



Towngas China (1083.hk)
2017 Final Results Presentation

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

67.1%

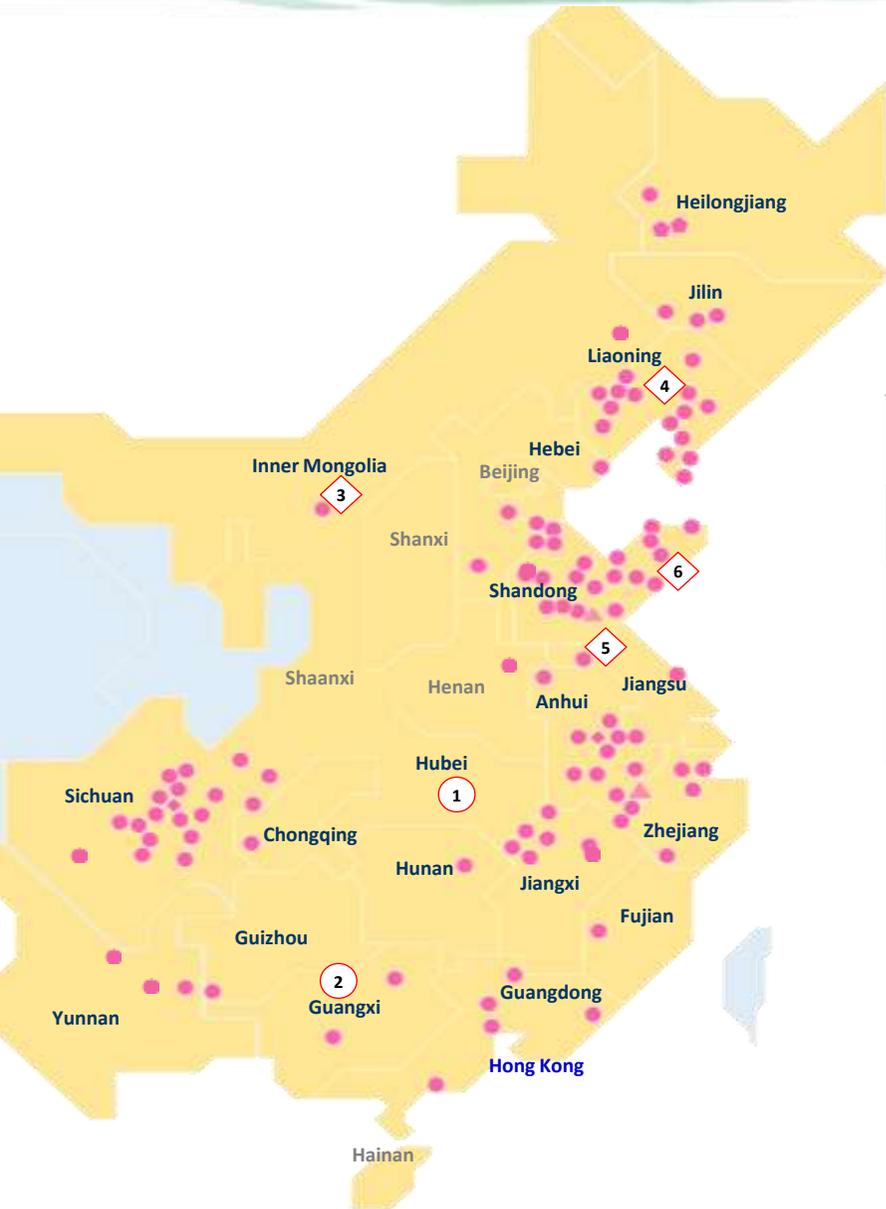


Towngas China
(1083.hk)

- Major city-gas company in mainland China

Territorial Coverage

As of 28 Feb 2018



6 project added, total **108** projects in **19** provincial regions

New Projects			TCCL Investment
City-gas	○	1. Zhongxiang, Hubei 河北钟祥	100%
		2. Liuzhou, Guangxi 广西柳州	100%
Midstream	△	3. Guyang, Inner Mongolia 内蒙古固阳	85%
Distributed Energy System	◇	4. Shenyang Economic & Development Zone 沈阳经济技术开发区	100%
		5. Jiawang District, Xuzhou 徐州工业园(贾汪区)	50%
		6. Jimo Chuangzi New District, Qingdao 青岛市即墨创智新区	96%

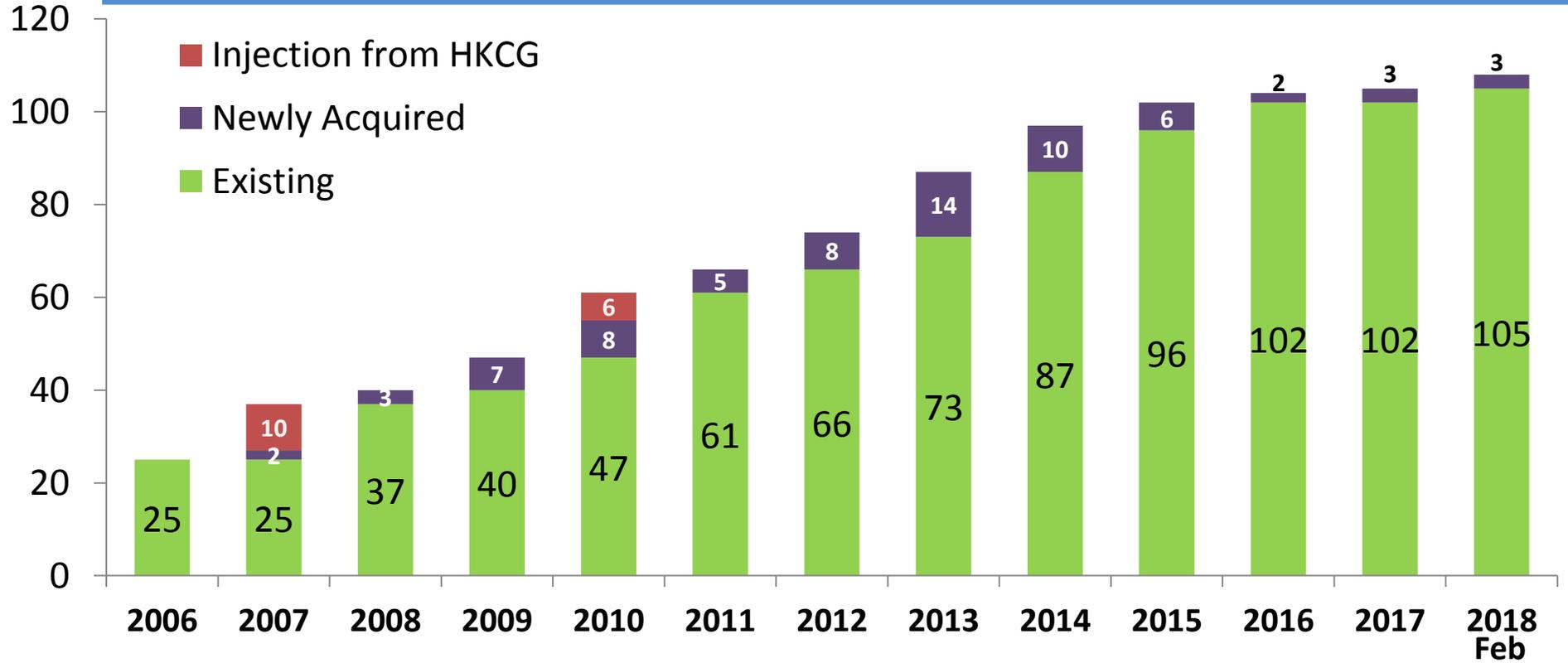
Profile

City-gas	●	98
Midstream	△	3
Refilling station	⬠	2
Other/DSE	◇	5

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	108



Financial and Operational Performance





Profit from Project Companies

HK\$1,677Mn ↑ 15%



Gas Sales Volume

↑ 18%

8.4Bn m³



Total Projects

+3

Total 105



Total Customers

+0.9Mn

11.8Mn



New Connections

0.97Mn

Results Highlights (Financial)



<i>(HK\$ Mn)</i>	FY2017	FY2016	Change
Turnover			
Gas Sales & Others	6,996	5,518	27%
Connection Fees	1,764	1,663	6%
	<u>8,760</u>	<u>7,181</u>	+22%
Operating Profit From Project Companies	1,677	1,457	+15%
Corporate Finance Costs	(371)	(334)	+11%
Corporate Overhead	(150)	(149)	+1%
Operating Profit before one-off item	1,156	974	+19%
Foshan Gas IPO	209	-	-
Profit Attributable to Shareholders	1,365	974	+40%
Basic EPS (HK cents per share)	49.87	36.26	+38%
Dividend (HK cents per share)	15	12	+25%

Results Highlights (Financial)



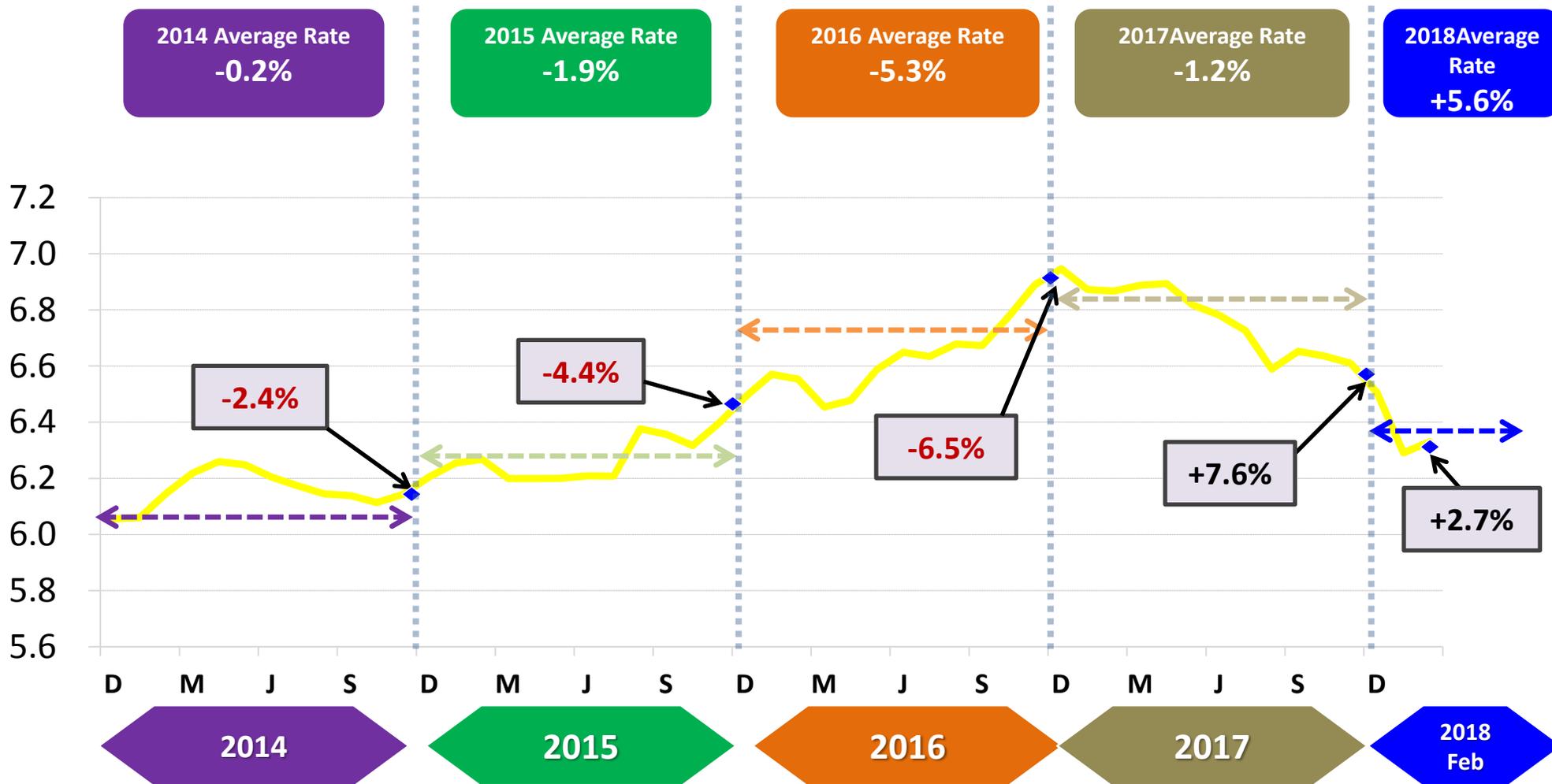
Segment Margin

(HK\$Mn)	FY2017	FY2016
Piped-gas & related products	9.0%	8.2%
Gas connection	45.7%	43.4%

RMB Impact

(HK\$Mn)	FY2017	FY2016
Exchange Gain/(Loss)	231	(259)
Gain/(Loss) from hedging	(364)	169
Net FX Gain / (Loss)	<u>(133)</u>	<u>(90)</u>
Operating profit translation (Loss)	<u>(20)</u>	<u>(77)</u>

Exchange Rate



TCCL Financial Position as at 31 Dec 2017



TCCL (1083 HK)	31 Dec 2017	31 Dec 2016	Change		31 Dec 2017	31 Dec 2016	Change	
	HK\$ Bn	HK\$ Bn						
Total assets	32.8	28.0	+17%		Share price (HK\$)	6.28	4.08	+54%
Net asset value	17.2	14.7	+17%		Market cap. (HK\$ Bn)	17.4	11.1	+57%
Cash and Bank	1.7	1.6	+9%		No. of Shares	2.77Bn	2.71Bn	+2%
Total borrowings	8.8	7.8	+13%		Interest Coverage	9.8x	8.4x	
Return on Equity	9%	7%			Gearing (Net)	31%	32%	

Credit Ratings:



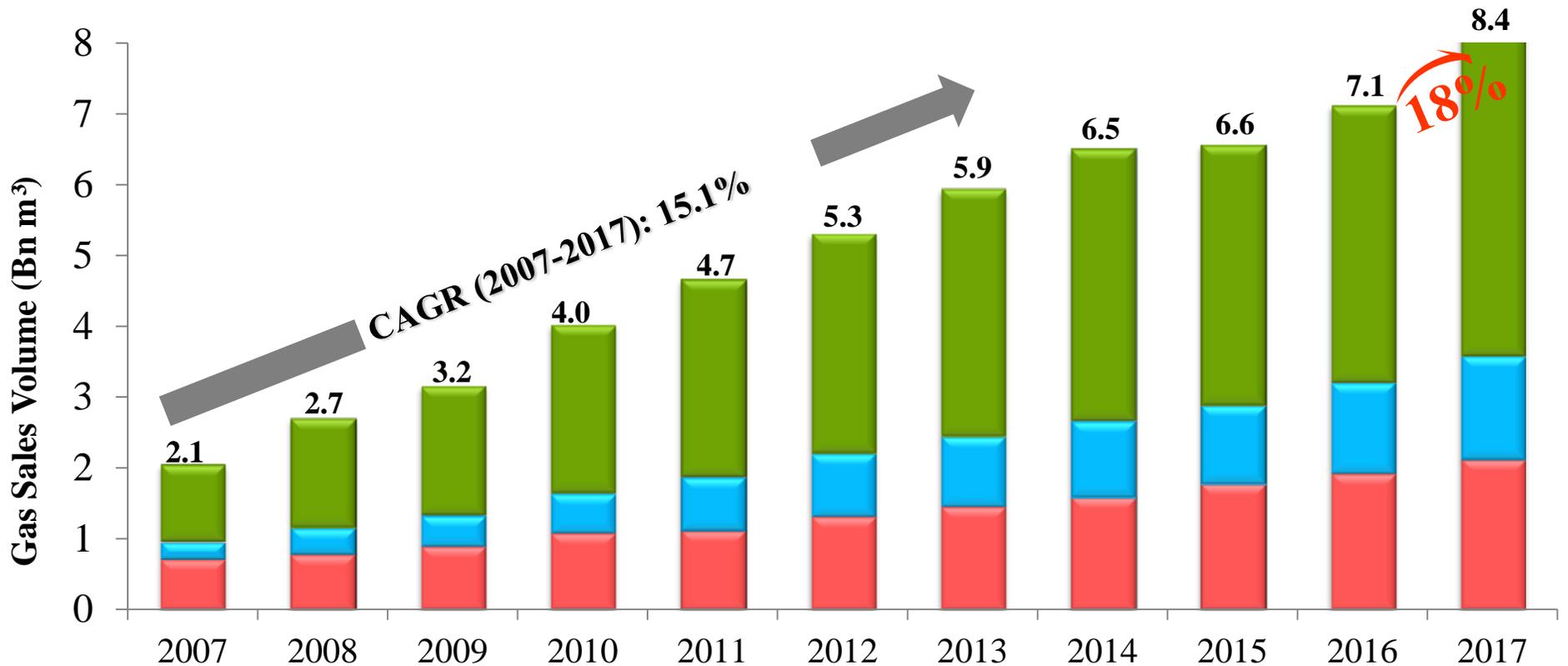
BBB+



Baa1

Growing Gas Sales Volume

(Bn m ³)	FY16	FY17	Change
■ Industrial	3.9	4.8	+24%
■ Commercial	1.3	1.5	+14%
■ Residential	1.9	2.1	+10%
Total	7.1	8.4	+18%



*All JVs (100%)

Gas Sales Volume of JVs



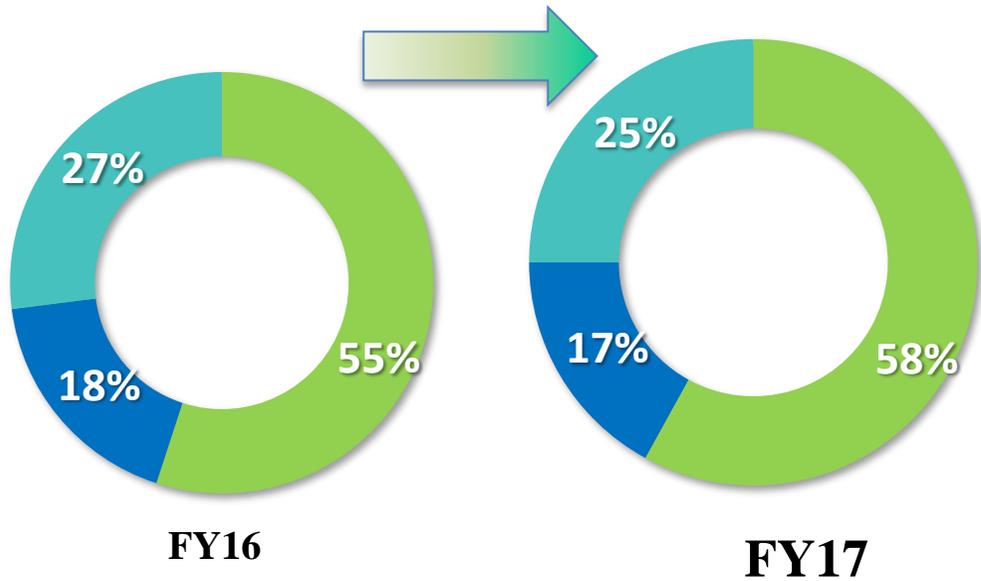
Volume (Mn m ³)	FY17	FY16	Change
Subsidiaries	2,365	1,890	+25%
JCEs & Associates	4,620	3,904	+18%
Chengdu JV	1,432	1,326	+8%
Total	8,417	7,120	+18%

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

Operational Highlights

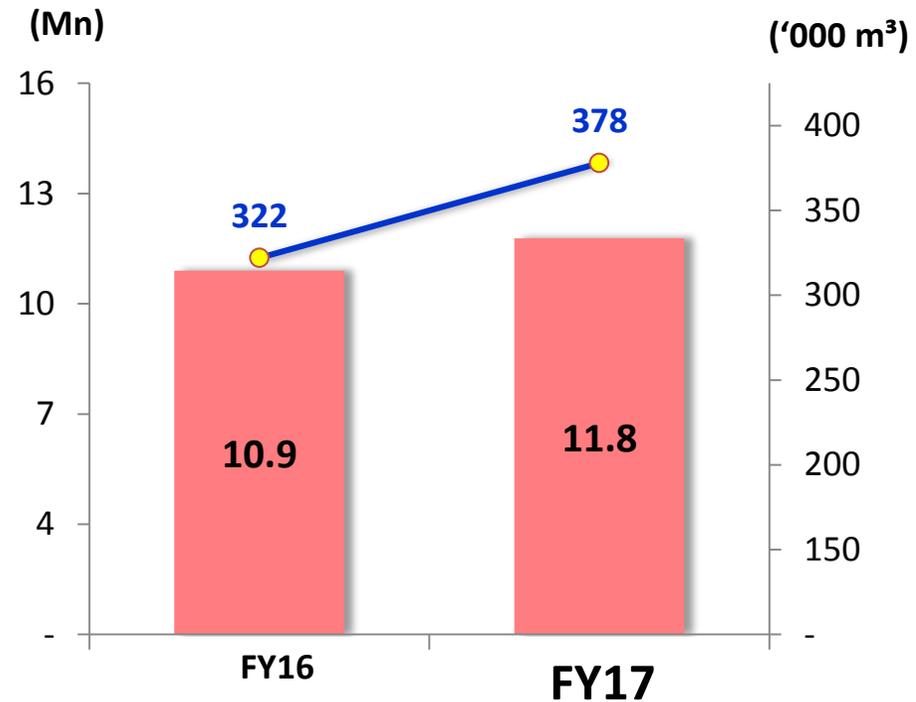


Gas Sales Volume Mix (%)



Productivity

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



* All JVs (100%)

Market Development

Commercial & Industrial



Industrial Customers Coal-to-Gas Conversion	FY17	FY16
JVs with supporting government policy	82	69
Converted Customer	1,040	710
Capacity (Steam tons)	4,830	4,154
Annualized NG Demand (Mn m ³ /p.a.)	720	620

Commercial Customers	FY17	FY16
Newly Acquired Customer	10,200	6,470
Annualized NG Demand (Mn m ³ /p.a.)	280	160

Extended Businesses & Services



- ▶ Leverage on growing customer base and capitalize HK's successful experience
- ▶ Cumulative 227k units of Bauhinia gas appliances sold with gas clothes dryers launched in 2016
- ▶ Expand gas applications installation and services
- ▶ Gas insurance, household and kitchenware, virtual customer centre ...



- ▶ **10 CHP potential projects**
 - NG consumption: 400Mn m³ p.a.

- ▶ **Domestic space heating system**

- Market potential: >15,000 units p.a.
- 10X gas consumption
- 15Mn m³ p.a.



- ▶ **Gas Clothes Dryer**

- Market potential: >6,000 units p.a.
- +30 to 50% gas consumption

► Connection fees

- Joint report on connection fees initiated by city-gas groups addressed to central government
- Government supports its importance on gas development and the rationale behind
- Connection fees now included in property prices reducing visibility
- Urbanization of 1% per year keeps momentum on property market and gas consumption

- ▶ **Reducing competition from small scale LNG & direct supplies**
 - Acute LNG shortage in winter plus sky rocket price drove small scale LNG suppliers out of the market
 - Government's support to strengthen their control on safety and concession rights
- ▶ **Manage to keep gas margin stable while lowering unit cost**

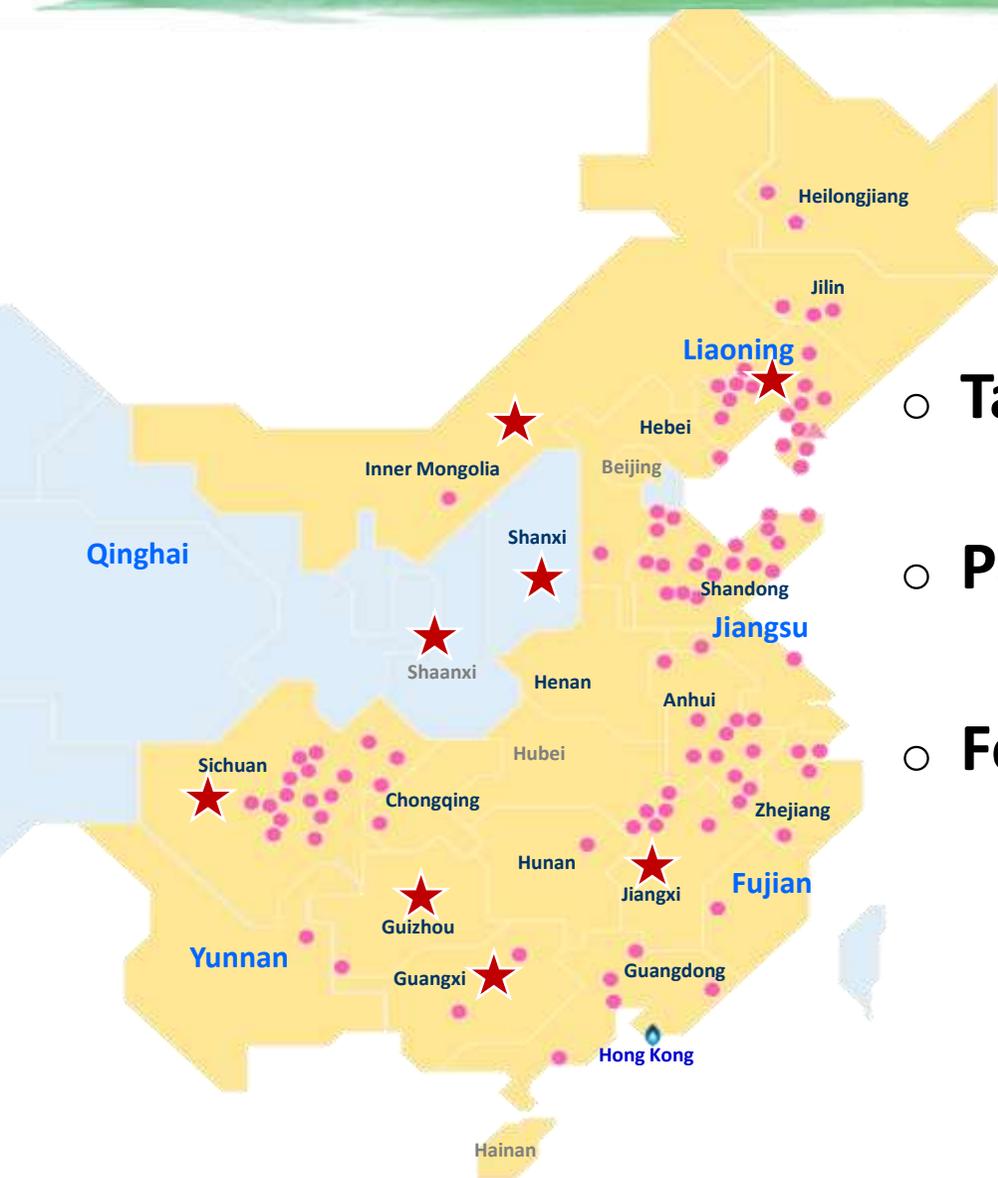
▶ Winter gas shortage

- Nation wide gas shortage has aroused government great concerns on gas supply security
- Government supports in term of favorable policies and financial subsidies to be anticipated
- Jintan Gas Storage to be in business in mid 2018
- Cooperation with PetroChina and Shanghai Gas on gas supply during 2017 winter time

Our Business: Expanding Coverage

Green Future

港華燃氣
Towngas China



- Target: **4-6** new projects / year
- Penetration into neighboring cities
- Focusing on new territories

Thank you



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.