

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





## FY2023 Annual Results





20 March 2024



## Value creation in tough time by a team with strong spirit



	Rising interest rate pressure	End of rate rise cycle
	Recovery of oil & gas demand	Falling price volatility
	Transition towards decarbonisation	Establishment of new energy system
	Promotion of green transportation	Upgrade new energy infrastructure

	Business restructuring, cost-saving & efficiency enhancement
	Gas supply chain business in full swing
	Upgrade from PV investment to “investment + service”
	Development of hydrogen & green methanol business




# 2023 Business Highlights



## Hong Kong, China Business

Total Gas Sales Volume

**27,125** TJ  1%


Customers

**2.02** million  24,000




## Mainland Utility Business


Total Gas Sales Volume

**46.3** billion m<sup>3</sup>  10%


City Gas Sales Volume

**34.7** billion m<sup>3</sup>  8%

City Gas Projects

**320**  5

Customers

**40.19** million  2.90 million

Water Business

**1.61** billion tonnes  1%


Environment (Solid Waste)

**1.46** million tonnes  5%



## Renewable Business

Accumulative

**124** Zero-carbon Industrial Parks  44

PV


Contracted:

**3** GW  1.6 GW

Grid-connected:

**1.8** GW  1.2 GW

Power Generation Volume:

**0.94** billion kWh  6x


Continuous Efforts:

- Ongoing development of asset-light businesses
- PV power generation volume and profits continue to rise



## Extended Business

Total Revenue

**9.2** billion  10%

- Restructuring of “Towngas Lifestyle”
- Consolidation of Hong Kong and Mainland China businesses

Total Revenue of “Towngas Lifestyle”

**4.1** billion

Hong Kong, China

**1.7** billion

Mainland


**2.4** billion



## Other Business

EcoCeres

Production Volume:

**265,000** tonnes  19%

Zhangjiagang Plant:

**SAF: 150,000** tonnes

**HVO: 115,000** tonnes

Green Energy:

Upgrade & transform Inner Mongolia Coal Chemical Plant producing green methanol:

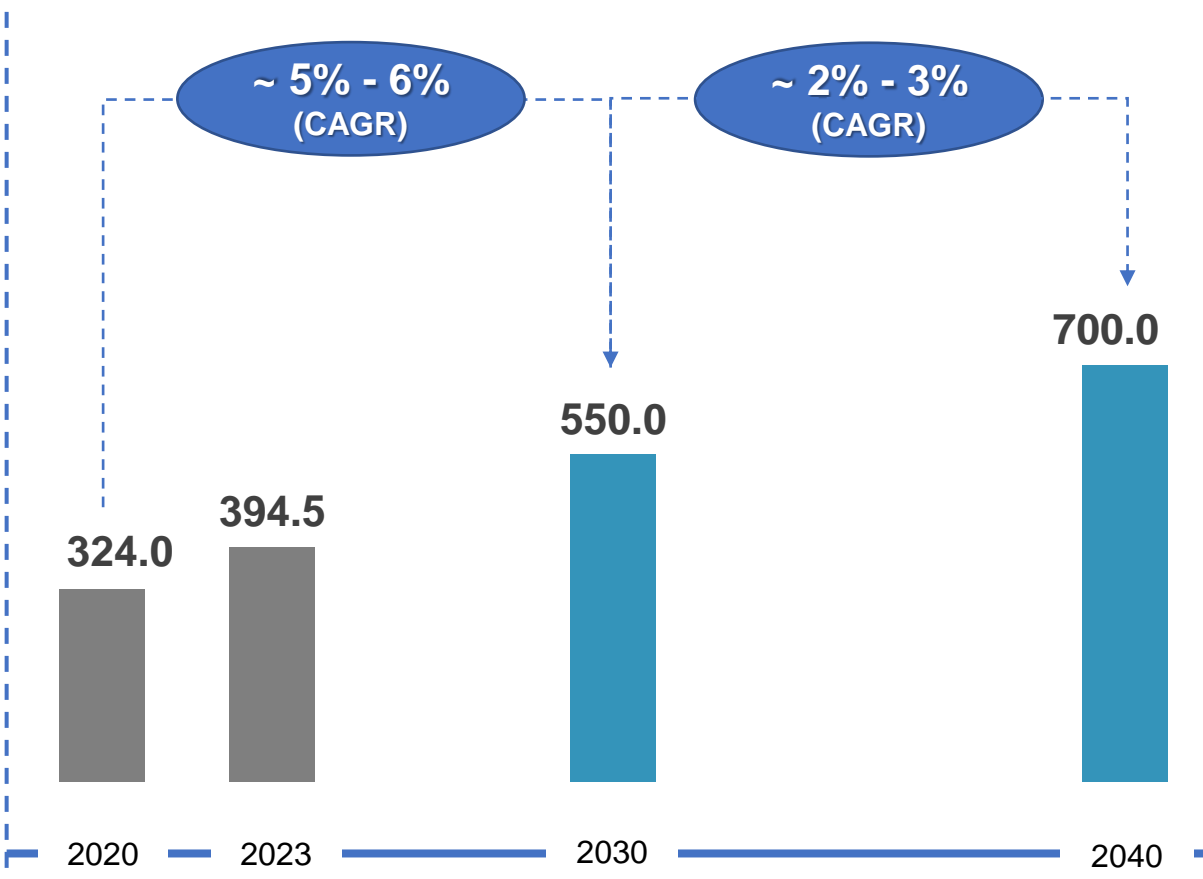
**2,000** tonnes

# Natural Gas and PV Demand Outlook

### China's Natural Gas Demand Outlook by 2040

**National Natural Gas Consumption**

(Unit: billion m<sup>3</sup>)

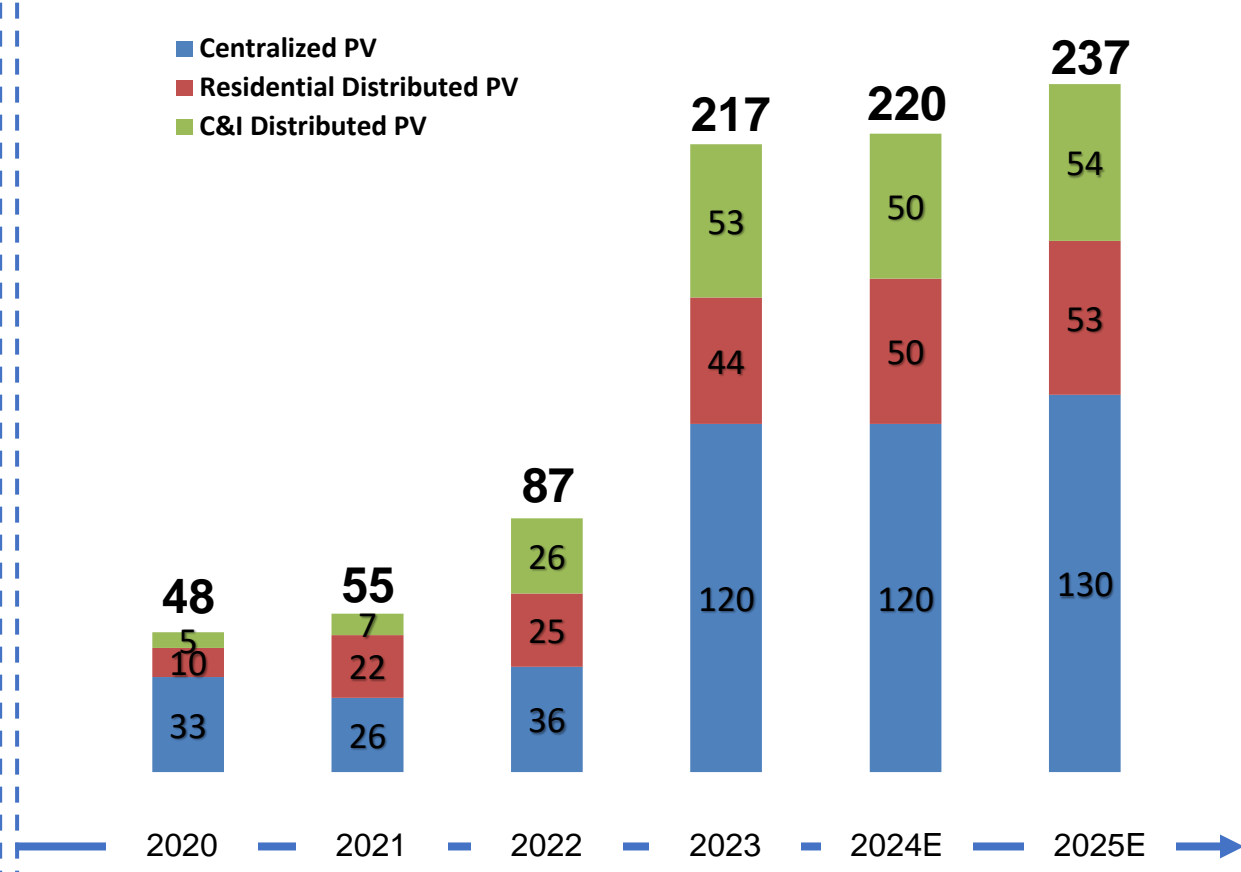


Source: International Gas Union (IGU)

### China's Installed PV Capacity Outlook by 2025

**National Newly Installed PV Capacity**

(Unit: GW)



Source: China Photovoltaic Industry Association (CPIA)

# Agenda

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## Financial Highlights

## Business Review

- **Utility Businesses**

- Hong Kong, China Gas Business
- Mainland Gas Business
- Mainland Water and Environment

- **Renewable Energy**

- **Extended Business**

## ESG

## Group Outlook and Business Guidance

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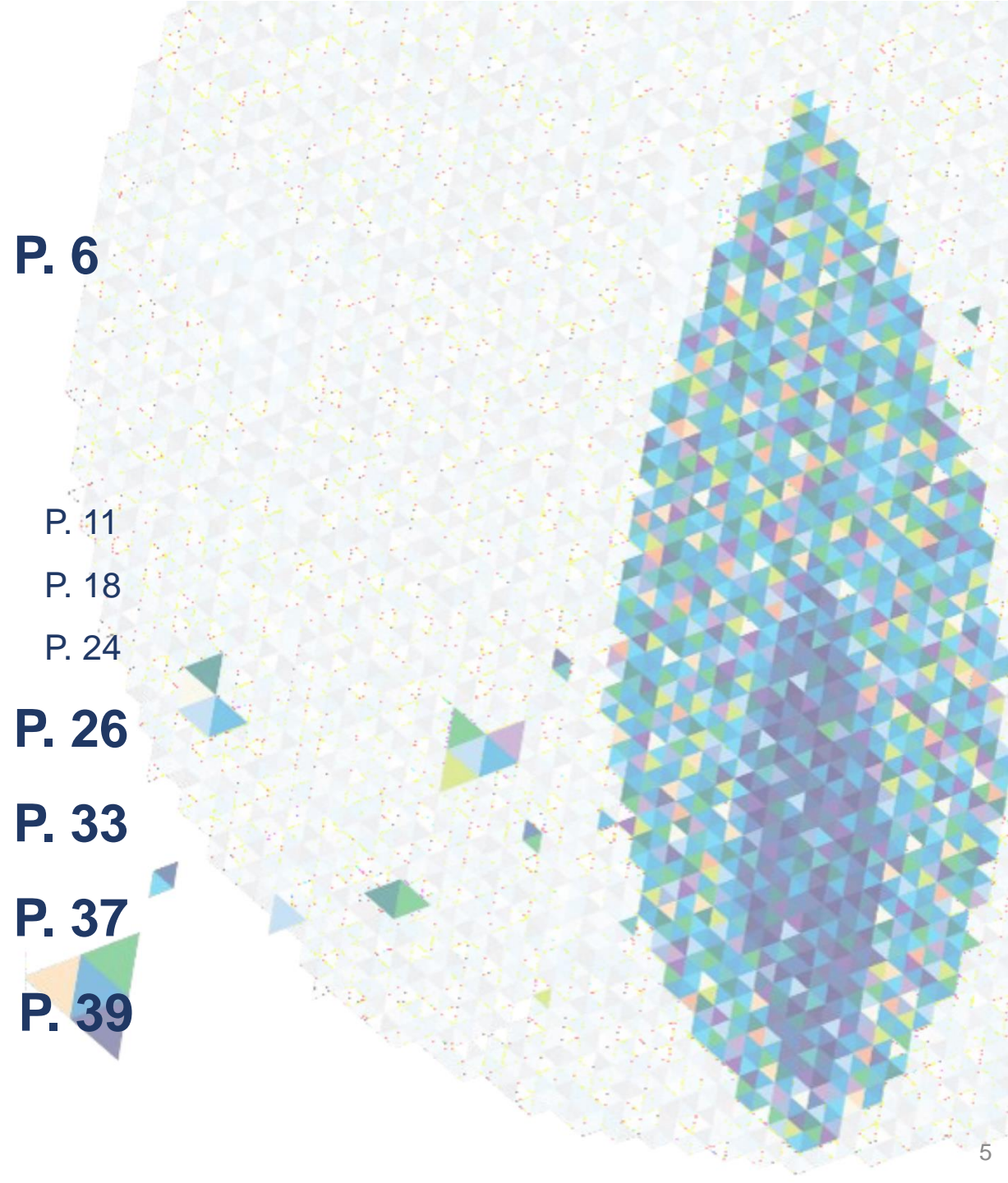
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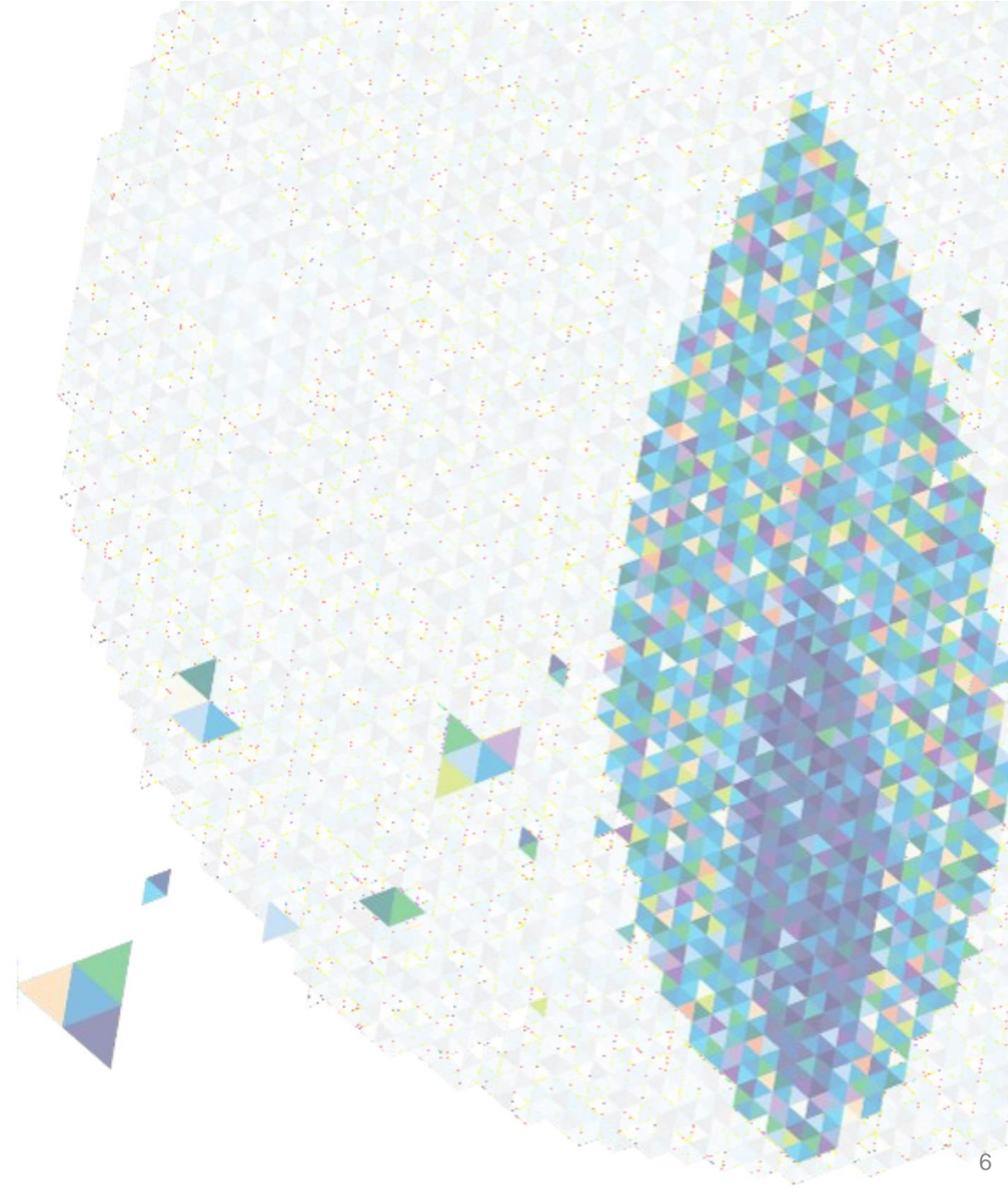
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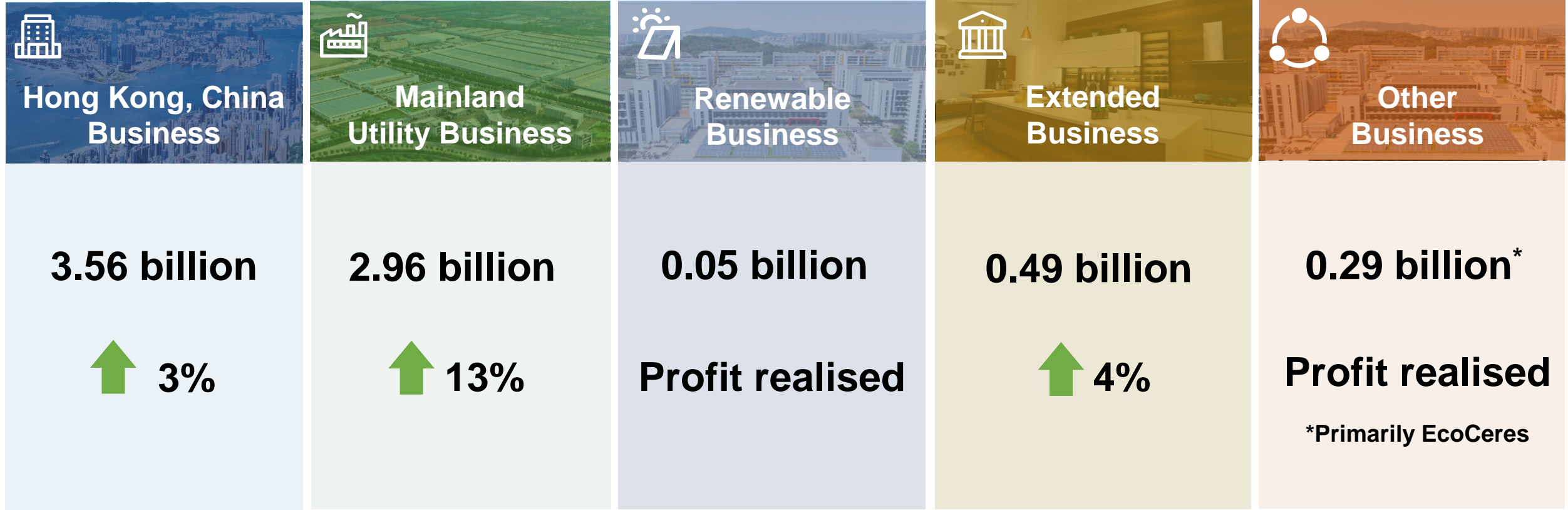


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# Financial Highlights



# Profit from Operations



**Profit from Operations: 7.35 billion  14%**

(Unit: HK\$ million)	2022	2023	Changes
<b>Revenue</b>	60,953	56,971	 7%
<b>Profit from Operations</b>	6,441	7,348	 14%
<b>Corporate Financial Expenses</b>	(1,116)	(1,454)	 30%
<b>Core Profit</b>	5,325	5,894	 11%
<b>Fair Value Changes</b>	225	36	-
<b>Net Gain from Exit of Shanghai Gas</b>	-	454	-
<b>Business Restructuring</b>	-	(59)	-
<b>Impairment</b>	(240)	(755)	-
<b>IFC Revaluation Change</b>	(62)	500	-
<b>Profit Attributable to Shareholders</b>	5,248	6,070	 16%
<b>Basic Earnings per Share (HK Cents)</b>	28.1	32.5	 16%



(Unit: HK\$ billion)	31 Dec 2022	31 Dec 2023
<b>Total Assets</b>	168.5	162.0
<b>Net Assets</b>	75.1	71.1
<b>Cash and Bank Balances</b>	13.3	9.0
<b>Total Borrowings</b>	59.3	57.8
<b>Net Gearing Ratio</b>	38.0%	40.7%

**Credit Rating:**

**STANDARD  
& POOR'S**  
RATINGS SERVICES

**A-**

**MOODY'S**

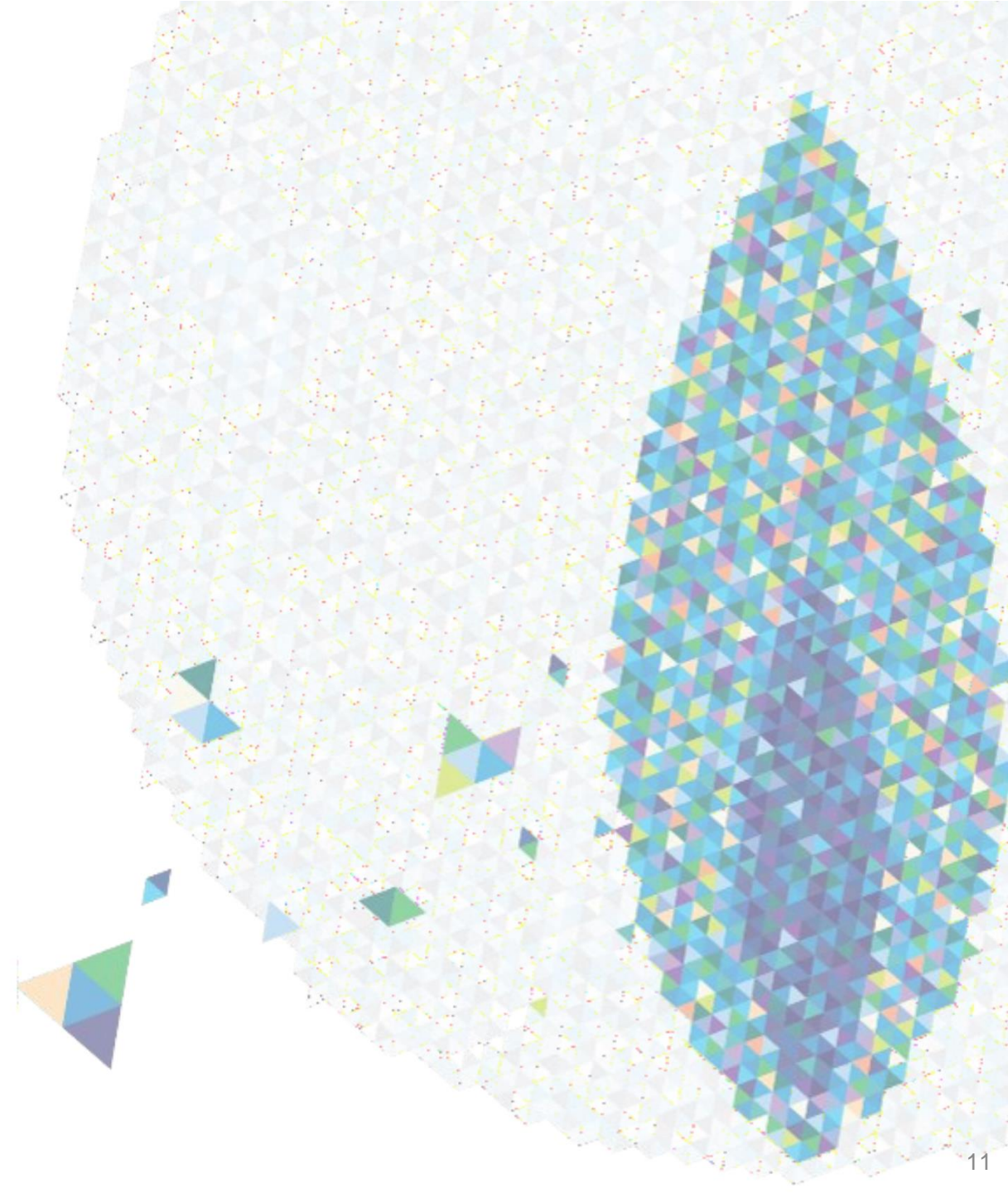
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<b>(Unit: HK\$ billion)</b>	<b>2022</b>	<b>2023</b>	<b>2024E</b>
<b>0003.HK (Including 1083.HK)</b>	8.3	10.2*	7.1
<b>1083.HK</b>	3.4	6.6*	3.3

\*Note: Including accounts payable

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# Hong Kong, China Gas Business





# Gas Sales Growth in Hong Kong, China



Classification	Target Customers		2023	2024-2027
<b>Residential</b>	Domestic Use (Cooking, clothes dryer, bathroom hot water supply, etc.)	<b>222,700</b> New customers over the next five years	65 TJ	469 TJ
<b>Industrial and Commercial</b>	Gas Cooling/Heating Applications	Airport, North District Hospital, Kai Tak Sports Park	53 TJ	197 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	350 TJ
	Hydrogen Energy Projects	Franchised bus companies, heavy-duty vehicles	-	120 TJ
	Indoor Air Quality (Dehumidification)	Hotels, hospitals and offices	10 TJ	40 TJ

## Carbon Emission Indices

(2023. Basis of gas=100)

Towngas  
Business

Electricity



194

LPG



94

Diesel



114

Gas



100

Hydrogen

H<sub>2</sub>

37

Landfill Gas



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

# New Energy Growth Opportunities

## The Chief Executive's 2023 Policy Address "Promote the new energy transport industry"



### The 2024-25 Budget

**"Develop a green maritime fuel-bunkering centre"**  
**"Simplify approval procedures for the transportation and storage of SAF"**



### Shipping (Green Methanol)

- Green methanol production from scrap tyres and biomass



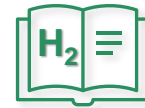
### Aviation (SAF)

- PAFF jet fuel facilities
- EcoCeres SAF



### Land Transportation (Hydrogen)

- Hydrogen extraction facility set up in Citybus depot
- Hydrogen-powered commercial vehicle: garbage truck
- Fuel cell power for EV charging



### Strategy of Hydrogen Development in Hong Kong

- Hydrogen pipeline and cylinder for transmission
- Hydrogen production from:
  - Waste collected at the airport
  - Biogas collected from landfill
  - Solar hydrogen panel
- Replace diesel generators used in construction site



# Hydrogen in Hong Kong

# 01

## H<sub>2</sub> City Bus

2023: Hong Kong's **first** double-decker **Hydrogen-powered buses** on trial



# 02

## Hydrogen Extraction System and Fuel Cell for EV Charging

Towngas' **first** hydrogen project: Sai Kung PADEL CLUB



# 03

## Waste to Hydrogen

Explore **green hydrogen** production from **landfill gas**  
Launch expected in 2025



# 2



# 04

## Hydrogen Cylinder Supply

Explore **hydrogen cylinder supply** business  
Launch expected in 2025



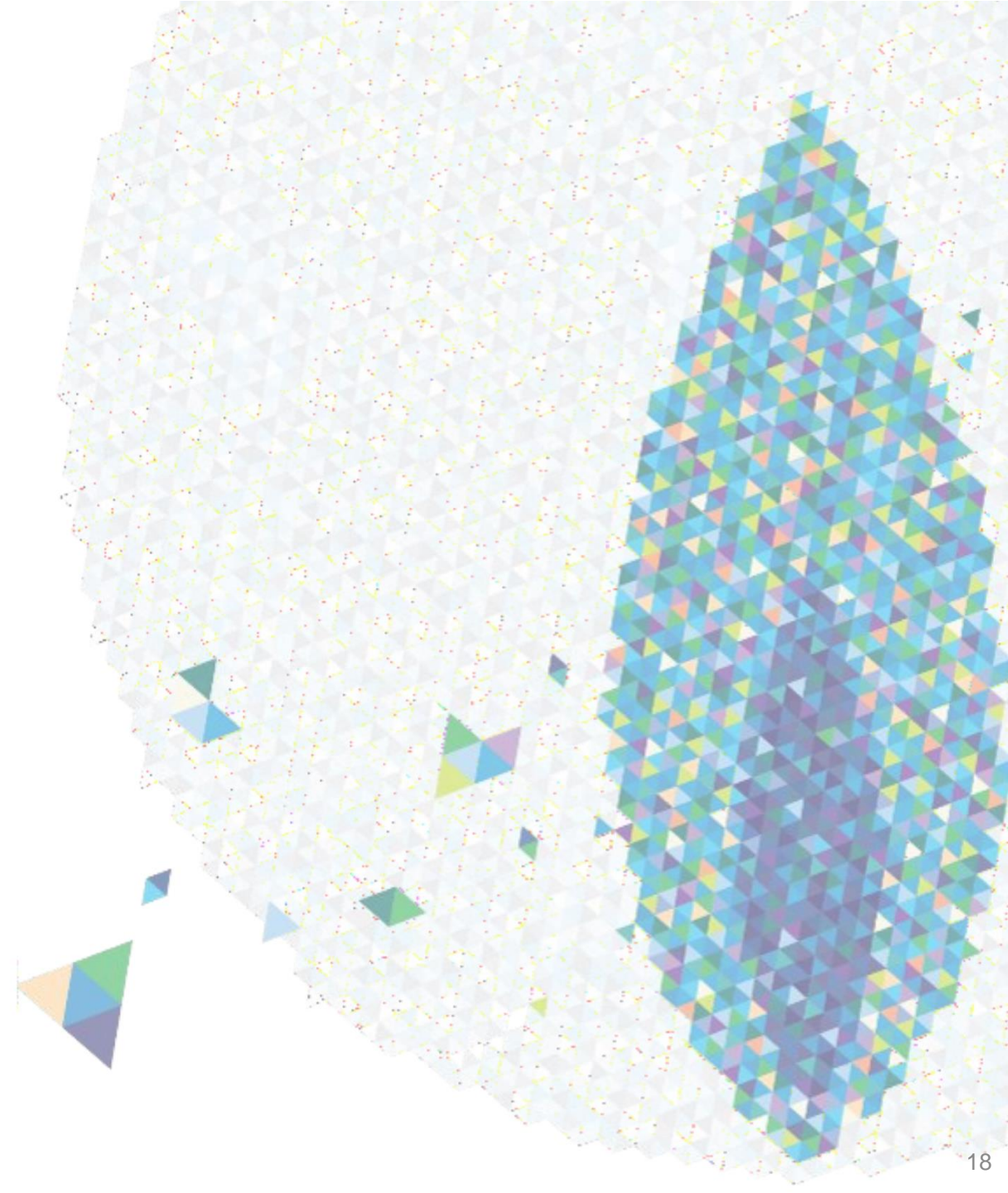
- HKCG's team has successfully developed the production of green methanol from waste tyres used as marine fuel
- First in China to obtain EU ISCC certification
- Global market demand forecast: 5 million tonnes by 2030
- Continue cooperating with Shenergy Group, and formed new strategic partnership on green methanol
- Upgrade Inner Mongolia Coal Chemical Plant, and expect to reach 120,000 tonnes production capacity of Green Methanol
- Expect to bring in a net cash profit of HK\$100 million
- Foshan government is interested to work with us to produce green methanol in the Greater Bay Area

- Since Kerogen and Bain Capital became shareholders, EcoCeres has put in a great deal of efforts to rebuild the team, and under their new leadership to operate the business in a robust environment.
- The Malaysia plant is under construction and expected to be completed by the end of 2025
- Total SAF production capacity of 350,000 tonnes:
  - Malaysia plant: annual production capacity of 200,000 tonnes by 2026
  - Zhangjiagang plant: existing annual production capacity of 150,000 tonnes



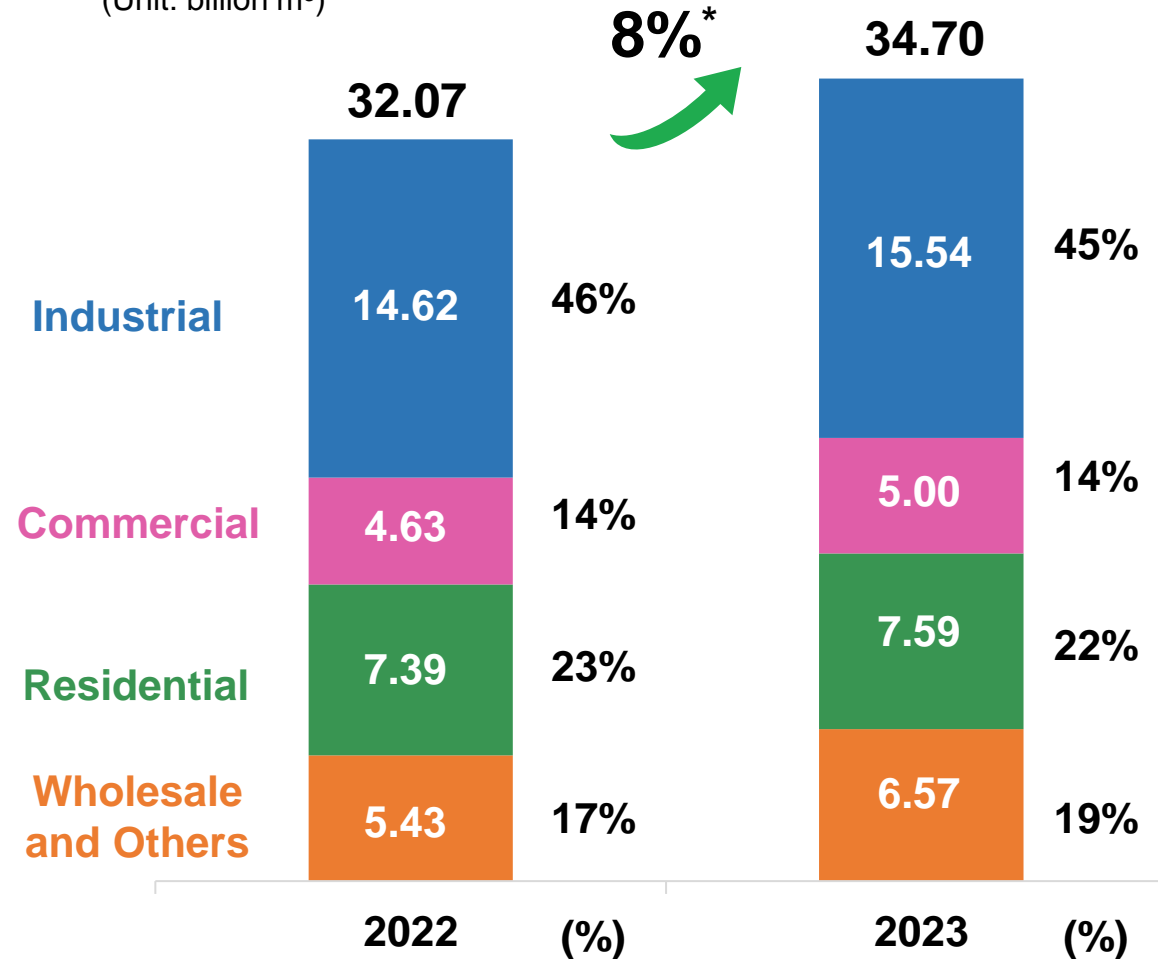
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# Mainland Gas Business



## Gas Sales Volume

(Unit: billion m<sup>3</sup>)



National natural gas consumption

2023: 394.5 billion m<sup>3</sup>

2040: 700.0 billion m<sup>3</sup>

\*Note: National natural gas consumption increased by 7.6% (Source: NDRC)

# Rising Gas Margin

## Selling Price, Cost and Dollar Margin

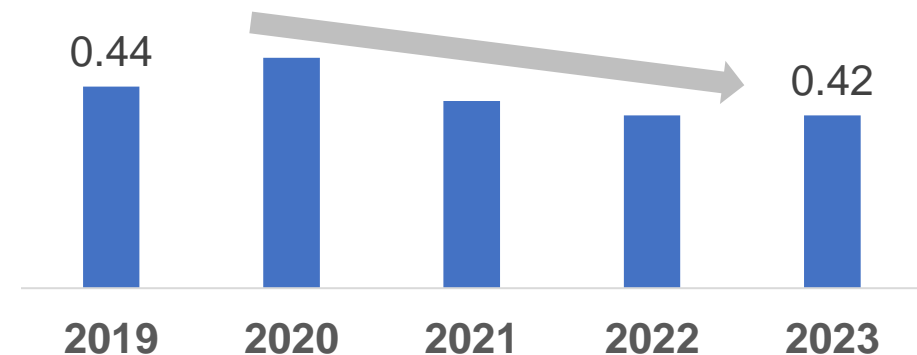
(Unit: RMB/m <sup>3</sup> )		2022	2023	Changes
<b>Selling Price</b>	Residential	2.71	2.75	+0.04
	Commercial	3.47	3.56	+0.09
	Industrial	3.73	3.56	-0.17
	Wholesale	3.41	3.26	-0.15
<b>Average Selling Price</b>		3.42	3.33	-0.09
<b>Average Gas Cost</b>		3.00	2.89	-0.11
<b>Dollar Margin</b>		0.42	0.44	+0.02

## Dollar Margin

- Upstream volume control and price increase, and resilient procurement of LNG and unconventional gas
- Cost pass-through mostly completed for non-residential, and 75% completed for residential (Xi'an, Nanjing, Jinan, Qingdao, Mianyang, Changzhou, etc.)
- Dollar margin improved in 2023

## Unit Opex

(Unit: RMB/m<sup>3</sup>)





# Connection Business Revenue

## Connection revenue decreased by 17% YoY\* amid sluggish real estate market

Number of household connections decreased YoY

(Unit: Million)

User Type	2022	2023	Changes (%)
Residential	2.223	1.759	-21%
Industrial & Commercial	0.024	0.027	+12%

Unit residential connection fee increased steadily with unit costs unchanged

(Unit: RMB/household)

	2022	2023	Changes (%)
Residential Connection Fee	2,900	3,006	+4%

\*Note: in RMB

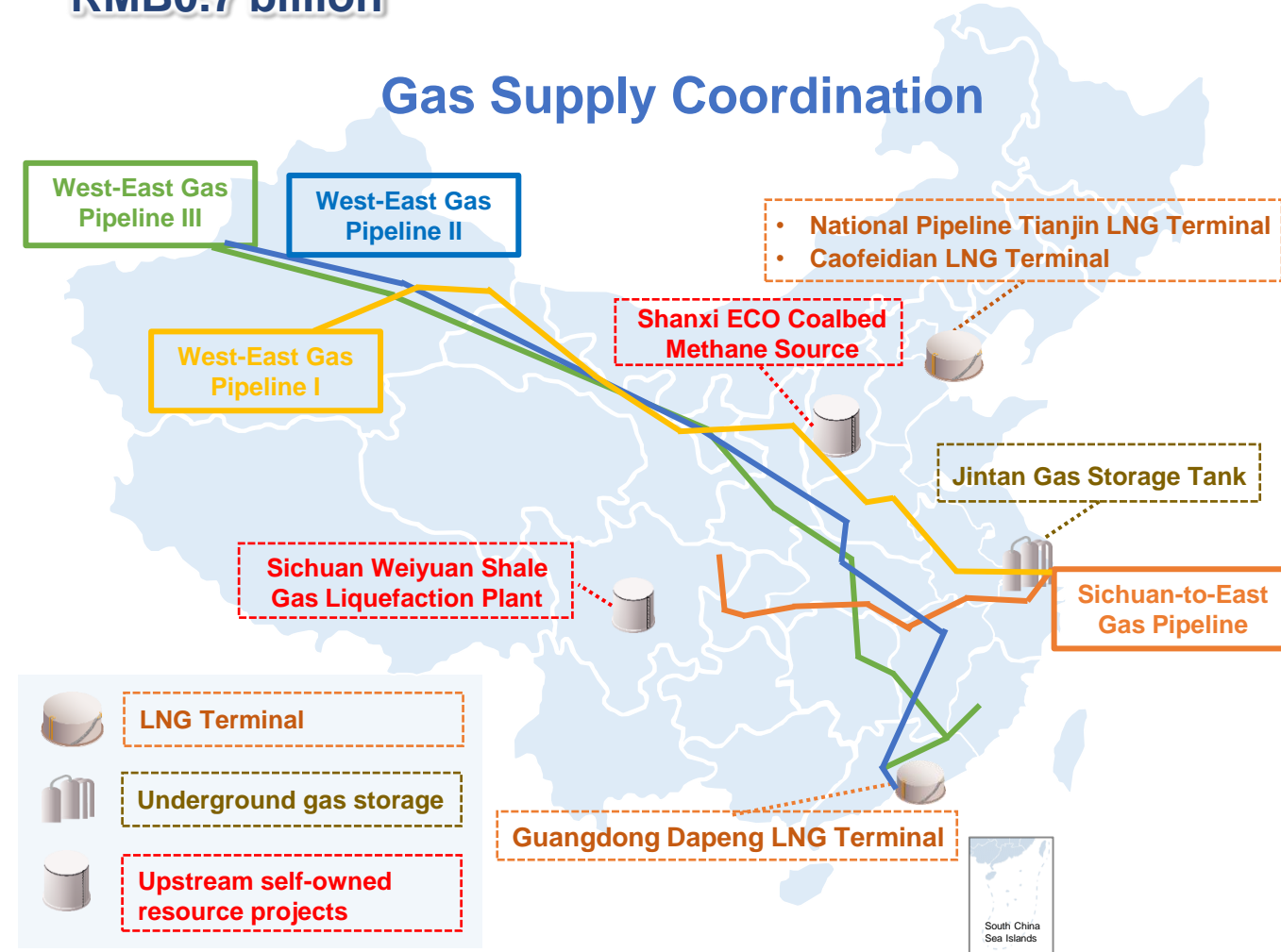
## Unleashing uncharted potential to improve gross unit margin

- Collaborate with government to promote “cylinder to pipeline”
- Seize the opportunity to renovate old urban residential communities
- Stringent cost management and continual improvement of gross unit margin

# Gas Supply Chain - Coordination & Ensurance of Gas Supply and Cost Reduction

- In 2023, the Group had coordinated gas supply of **3.48 billion m<sup>3</sup>** (9.7% of the total gas volume) and saved **RMB0.32 billion**
- 2027 targets: gas supply coordination to **exceed more than 10%** of the Group's total gas volume and expect to save **RMB0.7 billion**

## Gas Supply Coordination



Collaborate with PipeChina to initiate **multi-site deployment scheme**, coordinate and ensure gas supply

Ensurance of Gas Supply



LNG terminals in **North China (Tianjin and Tangshan)** and **South China (Dapeng)** and operations in **East China (Shanghai Gas, etc.)** provide abundant cooperation scenarios



Jintan Gas Storage Tank currently has a usable capacity of **0.23 billion m<sup>3</sup>** with full production usable gas capacity of more than **1 billion m<sup>3</sup>**

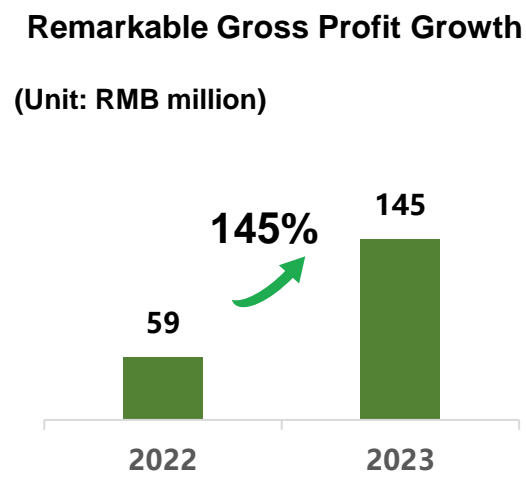
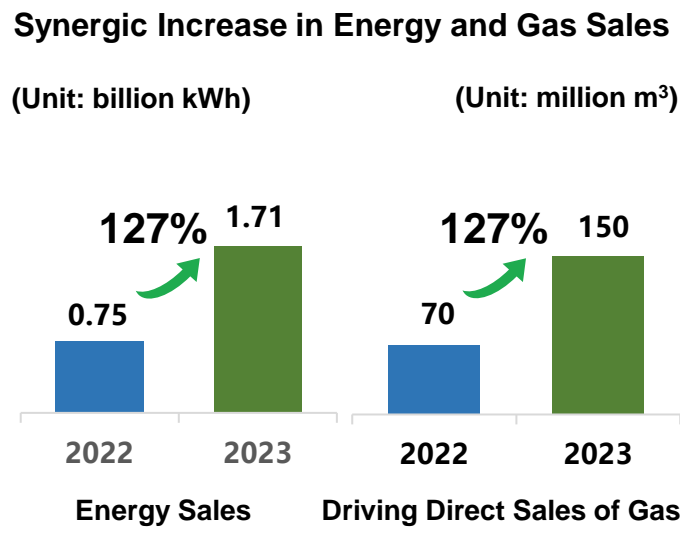
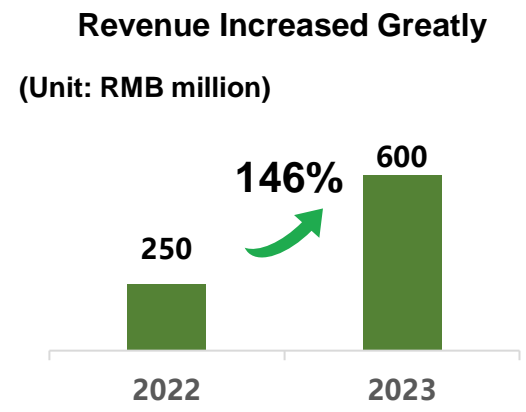


Cost Reduction

**LNG imports:** the first shipment of imported LNG arrived at Tianjin Port in Aug 2023 and **fully distributed**, and aim to import **two or more shipments** in 2024

**LTA:** **1 million tonnes** signed in 2023; the Group's self-determined gas supply reaching **5 million tonnes** by 2027

## Ignite Activation & Rapid Development



## Build a High-dimensional Ecosystem, and to Make it Scalable in More Cities

Establish strategic cooperation with China Energy Conservation Association  
Leading ecological development with public institutions

Contracts signed with 18 institutions in East China  
Promote business cooperation with public institutions on a large scale

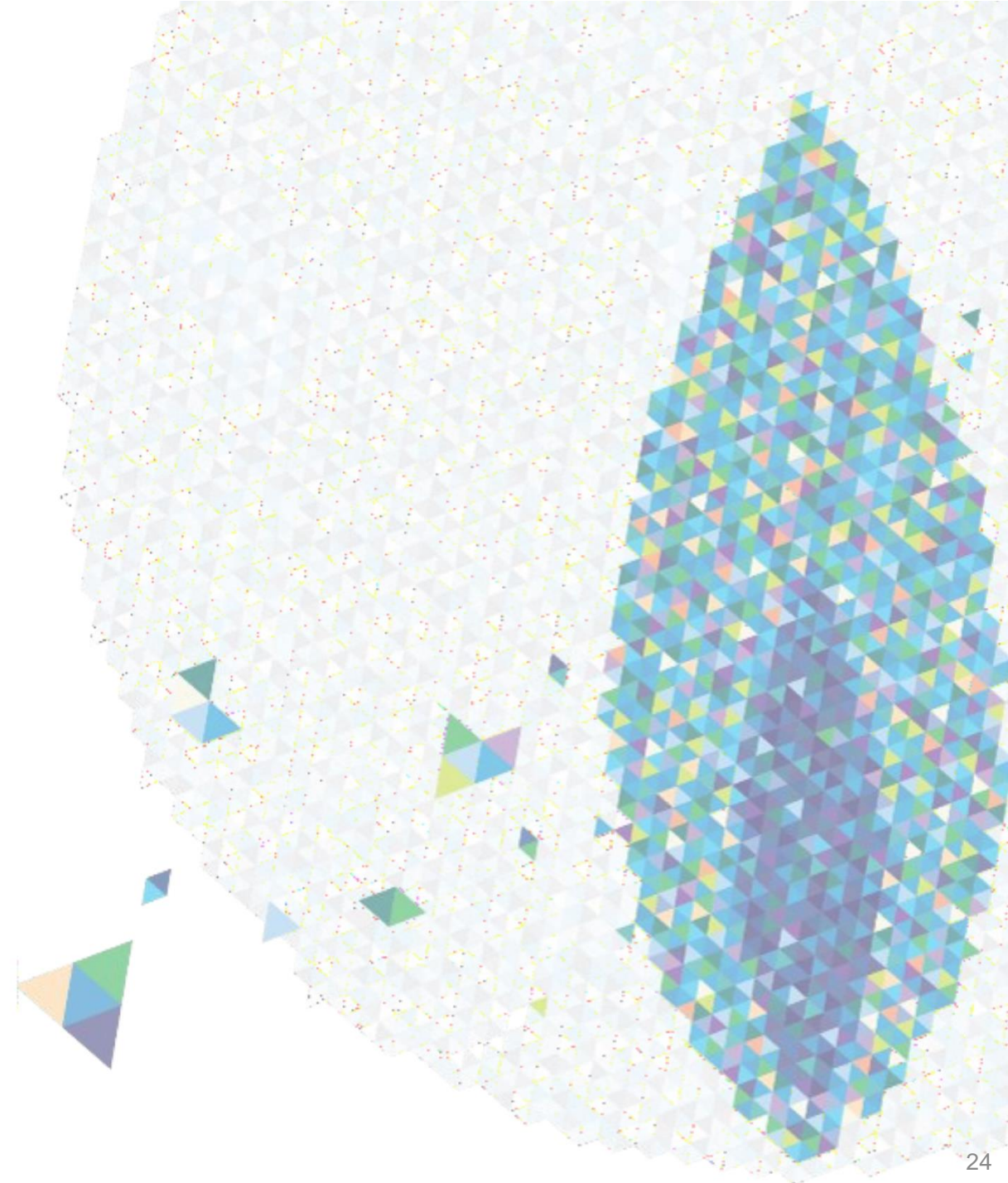
## High-quality Energy Service Projects to Drive Performance Growth

Cooperation agreement signed with Huanggang Central Hospital in Hubei Province  
Create a benchmark for hospital EMC projects

Qiqihar large-scale commercial complex  
High-efficiency gas boiler + one-stop lean operation and management

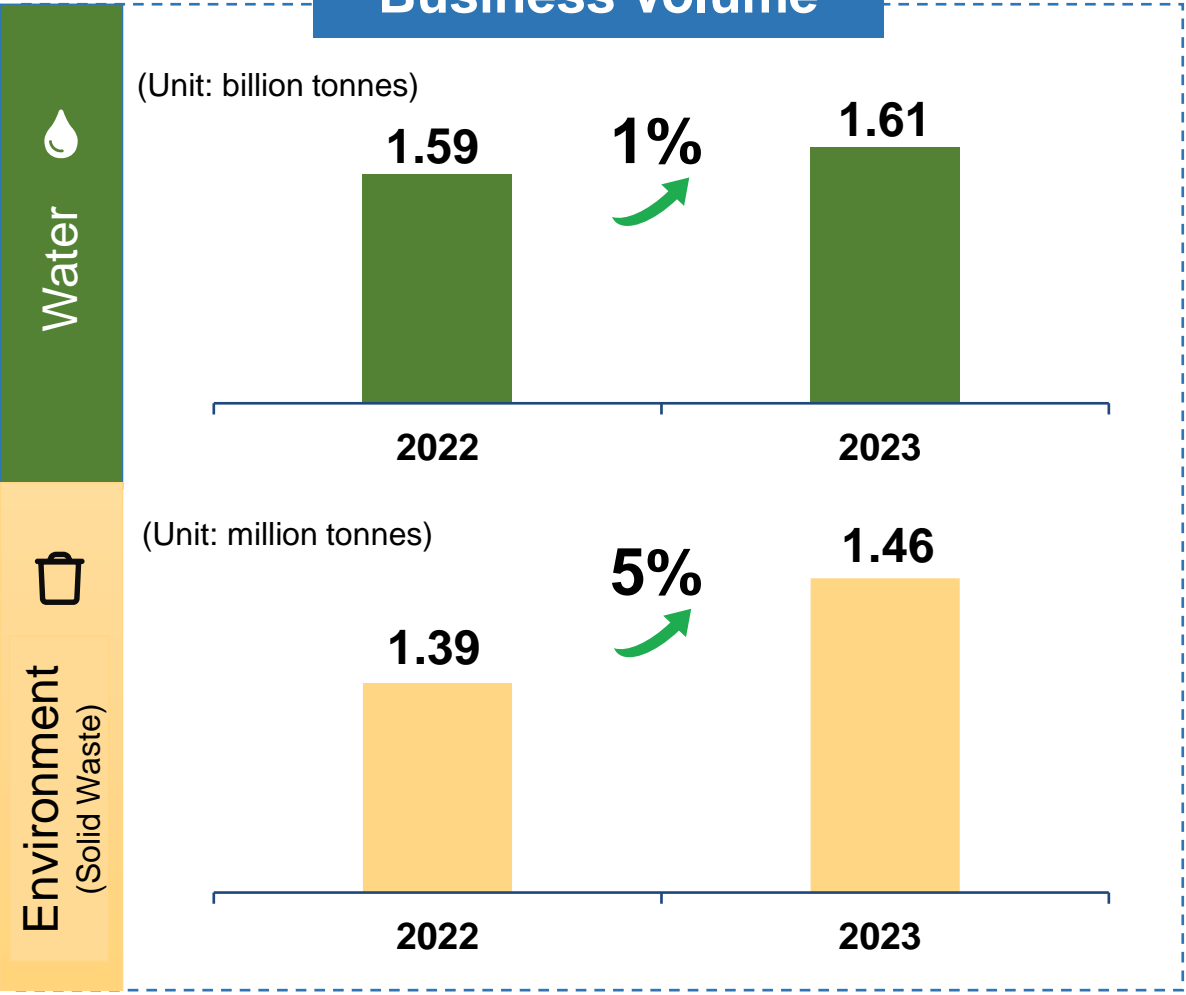
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# Mainland Water & Environment

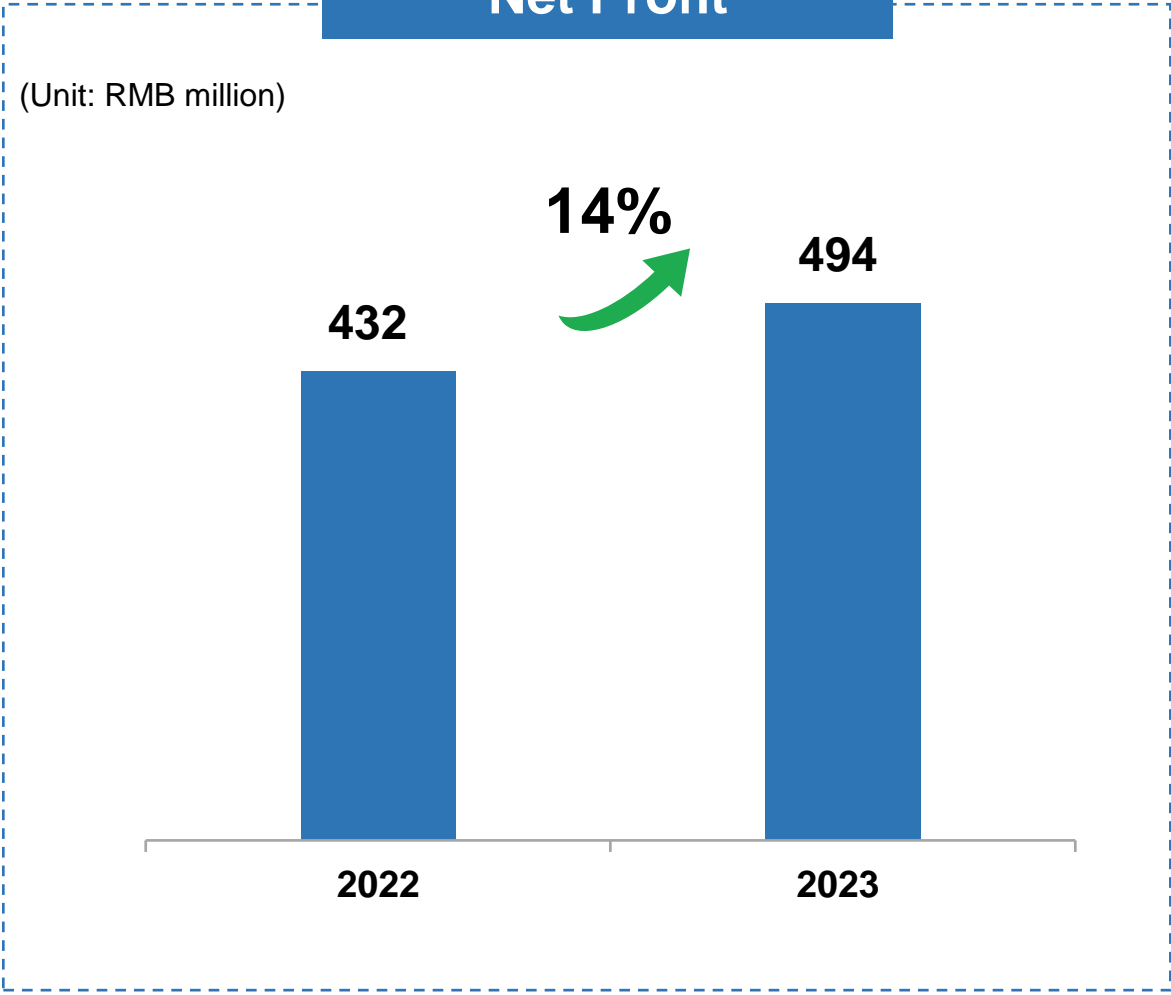




## Business Volume

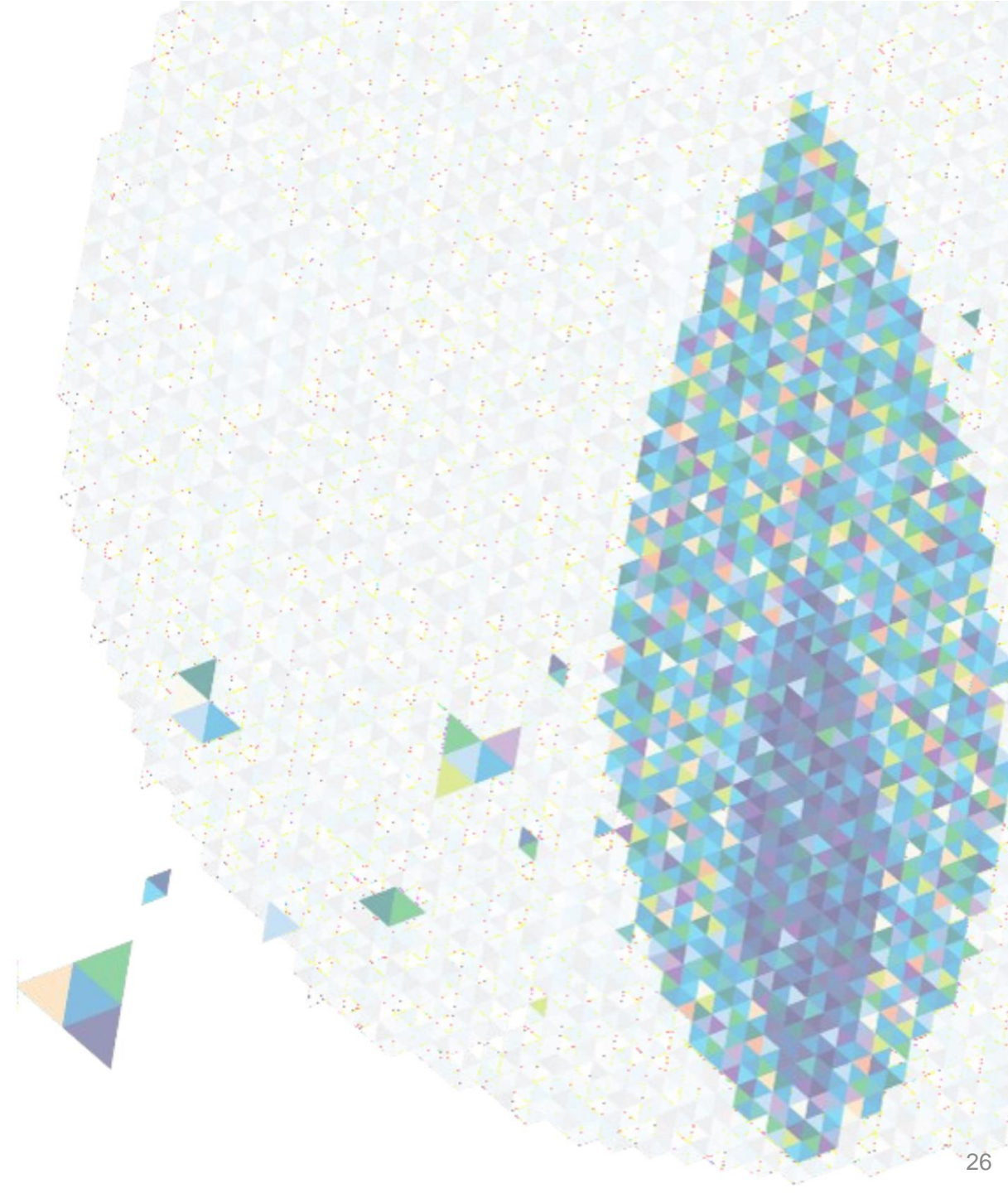


## Net Profit



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# Renewable Energy



## Challenges

- Difficult business environment amid weak economy
- Increasing financing costs drive down investment returns
- Electricity tariff cut weaken PV development in certain provinces

## Opportunities

- Ample market space for distributed PV and energy storage
- The pace of “dual carbon” development exceeds expectation
- PV module prices continue to remain low

## Strategies

- 1. Utilize Mainland China low financing cost**
  - Annual PV investment: 1GW
  - Sourcing additional capital, enlarge scale and reduce equity stake
- 2. Accelerate asset-light service**
  - PV development, EPC and O&M
  - Carbon management, power trading and energy storage
- 3. Strengthen PV investment risk control**
  - Projects with high rate of return
  - Regions with low risk of tariff cut

# Profit Realised & Rapid Growth

(Unit: HK\$ million)	2022	2023	
<b>BU Profit Contribution</b>	<b>-8</b>	<b>219</b>	
PV Power Generation & Services*	-16	183	Converting contract into physical grid-connection
Energy & Carbon Management Services**	8	36	Rising profit in carbon management and electricity trading
<b>1083.HK Net Profit</b>	<b>-119</b>	<b>78</b>	<b>+197</b>
<b>0003.HK Net Profit</b>	<b>-78</b>	<b>52</b>	<b>+130</b>

\*PV Power Generation & Services: including PV power generation, project development services, EPC services, O&M services

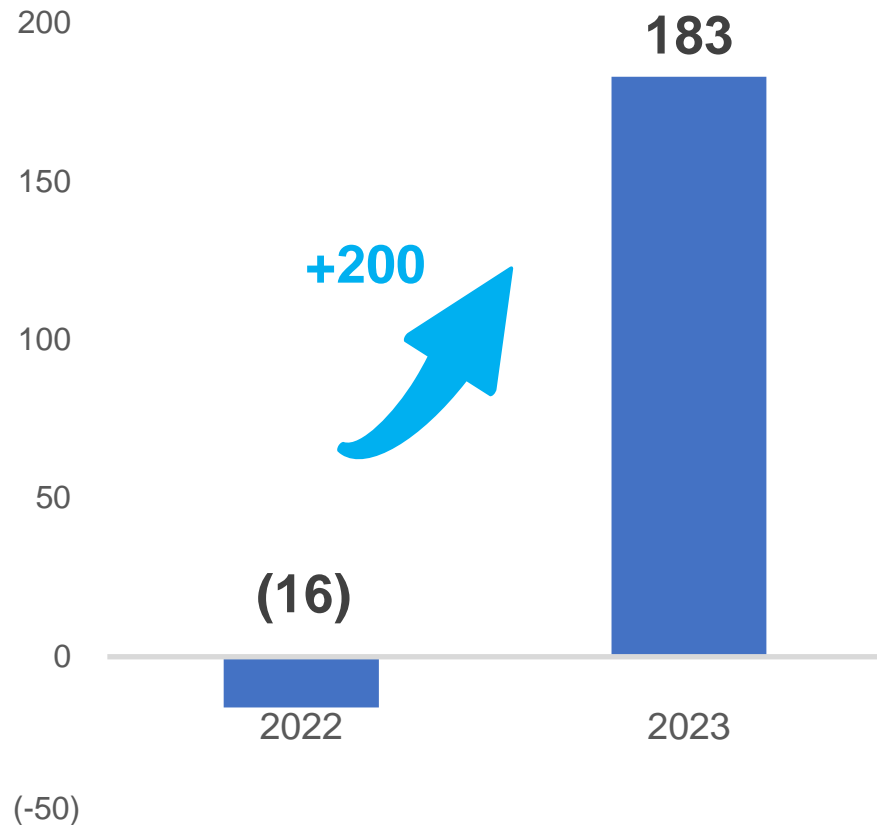
\*\*Energy & Carbon Management Services: including integrated energy, carbon trading & other services, electricity trading and energy storage



<b>Operational Data</b>	<b>2022</b>	<b>2023</b>
Contracted (GW)	1.4	3.0
Grid-connected (GW)	0.55	1.8
Share of Assets	85%	78%
PV Generation (billion kWh)	0.14	0.94
Electricity Selling Price (RMB/kWh)	0.610	0.626
Gross Profit (RMB/kWh)	0.335	0.346

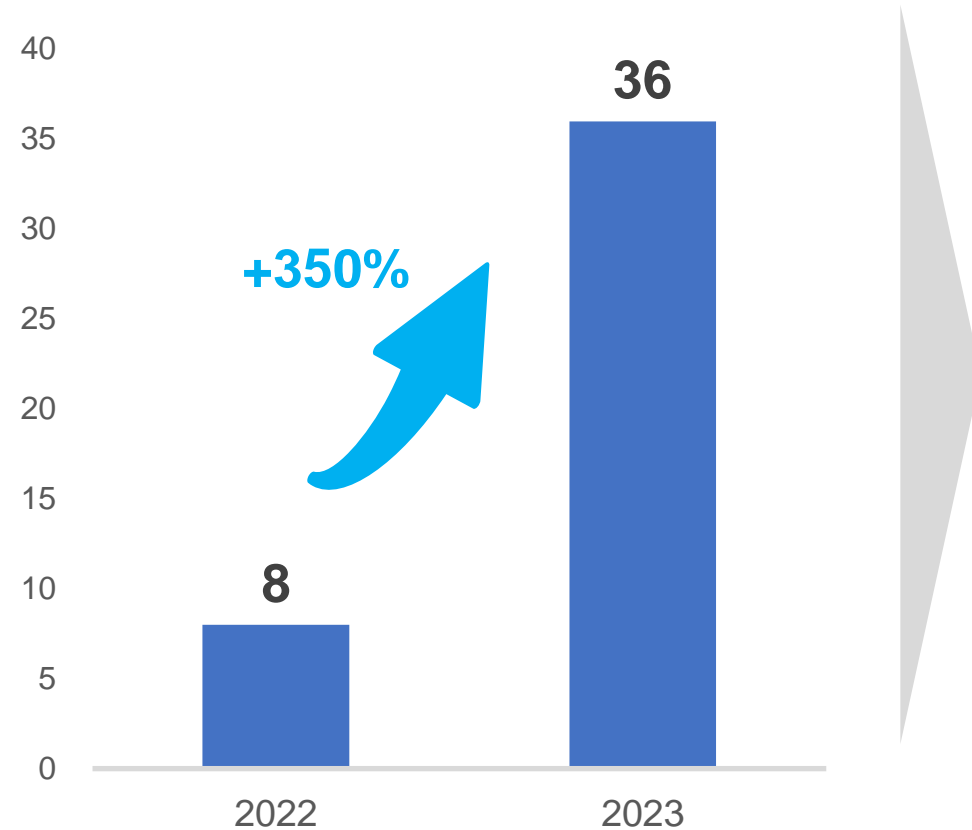
# PV Power Generation and Services: Power Generation Volume Doubles and Contributions from Rising Profit in PV Services in 2024

(Unit: HK\$ million)



- 1** Market leader: Industrial distributed grid-connection exceeds 1GW per annum
- 2** Grid-connected projects to bring significant profit growth in 2024
- 3** Provide project development & EPC services for 1GW new jointly invested PV projects in 2024
- 4** Provide smart O&M services for over 2GW grid-connected PV projects in 2024

(Unit: HK\$ million)



**1**

Favorable policies and strong demand for carbon management services drive profit exceeding RMB10 million

**2**

The robust business growth is fueled by the notable competitive edge of “PV, Storage & Power Trading” services

**3**

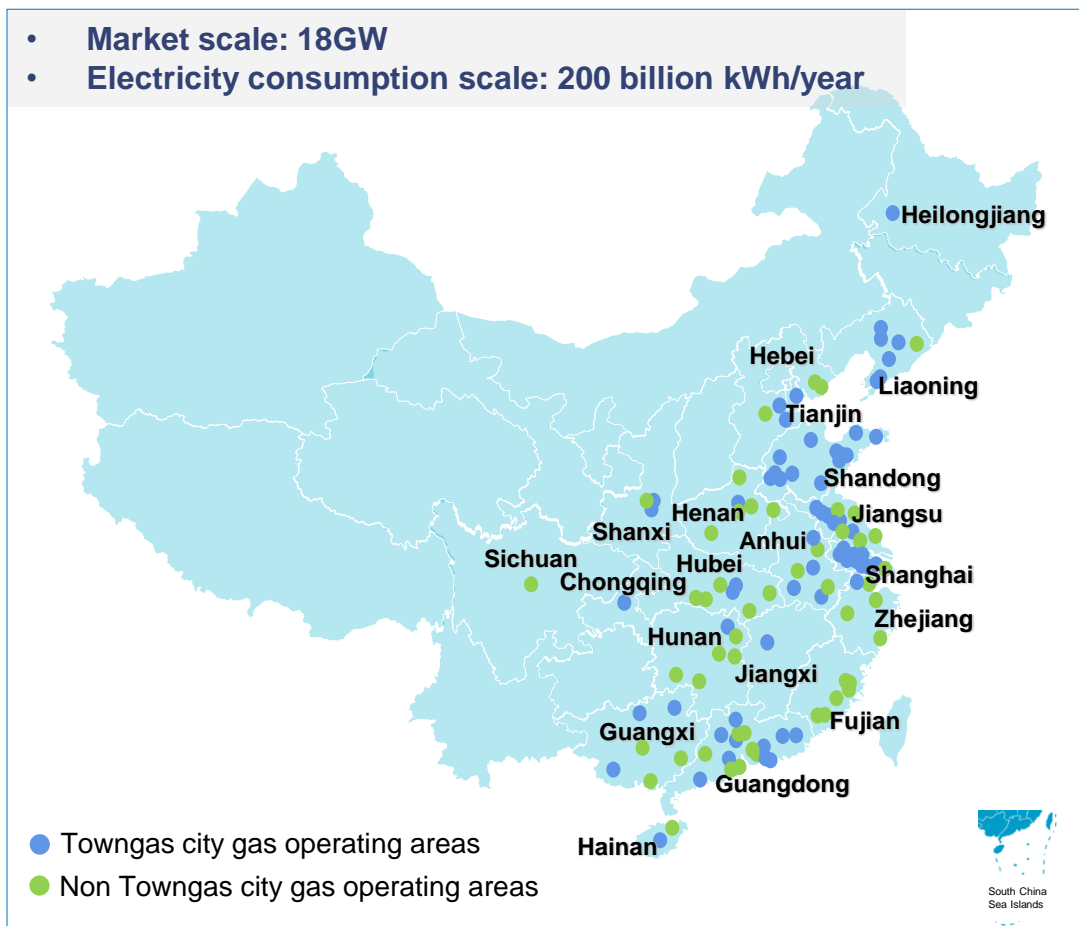
Serving over 2,000 “PV, Storage & Power Trading” customers, targeting 50% increase in 2024



# Zero-carbon Parks: Foundation & Driving Force for Strong Business Growth

## 124 Zero-carbon Industrial Parks (44 Newly Increased)

- Market scale: 18GW
- Electricity consumption scale: 200 billion kWh/year



Note: Data as of 31st December 2023

## Core Competitiveness

High-return PV development

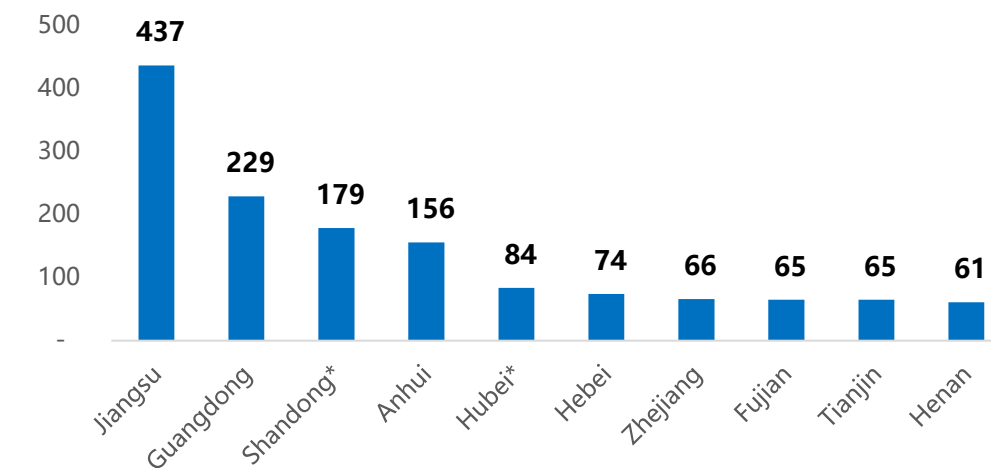
High-quality energy and carbon services

High-standard PV operations

High level of risk control

## Top 10 Provinces by Grid-connected Scale

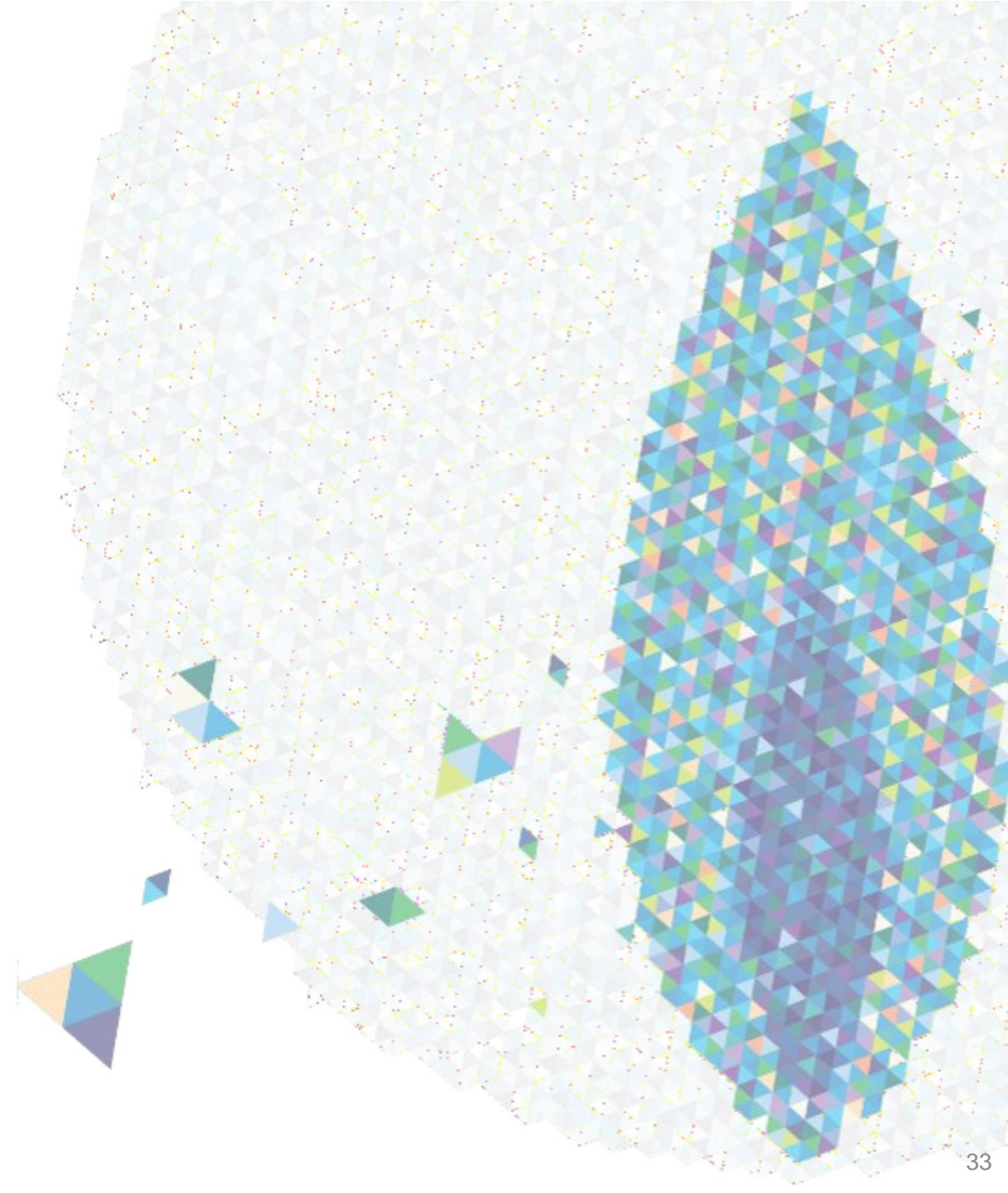
(Unit: MW)



\*Note: Affected by the time-of-use tariff (TOU), Shandong and Hubei accounted for 14% of total grid-connections

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# Extended Business



# Focus on Smart Kitchen

Total Revenue of “Towngas Lifestyle”:

**4.1 billion**

Profit: **0.49 billion**



**Hong Kong,  
China**





**Mainland  
China**

 **Customer Coverage**

**2 million  
households**

**40 million  
households**

<b>Customer Services</b>	Online Platform	274,000 members	2.8 million active users
	Cooking Class	HK\$8,000-250,000/class 32,000 enrolments	/
<b>Smart Kitchen</b>	Gas Appliances	260,000 units	660,000 units
	Kitchen Cabinets	4,000 sets	11,000 sets
<b>Insurance Business</b>	Insurance Promotion	/	 22% premium
<b>Home Safety</b>	Safety Products	/	 50% revenue

(Unit: HK\$)

# Consolidation of Hong Kong and Mainland Businesses



Towngas **Lifestyle**  
 名气家

## Hong Kong Leading Position

### Leverage expertise in Hong Kong



**Gas appliance**  
 Market share

**80%**



**Cabinets**  
 Market share

**30%**



## Enormous Market Size in Mainland

### Growth drivers from “Three Businesses”

#### Home insurance

Customer coverage: **20%**

#### Home safety

Customer coverage: **6%**



#### Smart Kitchen

Customer coverage: **10%**




**Opportunity:**  
 government requires old  
 kitchen appliances  
 replacement



# Focusing on Smart Kitchen to Serve City Gas Customers

Extending from gas basic services, focusing on Smart Kitchen, gradually become a reliable lifestyle service solution provider



Gas Basic Services



Lifestyle Housekeeping




Gas Insurance,  
Gas Property Insurance



Household Heating System



Smart Kitchen Electronic Appliances



In-store Experience



Community Retail



Gas Related Engineering



Gas Appliances



Kitchen Cabinets



Home Safety Devices



Home Purification System



Professional Service

Short-term business growth driver

Deploy future growth momentum

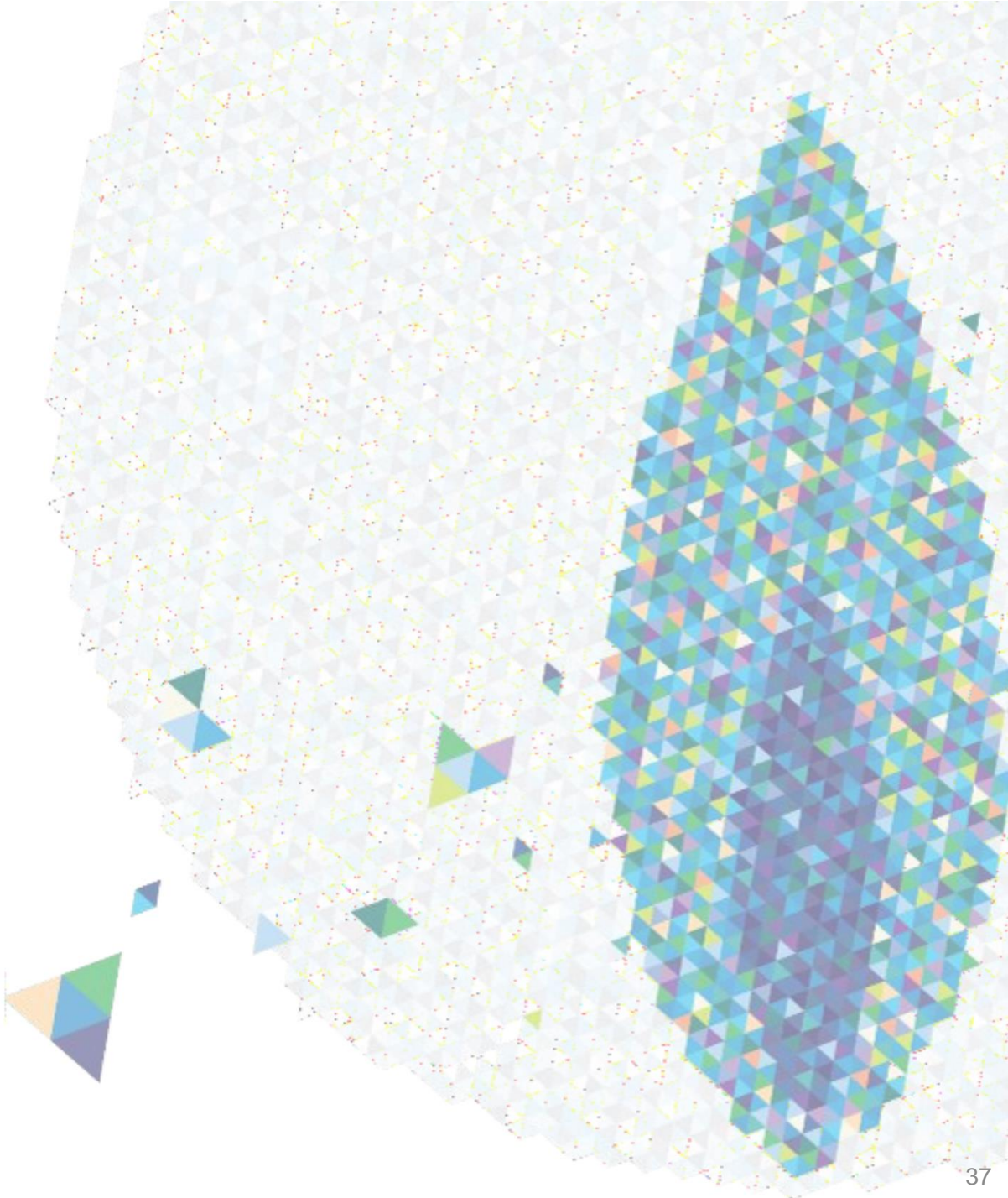
Reached approximately **130 million** times annually



Support Digital Platform

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# ESG



# 2023 ESG Performance

## Rating



Responded to TCFD and disclosed climate risk-related **financial information**



Pioneering response to TNFD with risk assessment incorporating **biodiversity**



Continued to lead the industry in **occupational safety and health performance**



In line with the global emission reduction strategy **low-carbon energy transition**



 **The only gas utility**

Member of  
**Dow Jones Sustainability Indices**  
Powered by the S&P Global CSA

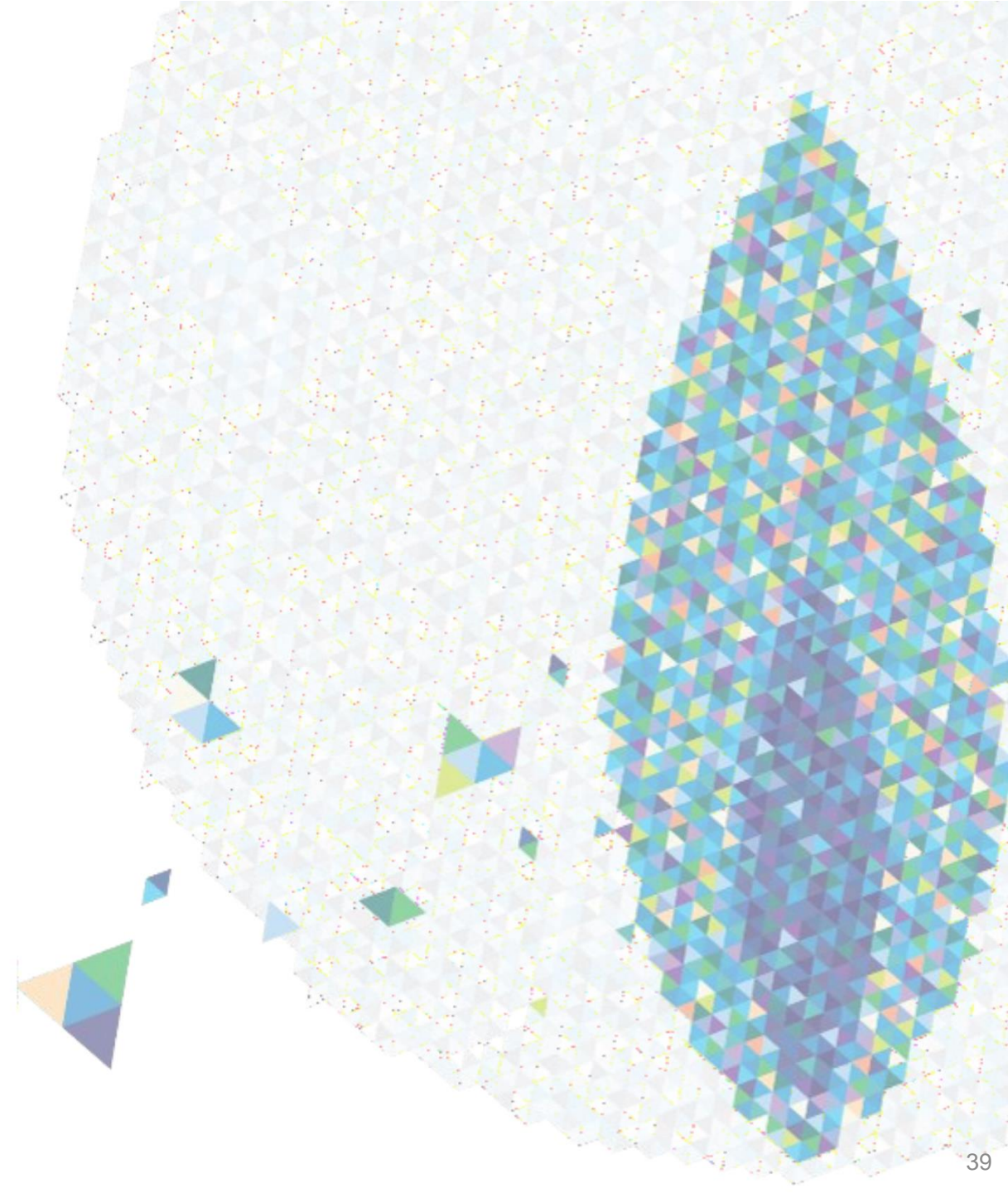
Selected for **2** consecutive years in **Dow Jones Sustainability Asia**

	2022	2023
 FTSE4Good	2.5	↑ 2.9
 Hang Seng Corporate Sustainability Index Series	AA	↑ AA+
 SUSTAINALYTICS A low score is better	21.2	↑ 20.9



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# Group Outlook and Business Guidance





## Hong Kong, China

- **Tariff hike in August 2024**

## Mainland Gas Business

- **Expand new energy customer basis and accelerate “Gas+” business development**
- **Strengthen gas supply coordination effort and speed up pass-through mechanism**

## Gas Supply Chain

- **Enter into long term contract with the “Three Majors” to increase additional gas supply to 14 billion m<sup>3</sup>**
- **Diversify gas supply, expand LNG imports and Mainland’s coal bed methane & shale gas supply, etc., to ensure cost-saving & efficiency enhancement**
- **Integrate gas supply chain infrastructure and expand connections with PipeChina to ensure gas supply security**

## Renewable Energy

- **Expand PV development, EPC and O&M services with rapid revenue rise**
- **Provide energy and carbon services to PV customers and develop the “PV + Storage” business**
- **Contribute significantly to the Group’s net profit growth**
- **Bring in strategic investors & partners to reduce funding pressure, and focus on asset-light business model to sustain long term growth**

## Extended Business

- **With synergies from consolidation of Hong Kong and Mainland China businesses, aiming to drive revenue growth by 12%**
- **Strengthen gas supply chain, aiming to drive gross margin growth by 35%**
- **Complete the restructuring of Extended Business, and commence planning of “Towngas Lifestyle” IPO**

# 2024 Business Guidance



## Hong Kong, China Business

**Gas Sales Volume**  
**27,396** TJ ↑ **1%**

**Customers**  
**2.04** million ↑ **20,000**



## Mainland Utility Business

**Gas Sales Volume\***  
**37.3** billion m<sup>3</sup> ↑ **8%**

**Customers**  
**42.19** million ↑ **2** million

**Dollar Margin**  
**0.47** RMB/m<sup>3</sup> ↑ **0.03** RMB/m<sup>3</sup>



## Renewable Energy

**Accumulated PV Grid-connected**  
**2.8** GW ↑ **1** GW

**Power Generation Volume**  
**1.9** billion kWh ↑ **1x**



## Extended Business

**Total Revenue of "Towngas Lifestyle"**  
**4.6** billion ↑ **12%**

**Hong Kong, China**  
**1.8** billion ↑ **3%**

**Mainland**  
**2.8** billion ↑ **17%**



## Other Business

**EcoCeres Production Volume**  
**310,000** tonnes ↑ **17%**

**Green Energy**

- Focused on green methanol market expansion, capacity planning & deployment
- Total production volume:  
**100,000** tonnes

(Unit: HK\$) \*Note: City Gas Sales Volume

**THANK YOU**

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