



The Hong Kong and China Gas Company Limited (0003.HK)

2023 Interim Results

15 August 2023

Urge for Carbon Reduction; Accelerate Corporate Restructuring Pursue Business Opportunities; Cost-saving & Efficiency Enhancement



Opportunities and challenges

- China's post-pandemic economic recovery fell short of expectations.
- Geopolitics continued to affect China's economy.
- Energy prices returned to normal levels.



Business restructuring accelerates

- First mover of hydrogen usage in Hong Kong, China.
- Strategically coordinate natural gas resources.
- Deploy "Gas+" energy management comprehensively.
- Renewable Energy to turn a profit.
- Complete Extended Business consolidation.




2023 Interim Business Highlights




Hong Kong, China Gas Business


Total Gas Sales Volume

14,966 TJ  0.6%

Customers

2 million  11,000

Total Revenue

5.6 billion  2%




Mainland Utility Business


Total Gas Sales Volume

23.1 billion m³  9%*


City Gas Sales Volume

17.5 billion m³  9%

City Gas Projects

317  4*

Customers

38.56 million  1.27 million

Water Business

762 million tonnes  5%


Environment

700 thousand tonnes  3%



Renewable Energy

Accumulative

91 Zero-carbon Industrial Parks  11

PV


Contracted: **2.20**GW

Grid-connected: **1.12**GW



Extended Business

Hong Kong, China

1.0 billion  6.6%

Mainland

3.2 billion  33%

Total Revenue

4.2 billion

(Unit: HK\$) Note: *National natural gas consumption increased by 6.7% (Source: NDRC). Note: *Four new projects added; two projects withdrew, including Shanghai Gas.

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- Gas Business and Hydrogen Energy Development in Hong Kong, China
- Mainland Gas Business
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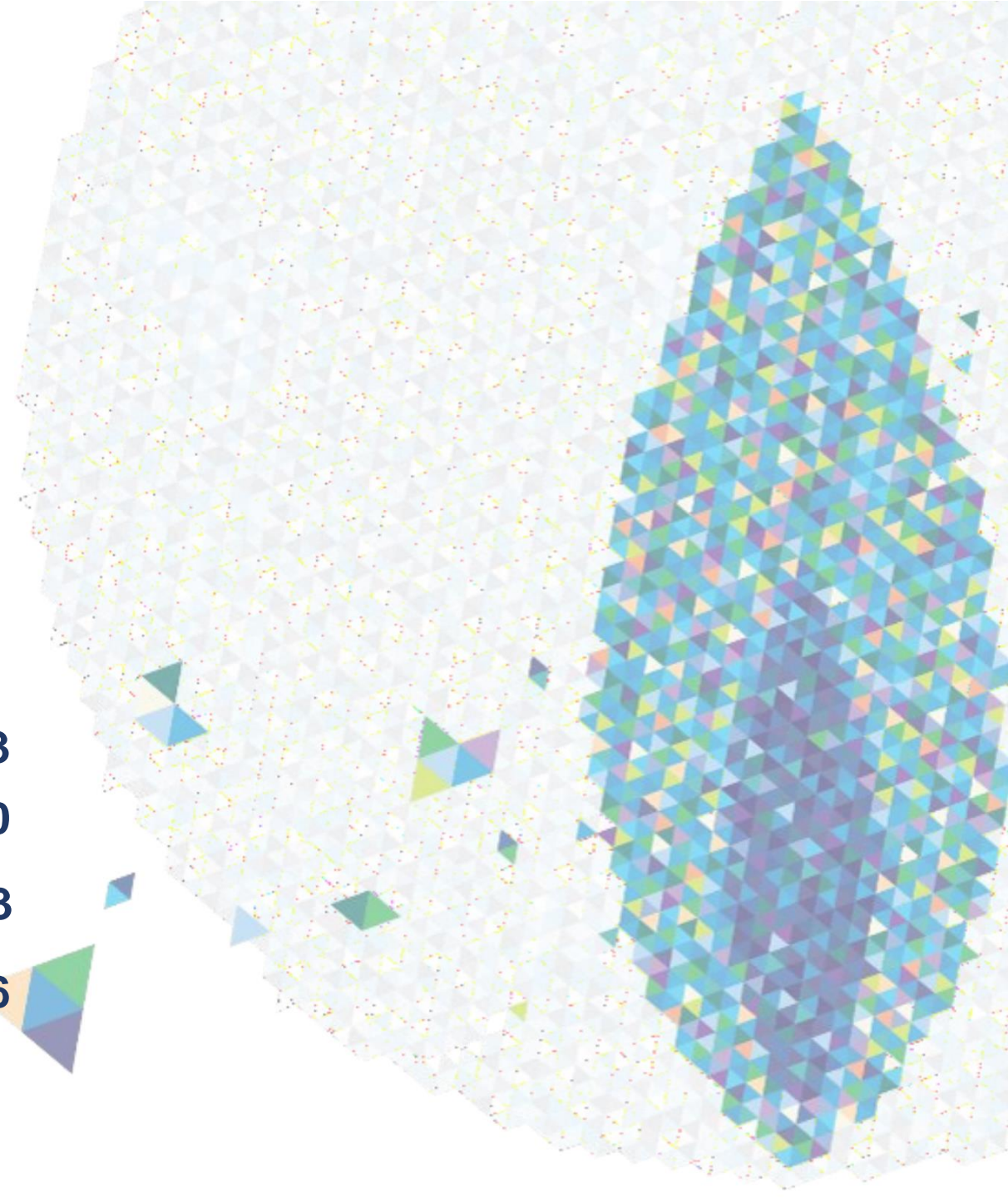
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ESG

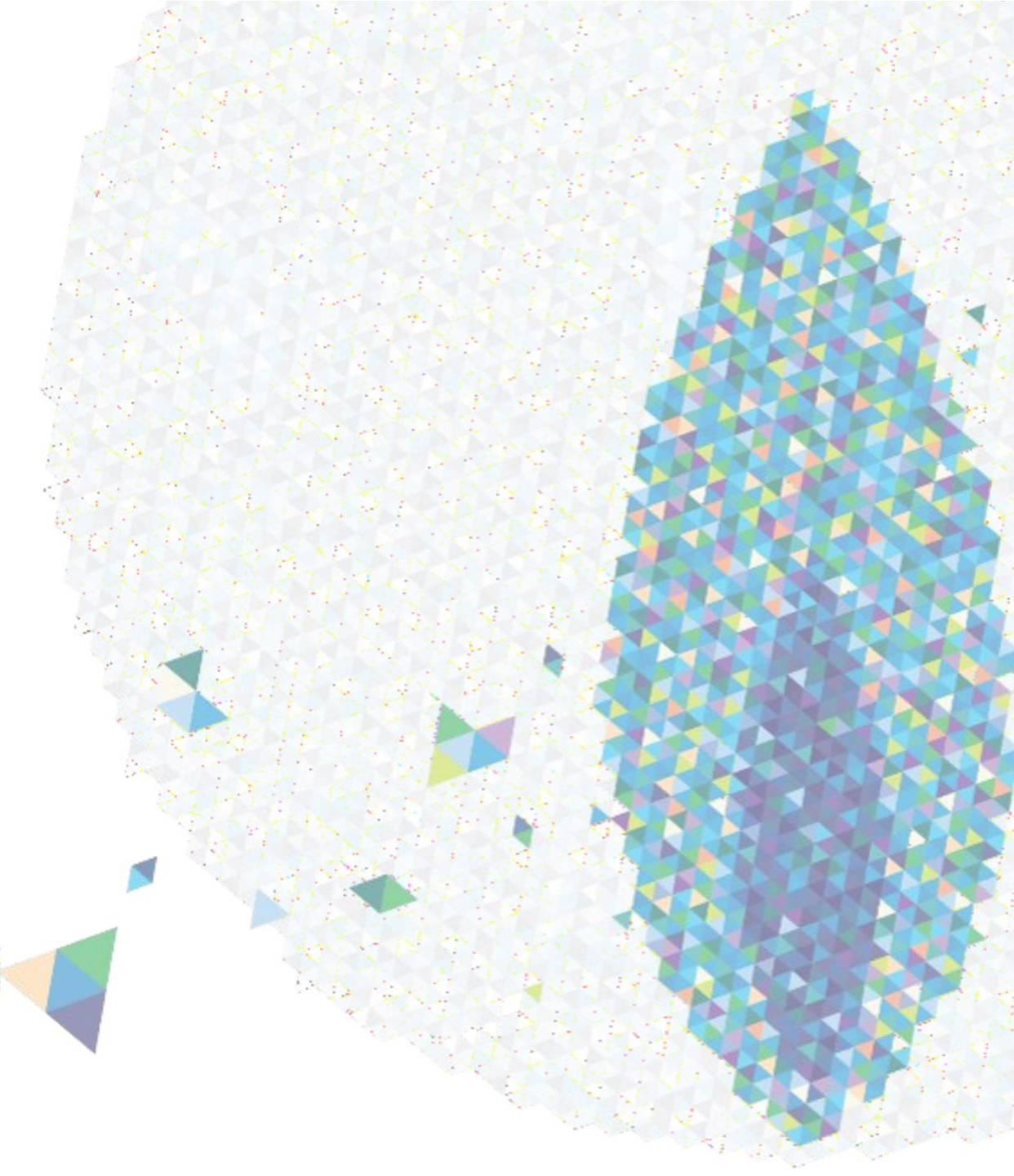
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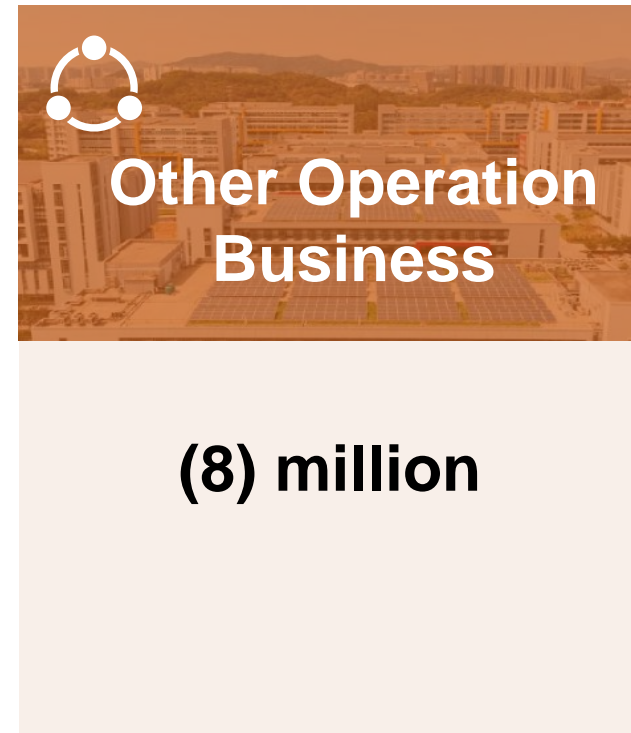
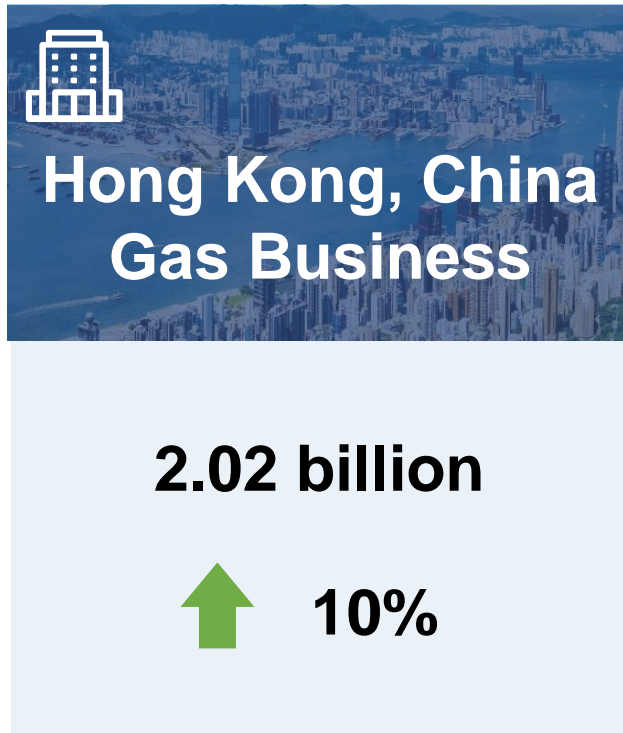
Business Guidance

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Financial Highlights





Profit from Operations: 3.6 billion ↑6%

RMB depreciated by about 7% over the same period last year

(Unit: HK\$)

2023 Interim Results

The Hong Kong and China Gas Company (0003.HK)



(Unit: HK\$ million)	1H2022	1H2023	Changes
Revenue	29,721	29,178	-2%
Profit from Operations	3,388	3,601	+6%
Net Corporate Financial Expenses	(345)	(484)	-
Fair Value Changes	334	196	-
Net Gain from Exit of Shanghai Gas	-	398	-
Business Restructuring - Gain		4,556	
- Impairment		(4,653)	
	-	(97)	-
IFC Revaluation Change	(62)	-	-
Profit Attributable to Shareholders	3,315	3,614	+9%
Basic Earnings per Share (HK Cents)	17.8	19.4	+9%
Average Cost of Debt	3.1%	3.5%	-

(Unit: HK\$ billion)	31 Dec 2022	30 Jun 2023
Total Assets	168.5	162.1
Net Assets	75.1	71.6
Cash and Bank Balances	13.3	10.8
Total Borrowings	59.3	60.5
Net Gearing Ratio	38.0%	41.0%

Credit Rating

**STANDARD
& POOR'S**
RATINGS SERVICES

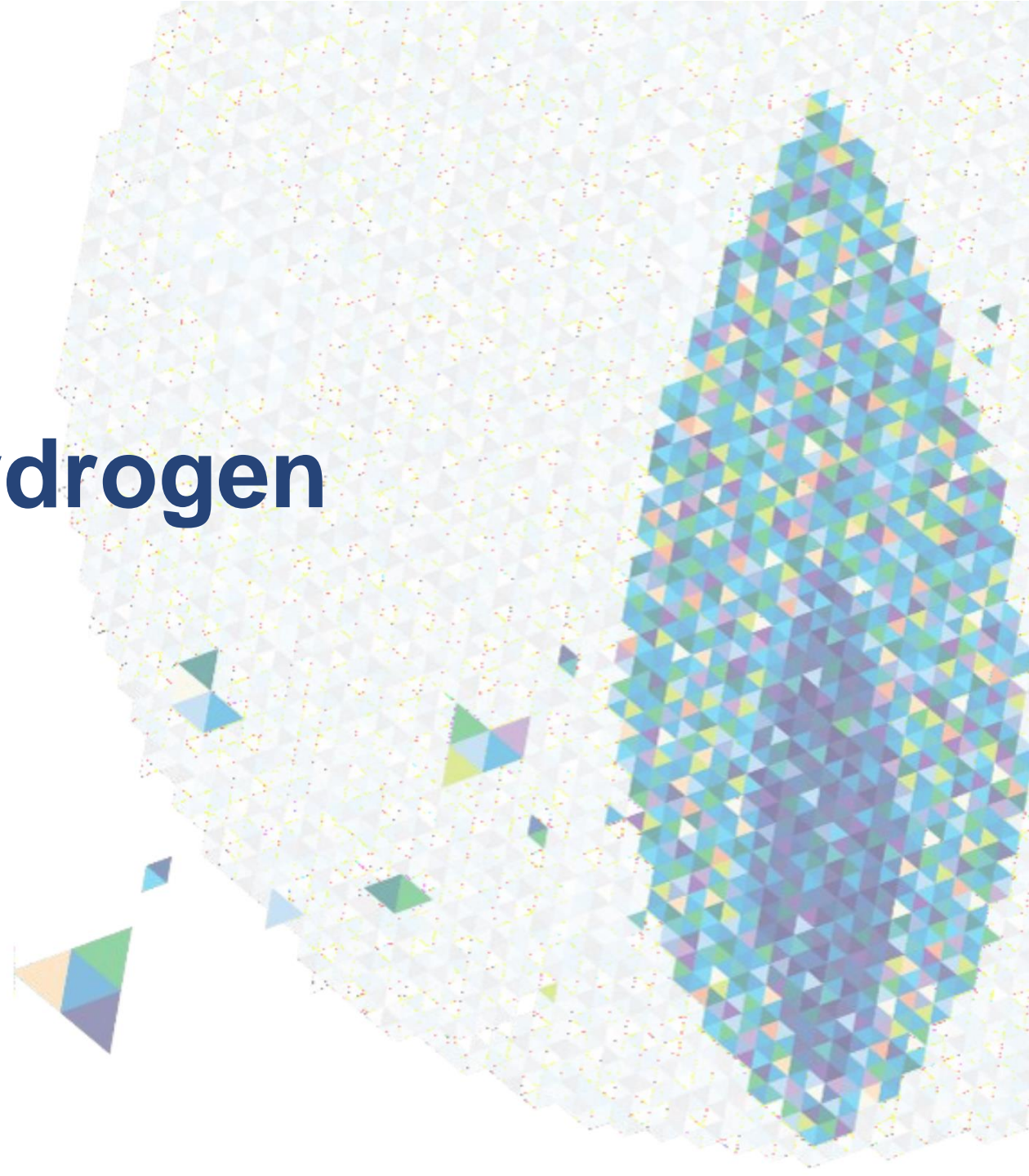
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(Unit: HK\$ billion)	2022 (Actual)	2023 (Estimated)
0003.HK (Excluding 1083.HK)	2.5	2.5
1083.HK	2.0	7.5
Total	4.5	10.0

Gas Business and Hydrogen Energy Development in Hong Kong, China



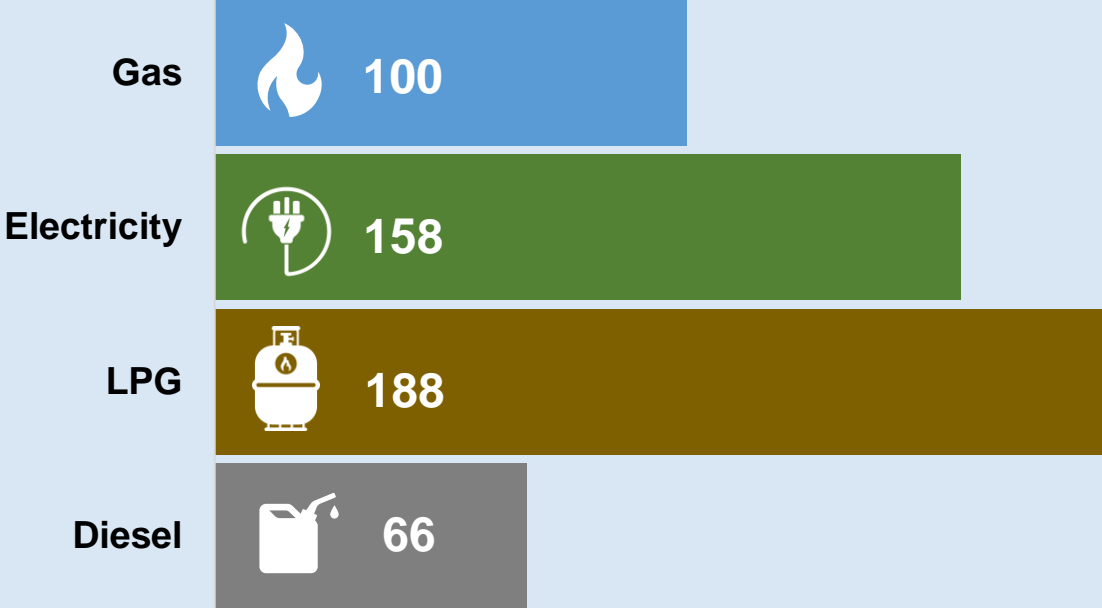
Gas Sales Growth in Hong Kong, China

Classification	Target Customers		1H2023	2023-2027
Residential	Domestic Use (Cooking, clothes dryer, bathroom hot water supply, etc.)	222,700 New customers over next five years	27 TJ	534 TJ
Industrial and Commercial	Gas Cooling/Heating Applications	Theme park, Towngas Telecom, airport and North District Hospital	53 TJ	245 TJ
	Diesel Replacement Projects	Hospitals, food production plants and laundries	40 TJ	510 TJ
	New Projects	Hotels, hospitals, crematoriums and new food processing plant	40 TJ	345 TJ
	Hydrogen Energy Projects	Franchised bus companies, heavy-duty vehicles	-	120 TJ
	Indoor Air Quality (Dehumidification)	Hotels, hospitals and offices	10 TJ	50 TJ

Gas: Competitive pricing

Commercial and Industrial Price Indices

(Average in 1H2023. Basis of gas = 100)

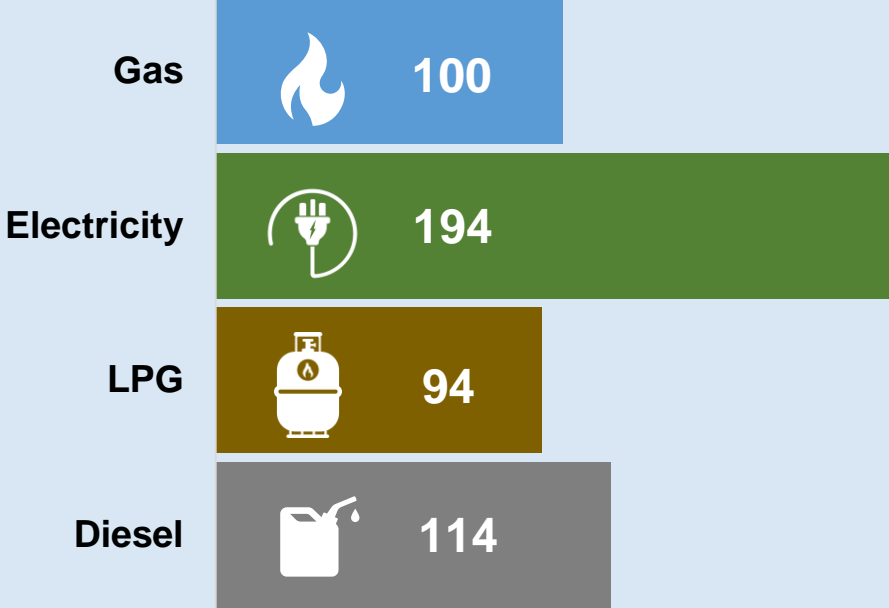


Sources: Electricity company websites, LPG retailers and government

Gas: Lower carbon emissions

Carbon Emission Indices

(July, 2023. Basis of gas = 100)



Sources: Company Sustainability Reports, IPCC Guidelines for National Greenhouse Gas Inventories

Strategic Partnership on Energy Business



TERA-Award

- The 2nd TERA-Award ceremony was successfully held on 28 March.
- 275 projects from 41 countries/regions.
- The 3rd TERA-Award presentation ready to launch.



Multi-front Energy Cooperation

- Signed a framework agreement on strategic cooperation with the State Power Investment Corporation (“SPIC”).
- To explore multi-front energy cooperation.



Visit in Saudi Aramco HQs

- In-depth discussion on LNG imports, hydrogen energy, energy storage, carbon capture, energy internet and others.



China's First Zero-carbon Technology Investment Fund

- Co-founded China's first domestic zero-carbon technology investment fund with IDG Capital.
- Completed fund-raising target of RMB5 billion.

Hydrogen Energy Development Gains Support and Attention from Hong Kong Government and Legislators



Hydrogen fuel trial project at Tai Po plant approved



Towngas signed Memorandum of Understanding with Bravo Transport Services, Citybus' parent company, to jointly promote the development of hydrogen energy in Hong Kong, China

CHEMCHINA
中国化工集团公司
China National Chemical Corporation



香港 AIRPORT
機場管理局 AUTHORITY
HONG KONG

ChemChina and the Hong Kong Airport Authority plan to process solid waste at the airport to produce hydrogen by 2026, while the Environment and Ecology Bureau and Towngas are interested in joining the collaboration

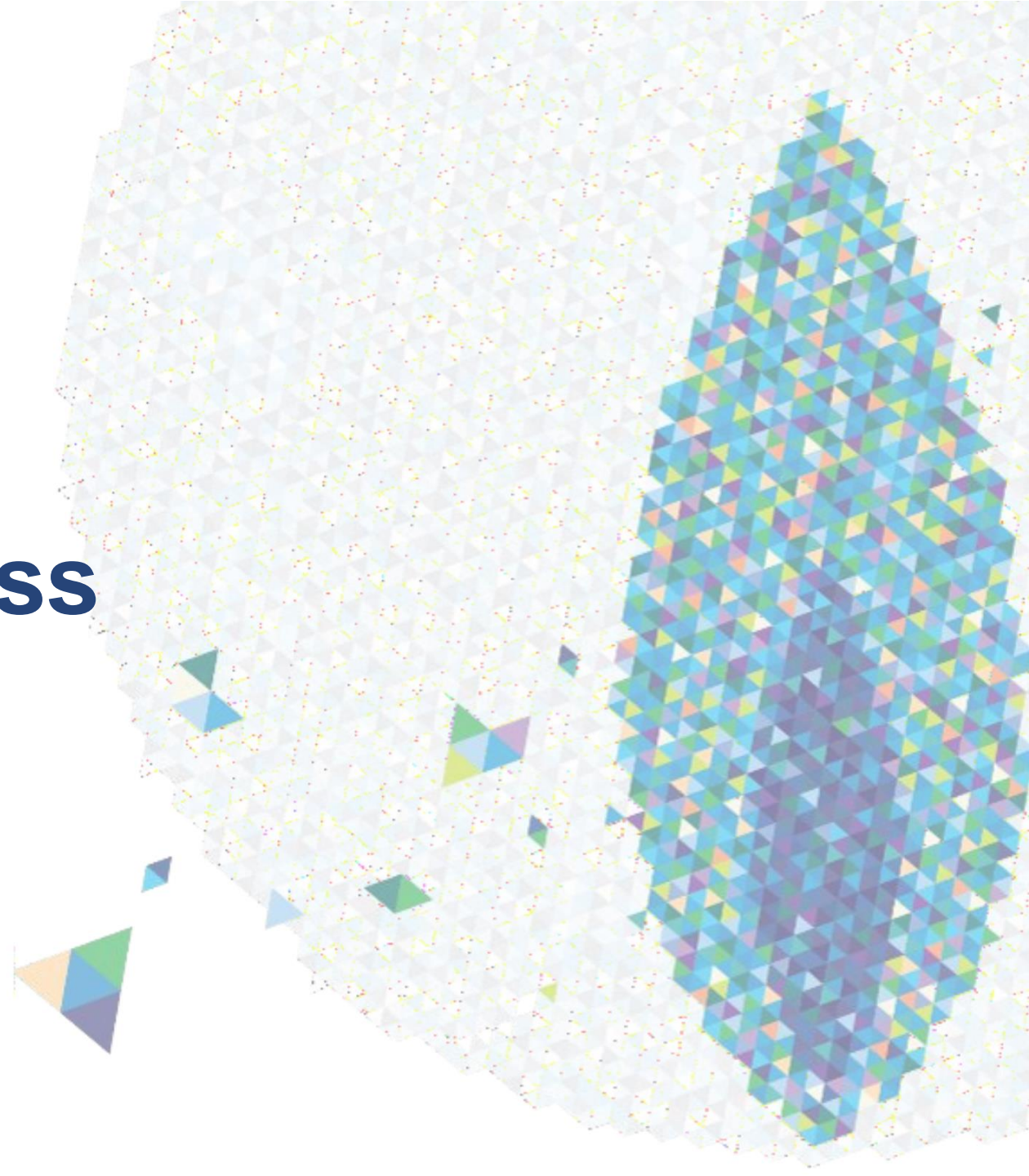
煤氣
Towngas



Linde

Explore cooperation with Linde in hydrogen bottling business

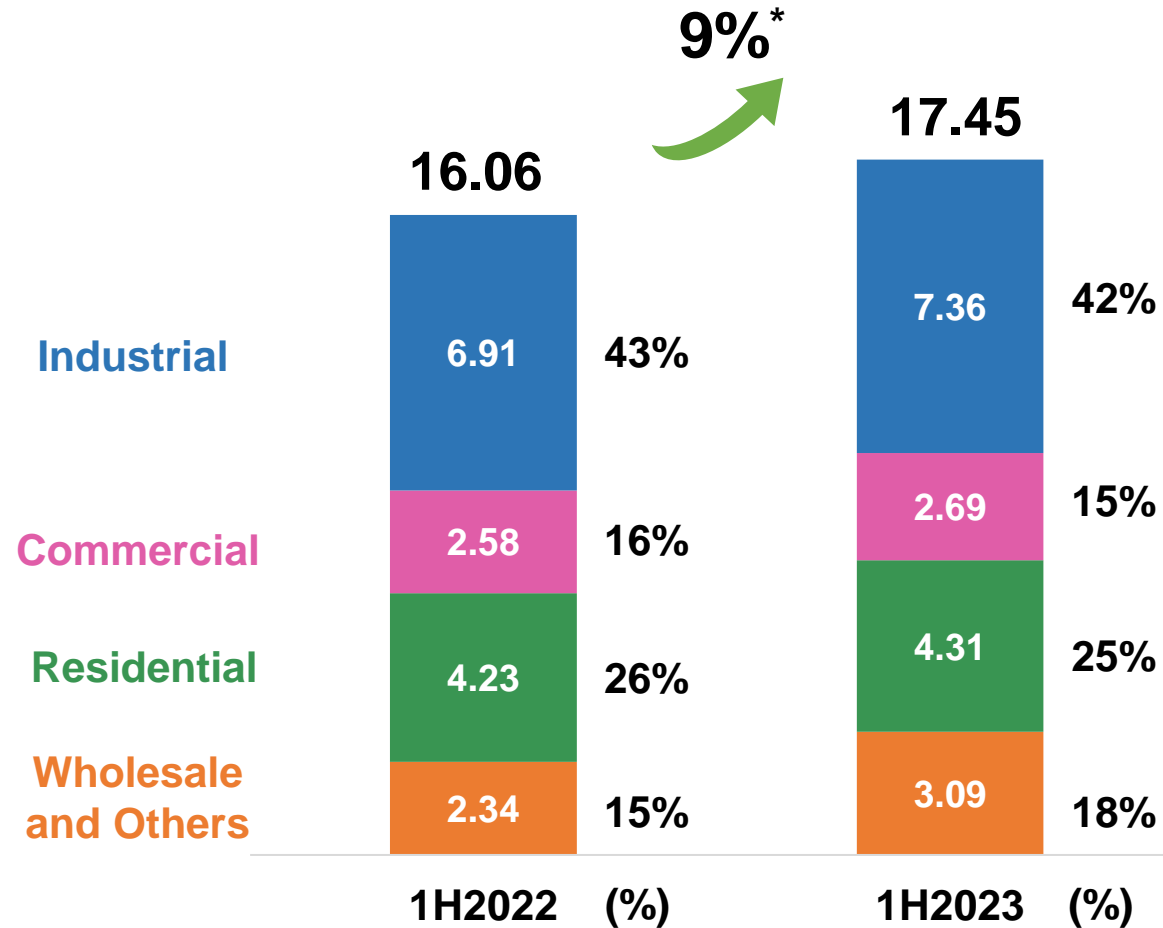
Mainland Gas Business



Gas Sales Volumes Above National Growth with Stable Gas Sales Structure

Gas Sales Volume

(Unit: billion m³)



National natural gas consumption
2022: 366.3 billion m³
2040: 700.0 billion m³

Note: *National natural gas consumption increased by 6.7% (Source: NDRC).

Selling Price, Cost and Dollar Margin

(Unit: RMB/m ³)		1H2022	1H2023	Changes
Selling Price	Residential	2.66	2.68	+0.02
	Commercial	3.47	3.54	+0.07
	Industrial	3.73	3.73	-
	Wholesale	3.18	3.08	-0.10
Average Selling Price		3.38	3.38	-
Average Gas Cost		2.98	2.96	-0.02
Dollar Margin		0.40	0.42	+0.02

Dollar Margin

- Volume control and price increase by upstream lead to residential gas cost increase by more than 10%.
- Resilient procurement of LNG and unconventional gas.
- Non-residential gas cost mostly completed pass-through. Residential gas cost pass-through achieved significant breakthrough (in more than 10 cities, including Xi'an, Nanjing, Jinan, Qingdao, Mianyang).
- Dollar margin increased in 1H2023.

Connection Fees

- Real estate sector remained doldrums.
- Connection fees dropped by 15% in 1H2023.

Group's Strategy in Gas Sourcing

- By 2025/26, gas coordinated by the Group will reach **5 million tonnes** to meet internal demand and for trading purposes.
- Cost saving will be at least **RMB0.32 billion/year** through resilient procurement.
- Through well-planned scheduling, storage buffer and other means, etc, it would lead to better coordination of gas sharing amongst JVs and subsidiaries.
- Utilization of LNG receiving terminals, Towngas' storage tank and state pipeline network to **boost gas source procurement**.
- Strengthen the LNG joint procurement with Foran Energy, Shenzhen Gas, Shanghai Gas and Hebei Tangshan to reduce risks, **save cost and enhance efficiency**.

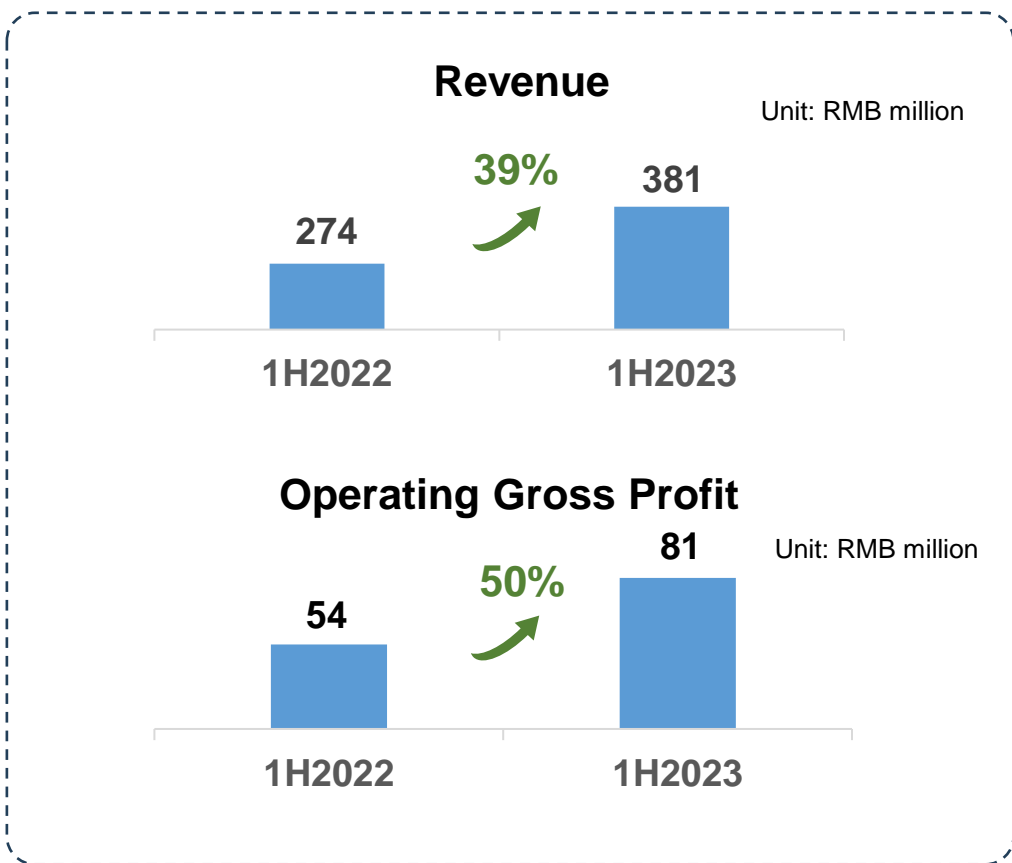
Procurement Volume and Cost-saving Forecast

(Unit: billion m ³ , RMB billion)	Targets	2023	2024	2025-2029 (Annual average)
Total operating gas volume	Achieve coordinated gas volumes of 5 million tonnes LNG equivalent by 2025	3.2	4.2	7.0
Cost saving from gas sourcing coordination	RMB0.1/m ³	0.32	0.42	0.70

(Unit: RMB)

Rapid Business Development

- Accumulated 312 projects have been developed, with 43 new contracts signed this year. Energy sales equivalent to around 110 million m³ of NG.



(Unit: RMB)

Extensive of Services

Grade A tertiary hospital in Huanggang City

- Energy management services:** Heating, cooling, steam and electricity supply.
- Space:** 280,000 m².
- Annual gross profit:** RMB14 million.

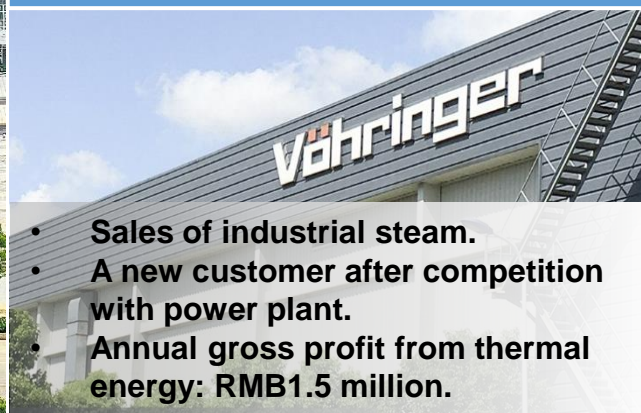


A vocational school in Shandong Province

- Green campus demonstration:** Low-carbon energy supply + energy management.
- Annual gross profit:** RMB2.2 million.



A household products factory in Danyang City

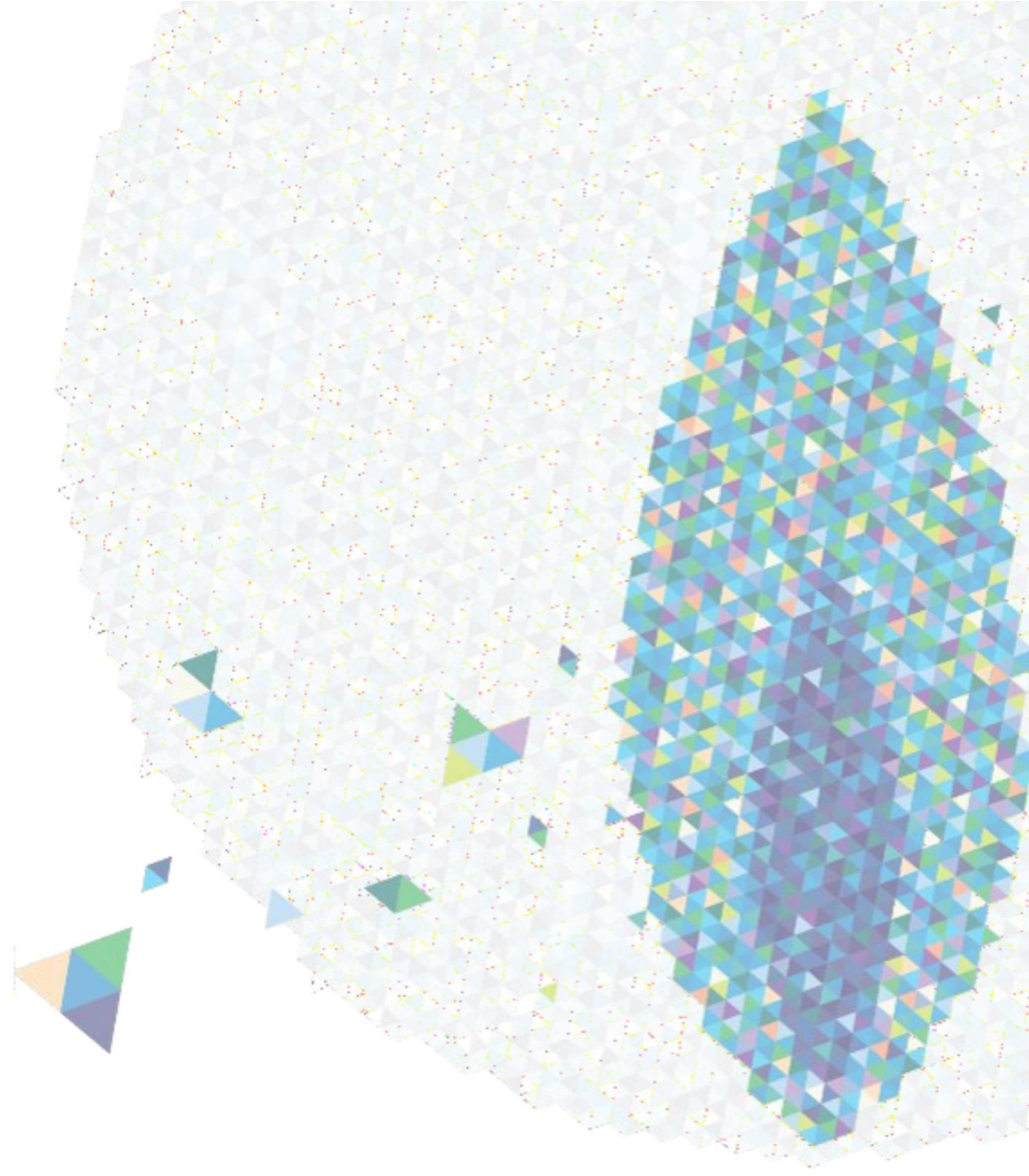


- Sales of industrial steam.**
- A new customer after competition with power plant.**
- Annual gross profit from thermal energy:** RMB1.5 million.



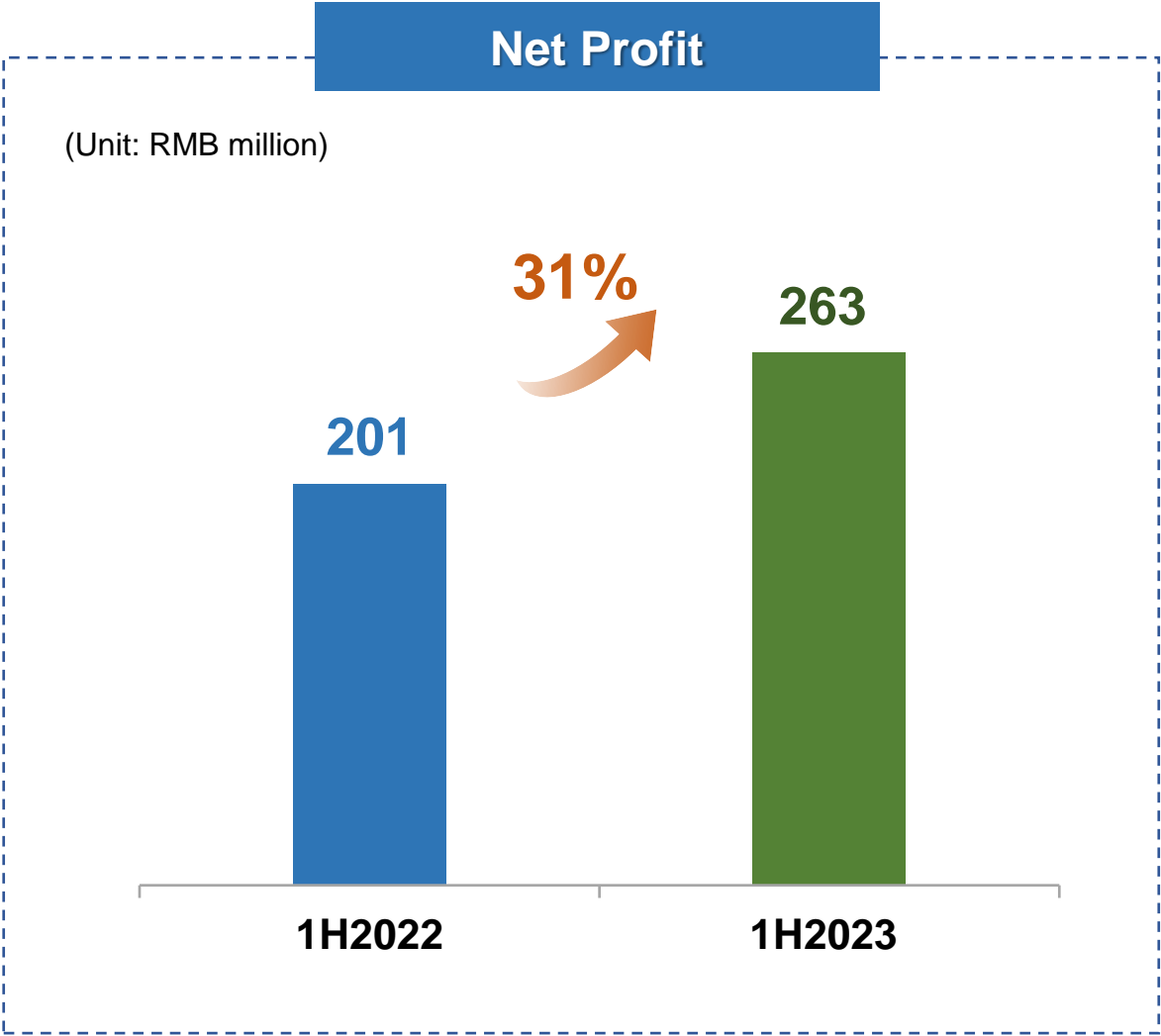
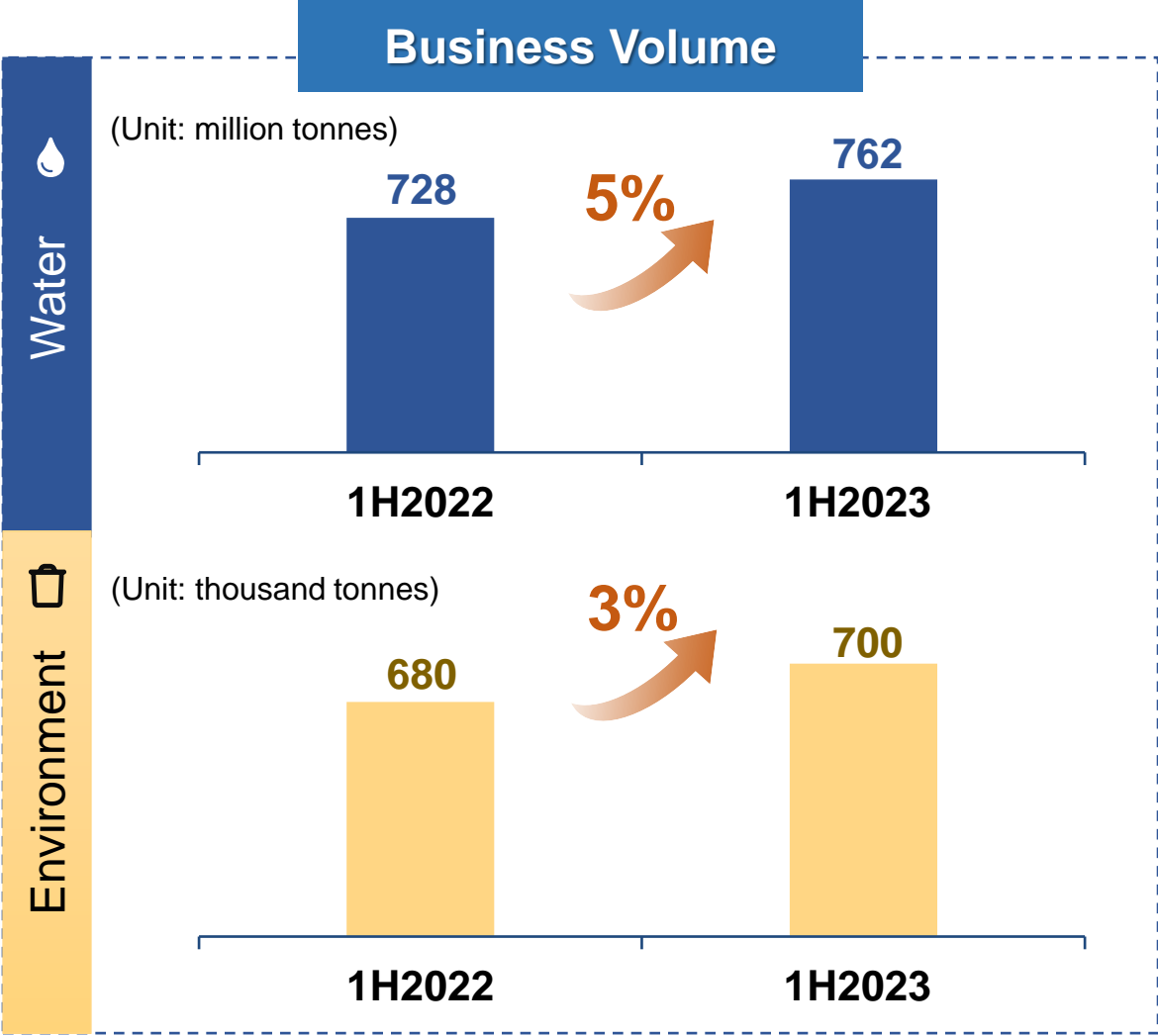
- Signed Capital Reduction Agreement with Shanghai Gas and Shenergy Group on 23 May 2023.
- Exit of 25% equity interest in Shanghai Gas for a consideration of RMB4.66 billion (HK\$5.04 billion), which was received on 2 August 2023.
- Net gain of HK\$600 million from exit of Shanghai Gas.
- Continue the cooperation with Shenergy Group and Shanghai Gas on natural gas resources and supply chain, renewable energy, and extended business.

Mainland Water & Environment

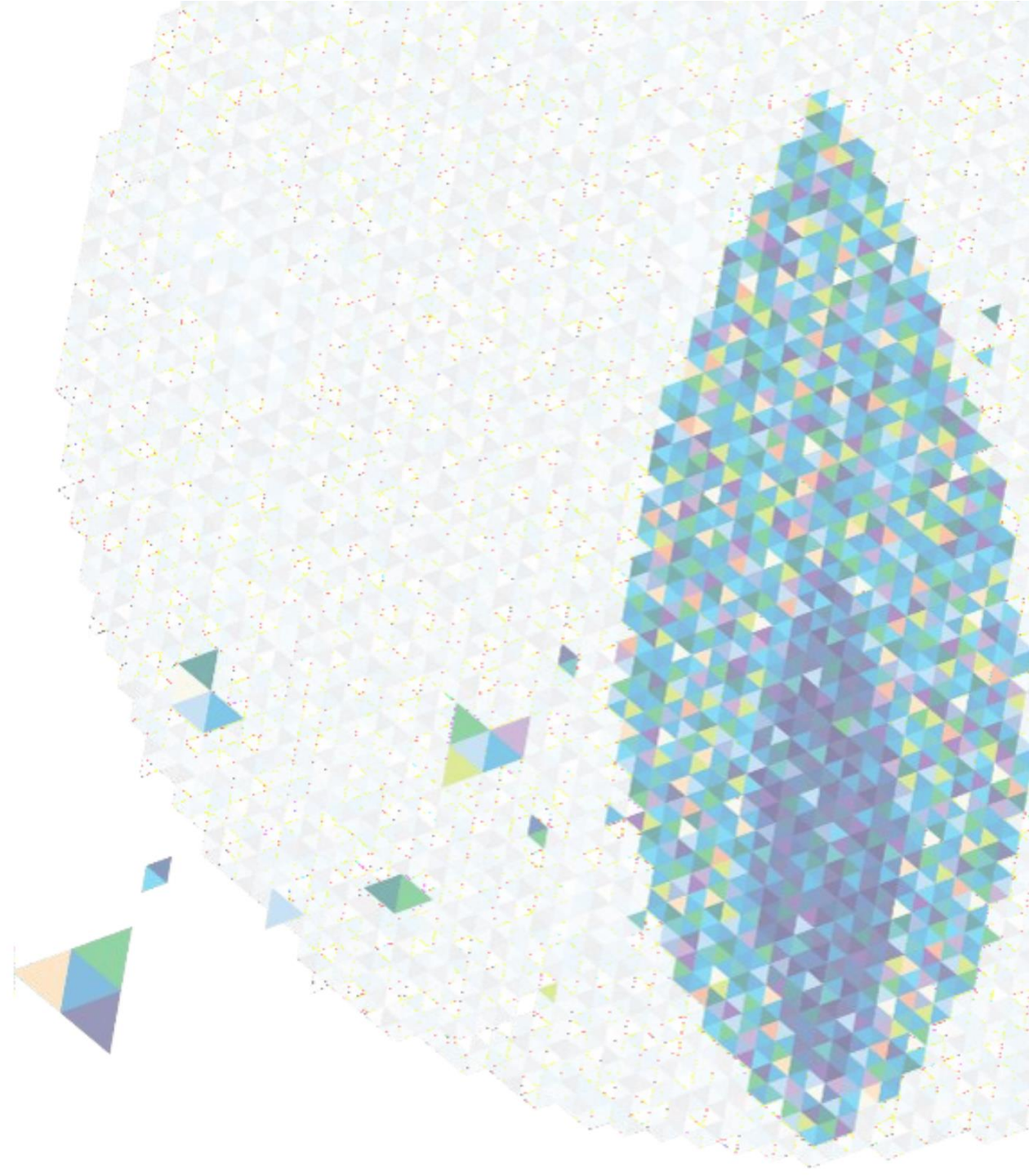


Steady Growth and Increased Profitability

- Foshan Water's A-share listing in progress, completion expected in 1H2024.



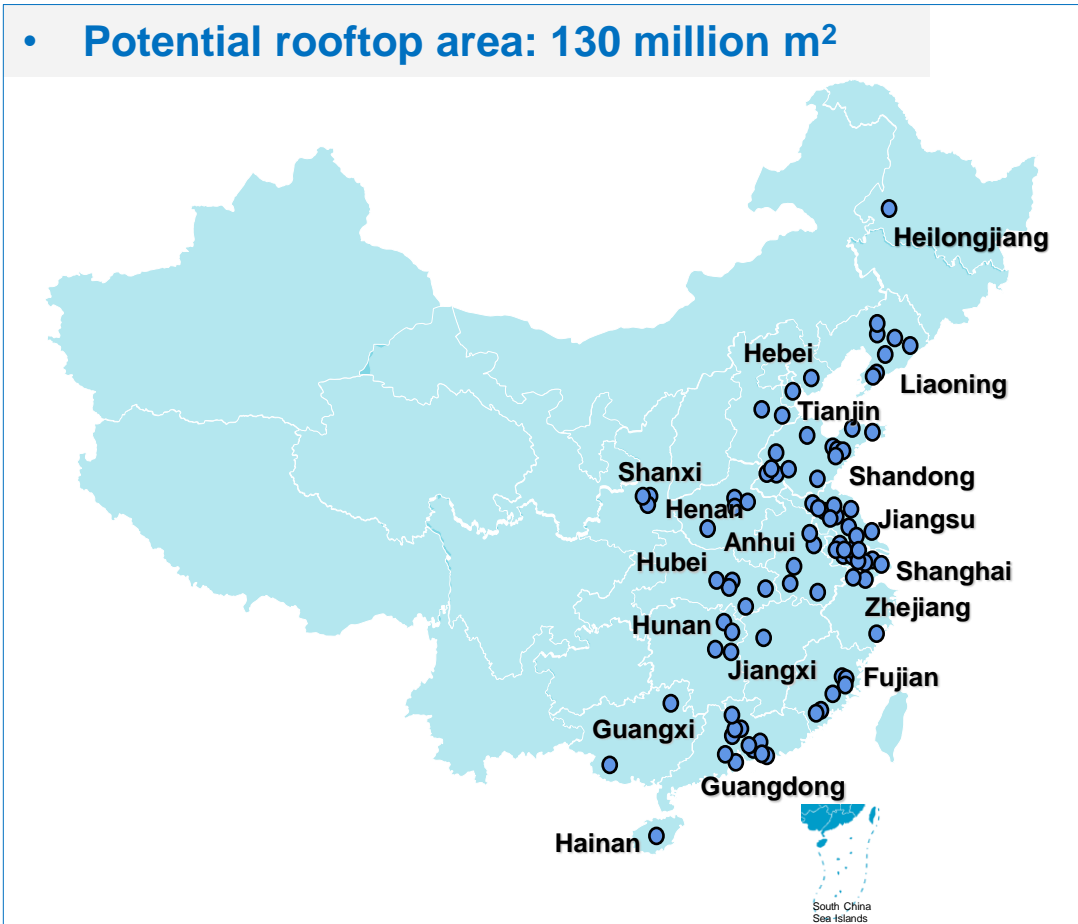
Renewable Energy



- Continue to increase investment in high-quality zero-carbon industrial parks; growth of contracted and installed capacity is significantly ahead of peers.

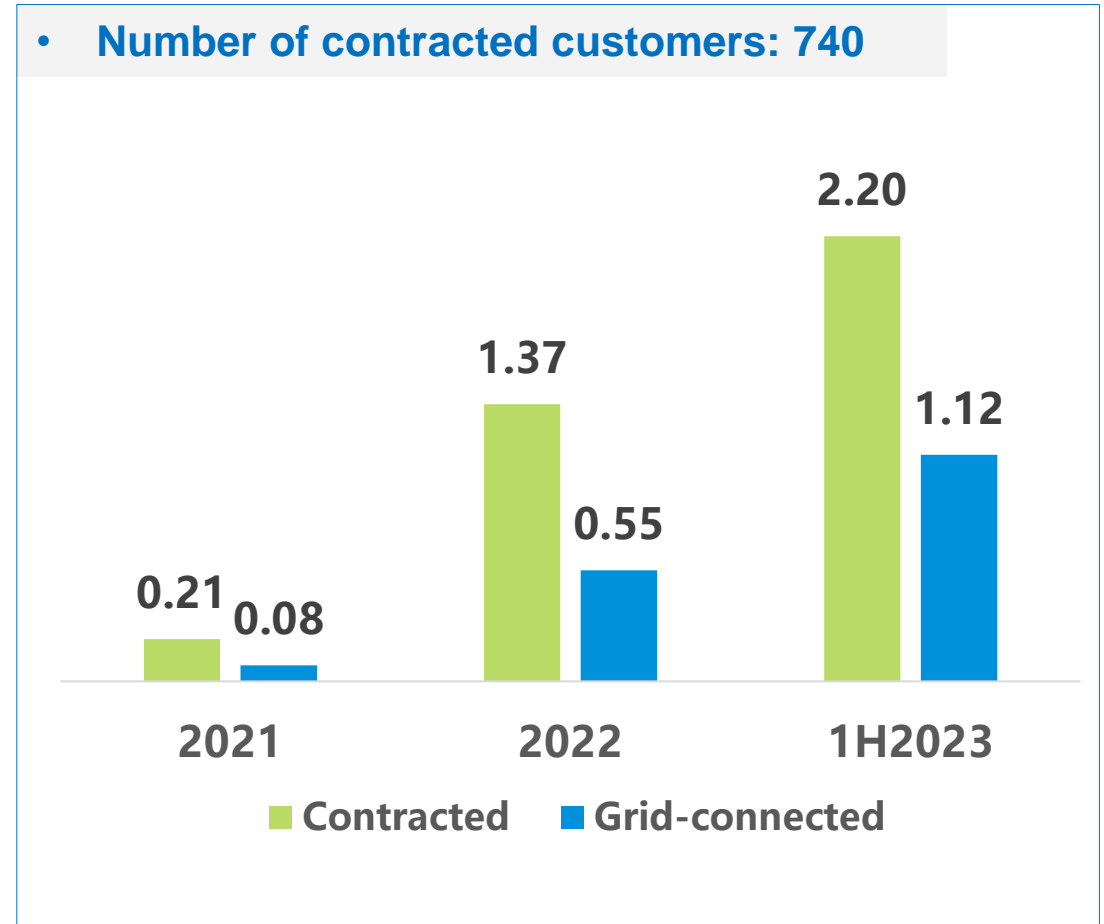
Zero-carbon Industrial Parks (80+11)

- Potential rooftop area: 130 million m²



PV Accumulative Contracted and Grid-connected (GW)

- Number of contracted customers: 740



- Economic recovery fell short of expectations; financing costs under pressure.
- Favourable dual-carbon policies; green financing driving development.

	Economy	Prices	Financing	Policies
Operating Environment	<ul style="list-style-type: none"> • Weaker growth in some sectors. • C&I companies under pressure. 	<ul style="list-style-type: none"> • PV module prices dropped. • Steady increase on electricity prices. 	<ul style="list-style-type: none"> • Rising global financing costs. • Low interest rates for green financing in Mainland. 	<ul style="list-style-type: none"> • Shift from dual control of energy consumption to dual control of carbon emissions. • Commercialisation of electricity trading.
Business Impact	<ul style="list-style-type: none"> • PV customers' credit and business risks. 	<ul style="list-style-type: none"> • Favourable to PV investment. 	<ul style="list-style-type: none"> • Ensure healthy cash flow liquidity. 	<ul style="list-style-type: none"> • Soaring demands for carbon management, green power and energy storage.

- Focus on zero-carbon industrial parks, green finance expansion, strict risk management of PV investments, and accelerate the development of asset-light energy & carbon management services.

1. Focus on zero-carbon industrial parks

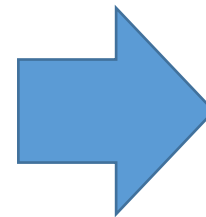
- Meet the energy saving and carbon reduction needs for park customers; and provide both PV installations and energy & carbon management services.

2. Steady investment in PV projects

- Expand green financing on the mainland, secure cash flow liquidity and optimise financing costs.
- Strengthen customers' credit and business risk assessment and management, and strictly control operational risks.
- Annual cumulative PV grid-connection target of 2.3GW, with an annual increase of 1.75GW and a PIRR of 9%.

3. Accelerate the deployment of energy & carbon management services

- Promote the rapid transformation of PV customers into energy-saving and low-carbon users and cultivate the secondary growth curve.



• Lay down the foundation for profit growth

- Turned a profit in 1H2023.
- Significant contribution to the Group's annual profit growth.

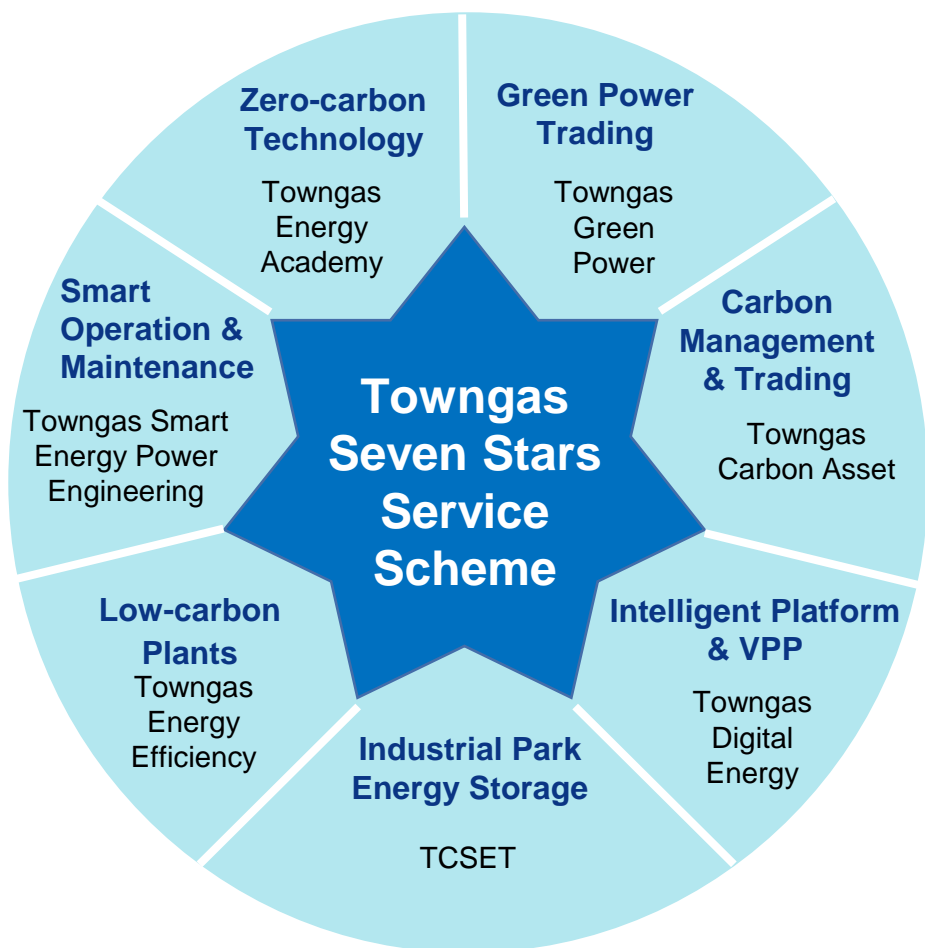
Return exceeded forecast

- PIRR: Actual was 0.7% higher than forecast. (123 grid-connected projects under operation over 3 months)
 - Electricity price exceeded forecast: policies drive up electricity price.
 - Electricity generation hours exceeded forecast: professional smart operation & maintenance.

Exceptional risk management

- Project screening & evaluation and account receivables management outperform peers.
 - Benchmarking financial institutes and state-owned enterprises projects risk management standard.
 - So far, no customer bankruptcy and relocation.

- “Towngas Seven Stars” one-stop energy & carbon management services to meet customers’ demands. Business synergies are growing rapidly.



Energy & carbon management services for corporate customers in emission controlled industries

- Signed 15 corporate customers with industrial rooftops of 3GW capacity.
- Provided carbon consultancy services with revenue over RMB10 million.

PV customers: Upgraded to low-carbon plants

- Successfully developed 50 low-carbon plants for over 700 PV customers, with expected revenue over RMB10 million.
- Exemplification of “PSCF” microgrid will be promoted in scale.

PV smart operation and maintenance services generated significant revenue

- GW-level PV smart operation and maintenance services can generate extra revenue from additional 10% power generation, creating an asset-light operating income model.

- Demonstration of national-level exemplification and excellent dual-carbon solutions to industry, large-scale replication amongst gas and PV customers.

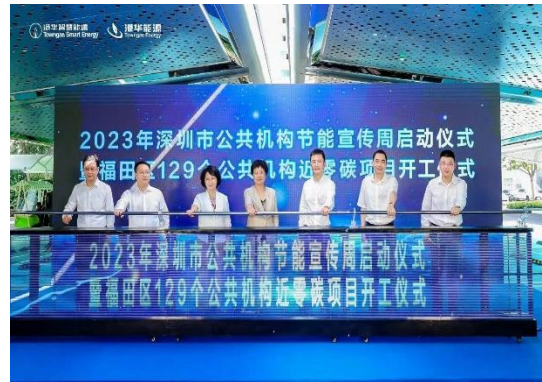
Zero-carbon Industrial Park Hailing, Taizhou



Digital Energy Exemplification

- Covered by CCTV News Broadcast.
- To be promoted in nearly 100 zero-carbon parks.

Zero-carbon Public Organization Futian District Committee Compound



“PSCF” Exemplification

- Promoted by China’s National Government Offices Administration.
- Large-scale replication in invested PV projects.

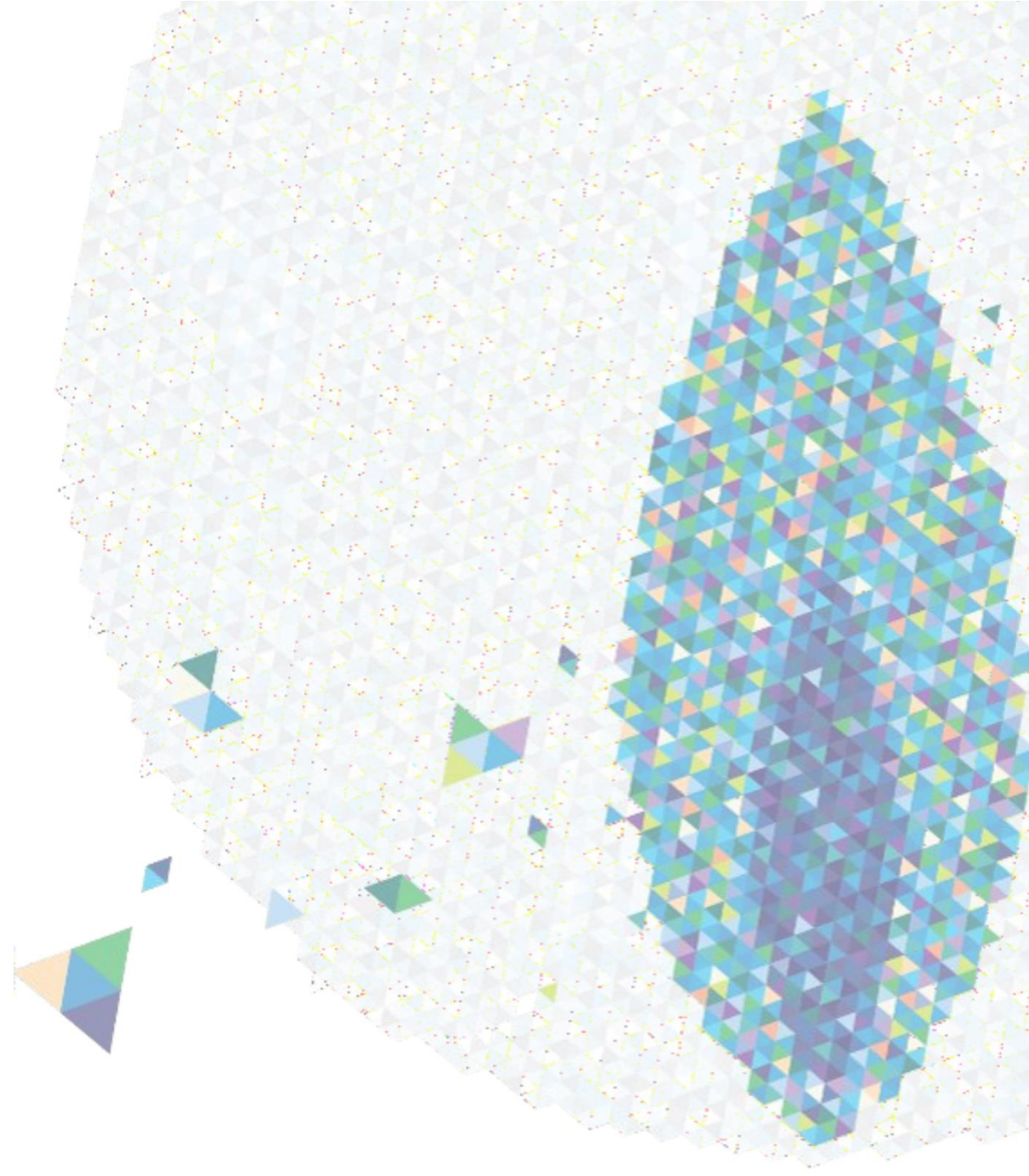
Shenzhen VPP China Southern Power Grid Certification



Government’s First Batch of VPP Aggregators

- Participated in Demand Side Response (DSR) trading.
- To be promoted in key zero-carbon industrial parks.

Extended Business



Business and Brands Diversification with Stable Growth



Hong Kong, China

>80%

Gas appliance market share

>30%

Mia Cucina cabinets market share

Mainland

>20%

Gas appliance customer coverage

18 cities

Covered by Mia Cucina cabinets



Total Revenue
4.2 billion



**Hong Kong,
China**

Revenue 1.0 billion
Profit 0.2 billion



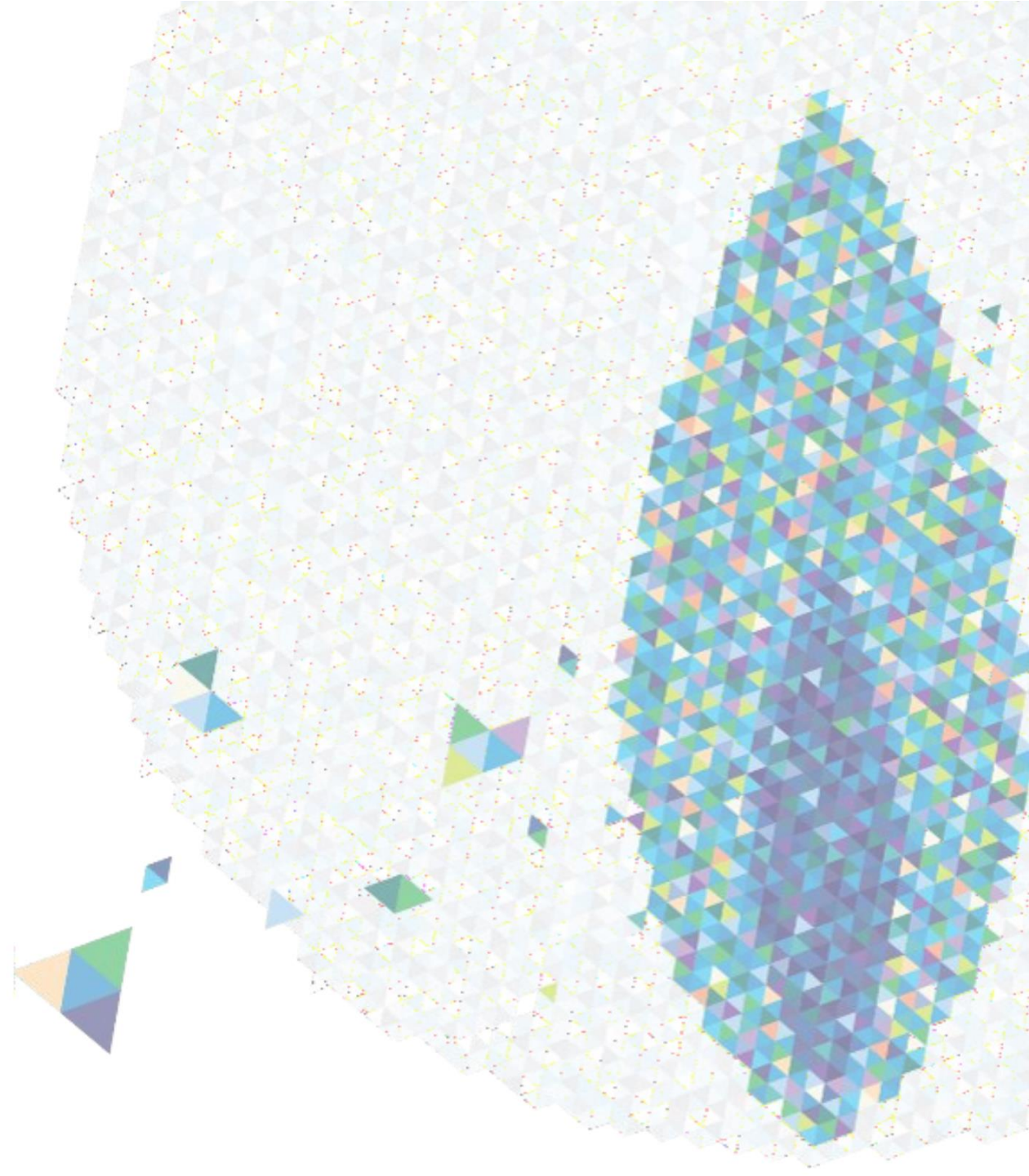
Mainland

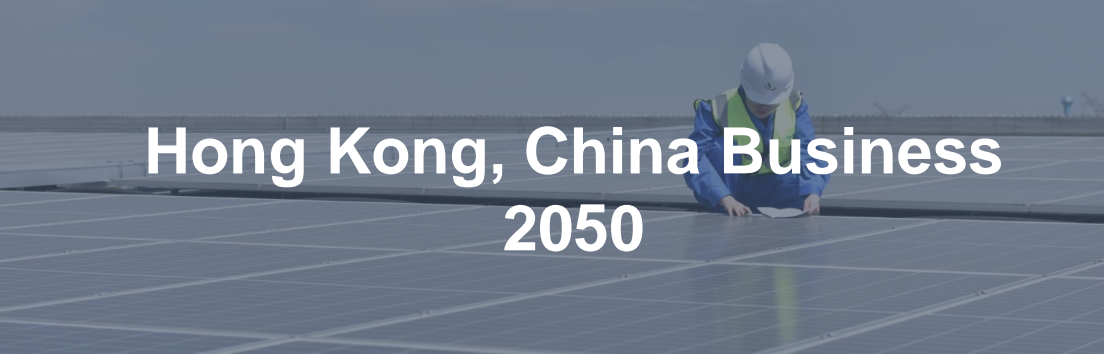
Revenue 3.2 billion
Profit 0.15 billion*

Smart Kitchen	Gas appliances	129,000 units ↑9% revenue	344,000 units ↑17% revenue
	Kitchen cabinets	1,700 sets ↓11% revenue	3,000 sets ↑10% revenue
Community Retail (including gas insurance)	Online platform	233,000 members	2 million active users
	Cooking class	HK\$230,000/class 30,000 enrolments	/
	Insurance promotion	/	↑ 41% premium
Home Safety (including gas-related engineering)	Home safety services	/	↑ 50% revenue

(Unit: HK\$) Note: *Calculated by shareholding ratio

ESG





Three Major Initiatives to Achieve Carbon Neutrality

Adopt Renewable Energy

- Management of Fugitive Methane
- Blending Hydrogen with Natural Gas
- PV

Reduce Emissions from Operating Units

- Green Buildings
- Energy Efficiency Improvement
- Green Transportation
- Green Power
- Green Office

Apply Emerging Carbon Reduction Technologies

- Carbon Capture
- Carbon Trading

S&P Global

Hong Kong and China Gas Company (HK.0003)

- **Top 1% S&P Global ESG Score**
- **Included in Sustainable Development Yearbook (China Edition) 2023**

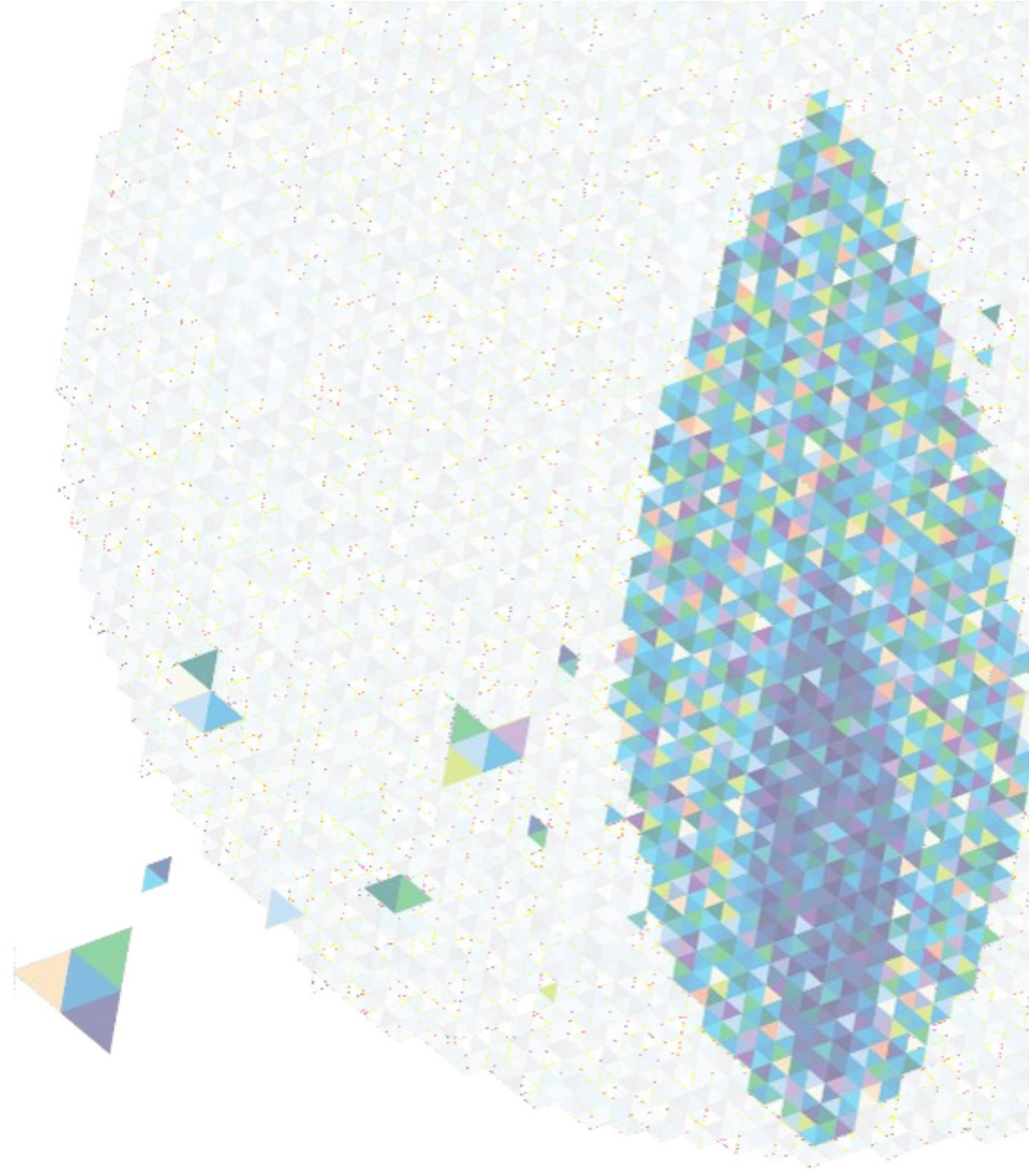


Towngas Smart Energy (HK.1083)

- **Top 1% S&P Global ESG Score**
- **The only company in the industry to be named an “Industry Mover”**
- **Included in Sustainable Development Yearbook (China Edition) 2023**



Business Guidance





Hong Kong, China Gas Business

Gas Sales Volume

↑ 1%

Customers

↑ 25,000



Mainland Utility Business

Gas Sales Volume

↑ 9%

Customers

↑ >2 million

Dollar Margin

0.44 RMB/m³



Renewable Energy

Zero-carbon Industrial Parks

To achieve 120 ↑ 40

Accumulated PV
Grid-connected

2.3GW



Extended Business

Hong Kong, China

2.2 billion

Mainland

6.8 billion

Total Revenue

9.0 billion

Net Profit Margin

8%

(Unit: HK\$)



煤氣
Towngas

THANK YOU



環保生活每一天
Go Green Every Day

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