

# Towngas Smart Energy

(1083.HK)

## FY2021 Annual Results

**17 March 2022**





**港華智慧能源**  
**Towngas Smart Energy**



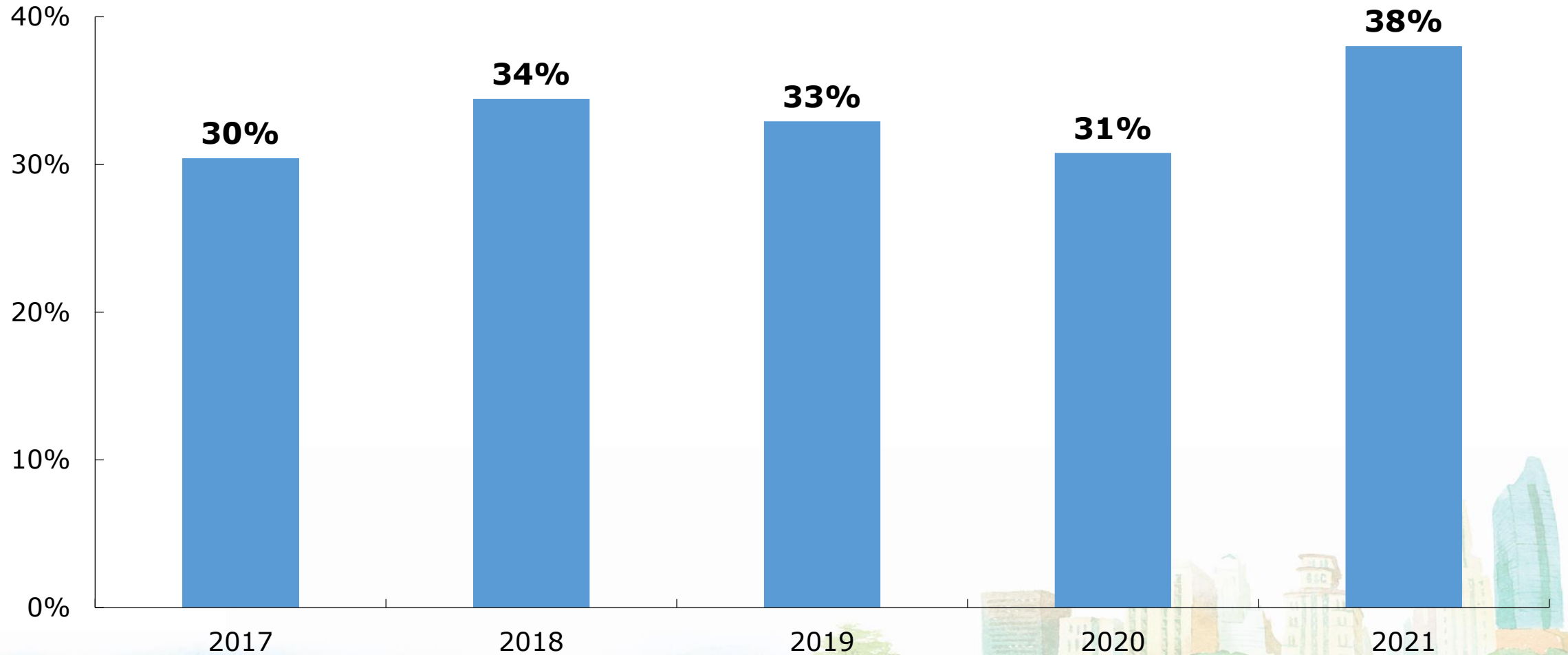
# **Financial Overview**

# Stable Performance with Resilient Growth

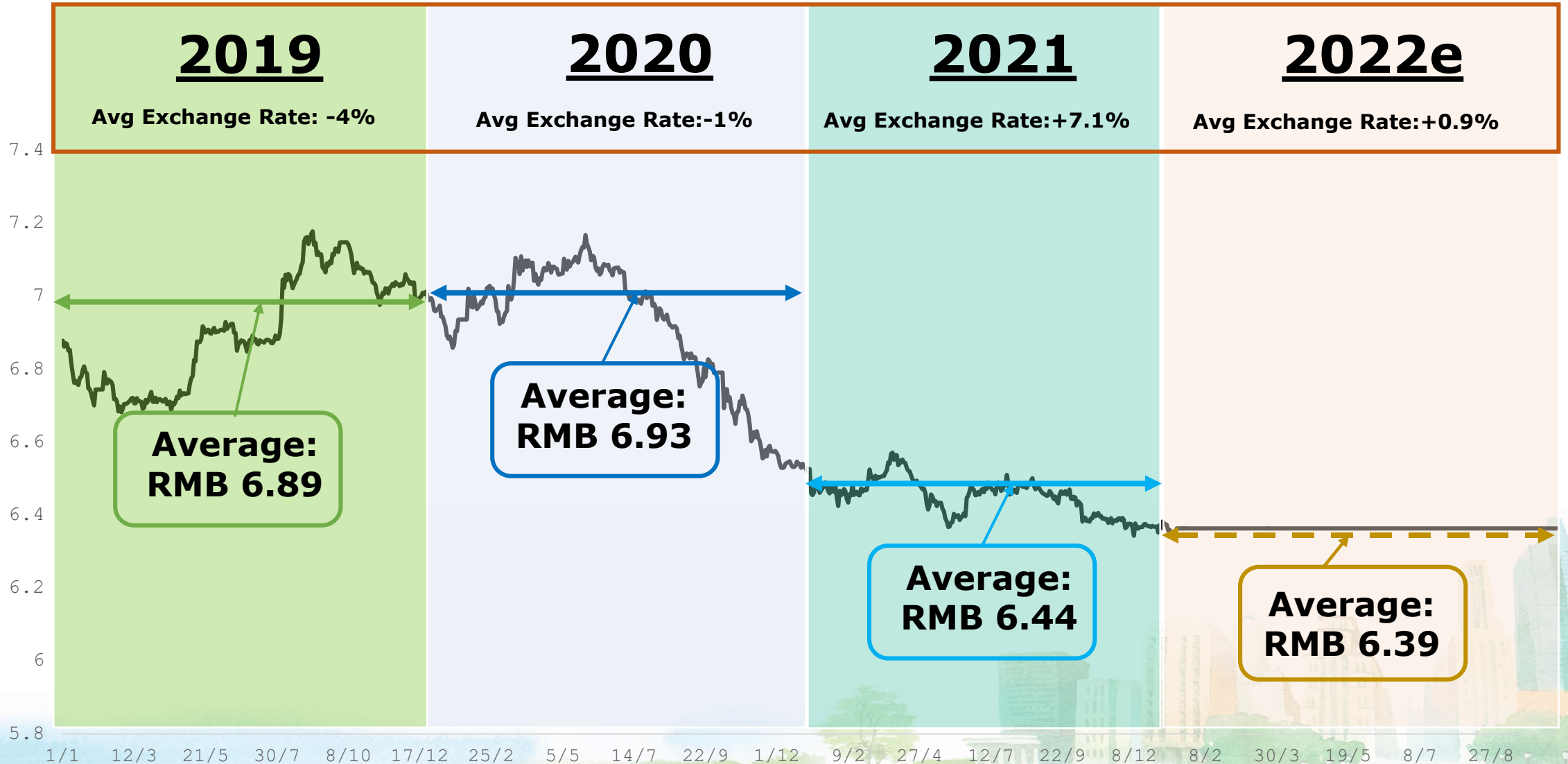
(Unit: HK\$ million)	2021	2020	Change
<b>Revenue</b>			
▪ Piped Gas & Energy Sales	13,951	10,228	+36%
▪ Connection Fees	2,429	2,210	+10%
▪ Extended Businesses	745	388	+92%
	<u>17,125</u>	<u>12,826</u>	+34%
<b>Operating Profit</b>	<u>2,121</u>	<u>1,811</u>	+17%
<b>Profit Attributable to Shareholders</b>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

\*with option of script dividend

## Stable Dividend Payout Ratio



# RMB/USD Average Exchange Rate



# Healthy Financial Position

(Unit: HK\$ billion)	31 Dec 2021	31 Dec 2020		17 Mar 2022	31 Dec 2020		
<b>Total Assets</b>	54.2	42.9	P/E Ratio	7.67x	7.18x		
<b>Net Assets</b>	25.2	22.6	P/B Ratio	0.6x	0.91x		
<b>Cash &amp; Bank Balances</b>	4.1	2.3	<b>Credit Rating:</b>	<b>S&amp;P Global</b> Ratings	<b>BBB+</b>		
<b>Total Borrowings</b>	19.5	11.5					
<b>Interest Coverage</b>	6.1x	7.8x				<b>MOODY'S</b>	<b>Baa1</b>
<b>Net Gearing</b>	37.9%	28.9%					



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# Operation Performance – City Gas

# Operation Highlights – Stable Growth for Long-Term Progress



## Gas Sales Volume

14.6 billion <sup>m<sup>3</sup></sup>

↑ +21%



## City-Gas Projects

New 5

Total 176



## Customers

New 0.95M

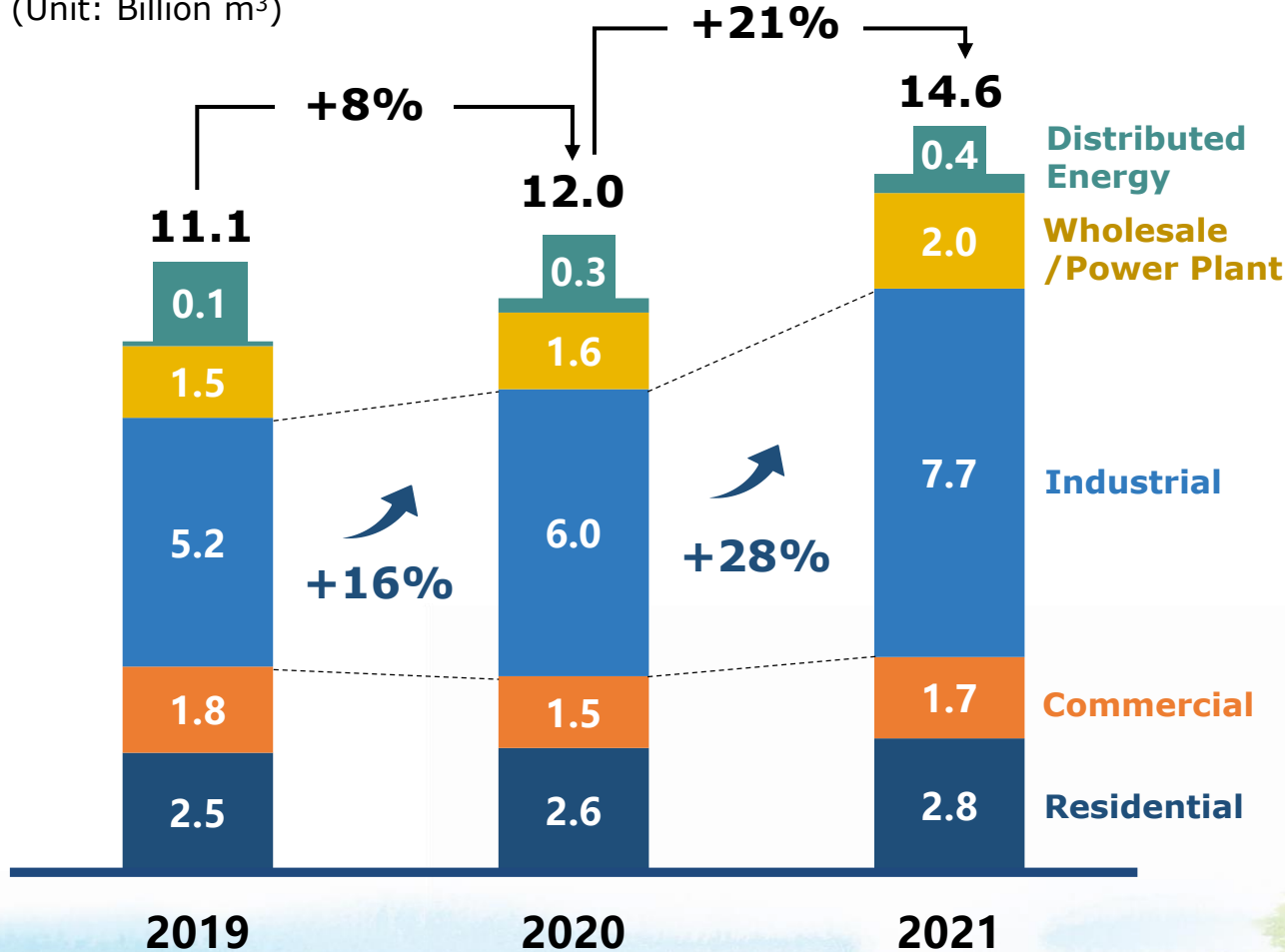
Total 15.09M



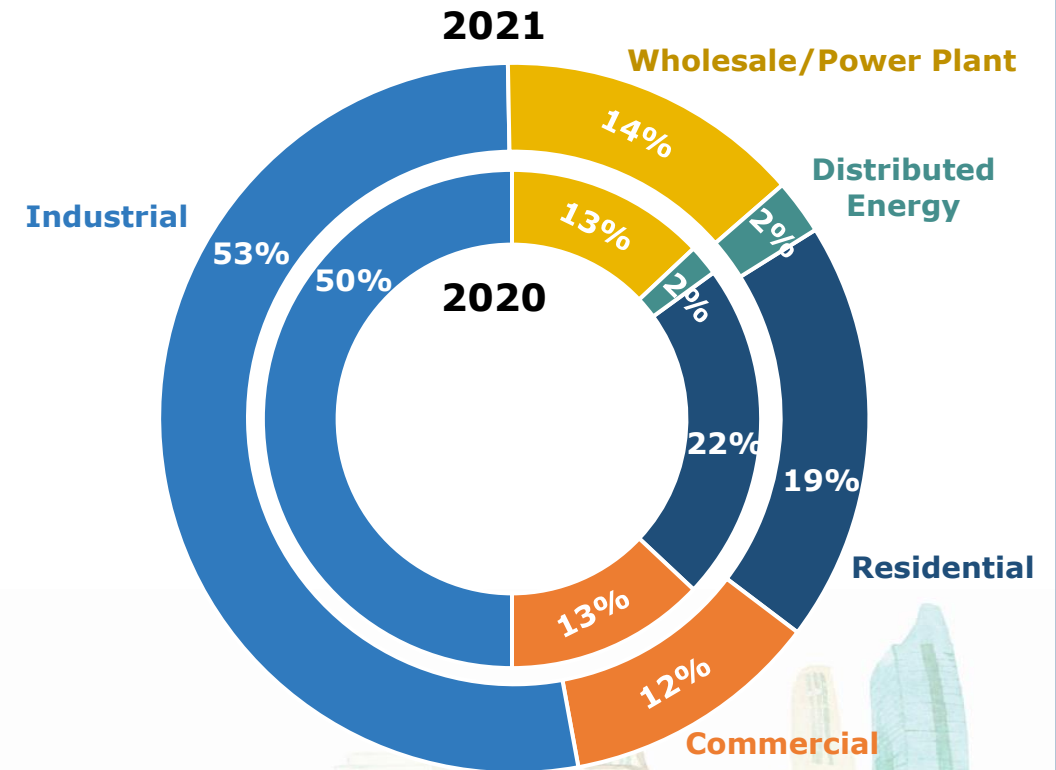
# Operation Performance – Sustainable Growth in Gas Sales Volume

## 2019-2021 Sustainable Growth in Gas Sales Volume

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



## Gas Sales Mix



# Operation Performance – Pressure on Margin & Decrease in Unit OPEX

## Selling Price, Cost & Unit Margin

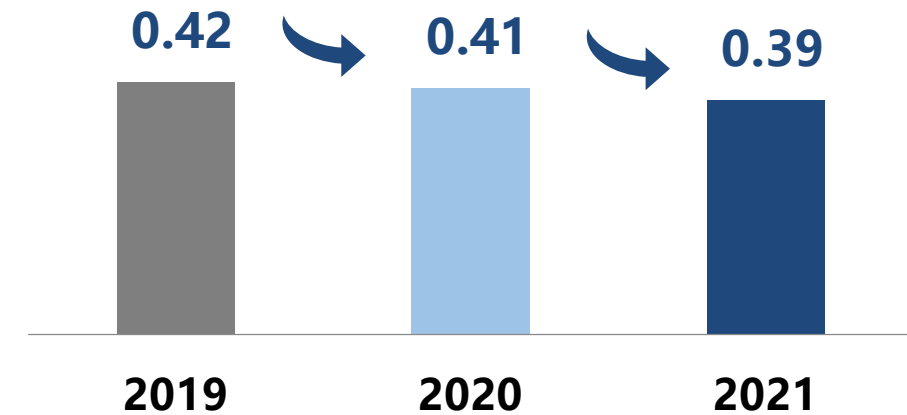
Selling Price (Unit: Rmb/m <sup>3</sup> )	2019	2020	2021
<b>Residential</b>	<b>2.56</b>	<b>2.59</b>	<b>2.65</b>
<b>Commercial</b>	<b>3.22</b>	<b>2.99</b>	<b>3.11</b>
<b>Industrial</b>	<b>2.76</b>	<b>2.46</b>	<b>2.94</b>
<b>Wholesale</b>	<b>2.32</b>	<b>2.09</b>	<b>2.83</b>
<b>Average Selling Price</b>	<b>2.78</b>	<b>2.56</b>	<b>2.90</b>
<b>Average Gas Cost</b>	<b>2.19</b>	<b>1.99</b>	<b>2.39</b>
<b>Unit Gas Margin</b>	<b>0.59</b>	<b>0.57</b>	<b>0.51</b>

### 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

## Unit OPEX

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

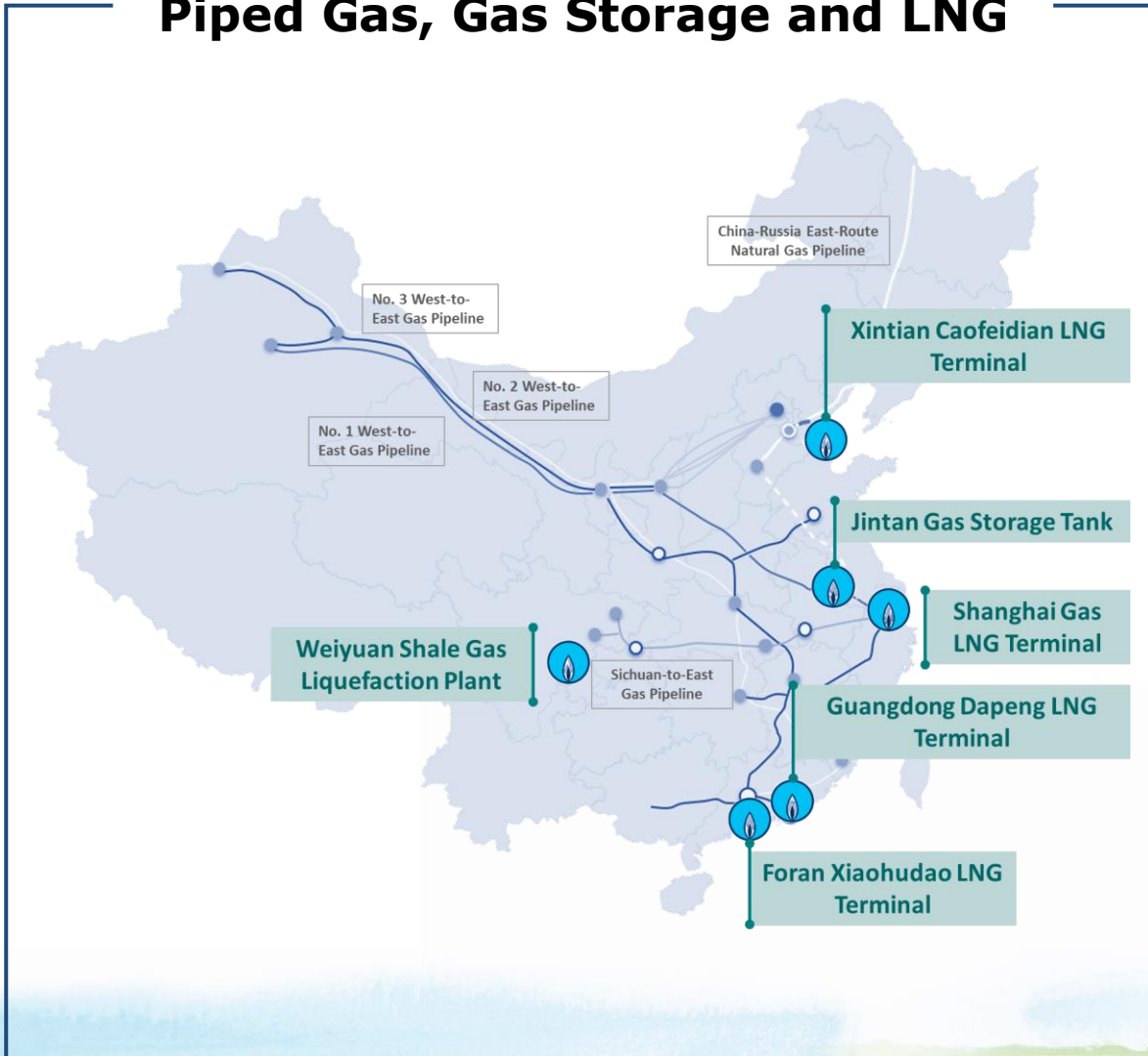


### Unit OPEX

- 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
- Negotiating another 1 million-tonnes long-term contract

### Domestics

- Shale Gas Liquefaction Plant in Weiyuan, Sichuan to be commissioned in early 2023
- Discussions to broaden upstream resource volume from 300M m<sup>3</sup> to 600M m<sup>3</sup>

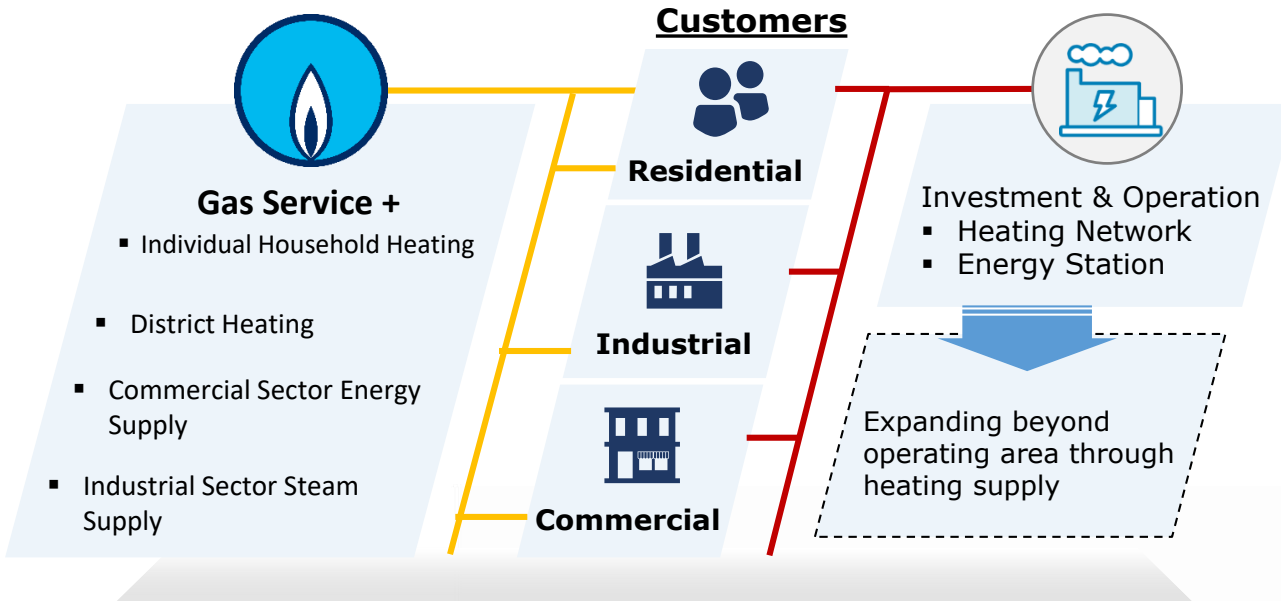
### Jintan Gas Storage Tank

- Supply volume: approximately 100M m<sup>3</sup> ;  
2022E: 200M m<sup>3</sup>

# Development Strategy – Strengthened Value-Added Services

## Steam and Heating Supply Business Brings Gas Volume Growth

Contributed 0.76 billion m<sup>3</sup> in gas volume for 2021 & the equivalent of 4 billion m<sup>3</sup> forecast for 2025



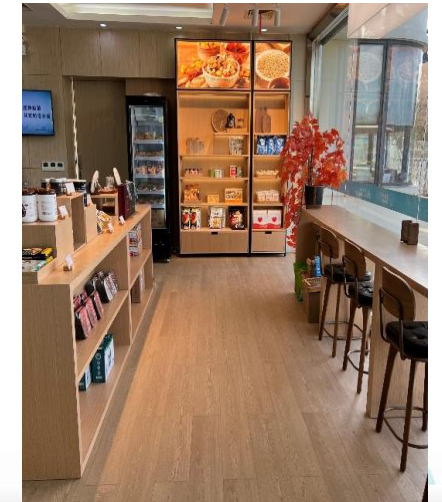
- National market expected to grow by 2.5 billion m<sup>2</sup> per annum for the duration of 14<sup>th</sup> 5-year plan
- Relying on gas business and focusing on 10% market share

## “Online+Offline” Model Drives Extended Business

Online Platform

+

Offline Community



6.4 million customers

+



15.09 million customers

## Capital Injection Completed in July 2021



### Transition Period

Supplemental agreement signed to extend transition period — The results of Shanghai Gas are not reflected in the Group's profit in 2021



### Operations

Gas volume for FY2022 expected to exceed 9 billion m<sup>3</sup>.  
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

# Mainland Hydrogen Energy Development

- ✓ Capitalising on Towngas' extensive hydrogen transmission experience in Hong Kong & partaking in pilot hydrogen projects in key mainland regions
- ✓ Monitoring hydrogen market development & proactively participating in hydrogen production, refuelling and blending

## Key Regions:

### Guangdong province

## Policy Support

- Foshan leads the declaration of "Guangzhou-Shenzhen-Foshan-Dongguan" as national hydrogen industry model city
- Foshan city government introduced policies in support of hydrogen energy development


## Strengths & Opportunities

- 5 city-gas projects in key cities including Foshan, Qingyuan, etc.
- Foran Energy has built hydrogen refuelling as well as integrated hydrogen production & refuelling stations; and launched R&D on hydrogen production & storage equipment

### Shandong province

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

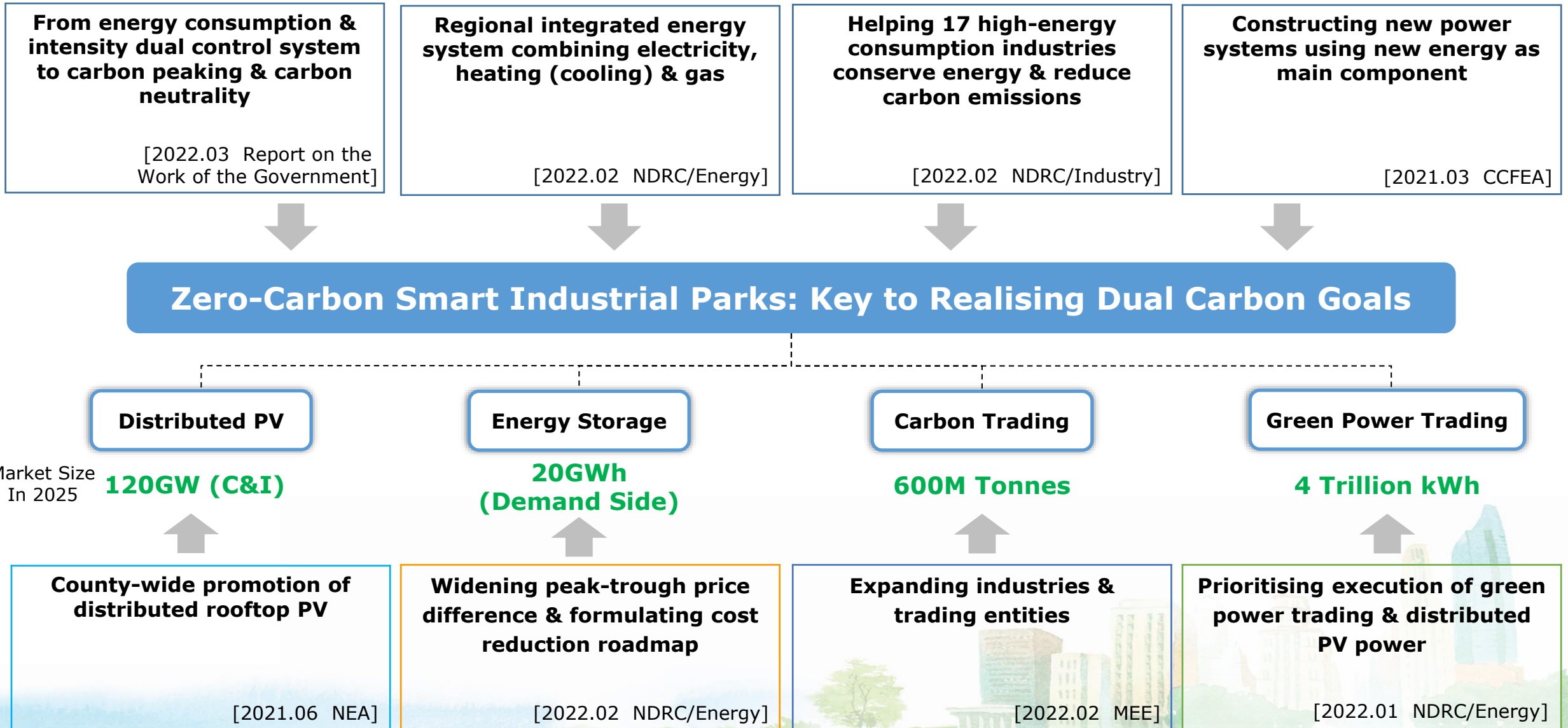
- 19 gas projects in key cities including Jinan, Qingdao, Weifang, Zibo
- Participate in hydrogen energy promotion platform established by local government
- Collaborating with local energy group to promote hydrogen energy use



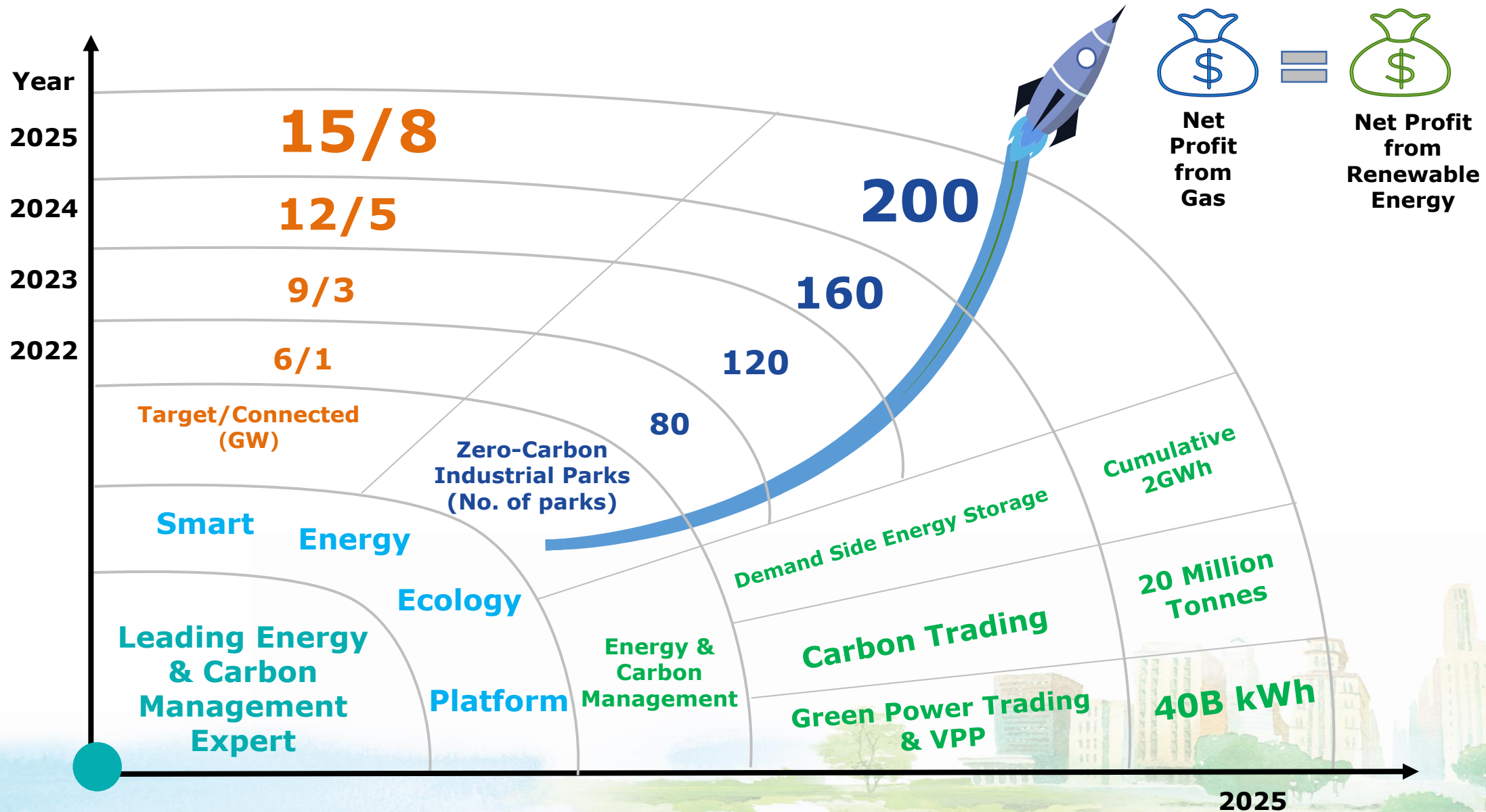
# **Operation Performance – Renewable Energy**



# Policy Support



# Five-Year Plan



# Strategic Layout

## Conditions

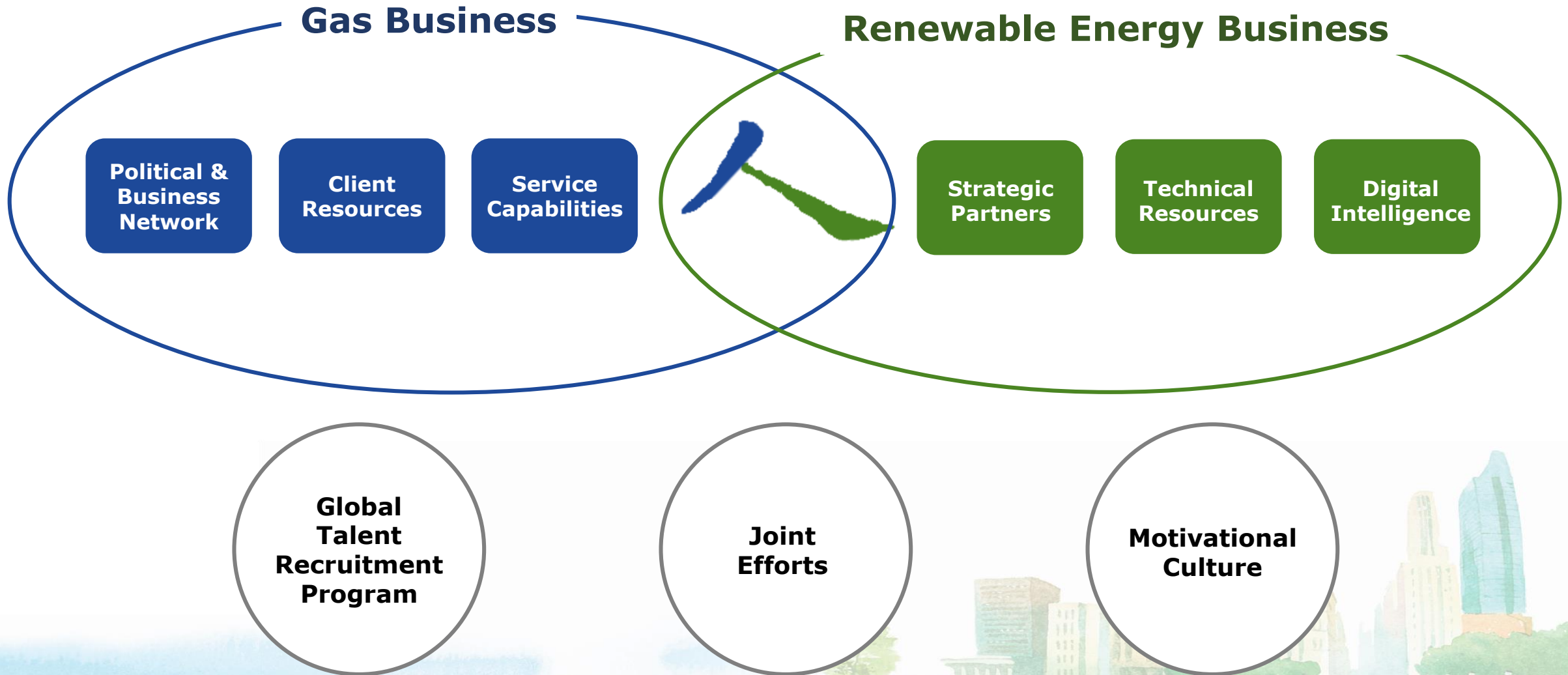
- ❑ Strong Economy
- ❑ High Sunlight Intensity
- ❑ High Electricity Price
- ❑ High Energy Consumption
- ❑ Rooftop Spaces



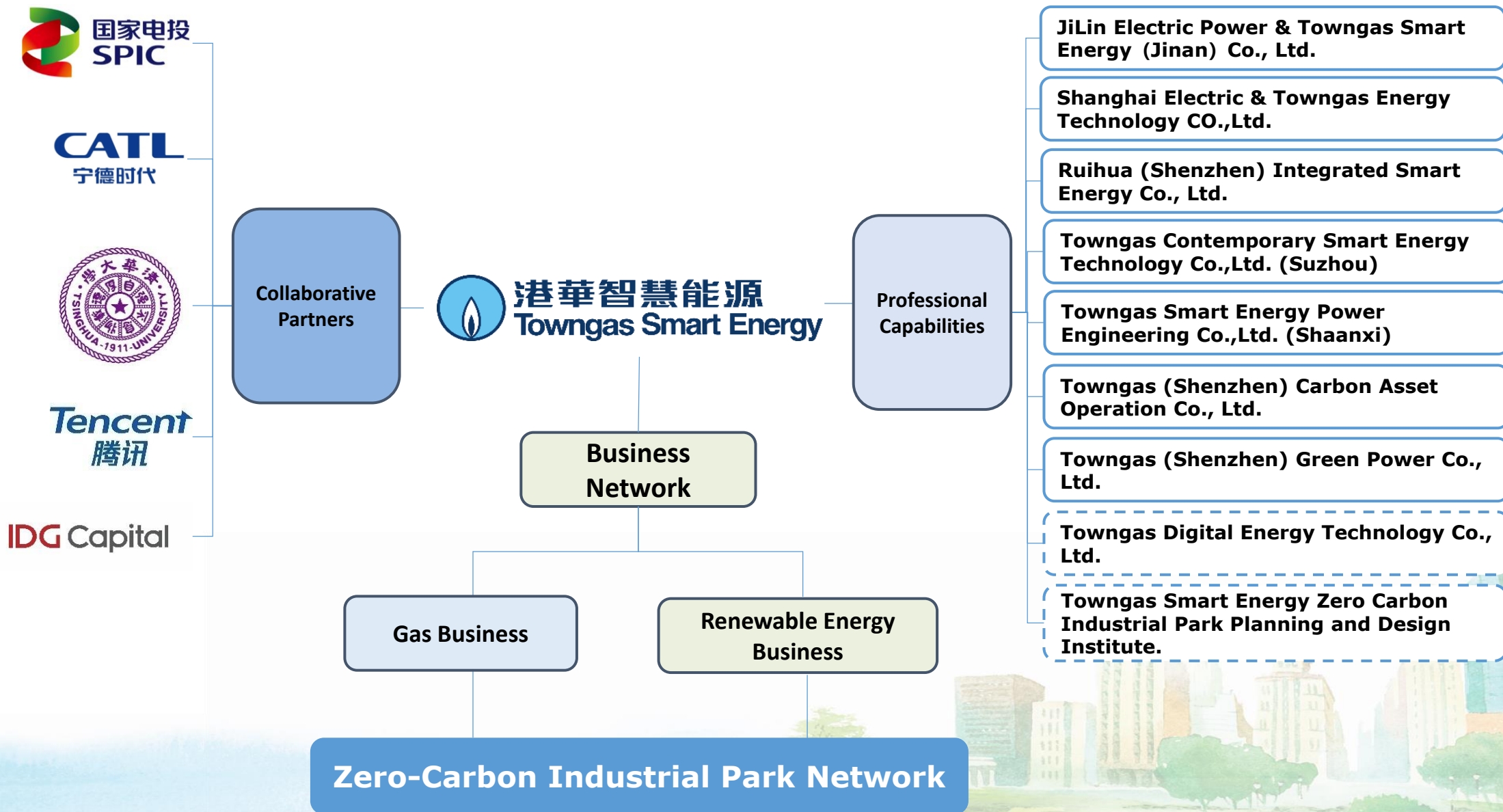
- Circum-Bohai Bay
- Yangtze River Delta
- Greater Bay Area
- Major Industrial Cities

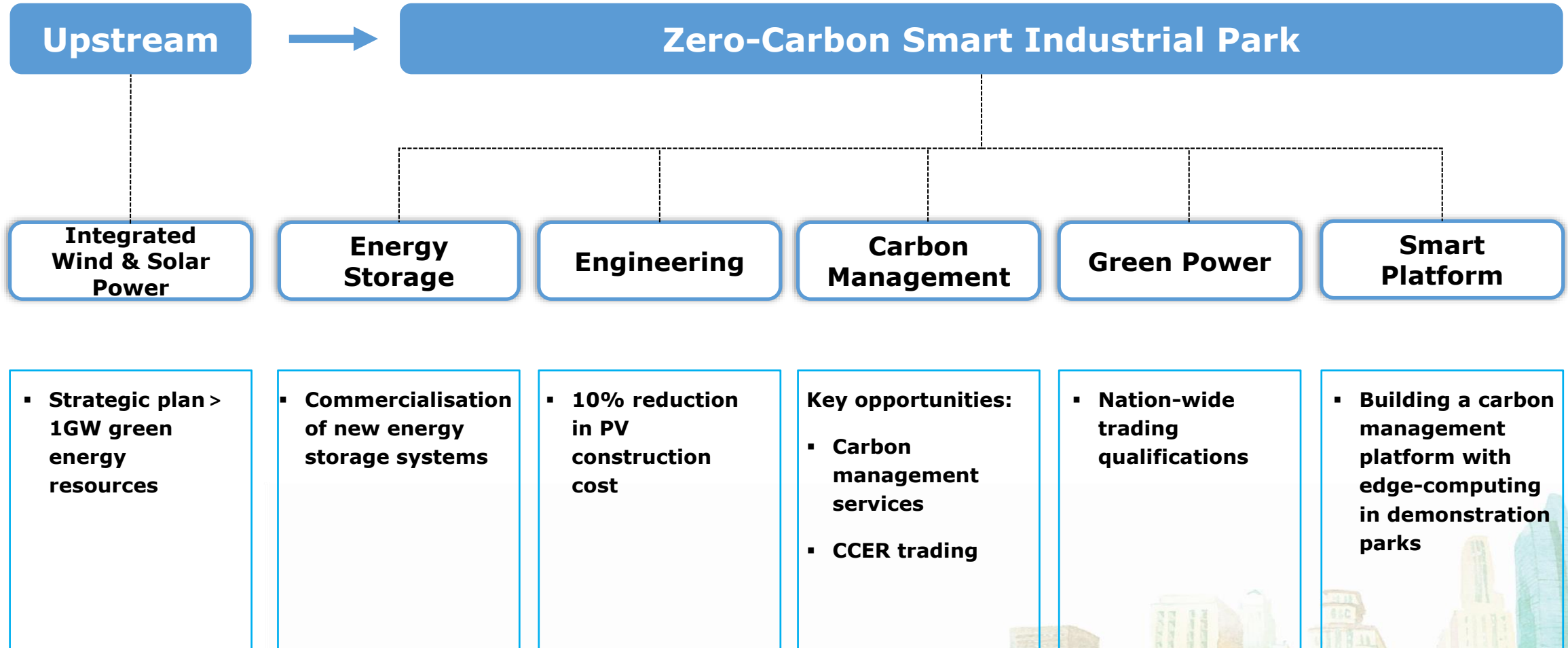
● <b>Contract Signed</b> (Include HKCG projects with registration update in progress)	<b>32</b>
● <b>Target Industrial Areas</b> (Within Towngas)	<b>50</b>

Note: As at 31 December 2021



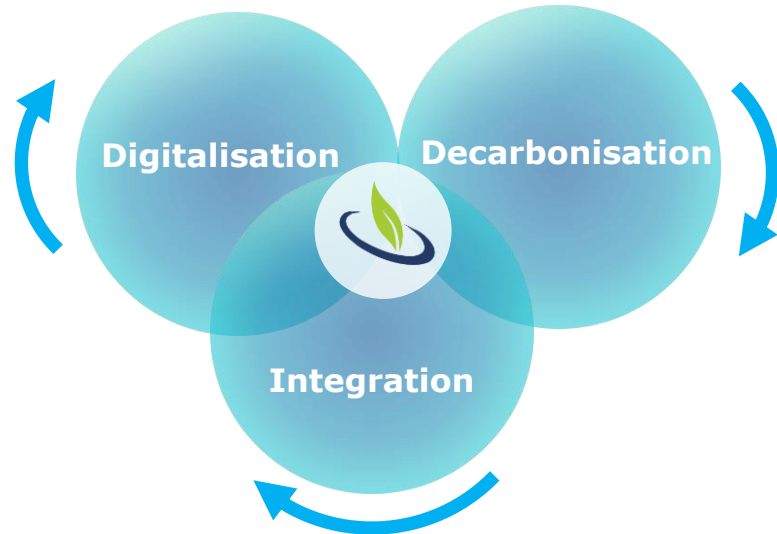
# Competitive Capacity





## 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



# Benchmarked International ESG Standards

- **Benchmark with top six international ESG ratings**
- **December 2021:**
  - **The Group has been recognised by Sustainalytics ESG ratings for the first time**
- **In 2022:**
  - **Included into FTSE Russell ESG Index**
  - **Submitted S&P Global ESG assessment and expected incorporation by April.**
  - **Finished the first-round MSCI ESG analysis and aim to improve the rating next year**

 <p><b>SUSTAINALYTICS</b> a Morningstar company</p>	 <p><b>FTSE Russell</b></p>	 <p><b>S&amp;P Global Ratings</b></p>	 <p><b>MSCI ESG RATINGS</b></p>
<p>1<sup>st</sup> time <b>"36.4"</b></p>	<p><b>"2.2"</b></p>	<p>Results to be announced in April</p>	<p><b>"BBB"</b></p>



# Outlook

- 30/60 new opportunities
- Natural gas continued to be a main clean energy as the sustainable growth of its national consumption and ratio in primary energy

	Nation NG Consumption (Bn m <sup>3</sup> )	As percentage of Primary Energy Consumption
2021	372.6	10%
2030	>500	15%

- Urbanisation ratio of 65% in 2021 & expected annual increase of 1% presents great market potential
- Affinity investment followed by increased popularity of smart energy among investment community, thereby benefiting business development
- Full collaboration with Shenergy Group & Shanghai Gas: city gas, LNG procurement, renewable energy and extended services
- Recent geopolitical events driving up petrol prices, presenting pressure on unit margin for city gas
- Pandemic & global inflation, interest rate hike and high commodity prices impacting gas consumption volume growth, necessitating strengthened cost control to raise efficiency
- Aims to attain a city gas-to-renewable energy profit ratio of 50:50 by 2025

## Gas Business Steadily Upwards

- ✓ FY2022 gas sales volume growth >70%  
(More than 12% if excluding Shanghai Gas )
- ✓ New connection: +1 million households
- ✓ New gas projects: 5

## Smart Energy Rapidly Expands

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

# Thank You



# Disclaimer

This presentation and corresponding discussion may contain certain forward- looking statements, including statements regarding our intent, belief or current expectations with respect to Towngas Smart Energy'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. Towngas Smart Energy 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.

