

# **Towngas Smart Energy Company Limited (1083.HK)**

**FY2024 Interim Results**

**15 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



Business restructuring, cost-saving & efficiency enhancement



Gas supply chain business in full swing



Upgrade to “investment + service” model



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



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



Towngas Smart Energy exited investment in Shanghai Gas





# 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 6%
- Speed up cost pass-through, dollar margin increased by 2 cents/m<sup>3</sup>



## 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



## Gas Business


### City Gas Sales Volume

**8.74** billion m<sup>3</sup>  **6%**

### City Gas Projects

**190** projects  **3**

### Customers

**17.22** million  **0.45** million

### Dollar Margin

**0.52** RMB/m<sup>3</sup>  **0.02** RMB/m<sup>3</sup>


### City Gas Dollar Margin\*

**0.56** RMB/m<sup>3</sup>  **0.02** RMB/m<sup>3</sup>



## Renewable Energy

### Accumulated PV Grid-connected

**2.1** GW  **0.3** GW

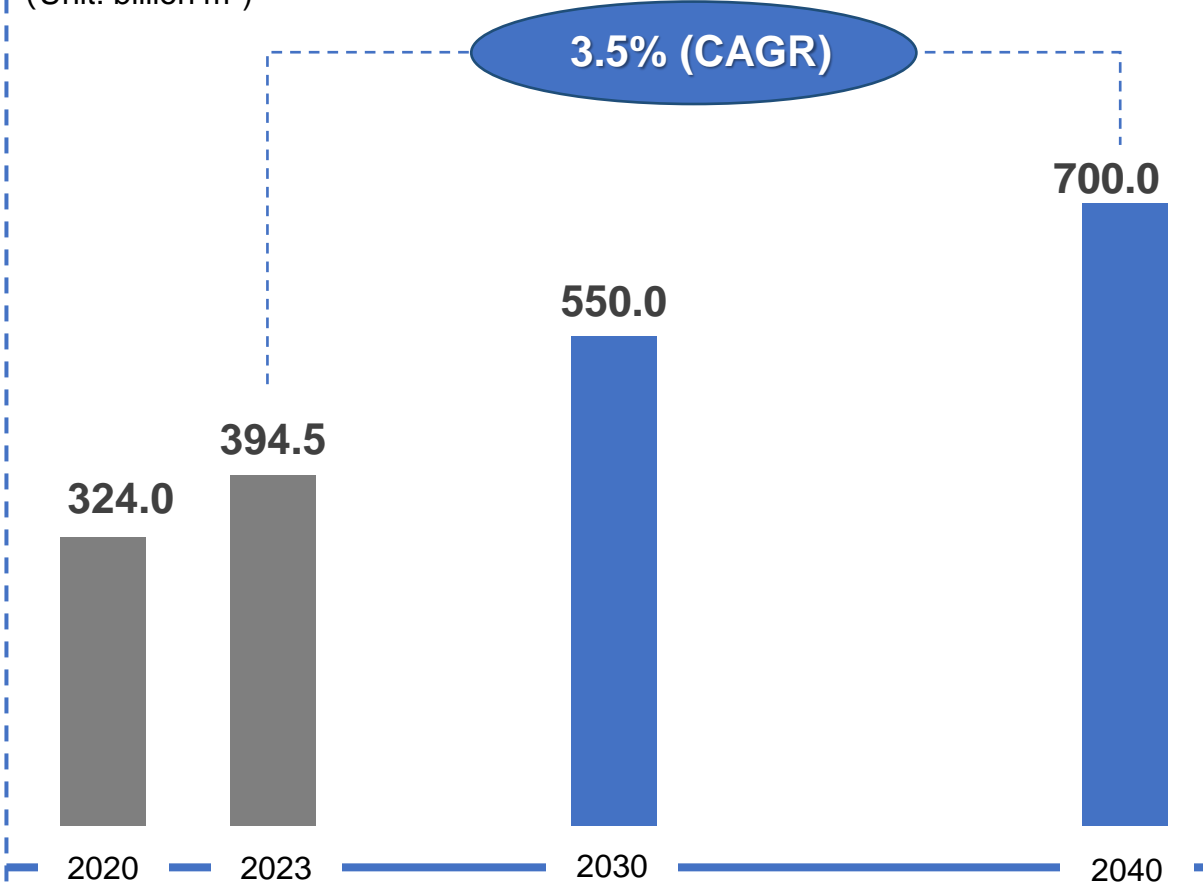
### Power Generation Volume

**0.68** billion kWh  **1.4X**

# Natural Gas and PV Demand Outlook

National **Natural Gas** Consumption  
(up to 2040)

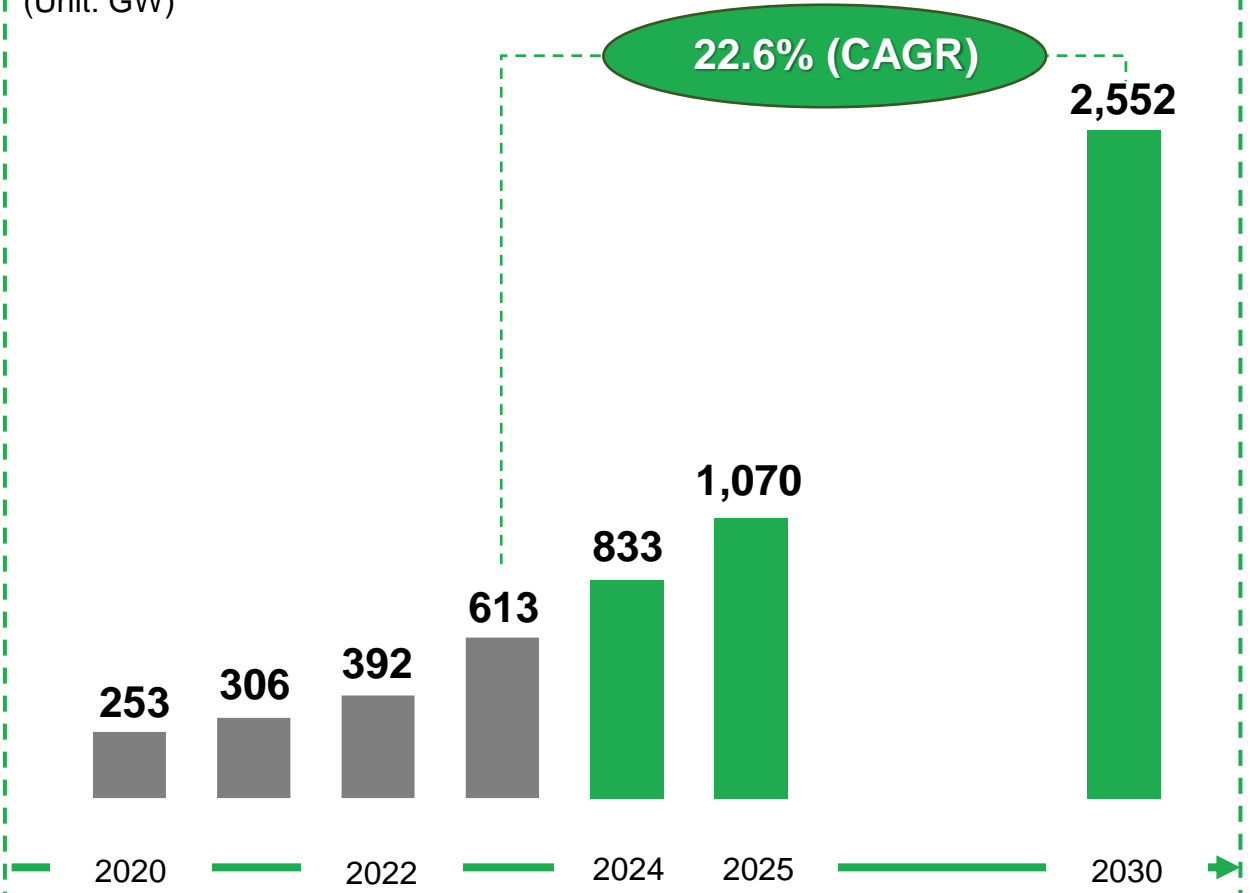
(Unit: billion m<sup>3</sup>)



Source: International Gas Union (IGU)

National Cumulative Installed **PV** Capacity  
(up to 2030)

(Unit: GW)



Source: China Photovoltaic Industry Association (CPIA)

# AGENDA

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# Financial Highlights



**RMB exchange rate: -4%**

(Unit: HK\$ million)	1H2023	1H2024	Changes
<b>Revenue</b>	9,883	10,501	↑ 6%
<b>Operating Profit (RMB million)</b>	742	935	↑ 26%
<b>Operating Profit</b>	835	1,015	↑ 22%
<b>Gas Business Net Profit</b>	832	851	↑ 2%
<b>Renewable Energy Net Profit</b>	3	164	↑ > 50x
<b>Corporate Financial Expenses</b>	(328)	(276)	↓ 16%
<b>Core Operating Profit</b>	449	707	↑ 57%
<b>Non-operating Gain or Loss</b>	666	36	-
<b>Profit Attributable to Shareholders</b>	1,115	743	↓ 33%
<b>Basic Earnings per Share (HK Cents)</b>	34.33	22.14	↓ 36%

(Unit: HK\$ billion)	31 Dec 2023	30 Jun 2024
<b>Total Assets</b>	53.5	53.6
<b>Net Assets</b>	25.2	24.8
<b>Cash and Bank Balances</b>	4.2	4.0
<b>Total Borrowings</b>	18.3	18.6
<b>Net Gearing Ratio*</b>	35.8%	37.1%

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

**Credit Rating:**



**BBB+**

**MOODY'S**

**Baa1**



**AAA**

<b>(Unit: HK\$ billion)</b>	<b>1H2023</b>	<b>1H2024</b>
<i>- Gas Business</i>	1.0	0.8
<i>- Renewable Energy Business</i>	2.3	1.2
<b>Capital Expenditure</b>	<b>3.3</b>	<b>2.0</b>

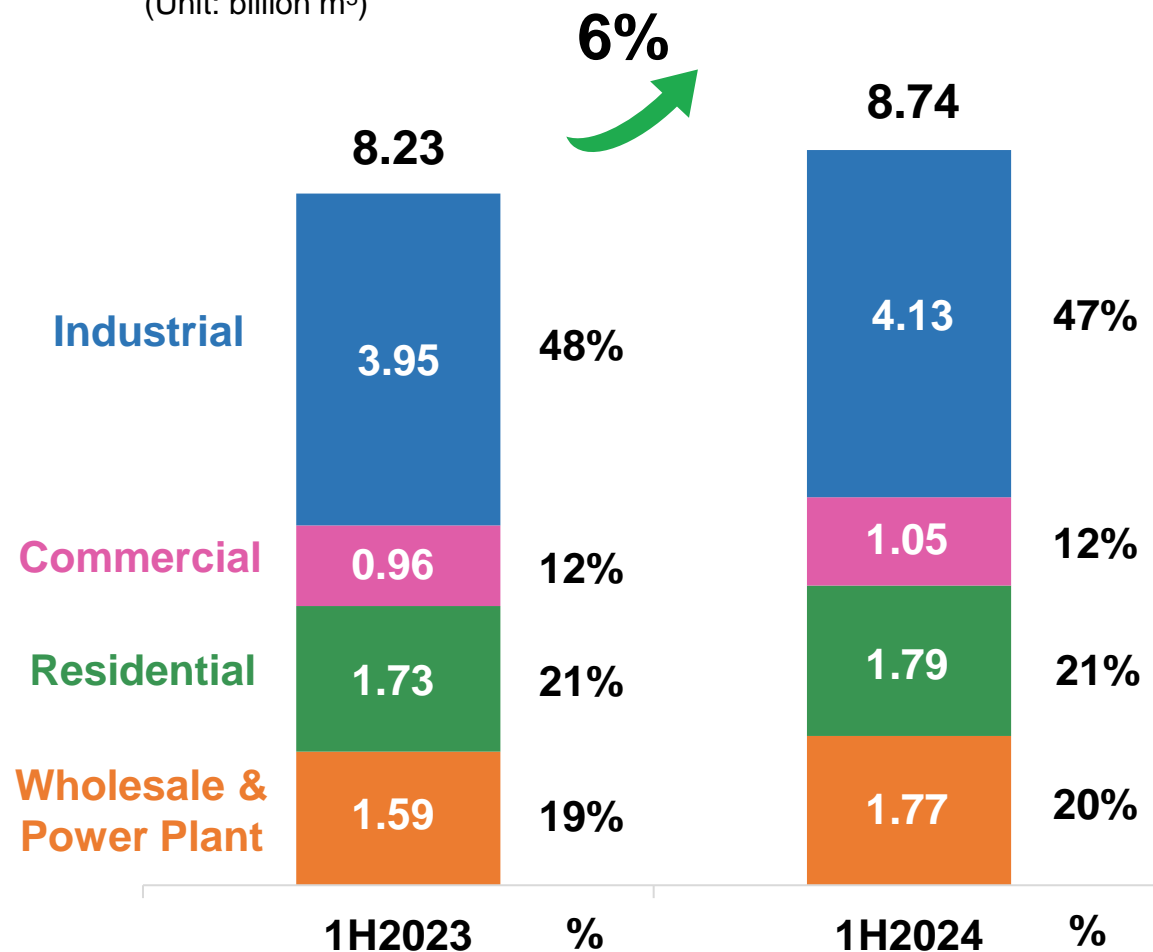
# Business Review

- **Gas Business**
- **Renewable Energy**



## Gas Sales Volume

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



- 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

## Selling Price, Cost and Dollar Margin

(Unit: RMB/m <sup>3</sup> )		1H2023	1H2024	Changes
<b>Selling Price</b>	Residential	2.69	2.75	+0.06
	Commercial	3.64	3.65	+0.01
	Industrial	3.67	3.46	-0.21
	Wholesale	3.20	2.87	-0.33
<b>Average Selling Price</b>		3.44	3.32	-0.12
<b>Average Gas Cost</b>		2.94	2.80	-0.14
<b>Dollar Margin</b>		0.50	0.52	+0.02
<b>City Gas Dollar Margin*</b>		0.54	0.56	+0.02

## 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

# Connection Business Revenue

**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	375	335	-11%
Industrial & Commercial	5	7	+49%

Unit residential connection fee increased steadily

(Unit: RMB/household)

	1H2023	1H2024	Changes (%)
<b>Residential Connection Fee</b>	3,364	3,431	+2%

**Connection business decreased by 10%\***

\*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



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

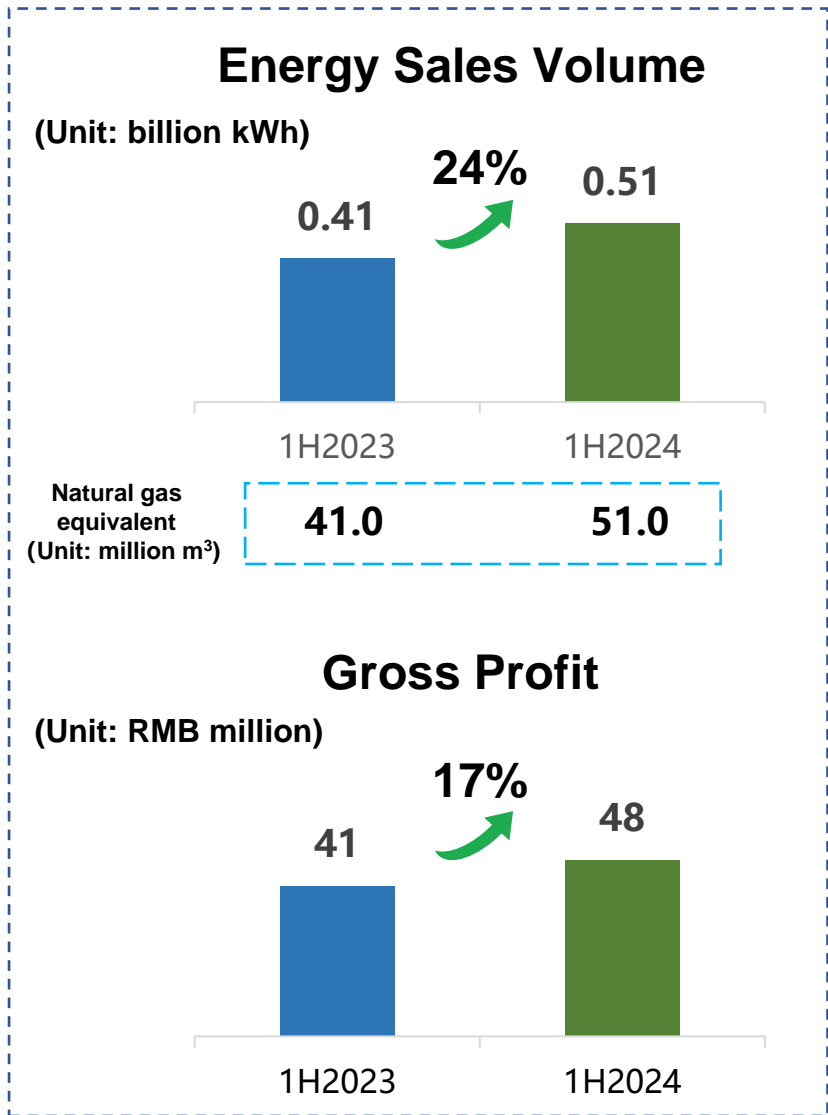
Integrated existing gas supply resources and facilities (gas storage, LNG terminals, unconventional gas) to maximise synergy

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

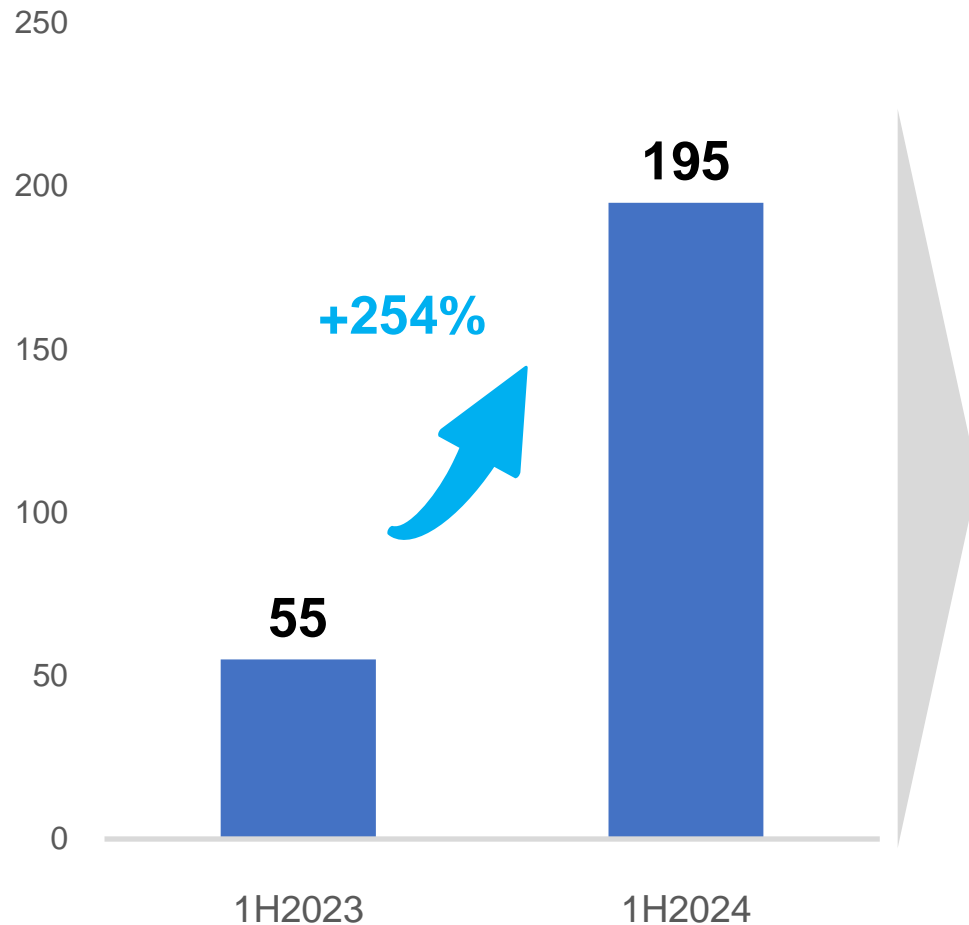
# Business Review

- Gas Business
- 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)				
<b>BU Profit Contribution</b>	<b>62</b>	<b>223</b>	↑	<b>259%</b>
PV Power Generation & Services	55	195	↑	254%
Energy & Carbon Management Services	7	28	↑	300%
<b>Net Profit</b>	<b>3</b>	<b>151</b> (HK\$164)	↑	<b>148 million</b>

# 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

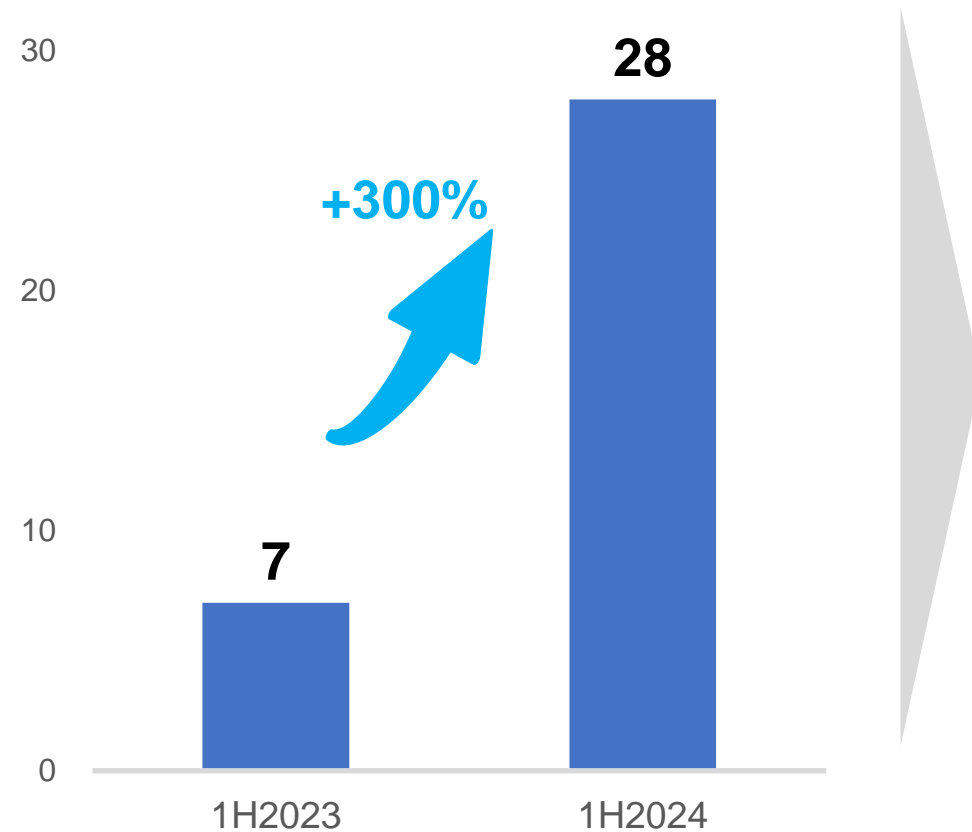
2

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

# ESG



## The Group's Carbon Reduction Initiative

- 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

**S&P Global**  
Ratings

**Top 1% of  
Chinese Companies**

**Entered  
Sustainability Yearbook**

## 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



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# Group Outlook and Business Guidance

## 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 2 cents/m<sup>3</sup>.
- Towngas will take a leading role to actively participate in “One City, One Company”.
- Strengthen coordination amongst gas supply chain and various storage resources with parent company; 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 m<sup>3</sup>).

## Renewable Energy


- Develop in asset-light AuM model; complete accumulated grid-connected 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.





## Gas Business

### City Gas Sales Volume

**17.6** billion m<sup>3</sup>  **7%**

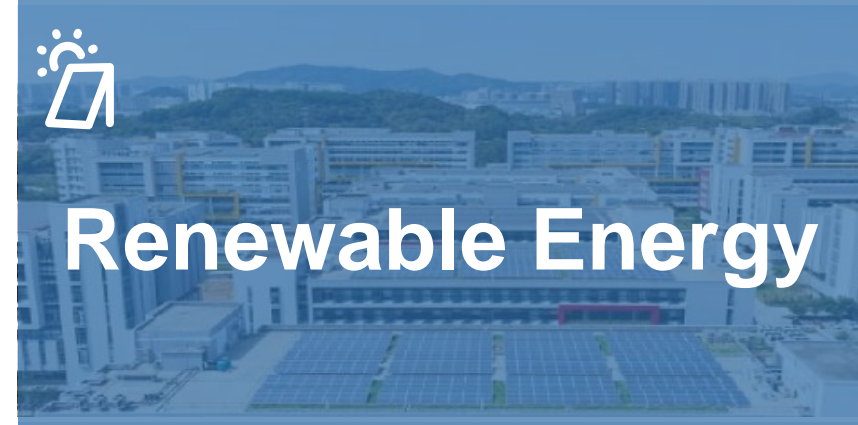
### Customers

**17.57** million  **0.8** million

### City Gas Dollar Margin\*


**0.57** RMB/m<sup>3</sup>  **0.02** RMB/m<sup>3</sup>

\*Note: excluding wholesale



## Renewable Energy

### Accumulated PV Grid-connected

**2.3** GW  **0.5** GW

### Power Generation Volume

**1.65** billion kWh  **1X**

**THANK YOU**

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