

Towngas China (1083.hk)

2019 Annual Results Presentation



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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%



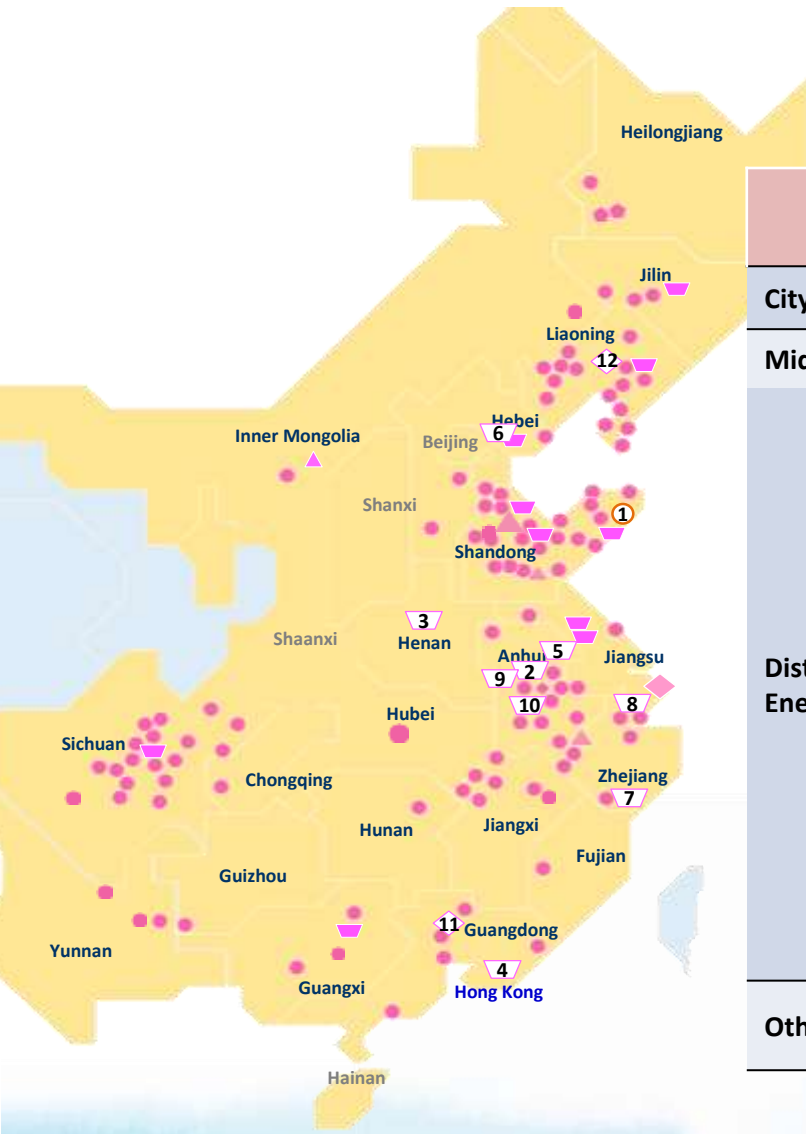
Towngas China
(1083.hk)

- Major city-gas company in mainland China

Territorial Coverage



12 project added, total **127** projects
in **21** provincial regions

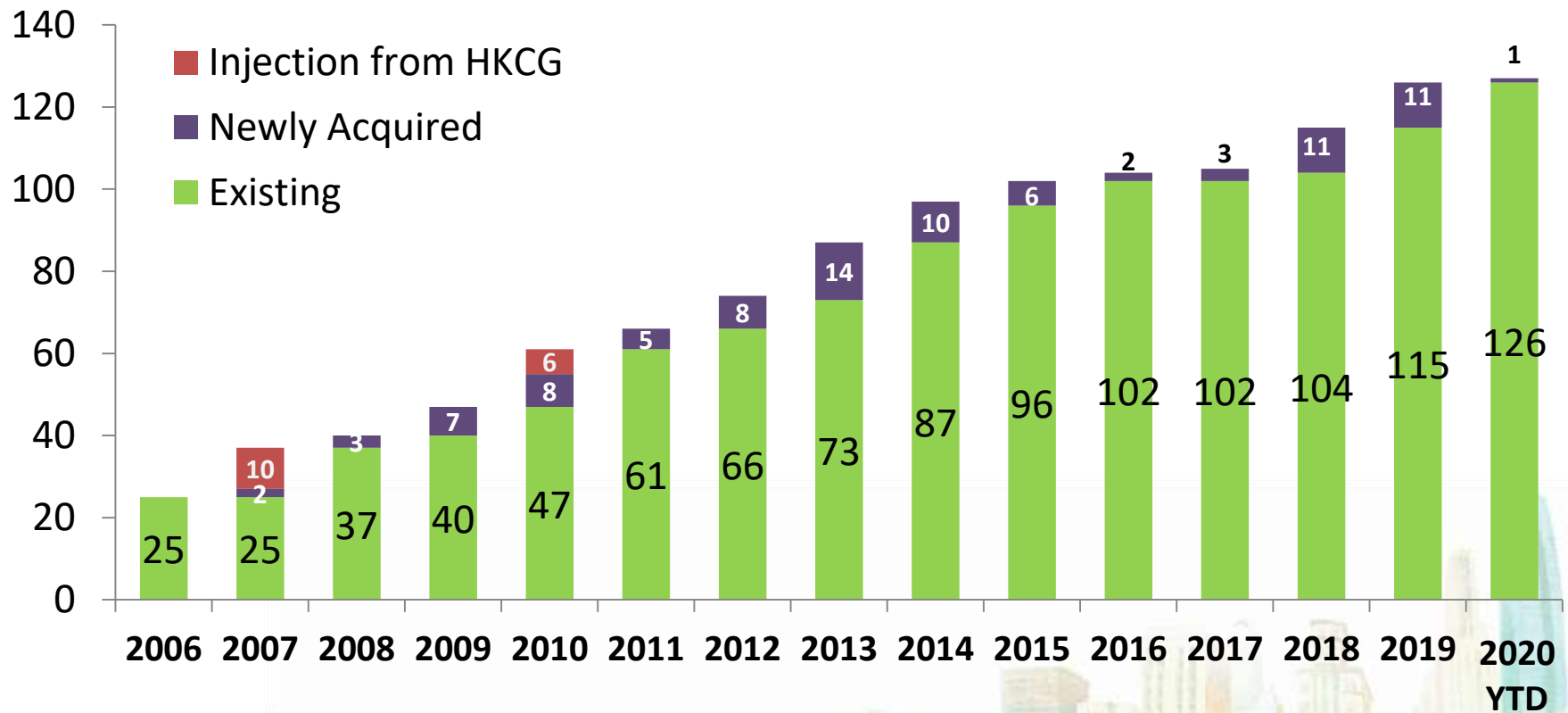


	Total projects	New Projects
City-gas	98	1. Eastern coastal area of Laoshan district, Qingdao city
Midstream	4	-
Distributed Energy System	19	2. Maanshan Economic and Technological Development Zone South District 3. Xinmi Yinji International Tourism Resort 4. Shenzhen 5. Dangtu Economic Development Zone Northern District, Anhui 6. Fengnan Lingang Economic Development Zone, Tangshan city, Hebei 7. Wangcun Industrial Zone in Songyang county, Lishui city, Zhejiang 8. Changzhou Photovoltaic Industrial Park, Jiangsu 9. Electricity project in Anhui 10. Eastern Park of Tongling Economic and Technological Development Zone, Anhui
Others	6	11. U-Tech (Guangdong) Engineering Construction 12. Liaoning Clean Energy

As of 19 Mar 2020

Number of Projects

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 YTD
25	37	40	47	61	66	74	87	97	102	104	105	115	126	127





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Financial and Operational Performance

2019 Annual Results Highlights



- **Operating Profit**
before Impairment Provision:
HK\$1,456Mn ↑19%



Gas Sales Volume

↑11%
11Bn m³



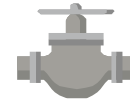
Total Projects

+11
Total 126



Total Customers

+0.8Mn
13.4Mn



New Connections

+1.1Mn

Results Highlights (Financial)

Strong Operating Results

(HK\$ Mn)	FY2019	FY2018	Change
Turnover			
Gas Sales & Others	10,835	9,755	+11%
Connection Fees	2,089	2,032	+3%
	12,924	11,787	+10%
Operating Profit before Corporate Expenses	1,999	1,867	+7%
Finance Cost	(371)	(486)	-24%
Corporate Overhead	(172)	(157)	+9%
Profit before One-off Item	1,456	1,224	+19%
One-off item: Impairment Provision of Goodwill	(148)	-	-
Profit Attributable to Shareholders	1,308	1,224	+7%
Basic EPS (HK cents per share)	46.06	43.89	+5%
Dividends per share (HK cents)	15	15	-

RMB/USD Average Exchange Rate

Rmb Depreciation in 2019



Healthy Financial Position



TCCL (1083 HK)	31 Dec 2019	31 Dec 2018	Change		31 Dec 2019	31 Dec 2018	Change
	HK\$ Bn	HK\$ Bn					
Total assets	38.2	34.0	+12%	Share price (HK\$)^	5.40	5.81	-16%
Net asset value	20.3	17.8	+14%	Market cap. (HK\$ Bn)	15.5	15.5	-16%
Cash and Bank	2.0	1.7	+20%	No. of Shares (Bn)	2.87	2.81	-
Total borrowings	10.3	9.5	+8%	P/E Ratio	11.7x	13.2x	
Interest Coverage	7.7x	8.6x		P/B Ratio	0.8x	1.0x	
Gearing (Net)	31%	33%					

Credit Ratings:



BBB+



Baa1

Chengdu Gas Group IPO in 2019

Stock code:	603053
Market:	Shanghai Stock Exchange
Listing date:	17 Dec 2019
Listing price:	Rmb10.45 per share
P/E:	23x
Fair value gain to reserve:	HK\$ 1,969 million
TCCL ownership post listing:	11.7%

港華燃氣集團股份有限公司
代 碼: 603053
45元 總股本: 88889萬股
54元 最新價
00股 漲跌幅: 44.02%

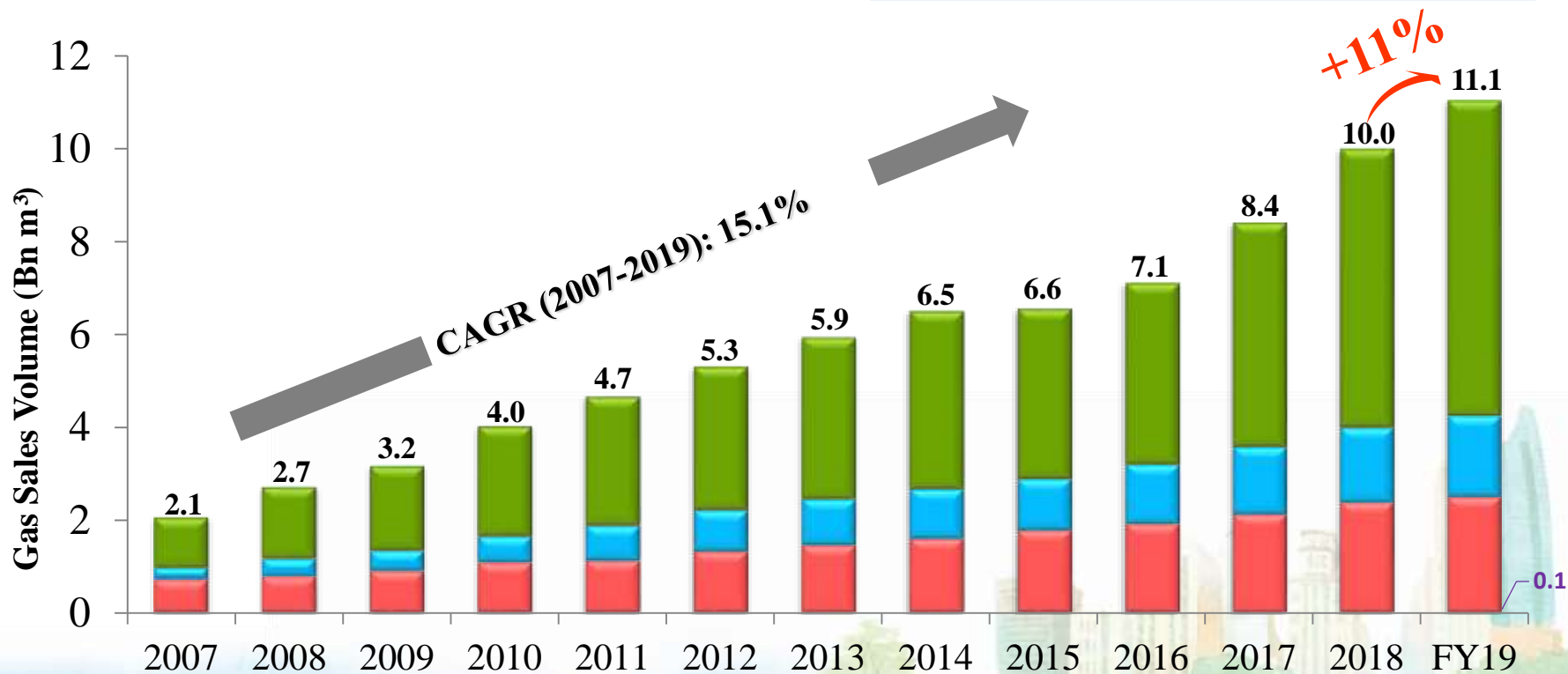
成都燃氣集團股份有限公司
代 碼: 6030
發行價: 10.45元 總股本: 88889萬
54元 最新價: 15.05
成交量: 26900股 漲跌幅: 44.02%



Growing Gas Sales Volume



(Bn m ³)	FY18	FY19	Change
Industrial	6.0	6.8	+13%
Commercial	1.6	1.8	+9%
Residential	2.4	2.5	+5%
DES	-	0.1	-
Total	10.0	11.1	+11%

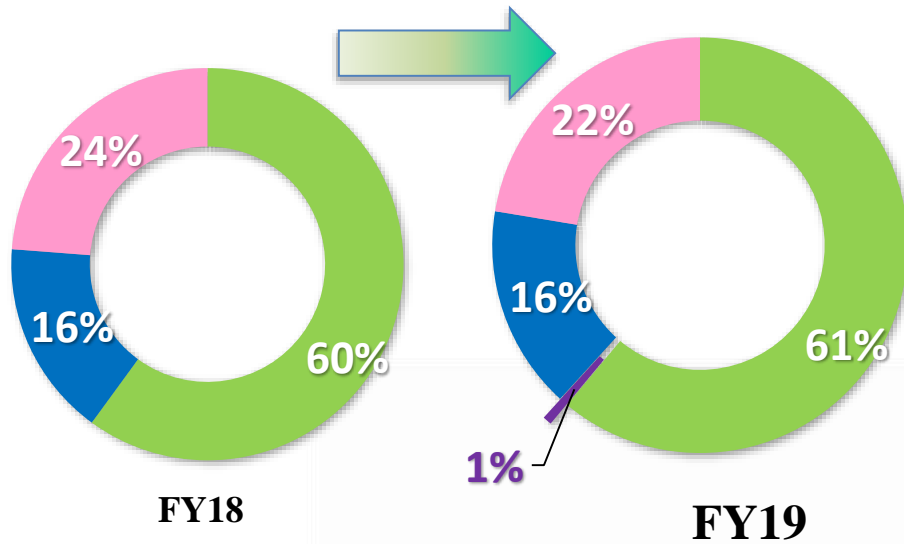


*All JVs (100%)

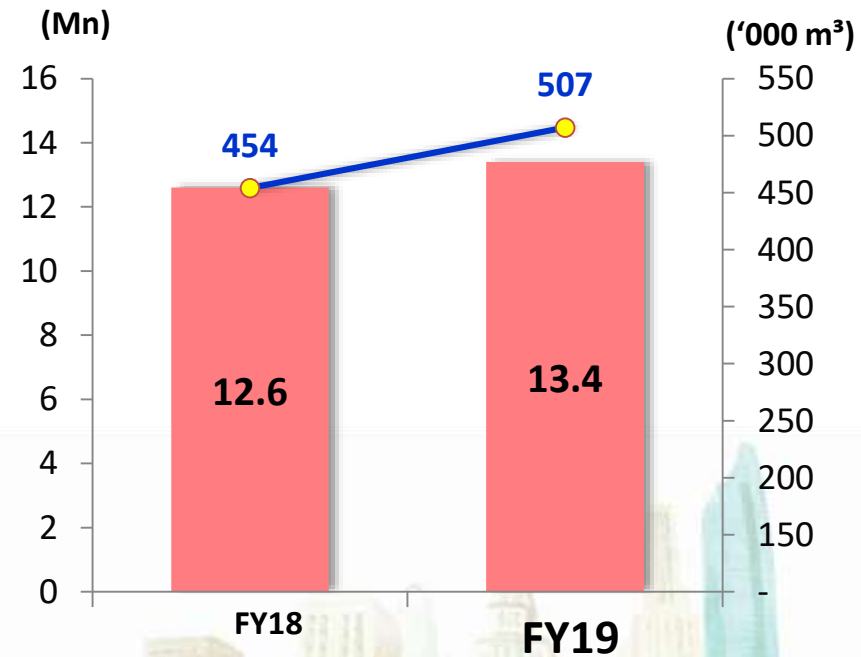
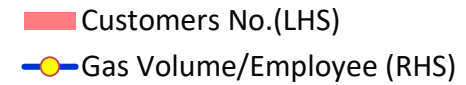
Operational Highlights



Gas Sales Volume Mix (%)



Productivity



* All JVs (100%)

Business Environment & Measures



- **Economic activities were mostly suspended in February 2020**
- **Resumption of work and production in an orderly manner. C&I gas consumptions gradually resume from March 2020**
- **Gas volume in 1Q2020 is expected to drop by 15%, expect a single digit volume growth for 2020FY**
- **Some provincial/municipal governments ask to reduce gas prices & extend credit period to relieve affected C&I customers' financial burden**
- **Lowered NG city gate price to help C&I customers**
- **Low activities in construction works and new connections to customers will be delayed**
- **Various government supportive measures: low interest financing, interest subsidies, waiver of social security levies & office rent may apply on utilities**
- **Measures to control JVs' operating expenses and postpone CAPEX**
- **Actively deploy virtual customer centre to serve customers online and promote extended business**

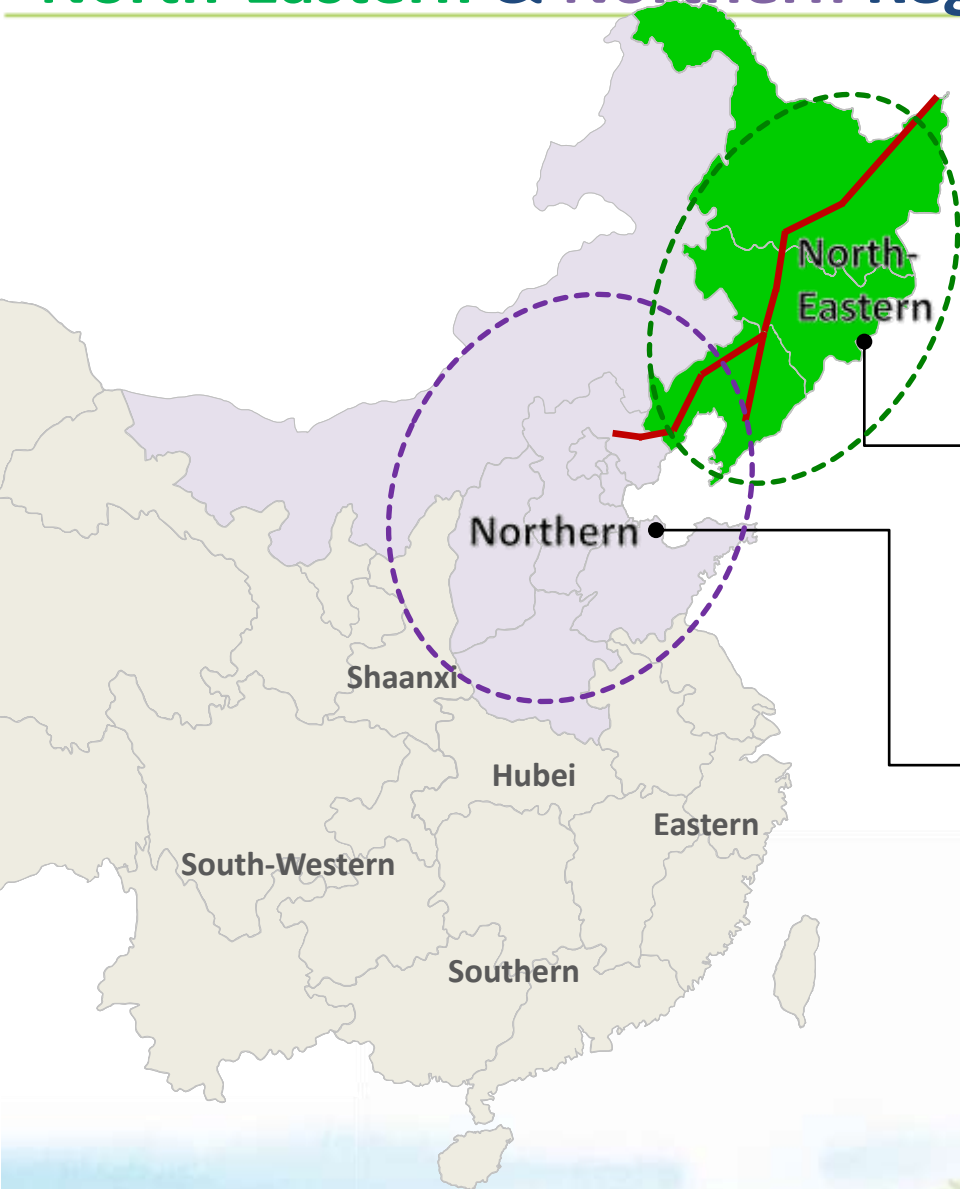
1. National Gas Volume Growth Continues

	2019	2020	2030
National Annual Consumption	307 Bn m ³	330 Bn m ³	480 Bn m ³
Share of Primary Energy	8.3%	8-9%	15%

2. Lift restriction on foreign ownership on 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 supply started in Dec 2019 with volume of 38 Bn m³ p.a. by 2024

North-Eastern	2019	2024F
Number of projects	21	>25
Volume (Bn m ³)	1.6	4.6
Volume Growth	CAGR: 23%	

Northern	2019	2024F
Number of projects	24	>26
Volume (Bn m ³)	2.6	4.8
Volume Growth	CAGR: 13%	



3. Setting up National Oil and Gas Pipeline Company

- Announced in December 2019
- Open access to pipelines and NG importation
- More extensive pipelines development
- 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 discussing with city-gas operators and considering local situations
- In most cases, connection fee arrangements are allowed to continue
- Room for cost improvement

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)

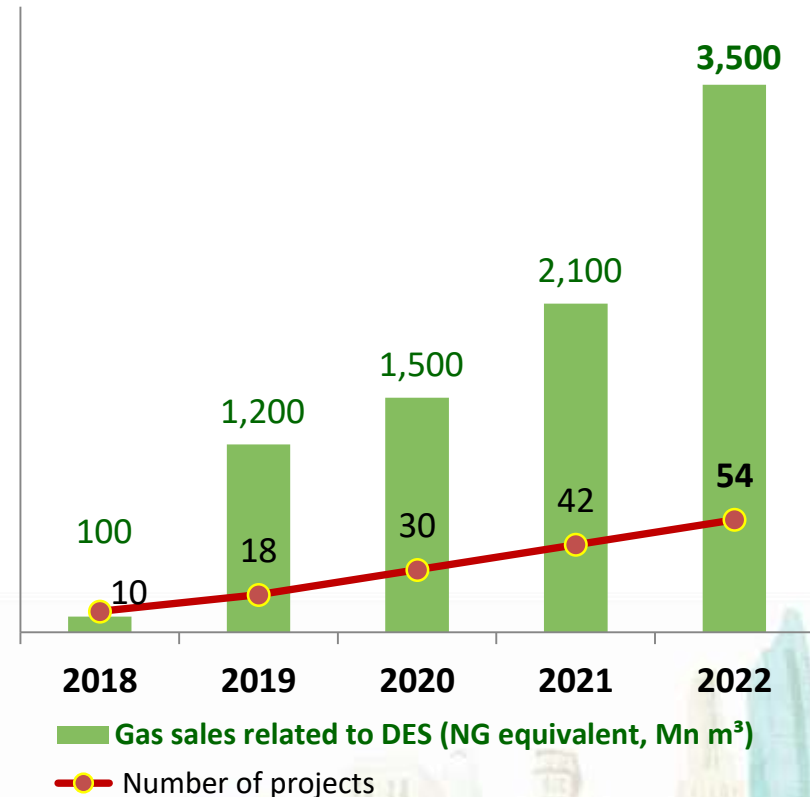
Benefits to TCCL	2015-18	2019	2020F
Cumulative Annualized Gas Consumption Capacity (Bn m ³)	2.0	2.5	3.0

- A 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: 54 projects by 2022

Green Energy Integrated Services Business Growth





<u>Project Information</u>	<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 facilitate free flow of NG
- NG and LNG trading opportunities
- Shanghai Gas is a partner of Phase 1 with 25% shareholding
- Total investment Rmb1.2Bn (22 caverns)

Thank you



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