



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

FY2021 Annual Results
21 March 2022

Financial Highlights

FY2021 Annual Results






Hong Kong

- **Stable Epidemic Situation**
- **Economic Rebound**
- **Business Travel Freeze**
- **Dine-in Resumes**

Mainland China

- **Steady Economic Growth**
- **Record High Foreign Trade**
- **30/60 Opportunities**
- **Natural Gas Prices Soar**
- **Effective Control Of The Epidemic**
- **Flooding/Power Shortage**
- **Logistics Impediment**
- **Strong RMB**

Operating Profit After Tax

 Hong Kong (HC)	 Mainland Utilities (MU)	 New Energy (NE)
HK\$3.08 billion	HK\$3.27 billion	HK\$0.47 billion
-3%	-11%	+25%
Gas Sales -1%	City Gas Sales +16% Gas margin decrease	HVO Production Commenced

Operating Profit After Tax (OPAT): HK\$6.82 billion -6%

FY2021 Annual Results – The Hong Kong and China Gas (0003.HK)



(Unit: HK\$ million)	2021	2020	Change
Revenue	53,564	40,927	+31%
Operating Profit	6,821	7,234	-6%
IFC Revaluation Change	N/A	(477)	-
Profit Attributable to Shareholders	5,017 ⁽¹⁾	6,007	-16%
Earnings Per Share⁽²⁾ (HK Cents)	26.9	32.2	-16%
Dividend Per Share (HK Cents)	35	35	-

Note:

(1) During the year, the Group wrote off some of the plant facilities of new energy business and telecommunications network facilities on the Chinese mainland, and made provision for the assets of some gas filling stations which had ceased operation, a provision of approximately HK\$1,500 million in total was made.

(2) 2020 figures adjusted for the bonus shares issued in 2021

Healthy Financial Position



(Unit: HK\$ billion)	31 Dec 2021	31 Dec 2020
Total Assets	168.1	150.3
Net Assets	81.8	79.2
Cash & Bank Balances	10.6	7.6
Total Borrowings	55.1	42.1
Interest Coverage	8.4x	9.2x
Net Gearing	35.2%	30.4%

	18 Mar 2022	18 Mar 2021
P/E Ratio	28.3x	35.1x
P/B Ratio	3.2x	3.2x

Credit Ratings:

MOODY'S

A1

S&P Global
Ratings

A-

FY2021 Annual Results – Towngas Smart Energy (1083.HK)



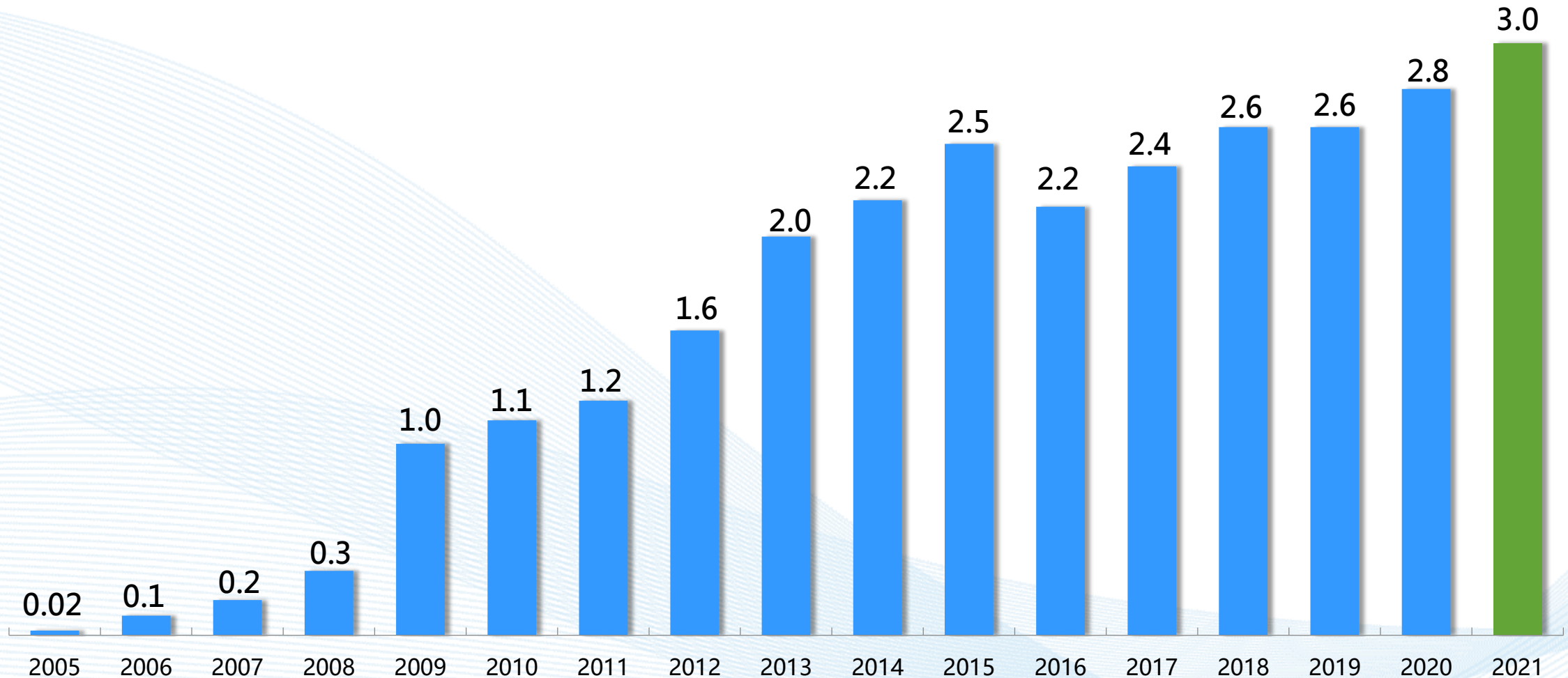
(Unit: HK\$ million)	2021	2020	Change
Revenue			
▪ Piped Gas & Energy Sales	13,951	10,228	+36%
▪ Connection Fees	2,429	2,210	+10%
▪ Extended Businesses	745	388	+92%
	<u>17,125</u>	<u>12,826</u>	+34%
Operating Profit	<u>2,121</u>	<u>1,811</u>	+17%
Profit Attributable to Shareholders <small>(Excluded the loss from change in fair value of embedded derivative component of convertible bonds)</small>	1,612	1,447	+11%
Profit Attributable to Shareholders	1,253	1,447	-13%
Earnings Per Share (HK Cents)	41.53	49.56	-16%
Dividend Per Share* (HK Cents)	15	15	-
Dividend Yield	3.5%	4.3%	

*with option of script dividend

Strong Dividend from Joint Ventures

Cumulative Total = HK\$28 billion

(Unit: HK\$ billion)



Rolling 3-Year Cashflow Projection

(Unit: HK\$ billion)

Inflow



HK Operations

14.5

PRC Dividends

10

24.5

Cash on Hand

10.5

Fund Available

35

Outflow



Dividend

20

Investment

15

Hong Kong Business

- **Gas Business**
- **Environmental Projects**
- **Extended Businesses**



Hong Kong Business – Stable & Resilient



Hong Kong Business – Increasing Housing Supply



Hong Kong New Flats Supply

	Completed in 2021	Upcoming 5 years
Public	11,260	106,800
Private	14,400	98,000
	25,660 Flats	204,800 Flats

Note: Data from Transport and Housing Bureau, December 2021

+500TJ

Hong Kong Business – Commercial & Industrial Gas Sales Increase



	Target User	2022-2026 Gas Increase (Annual)
Gas Cooling/ Heating Applications	Ocean Park, Towngas Telecom, airport and North District Hospital	240 TJ
Diesel Replacement Projects	Hospital, food production plant and laundry	450 TJ
New Projects	Hotel, hospital, crematorium and Maxim's new food processing plant	440 TJ
Hydrogen Energy Projects	Franchised bus companies	120 TJ
Indoor Air Quality (Dehumidification)	Hotels, hospitals and office	50 TJ
	Total	1,300TJ

Hong Kong Business – Environmental Projects

- Tai Po Nethersole Hospital CHP 2MW
- North District Hospital CHP 2MW
- Energy from waste heat at Tai Po Gas Plant
– Maxim's Food Processing Plant



Received Regional Energy Project of the Year Award from Association of Energy Engineers (AEE) of the US

Hong Kong Business – Environmental Projects

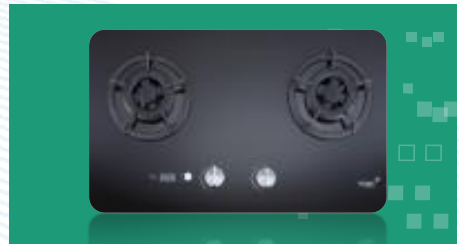
- Town gas comprises 49% hydrogen
- Gas pipeline totals over 3,600km in Hong Kong
- Hydrogen extraction facilities testing to be completed within the year
- First launches of hydrogen refuelling station pilot for franchised buses and vessels



Hong Kong Business – Extended Businesses

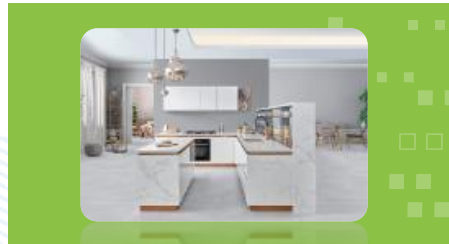


Gross Income HK\$2.5 billion +9%



**Appliance
Sales**

280,000
Units



**Kitchen
Cabinets**

4,200
Sets



Towngas Fun

160,000
Members



**Towngas
Cooking
Classes**

11,600
Enrolments/Year



**Towngas
Cooking
Channel**

12
Million views

Mainland Business

- **Gas Business**
- **Water & Environmental Services**
- **Extended Businesses**
- **Renewable Energy**



Gas Business – Operation Highlights

Stable Progress for Long-Term Growth



Total Gas Sales Volume

(Including Midstream)

39.7 billion m³

+15%



City Gas Sales Volume

31.1 billion m³

+16%



City-Gas Projects

+8

Total: 303



Customers

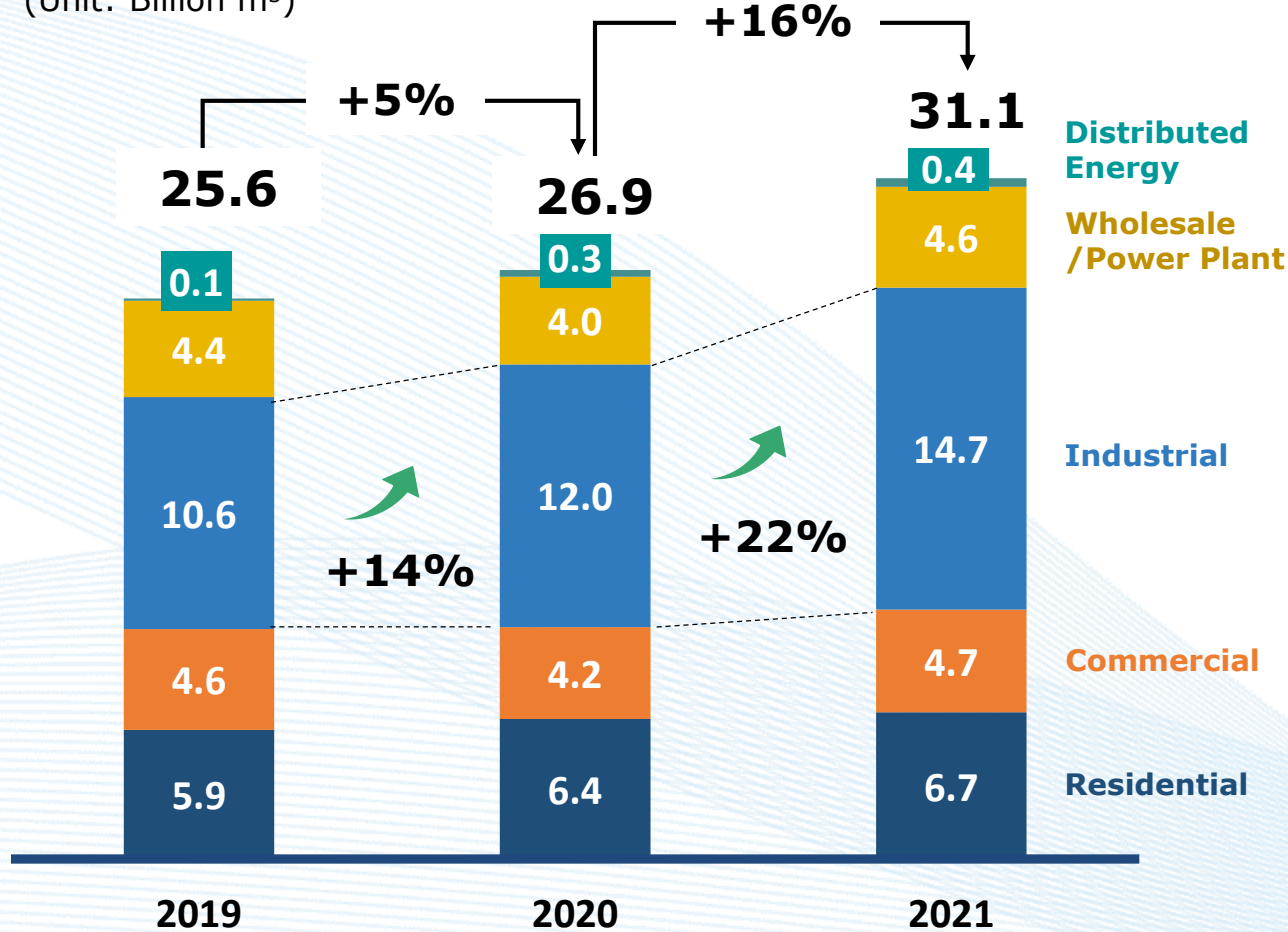
+3.2 million households

reach **35** million households

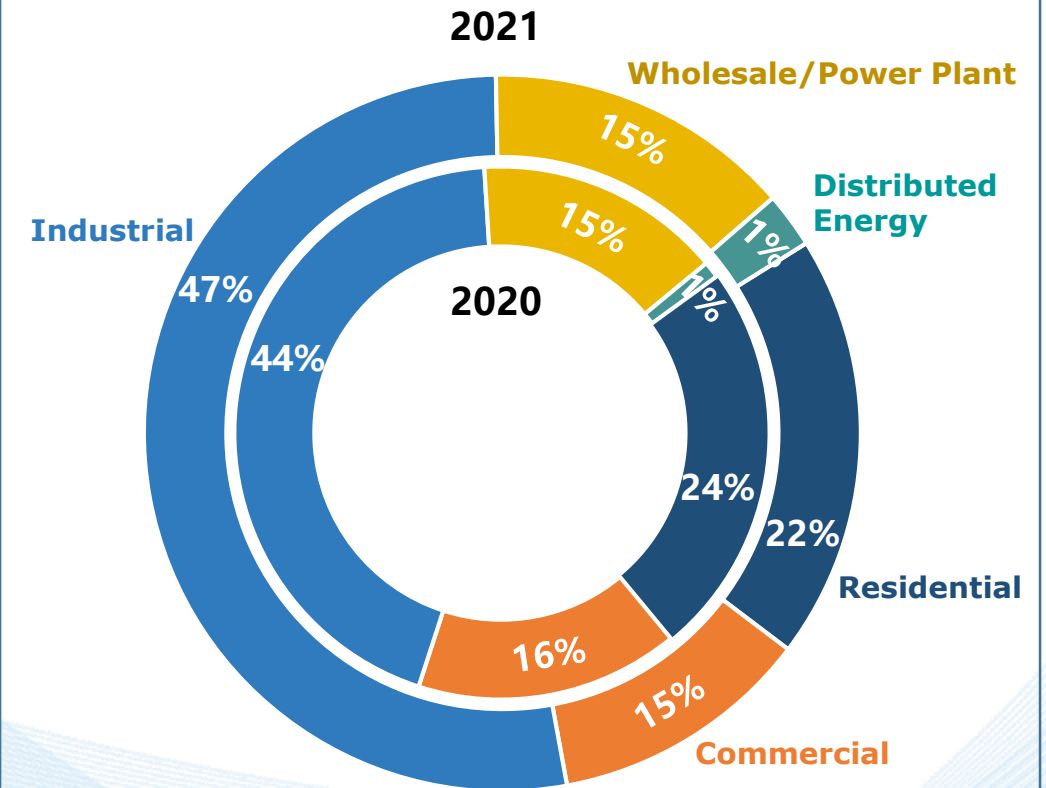
Gas Business – Sustainable Growth in Gas Sales Volume

2019-2021 Sustainable Growth in Gas Sales Volume

(Unit: Billion m³)



Gas Sales Mix



Gas Business – Pressure on Margin

Selling Price, Cost & Unit Margin

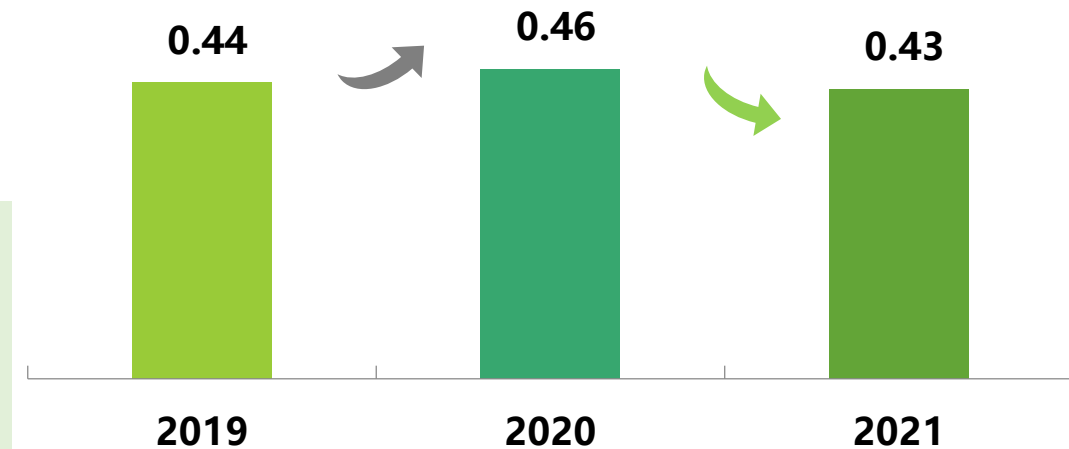
Selling Price (Unit: Rmb/m ³)	2019	2020	2021
Residential	2.59	2.66	2.69
Commercial	3.06	2.71	3.05
Industrial	2.80	2.51	2.98
Wholesale	2.09	2.01	2.75
Average Selling Price	2.82	2.60	2.91
Average Gas Cost	2.24	2.01	2.43
Unit Margin	0.58	0.59	0.48

Unit Margin

- Increased exposure to major industrial customers with timely cost pass-through
- Rise in domestic upstream price and significant increase in global LNG market price
- Cost pass-through yet to be fully reflected

Decrease in Unit OPEX

(Unit: Rmb/m³)

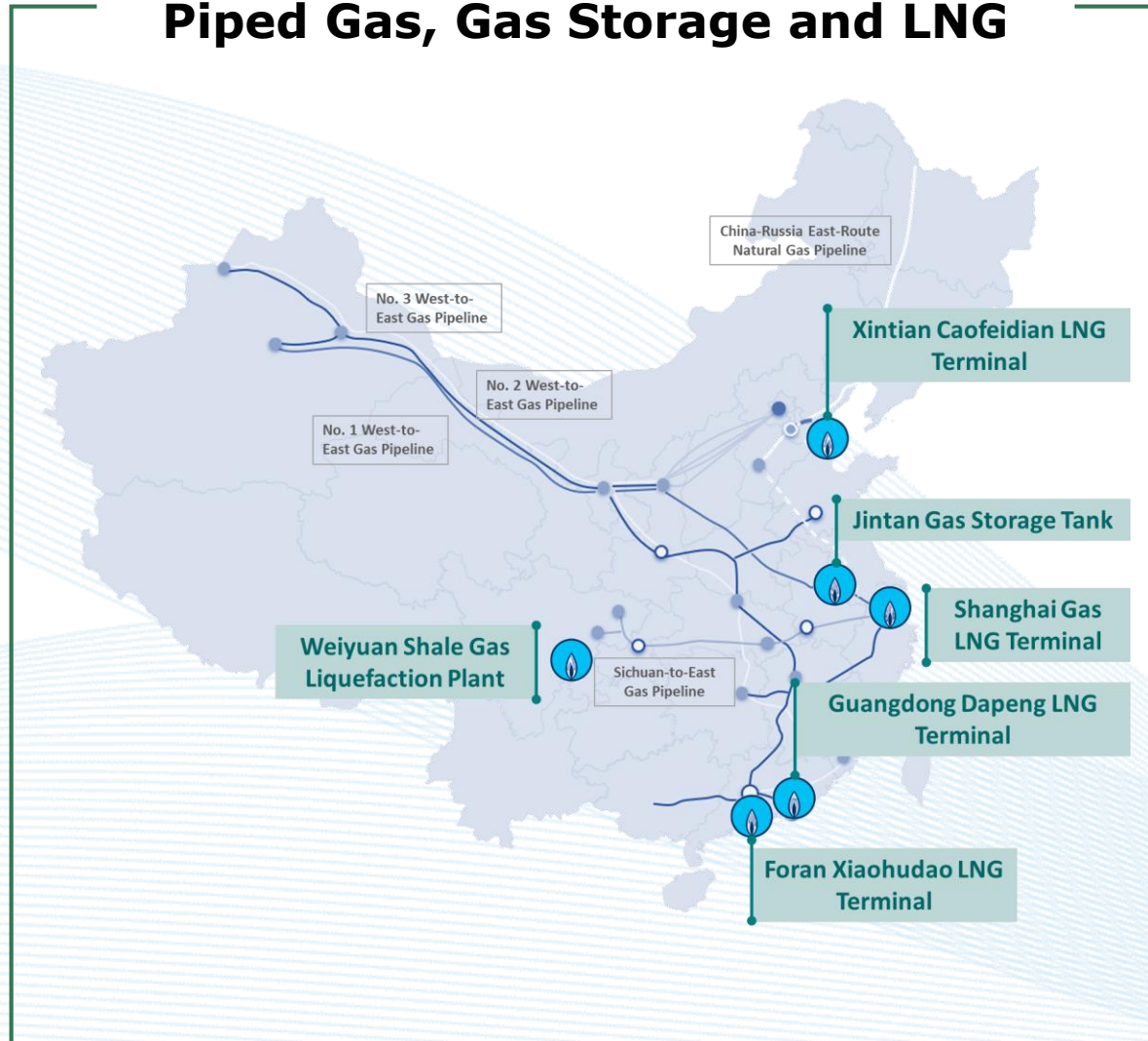


Unit OPEX

- Gas volume growth rate > OPEX cost growth rate
- Stringent cost control

Development Strategy – Establishing Flexible Gas Source Procurement

Flexible Gas Source from Piped Gas, Gas Storage and LNG



Gas Source Procurement Strategy

Overseas

- Caofeidian LNG terminal to be commissioned and 1 million-tonnes long-term LNG contract will be executed by end 2022. Based on 2021 actual LNG prices, **Rmb 3 billion would be saved as compared to spot cargo prices**
- Shanghai Gas LNG Terminal

Gas Sources in Sichuan

- Weiyuan Shale Gas Liquefaction Plant to be commissioned in early 2023 and expand upstream resource volume from 300M m³ to 600M m³

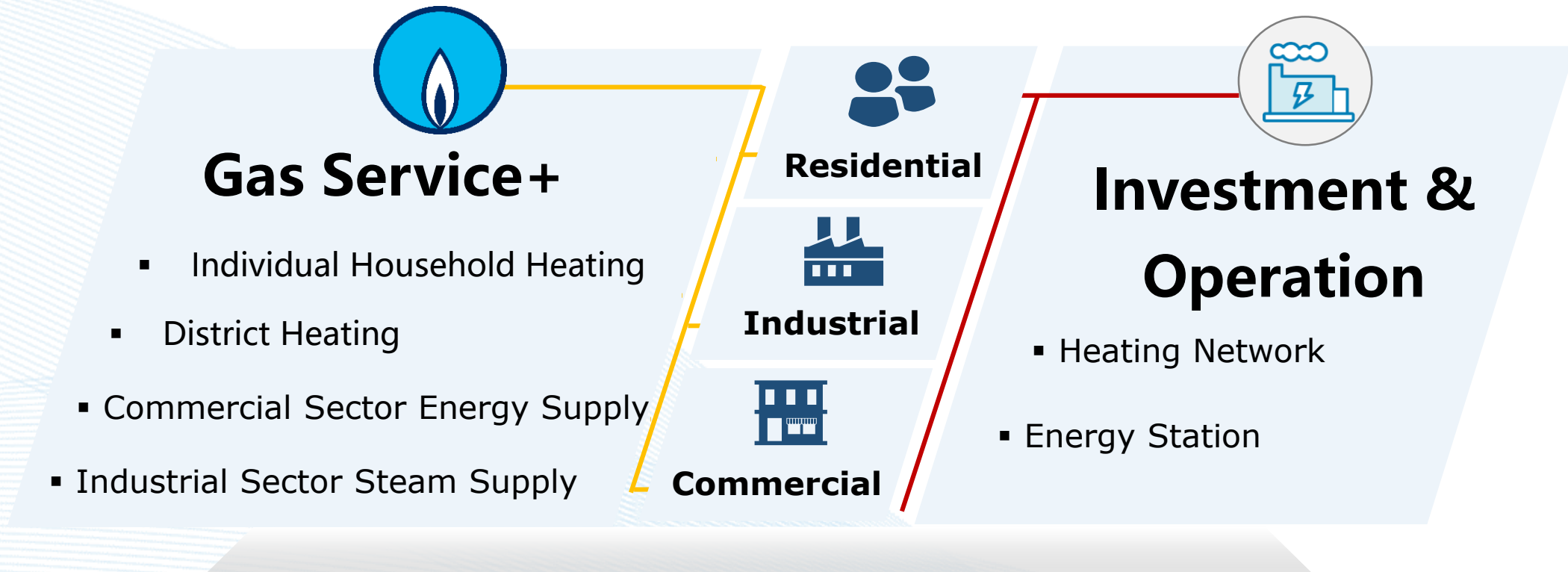
Jintan Underground Gas Storage

- Supply volume: approximately 100M m³ ;
2022E: 200M m³

Development Strategy – Strengthened Steam and Heating Supply

▪ Steam and Heating Supply Business Brings Gas Volume Growth

Contributed 1.3 billion m³ in gas volume for 2021 & the equivalent of 7.5 billion m³ forecast for 2025



- National market expected to grow by 2.5 billion m² per annum for the duration of 14th 5-year plan

Capital Injection Completed in July 2021



Transition Period

Supplemental agreement signed to extend transition period. Joint operation is expected to start and strive to complete the second phase Southbound in 2022



Operation

Gas volume for FY2022 expected to exceed 9 billion m³. Establishing market-based pricing mechanism



Collaboration

Full cooperation amongst gas-supply, city-gas, renewable energy and extended businesses

Development Strategy – Consistent Gas Safety Management



Gas Industry Standard

In-house practice adopted
as industry standard

Proactive Safety Control

Regular safety assessment
and proactive replacement
of ageing pipelines

Assured Project Quality

Self-owned pipe factory with
stringent production standards

Intelligent Pipeline Network

Building integrated platform
for pipeline monitoring,
operation & maintenance

- ✓ **Capitalising on Towngas' extensive hydrogen transmission experience in Hong Kong**
- ✓ **Hydrogen market development & proactively in hydrogen production and blending**
- ✓ **Mainland joint ventures have participated in hydrogen blending project**

Guangdong province

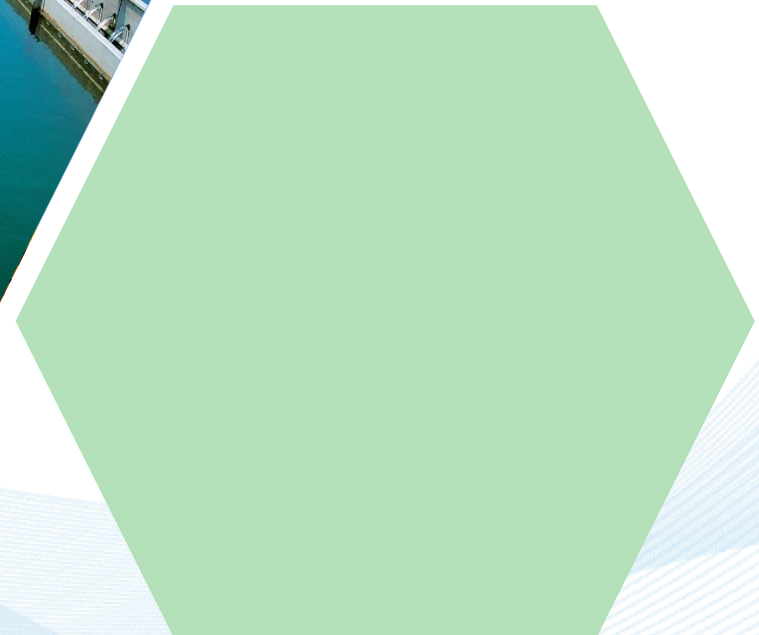
- Foshan leads the declaration of "Guangzhou-Shenzhen-Foshan-Dongguan"

Shandong province

- Promoting "Hydrogen into Thousands of Homes"
- Demonstration projects implemented in Jinan, Qingdao, Weifang and Zibo to kick-off multiple hydrogen energy projects

Mainland Business

- Gas Business
- **Water & Environmental Services**
- Extended Businesses
- Renewable Energy



Operation Performance – Water & Environmental Services

Steady Increase in Project Investment & Number

- **3 new projects** in 2021, total **14 water & environmental projects**
- Projects encompass **tap water supply, sewage treatment, food waste processing, waste incineration, smart water services**, etc.
- Foshan Water will be listed as an A-Shares this year

Net Profit

**\$490
million**

+15% YOY

Treatment/ Supply Capacity

Waste Treatment

700 tonnes/day

+133%

Tap Water Supply

4.67 million tonnes/day

+6%

Sewage Treatment

1.69 million tonnes/day

+19%

Mainland Business

- Gas Business
- Water & Environmental Services
- **Extended Businesses**
- Renewable Energy



Development Strategy – Strengthened Extended Businesses



Healthy
Living

**“Moments+” Community Healthy
Lifestyle Experience Centres**
Online Platform + Offline Community
Building healthy business model
Content-Service-Product

Comfortable
Living

**900,000 Bauhinia appliances
and 10,500 sets of kitchen
cabinets sold**

Family
Insurance

**Collaboration with insurance
agencies**

Engineering
Etc.

**Deepening users’ need for
engineering and other
extended businesses**

Development Strategy – Strengthened Extended Businesses



50 “Moments+” Community Healthy Lifestyle Experience Centres Established

	2022	2023	2024	2025
Community Healthy Lifestyle Experience Centre	100	200	300	500
<i>(Unit: RMB Bn)</i>				
Healthy Lifestyle (Included Gas Insurance)	0.6	1.4	3.3	6.0
Cosy Home	1.9	2.4	3.0	3.2
Gas Engineering Related Income	3.1	3.6	4.3	4.8
Total	5.6	7.4	10.6	14.0

Extended Businesses – Total Revenue in 2021



Appliance
Sales



Kitchen
Cabinets



Towngas Fun



Towngas
Cooking
Classes



Towngas
Cooking
Channel



Hong Kong

HK\$2.5 billion

Mainland China

HK\$6.5 billion

Total Revenue from Extended Businesses

HK\$9 billion

Mainland Business

- Gas Business
- Water & Environmental Services
- Extended Businesses
- **Renewable Energy**



Group Development Overview – Renewable Energy



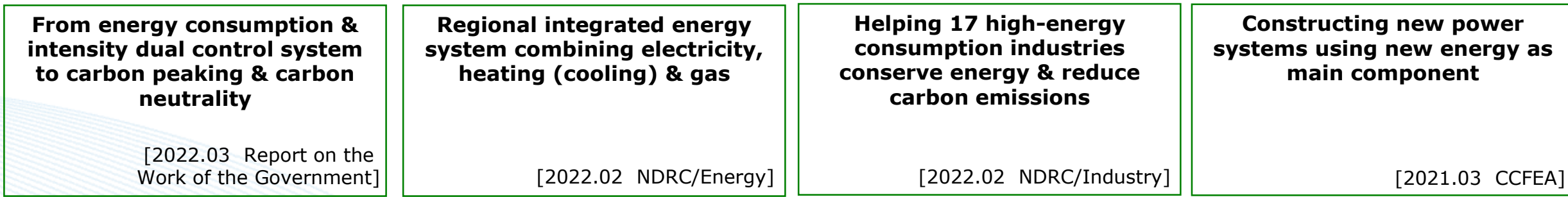
5.5MW distributed photovoltaic power generation project at Foshan Industrial Plant

**Leading in a Low-carbon Future
to Create a Better Life**

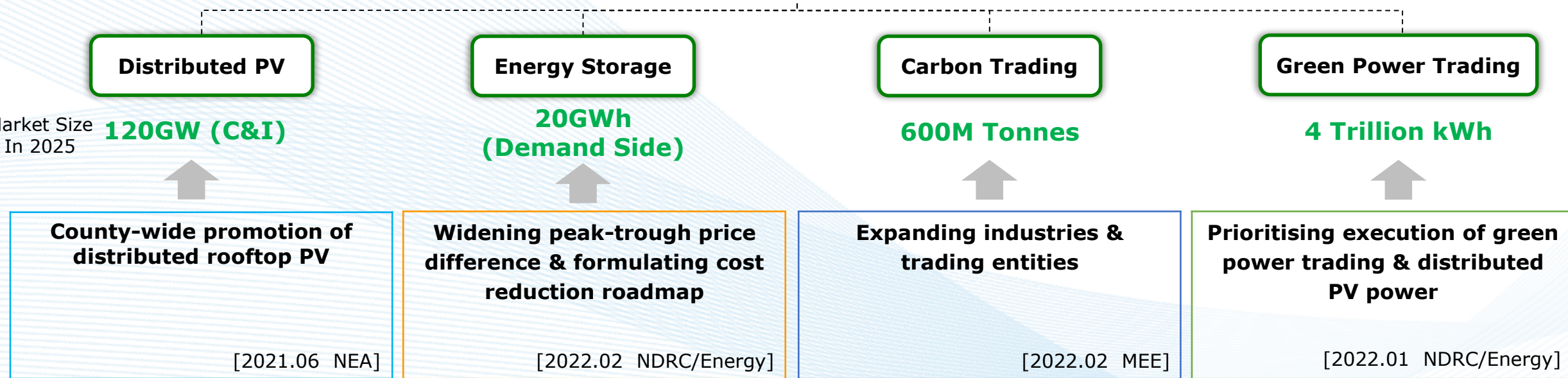
New Projects 52

**Zero-Carbon Smart
Industrial Park
Agreements Signed 32**

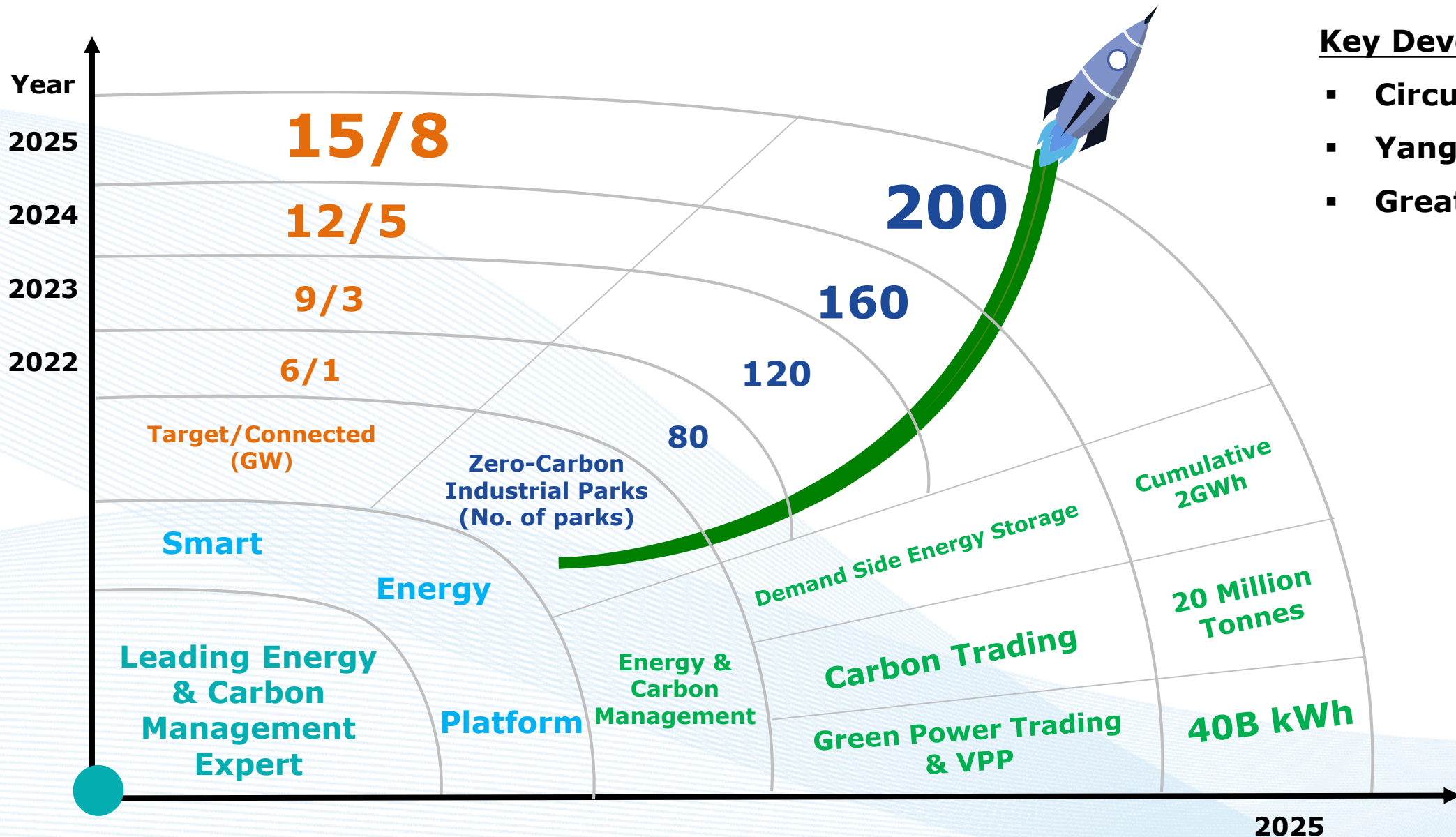
Renewable Energy – Policy Support



Zero-Carbon Smart Industrial Parks: Key to Realising Dual Carbon Goals



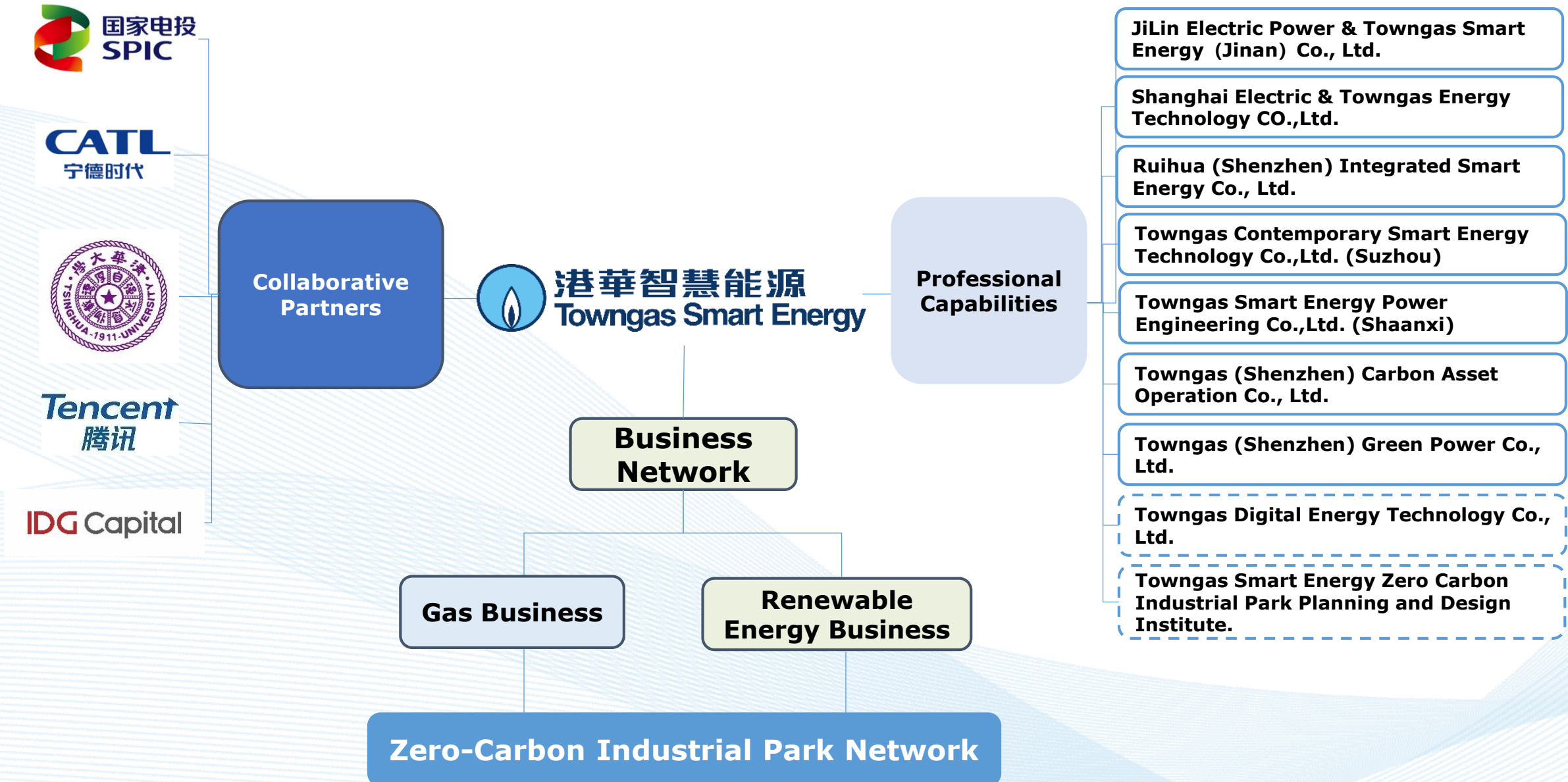
Renewable Energy – Five-Year Plan



Key Development Areas

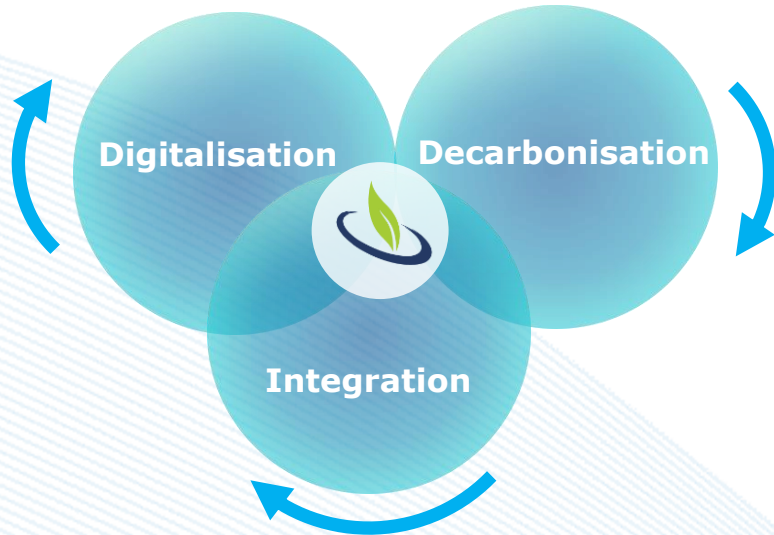
- Circum-Bohai Bay
- Yangtze River Delta
- Greater Bay Areas

Renewable Energy – Competitive Capacity



Global Smart Energy Innovation Competition

- Providing application scenarios and funding for zero-carbon technology
- Attracting top zero-carbon technologies



PV

Heterojunction
Photovoltaic HIT
SPIC

Carbon Negative

CO2 Synthesised
Methanol
Chinese Academy
of Sciences

Hydrogen Energy

Anion Exchange
Membrane Hydrogen
Production
Greendrogen

Energy Storage

Sulphur-Based
Redox Flow Battery
Luquos Energy



23 Countries

208 Projects

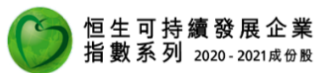





ESG

- **Environmental, Social & Governance**



Benchmarked International ESG Standards

- Compiled and disclosed data per ESG rating models
- In 2021:
 - Included into CDP Climate Change Index for the first time
 - November: Rating improved by S&P Global
- In 2022:
 - Preparation for FTSE Russell ESG Index
- Incorporated in Hang Seng ESG 50 Index (Top 50 companies)

					
	AA	BBB	57	22.3	B
Electricity Company 1	AA	AA	77	27.8	A-
Electricity Company 2	AA	A	63	35.9	-

Outlook

- **Hong Kong & Mainland Businesses**



Hong Kong Business Outlook – Economic Recovery & New Developments



- **Economic Recovery After Pandemic**
- **Increasing Housing Supply**
- **Promotion of CHP, Gas-powered Cooling and Dehumidification**
- **Hydrogen Energy Development**



1

30/60 New Opportunities

- Sustainable growth of National Natural Gas Consumption
- Urbanisation rate is expected to increase by 1% per year

2

Gradual Improvement on Pass-through Mechanism

3

Diversified Gas Sourcing Strategy

4

Renewable Energy Development

- Strategic investment from Affinity Equity Partners to Towngas Smart Energy (1083)
- Collaboration with IDG Capital

5

Extended Businesses

- Healthy Living ; Home Finance
- Comfortable Living ; Smart Home

6

Foster a Diversified Cooperation with Shanghai Gas

- City Gas, Gas Source
- Renewable Energy
- Extended Businesses



Performance Guidance for 2022

– Hong Kong and Mainland China



Hong Kong Business - Stable & Resilient

- Expected a moderate full year growth in gas sales volume
- Number of customers to be increased by approximately 25,000

Mainland China Business

Gas, Water & Environmental Services Business Steadily Upwards

- FY gas sales to grow by more than 40% (more than 12% if excluding Shanghai Gas)
- New connections to rise by more than 2 million
- Addition of more than 8 new city gas projects
- Foshan Water will be listed as an A-Shares this year

Rapid Development in Renewable Energy

- Zero-carbon smart industrial parks: +40
- Cumulative grid-connected installation: 1GW
- Smart energy platform launched in demonstration parks

Towngas' Metamorphosis



Started from 160 years ago



Street lighting

1862



港華智慧能源
Towngas Smart Energy



Smart Energy

2021

AFFINITYEQUITY
PARTNERS

EcoCeres



Biomass

2021

KEROGEN
Capital



Jintan U/G Storage

2018



华衍环境
Hua Yan Environment



Municipal Waste Treatment

2016



New Energy

2008



Panva Gas

2007



GD LNG

2006



港华紫荆
BAUHINIA



Appliances

2005



华衍水务
Hua Yan Water



Water Supply

2005

2000 W2E Pipeline



港华燃气
Towngas



Mainland City Gas

1994



煤氣
Towngas



Towngas in HK

1990s

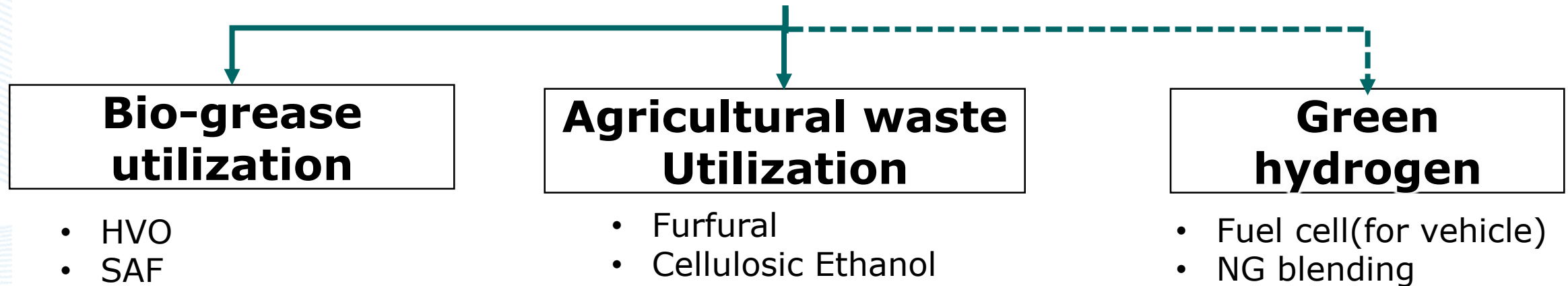


2021

514 Projects

- **EcoCeres, Inc.** a biomass business platform, was established for the long-term development of biomass utilization

EcoCeres



- **Round A fund-raising completed in 2021, received US\$108 million**
- **Kerogen Capital was introduced as a strategic investor**

KEROGEN
Capital

Thank you

Disclaimer

This presentation and subsequent discussion may contain certain forward-looking statements. These forward-looking statements reflect the company's view on some future events and involve known and unknown risks and uncertainties and other factors which may cause actual performance and development differ materially. Past performance cannot be relied on as a guide for future performance.