

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



## **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)**

### **VOLUNTARY ANNOUNCEMENT BUSINESS DEVELOPMENT UPDATES**

This announcement is published by China HK Power Smart Energy Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis, following the business update announced on 8 September 2023, the board of directors (the “**Board**”) of the Company is pleased to provide a further update on the progress made over the past five months, in order to keep shareholders of the Company (“**Shareholders**”) and potential investors informed of the latest business development of the Company.

On 2 October 2023, the Company announced that nine senior management team members, all with more than twenty years of experience, joined the Group from another listed gas company.

On 2 October 2023, the Company announced the change of the Company’s name to China HK Power Smart Energy Group Limited to reflect its business plans and commitment to becoming a comprehensive energy service provider primarily engaged in the investment, construction, operation and technical services of natural gas and new energy businesses.

On 17 October 2023, the Company announced its collaboration with working partners to actively engage in the distributed central heating market in Xian City and Shaanxi Province, introducing innovative technologies and systems for low-carbon transformation in order to achieve energy saving, emission reduction and carbon reduction. Accordingly, Shaanxi Hezhi Zexi New Energy Technology Company Limited has been established, in which the Group now holds a 70% equity interest. Additionally, the Group has also established a wholly-owned subsidiary in the Shaanxi Province by the name of Shaanxi Gangneng Smart Energy Company Limited operating in the distributed central heating market.

On 20 October 2023, the Company announced that the Group has entered into a five-year supply agreement for the original design and manufacturing of distributed central heating equipment with a minimum purchase amount of RMB100 million per annum.

On 30 October 2023, the Company announced that the interest rates for all outstanding loans granted to the Group by the major Shareholder since 17 January 2018 have been reduced from 8% or 5% per annum to a standard loan interest rate of 5% per year.

On 11 December 2023, the Company announced that the major Shareholder granted to nine senior executives of the Company subscription rights to shares of the Company as an arrangement to reward talent and performance.

On 21 December 2023, the Company announced the acquisition of the entire issued share capital of OaseTECH Energy Technology (Wuxi) Company Limited, a company engaged in the research and development of innovative energy technology products and integrated solutions in the PRC, especially in the fields of energy cooling and industrial artificial intelligence technology applications.

On 27 December 2023, the Company announced that the major Shareholder granted three new loans in an aggregated amount of RMB96 million and HKD42 million to the Group from 24 October 2023 to that day, the new loans carrying an interest-free period up to 31 March 2024.

## **1. The Business Scope and Scale of the Natural Gas Business of the Group**

The natural gas business of the Group includes urban and rural franchised pipeline gas, automobile gas stations, point-to-point supply to industrial users, government gas storage facilities, natural gas transportation and trading.

The annual sales volume of natural gas of the Group exceeds 100 million cubic meters and the logistics volume exceeds 100 million ton-kilometers. The Group has four logistics bases in Northwest China, North China, East China and Central China, with over 220 natural gas transport vehicles of various types and 150 tank containers. The Group has constructed and is currently operating energy storage stations and automobile gas stations in Huanggang City, Guangshui City, Luan City and Jingdezhen City respectively. Due to the improvement in the operating environment, the full-year loss in 2023 is expected to significantly narrow and it is estimated that there will be a profit of tens of millions yuan in 2024.

## **2. The Business Scope and Scale of the New Energy Business of the Group**

Based on national energy related policies and customer energy demands, integrates various clean or renewable energy sources such as geothermal energy, air energy, biomass energy, solar energy and natural gas in accordance with local conditions, the Group leveraging more than 80 proprietary patents and core leading technologies such as the IDH Intelligent Distributed Heating and the ICE Intelligent Comprehensive Energy along with advanced energy utilization technologies such as household level heat balance and efficient energy storage, the Group systematically integrates the load, source, grid, storage, and control to create a smart energy network that combines digital, energy and material networks that match supply and demand dynamically, providing intelligent and comprehensive energy services including cooling, heating, hot water, green electricity and steam in the most efficient, energy saving and low carbon ecological manner for residential communities, public buildings and industrial production. Through digitization, decarbonization and quality enhancement, the Group aims to build a distinctive ecosystem of intelligent and comprehensive energy services, to promote the construction of a modern energy system. The Group has a nationwide presence in nine scopes, including smart heating, building energy efficiency, integrated digitalization, industrial power, power operation, and energy and carbon trading. Focuses on three key areas of overall energy supply structure, energy utilization and energy recovery, the Company endeavored to become the most influential smart energy service provider in the industry.

The Group has entered an R&D agreement with the Building Environment and Energy Research Institute, a subsidiary of China Academy of Building Research Company Limited (referred to as the Environmental Energy Research Institute or EERI). The agreement covers joint research and development efforts and business cooperation in areas such as energy planning and solutions under the “double carbon” goal, comprehensive urban solutions, green low-carbon buildings, green building low-carbon equity transactions, dual-carbon field technology research and development, joint construction of laboratories, dual-carbon field standard preparation and cutting-edge technology seminars.

The new energy business of the Group is getting encouraging success though it only commenced a few months ago. In respect of smart heating, the Group has achieved a contractual supply area of 3.561 million square meters and an actual supply area of 1.866 million square meters in Shaanxi Province, in a total investment amount of RMB80 million. In respect of the comprehensive energy, the Group has entered into service agreements with 15 users, including Yichang Renfu Headquarters Base, Hangzhou Jinsha Lake Grand Theater, Tianjin University National Science Facility and Commercial Aircraft Corporation of China, to provide system solutions with a cumulative total installed load of more than 100MW with a total system price of more than 100 million yuan, at the same time providing efficient energy-saving products to more than 100 well-known corporations such as Shanghai Tower, Pudong International Airport, Huawei and Beijing Benz. The new energy business is expected to contribute tens of millions yuan in profits in fiscal year 2023 and tens of millions to over 100 million yuan in profits in fiscal year 2024 to the Company.

### **3. The Potential Businesses and Collaboration Opportunities Currently Under Negotiation**

- (i) Obtaining stable wellhead gas resources in the southwest, to cooperate with large-scale local industrial parks for the build-up of a large-scale integrated natural gas transportation and trading terminal platform;
- (ii) Discussing the importation of pipeline natural gas and liquefied natural gas (LNG) from overseas with Kazakhstan, Turkmenistan and Russia, as well as the a large-scale trade collaborations with a domestic LNG terminal receiving station;
- (iii) Collaborating with a large state-owned property company and a large private property company through joint ventures and restructuring to establish a new company. This new company will focus on smart heating transformation projects in the North China market and the development of integrated energy businesses in the Southern market;
- (iv) The Group is negotiating to fully acquire a bankruptcy reorganisation project of an environmental protection company in Central China at a price of about 10% of the evaluated asset valuing from several hundred million to more than 1 billion yuan (with a special interest free long-term repayment arrangement for outstanding bank loans of RMB200 million);
- (v) Collaborating with a large state-owned heating company in North China, the current heating area is 40 million square meters with a profit capacity in the tens of millions of yuan;
- (vi) The Group is preparing a tender document for a franchise operation in a newly developed area in Western China, focusing on centralized energy supply projects;
- (vii) In Shaanxi Province, the Group is closely monitoring 13 smart heating projects with a heating area of 1.97 million square meters, as well as 62 reserve projects with a heating area of 8.33 million square meters. Additionally, the Group plans to expand its smart heating business in Beijing, Hebei, Shandong and other regions. Preliminary cooperation intentions have been reached with multiple heating companies and due diligence work is underway. The total heating area is expected to exceed 9 million square meters;
- (viii) The Group is closely monitoring 5 comprehensive energy efficiency projects with a planned installed capacity of 24.2 MW, and 23 reserve projects with an estimated installed capacity of 439.1 MW. The Group is actively expanding its business in intelligent parks, energy storage and photovoltaic fields. Additionally, there are 3 projects being closely monitored with a planned installed capacity of 45 MW;
- (ix) Currently in discussions with relevant parties regarding the establishment of a new energy fund with a planned size of US\$200 million, the fund will be used for capital investment in various new energy projects of the Group;
- (x) The Group is preparing for in-depth discussions with a large state-owned bank regarding potential cooperation opportunities in business and capital markets;

- (xi) For the interest-free loans from the major Shareholder that due on 31 March 2024 and other Shareholder loans with 5% annual interest without a specified repayment date, the Company is in talks with the major Shareholder for debt-for-equity swap plans to be presented at the Shareholders' meeting of the Company to be voted on by the minority Shareholders.

The Board believes that this is a good opportunity for the Group to develop new businesses to further develop and diversify the Group's business activities, thereby broadening the Group's source of income, which is in the overall interests of the Company and its shareholders.

The Group will conduct the business activities in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and make further announcement(s) on its latest business development as and when appropriate. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 29 February 2024

*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 one non-executive Director, namely Mr. Simon Murray; and three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee.*