

# Towngas China Company Limited

(1083 HK)



## 2013 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.

# City-gas Business Characterized by:

- Double digit organic growth
- >10 new City Gas projects a year
- Urbanization drives housing demands
- Air Quality issue favors gas consumption
- Upstream Supply remains bottleneck, but improving
- Natural gas reformed happened, was smoothly dealt with
- Operating costs on the rise, countered by economies of scale
- C&I gas sales dominates at 76%, and increasing



Mainland China

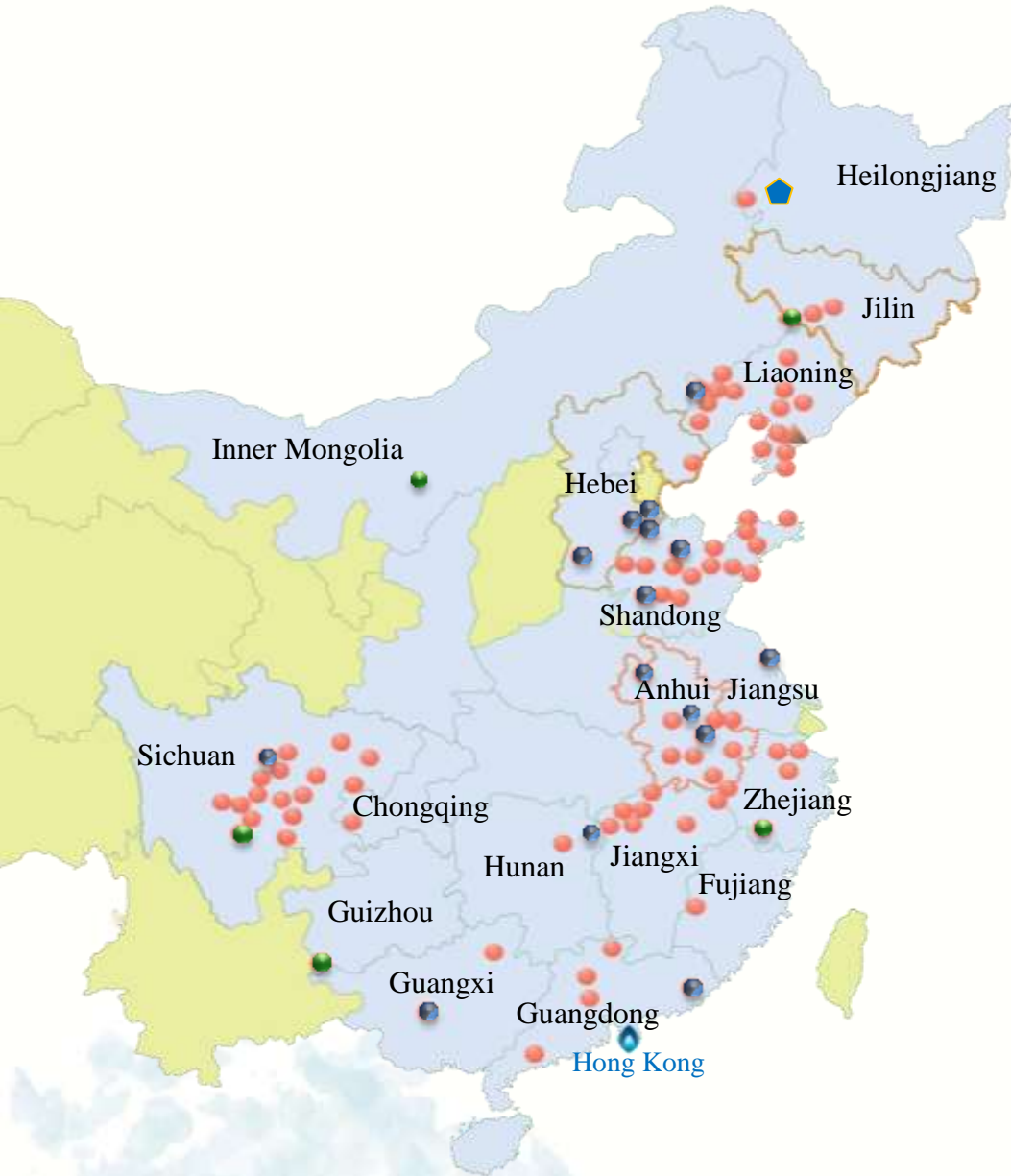




# COMPANY OVERVIEW



# Territorial Coverage



**93** projects covering  
**17** provincial regions

## Piped city-gas

City-gas



Midstream



**14 new city-gas (2013)**



**5 new city-gas (2014)**



**1 new Filling Station (2014)**



As of Feb 28, 2014



# 2013/2014 New Projects

## City-gas **19** projects

- |                       |                         |                                   |
|-----------------------|-------------------------|-----------------------------------|
| 1. Feicheng, Shandong | 9. Cangxian, Hebei      | 17. Xingyi, Guizhou               |
| 2. Zhengpugang, Anhui | 10. Mengcun, Hebei      | 18. Lishui Songyang, Zhejiang     |
| 3. Mianzhu, Sichuan   | 11. Dafeng, Jiangsu     | 19. Baotou Guyang, Inner Mongolia |
| 4. Boxing, Shandong   | 12. Jiangping, Liaoning |                                   |
| 5. Wuhu, Anhu         | 13. Zhongwei, Guangxi   |                                   |
| 6. Fengxi, Guangdong  | 14. Shijiazhuang, Hebei |                                   |
| 7. Bozhou, Anhui      | 15. Leshan, Sichuan     |                                   |
| 8. Yanshan, Hebei     | 16. Siping, Jilin       |                                   |

**Gas consumption in 5 years:**  
 2.1Bn m<sup>3</sup> /year  
**Investment: Rmb2.9Bn**

## Filling Station **1** project

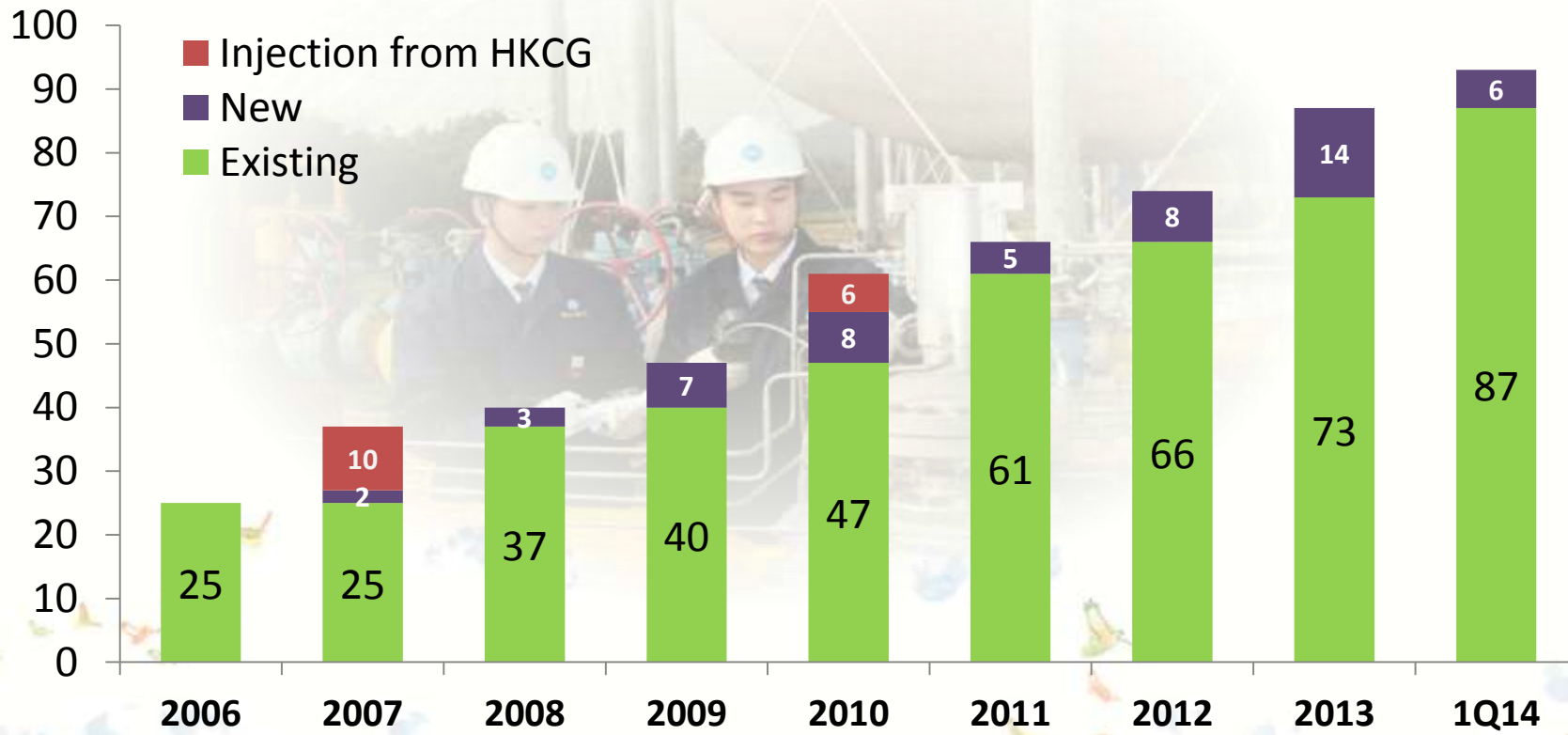
20. Qiqihar, Heilongjiang

**Gas consumption in 5 years:** 7Mn m<sup>3</sup>  
**Investment: Rmb22Mn**



# Number of Piped-gas Projects

2006	2007	2008	2009	2010	2011	2012	2013	1Q14
<b>25</b>	<b>37</b>	<b>40</b>	<b>47</b>	<b>61</b>	<b>66</b>	<b>74</b>	<b>87</b>	<b>93</b>





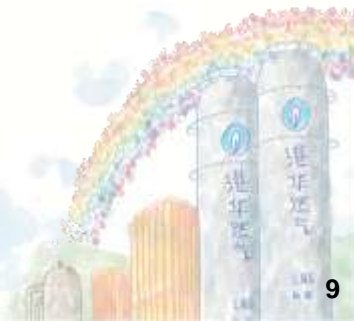
# FINANCIAL AND OPERATIONAL PERFORMANCE





# 2013 Highlights

- Strong profit growth of 32% to HK\$1,106Mn
- Exchange gain accounted for 13.6%
- Gas sales volume grew by 15%  
(excluding 13% owned Chengdu JV)
- Total 93 JVs (17 provincial regions)
  - 14 projects added in 2013
  - 6 projects added in 2014



# Results Highlights (Financial)

(HK\$Mn)	2012	2013	Change
<b>Turnover</b>			
<b>Gas Sales</b>	<b>3,972</b>	<b>5,265</b>	<b>+33%</b>
<b>Connection Fees</b>	<b>1,211</b>	<b>1,451</b>	<b>+20%</b>
	<b><u>5,183</u></b>	<b><u>6,716</u></b>	<b>+30%</b>
<b>Profit attributable to shareholders</b>	<b>841</b>	<b>1,106</b>	<b>+32%</b>
<b>Basic EPS (HK cents per share)</b>	<b>34.17</b>	<b>42.46</b>	<b>+24%</b>
<b>Full Year Dividend (HK cents per share)</b>	<b>6</b>	<b>8</b>	<b>+33%</b>

# Key Balance Sheet Items

(HK\$Mn)	2012	2013	Change
<b>Total Assets</b>	21,255	25,628	+21%
<b>Total Liabilities</b>	9,968	12,150	+22%
<b>Total Equity</b>	11,287	13,478	+19%
<b>Gearing Ratio*</b>	18.6%	20.9%	

Note:

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

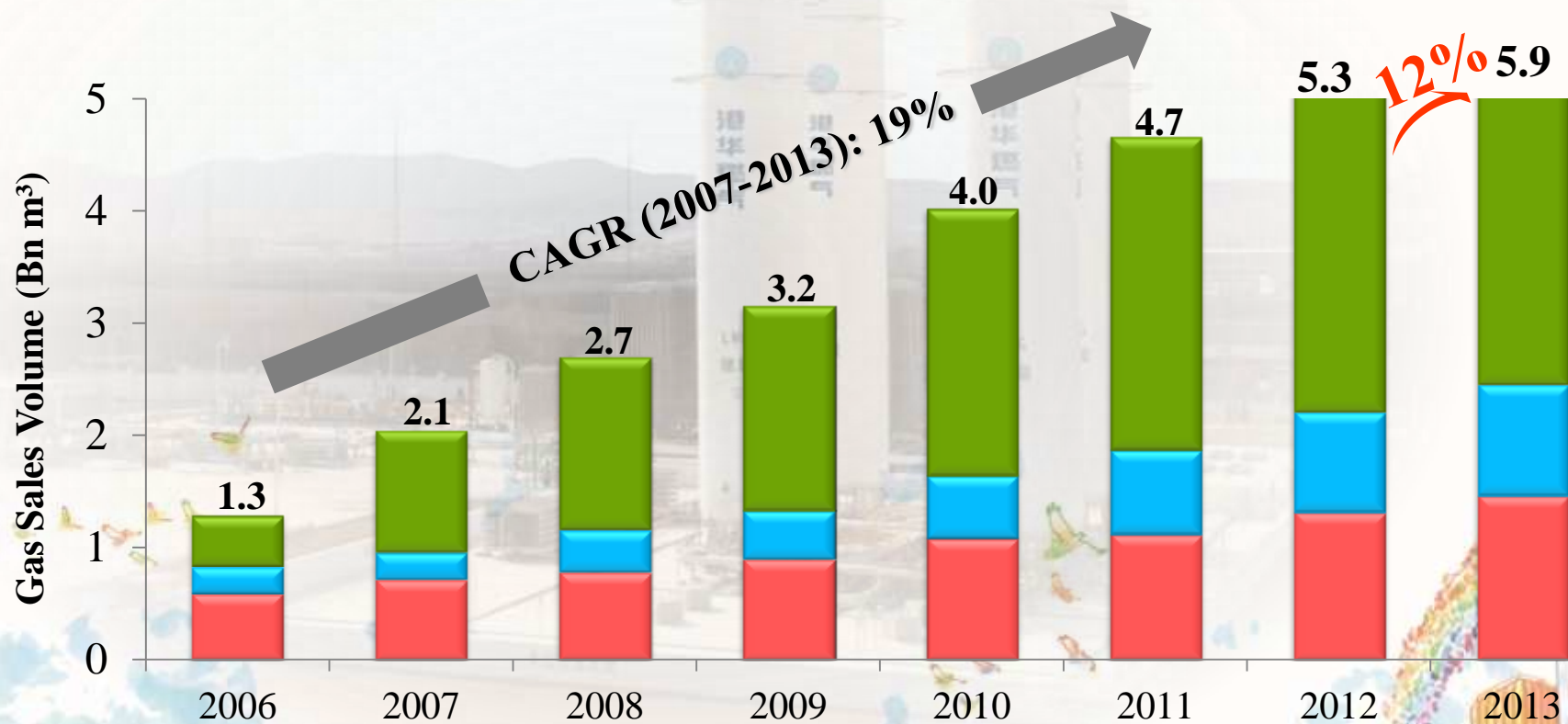
# Results Highlights (Management)

(HK\$Mn)	2012	2013	Change
<b>Shared Turnover</b>	<b>10,103</b>	<b>12,046</b>	<b>+19%</b>
Operating profit	1,025	1,213	+18%
Profit margin ratio	10.1%	10.1%	Margin Maintained
Exchange difference	45	160	
Administration expenses	(116)	(140)	
Financial cost	(113)	(127)	
<b>Profit attributable to shareholders</b>	<b>841</b>	<b>1,106</b>	<b>+32%</b>

\*All JVs on attributable basis

# Growing Gas Sales Volume

(Bn m <sup>3</sup> )	2012	2013	Change
<b>Industrial</b>	3.10	3.50	+13%
<b>Commercial</b>	0.89	0.99	+11%
<b>Residential</b>	1.32	1.45	+10%
<b>Total</b>	<b>5.31</b>	<b>5.94</b>	<b>+12%</b>



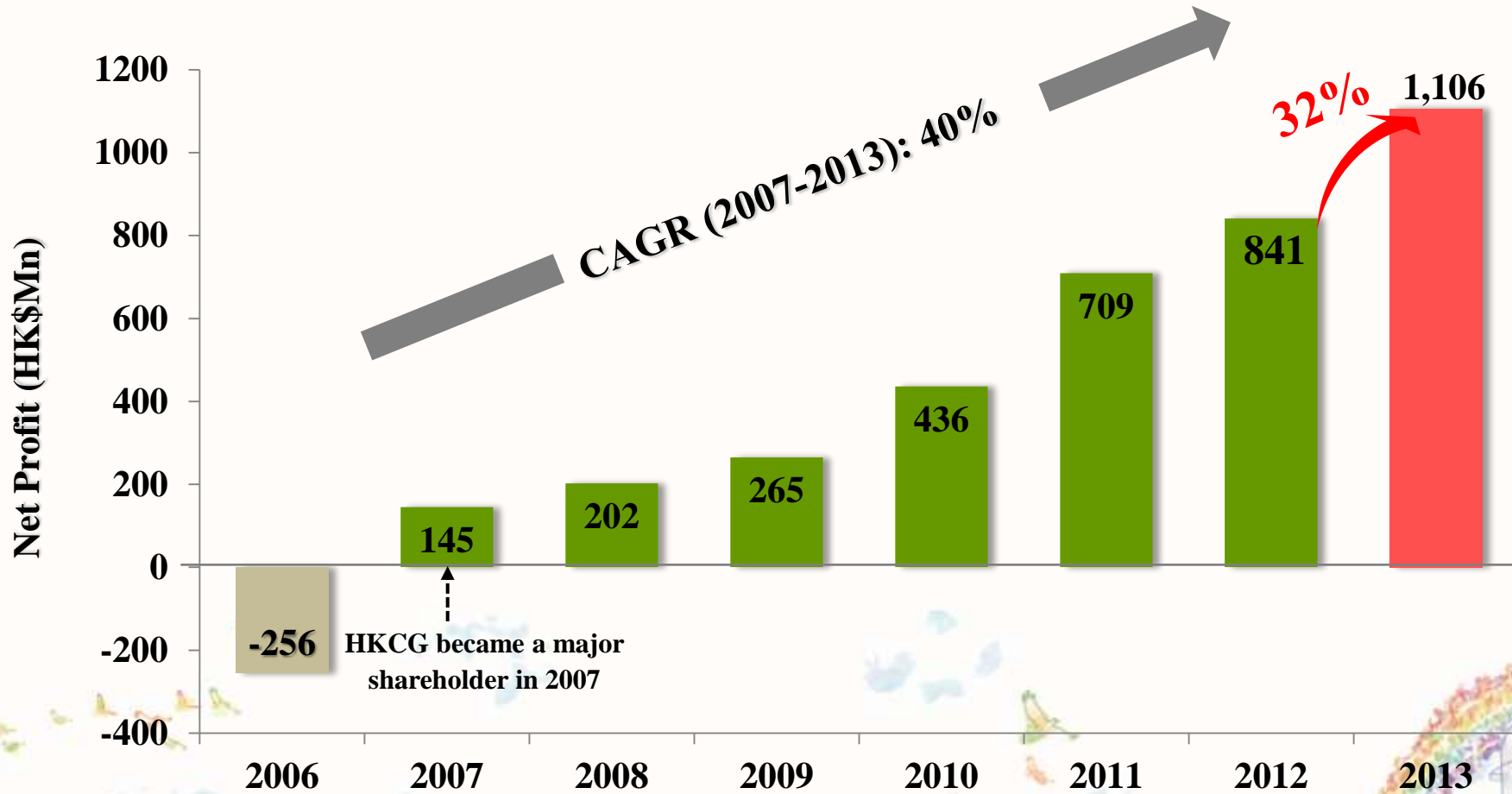
\*All JVs (100%)

# Gas Sales Volume Distribution of JVs

Volume (Mn m <sup>3</sup> )	2012	2013	Change
Subsidiaries	1,318	1,575	+20%
JCEs & Associates	2,890	3,246	+12%
Chengdu JV	1,108	1,124	+1%
<b>Total</b>	<b>5,316</b>	<b>5,945</b>	<b>+12%</b>
<b>Excluding Chengdu</b>	<b>4,208</b>	<b>4,821</b>	<b>+15%</b>

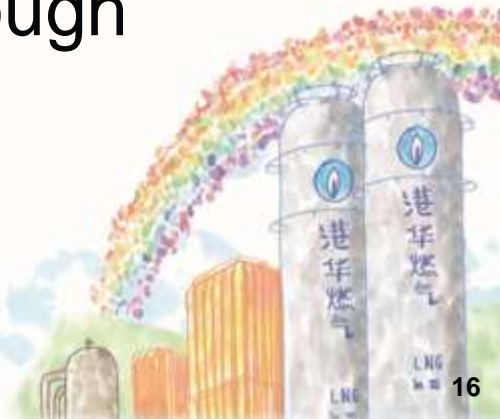
Note: Chengdu JV with 13% shareholding is classified as financial investment

# Continuous Profit Growth



# NG Gate-Price Adjustments Impact

- Effective 10 July 2013
- Affect non-residential consumption
- 49 JVs affected
- Progress-to-date:
  - 46 out of 49 affected JV passing-through
  - 98% of the affected volume passing-through
  - 2013 financial impact not significant

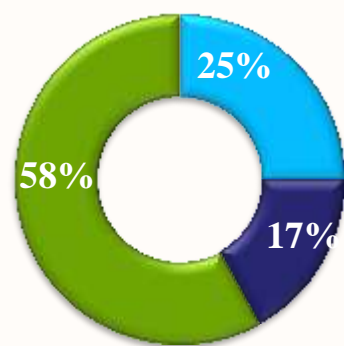




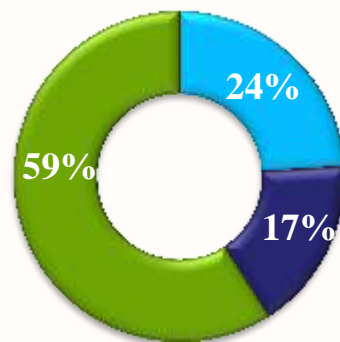
# Operational Highlights

## Gas Sales Volume Mix (%)

■ Residential   
 ■ Commercial   
 ■ Industrial



2012

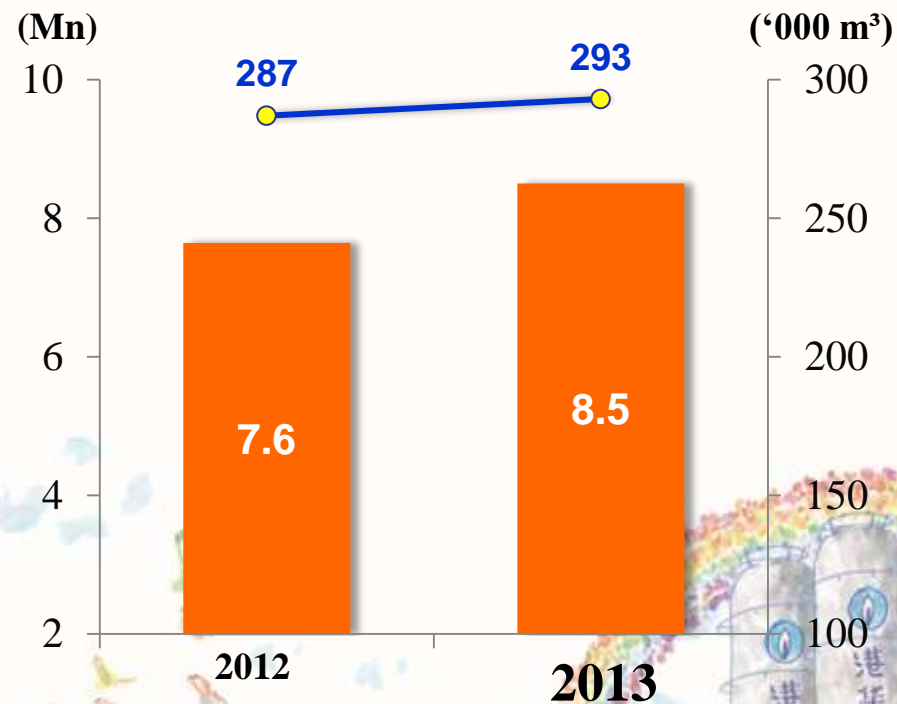


2013

\* All JVs (100%)

## No. of Customers & Efficiency

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



# Successful Share Placement

## 16 January 2013

No. of share placed

**150mn @HK\$6.31/share**

Net Proceeds raised

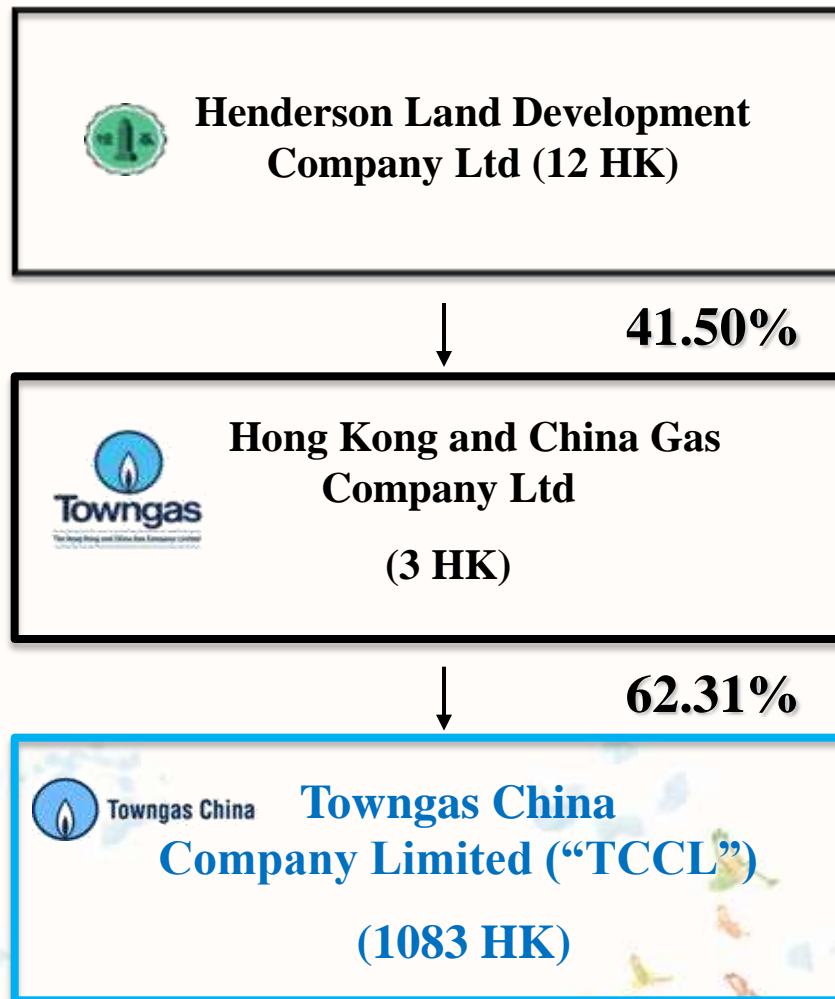
**HK\$930mn**

Over-subscription

**>20x**



# Corporate Structure



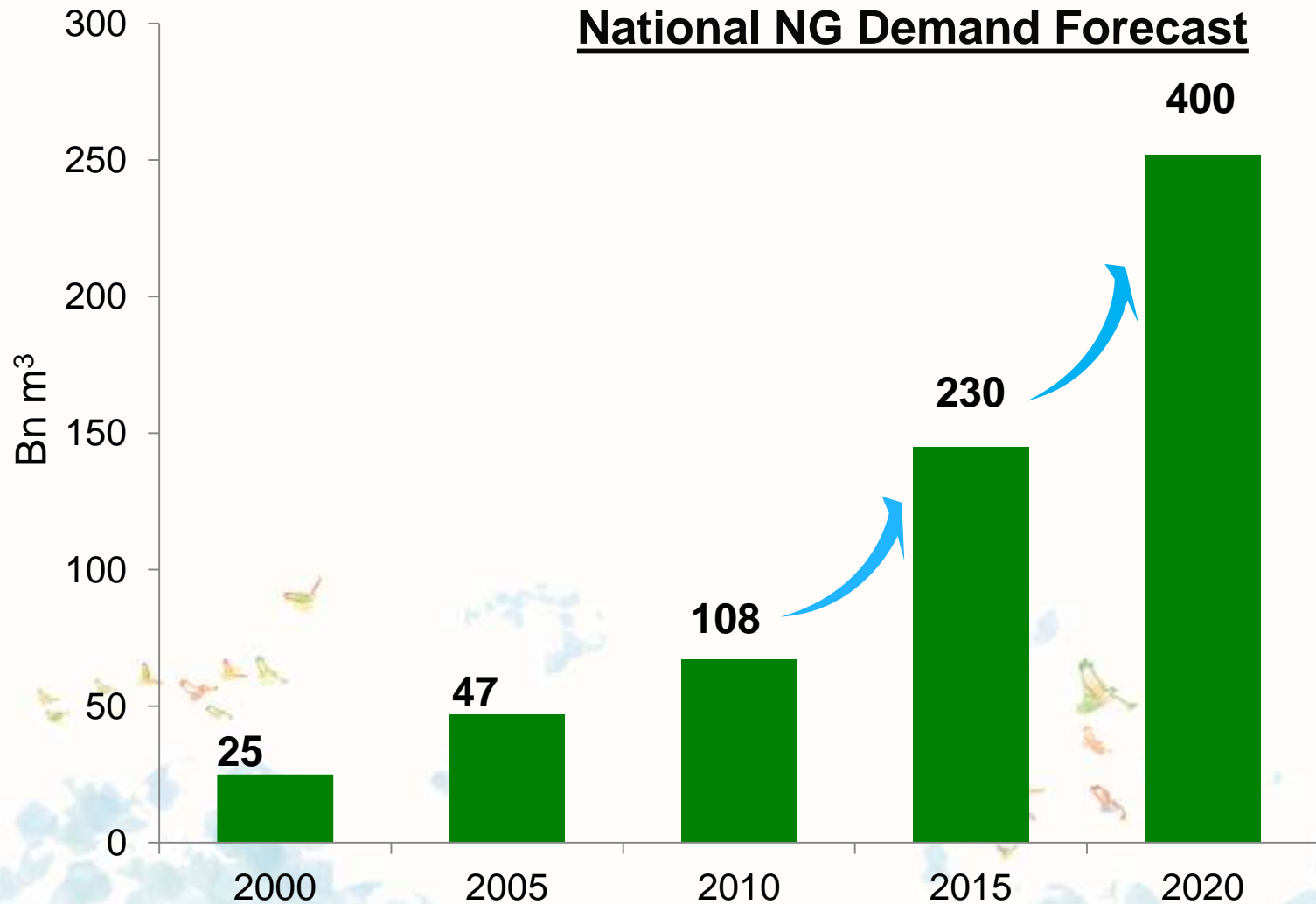


# FUTURE OUTLOOK



# Strong NG Demand

## Clipped by Supply Bottlenecks & Price Hikes



**2020 vs 2010**

**↑ 272%**

(Source: BP, Guangdong Oil & Gas Association, CNPC)



# City-gas Business Outlook

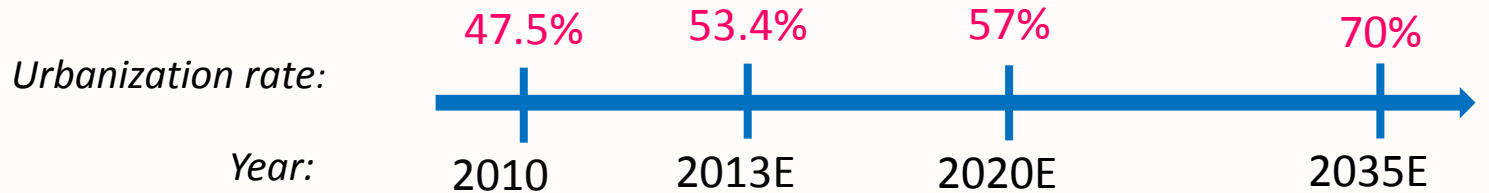
- Increasing natural gas supplies:

- W2E2, W2E3
- W2E4, W2E5 (planning)
- Myanmar pipeline
- Russia Eastern Pipeline



- China remains a worldwide manufacturing base

- Increase in urbanization rate:



- No change in connection fee policy

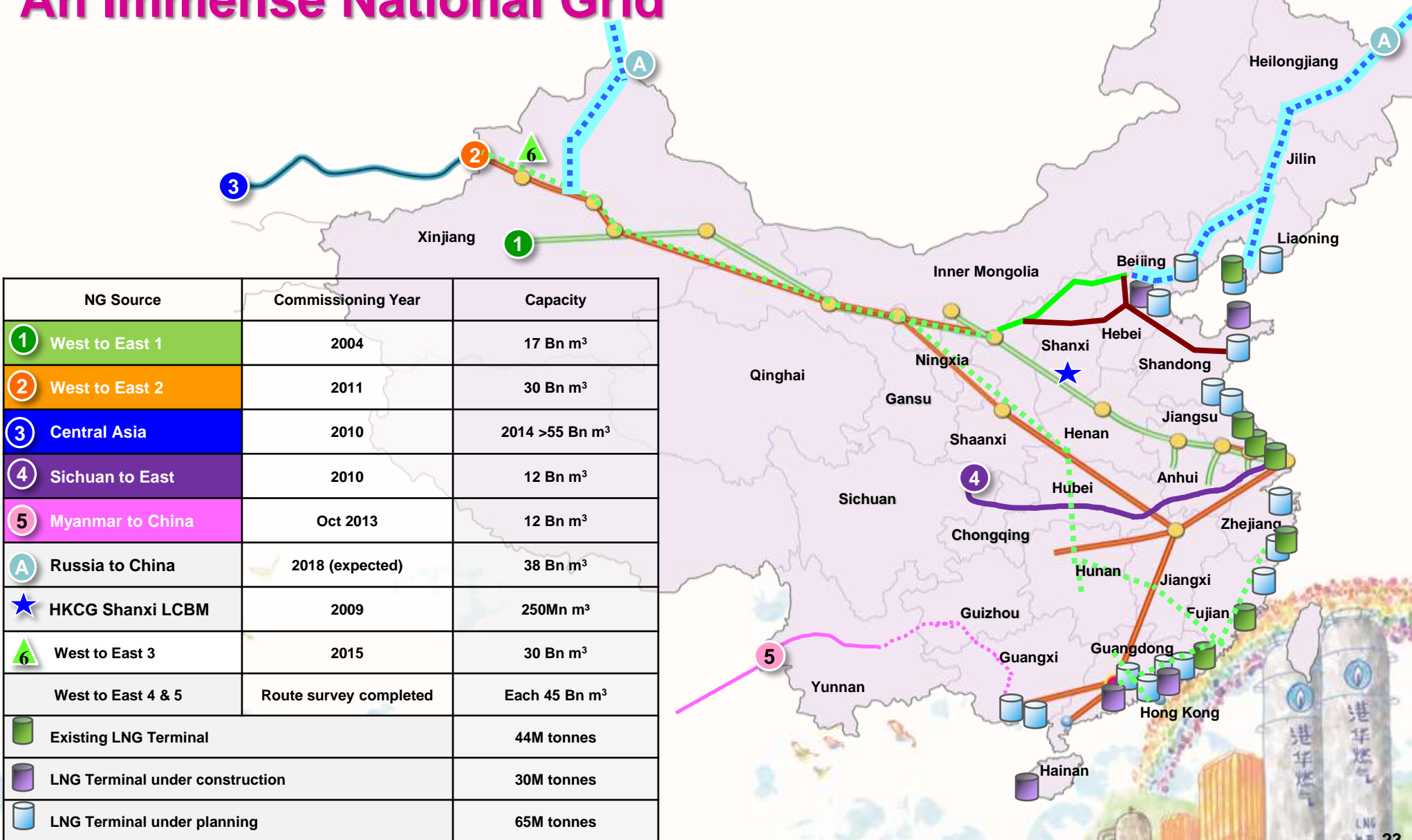
- Chinese government plans to invest Rmb1,700 billion to tackle pollution problems in next 5 years

- reduce emissions
- promote utilization of natural gas



# Pouring in Supply Infrastructure

## An Immense National Grid



# Our Business: Expanding Coverage



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

- Inner Mongolia
- Shanxi
- Guangxi
- Guizhou
- Yunnan



# Thank You



港华燃气  
Towngas

