

Towngas China (1083.hk)

2020 Interim Results Presentation



*Go Green
Every Day*

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



煤氣
Towngas

Hong Kong & China Gas
(0003.hk)

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

68.21%

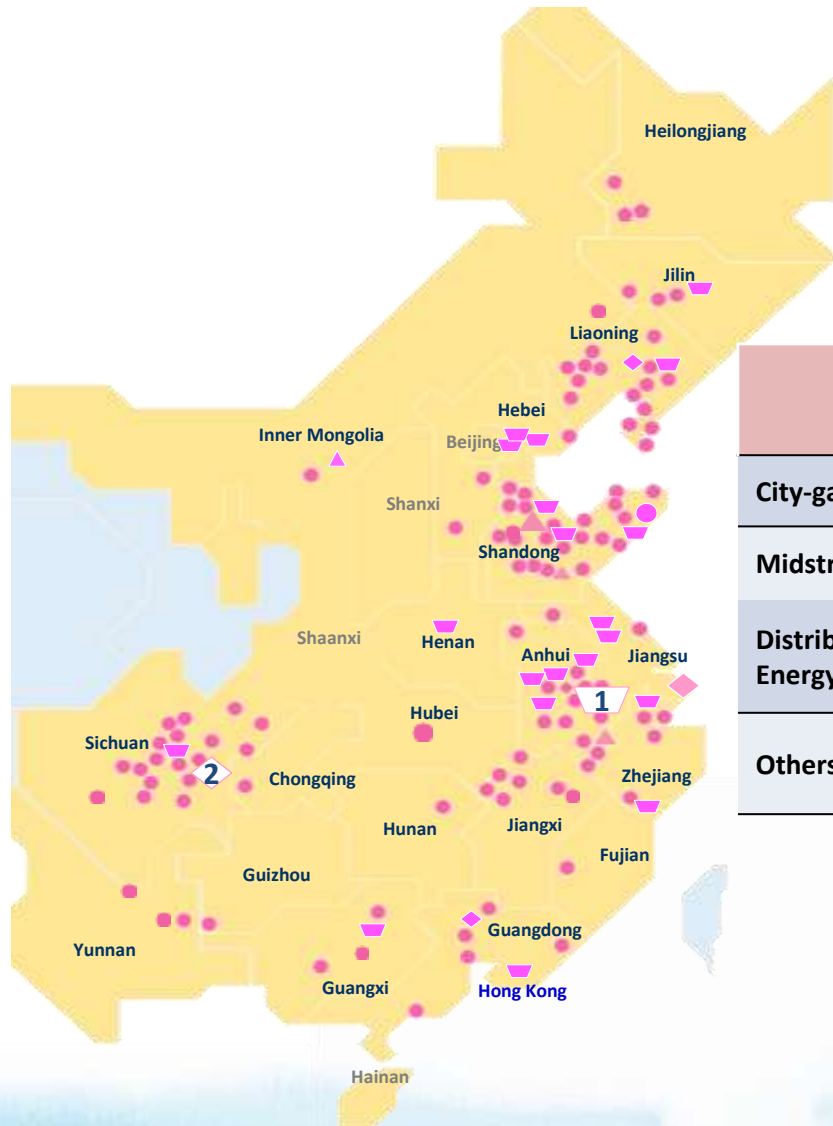


港華燃氣
Towngas China

Towngas China
(1083.hk)

- Major city-gas company in mainland China

Territorial Coverage



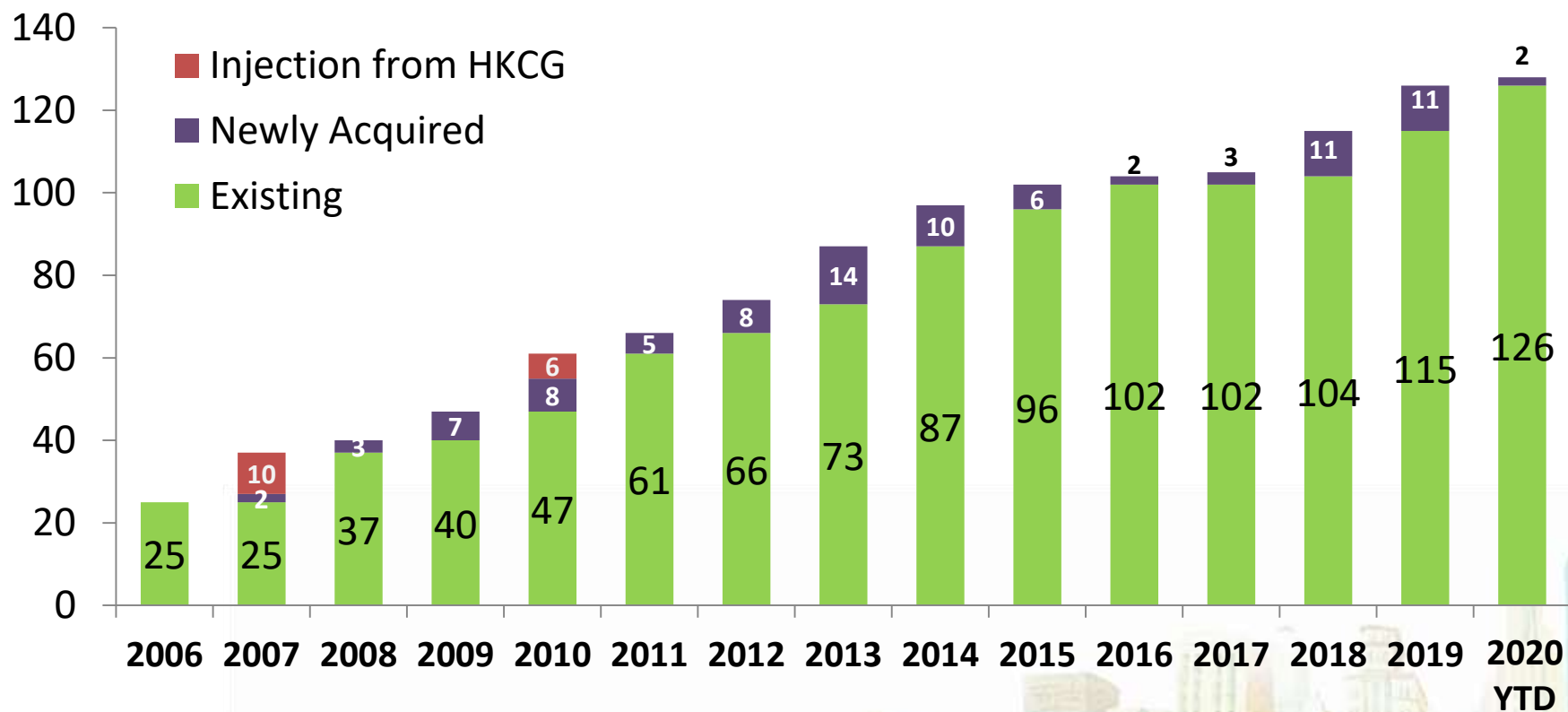
2 projects added, total **128** projects
in **21** provincial regions

	Total projects	New Projects
City-gas	98	-
Midstream	4	-
Distributed Energy System	19	1. Eastern Park of Tongling Economic and Technological Development Zone, Anhui
Others	7	2. Towngas Cosy Home (Chengdu) Technological Services

As of 31 Jul 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	128





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Financial and Operational Performance

2020 Interim Results Highlights



Operating Profit
before Finance Costs:
HK\$824Mn -18%



Gas Sales Volume

-2.6%

5.5Bn m³



Total Projects

+2

Total 128



Total Customers

+0.3Mn

13.7Mn



New Connections

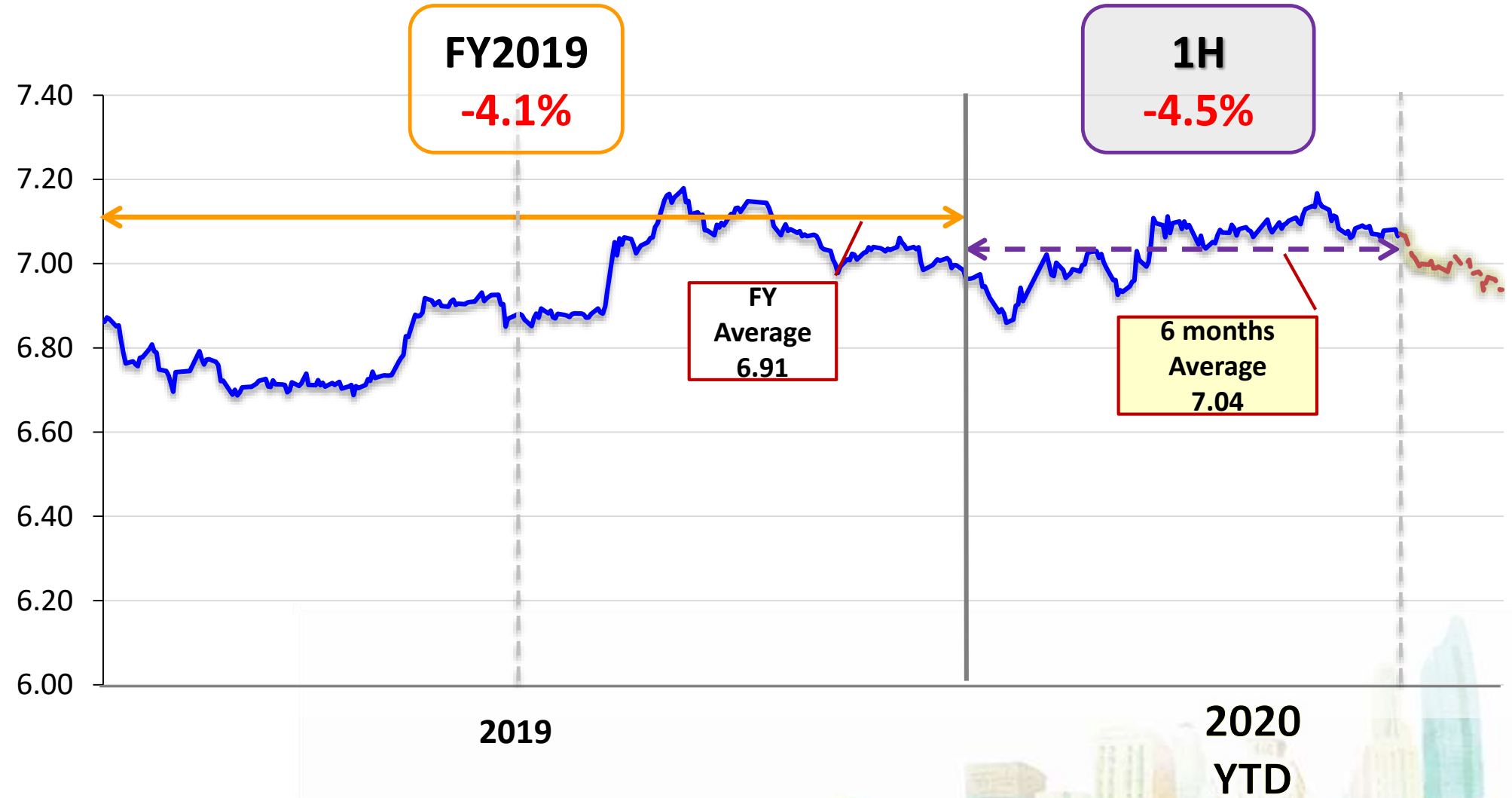
+0.36Mn

Results Highlights (Financial)

(HK\$ Mn)	1H2020	1H2019	Change
Turnover			
Gas Sales	4,810	5,619	-14%
Connection Fees	753	893	-16%
	5,563	6,512	-15%
Operating Profit	824	1,003	-18%
Corporate Overheads & Finance Costs	(243)	(247)	-
Profit Attributable to Shareholders	581	756	-23%
Basic EPS (HK cents per share)	20.23	26.89	-25%

RMB/USD Average Exchange Rate

Rmb Depreciation in 2020



Source: Corporate data

Healthy Financial Position

TCCL (1083 HK)	30 Jun 2020	31 Dec 2019	Change		30 Jun 2020	31 Dec 2019	Change	
	HK\$ Bn	HK\$ Bn						
Total assets	38.2	38.2	0%		Share price (HK\$)	3.50	5.40	-35%
Net asset value	19.8	20.3	-3%		Market cap. (HK\$ Bn)	10.0	15.5	-35%
Cash and Bank	2.4	2.0	+22%		No. of Shares (Bn)	2.87	2.87	-
Total borrowings	10.5	10.2	+2%		P/E Ratio	8.9x	11.7x	
Interest Coverage	7.3x	7.7x			P/B Ratio	0.6x	0.8x	
Gearing (Net)	31%	31%						

Credit Ratings:

**STANDARD
& POOR'S**
RATINGS SERVICES

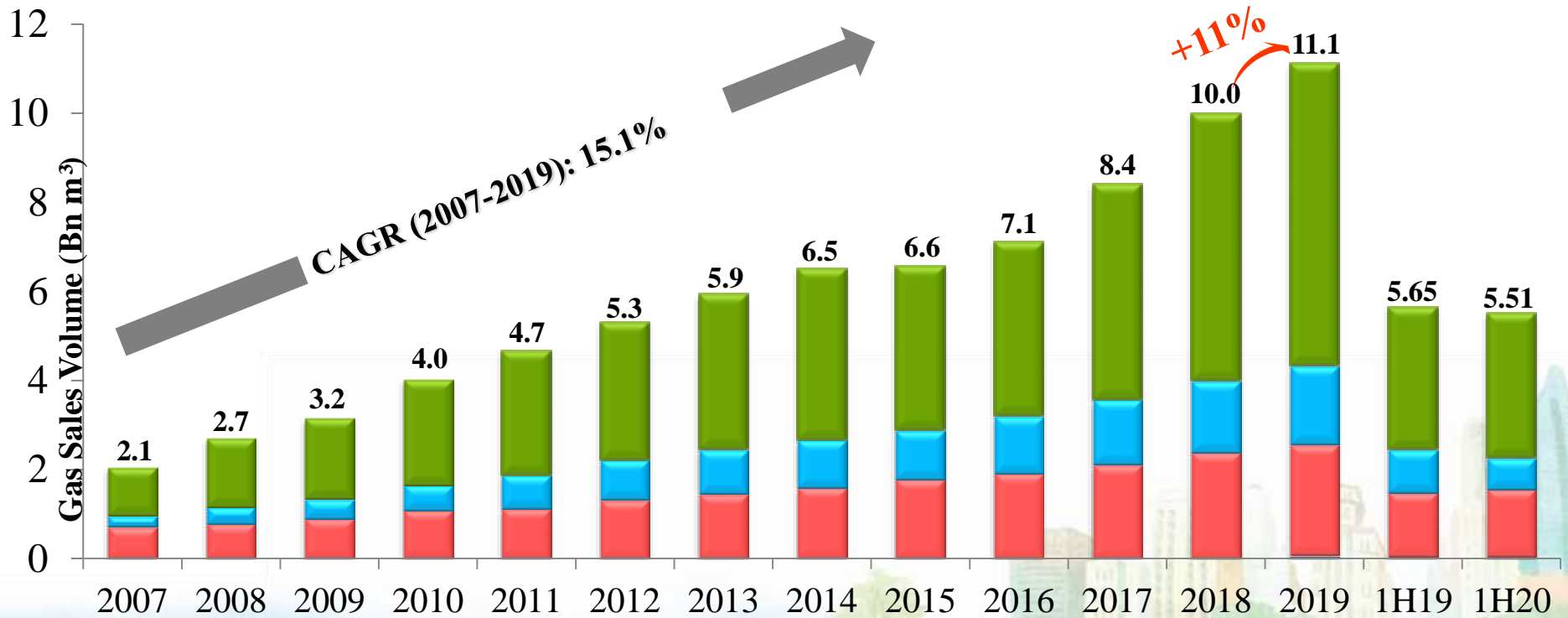
BBB+

MOODY'S

Baa1

Growing Gas Sales Volume

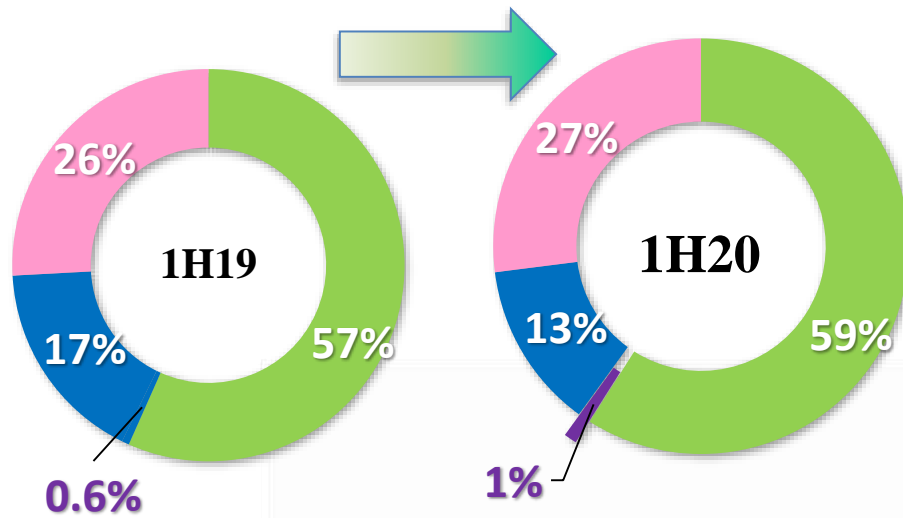
(Bn m ³)	1H19	1H20	Change
■ Industrial	3.21	3.25	+12%
■ Commercial	0.96	0.70	-27.2%
■ Residential	1.45	1.51	+4.4%
■ DES	0.04	0.05	+27.4%
Total	5.66	5.51	-2.6%



*All JVs (100%)

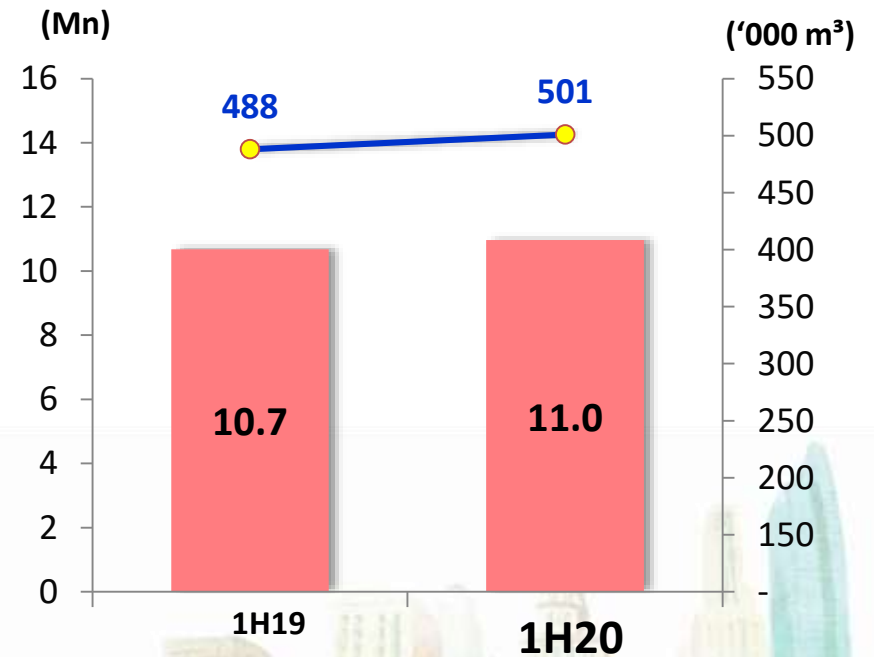
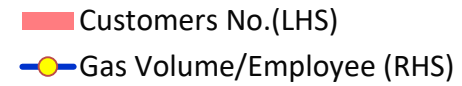
Operational Highlights

Gas Sales Volume Mix (%)



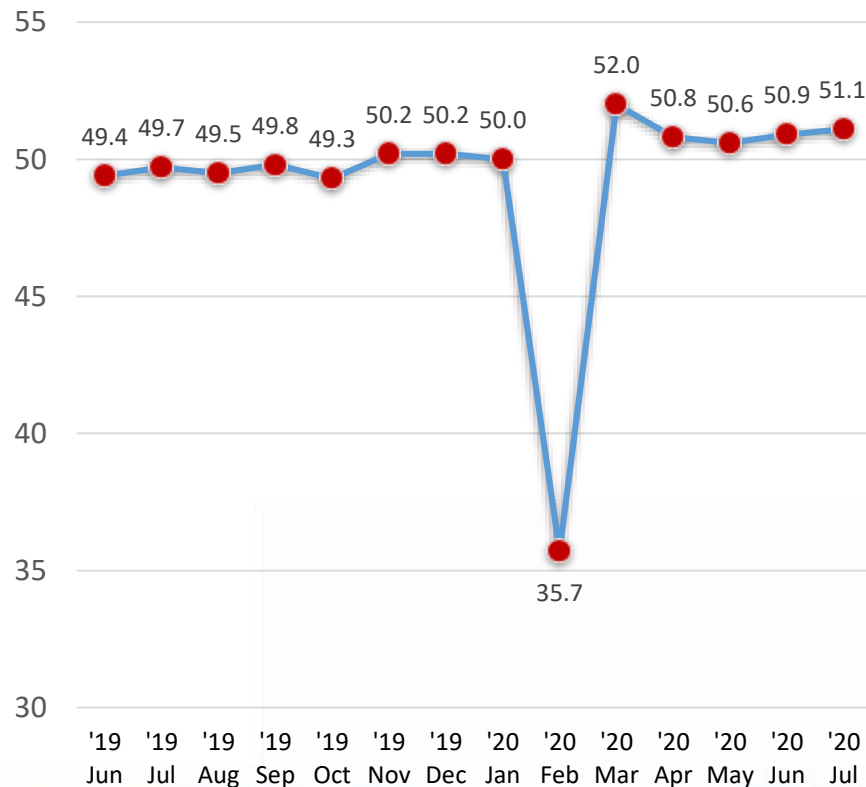
* All JVs (100%)

Productivity

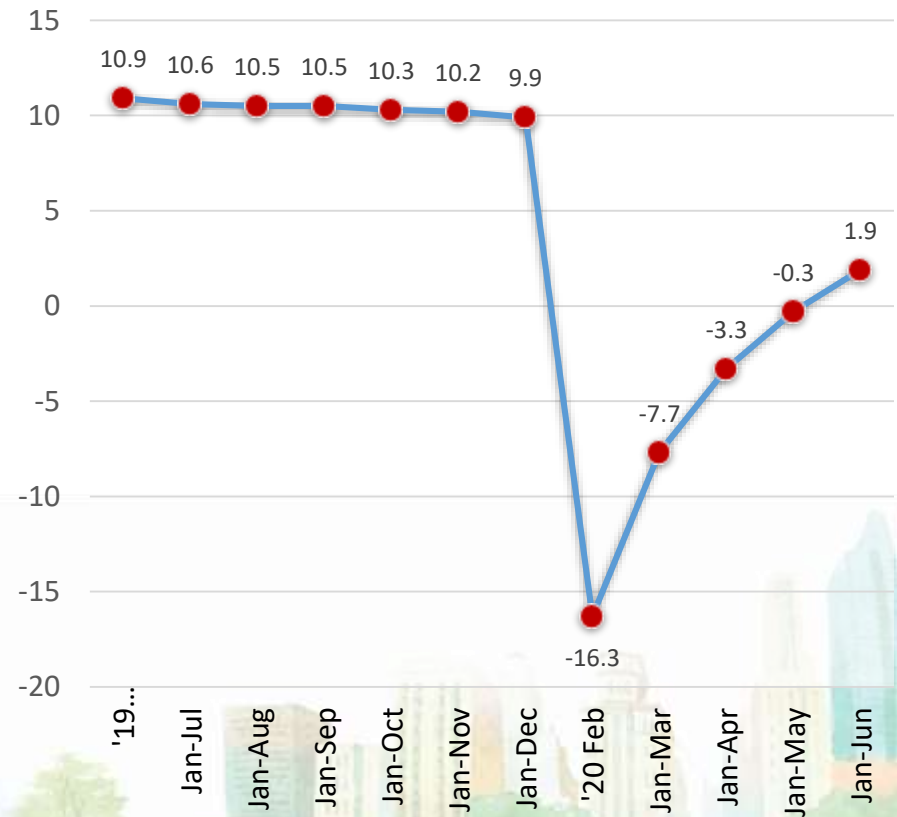


Mainland City-gas Opportunities & Strategies (1)

Manufacturing PMI



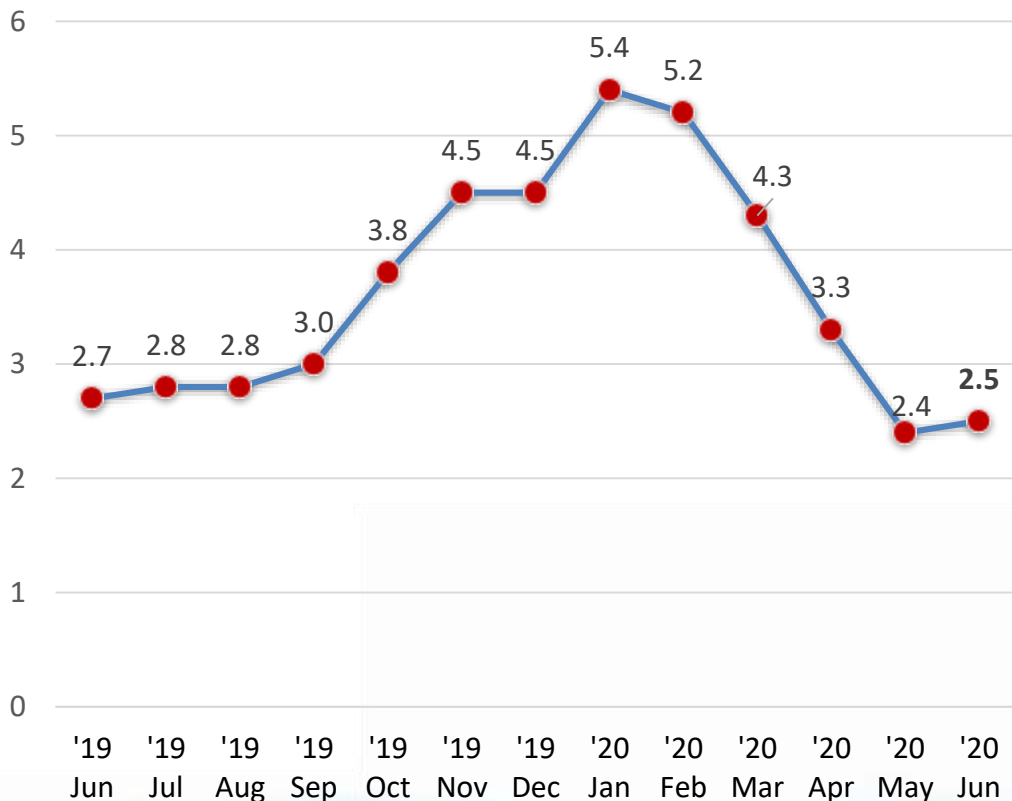
Investment of Real Estate, Accumulated Growth Rate(%)



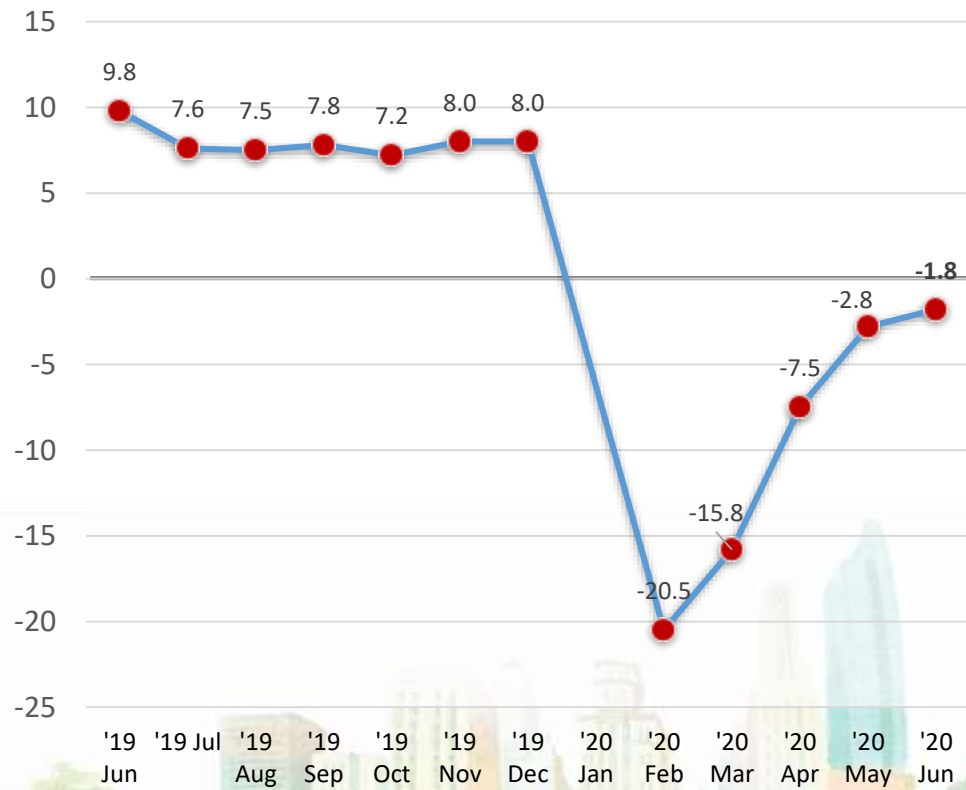
Mainland City-gas Opportunities & Strategies (2)



Consumer Price Index(%)



Total Retail Sales of Consumer Goods, Growth Rate(%)

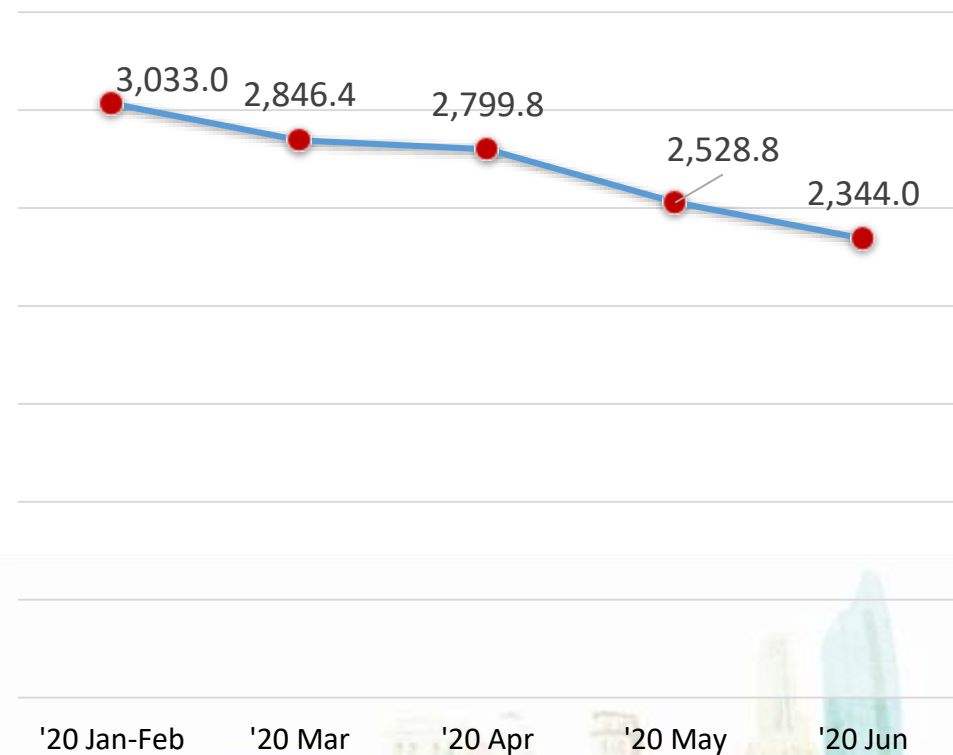


Mainland City-gas Opportunities & Strategies (3)

Better unit gas margin

- **Warmer winter**
- **Winter city-gate price hike ended on 20 Feb, earlier than before**
- **The average city-gate price increment is less than corresponding period last year**

LNG Import Price (Rmb/ton)



Mainland City-gas Opportunities & Strategies (4)

City-gas business fully open up for foreign investors

- Lifted the restriction on majority foreign ownership for cities with population >500,000
- Eliminate the risk of taking away majority shareholding status when the city expands
- City gas business will be more market oriented

Setting up National Oil and Gas Pipeline Company

- To acquire Rmb 400 Billion assets from CNPC, Sinopec and CNOOC
- Open access to pipelines and LNG importation
- Free flow of NG nationwide
- Lower procurement costs
- Gas shortage in certain regions can be reduced

Mainland City-gas Opportunities & Strategies (5)



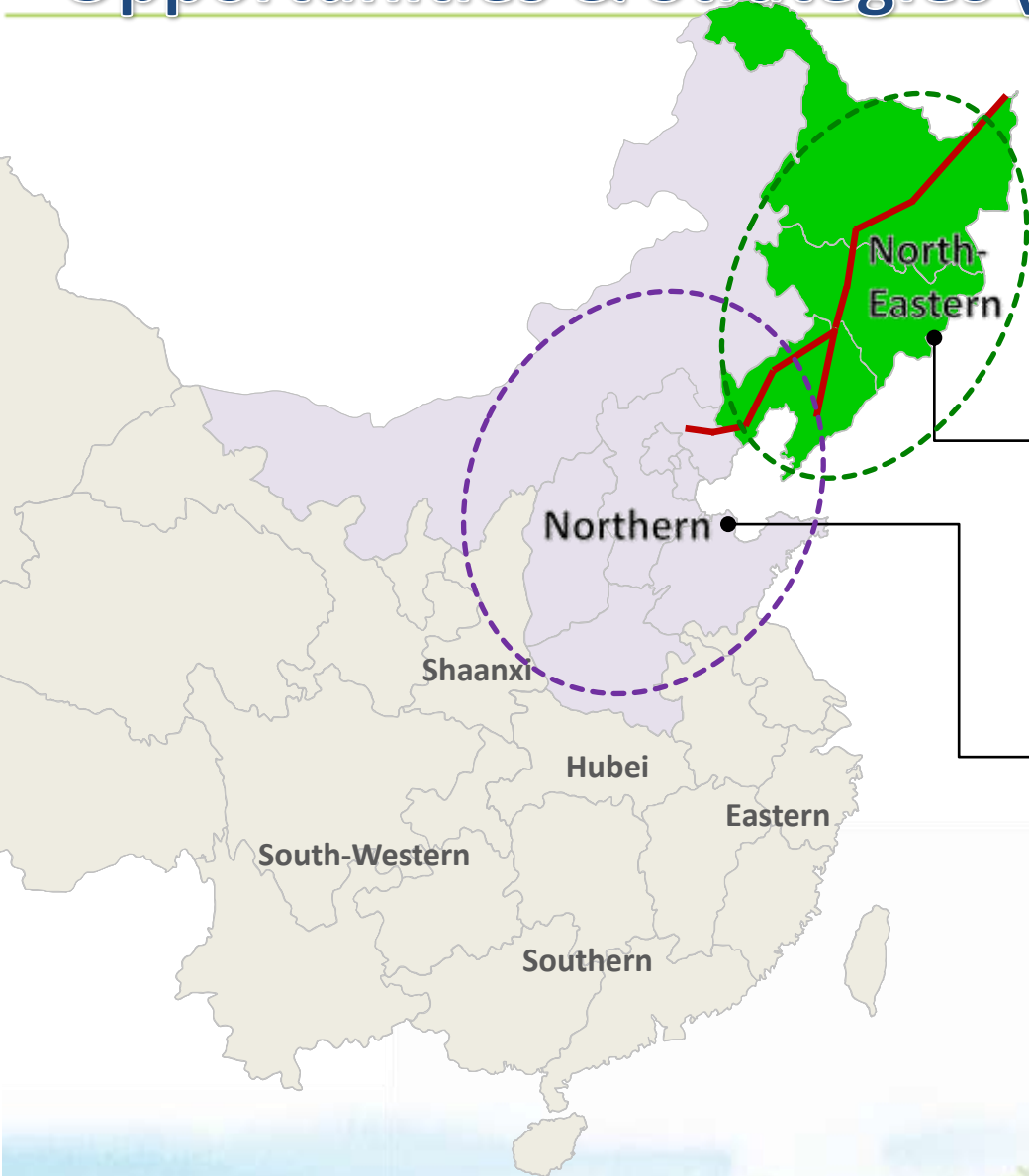
7% ROA on city gas profits

- Apply to city-gas operation only
- Most JVs have not reached that level
- This policy is difficult to apply nationwide, in particular rapid changes in business environment

10% margin on connection fee

- The latest general guideline issued by NDRC is quite liberal
- Provincial and municipal authorities had been discussing with gas operators considering local market situations
- A few exceptionally high connection fees scaled back already
- New connection fees have been agreed without applying 10% margin

Mainland City-gas Opportunities & Strategies (6)



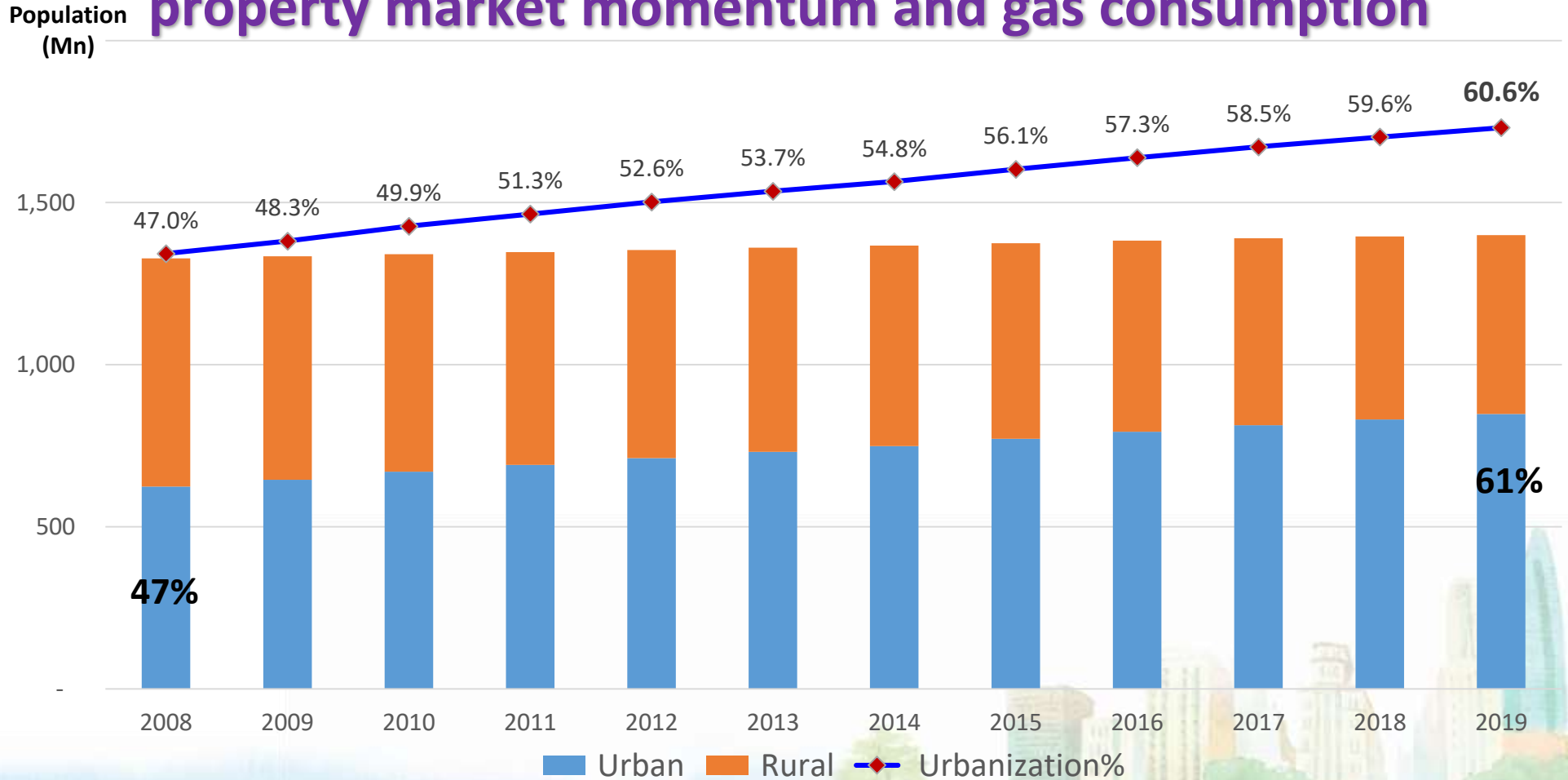
Russian NG supply started in Dec 2019 with volume of 38 Bn m³ p.a. by 2024

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%	

Mainland City-gas Opportunities & Strategies (7)

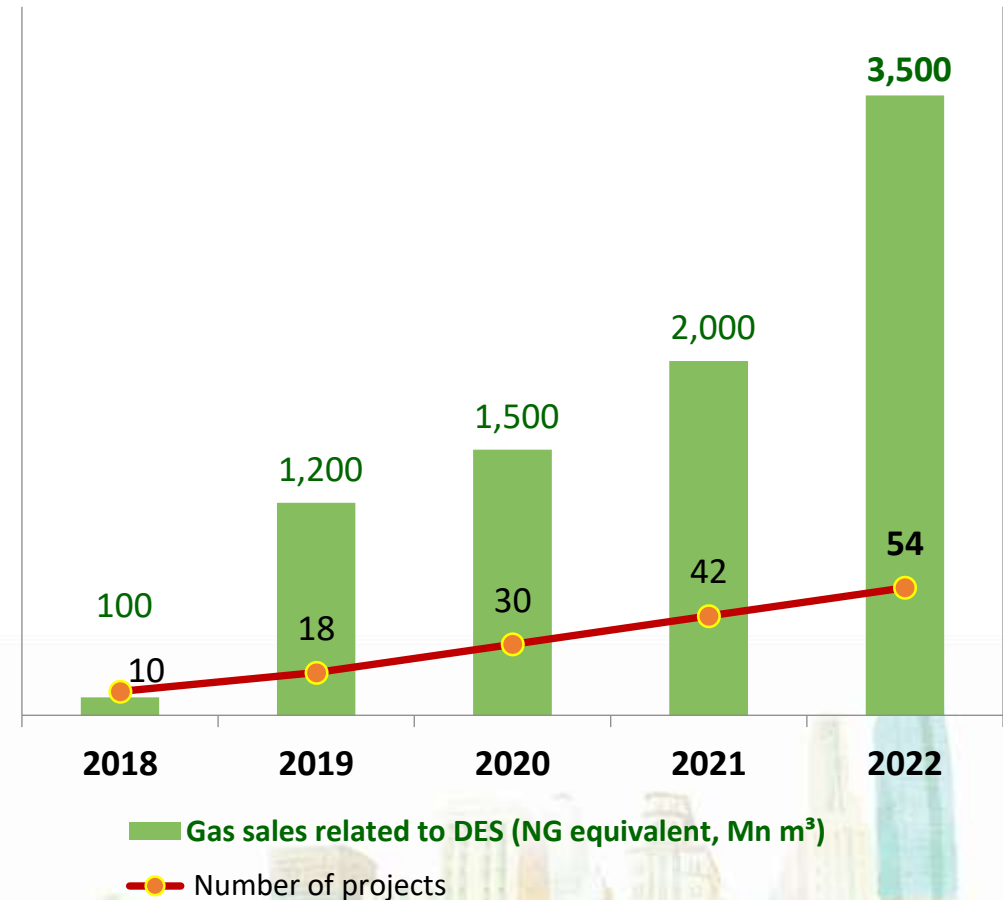
Urbanization of 1% point per year keeps property market momentum and gas consumption



Huge Growth Opportunities

- **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
 - Photovoltaics solar energy
- **Target: 54 projects by 2022 (Towngas Energy)**
- **23 projects under City-gas JVs**

Green Energy Integrated Services Business Growth



Underground Gas Storage

Presenting Business Opportunities



Gas storage in Jintan, Jiangsu

- 4 caverns in operation
- Dual sources of supply: CNPC and Sinopec
- To meet peak demand in winter
- Sharing investment cost among JVs
- National pipelines facilitate free flow of NG
- NG and LNG trading opportunities
- 10Mn m³ has been traded on Shanghai Petroleum & Natural Gas Exchange
- Shanghai Gas is a partner of Phase 1 with 25% shareholding
- Total investment Rmb1.2Bn (25 caverns)

Project Information

Cumulative

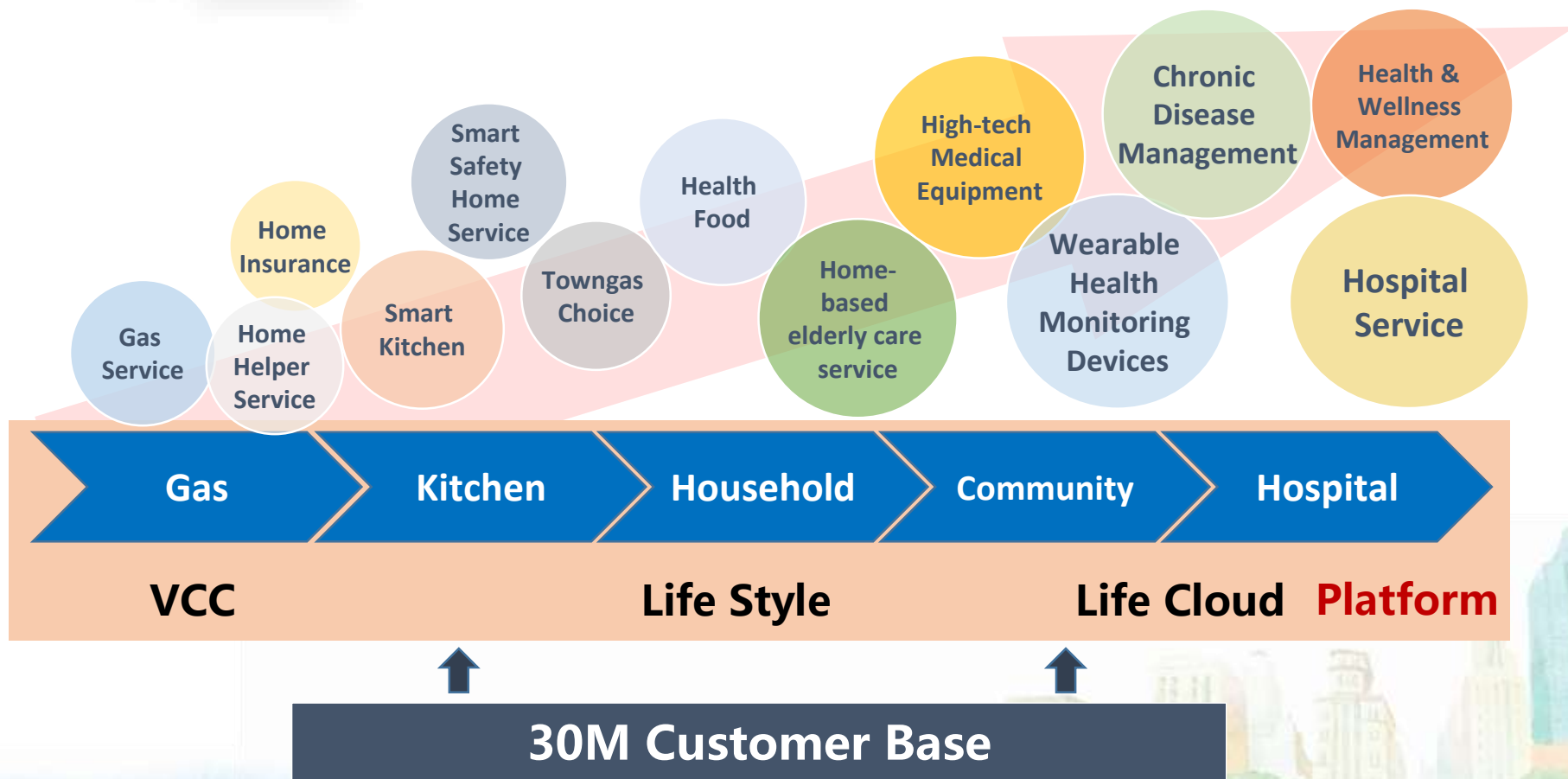
- | | |
|------------------------------------|-------------------------|
| • Phase 1-1 capacity: (3 caverns) | 140Mn m ³ |
| • Completion: | Jan 2018 |
| • Phase 1-2 capacity: (+7 caverns) | 460Mn m ³ |
| • Construction Completion: | 2022 |
| • Phase 2 capacity: (+15 caverns) | >1,100Mn m ³ |

Expanding Extended Businesses

More Services to and Income from 30Mn+ Household Customers



Business Plan



Thank you



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Every Day*

Power System Reform

Key Reforms in the following areas:

- Sales
- Supply
- Technology
- System

管住中間、放開兩頭

- Establish national and provincial independent power trading centres
- Progressive opening up power generation market
- Allow public investment on power distribution business
- Open up downstream distribution market

More Opportunities for

- ✓ Wind Power and Solar Power Generation
- ✓ Renewable Energy
- ✓ Decentralized Energy Systems
- ✓ Micro-Grid
- ✓ Power Distribution Business