

## **Towngas China to acquire significant stake in state-owned gas enterprise, to hold 25% of Shanghai Gas**

(27 October 2020) Towngas China Company Limited (Towngas China, stock code 1083), announced its RMB4.7 billion investment in Shanghai Gas Company Limited (Shanghai Gas), amounting to 25 per cent of the enlarged capital of Shanghai Gas. The two parties have also signed an agreement today to strengthen cooperation, with Shanghai Gas acquiring 25 per cent of Towngas China within the upcoming two years.

This strategic investment extends the pipe network of Towngas China and its parent company, The Hong Kong and China Gas Company Limited (Towngas, stock code 003), to Shanghai and significantly increases the number of the Group's mainland customer accounts to 40 million. It will also help offer a stable, low-cost natural gas supply for the Group and create synergy with its existing business, thereby positively impacting on the energy distribution of Towngas China and Towngas across the country.

The signed agreements shall be submitted for approval by relevant state authorities before coming into effect.

Shanghai Gas is a wholly owned subsidiary of wholly state-owned Shenergy Group Company Limited in Shanghai. As a major energy supplier of Shanghai city, it has a share of over 90 per cent in the local natural gas market. Last year, it sold a total of 9.38 billion cubic metres of gas to its 6.3 million natural gas customer accounts. In addition, it owns liquefied natural gas (LNG) receiving terminals and a pipe network of up to 25,000 kilometres in length.

After its investment, Towngas China will have acquired 25 per cent's stake in Shanghai Gas, while Shenergy Group Company Limited (Shenergy) will hold 75 per cent. This will also see Towngas China representatives joining the Board of Directors, Supervisory Board and management of Shanghai Gas to play an active role in its business and development. (More details on the agreements can be found in the joint announcement. [https://www.towngaschina.com/getattachment/e80ff120-d80c-42ea-92d4-f986deaf0b49/E\\_Project-Reunion-Announcement-\(Major-Transaction\).pdf.aspx?lang=en-US&ext=.pdf](https://www.towngaschina.com/getattachment/e80ff120-d80c-42ea-92d4-f986deaf0b49/E_Project-Reunion-Announcement-(Major-Transaction).pdf.aspx?lang=en-US&ext=.pdf))

The two parties held a cloud agreement signing ceremony simultaneously in Hong Kong and Shanghai today. Dr Peter Lee Ka-kit and Mr Martin Lee Ka-shing, Co-chairmen of Henderson Land Development Company Limited (Henderson Land, stock code 0012), Towngas' parent company, also attended the event in Hong Kong to bear witness to this historical moment.

Mr Alfred Chan Wing-kin, Towngas Managing Director and Towngas China Chairman and Executive Director, said, "Towngas and Shanghai Gas each have over 150 years of valuable experience in the gas industry. Through joining forces, the two parties will collaborate to seize more opportunities and complement each other's strengths to make collective headway while injecting momentum for our respective long-term growth."

Upon the agreements' formally coming into effect, Towngas China's business will expand to Shanghai and the surrounding areas, including Lingang New District, Qingpu New District and Yangtze River Delta Integrated Development Demonstration Zone. Shanghai Gas owns two LNG receiving terminals located at Wuhaogou and Yangshan Port respectively, with a total annual processing capacity of 4.5 million tonnes and storage capacity of over 1.2 million cubic metres. Combined with Towngas China's Jintan Gas Storage in Jiangsu province, the facilities will create synergy to provide assurance for the Group's gas supply, thereby establishing a solid foundation for joining the natural gas exchange.

Towngas and Towngas China have over 30 million customer accounts in mainland China. This collaboration brings the number to 40 million, which is conducive towards the Group's development of its existing businesses and furthering of its value-added services, including gas appliance sales (such as cooking appliances, water heaters, clothes dryers and space heating), cabinet design and supply, its own brands of Bauhinia and Mia Cucina, value-added services such as home insurance and e-commerce, as well as consumer finance business.

"The collaboration between Towngas China and Shanghai Gas is a successful example of integrated development in the Yangtze River Delta region. It is also the first gas-industry collaboration after the Chinese government announced its relevant outline. Thus, it serves as a model to promote the long-term growth of the natural gas industry," Mr Chan added.

The Chinese government and State Council published in December 2019 the Outline of the Yangtze River Delta Regional Integrated Development Plan, in

which it was announced that the regional integrated development of the Yangtze River Delta region was elevated to a national strategy. By aggregating the cities with the most active economic development, the highest degree of openness, and the strongest innovation capabilities, it serves to jointly promote the translation and transformation of technical accomplishments and smart applications in key areas, thereby establishing an interconnected development framework for innovative and technological industries and forming a synergised regional innovation system.

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### Photos and captions:



Photo 1: Mr Alfred Chan Wing-kin (centre, front row), Towngas Managing Director and Towngas China Chairman, signing the equity cooperation agreement with Shanghai Gas Company Limited on behalf of Towngas China. Witnesses (back row) include: Dr Peter Lee Ka-kit (4th from left) and Martin Lee Ka-shing (4th from right), Henderson Land and Towngas Chairmen; Dr Colin Lam Ko-yin (3rd from left), Henderson Land Vice-chairman and Towngas Non-executive Director; Dr Moses Cheng Mo-chi (3rd from right) and Mr James Kwan Yuk-choi (2nd from left), Towngas China Independent Non-executive Directors; Mr Peter Wong Wai-yee (1st from left) and Mr John Ho Hon-ming (1st from right), Towngas and Towngas China Executive Directors. Mr Yao Hua (2nd from left), Deputy General Manager of Orient Finance Holdings (Hong Kong) Limited, represents Shanghai Gas and Shenergy.



Photo 2: Dr Peter Lee Ka-kit, Chairman of Henderson Land and Towngas, gives a speech at the ceremony.



Photo 3: Mr Alfred Chan Wing-kin, Chairman and Executive Director of Towngas China Company Limited, gives a speech.



Photo 4: Guests in a group photo after the ceremony.