

Towngas Smart Energy

(1083.HK)

2023 Interim Results

14 August 2023

Urge for Carbon Reduction Cost-saving & Efficiency Enhancement



Opportunities and challenges

- China's post-pandemic economic recovery fell short of expectations.
- Geopolitics continued to affect China's economy.
- Energy prices returned to normal levels.




Carbon peak and carbon neutrality businesses

- Strategically coordinate natural gas resources.
- Deploy "Gas+" energy management comprehensively.
- Renewable Energy to turn a profit.



Gas Sales Volume

8.23 billion m³  **9%***

City Gas Projects

185 projects  **3[#]**

Customers


16.36 million  **430,000**

Dollar Margin

0.50 RMB/m³ **Remained unchanged**



Accumulative

91 zero-carbon industrial parks  **11**

PV

Contracted: **2.20** GW

Grid-connected: **1.12** GW

Note: *National natural gas consumption increased by 6.7% (Source: NDRC).

Note: #Three new projects added; Shanghai Gas withdrew.

AGENDA

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Financial Highlights

2023 Interim Results – Towngas Smart Energy (1083.HK)

(Unit: HK\$ million)	1H2022	1H2023	Changes
Revenue	10,160	9,883	-3%
Operating Profit (RMB million)	715	742	4%
Operating Profit	864	835	-3%
Gas Business Net Profit	917	832	-9%
Renewable Energy Net Profit	(53)	3	106%
Corporate Financial Expenses	(312)	(328)	+5%
Net Gain from Exit of Shanghai Gas	-	600	Not applicable
Profit Attributable to Shareholders	1,042	1,115	+7%
Basic Earnings per Share (HK Cents)	33.04	34.33	+4%

(Unit: HK\$ billion)	31 Dec 2022	30 Jun 2023
Total Assets	52.9	54.6
Net Assets	23.9	23.7
Cash and Bank Balances	4.0	4.2
Total Borrowings	19.7	21.3
Net Gearing Ratio	39.7%	41.9%
Headquarter Average Cost of Debt	3.8%	3.8%

Credit Rating:

**STANDARD
& POOR'S**
RATINGS SERVICES

BBB+

MOODY'S Baa1

 中诚信国际
CCXI

AAA

2023 Interim Results – Towngas Smart Energy (1083.HK)

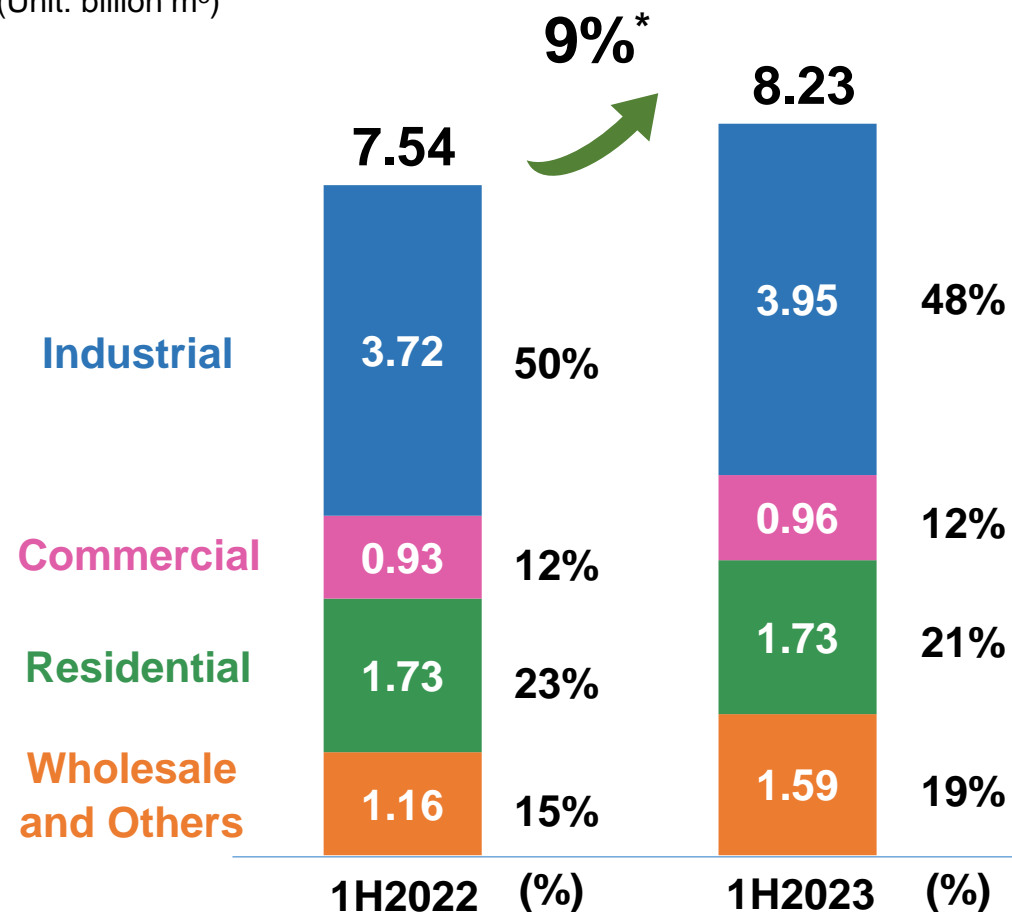
	1H2022	2H2022	1H2023
Gas Sales Volume (billion m³)	7.54	7.71	8.23
Dollar Margin (RMB/m³)	0.50	0.49	0.50
Unit OPEX (RMB/m³)	0.38	0.44	0.38
Shared connection margin (RMB million)	872	1,103	715
(HK\$ million)			
Gas Business Net Profit	917	916	832
Renewable Energy Net Profit	(53)	(66)	3
Operating Profit	864	850	835

Business Review

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

Gas Sales Volume

(Unit: billion m³)



National natural gas consumption
 2022: 366.3 billion m³
 2040: 700.0 billion m³

Note: *National natural gas consumption increased by 6.7% (Source: NDRC).

Selling Price, Cost and Dollar Margin

(Unit: RMB/m ³)		1H2022	1H2023	Changes
Selling Price	Residential	2.66	2.69	+0.03
	Commercial	3.40	3.64	+0.24
	Industrial	3.71	3.67	-0.04
	Wholesale	3.29	3.20	-0.09
Average Selling Price		3.44	3.44	-
Average Gas Cost		2.94	2.94	-
Dollar Margin		0.50	0.50	-

Dollar Margin

- Volume control and price increase by upstream lead to residential gas cost increase by more than 10%.
- Resilient procurement of LNG and unconventional gas.
- Non-residential gas cost mostly completed pass-through. Residential gas cost pass-through achieved significant breakthrough (in more than 10 cities, including Nanjing, Jinan, Qingdao, Mianyang).
- Dollar margin remained flat in 1H2023.

Connection Fees

- Real estate sector remained doldrums.
- Connection fees dropped by 20% in 1H2023.

- By 2025/26, gas coordinated by the Group will reach **5 million tonnes** to meet internal demand and for trading purposes.
- Cost saving will be at least **RMB0.32 billion/year** through resilient procurement.
- Through well-planned scheduling, storage buffer and other means, etc, it would lead to better coordination of gas sharing amongst JVs and subsidiaries.
- Utilization of LNG receiving terminals, Towngas' storage tank and state pipeline network to **boost gas source procurement**.
- Strengthen the LNG joint procurement with Foran Energy, Shenzhen Gas, Shanghai Gas and Hebei Tangshan to reduce risks, **save cost and enhance efficiency**.

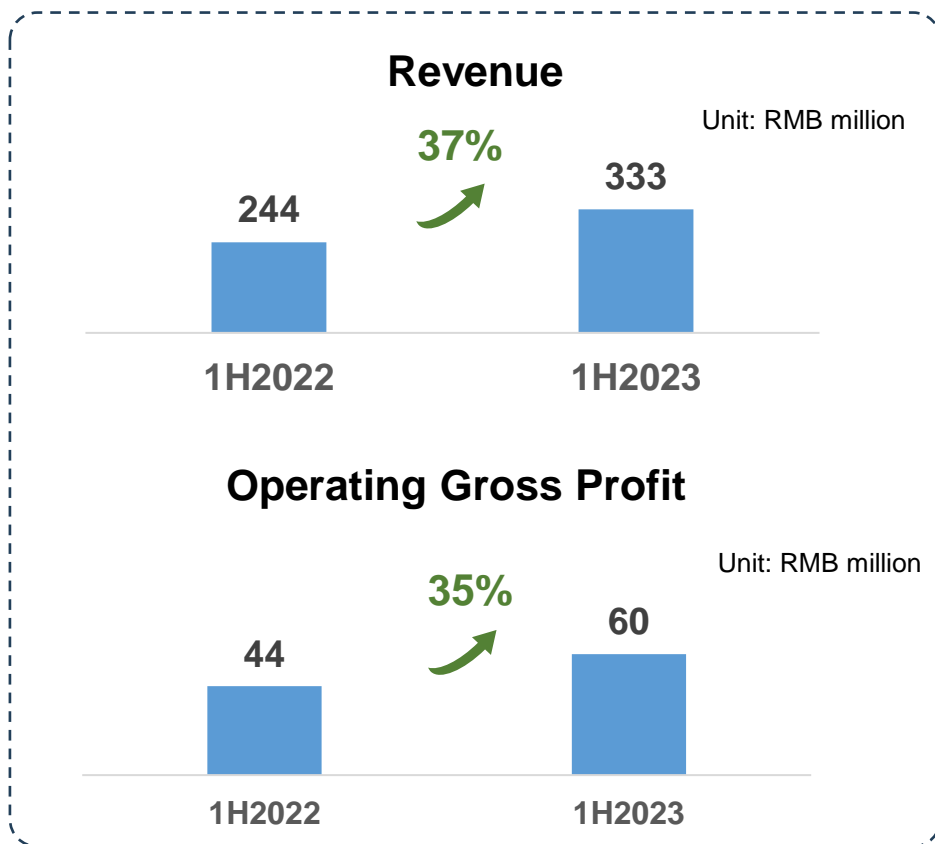
Procurement Volume and Cost-saving Forecast

(Unit: billion m ³ , RMB billion)	Targets	2023	2024	2025-2029 (Annual average)
Total operating gas volume	Achieve coordinated gas volumes of 5 million tonnes LNG equivalent by 2025	3.2	4.2	7.0
Cost saving from gas sourcing coordination	RMB0.1/m ³	0.32	0.42	0.70

(Unit: RMB)

Rapid Business Development

- Accumulated 201 projects have been developed, with 21 new contracts signed this year and energy sales equivalent to 80 million m³ of NG.



(Unit: RMB)

Extensive of Services

Grade A tertiary hospital in Huanggang City

- **Energy management services:** Heating, cooling, steam and electricity supply.
- **Space:** 280,000 m³.
- **Annual gross profit:** RMB14 million.



A vocational school in Shandong Province

- **Green campus demonstration:** Low-carbon energy supply + energy management.
- **Annual gross profit:** RMB2.2 million.



A hotel in Huzhou

- The energy-saving cooling and heating feature has a wide range of applications
- **Annual gross profit:** RMB120,000.





- Signed Capital Reduction Agreement with Shanghai Gas and Shenergy Group on 23 May 2023.
- Exit of 25% equity interest in Shanghai Gas for a consideration of RMB4.66 billion (HK\$5.04 billion), which was received on 2 August 2023.
- Net gain of HK\$600 million from exit of Shanghai Gas.
- Continue the cooperation with Shenergy Group and Shanghai Gas on natural gas resources and supply chain, renewable energy, and extended business.

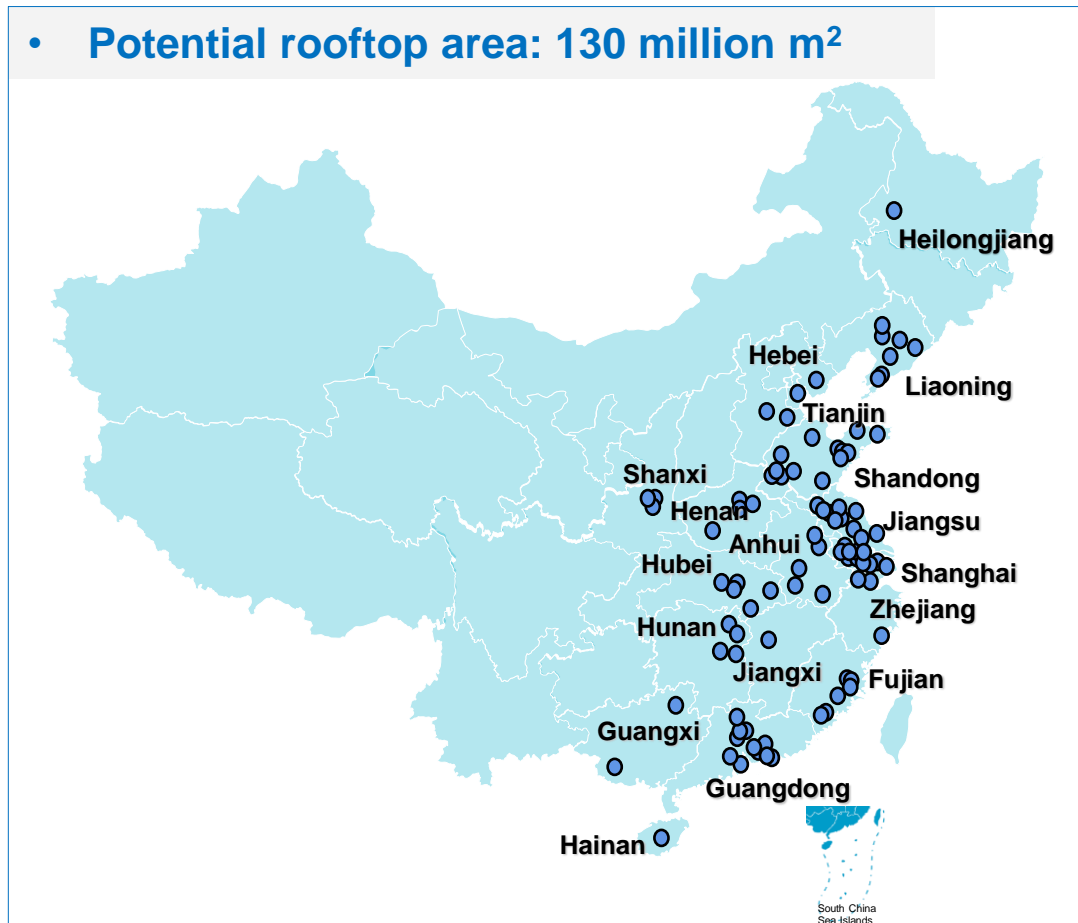
Business Review

- Gas Business
- Renewable Energy

- Continue to increase investment in high-quality zero-carbon industrial parks; growth of contracted and installed capacity is significantly ahead of peers.

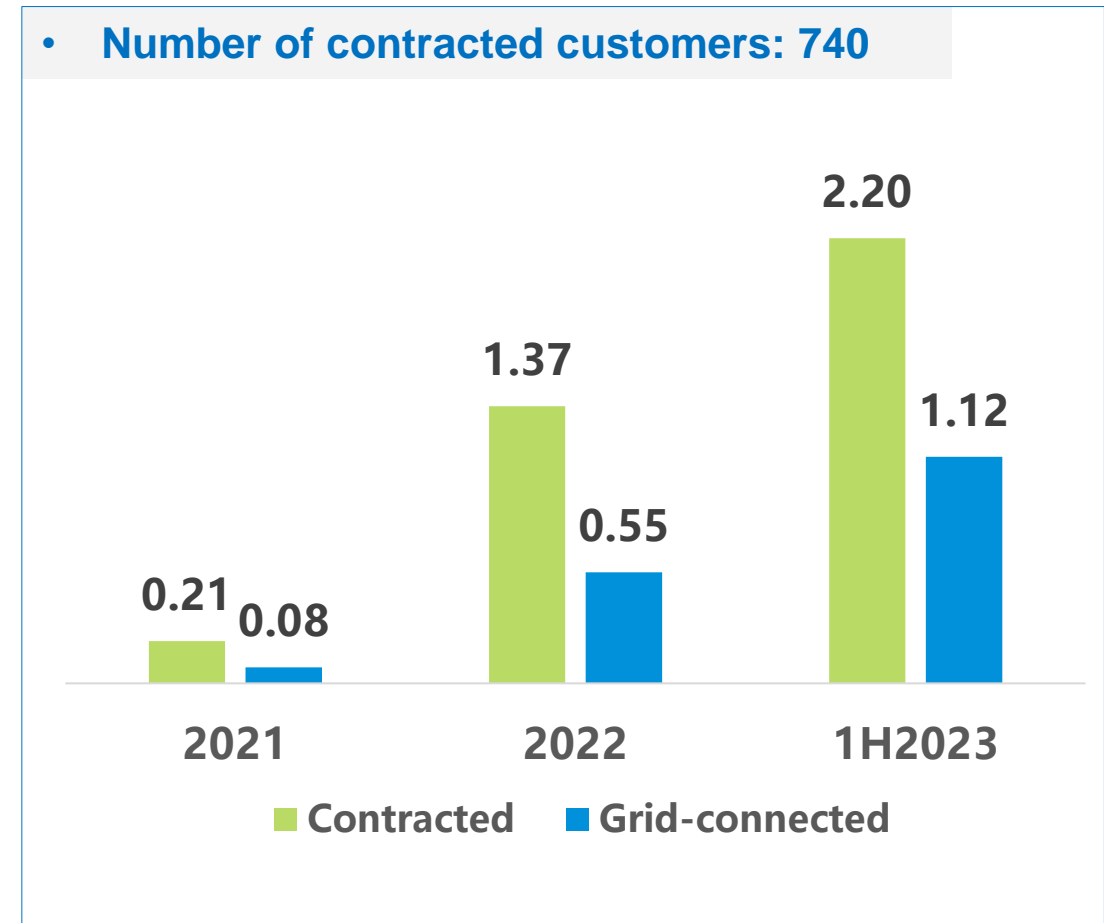
Zero-carbon Industrial Parks (80+11)

- Potential rooftop area: 130 million m²



PV Accumulative Contracted and Grid-connected (GW)

- Number of contracted customers: 740



Operating Environment

- Economic recovery fell short of expectations; financing costs under pressure.
- Favourable dual-carbon policies; green financing driving development.

	Economy	Prices	Financing	Policies
Operating Environment	<ul style="list-style-type: none"> • Weaker growth in some sectors. • C&I companies under pressure. 	<ul style="list-style-type: none"> • PV module prices dropped. • Steady increase on electricity prices. 	<ul style="list-style-type: none"> • Rising global financing costs. • Low interest rates for green financing in Mainland. 	<ul style="list-style-type: none"> • Shift from dual control of energy consumption to dual control of carbon emissions. • Commercialisation of electricity trading.
Business Impact	<ul style="list-style-type: none"> • PV customers' credit and business risks. 	<ul style="list-style-type: none"> • Favourable to PV investment. 	<ul style="list-style-type: none"> • Ensure healthy cash flow liquidity. 	<ul style="list-style-type: none"> • Soaring demands for carbon management, green power and energy storage.

- Focus on zero-carbon industrial parks, green finance expansion, strict risk management of PV investments, and accelerate the development of asset-light energy & carbon management services.

1. Focus on zero-carbon industrial parks

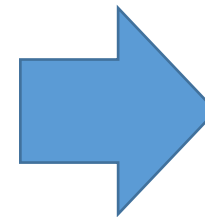
- Meet the energy saving and carbon reduction needs for park customers; and provide both PV installations and energy & carbon management services.

2. Steady investment in PV projects

- Expand green financing on the mainland, secure cash flow liquidity and optimise financing costs.
- Strengthen customers' credit and business risk assessment and management, and strictly control operational risks.
- Annual cumulative PV grid-connection target of 2.3GW, with an annual increase of 1.75GW and a PIRR of 9%.

3. Accelerate the deployment of energy & carbon management services

- Promote the rapid transformation of PV customers into energy-saving and low-carbon users and cultivate the secondary growth curve.



• Lay down the foundation for profit growth

- Turned a profit in 1H2023.
- Significant contribution to the Group's annual profit growth.

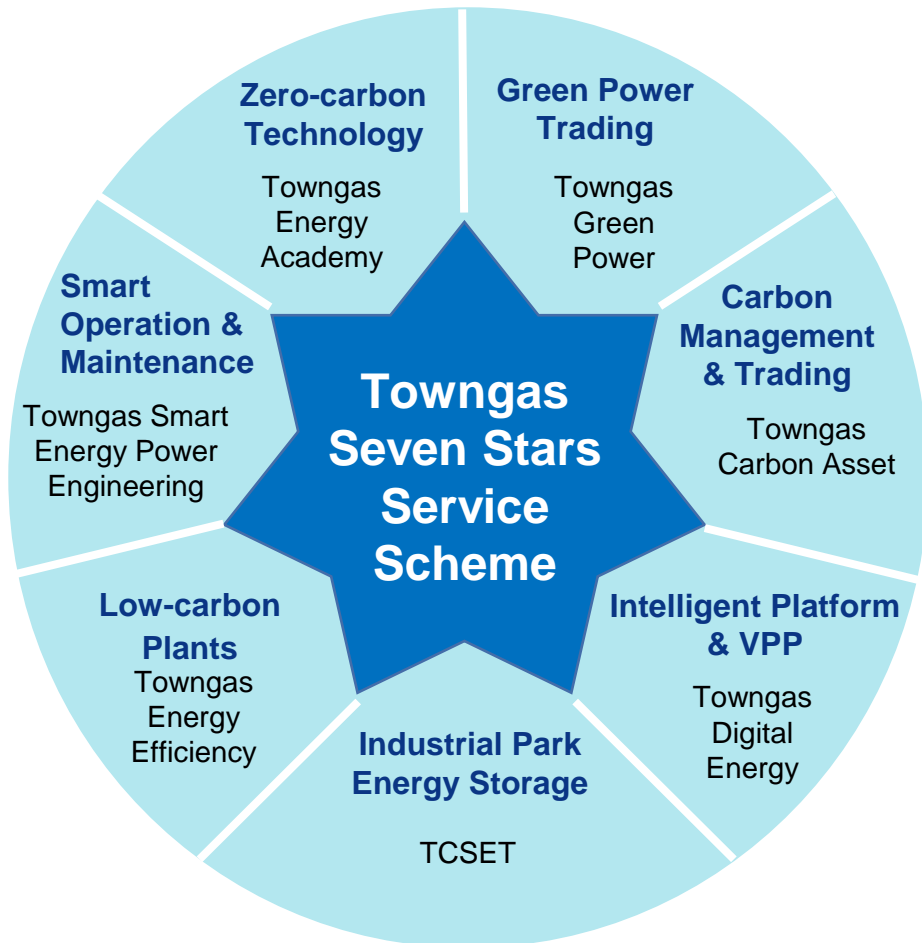
Return exceeded forecast

- PIRR: Actual was 0.7% higher than forecast. (123 grid-connected projects under operation over 3 months)
 - Electricity price exceeded forecast: policies drive up electricity price.
 - Electricity generation hours exceeded forecast: professional smart operation & maintenance.

Exceptional risk management

- Project screening & evaluation and account receivables management outperform peers.
 - Benchmarking financial institutes and state-owned enterprises projects risk management standard.
 - So far, no customer bankruptcy and relocation.

- “Towngas Seven Stars” one-stop energy & carbon management services to meet customers’ demands. Business synergies are growing rapidly.



Energy & carbon management services for corporate customers in emission controlled industries

- Signed 15 corporate customers with industrial rooftops of 3GW capacity.
- Provided carbon consultancy services with revenue over RMB10 million.

PV customers: Upgraded to low-carbon plants

- Successfully developed 50 low-carbon plants for over 700 PV customers, with expected revenue over RMB10 million.
- Exemplification of “PSCF” microgrid will be promoted in scale.

PV smart operation and maintenance services generated significant revenue

- GW-level PV smart operation and maintenance services can generate extra revenue from additional 10% power generation, creating an asset-light operating income model.

- Demonstration of national-level exemplification and excellent dual-carbon solutions to industry, large-scale replication amongst gas and PV customers.

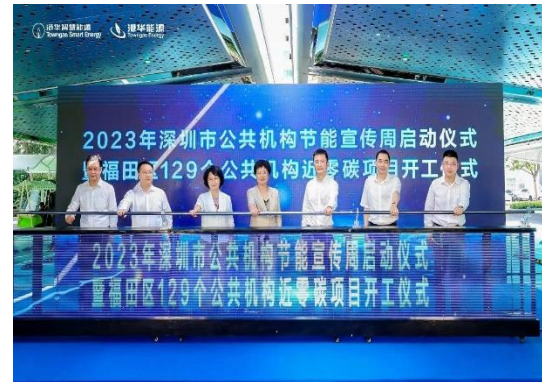
Zero-carbon Industrial Park Hailing, Taizhou



Digital Energy Exemplification

- Covered by CCTV News Broadcast.
- To be promoted in nearly 100 zero-carbon parks.

Zero-carbon Public Organization Futian District Committee Compound



“PSCF” Exemplification

- Promoted by China's National Government Offices Administration.
- Large-scale replication in invested PV projects.

Shenzhen VPP China Southern Power Grid Certification



Government's First Batch of VPP Aggregators

- Participated in Demand Side Response (DSR) trading.
- To be promoted in key zero-carbon industrial parks.

ESG



Chinese Mainland Business 2045

Three Major Initiatives to Achieve Carbon Neutrality

Adopt Renewable Energy

Management of Fugitive Methane

Blending Hydrogen with Natural Gas

PV

Reduce Emissions from Operating Units

Green Buildings

Energy Efficiency Improvement

Green Transportation

Green Power

Green Office

Apply Emerging Carbon Reduction Technologies

Carbon Capture

Carbon Trading

S&P Global

- Top 1% S&P Global ESG Score
- The only company in the industry to be named an “Industry Mover”
- Included in Sustainable Development Yearbook (China Edition) 2023



Business Guidance



City Gas

Gas Sales Volume

 **9%**

Customers

 **800,000**

Dollar Margin

0.51 RMB/m³



Renewable Energy

Zero-carbon Industrial Parks

To achieve **120**  **40**

Accumulated PV Grid-connected Capacity

2.3 GW

THANK YOU

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