

Towngas China (1083.hk)
2018 Interim Results Presentation

Disclaimer



This presentation and subsequent discussion may contain certain forward-looking statements. These forward-looking statements reflect the company's view on some future events and involve known and unknown risks and uncertainties and other factors which may cause actual performance and development differ materially. Past performance cannot be relied on as a guide for future performance.

Towngas China as a major city-gas platform in China for Hong Kong & China Gas



Hong Kong & China Gas
(0003.hk)

- Major utilities and energy company in Hong Kong and mainland China
- A HSI constituent stock

67.45%



Towngas China
(1083.hk)

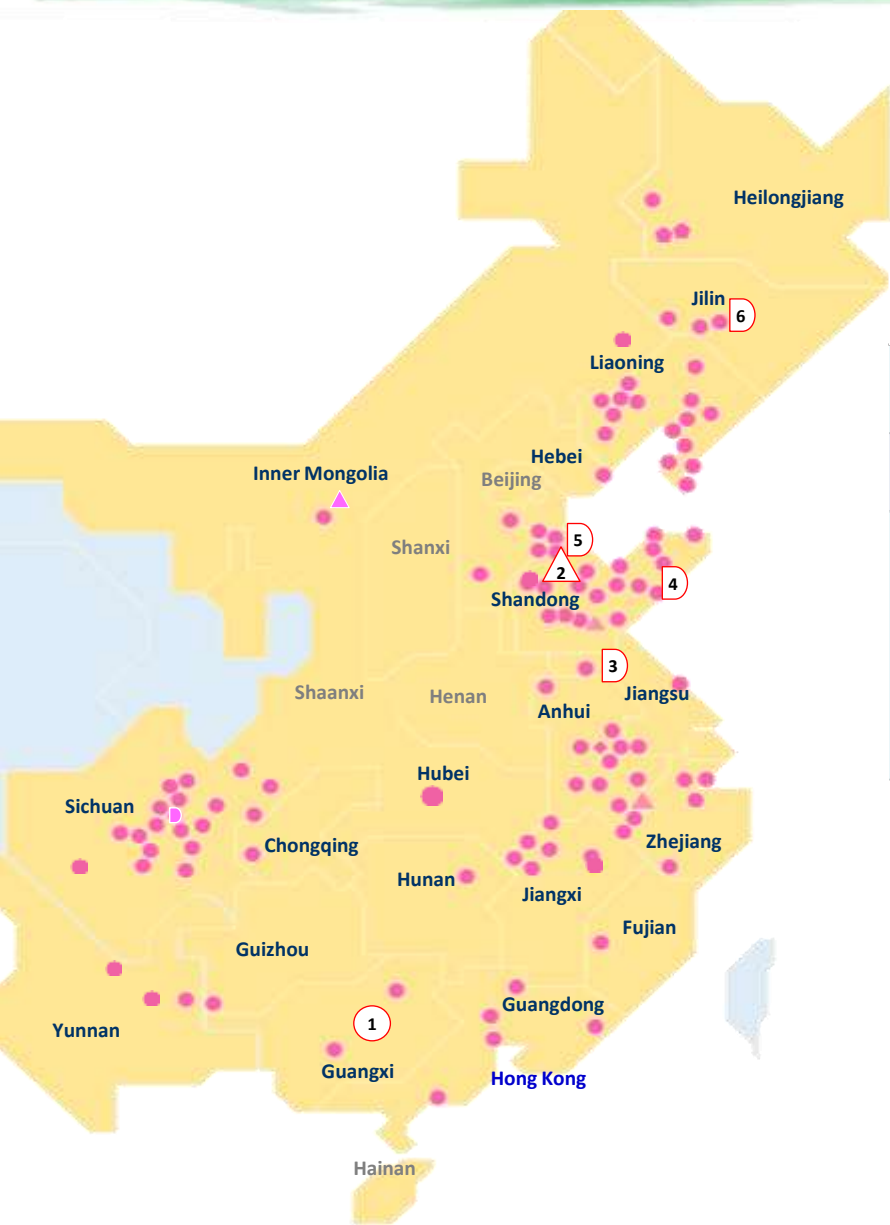
- Major city-gas company in mainland China

Territorial Coverage

As of 30 Jun 2018



6 project added, total **111** projects
in **19** provincial regions



New Projects			TCCL Investment
City-gas	○	1. Liuzhou, Guangxi 广西柳州	100% Rmb79Mn
Midstream	△	2. Jinan – Liaocheng pipeline, Shandong 山東濟-聊線	69% Rmb104Mn
Distributed Energy System	D	3. Jiawang District, Xuzhou 徐州工业园(賈汪区)	50% Rmb170Mn
		4. Jimo Chuangzi New District, Qingdao 山東青島市即墨創智新區	96% Rmb10Mn
		5. Yangxin Economic Development Zone, Binzhou City, Shandong Province 山東濱州市陽信經濟開發區	68% Rmb14Mn
		6. Changchun, Jilin 吉林省長春市	63% Rmb29Mn

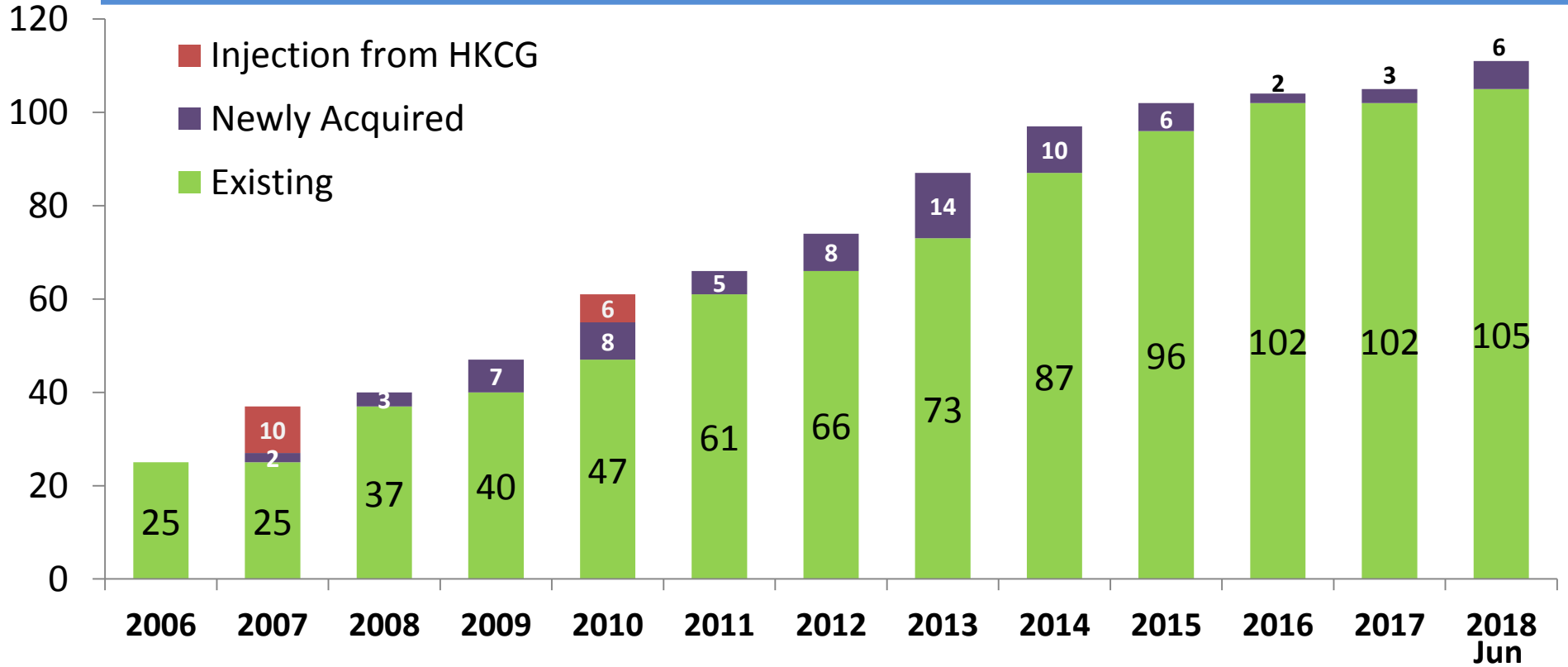
Profile

City-gas	●	98
Midstream	▲	4
Distributed Energy	D	6
Refilling station	◆	2
Other	◇	1

Number of Projects



2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 YTD
25	37	40	47	61	66	74	87	97	102	104	105	111



Financial and Operational Performance





Profit from Project Companies

HK\$916Mn ↑12%



Gas Sales Volume

↑18%

4.9Bn m³



Total Projects

+6

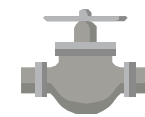
Total 111



Total Customers
(6 months)

+0.4Mn

12.2Mn



New Connections
(6 months)

431,989

Results Highlights (Financial)



(HK\$ Mn)	1H2018	1H2017	Change
Turnover			
Gas Sales & Others#	4,728	3,272	45%
Connection Fees	856	764	12%
	<u>5,584</u>	<u>4,036</u>	+38%
Operating Profit From Project Companies	916	817	+12%
Profit Attributable to Shareholders	663	602	+10%
Basic EPS (HK cents per share)	23.96	22.21	+8%
# Gas Dollar Margin (Rmb/m³)	2017 1H	0.67	
	2017 2H	0.59	
	2018 1H	0.61	

TCCL Financial Position



TCCL (1083 HK)	30 Jun 2018	31 Dec 2017	Change		20 Aug 2018	31 Dec 2017	Change
	HK\$ Bn	HK\$ Bn					
Total assets	33.8	32.8	+3%	Share price (HK\$)	6.81	6.28	+8.4%
Net asset value	17.4	17.2	+1%	Market cap. (HK\$ Bn)	22.3	17.4	+10.1%
Cash and Bank	1.7	1.7	-	No. of Shares	2.81	2.77	+1.4%
Total borrowings	9.4	8.8	+7%	P/E Ratio	14.0x	12.7x	
Gearing (Net)	33%	31%		P/B Ratio	1.2x	1.1x	

Credit Ratings:

**STANDARD
& POOR'S**
RATINGS SERVICES

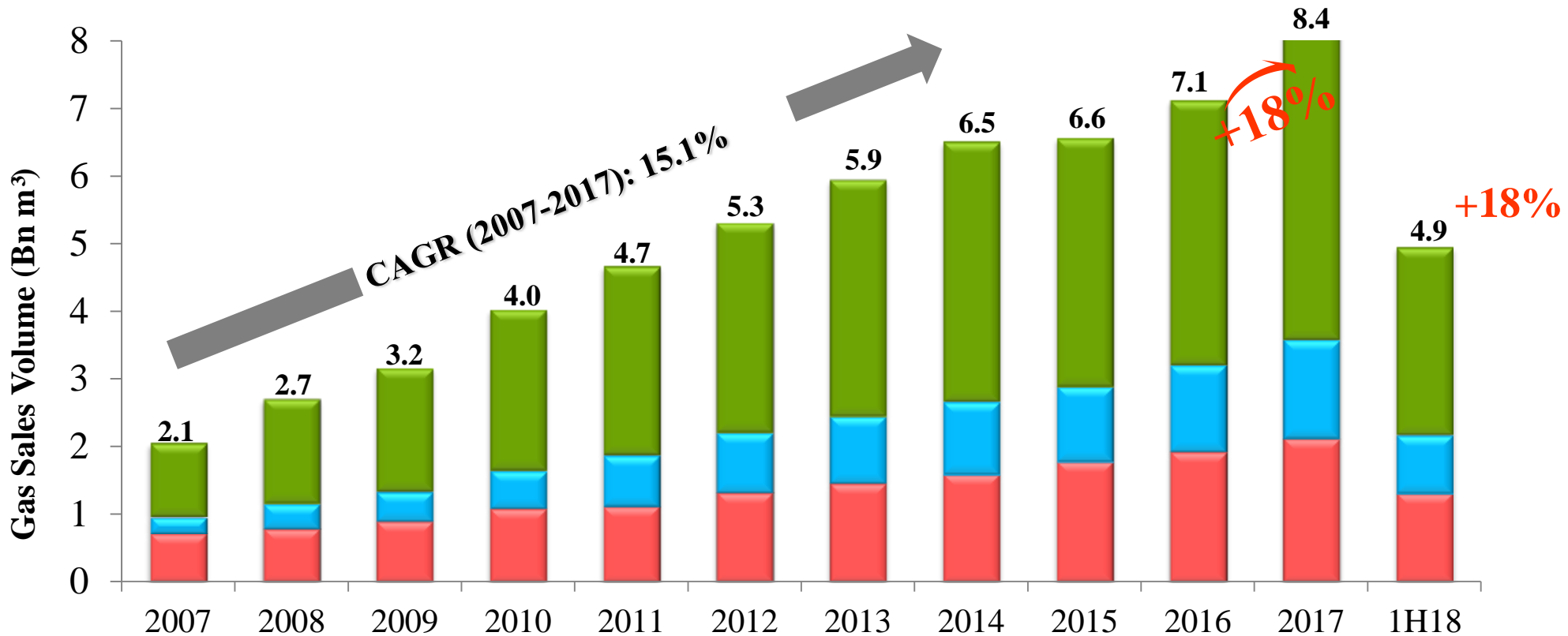
BBB+

MOODY'S

Baa1

Growing Gas Sales Volume

(Bn m ³)	1H17	1H18	Change
Industrial	2.3	2.8	+23%
Commercial	0.8	0.9	+11%
Residential	1.1	1.3	+14%
Total	4.2	4.9	+18%



*All JVs (100%)

Gas Sales Volume of JVs



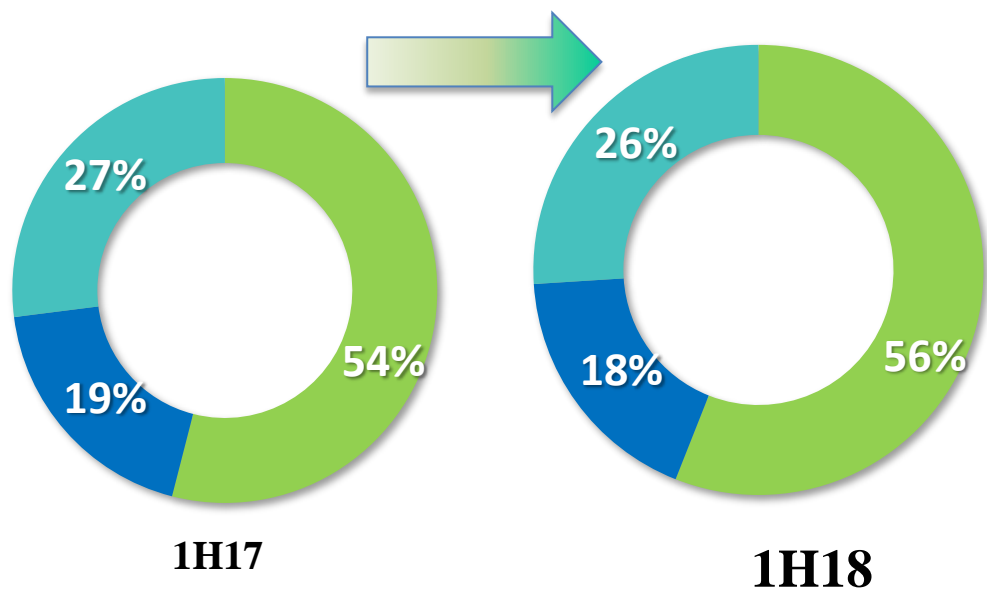
Volume (Mn m ³)	1H18	1H17	Change
Subsidiaries	1,472	1,156	+25%
JCEs & Associates	2,620	2,231	+18%
Chengdu JV	858	800	+8%
Total	4,949	4,186	+18%

Note: Chengdu JV with 13% shareholding is classified as a financial investment

Operational Highlights

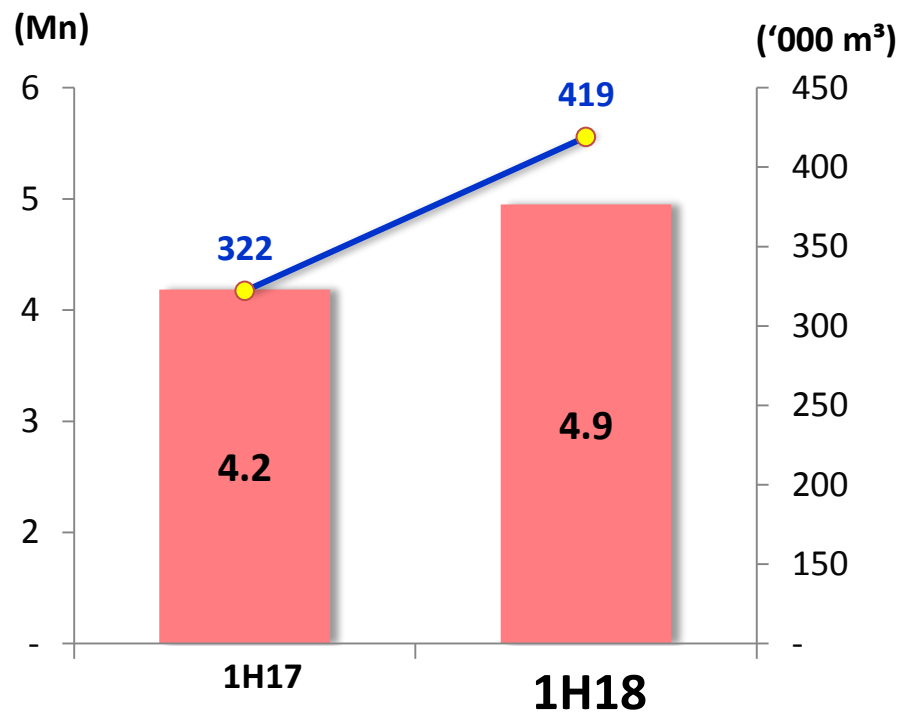


Gas Sales Volume Mix (%)



Productivity

■ Customers No. (LHS)
 —●— Gas Volume/Employee (RHS)



* All JVs (100%)

Mainland City-gas Other Energy to NG Conversion/ New Customers



1H 2018

TCCL

Customers Gained **Annualized Volume (Mn m³)**



Commercial

4,650 **120**



Industrial

466 **270**

Total

5,116 **390**

Distributed Energy System (DES)



New Projects	Captured in 1H2018	9 Projects
	in Discussion	40 Projects
Number of Projects in Operation		12 Projects
Gas Volume in 1H2018		70Mn m³

Opportunities & Challenges

- ▶ **NDRC proposed new NG storage requirements to meet winter demand**
- ▶ **City-gate gas prices for Residential and Non-residential unified in June**
- ▶ **“Blue Sky” Policy**
- ▶ **LNG Terminals open access**
- ▶ **One National Natural Gas Grid Company**
- ▶ **Welcome investments on LNG importation**

Russian Gas Will Spark Volume Growth in Northern & North-Eastern Regions



The 13th 5-Year Plan	2017	2020	2030
NG in Energy Mix	7%	10%	15%
Demand (Bn m ³)	238	360	~480

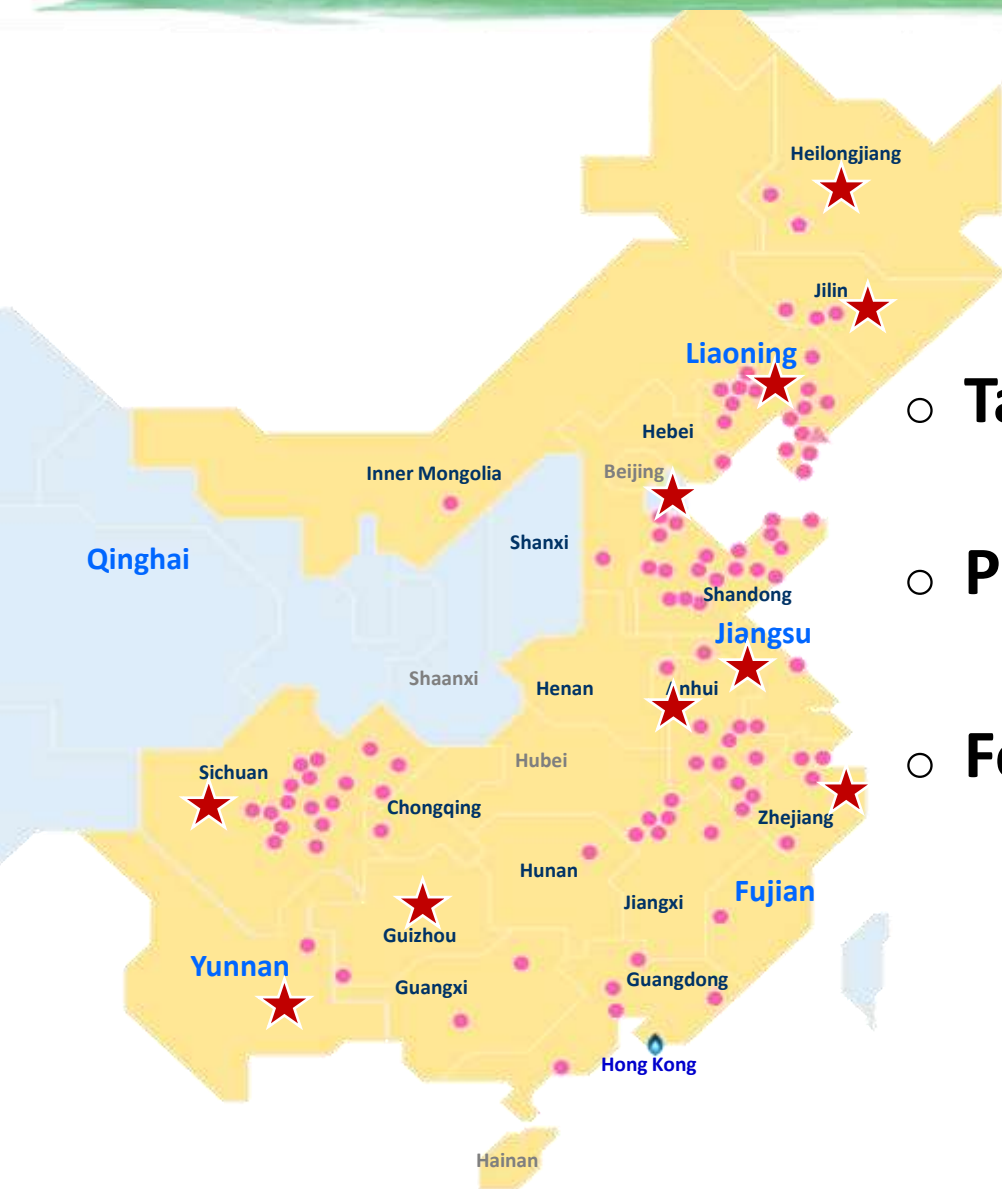
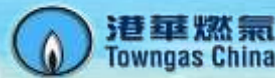
5 billion m³ Russian NG arrives in 4Q2019 & 38Bn m³ by 2024

North-Eastern	2017	2022E
Volume (Bn m ³)	1.4	3.8
Volume Growth	CAGR: 22.9%	

Northern	2017	2022E
Volume (Bn m ³)	2.0	4.5
Volume Growth	CAGR: 16.4%	

Our Business: Expanding Coverage

Green Future



- Target: **4-5** new projects / year
- Penetration into neighboring cities
- Focusing on new territories

Thank you

