

The Group adopts asset-light strategy to expand financial resources and achieve sustainable development: CEO

(27 October 2023) In recent years, The Hong Kong and China Gas Company Limited (Towngas), the parent company of Towngas Smart Energy, has been proactive in the development of new energy projects. Originally concentrated on supplying town gas exclusively in Hong Kong, Towngas has expanded its operations to cover the Chinese mainland and has ventured into distributed energy projects. Mr Peter Wong Wai-ye, Chief Executive Officer of Towngas Smart Energy, recently provided insights into the Group's future business priorities and development strategies, and addressed market concerns in an interview with *Ming Pao*, a Hong Kong newspaper.

Mr Wong mentioned that Towngas recognised the saturation of the gas business in Hong Kong during the 1990s. In response, it ventured into the mainland market, vigorously pursuing new opportunities. Today, Towngas has successfully built a customer base of 40 million users and expanded its service offerings accordingly. One notable achievement is its development of zero-carbon smart industrial parks, tailored to the needs of the 400,000 industrial and commercial customers it serves on the mainland, contributing to reducing their electricity consumption by 5% to 10%. In addition, Towngas has also introduced Energy as a Service (EaaS), empowering customers with convenient energy management solutions and opening up new avenues for generating service revenue. Towngas has already signed agreements to establish 100 zero-carbon smart industrial parks and aims to double that number by the year 2025/26.

Furthermore, Mr Wong pointed out that the Company has diversified its product portfolio to include innovative offerings such as hydrotreated vegetable oil (HVO) and sustainable aviation fuel (SAF), successfully penetrating the European aviation market. Closer to home, Towngas is exploring opportunities in various environmental domains and application scenarios in Hong Kong, like providing hydrogen as a fuel source for buses and vessels, in an effort to promote green transportation in line with the Government's carbon reduction blueprint.

Focusing on asset-light operations

With a multitude of new development projects underway, Mr Wong said that Towngas is now adopting an asset-light operation strategy. One example of this is the introduction of investment partners for EcoCeres, which specialises in producing HVO and SAF. This strategic move not only injected fresh capital but also new perspectives, thereby fostering a fertile ground for the advancement of this new energy initiative.

Mr Wong further said that Towngas' operations in Hong Kong remain stable. In the face of the challenges posed by a rate-tightening cycle, the Company issued green bonds to secure more cost-effective financing. Towngas also aims to collaborate with central enterprises on the mainland, seeking access to lower-cost funding opportunities. Mr Wong also pointed out that if the Company is to maintain an unchanged dividend per share, a long-term issue of bonus shares will lead to a persistent rise in dividend expenditures, weakening the Company's capacity for ongoing business development as a result. Therefore, issuing bonus shares over a prolonged period is not ideal. As for the possibility of resuming the issue in the future, it will depend on the prevailing operational circumstances at that time.

For the full interview (Chinese only), please visit:

<https://news.mingpao.com/pns/%E7%B6%93%E6%BF%9F/article/20231011/s00004/1696957143007>

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