Products and Services, and prices of similar products that can be sourced from other independent suppliers, and (ii) the historical figures for the IT Related Products and Services within the Group and the progress of the development and introduction of new information technology products;
- (f) the Comprehensive Products and Services Sale Transactions were arrived at with reference to the historical figures, the synergies under the expanded businesses of the Group, the estimated demand for the Comprehensive Products and Services Sale Transactions, and prices of similar products that can be sourced from other independent suppliers.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CCT TRANSACTIONS

The Gas and Smart Energy Related Purchase Transactions will enable the Group to secure steady and continuous gas supplies to advance its market development plan, to ensure a steady provision of gas to the Group's customers, to optimise the Group's purchasing costs, and, therefore enhance the gross profit of the Group.

The Gas and Smart Energy Related Sale Transactions will supplement gas supply of the HKCG Group and assist the HKCG Group in building a group level carbon emission management system, thereby strengthening the synergies of the Group and the HKCG Group.

The Engineering Works and Consultation Provision Services Transactions will enable the Group to accelerate the accumulation of relevant experience, thereby enhancing the Group's efficiency in construction management and at the same time allowing the Group to develop the Engineering Works and Consultation Provision Services market in the PRC, which will increase the Group's revenue in the provision of Engineering Works and Consultation Provision Services, enhance return on investment and boost the development of the Group.

The Engineering Works and Consultation Acquisition Services Transactions will ensure that the construction work of the Group's projects complies with the pipeline construction regulations of the Group and other applicable laws and regulations of the PRC. It also provides assurance as to the quality and safety of such construction work and enables the Group to control its project cost.

Regarding the Comprehensive Products and Services Purchase Transactions, (i) the purchase of the Healthy and Lifestyle Products and Services will enable the Group to maintain a steady supply of high-quality healthy living products in order to satisfy the needs of customers of members of the Group, to optimise the Group's purchasing costs so that products can be sold to customers' at preferential prices, and to increase the revenue of the Group; and (ii) the purchase of the IT Related Products and Services will increase the application of information system by the relevant members of the Group, thereby enhancing both their quality of customer services and operations management standards, while lowering the Group's costs for such information system services.

The Comprehensive Products and Services Sale Transactions will enable the Group to provide better quality and more diversified home safety services.

In light of the above, the Directors (including the independent non-executive Directors) consider that the CCT Transactions are and will continue to be conducted in the ordinary and usual course of business of the Group and on an arm's length basis, the terms of the CCT Master Agreements have been negotiated on an arm's length basis and are on normal commercial terms or better to the Group and both the terms of CCT Master Agreements and the relevant Annual Cap Amounts are fair and reasonable and are in the interests of the Group and the shareholders of the Company taken as a whole.

CONTINUING CONNECTED TRANSACTIONS

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected person of the Company under the Listing Rules. The entering into of the CCT Master Agreements and the CCT Transactions contemplated thereunder, which are all to be carried out in the ordinary and usual course of business of the Group and are expected to continue and extend over a period of time, will therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the Annual Cap Amount for each of the CCT Transactions exceeds HK\$3,000,000 and all of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the Annual Cap Amount under each of the CCT Transactions are more than 0.1% but less than 5%, each of the CCT Transactions is only subject to the reporting, announcement and annual review requirements but is exempt from the 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-ye, 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 CCT Master Agreements and the CCT Transactions contemplated thereunder as well as the Annual Cap Amounts.

PRINCIPAL ACTIVITIES OF THE COMPANY AND HKCG

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 sale of gas appliances and related products and other value-added services in the PRC.

HKCG is a controlling shareholder of the Company and through its various wholly-owned subsidiaries holds approximately 66.36% 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.

DEFINITIONS

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

“2021 Master Engineering Works and Consultation Services Agreement”

the agreement dated 10 December 2021 entered into between the Company and HKCG relating to the Engineering Works and Consultation Provision Services Transactions, particulars of which are set out in the announcement of the Company dated 10 December 2021

“2021 Master Gas Purchase Agreement”

the agreement dated 10 December 2021 entered into between the Company and HKCG relating to the purchase of Fuel Gas by members of the Group from members of the HKCG Group, particulars of which are set out in the announcement of the Company dated 10 December 2021

“2021 Master Healthy and Lifestyle Products and Services Purchase Agreement”	the agreement dated 10 December 2021 entered into between the Company and HKCG relating to the purchase of Healthy and Lifestyle Products and Services by members of the Group from members of the HKCG Group, particulars of which are set out in the announcement of the Company dated 10 December 2021
“Board”	the board of Directors
“CCT Master Agreements”	the Master Gas and Smart Energy Related Agreement, the Master Engineering Works and Consultation Services Agreement and the Master Comprehensive Products and Services Agreement
“CCT Transactions”	the Gas and Smart Energy Related Purchase Transactions, the Gas and Smart Energy Related Sale Transactions, the Engineering Works and Consultation Provision Services Transactions, the Engineering Works and Consultation Acquisition Services Transactions, the Comprehensive Products and Services Purchase Transactions and the Comprehensive Products and Services Sale Transactions
“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)
“Comprehensive Products and Services Purchase Transactions”	the purchase of Healthy and Lifestyle Products and Services and IT Related Products and Services by members of the Group from members of the HKCG Group and the payment by the relevant member of the Group to the relevant member of the HKCG Group of the relevant fees in connection therewith
“Comprehensive Products and Services Sale Transactions”	the purchase of maintenance services, rapid leak detection services and promotion and marketing consulting services and household related services by members of the HKCG Group from members of the Group and the payment by the relevant member of the HKCG Group to the relevant member of the Group of the relevant fees in connection therewith
“Directors”	the directors of the Company
“Energy”	energy related products (including but not limited to electricity, steam, heating, cooling and hot water which are generated through the use of energy efficient technology to capture residual heat)

“Engineering Works and Consultation Provision Services”

the provision of engineering work and consultation services, including but not limited to non-excavation engineering work services, pipeline positioning measurement services, bidding agency services, cost consultation services, sale of innovative tools, urban pipeline engineering services, water supply, drainage and heating engineering work services, technical consultation services for engineering projects, pipeline inspection services

“Engineering Works and Consultation Provision Services Transactions”

the provision of Engineering Works and Consultation Provision Services by members of the Group to members of the HKCG Group and the payment by the relevant member of the HKCG Group to the relevant member of the Group of the relevant service fees in connection therewith

“Engineering Works and Consultation Acquisition Services”

the provision of engineering work and consultation services in relation to gas pipelines and corollary equipment installation, construction of municipal building projects, and project management services (including the provision of project management services for the gas facilities projects and construction and installation projects invested or managed by members of the Group)

“Engineering Works and Consultation Acquisition Services Transactions”

the provision of Engineering Works and Consultation Acquisition Services by members of the HKCG Group to members of the Group and the payment by the relevant member of the Group to the relevant member of the HKCG Group of the relevant fees in connection therewith

“Fuel Gas”

various types of fuel gas (including but not limited to liquefied coalbed methane, compressed natural gas and liquefied natural gas)

“Gas and Smart Energy Related Sale Transactions”

the purchase of Fuel Gas, Energy and Smart Energy Services by members of the HKCG Group from members of the Group and the payment by the relevant member of the HKCG Group to the relevant member of the Group of the relevant fees in connection therewith

“Gas and Smart Energy Related Purchase Transactions”

the purchase of Fuel Gas and Energy by members of the Group from members of the HKCG Group and the payment by the relevant member of the Group to the relevant member of the HKCG Group of the relevant fees in connection therewith

“Group”

the Company and its subsidiaries

“Healthy and Lifestyle Products and Services”	flour, edible oils, tea leaves, chili sauce, rice, wine, ginger, other quality agricultural products, quality healthy food and household products, gas stoves, quality gas safety products (such as gas alarms) and quality home gas safety inspection services
“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 any of its subsidiaries) and associates (as defined under the Listing Rules)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IT Related Products and Services”	the user authorisation, installation, management and maintenance and the provision of technical supporting services relating to, among others, system software (including but not limited to Towngas Customer Information System (燃氣客戶資訊管理系統), Geographic Information System (燃氣地理信息系統), Supervisory Control and Data Acquisition System (燃氣管網監控及數據採集系統), Mobility Meter Reading Application (移動抄表應用系統), Mobility Regular Safety Inspection Application (移動安檢應用系統) and Mobility Maintenance Service Application (移動維修應用系統)) and the cloud computing hardware system which will manage, operate and monitor the network infrastructure of information system
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Master Comprehensive Products and Services Agreement”	the agreement dated 17 March 2023 entered into between the Company and HKCG relating to the Comprehensive Products and Services Purchase Transactions and the Comprehensive Products and Services Sale Transactions
“Master Engineering Works and Consultation Services Agreement”	the agreement dated 17 March 2023 entered into between the Company and HKCG relating to the Engineering Works and Consultation Provision Services Transactions and the Engineering Works and Consultation Acquisition Services Transactions

“ Master Gas and Smart Energy Related Agreement ”	the agreement dated 17 March 2023 entered into between the Company and HKCG relating to the Gas and Smart Energy Related Purchase Transactions and the Gas and Smart Energy Related Sale Transactions
“ PRC ”	People’s Republic of China which, for the purpose of this announcement excludes Hong Kong, the Macao Special Administrative Region and Taiwan
“ RMB ”	Renminbi yuan, the lawful currency of the PRC
“ Smart Energy Services ”	various forms of smart energy services (including but not limited to carbon inventory, carbon verification, carbon peak research, carbon neutrality route planning and carbon neutrality routing)
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ % ”	per cent

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

Hong Kong, 17 March 2023

As at the date of this announcement, the Board 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

In this announcement, RMB has been converted to HK\$ at the rate of RMB0.8767 = 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.