

Towngas China Company Limited

(1083 HK)



2013 Interim Results

Roadshow 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.

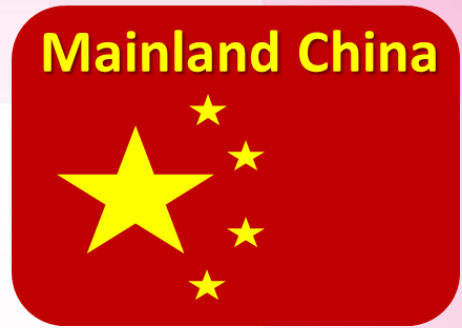
Agenda

1. Business Environment
2. Company Overview
3. Financial and Operational Performance
4. Future Outlook



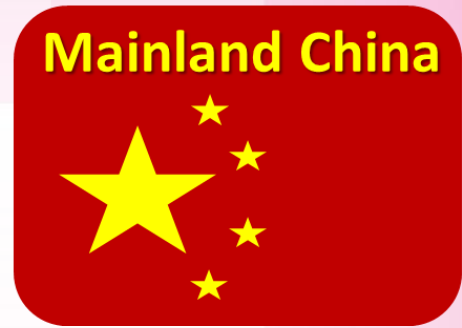
Business Environment

- A change of central government
- A decelerating GDP growth (Q2 2013: 7.5%)
- A sign of property market recovery
- A weak manufacturing & export
- A frightening PM2.5 smog
- A most depressed commodity market
- A nationwide natural gas price reform
- Inflation harnessed (Jul 2013: 2.7%)
- Unemployment becomes a concern (Jul 2013:4.4%)



Business Environment

- Urbanization continues on
- A rising cost of labour & an appreciating RMB (2013 ▲ 2.3%)
- A persisting liquidity crunch
- An over production capacity situation
- A westward-shift in economic development
- A high level directive to suppress bribery



Company Overview



Territorial Coverage



84 projects covering
15 provincial regions

Piped city-gas

City-gas



Midstream



11 new city-gas (2013)



As at July 2013

11 New Projects Added in 2013

City-gas **11** projects

- | | |
|-------------------------------|-----------------------------|
| ① Feicheng 肥城 | ⑥ Chaozhou Fengxi 潮州楓溪 |
| ② Maanshan Zhengpugang 馬鞍山鄭浦港 | ⑦ Bozhou 亳州市 |
| ③ Mianzhu 綿竹 | ⑧ Cangzhou Yanshan 滄州鹽山縣 |
| ④ Boxing 博興 | ⑨ Cangzhou Cang County 滄州滄縣 |
| ⑤ Wuhu Fanchang 蕪湖繁昌縣 | ⑩ Cangzhou Mengcun 滄州孟村 |
| | ⑪ Dafeng 大豐市 |

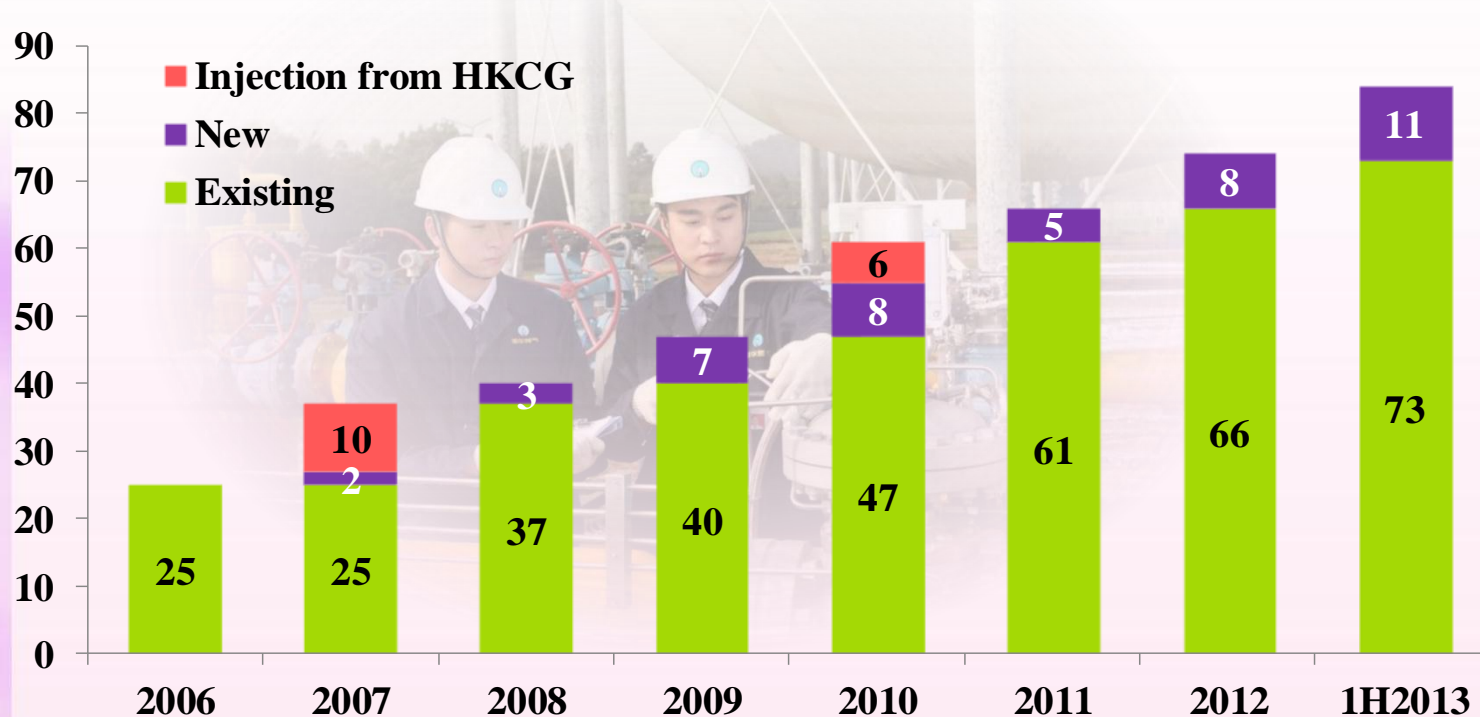
Gas consumption in 5 years' time: **1,185Mn m³**

Total investment: **RMB1,364Mn**



Number of Piped-gas Projects

2006	2007	2008	2009	2010	2011	2012	1H2013
25	37	40	47	61	66	74	84



1H2013: Jinan Jihua & Shandong Jihua combined.

2012: include Liaoning Wafangdian midstream project

Financial and Operational Performance



2013 First-half Highlights

- Strong profit growth of 49% to HK\$533Mn
- Excluding exchange gain profit grew by 23%
- Increase in average gas selling price and volume help gas revenue growth of 24% over last year
- Gas sales volume grew by 13% to 2.9Bn m³
- 84 JVs in total, 11 city-gas projects added



Results Highlights (Financial)

(HK\$Mn)	1H12	1H13	Change
Gas Sales	1,929	2,394	+24%
Connection Fees	508	568	+12%
Turnover	2,437	2,962	+22%
Profit attributable to shareholders	357	533	+49%
Basic EPS (HK cents)	14.51	20.51	+41%

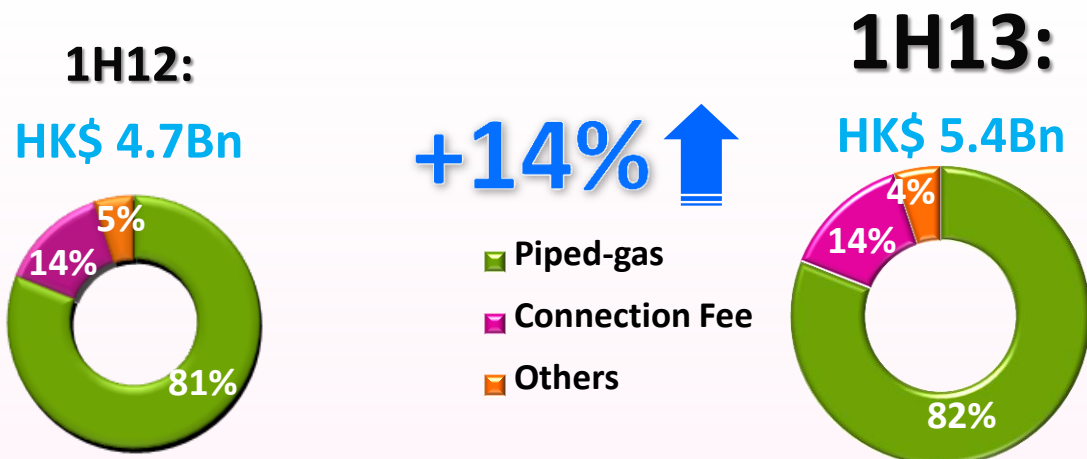
Key Balance Sheet Items

(HK\$Mn)	2012Y.E.	1H13	Change
Total Assets	21,255	23,471	+10%
Total Liabilities	9,968	10,668	+7%
Total Equity	11,287	12,802	+13%
Gearing Ratio*	18.6%	17.7%	

Note:

* Definition of Gearing Ratio: Net Debt excluding HKCG loans (“ND”) to equity attributable to shareholders plus ND

Results Highlights (Management)

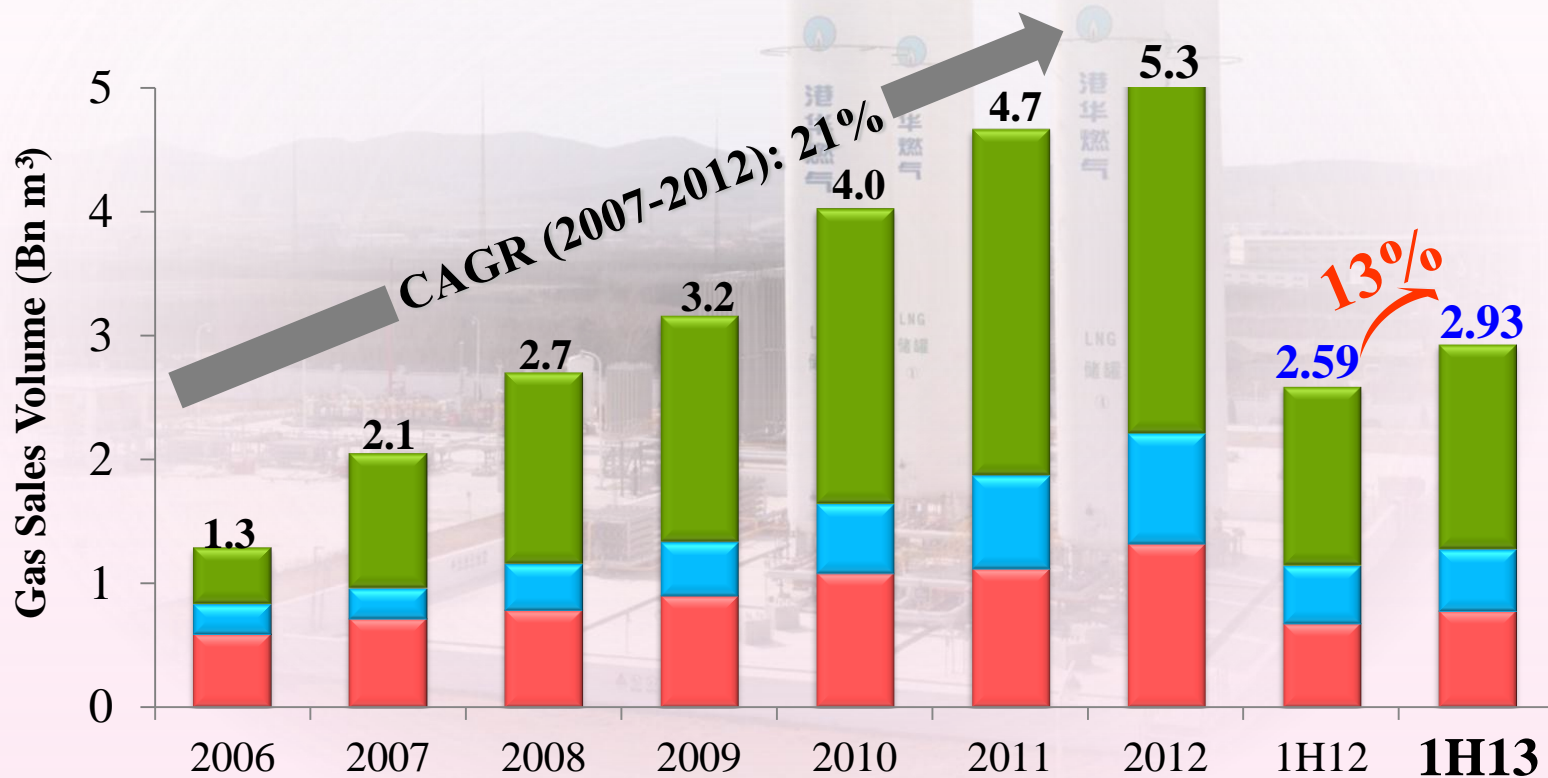


(HK\$Mn)	1H12	1H13	Change
Total Turnover	4,747	5,435	+14%
JV profit contribution	478	577	+21%
Profit margin ratio	10.1%	10.6%	Improvement in margin
Exchange difference	(17)	74	
Administration expenses	(42)	(56)	+33%
Financial cost	(62)	(62)	-
Profit attributable to shareholders	357	533	+49%

*All JVs shared equity basis

Growing Gas Sales Volume

(Bn m ³)	1H12	1H13	Change
Industrial	1.44	1.65	+15%
Commercial	0.47	0.50	+18%
Residential	0.68	0.78	+14%
Total	2.59	2.93	+13%



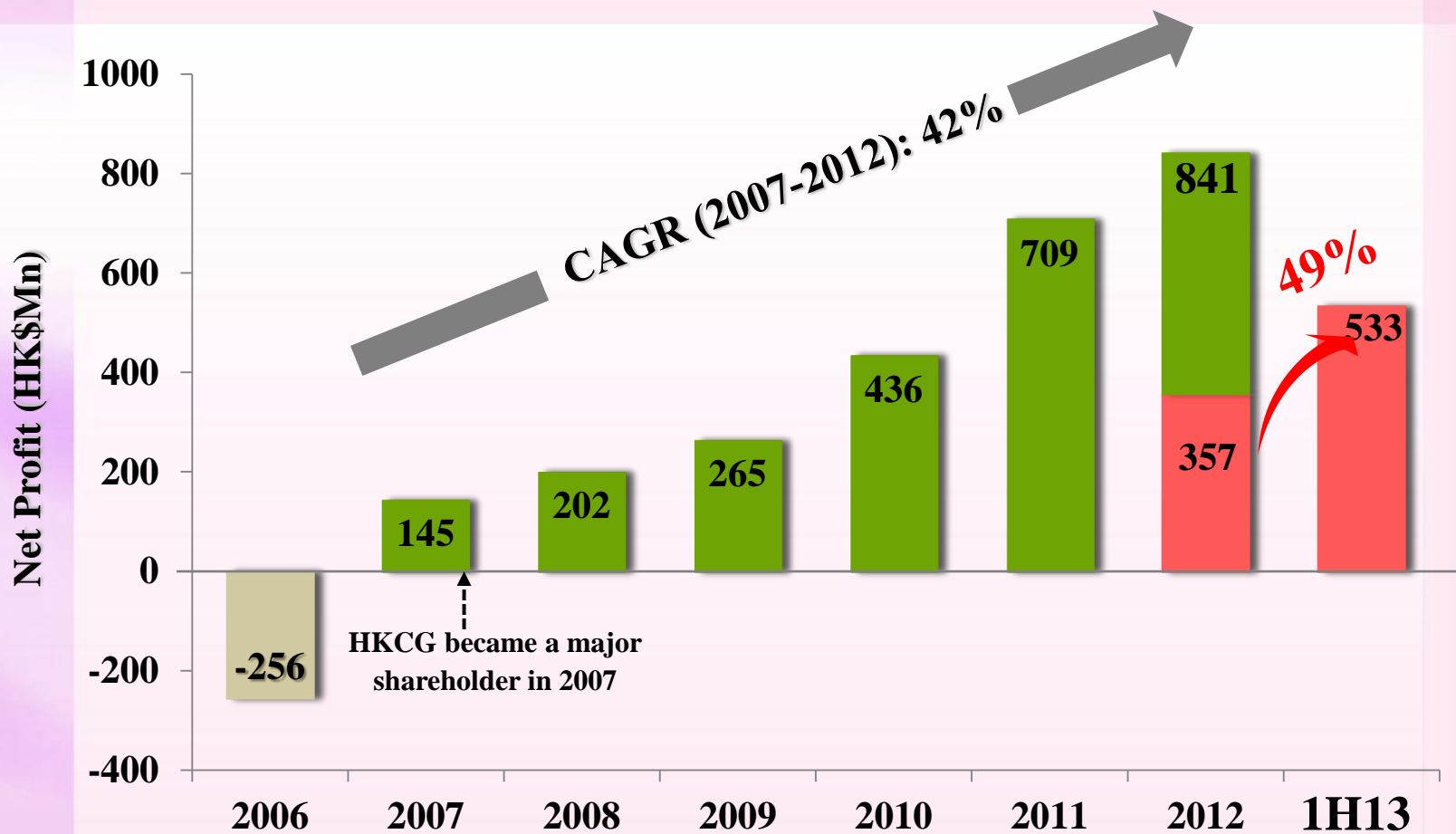
*All JVs (100%)

Gas Sales Volume Distribution of JVs

All Equity Basis

Volume (Mn m ³)	1H12	1H13	Change
Subsidiaries	664	766	+15%
JCEs & Associates	1,322	1,546	+17%
Chengdu JV	609	616	+1%
Total	2,595	2,928	+13%
Excluding Chengdu	1,986	2,312	+16%

Continuous Profit Growth



NG Gate-Price Adjustments

- Effective July 10
- Affect non-residential consumption
- Gate-prices split into EVP and AVP
 - EVP: current gate-price +Rmb0.4/m³
 - AVP: current gate-price +Rmb1.28/m³
- EVP volume = gas volume consumed in 2012
- 69% JVs affected
- Action taken:
 - work closely with local governments for pass-through
 - keep the C&I customers communicated
 - C&I meter readings taken on July 10
 - 2013 financial impact is not significant

EVP:	Existing Volume Price, 存量氣價
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AVP:	Additional Volume Price, 增量氣價
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Market Capitalization



*Bloomberg

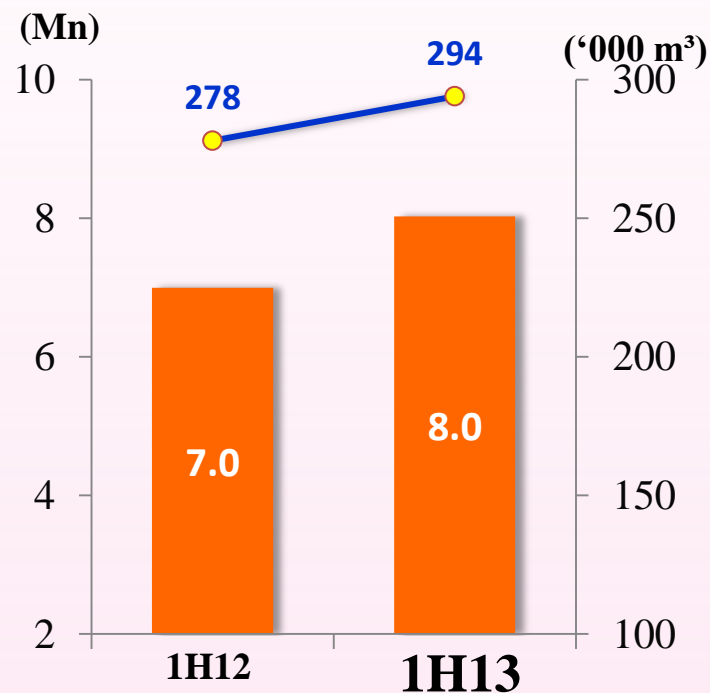
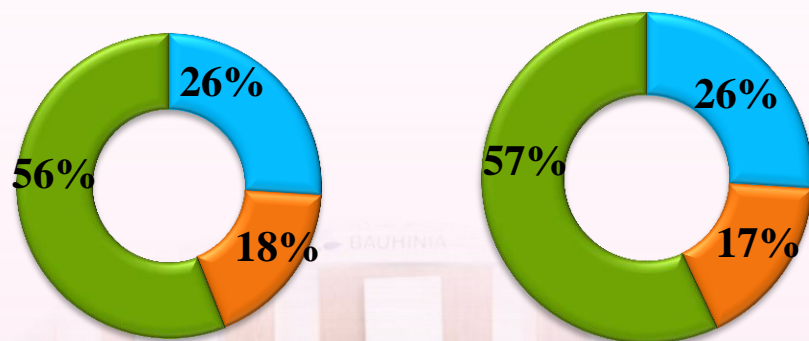
Operational Highlights

Gas Sales Volume Mix (%)

No. of Customers

■ Residential
 ■ Commercial
 ■ Industrial

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



* All JVs (100%)

Successful Share Placement

16 January 2013

No. of share placed

150mn @HK\$6.31/share

Net Proceeds raised

HK\$930mn

Over-subscription

>20x

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港華燃氣有限公司
Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)

PLACING AND ISSUE OF NEW SHARES
 UNDER GENERAL MANDATE

AND

RESUMPTION OF TRADING

HSBC  **UBS** 

As Placing Agents

On 10 January 2013 (before the opening of the trading hours), the Company and the Placing Agents entered into the Placing Agreement pursuant to which each of the Placing Agents has conditionally agreed with the Company to act as agents for the Company during the Placing Period to procure subscribers to subscribe for, or failing which to subscribe as principal, severally and not jointly nor jointly and severally in their respective proportions for a total of 150,000,000 new Shares at a price of HK\$6.31 per Placing Share.

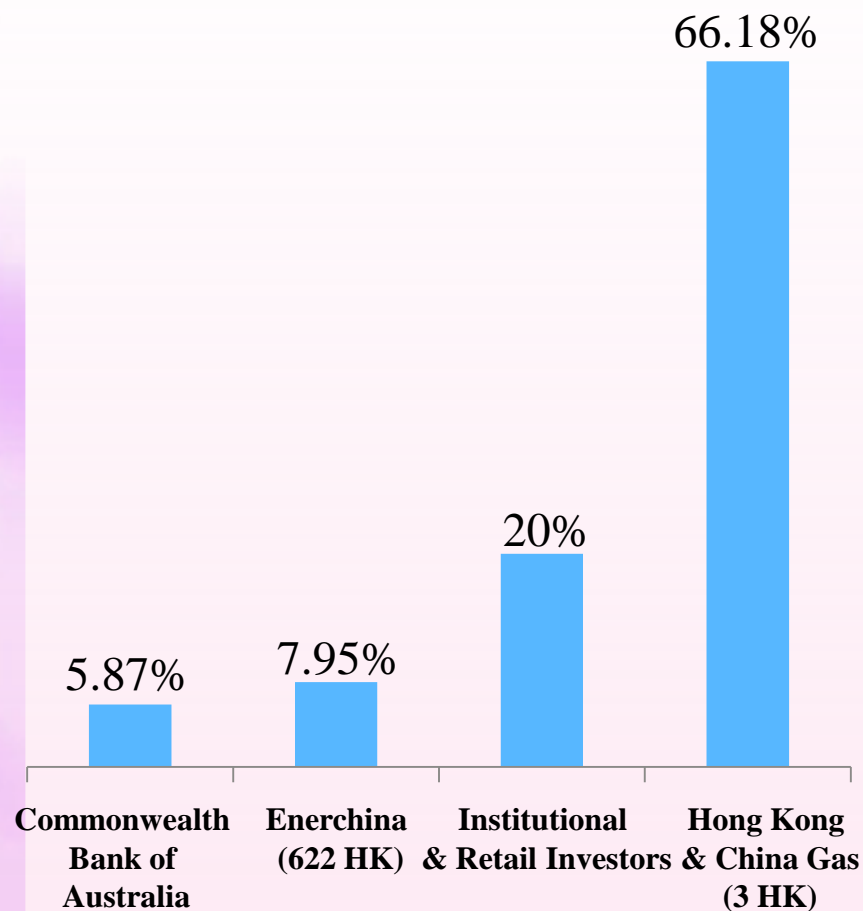
The Placing Price represents a discount of approximately 4.10% to the closing price of HK\$6.58 per Share as quoted on the Stock Exchange on the Last Trading Day and a discount of approximately 2.77% to the average closing price of approximately HK\$6.49 per Share as quoted on the Stock Exchange for the last 5 trading days immediately preceding 9 January 2013, the date on which trading in the Shares was halted pending the

- 1 -

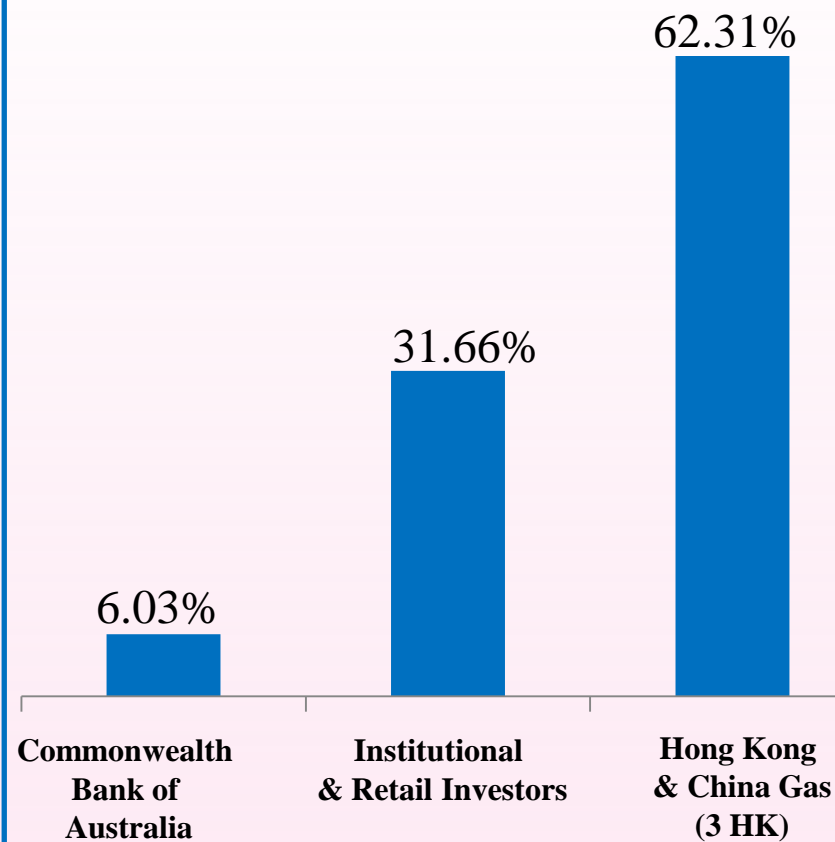
Towngas China (1083.hk)

Shareholders Profile

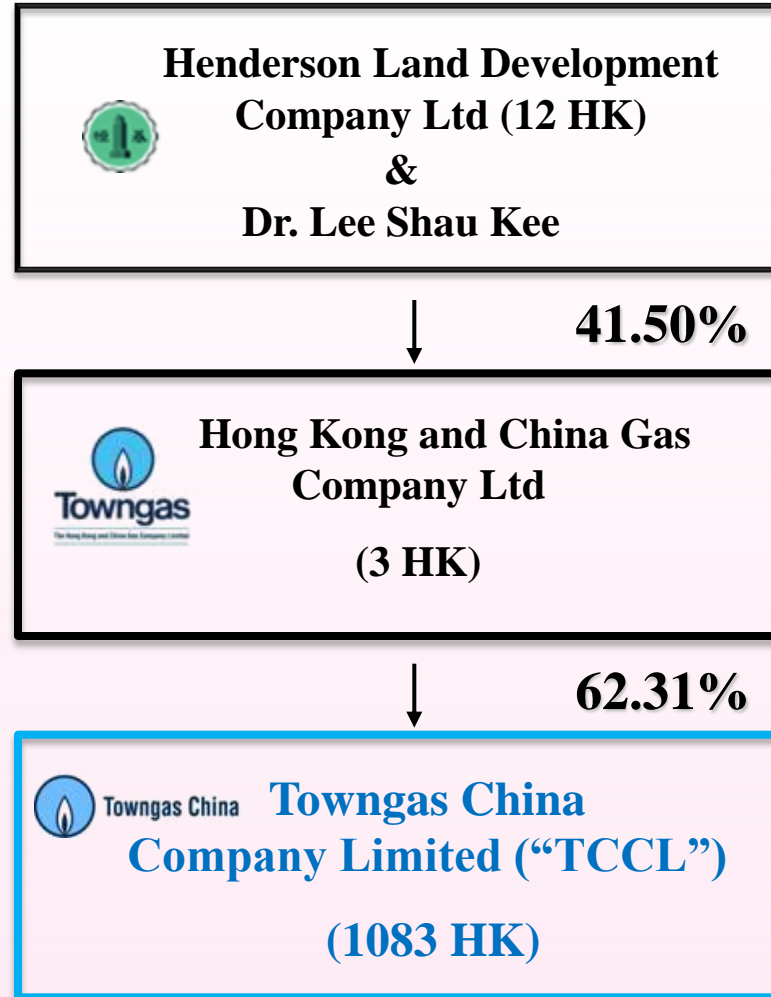
1 January 2013



31 July 2013



Corporate Structure

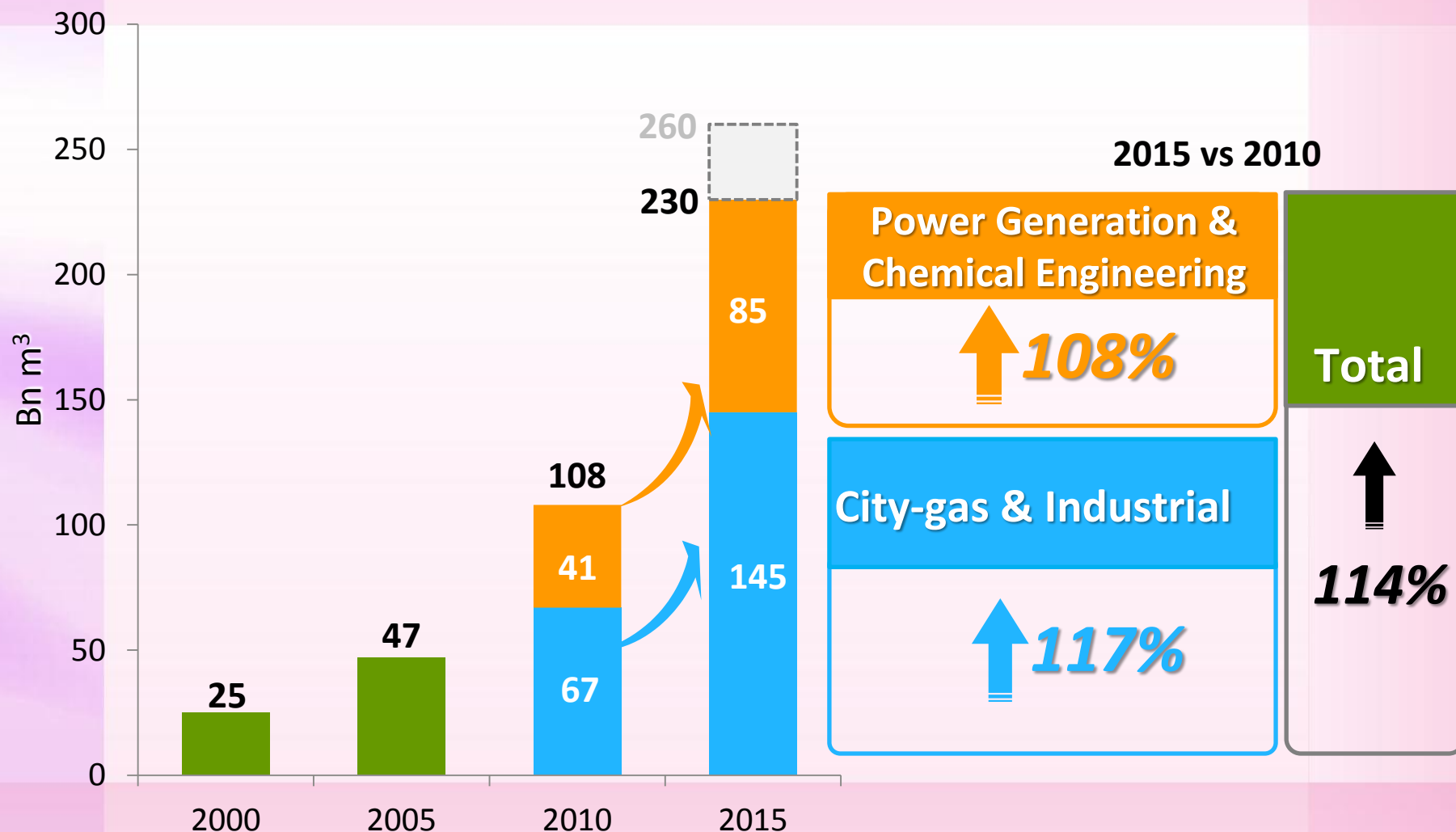


Future Outlook



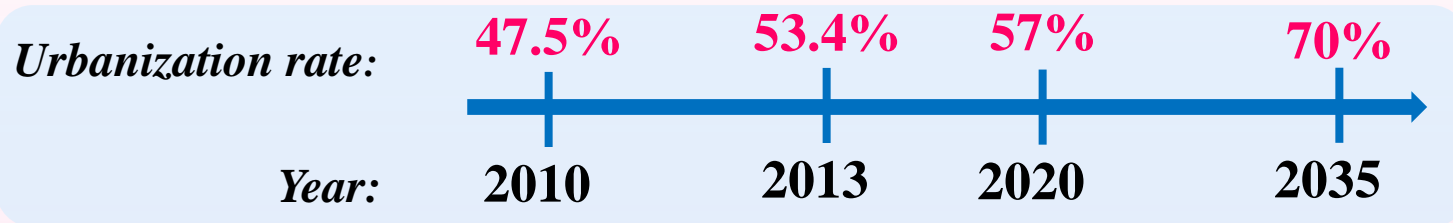
Strong NG Demand

Clipped by Supply Bottlenecks & Price Hike



City-gas Business Outlook

- Increasing natural gas supplies:
 - W2E2
 - W2E3
 - Myanmar pipeline
 - Russia Eastern Pipeline
- China remains a manufacturing country
- Increase in urbanization rate:



- Increasing housing supply:
Subsidized home

2011-2015	36 Mn
2013	6.3 Mn



- No significant change in connection fee policy

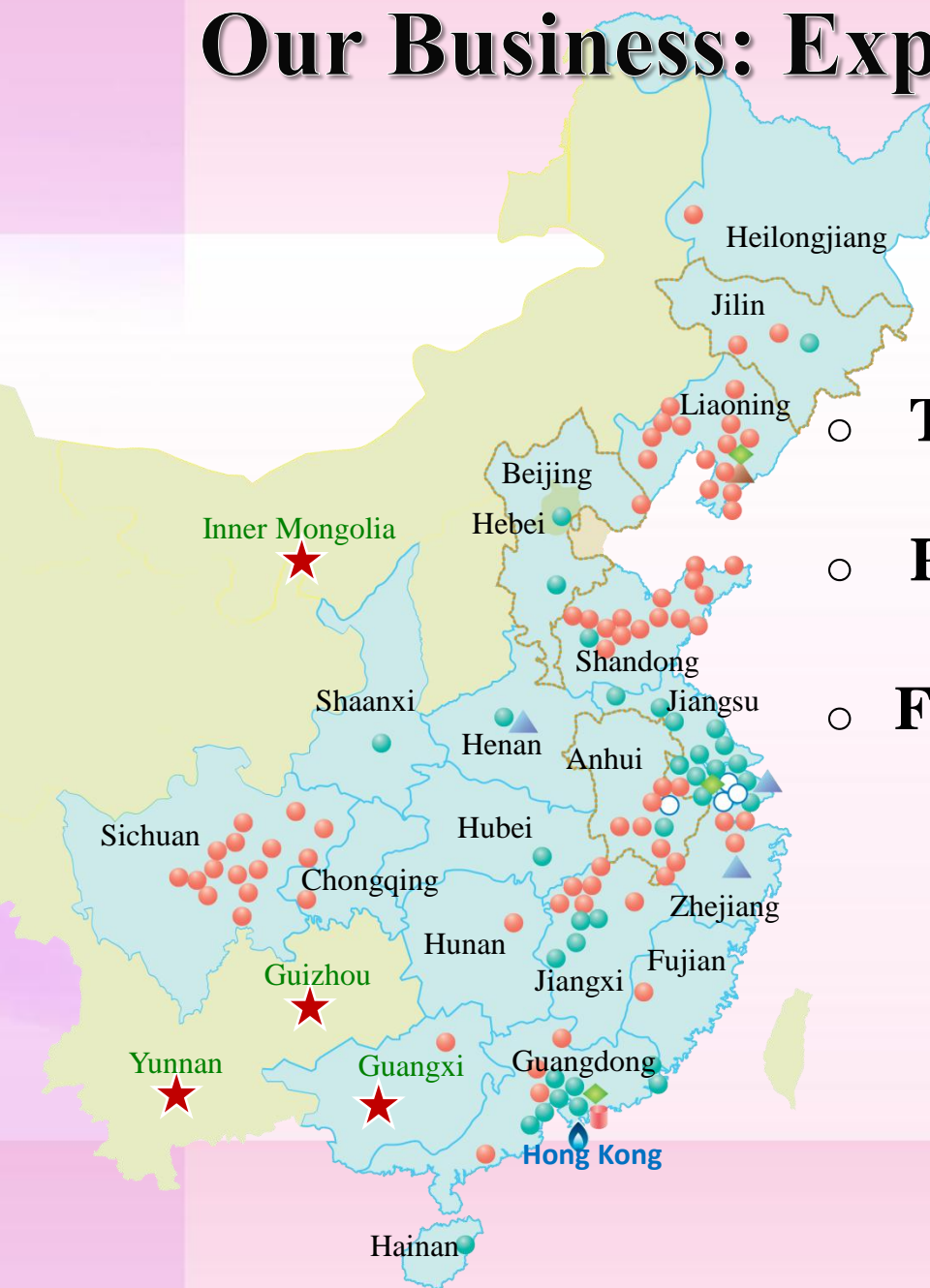
Pouring In Supply Infrastructure

An Immense National Grid



NG Source	Commissioning Year	Capacity
① West to East 1	2004	17 Bn m ³
② West to East 2	2011	30 Bn m ³
③ Central Asia	2010	2014 >55 Bn m ³
④ Sichuan to East	2010	12 Bn m ³
⑤ Myanmar to China	3Q 2013	12 Bn m ³
A Russia to China	2018 (expected)	38 Bn m ³
★ HKCG Shanxi LCBM	2009	Shanxi LCBM
⑥ West to East 3	2015	30 Bn m ³
 Existing LNG Terminal		44M tonnes
 LNG Terminal under construction		30M tonnes
 LNG Terminal under planning		65M tonnes

Our Business: Expanding Coverage



- Target: **10** new projects / year
- Penetration into neighboring cities
- Focusing in new territories:

- Inner Mongolia
- Guizhou
- Guangxi
- Yunnan

Thank You



港华燃气
Town

