



Towngas announces 2020 interim results

(17 August 2020) The Hong Kong and China Gas Company Limited (Towngas) announced today its interim results for 2020 and the distribution of an interim dividend of HK12 cents. Highlights of the results are as follows:

Towngas' 2020 interim results

- The Group's unaudited operating profit of principal businesses after taxation for the six months ended 30th June 2020 amounted to HK\$3,517 million, down by 9.4 per cent, compared to the same period last year.
- The Group's unaudited profit after taxation attributable to shareholders for the six months ended 30th June 2020 amounted to HK\$2,667 million, a decrease of HK\$1,222 million, down by 31.4 per cent, compared to the same period last year.
- Earnings per share amounted to HK15.0 cents, a decrease of 31.4 per cent compared to the same period last year.
- An interim dividend for the six months ended 30th June 2020 of HK12 cents per share was declared.

Throughout the first half of the year, the COVID-19 pandemic impacted the entire world. Industries in Hong Kong also suffered significantly: Tourism slowed to a near standstill; the hotel and catering business recorded a sharp decline. In the face of this adversity, Towngas' core gas business in Hong Kong has demonstrated a relatively strong defensive capability. While industrial and commercial gas sales slumped year-on-year, the recent increase in the number of people working from and dining at home has led to a substantial rise in residential gas consumption, which offset part of the drop and reflected the prevalence of gas cooking among residential customers. In the first half of the year, overall gas sales in Hong Kong fell by 3.9 per cent. With more buildings to be completed in Hong Kong in the upcoming decade, the number of customers, residential gas consumption and appliance sales are poised to climb.

In addition, Hong Kong's demand for medical services has continued to

grow. The large-scale extensions and expansions planned for hospitals will bring with them a surge in industrial and commercial gas consumption. Meanwhile, the application of gas dehumidification to indoor air quality improvement has been widely adopted by hospitals, hotels, commercial buildings and other structures.

In mainland China, large-scale border closures and city-wide lockdowns that took place after Chinese New Year as a result of a pandemic outbreak had lasted over two months. Work and production ground to a halt, stalling the economy and leading to a 6.8 per cent slide in the country's gross domestic product (GDP) in the first quarter. Industrial and commercial gas consumption also waned. Thereafter, as the outbreak came under control, various cities and provinces resumed operation and production systematically. Despite economic activity largely returning to normal in May and June, housing construction had yet to catch up after the two-month work suspension, thereby affecting the income from connection fee. In addition, the 4.5 per cent depreciation of the Renminbi, the functional currency of the Group's mainland operations, averaged in the first half of the year led to the lower earnings figure recorded in the Group's Hong Kong results.

As the mainland's coal-to-gas policy continues, national gas consumption is set to rise. At the same time, the Group is devising integrated energy solutions that consolidate resources such as natural gas, steam and photovoltaic power to form regional distributed integrated energy centres. Along with the promotion of smart energy technology as well as internet and artificial intelligence applications, these initiatives will serve to enhance energy efficiency. In terms of water services, the Group will focus on urban environmental hygiene: With businesses encompassing wastewater, urban waste and food waste, the Group expects greater potential for growth in the Greater Bay Area and East China. Its 30 million-strong customer base provides yet another resource for business development. As the economy of mainland China regained its vigour in the second quarter with a year-on-year GDP growth of 3.2 per cent, gas sales for the second half of the year are forecast to hike, riding on the country's economic development.

The Group's new energy business has been affected by unfavourable

circumstances arising from the pandemic and falling international energy and commodity prices. The implementation of a series of effective measures to increase income, cut cost and optimise operational processes resulted in earnings just slightly lower than that of the same period of last year. In the second half of the year, environmental projects independently researched and developed by the Group are scheduled to be commissioned. These include one in Suzhou province which utilises waste oil to produce high-quality biofuel, and one for straw transformation application in Hebei province. Together, they contribute towards a projection of more significant improvements in terms of earnings. In line with the general trend of tackling climate change through carbon reduction, the Group has established a solid foundation in the effective utilisation of agricultural waste as well as research, development and commercialisation of carbon emission reduction. As a result, greater capacity for development in the new energy business is foreseeable.

Overall, the results of the first half of the year for the Group, including Towngas China, have been impacted by the COVID-19 pandemic and the global economic downturn. Nevertheless, its business foundation remains remarkably solid. Furthermore, on top of its existing portfolio, the Group is committed to expanding into new businesses, including smart integrated energy, renewable energy, municipal environmental hygiene (trash and food waste processing), extended businesses harnessing its 30 million-strong customer base, and more. With the pandemic largely coming under control in the mainland, economic activities have returned to normal and gas consumption has resumed its upswing. These factors along with the forthcoming commissioning of new projects promise the Group a wider horizon.

For details, please refer to the preliminary announcement of 2020 interim results published on the Company's website at www.towngas.com and on the HKEXnews' website at www.hkexnews.hk.

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