

# Towngas China (1083.hk) 2014 Annual 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



Hong Kong & China Gas  
(0003.hk)

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

62.39%

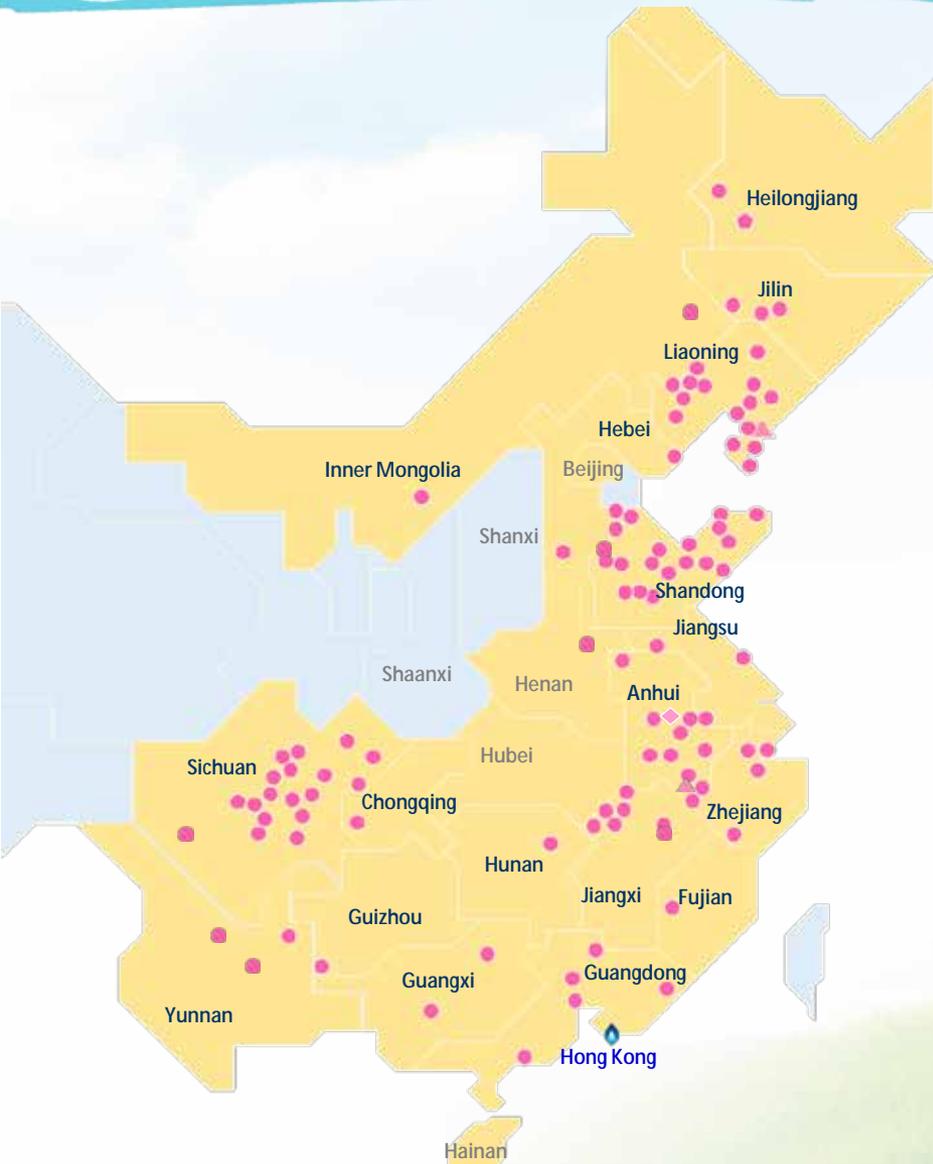


Towngas China  
(1083.hk)

- Major city-gas operator in mainland China

# Territorial Coverage

As of Feb 2015



**11** projects added, total **98** projects  
in **18** provincial regions

## Profile

City-gas



Midstream



Refilling station

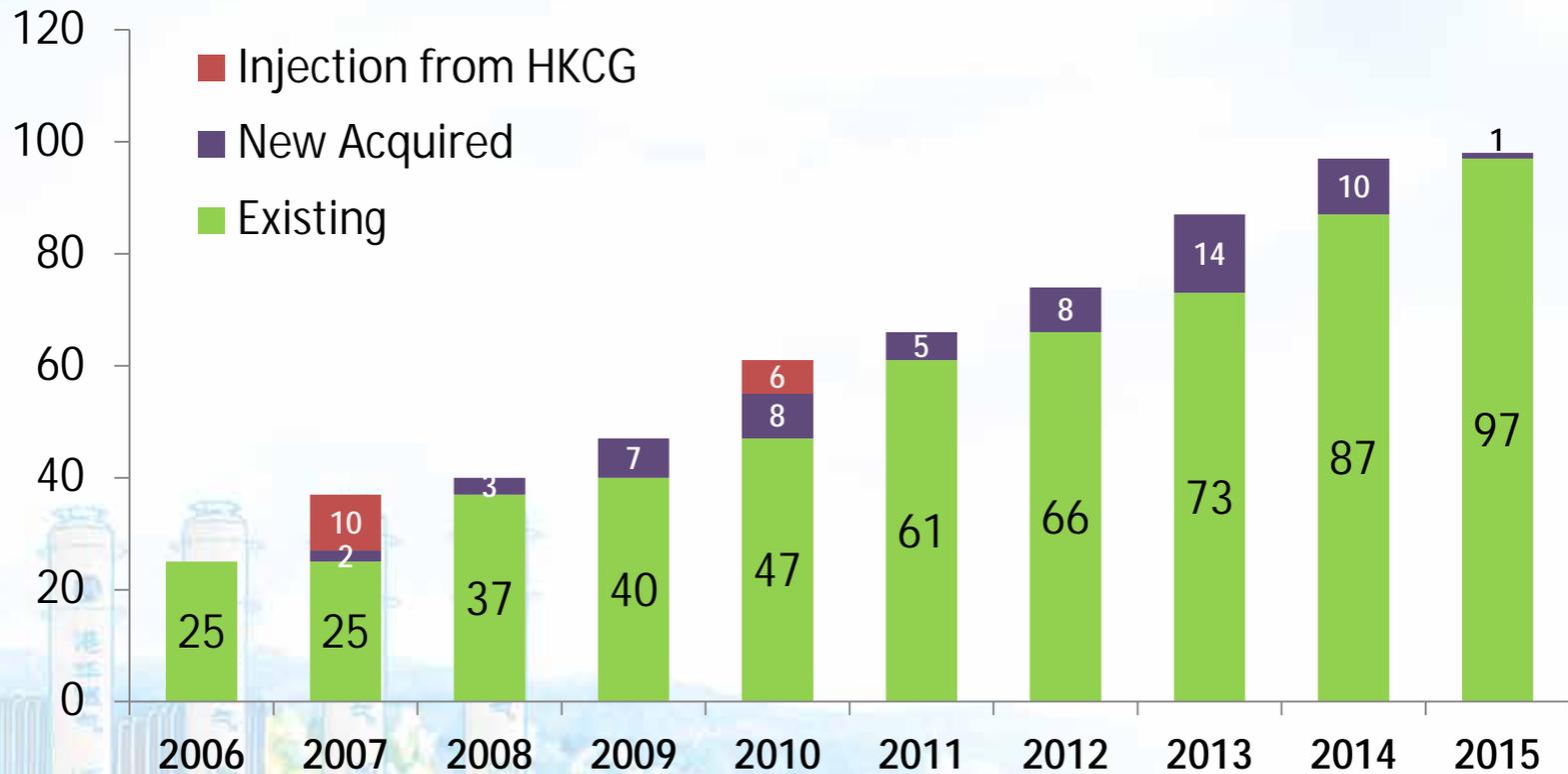


Other



# Number of Projects

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
25	37	40	47	61	66	74	87	97	98



# New Projects 2014-2015YTD

8 City-gas + 1 Refilling Station + 1 Midstream  
& 1 Other projects

City-gas

- 1 Leshan, Sichuan
- 2 Songyang, Lishui, Zhejiang
- 3 Siping, Jilin
- 4 Xingyi, Guizhou
- 5 Guyang, Baotou, Inner Mongolia
- 6 Tongshan, Jiangsu
- 7 Luliang, Yunnan
- 8 Binzhou, Shandong
- 9 Qiqihar, Heilongjiang (Refilling Station)

**Gas consumption in 5 years: 785Mn m<sup>3</sup>**

**Total Investment: Rmb1.5Bn**

- 10 Xuancheng – Huangshan Midstream
- 11 Maanshan Public Engineering



# Financial and Operational Performance



# 2014 Results Highlights

Operating Profit  
After Tax before exchange diff.

HK\$1,195Mn ñ26%

Gas Sales  
Volume

ñ10%

6.5Bn m<sup>3</sup>

Total Projects

+10

Total 97

Total Customers

+785,000

9.2Mn

New  
Connections

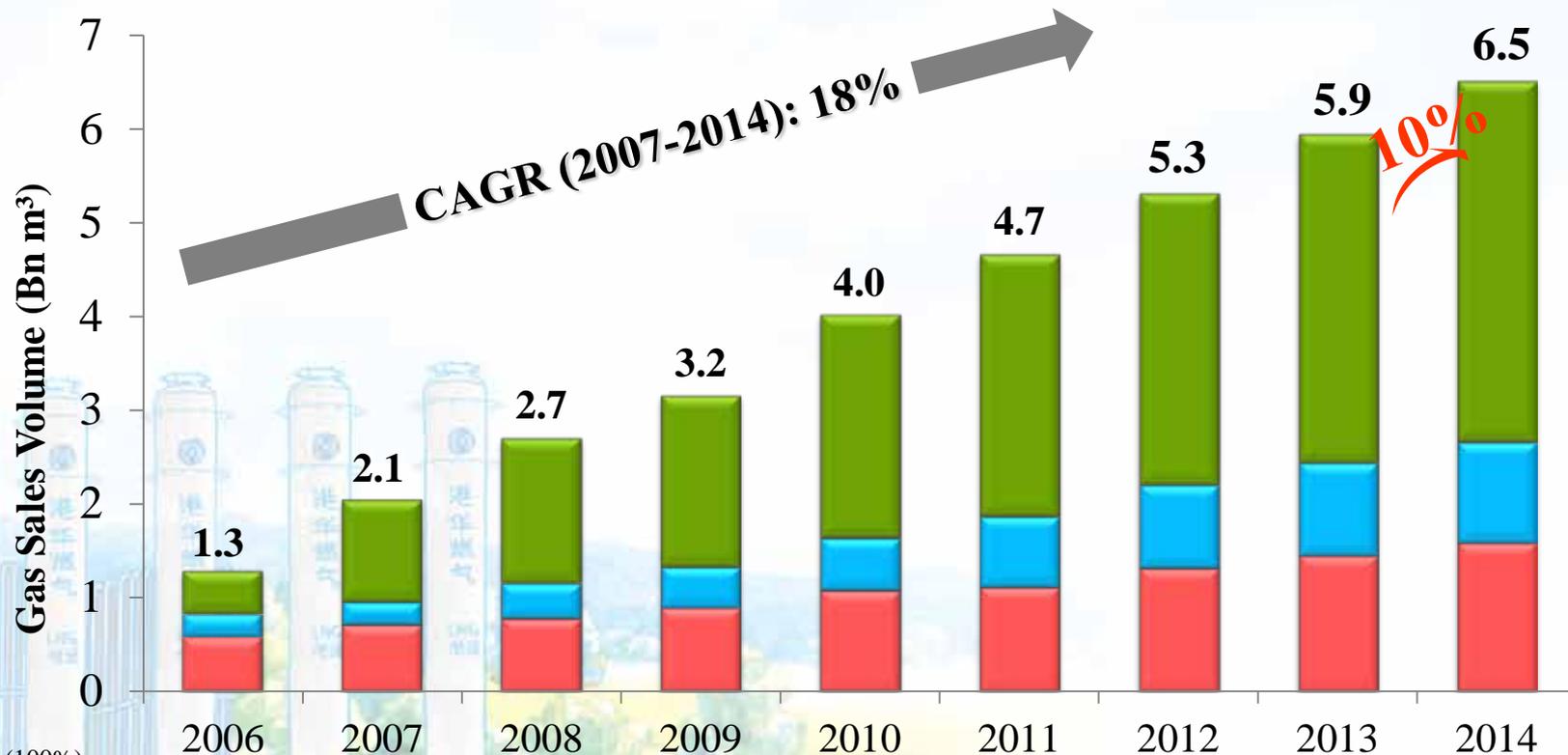
975,300

# Results Highlights (Financial)

(HK\$Mn)	FY13	FY14	Change
<b>Turnover</b>			
<b>Gas Sales</b>	<b>5,265</b>	<b>6,205</b>	<b>+18%</b>
<b>Connection Fees</b>	<b>1,451</b>	<b>1,677</b>	<b>+16%</b>
	<b><u>6,716</u></b>	<b><u>7,882</u></b>	<b>+17%</b>
<b>Operating Profit After Tax</b>	<b>946</b>	<b>1,195</b>	<b>+26%</b>
<b>Exchange Gain/(Loss)</b>	<b>160</b>	<b>(141)</b>	
<b>Profit attributable to shareholders</b>	<b>1,106</b>	<b>1,054</b>	<b>-5%</b>
<b>Basic EPS (HK cents per share)</b>	<b>42.46</b>	<b>40.19</b>	<b>-5%</b>
<b>Dividend (HK cents per share)</b>	<b>8</b>	<b>10</b>	<b>+25%</b>

# Growing Gas Sales Volume

(Bn m <sup>3</sup> )	2013	2014	Change
Industrial	3.50	3.84	+10%
Commercial	0.99	1.08	+8%
Residential	1.45	1.59	+9%
<b>Total</b>	<b>5.94</b>	<b>6.51</b>	<b>+10%</b>



\*All JVs (100%)

# Gas Sales Volume of JVs

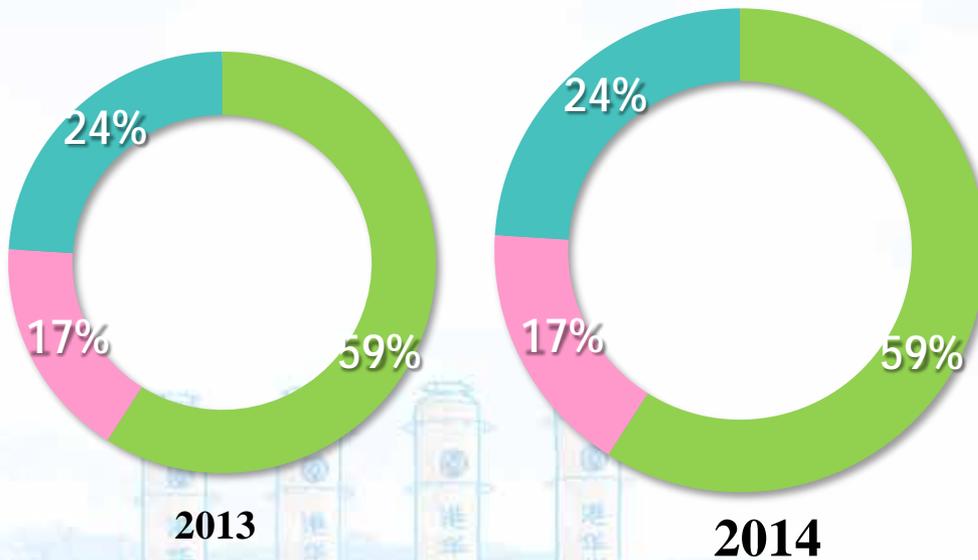
Volume (Mn m <sup>3</sup> )	2013	2014	Change
Subsidiaries	1,575	1,726	+10%
JCEs & Associates	3,245	3,567	+10%
Chengdu JV	1,124	1,218	+8%
<b>Total</b>	<b>5,945</b>	<b>6,511</b>	<b>+10%</b>
<b>Excluding Chengdu</b>	<b>4,820</b>	<b>5,293</b>	<b>+10%</b>

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

# Operational Highlights

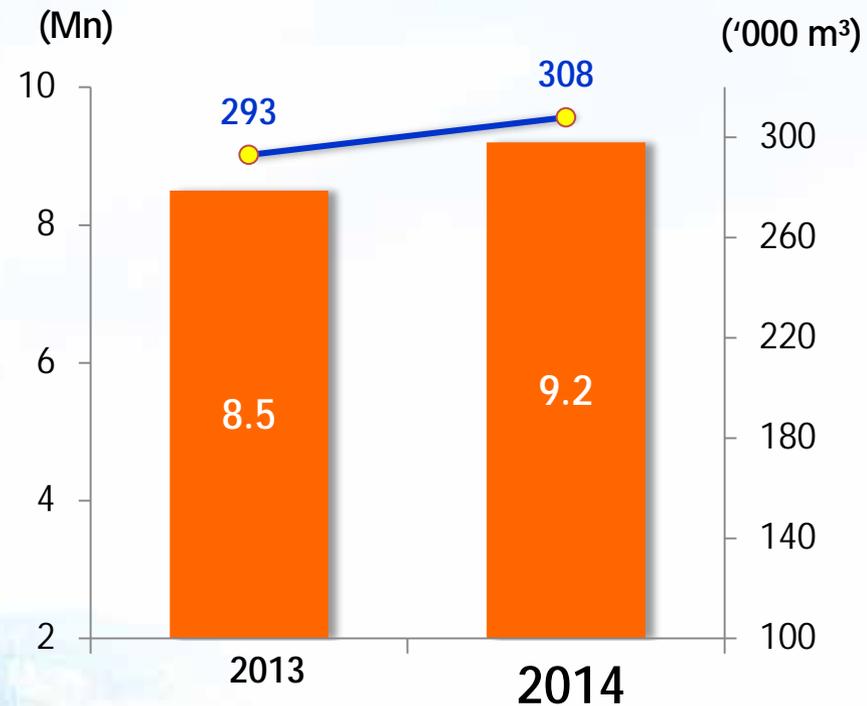
## Gas Sales Volume Mix (%)

■ Residential 
 ■ Commercial 
 ■ Industrial



## Productivity

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



\* All JVs (100%)

# 3<sup>rd</sup> NG Gate-Price Adjustment and Unification

- Effective 1 April 2015
- Affect non-residential customers
- Unified 'Additional' and 'Existing' gas volume prices
- Additional gas volume: -Rmb0.44/m<sup>3</sup>
- Existing gas volume: +Rmb0.04/m<sup>3</sup>
- Expecting Group's average incoming price decrease Rmb0.1/m<sup>3</sup>
- More conducive to conversion to natural gas
- Referenced to oil product prices in 2H2014

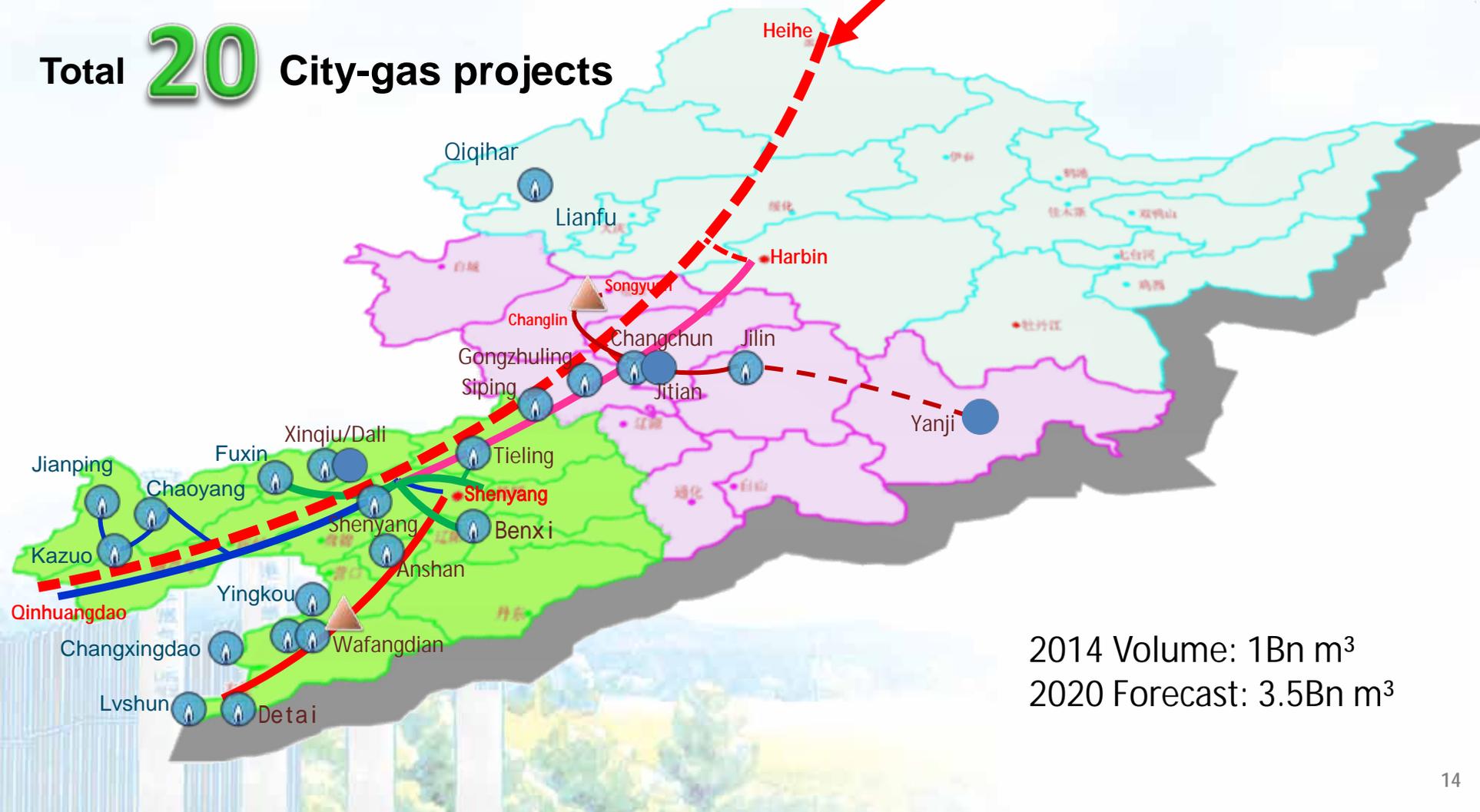
# Sino-Russian Gas Supply

## NE China Welcoming the Russian Gas

Total **20** City-gas projects

### Russian Gas

- Expected arrival in 2018
- Ramping up to 38bn m<sup>3</sup> per year



2014 Volume: 1Bn m<sup>3</sup>  
2020 Forecast: 3.5Bn m<sup>3</sup>

# Outlook

- ▶ Gas sales volume annual double digit increase for next five years
- ▶ Water heating and space heating potential in Northern part of mainland China increasing household average consumption
- ▶ Price reforms help NG remain competitive
- ▶ Environmental pressure help NG replace dirty fuels
- ▶ Less competition for new JVs resulting better project returns
- ▶ Increase urbanization strengthen steady connection fees and customer gains



# THANK YOU

