

Towngas China (1083.hk)
2019 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.

Corporate Structure

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

67.76%

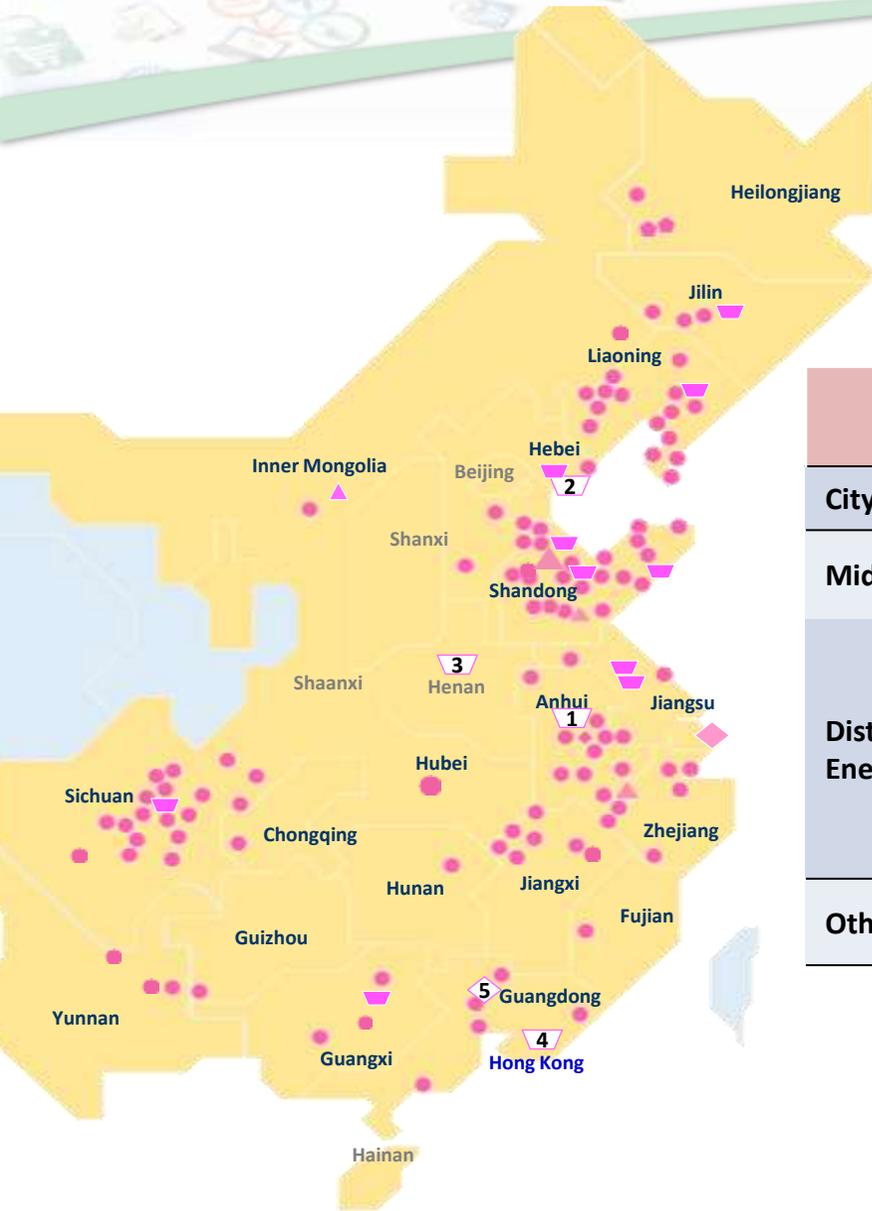


Towngas China
(1083.hk)

- Major city-gas company in mainland China

Territorial Coverage

5 project added, total **120** projects in **20** provincial regions

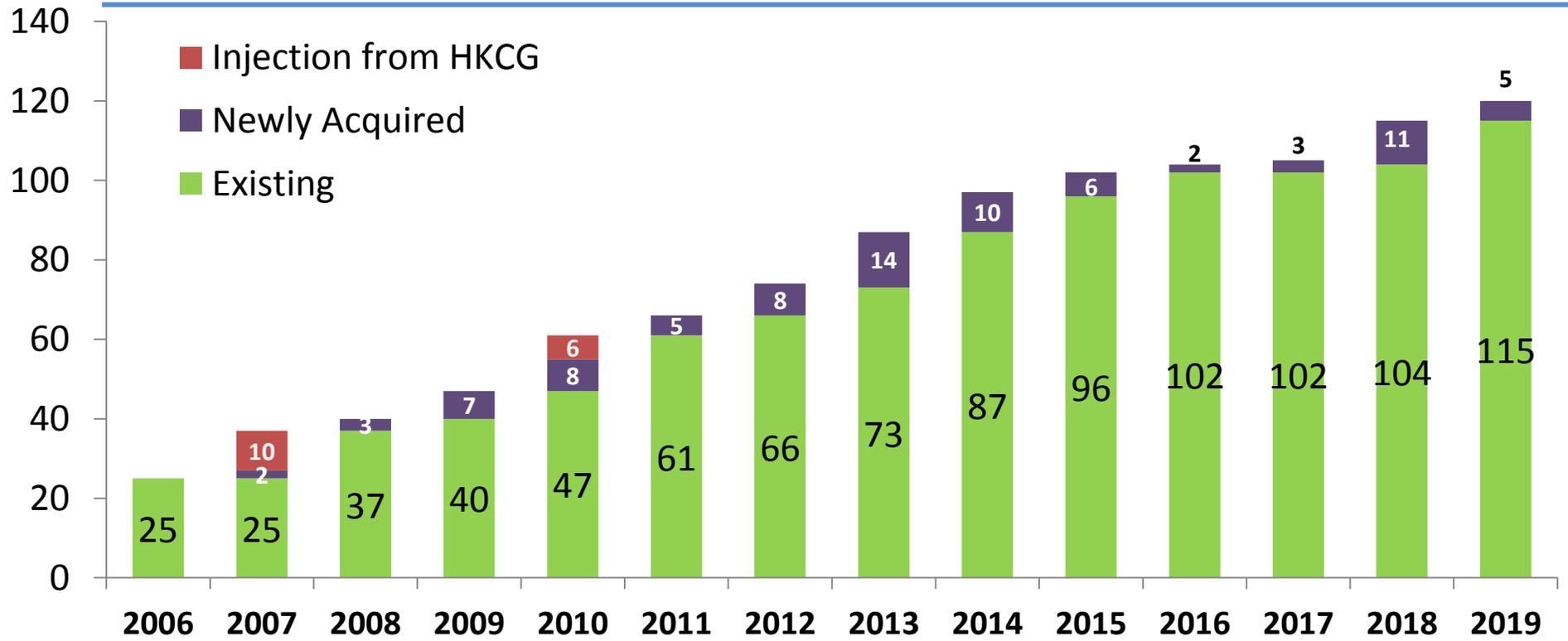


	Total projects	New Projects
City-gas	97	-
Midstream	4	-
Distributed Energy System	14	<ol style="list-style-type: none"> 1. Maanshan Economic and Technological Development Zone South District 2. Luanzhou Economic Development Zone Chemical Industrial Park 3. Xinmi Yinji International Tourism Resort 4. Shenzhen
Others	5	<ol style="list-style-type: none"> 5. U-Tech (Guangdong) Engineering Construction

As of 19 Aug 2019

Number of Projects

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 YTD
25	37	40	47	61	66	74	87	97	102	104	105	115	120



Financial and Operational Performance

2019 Interim Results Highlights

- 
- **Operating Profit before Finance Costs: HK\$955Mn** ↑4%



Gas Sales Volume

↑14%

5.6Bn m³



Total Projects

+5

Total 120



Total Customers

+0.4Mn*

13.0Mn



New Connections

+0.5Mn*

Results Highlights (Financial)

(HK\$ Mn)	1H 2019	1H 2018	Change
Turnover			
Gas Sales & Others	5,619	4,728	+19%
Connection Fees	893	856	+4%
	6,512	5,584	+17%
Operating Profit before Finance Costs	955	916	+4%
Less: Finance cost	199	253	-21%
Profit Attributable to Shareholders	756	663	+14%
Basic EPS (HK cents per share)	26.89	23.96	+12%

TCCL Financial Position

TCCL (1083 HK)	30 Jun 2019	31 Dec 2018	Change		19 Aug 2019	31 Dec 2017	Change
	HK\$ Bn	HK\$ Bn					
Total assets	35.4	34.0	+3%	Share price (HK\$)^	5.45	5.81	-6%
Net asset value	18.0	17.8	+3%	Market cap. (HK\$ Bn)	15.6	16.3	-4%
Cash and Bank	2.0	1.7	+18%	No. of Shares (Bn)	2.87	2.81	+2.2%
Total borrowings	10.2	9.5	+8%	P/E Ratio	11.6x	13.3x	
Interest Coverage	8.4x	8.6x		P/B Ratio	0.9x	1.0x	
Gearing (Net)	33%	33%					

Credit Ratings:

**STANDARD
& POOR'S**
RATINGS SERVICES

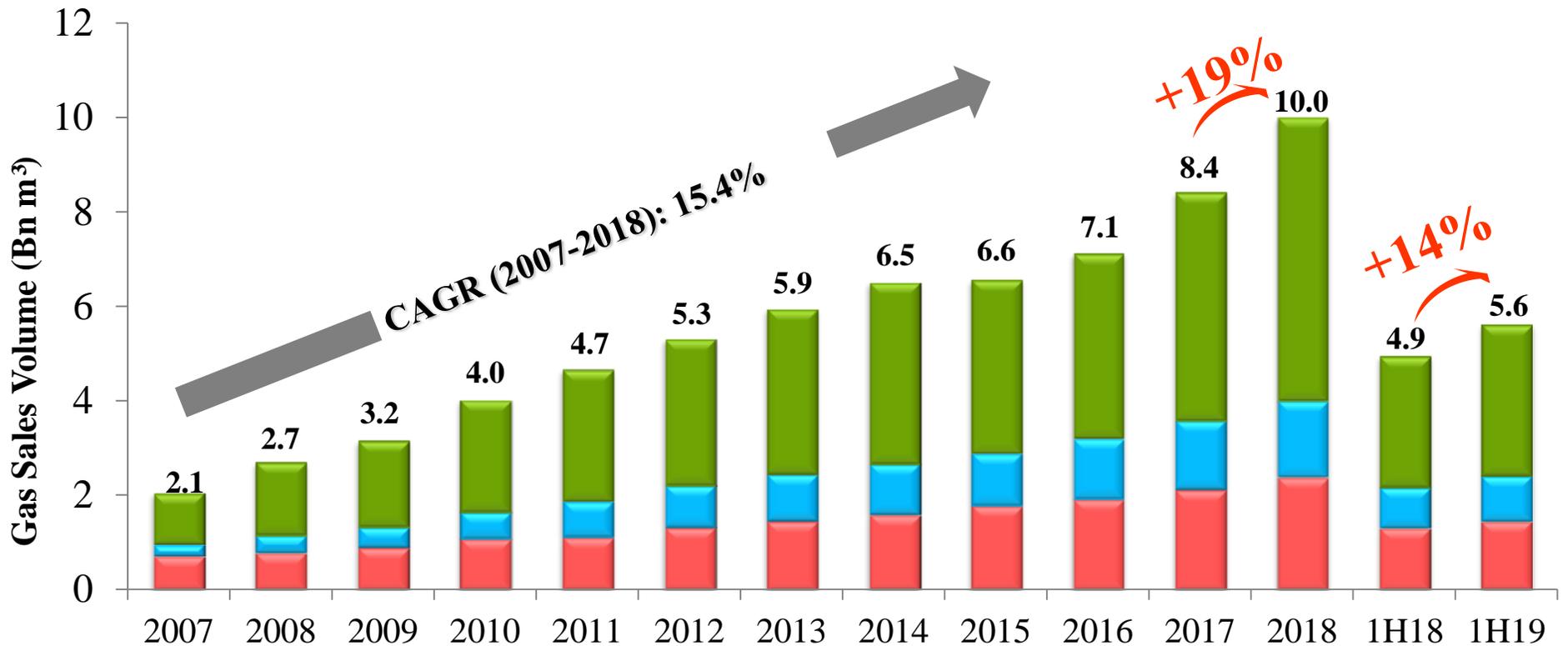
BBB+

MOODY'S

Baa1

Growing Gas Sales Volume

(Bn m ³)	1H18	1H19	Change
Industrial	2.8	3.2	+16%
Commercial	0.9	1.0	+11%
Residential	1.3	1.4	+11%
Total	4.9	5.6	+14%



*All JVs (100%)

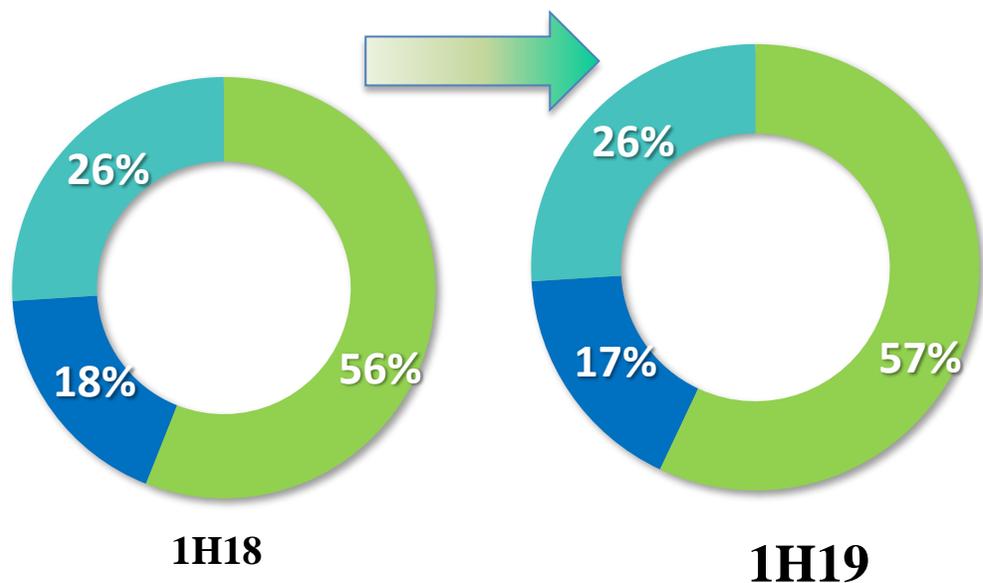
Gas Sales Volume of JVs

Volume (Mn m ³)	1H 2019	1H 2018	Change
Subsidiaries	1,694	1,472	+15%
JCEs & Associates	3,012	2,620	+15%
Chengdu JV	913	858	+6%
Total	5,619	4,949	+14%

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

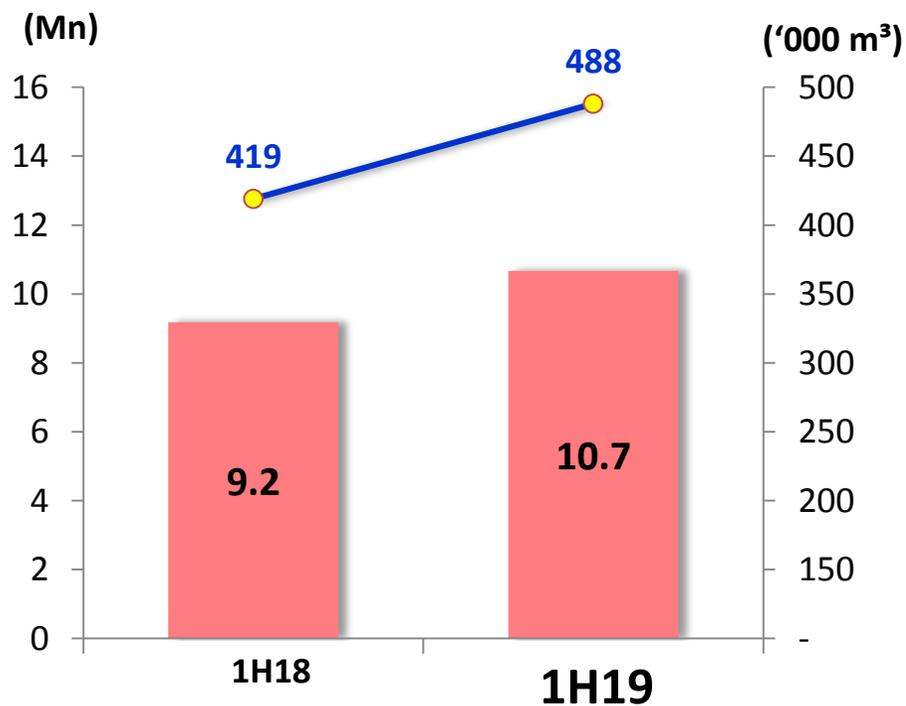
Operational Highlights

Gas Sales Volume Mix (%)



Productivity

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



* All JVs (100%)

Mainland City-gas Business Environment (1)

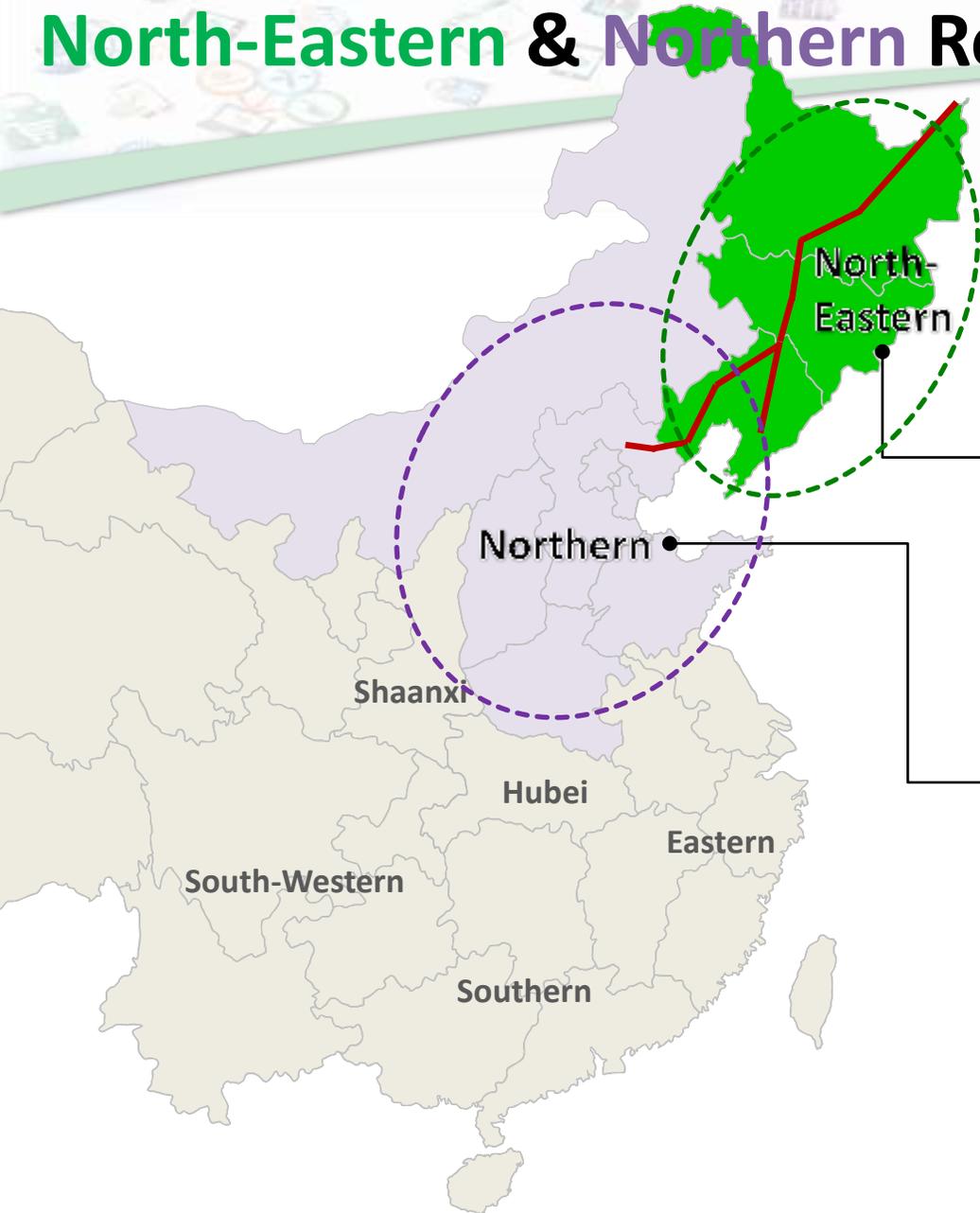
1. National Gas Volume Growth Continues

	2018	2020	2030
National Annual Consumption	280 Bn m ³	360 Bn m ³	480 Bn m ³
Share of Primary Energy	8%	10%	15%

2. Lift restriction on foreign ownership of city-gas JVs

- Restriction on majority foreign ownership for cities with population >500,000 was lifted
- Open up city-gas business investment for foreign investors
- Reduce the risk of taking away majority shareholding status when the city expands
- City-gas business will be more market oriented

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



Russian NG arriving in Dec 2019 with volume of 38 Bn m³ p.a. by 2024

North-Eastern	2018	2019F	2023F
Number of projects	21	21	>26
Volume (Bn m ³)	1.6	1.9	4.3
Volume Growth	CAGR: 22%		

Northern	2018	2019F	2023F
Number of projects	24	24	>26
Volume (Bn m ³)	2.5	2.7	4.8
Volume Growth	CAGR: 14%		

3. Set up National Oil and Gas Pipeline Company

- **Open access to pipelines and NG importation**
- **Free flow of NG, LNG nationwide**
- **Lower procurement cost**
- **Gas shortage in certain regions will be reduced**

4. NDRC on Connection Fees Policy

- **The guidelines issued in June 2019 is more liberal**
- **Provincial and municipal authorities will discuss with city-gas operators considering local situations**
- **Unless exceptionally high, connection fees arrangement should be allowed to continue**

5. Coal-to-Gas Conversion Policy

- Chinese government continues to reduce carbon emission and improve air quality
- Step up boiler conversion: 10 to 35 steam tons (eqv. 2,800 m³ NG/hour)

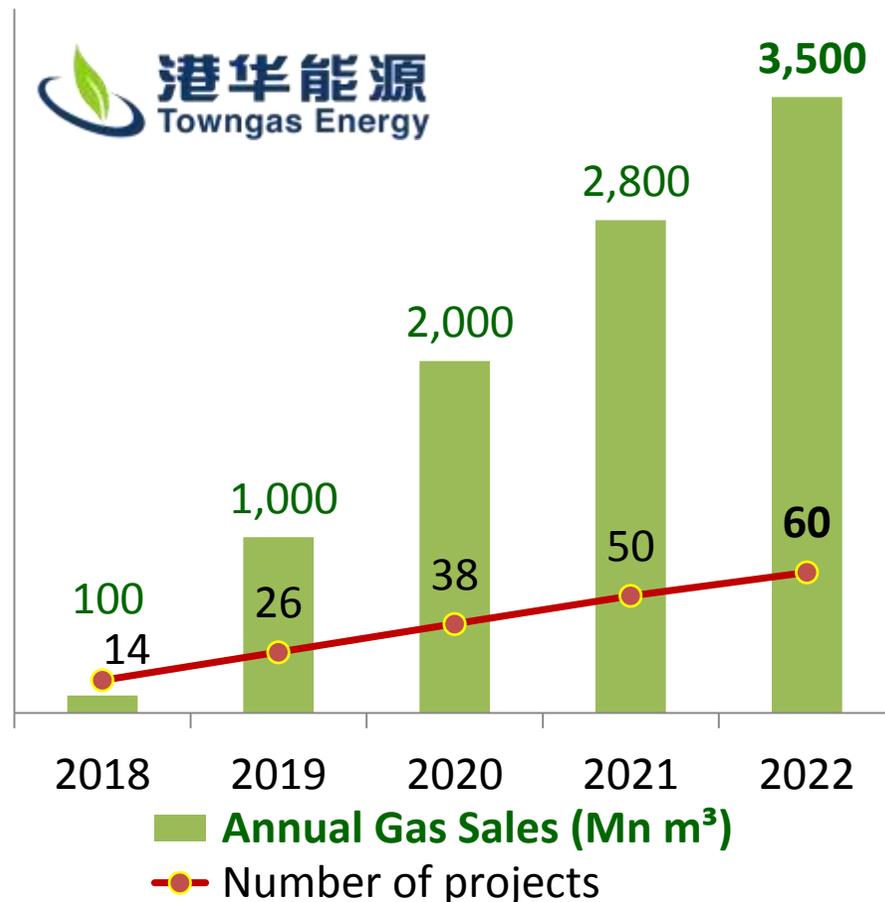
Benefits to TCCL	2017	2018	2019F	Cumulative
Annualized Gas Consumption Capacity (Mn m ³)	630	580	520	1,730

- Key driver for gas sales volume growth

Distributed Energy System (DES) Strategies

- Green Energy Integrated Services
- Enhance energy efficiency with more gas sales
- Projects
 - Central space heating
 - Central steam supply for industrial parks
 - Air-conditioning
 - Electricity
 - Pipelines for steam supply from power plants
- Target: one project per JV

Green Energy Integrated Services Business Growth



Mainland City-gas Opportunities & Strategies



Project Information

	<u>Cumulative</u>
• Phase 1-1 capacity: (3 caverns)	140Mn m ³
• Completion:	Jan 2018
• Phase 1-2 capacity: (+7 caverns)	460Mn m ³
• Construction Commencement:	Mar 2018
• Phase 2 capacity: (+12 caverns)	>1,000Mn m ³

Gas storage in Jintan, Jiangsu

- To meet winter peak demand
- Sharing investment cost among JVs
- National pipelines facilitates free flow of NG
- NG trading opportunities
- Shanghai Gas is a partner of Phase 1 with 25% shareholding
- Total investment Rmb1.2Bn (22 caverns)

