

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

FY2024 Interim Results

16 August 2024



2024: Overall Operating Environment



Rising interest rate pressure

Rates could stay high despite pressure



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 to "investment + service" model



Development of hydrogen & green methanol business

Strategic Blueprint



Peter Wong Wai-yee



Yeung Lui-ming



Alan Chan Ying-lung

01

Rationalize business structure and concentrate on core businesses

02

Bring in strategic investors & partners to help strengthening every business unit growth

03

Ongoing effort to streamline non-core businesses and optimize cost management



Completed **two** tariff increases in Hong Kong



Gas volume growth in Mainland Business with **rising dollar margin**



Towngas Smart Energy exited investment in Shanghai Gas

AFFINITY EQUITY PARTNERS



KEROGEN Capital



申能集团 SHENERGY GROUP



Green Methanol

2024 Management Team and Business Highlights



Hong Kong Utility

**Don
Cheng Hill-kwong**

- Completed tariff increases in Hong Kong
- Commercialization of hydrogen in Hong Kong



Mainland Utility

**Martin
Kee Wai-ngai**

- Market expansion with gas volume up 7%
- Speed up cost pass-through, dollar margin increased by 5 cents/m³



Gas Supply Chain

Zhou Heng-xiang

- Strive for signing LTA with “Three Majors”
- Establish a pool of diversified gas resources; expanding LNG imports and domestic unconventional gas, etc.



Renewable Business

**John
Qiu Jian-hang**

- Accomplished higher net profit growth
- Asset-light AuM model implemented; accelerated the development of EaaS and “PV, Storage, Charging & Power Trading”



Extended Business

Yang Jun

- Consolidate HK and Mainland extended business
- Induce business synergy through an integrated platform (Towngas Lifestyle)

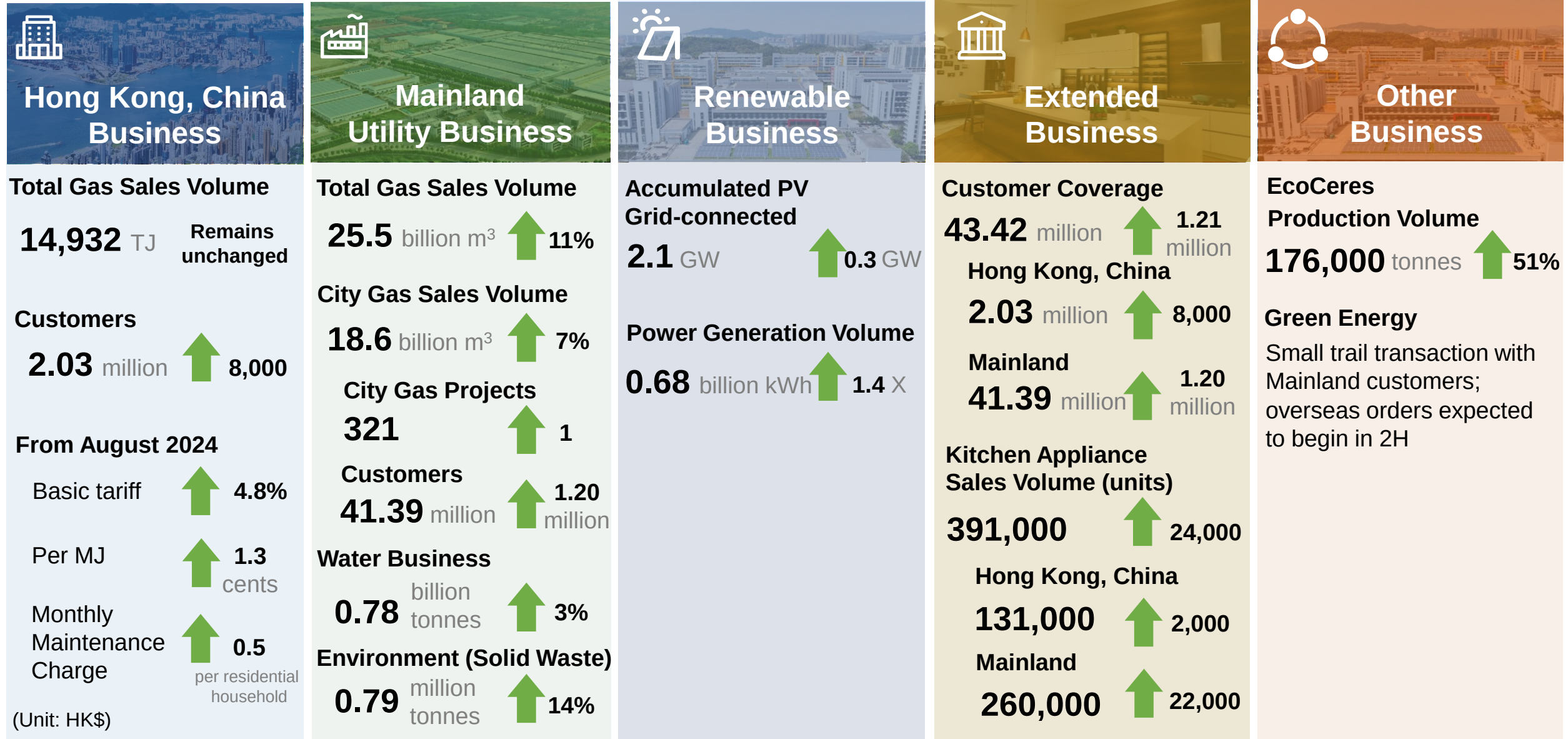


Green Fuels

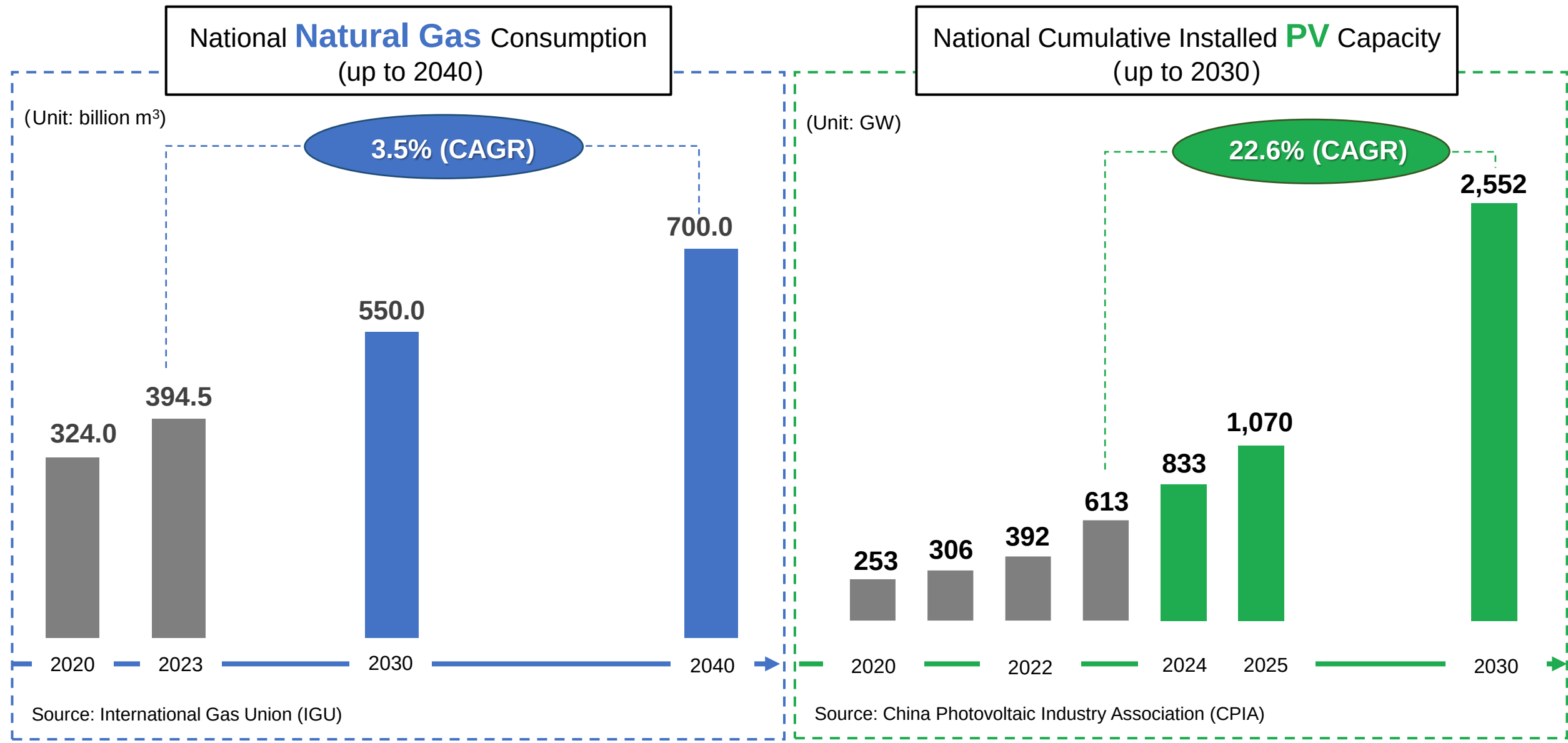
Sham Man-fai

- Expansion of green methanol production in Inner Mongolia
- Work with Foran Energy and Shenergy to expand green methanol production

1H 2024: Overview of Business Operations



Natural Gas and PV Demand Outlook



Agenda

Financial Highlights

Business Review

▪ Utility Businesses

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

▪ Renewable Energy

▪ Extended Business

▪ Green Energy

ESG

Group Outlook and Business Guidance

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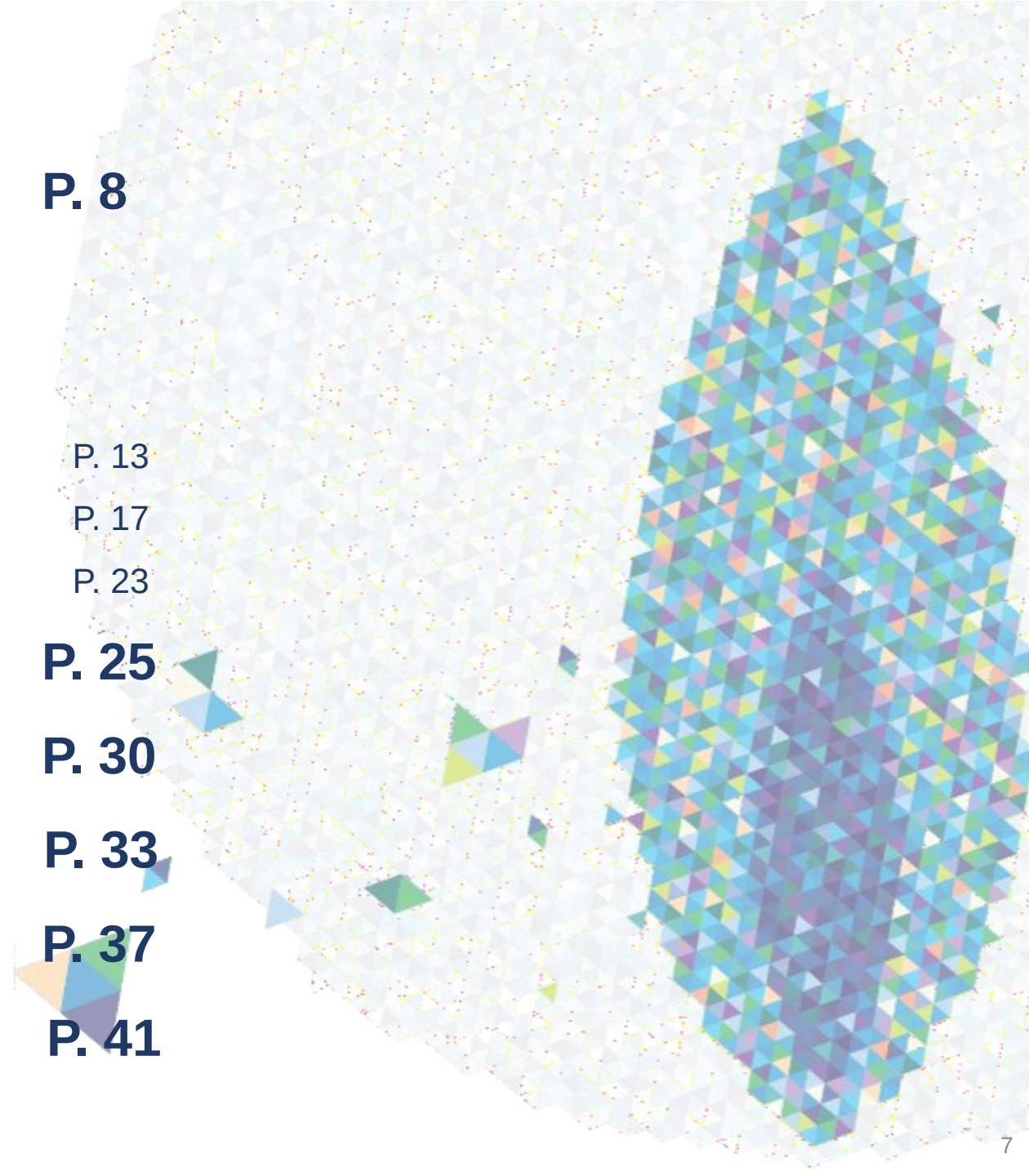
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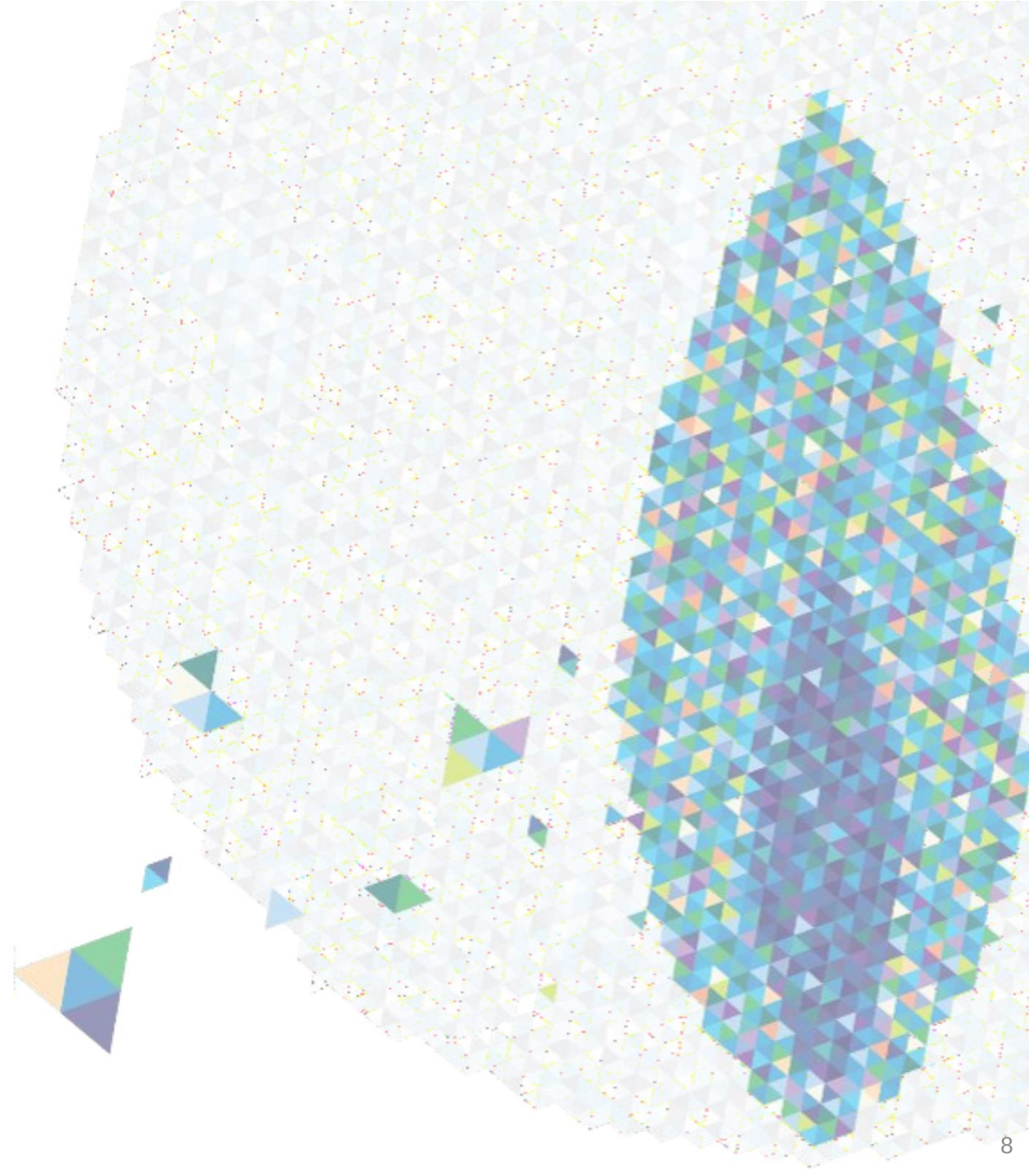
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Financial Highlights



Profit from Operations

 Hong Kong, China Business 2.01 billion Remains unchanged Dropped by 0.1 billion	 Mainland Utility Business 1.53 billion Remains unchanged In RMB:  4%	 Renewable Business 0.11 billion (1083: 0.16 billion) Strong growth	 Extended Business 0.19 billion Hong Kong, China: 0.14 billion Mainland: 0.05 billion Under restructuring	 Other Business 0.05 billion Profit realized Primarily EcoCeres
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Profit from Operations: 3.89 billion  2%

RMB depreciated by approximately 4% YoY

(Unit: HK\$ million)	1H2023	1H2024	Changes	
Revenue	29,178	27,496	↓	6%
Profit from Operations	3,824	3,885	↑	2%
Corporate Financial Expenses	(707)	(699)	↓	1%
Core Profit	3,117	3,186	↑	2%
Fair Value Changes	196	34		-
Net Gain from Exit of Shanghai Gas	398	-		-
Business Restructuring and Impairment	(97)	(100)		-
Acquisition Premium Amortisation	-	(80)		-
IFC Revaluation Change	-	-		-
Profit Attributable to Shareholders	3,614	3,040	↓	16%
Basic Earnings per Share (HK Cents)	19.4	16.3	↓	16%

Healthy Financial Position

(Unit: HK\$ billion)	31 Dec 2023	30 Jun 2024
Total Assets	162.0	160.2
Net Assets	71.1	68.0
Cash and Bank Balances	9.0	8.6
Total Borrowings	57.8	60.1
Net Gearing Ratio*	40.7%	43.1%

*Note: Net Debt / (Net Debt + Equity)

Credit Rating:

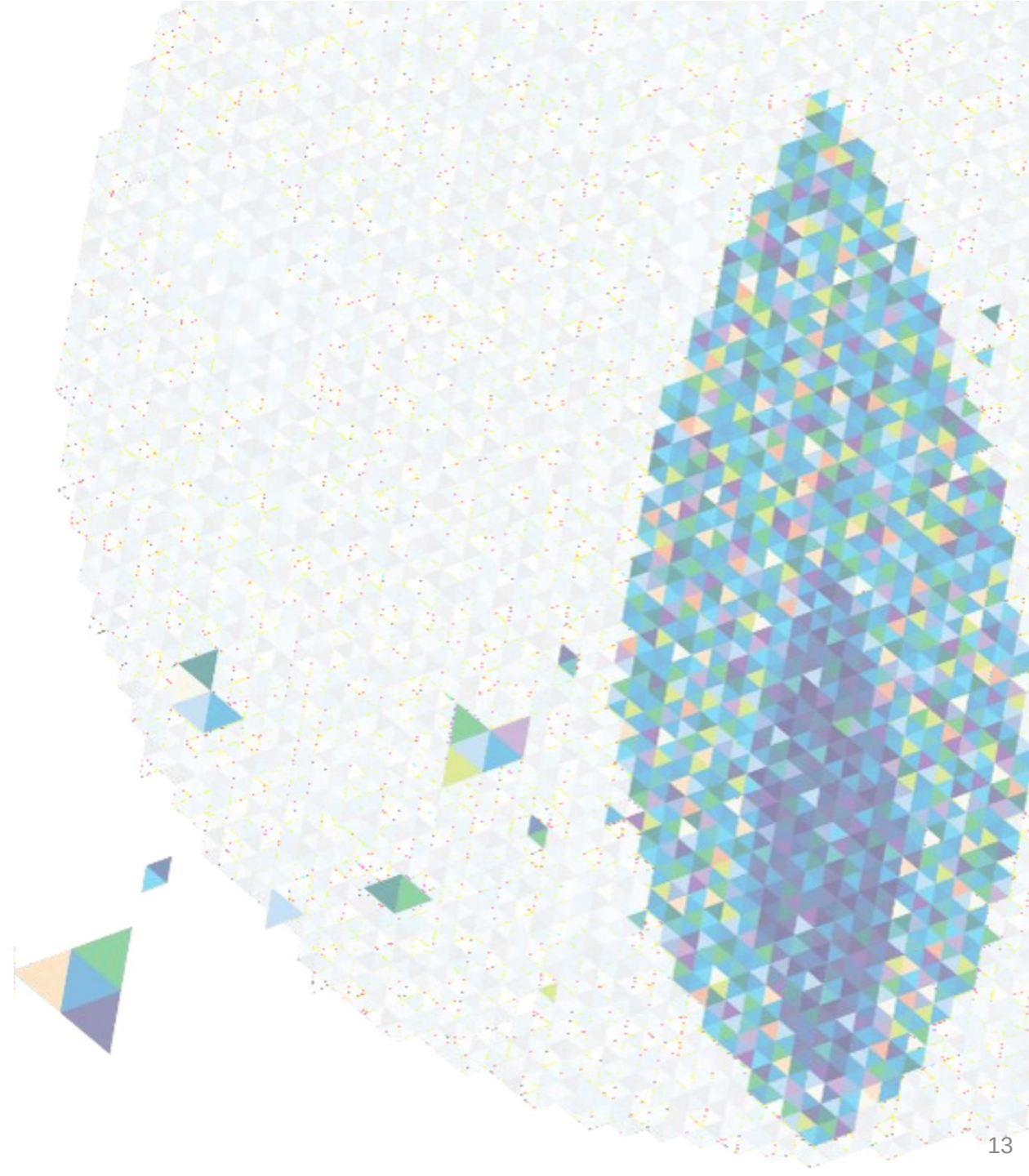


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Moody's A1

(Unit: HK\$ billion)	1H2023	1H2024
0003.HK (Including 1083.HK)	5.0	3.3
1083.HK	3.3	2.0

Hong Kong, China Gas Business



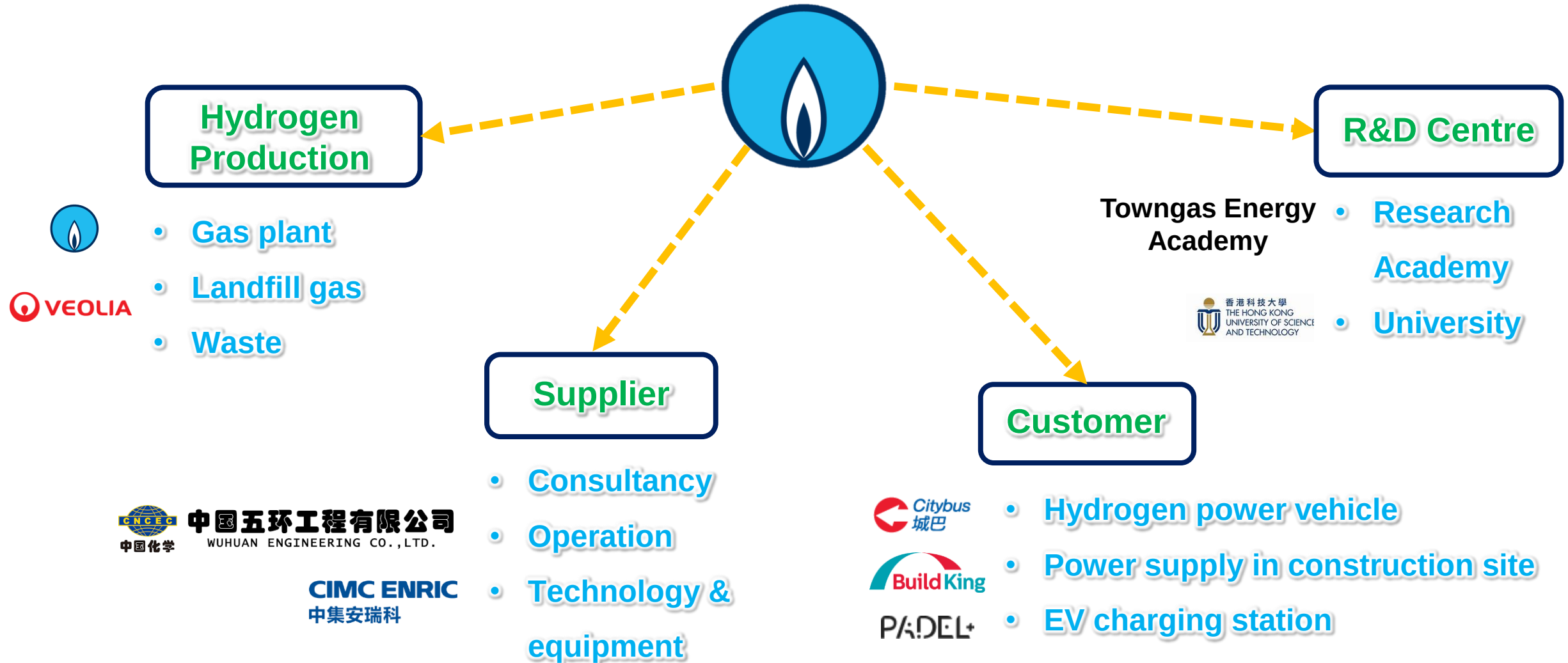
Gas Sales Growth in Hong Kong, China



Classification	Target Customers		30 Jun 2024	2024-2028
Residential	Domestic Use (Cooking, clothes dryer, bathroom hot water supply, etc.)	248,800 New customers over the next five years	20TJ	610TJ
	Gas Cooling/Heating Applications	Airport, North District Hospital, Kai Tak Sports Park	40TJ	250TJ
Industrial & Commercial	Diesel Replacement Projects	Hospitals, food production plants and laundries	20TJ	500TJ
	New Projects	Hotels, hospitals, crematoriums and new food processing plant	55TJ	400TJ
	Hydrogen Energy Projects	Franchised bus companies, heavy-duty vehicles	-	120TJ
	Indoor Air Quality (Dehumidification)	Hotels, hospitals and offices	10TJ	50TJ

Hong Kong Can Become A Centre for Hydrogen Industry (Towngas Hydrogen Hub)

- The Group's pipeline network fully covers Hong Kong
- Provide a safe & efficient way transporting hydrogen



Projects in Progress



Hydrogen
Charging Station

2024:
First demonstration project with 2 charging ports



Citybus

2025:
Phase I (5 buses) with 75 tonnes/year



Power Supply in
Construction Site

2025:
100 tonnes per site/year



Hydrogen from
Landfill Gas

2025:
Tseung Kwan O Landfill: Hong Kong's **first Green Hydrogen** project to produce 130 tonnes/year

New Developments



Waste to
Hydrogen

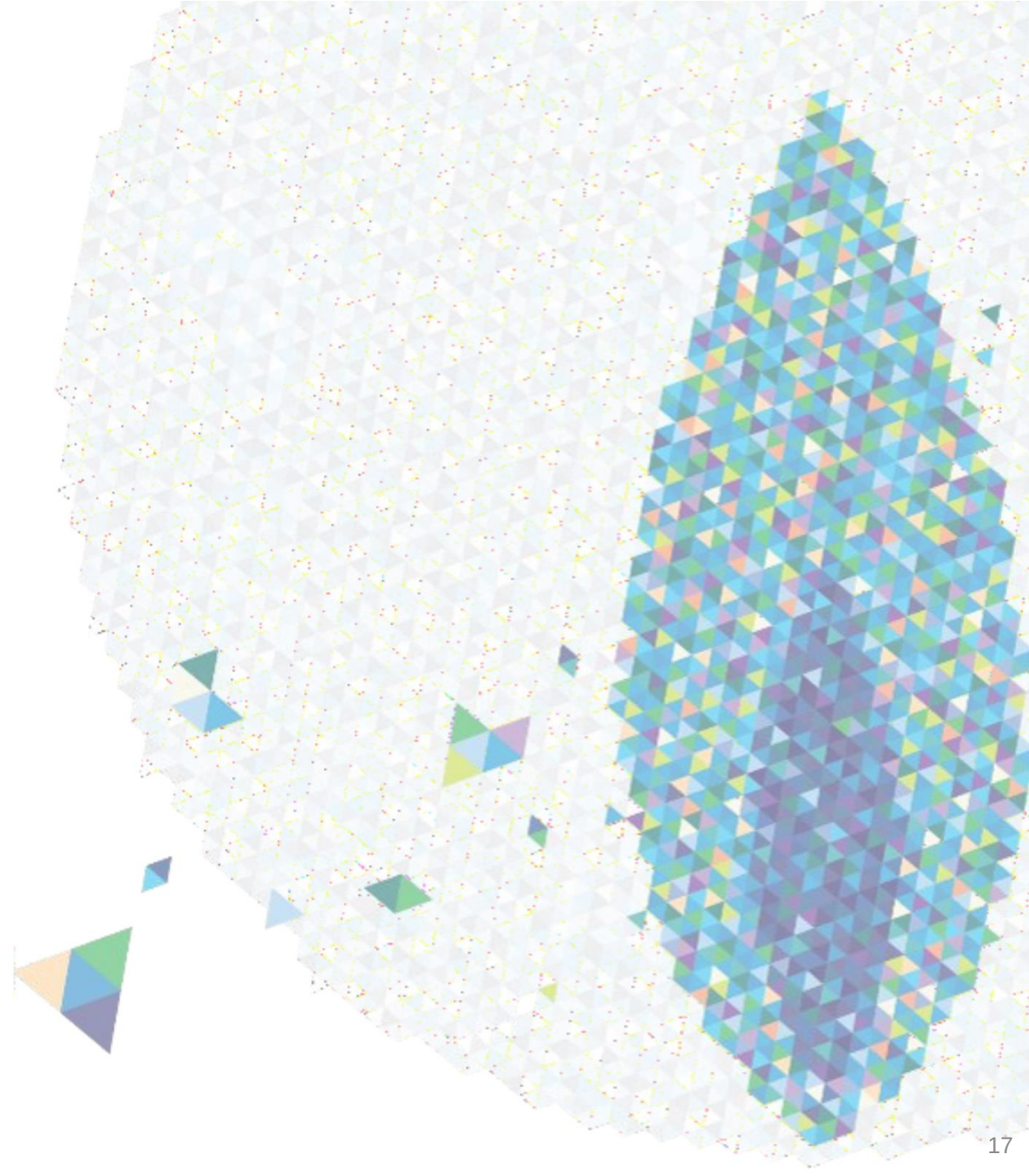
2028:
Hong Kong International Airport: **Waste-to-Hydrogen**, partner with a State-level engineering company to submit a tender to produce 1,500 tonnes of hydrogen



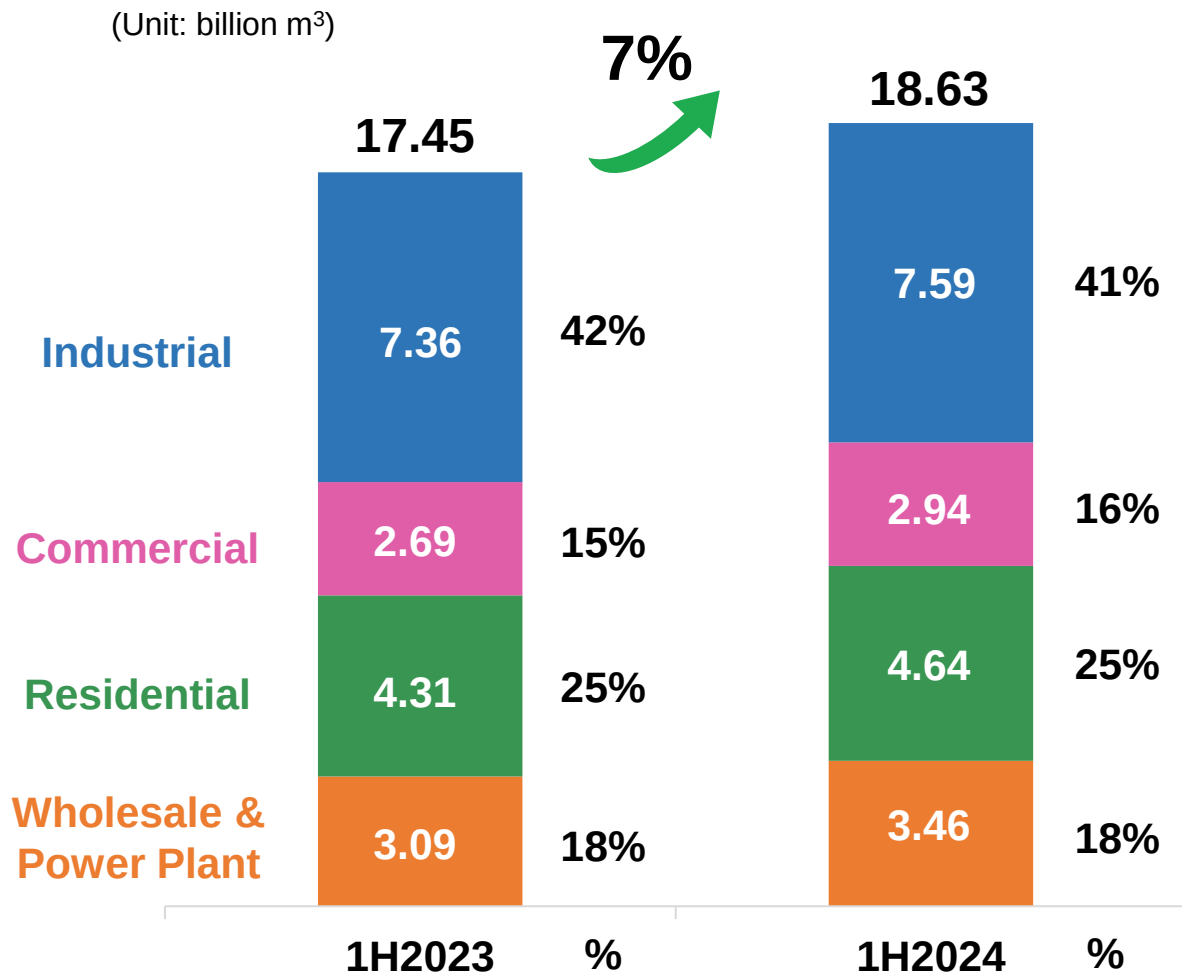
Hydrogen
Charging Station

2026:
Hong Kong Science Park Project: Charging station powered by Hydrogen Fuel Cell. To install 48 sets of 7kW charging ports, estimated 30 tonnes annual consumption of hydrogen

Mainland Gas Business



Gas Sales Volume



- C&I gas sales volume grew steadily
- Property sales remained a drag on peripheral industries, but the gas demand from the “New Trio” is increasing substantially

*New Trio: EV, lithium-ion batteries and PV products

Rising Gas Dollar Margin

Selling Price, Cost and Dollar Margin

(Unit: RMB/m ³)		1H2023	1H2024	Changes
Selling Price	Residential	2.68	2.78	+0.10
	Commercial	3.54	3.71	+0.17
	Industrial	3.73	3.57	-0.16
	Wholesale	3.08	2.90	-0.18
Average Selling Price		3.38	3.34	-0.04
Average Gas Cost		2.96	2.87	-0.09
Dollar Margin		0.42	0.47	+0.05
City Gas Dollar Margin*		0.45	0.50	+0.05

Dollar Margin

- Dollar margin improved in 1H2024
- C&I cost pass-through in time
- Residential cost pass-through slowed down due to Chongqing Gas incident in April; However, Third Plenary Session held in July indicated that household tiered gas pricing mechanisms will be improved, cost pass-through expected to speed up in 2H2024

National real estate market remains weak, new construction area dropped by approx. 24% YoY

Number of household connections decreased YoY
(Unit: thousands)

User Type	1H2023	1H2024	Changes (%)
Residential	809	727	-10%
Industrial & Commercial	9	11	+17%

Unit residential connection fee increased steadily
(Unit: RMB/household)

	1H2023	1H2024	Changes (%)
Residential Connection Fee	2,841	2,942	+4%

Connection business decreased by 5%*

*Note: in RMB

Unleashing uncharted potential to improve gross margin

- Stringent cost management and continual improvement of gross margin
- Closely coordinate with government on “home delivery assurance” policy
- Collaborate with government to promote “cylinder to pipeline”
- Seize the opportunity to renovate old urban residential communities

Gas Supply Chain - Ensurance of Gas Supply



1

Negotiated with the “Three Majors” to optimize supply costs and resource allocation

2

Expanded self-owned LNG import, strengthened gas pipeline interconnection, and secured ensurance of gas supply

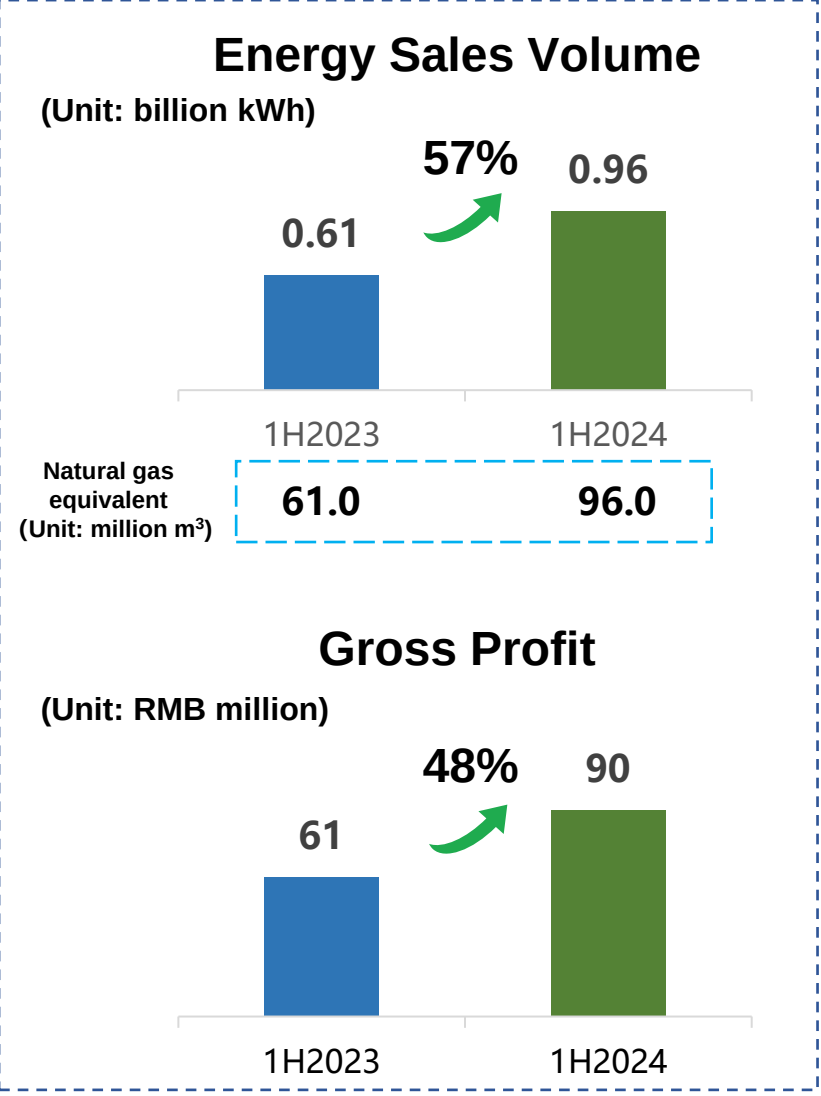
3

Integrated existing gas supply resources and facilities (gas storage, LNG terminals, unconventional gas) to maximise synergy

4

A professional service platform to address the group’s demand for various gas resources

“Gas+”: Focus on Strategy with Steady Growth



Business Strategy

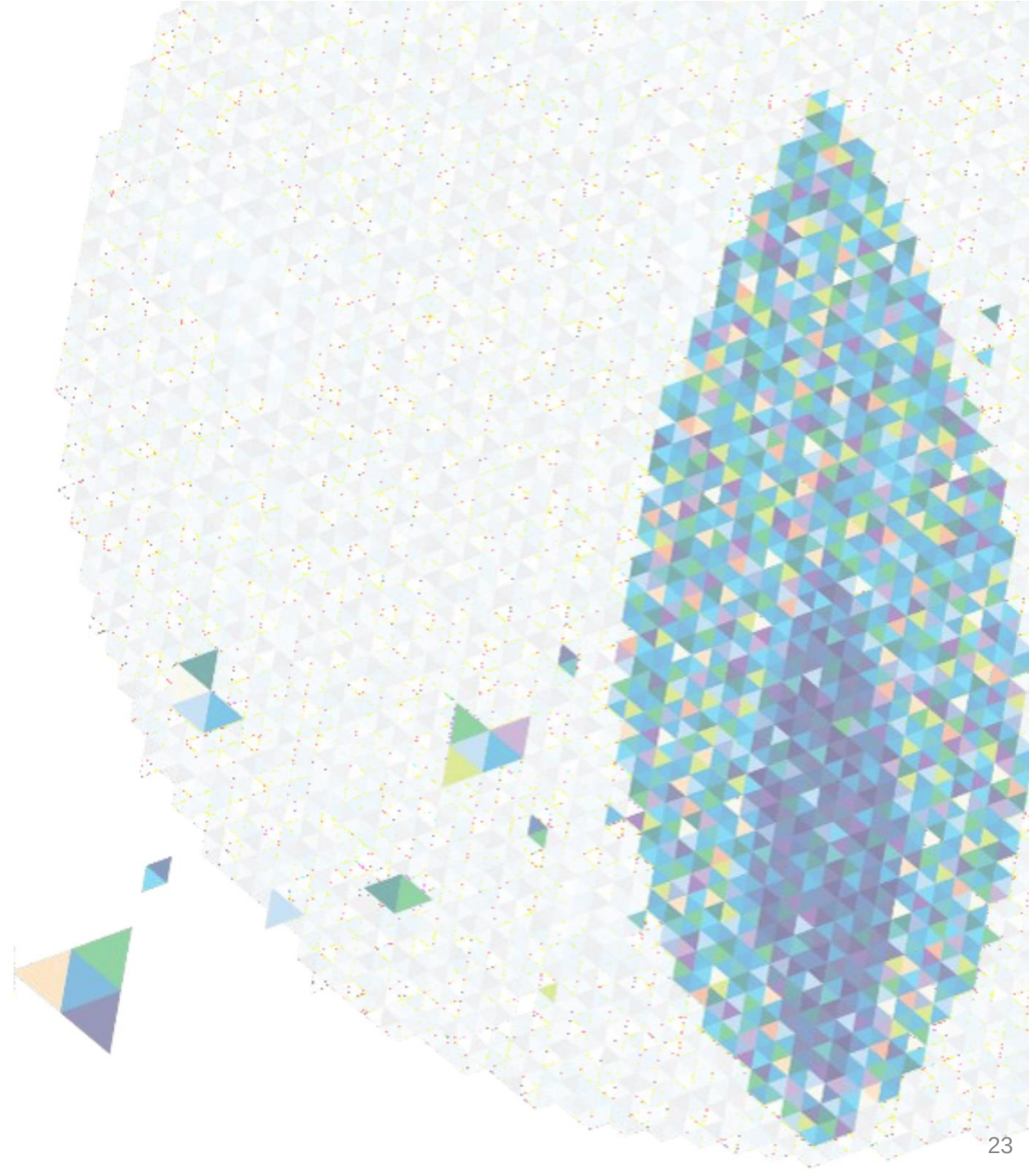


Focus on public buildings and asset-light energy management

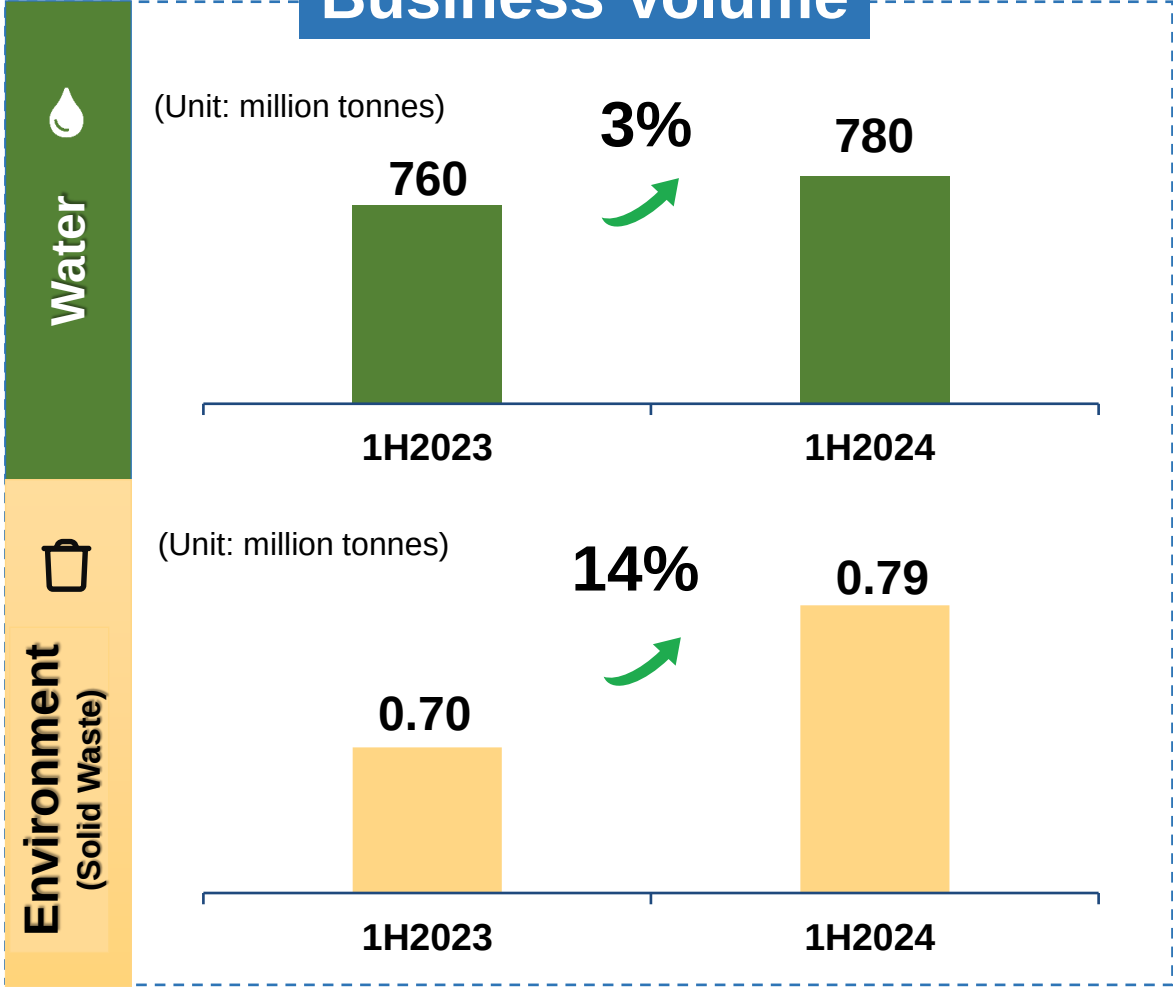


A new round of large-scale equipment renewals provide opportunities converting our existing gas customer into energy customer

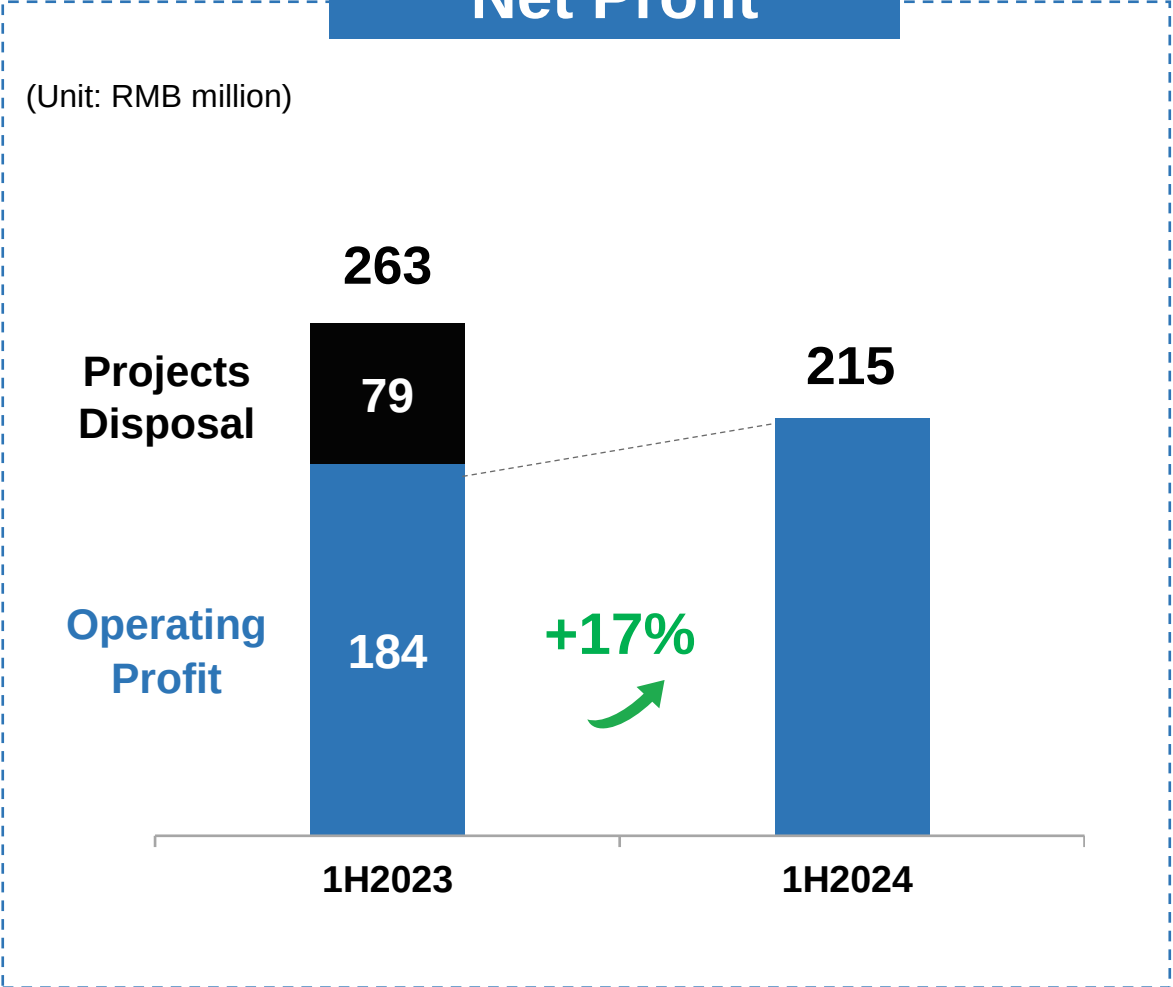
Mainland Water & Environment



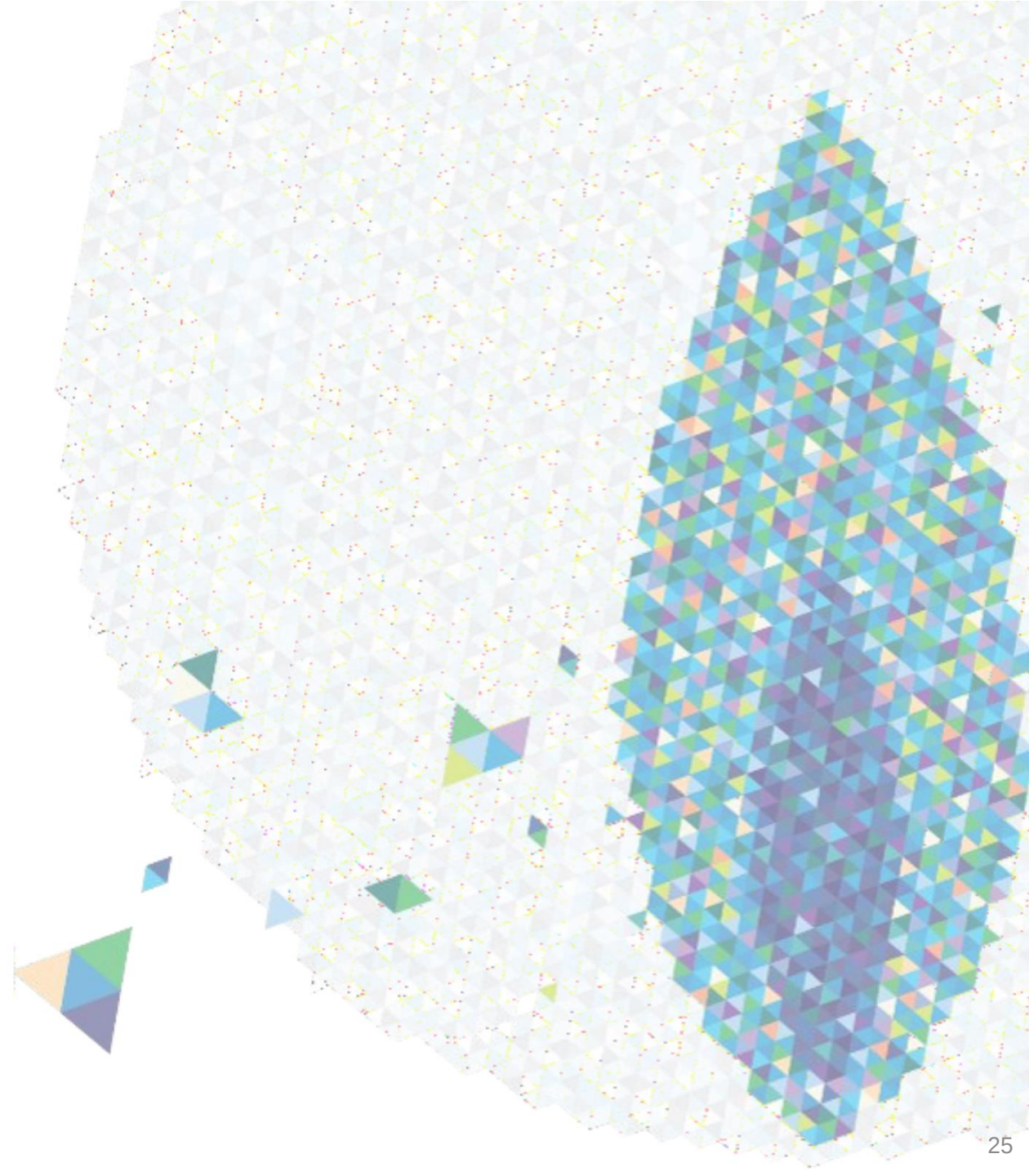
Business Volume



Net Profit



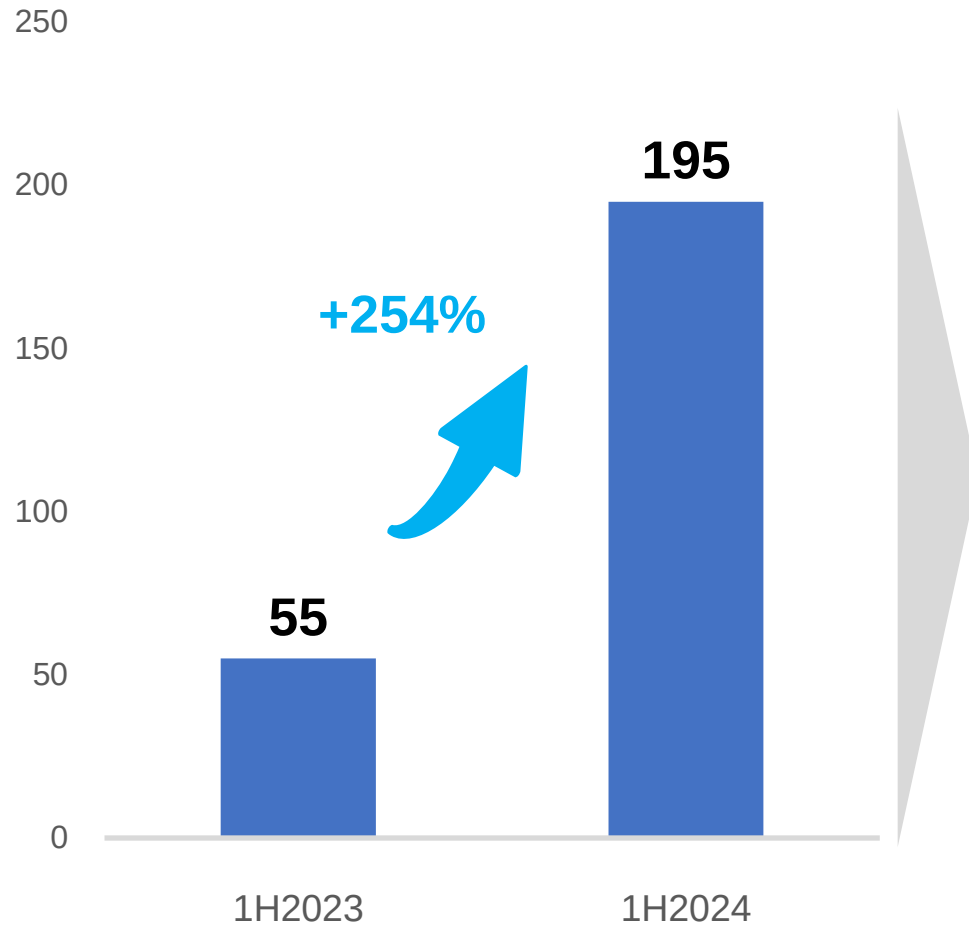
Renewable Energy



Operational Data	1H2023	1H2024		Changes
Grid-connected (GW)	1.1	2.1	↑	1.0 GW
PV Generation (billion kWh)	0.28	0.68	↑	143%
Gross Margin (RMB/kWh)	0.34	0.30	↓	0.04 RMB/kWh
Decreased sunlight hours				
Financial Data (RMB million)				
BU Profit Contribution	62	223	↑	259%
PV Business	55	152	↑	176%
AuM Disposal Gain	-	43	↑	43 million
Energy & Carbon Management Services	7	28	↑	300%
Net Profit	3	151 (HK\$164)	↑	148 million

PV Power Generation & Services: PV Power Generation Volume Grow Rapidly and PV Services Begin Contributing Profit

(Unit: RMB million)



1

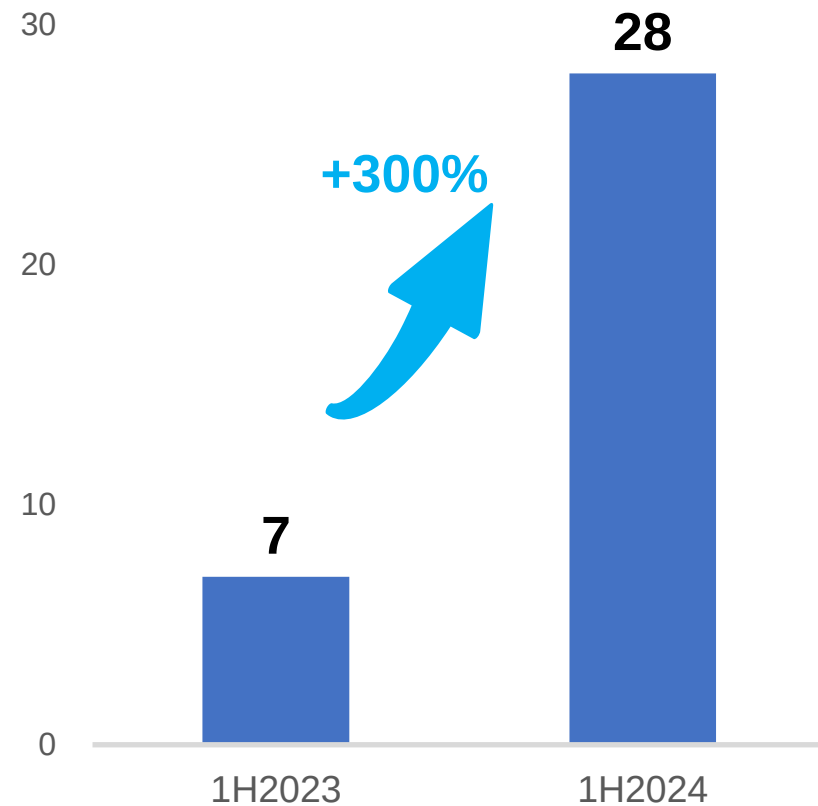
Profit from PV power generation reaching RMB181 million. Prolonged rainy and cloudy weather in 1H2024 severely impacted power generation driving down gross margin per kWh

2

Profit from PV services, including development, EPC and O&M services reaching RMB14 million and growing at a high speed

Energy & Carbon Management Services: High Growth in Electricity Sales, and Micro-grids (EaaS) Business Ready to Take Off

(Unit: RMB million)



- 1** Electricity sales to industrial customers surged to around 1,000, with sales volume reaching 3.2 billion kWh
- 2** Micro-grid (EaaS) business of “PV + Power trading + Energy storage” made solid progress; user side energy storage business to take off in 2H2024
- 3** Established state-level demonstration project for micro-grid (EaaS) and virtual power plant (VPP), helping us to exert influence on the industry

Strategy

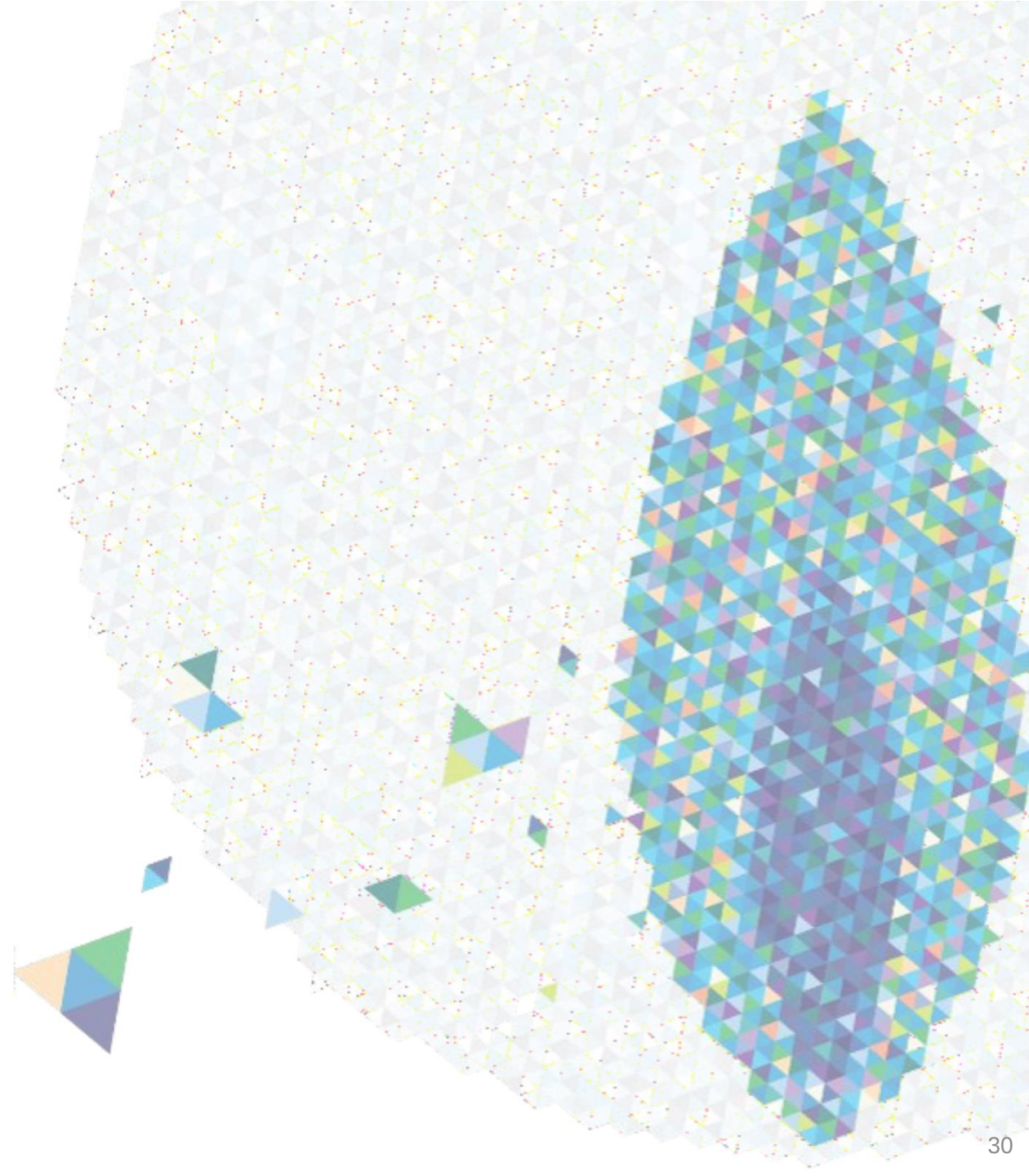
- 1. Source additional capital, enlarge scale and reduce equity stake
- 2. Increase power generation, manage risks, and boost returns
- 3. Synergize “PV + Power trading + Energy storage”



High-quality Development

- | | |
|--------------------------|---|
| AuM Model | Establish a healthy cash-flow model, adjust annual PV grid-connected scale to 500 MW |
| PV Services | Leverage on our leading position in PV services, develop and manage PV assets, helping to build a light-PV-asset model with high return |
| Micro-grid (EaaS) | With strong business expansion and risk control capabilities, energy & carbon management services model has become a key driver for profit growth |

Extended Business



Build an Integrated Platform, Focus on Smart Kitchen

Total Revenue: **1.8 billion**
Profit: **0.19 billion**



**Hong Kong,
China**

Revenue: 0.8 billion
Profit: 0.14 billion



Mainland

Revenue: 1.0 billion
Profit: 0.05 billion

Customer Services	Customer Coverage	2.03 million	41.39 million
	Online Platform	306,000 members	3.10 million active users
Smart Kitchen	Kitchen Appliances	131,000 units	260,000 units
	Kitchen Cabinets	651 sets	2,000 sets
Insurance Business	Insurance Promotion	/	↑ 18% premium
Home Safety	Products & Services	/	↑ 30% revenue

Upgrade Three Major Business Capabilities

Smart Kitchen

Take advantage of trade-in opportunities



Insurance Business

Expand integrated home and property insurance

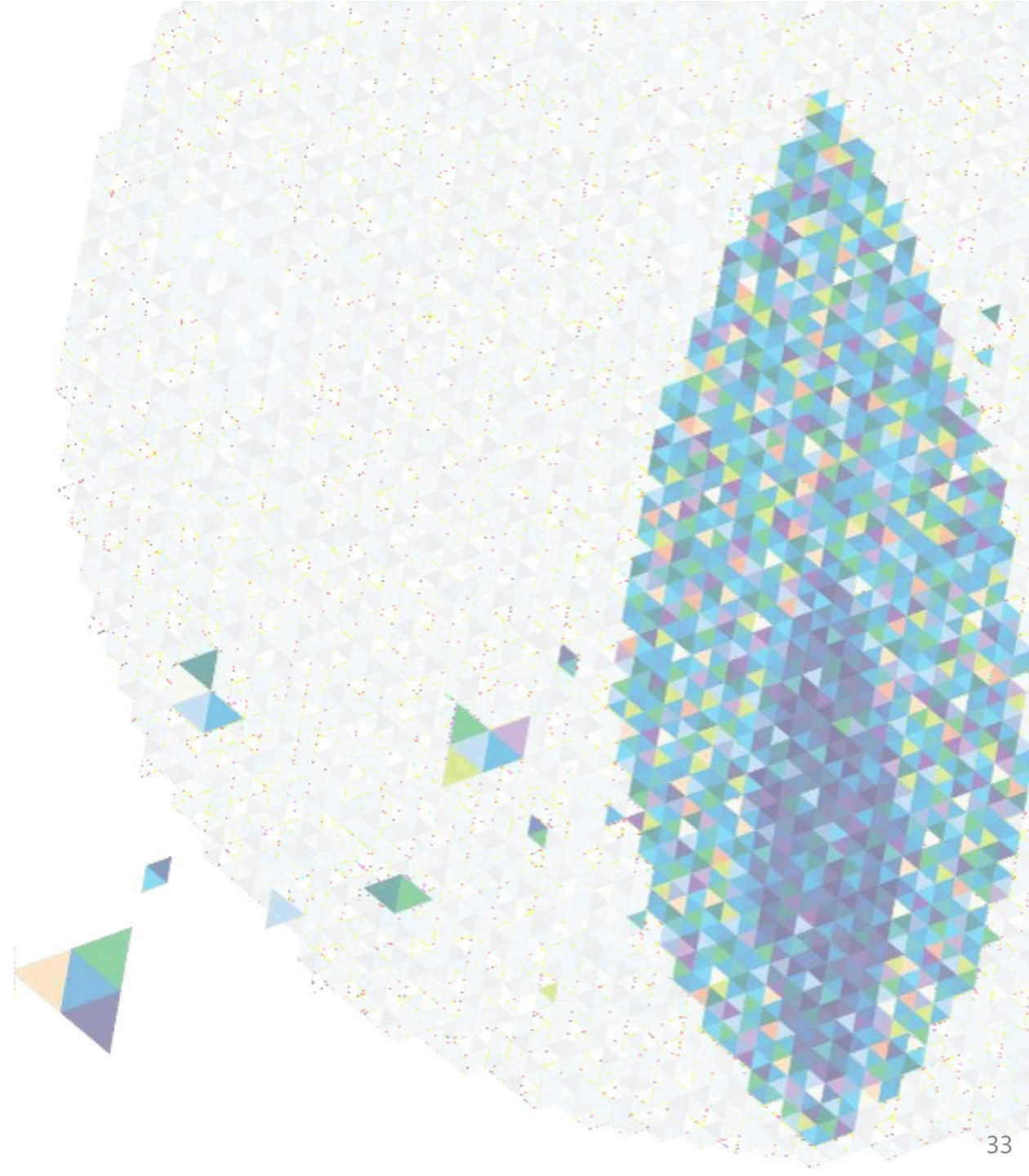


Home Safety

Establish One-stop Solution of Appliance + Platform + Service



Green Energy



Marine



Green Methanol

Interested parties discussion in progress:



BP



FincoEnergy



Mitsui & Co., Idemitsu



Daicel

Land



Hydrogen

Air



Sustainable
Aviation Fuels

Green Methanol Business Development Strategy



**Methanol Plant,
Inner Mongolia**

Shanghai

Foshan



Upgrade Inner Mongolia Plant to Produce Green Methanol

- Annual capacity: 120,000 tonnes
- Driven by demand from Domestic Harbor
- The only one in China to obtain EU ISCC certification

Cooperation with Shenergy

- **MOU** signed
- Expect to reach capacity of 100,000 tonnes in 2H2025
- Meet Shanghai port's future demand up to 300,000 tonnes

Cooperation with Foran Energy

- **MOU** signed
- New production plant: 500,000 tonnes
- Mid-2027 target capacity: 200,000 tonnes
- New JV merging with Inner Mongolia Plant

1. Management Restructure



Mr. James NI
CEO



Mr. Matti LIEVONEN
Executive Chairman

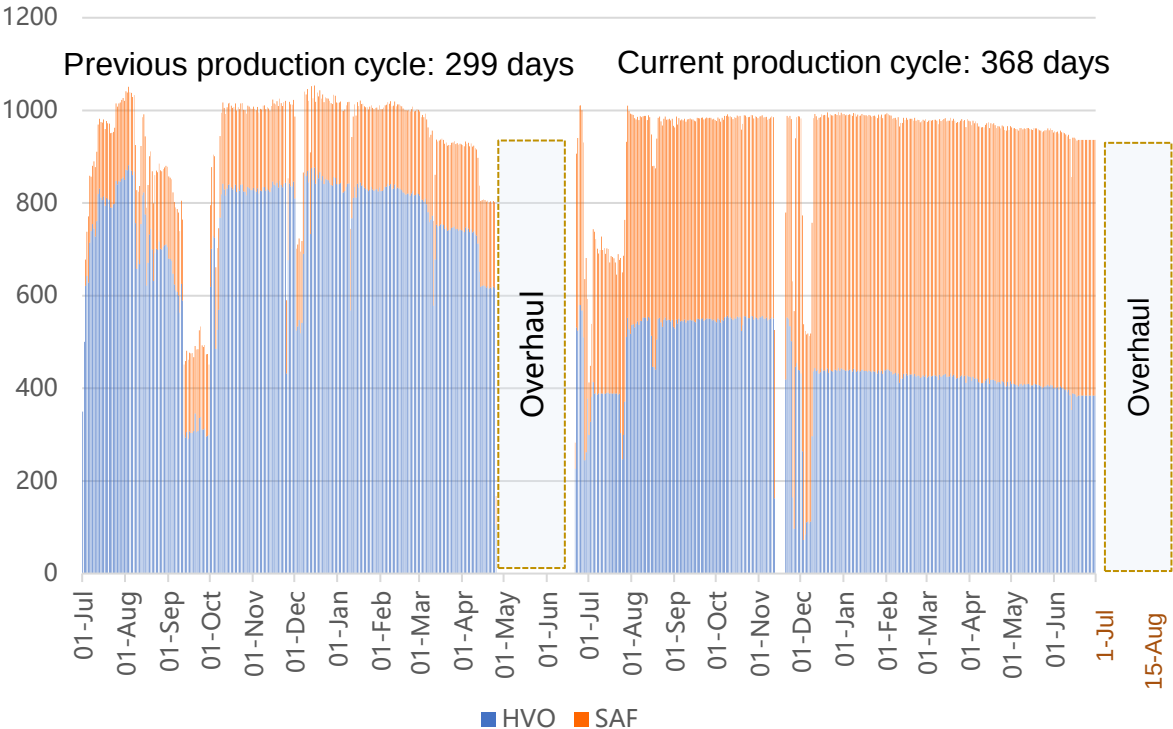


Mr. Jeremy BAINES
Chief Commercial Officer

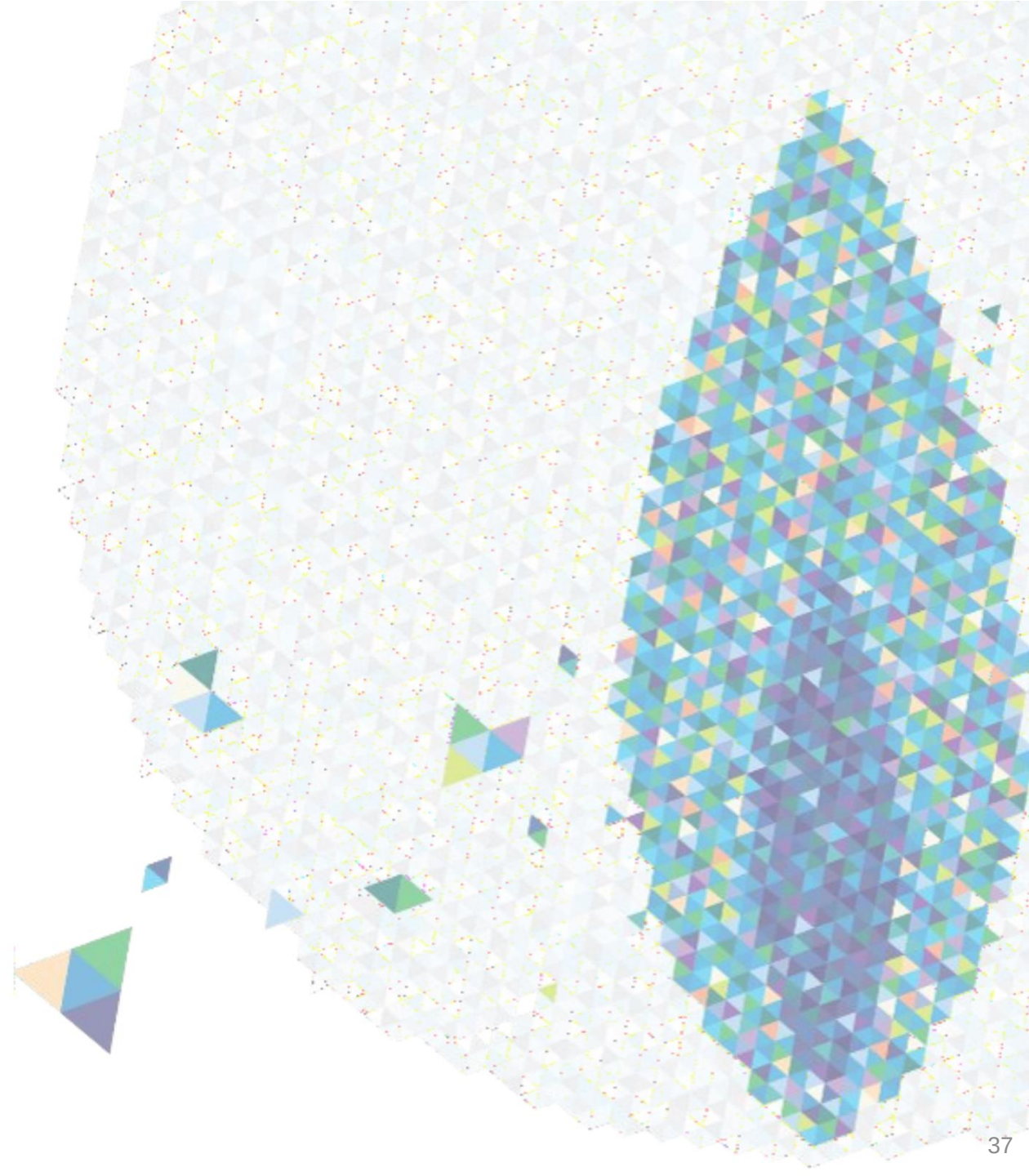


2. 1H2024: Record High SAF Production

- 1H2024 Total Production: **176,000** tonnes ↑ 51%
- SAF Production: **100,000** tonnes ↑ 3X
#No.1 in Asia #No.2 in the world
 - HVO Production: **76,000** tonnes ↓ 18%
 - SAF%: **57%** (1H24) , **21%** (1H23) ↑ 36%



ESG



The Group's Carbon Reduction Initiative

Hong Kong, China

- Implementation of Waste-to-energy Projects (e.g. biogas-powered CHP System for Nethersole Hospital and waste heat utilisation from Tai Po Plant to supply Maxim's)
- Provision of energy efficient cookers and phasing out diesel boilers
- Use of biogas for town gas and hydrogen production
- Promote hydrogen and green methanol applications
- Formulate carbon intensity reduction targets for 2035
- Actively exploring zero carbon fuels (e.g. green hydrogen and green naphtha)

2050 or before

**Carbon
Neutral**



Chinese Mainland

- Promote coal-to-gas conversion
- Dispose of municipal solid waste
- Build distributed PV generation projects
- Produce sustainable aviation fuel (SAF) and green methanol
- Switch to energy-efficient gas equipment





International Ratings

01

S&P Global
Ratings

HKCG & Towngas Smart Energy

Top 1% of
Chinese Companies

Entered
Sustainability Yearbook

02



FTSE4Good

Inaugural inclusion
of HKCG



Industry Award

Maxim's Waste-to-energy Project

01

Institution of
**MECHANICAL
ENGINEERS**

Improving the world through engineering

02



Association of Energy Engineers

Aligning with ESG Trends to Advance Biodiversity

HKCG New Energy Development



Marine
Green methanol



Land
Hydrogen energy



Air
Sustainable aviation fuel



- Hong Kong’s **first** symposium covering biodiversity and new energies
- Supported by over **20** organisations from Hong Kong and Chinese mainland
- Over **5,000** online and offline participants



Prof. Christine Loh
Chief Development Strategist, Department of Civil and Environmental Engineering, HKUST



Prof. Wong Kam Sing
Chairman, Wu Zhi Qiao Charitable Foundation



Ms. Christine Lau
VP, Policy and Secretariat Services, Listing Division, HKEx

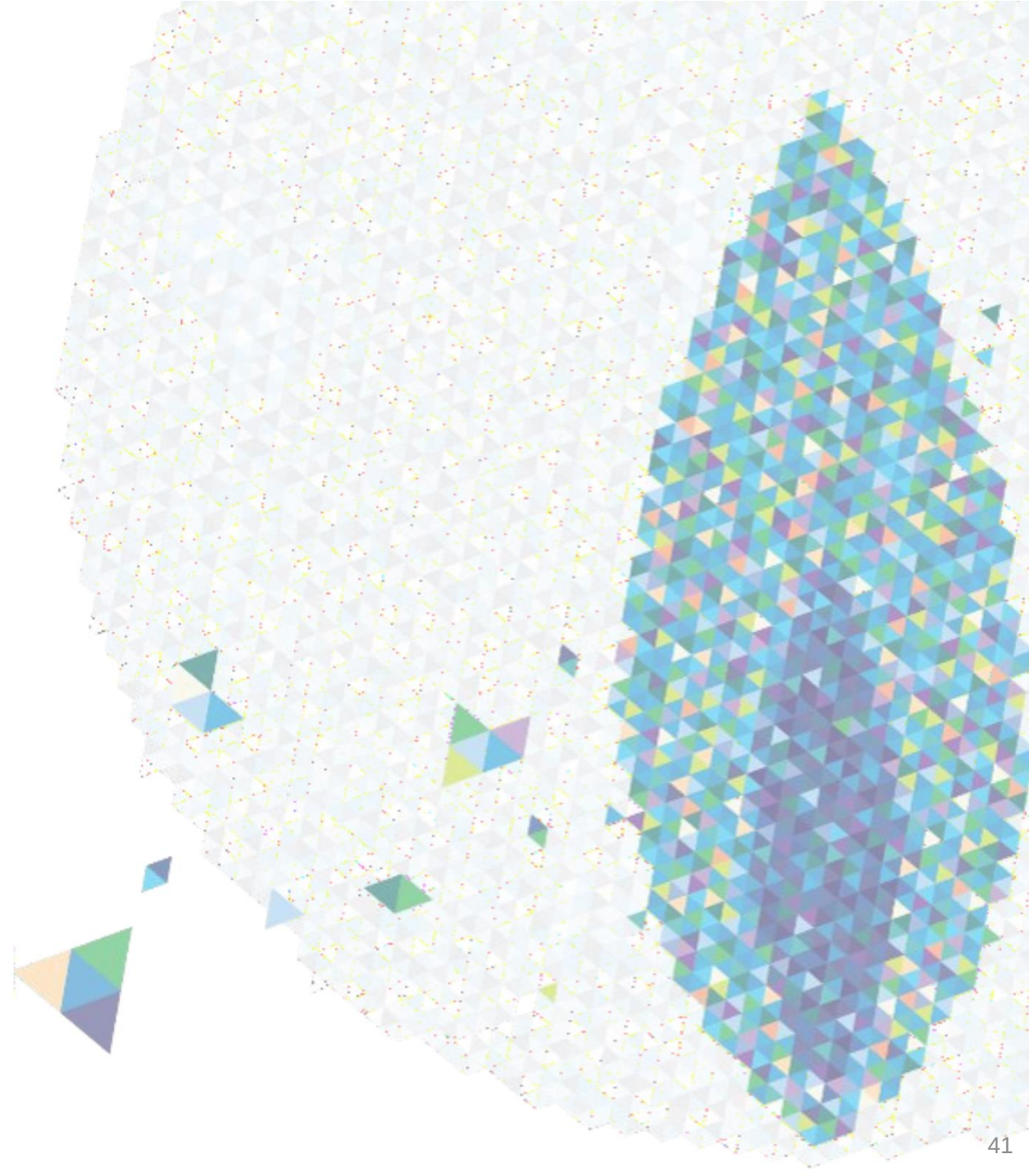


Mr. Peter Lee
General Manager, Sustainability, AAHK



Ir. Kenny So
General Manager (Engineering), Citybus

Group Outlook and Business Guidance



2024 Opportunities and Challenges

Hong Kong Business

- The HK Government continue rolling out measures to boost HK economy with a forecast GDP growth of 2.5%-3.5%; employment and income expect to grow steadily.
- The HKCG raise the basic tariff by 1.3 cents/MJ (4.8%) and the fixed monthly maintenance charge increased by \$0.5 with effect from 1 August 2024.
- Rainfall day increase and outbound travel drive down residential gas volume; however C&I demand continues to grow (driven by demand from hotels and airport, etc.).
- Chinese Government continues to add new cities to HK solo traveler scheme drive up Chinese mainland visitors (60% increase YoY in 1H2024), and non-mainland visitors also increase substantially (80% YoY in 1H2024).
- HK's property market slump drive down B2B appliance sales, and it would take time to recover. On the other hand, HK Government speed up development on public housing, it would help driving up appliance sales.
- Supported by “the Strategy of Hydrogen Development in Hong Kong” announced by the Government, hydrogen charging stations and power supply in construction sites (replacing diesel generator) would enter the market in the near future.

Mainland Gas Business

- Vigorously cultivate C&I customers and accelerate “Gas+” business development; gas volume expect to grow by 7%.
- C&I cost pass-through in time; speed up residential cost pass-through; dollar margin expect to raise by 5 cents/m³.
- Towngas will take a leading role to actively participate in “One City, One Company”.

Gas Supply Chain

- Strengthen coordination amongst gas supply chain and various storage resources; enhance strategic cooperation with “Three Majors” and PipeChina.
- Expand various self-owned gas resources to ensure stable gas supply; overseas LTA scale expect to reach 1.5 million tonnes/year (approx. 2.1 billion m³).

Renewable Energy

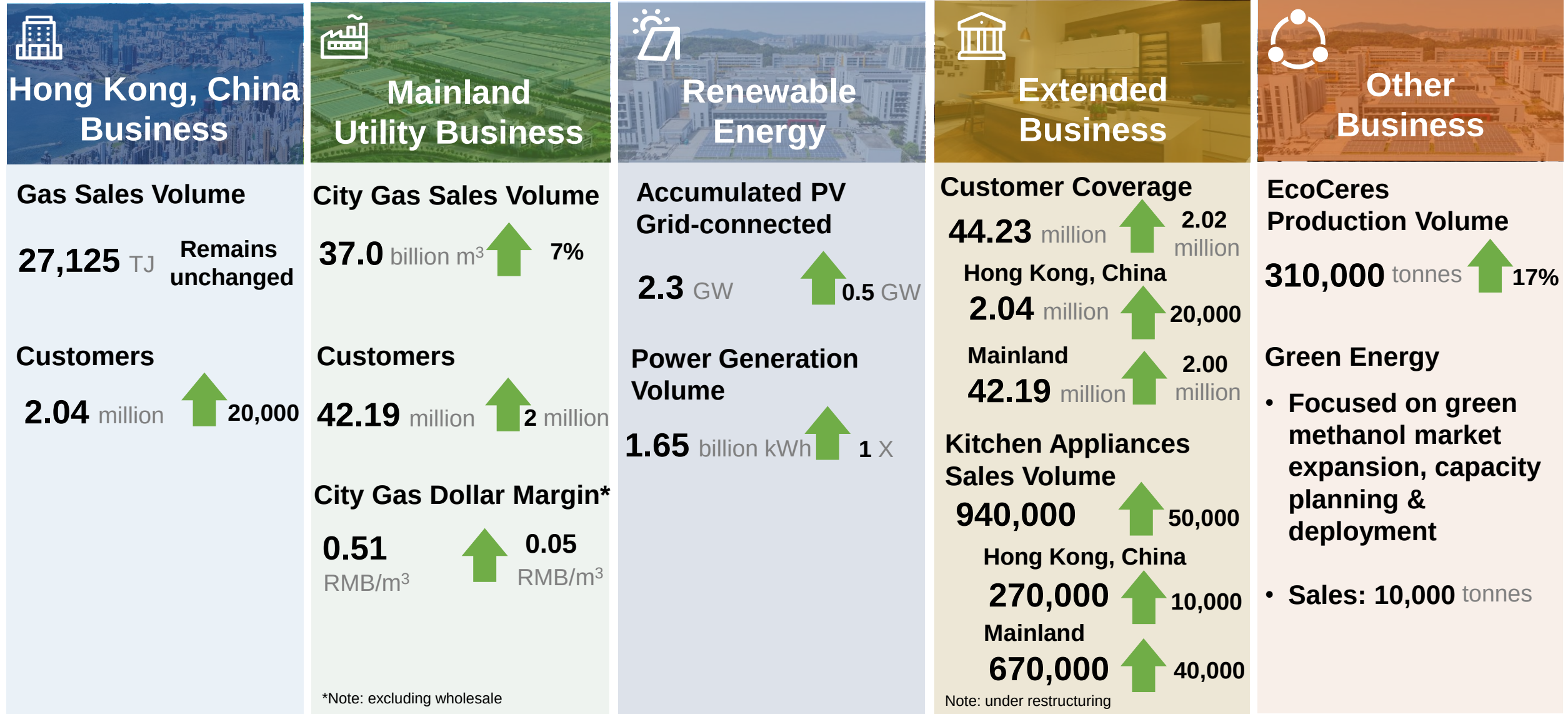
- Develop an asset-light AuM model; complete accumulated grid-connections of 2.3 GW, and achieve rapid profit growth.
- Speed up micro-grid (EaaS) of “PV + Electricity Sales + Energy Storage” development; boost user side energy storage in 2H.

Extended Business

- Consolidate HK and Mainland extended business and bring in strategic investors.
- Induce business synergy through an integrated platform (Towngas Lifestyle) to achieve rapid revenue growth.

Green Methanol

- Accelerate “Green Methanol” strategic cooperation platform and production expansion.
- HK Government’s “Action Plan on Maritime and Port Development Strategy” would speed up commercialization of “Green Methanol” in HK.



THANK YOU

This presentation and corresponding discussion may contain certain forward-looking statements, including statements regarding our intent, belief or current expectations with respect to The Hong Kong and China Gas's businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward-looking statements in relation to holding, purchasing or selling securities or other financial products or instruments. The Hong Kong and China Gas does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or the occurrence of unanticipated events. Past performance cannot be relied on as a guide for future performance.