

Towngas China announces strategic investment from Affinity Equity Partners to accelerate evolution into a leading integrated smart energy company

- Towngas China increases investment in smart energy solutions
- Company name will change to Towngas Smart Energy Company Limited post transaction
- Dr. Peter Lee Ka-kit to become the new Chairman of Towngas China

(25 October 2021) Towngas China Company Limited (“Towngas China” or the “Company”, stock code: 1083) and Affinity Equity Partners (“Affinity”) today jointly announce that Affinity Asia Pacific Fund V (“Affinity Fund V”) will invest HK\$2.80 billion into Towngas China, representing 13.3% of the enlarged capital of Towngas China on a fully diluted and as converted basis. Towngas China will issue 116,783,333 new shares at the price of HK\$5.00 per share and convertible bonds in the principal amount of HK\$2.22 billion at a conversion price of HK\$6.33 per share. The investment will support Towngas China’s evolution into an integrated clean energy provider, accelerate the roll-out of distributed solar photovoltaics as part of the smart energy solution and secure long-term growth.

To reflect the new strategic focus, and with effect from 25 October 2021, Dr. Peter Lee Ka-kit has been appointed Towngas China’s new Chairman. At the Company’s upcoming Extraordinary General Meeting (EGM), it will be proposed that Towngas China be renamed as Towngas Smart Energy Company Limited. Affinity Fund V will nominate one representative to act as a member of the Board of Directors of Towngas China and will also sit on the newly formed Strategic Committee which will report to the Company’s Board. This will allow Affinity Equity Partners to consult on the Company’s overall business planning and strategic decision-making.

This partnership with Affinity enables Towngas China to accelerate its long-term vision to create an integrated, sustainable and tangible smart energy business, built on three core pillars: integration, digitalisation and decarbonisation.

1. **Integration:** In addition to providing clean and reliable natural gas, Towngas China will also offer solar energy to both its commercial and industrial customers. This will be integrated with the Company’s distributed energy system, power storage offering, microgrid management and live efficiency monitoring services.
2. **Digitalisation:** Towngas China is expanding its digital capabilities through cloud computing technology, smart energy management systems, and partnerships with world-leading companies like Tencent.



3. Decarbonisation: Towngas China believes carbon is becoming an asset class in its own right and will begin offering carbon auditing, asset management and trading capabilities for its commercial and industrial customers.

Dr. Peter Lee Ka-kit, Chairman of Towngas China, said, *“We are thrilled to partner with Affinity, which has a consistent track record of providing practical support to portfolio companies across Asia Pacific. I have long been passionate about supporting China’s energy transition and to building a sustainable energy future. Affinity shares this vision and I am excited by what we can achieve together. It is our privilege to continue leading the development of China’s natural gas industry and to support the ongoing transition towards cleaner and more efficient energy sources. We look forward to collaborating with the government, business community and our customers, alongside Affinity and other strategic partners, in this transition to a smart energy future.”*

Mr. Tang Kok Yew, Founding Chairman and Managing Partner at Affinity, said, *“Towngas China is a leading city gas operator in China, a core business which has proved to be very resilient and which enjoys robust growth potential in the long term. It can be a key enabler in the pathway to carbon neutrality. More importantly, it can act as a platform for the rapid roll-out of an integrated smart energy business that can create substantial additional value to its shareholders. Affinity Fund V’s investment is envisaged to provide the Company with the capital and resources to advance this ambition. With the Company’s established long-term track record, operational excellence and experienced management team, as well as the enormous growth potential for smart energy in China, I firmly believe that Towngas China has the necessary long-term strategy, market positioning and management resources to succeed in this market. We are delighted to be making this investment and deeply appreciative of the opportunity to form this partnership to pursue this exciting investment opportunity.”*

Towngas China together with its parent company, The Hong Kong and China Gas Company Limited (“Towngas” or the “Group”, stock code: 0003), has a strong and stable city-gas distribution business, which serves over 40 million customers. The Company will continue to invest in and grow this business. Having founded its Smart Energy business five years ago, Towngas China has established the framework, digital platform and strategic partnerships that will enable it to leverage its expertise and long-term trust with government and customer relationships, for the benefit of its customers.

There are c. 2,600 national and provincial level industrial parks in China, accounting for 60% of the country’s annual carbon emissions. By 2025, Towngas China aims to offer smart energy solutions to around 200 industrial parks, which cover approximately 5% of China’s annual carbon emissions (~500 million tonnes CO₂e out of ~10 billion tonnes). Towngas China will combine integrated energy platforms, technological

innovation and decarbonisation efforts to offer a greener, cheaper and more efficient energy solutions for its industrial customers. This supports China’s vision for a more sustainable future, and the Company looks forward to contributing to China’s “30 60” strategy as a responsible, clean energy provider.

Towngas China is an integral part of Towngas, a sustainable energy player with close to 160 years of experience in providing clean and reliable energy to its customers in Greater China. The Group has successfully navigated several energy transitions since its founding in 1862, including the transition from coal to natural gas. Towngas China embodies its parent company’s sustainable business principles and is well positioned to combine its renewable energy capabilities with leading innovative technologies and strong market leadership.

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Press photos:



[Dr. Peter Lee Ka-kit, the new Chairman of Towngas China.]



[The investment will support Towngas China’s transition into an integrated smart energy provider, accelerate the roll-out of distributed solar photovoltaics and secure long-term growth.]



[The signing ceremony took place today at Towngas Building.]

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