

Towngas China (1083.hk)
2018 Final Results



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

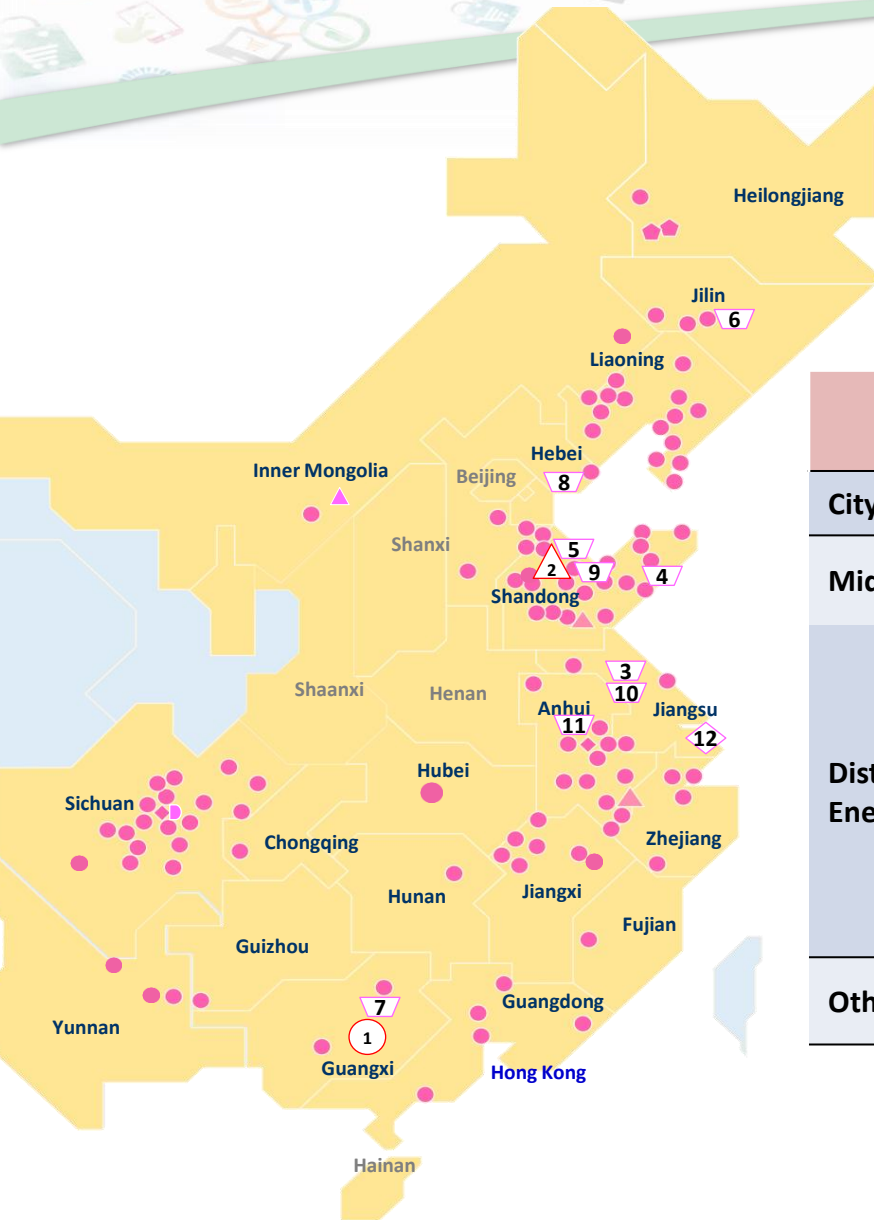
67.45%



Towngas China
(1083.hk)

- Major city-gas company in mainland China

Territorial Coverage

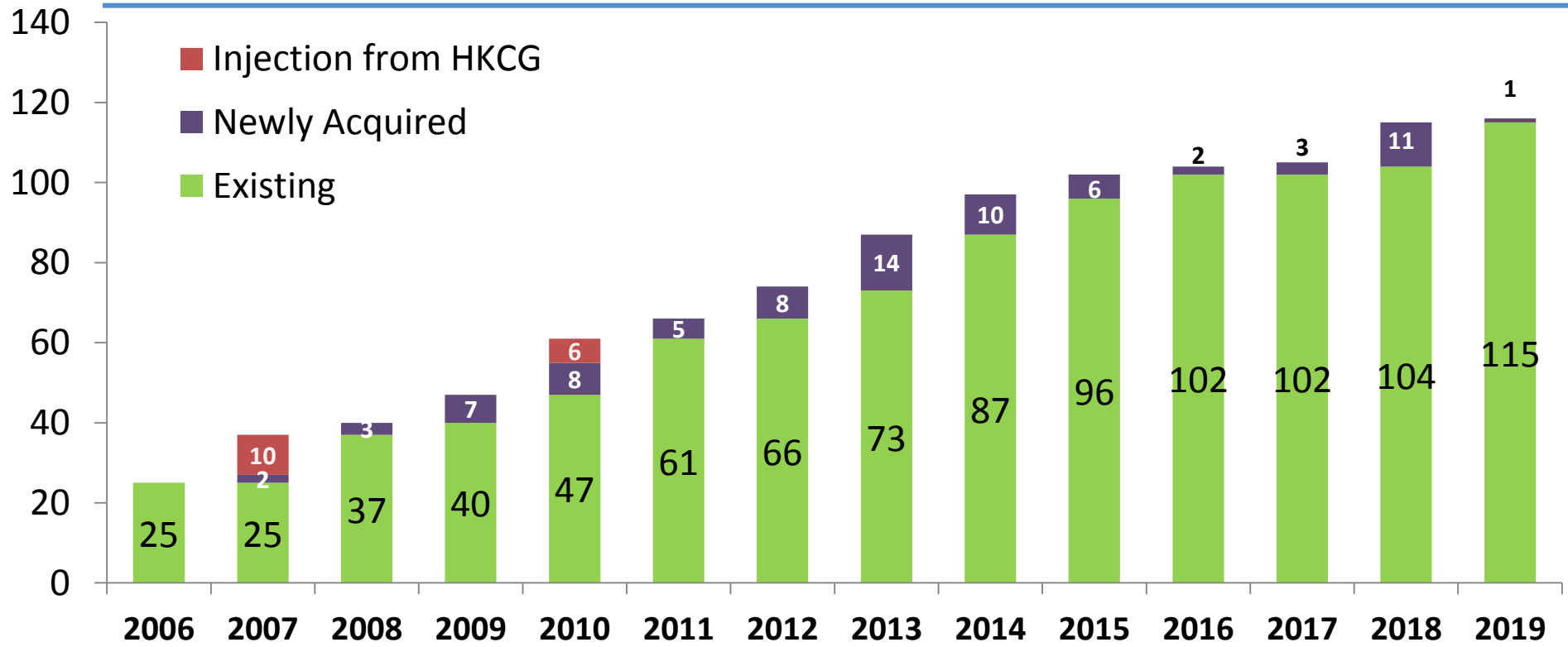


12 project added, total **116** projects
in **20** provincial regions

| | Total projects | New Projects |
|---------------------------|----------------|--|
| City-gas | 97 | 1. Liuzhou, Guangxi |
| Midstream | 4 | 2. Jinan – Liaocheng, Shandong |
| Distributed Energy System | 11 | 3. Jiawang District, Xuzhou |
| | | 4. Jimo Chuangzhi New District, Qingdao |
| | | 5. Yangxin, Shandong |
| | | 6. Changchun, Jilin |
| | | 7. Guilin, Guangxi |
| Others | 4 | 8. Chengnan Economic Development Zone, Tangshan |
| | | 9. Bongxing Economic Development Zone, Binzhou |
| | | 10. Xuzhou Biomedical Industrial Park |
| | | 11. Maanshan Economic and Technological Development Zone |
| | | 12. Shanghai (NG trading) |

Number of Projects

| 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 YTD |
|------|------|------|------|------|------|------|------|------|------|------|------|------|----------|
| 25 | 37 | 40 | 47 | 61 | 66 | 74 | 87 | 97 | 102 | 104 | 105 | 115 | 116 |



Financial and Operational Performance

2018 Final Results Highlights



- **Operating Profit from JVs:** **HK\$1,873Mn** ↑12%
- **Profit before Extraordinary Items:** **HK\$1,224Mn** ↑6%



Gas Sales Volume

↑19%
10Bn m³



Total Projects

+11
Total 115



Total Customers

+0.9Mn
12.6Mn



New Connections

+1Mn

Results Highlights (Financial)

| (HK\$ Mn) | 2018 | 2017 | Change |
|---|---------------|-------|-------------|
| Turnover | | | |
| Gas Sales & Others | 9,755 | 6,996 | 39% |
| Connection Fees | 2,032 | 1,764 | 15% |
| | 11,787 | 8,760 | +35% |
| Operating Profit before Corporate Expenses | 1,873 | 1,677 | +12% |
| Finance cost | (486) | (371) | +31% |
| Corporate overhead | (163) | (150) | +9% |
| Profit before extra-ordinary item | 1,224 | 1,156 | +6% |
| Foshan Gas Group IPO | - | 209 | |
| Profit Attributable to Shareholders | 1,224 | 1,365 | -10% |
| Basic EPS (HK cents per share) | 43.89 | 49.87 | -12% |
| Dividend (HK cents per share) | [15] | 15 | |

TCCL Financial Position

| TCCL (1083 HK) | 31 Dec 2018 | 31 Dec 2017 | Change | | 18 Mar 2019 | 31 Dec 2017 | Change |
|-------------------|-------------|-------------|--------|-----------------------|-------------|-------------|--------|
| | HK\$ Bn | HK\$ Bn | | | | | |
| Total assets | 34.0 | 32.8 | +4% | Share price (HK\$)^ | 6.29 | 6.28 | -1.3% |
| Net asset value | 17.8 | 17.2 | +3% | Market cap. (HK\$ Bn) | 17.68 | 17.40 | - |
| Cash and Bank | 1.7 | 1.7 | - | No. of Shares (Bn)^ | 2.81 | 2.77 | +1.4% |
| Total borrowings | 9.5 | 8.8 | +8% | P/E Ratio | 14.3x | 12.7x | |
| Interest Coverage | 8.6x | 9.9x | | P/B Ratio | 1.1x | 1.1x | |
| Gearing (Net) | 33% | 31% | | | | | |

Credit Ratings:

**STANDARD
& POOR'S**
RATINGS SERVICES

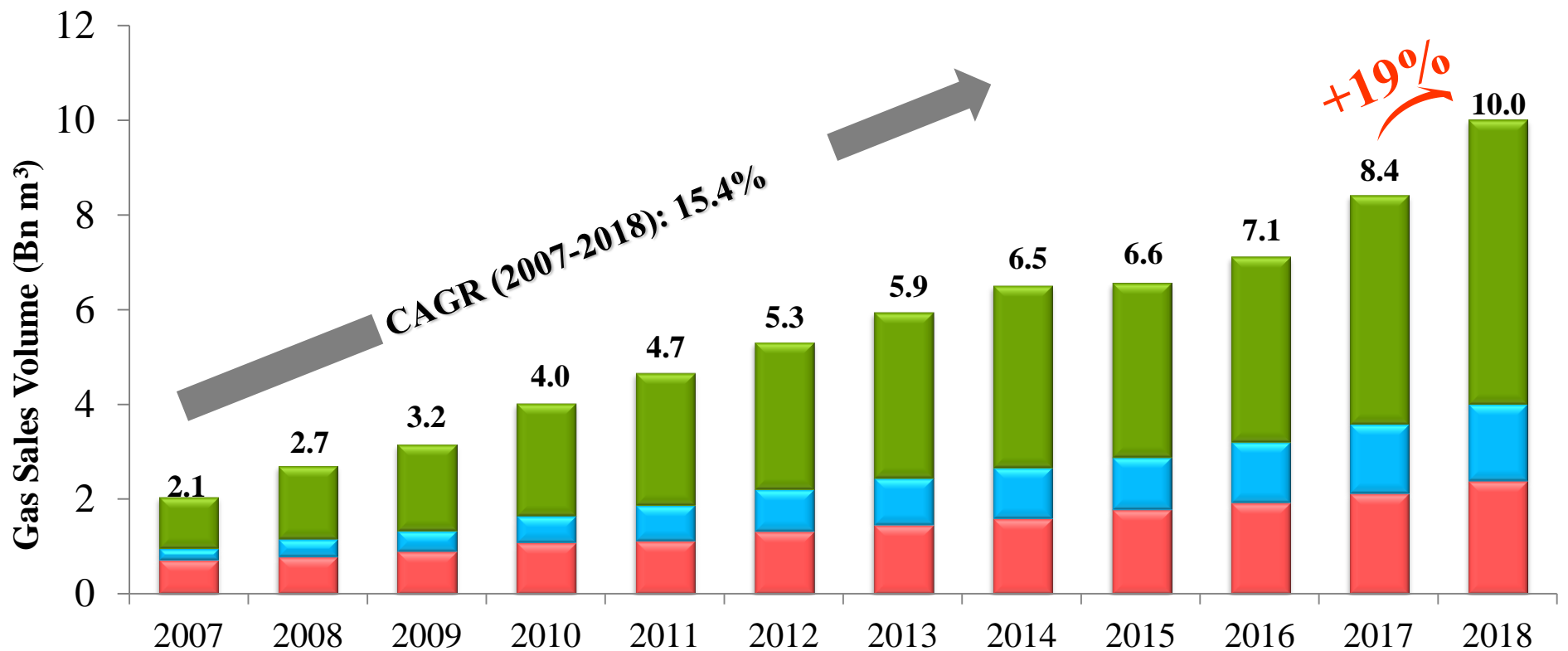
BBB+

MOODY'S

Baa1

Growing Gas Sales Volume

| (Bn m ³) | 2017 | 2018 | Change |
|----------------------|------------|-------------|-------------|
| Industrial | 4.8 | 6.0 | +24% |
| Commercial | 1.5 | 1.6 | +11% |
| Residential | 2.1 | 2.4 | +12% |
| Total | 8.4 | 10.0 | +19% |



*All JVs (100%)

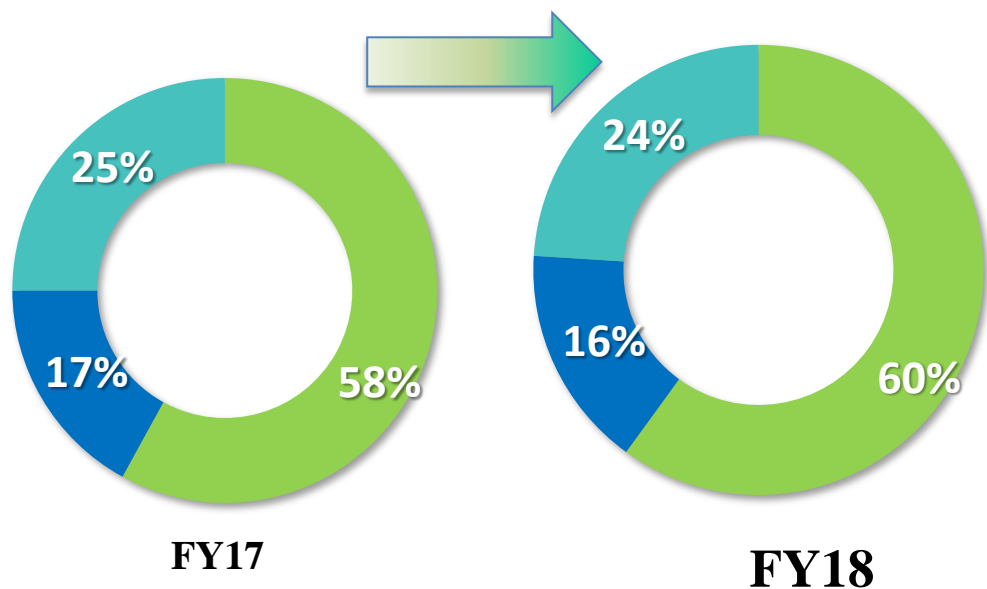
Gas Sales Volume of JVs

| Volume (Mn m ³) | 2018 | 2017 | Change |
|-----------------------------|---------------|--------------|-------------|
| Subsidiaries | 3,046 | 2,365 | +29% |
| JCEs & Associates | 5,375 | 4,620 | +16% |
| Chengdu JV | 1,583 | 1,432 | +11% |
| Total | 10,004 | 8,417 | +19% |

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

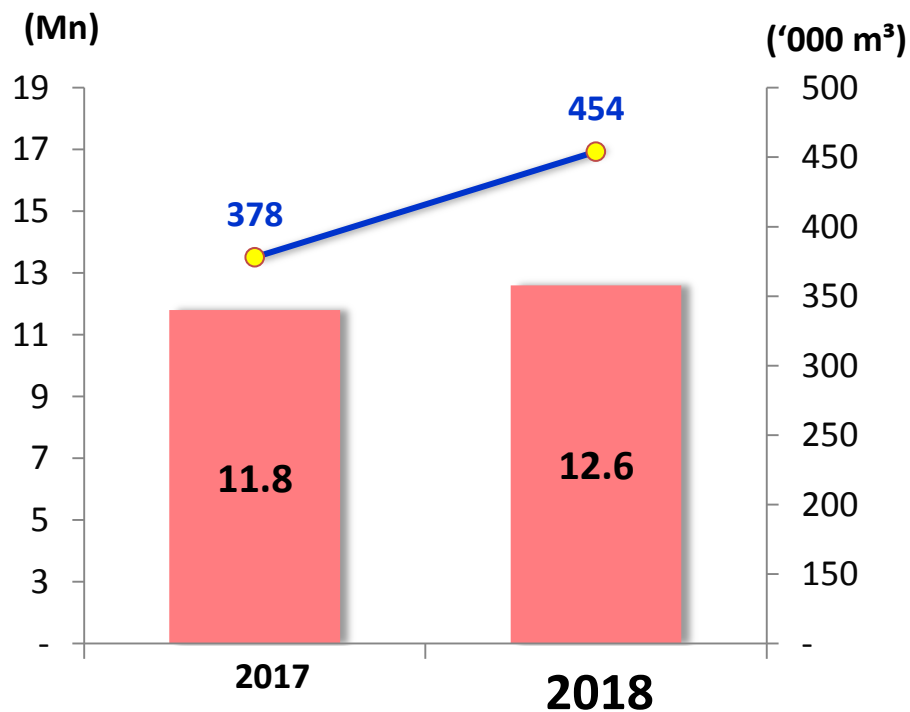
Operational Highlights

Gas Sales Volume Mix (%)



Productivity

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



* All JVs (100%)

Mainland City-gas Business Environment (1)

1. NDRC policies and guidelines for healthy city-gas operations

- More transparent and safer operation
- Encourage pass-through mechanism

2. Expect more NG in coming years, % of total energy consumption

Russia Gas

| 2018 | 2020 | 2030 |
|-----------------------|-----------------------|-----------------------|
| 280 Bn m ³ | 360 Bn m ³ | 480 Bn m ³ |
| 8% | 10% | 15% |

3. Establishing National Grid Company

- More freedom on gas flow
- Upstream business opportunity

Mainland City-gas Business Environment (2)

- 4. Open access to LNG terminals & importation**
- 5. “Blue Sky” policy continues stimulating more coal-to-gas conversion, better living and higher quality products**
- 6. Global economies turbulence, energy price hikes unlikely to suffocate business growth**
- 7. Encourage foreign investment in energy sector**
- 8. Expect relief on majority ownership by Chinese partners**

Mainland City-gas Opportunities & Strategies (1)

Market Focus

HKCG Opportunities & Strategies

Strengthen winter NG supply

- Jintan NG salt-carven storage →
- JVs joint purchasing LNG
- Inter-city pipeline network

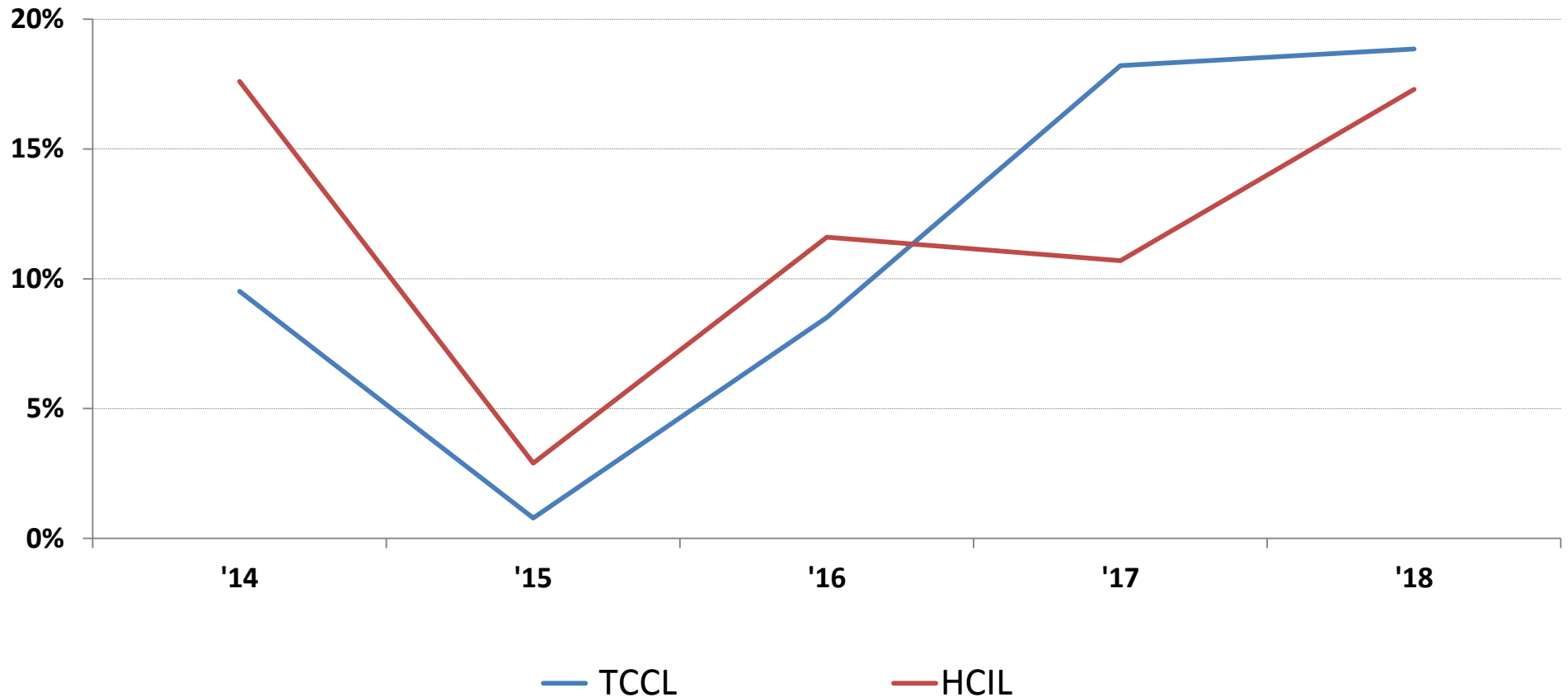
Coal-to-Gas Conversion

- Riding on this conversion to elevate energy efficiency through DES →

Mainland City-gas Opportunities & Strategies (2)

Steady gas volume growth

- TCCL more industrial areas & more C&I customers



Mainland City-gas Opportunities & Strategies (3)

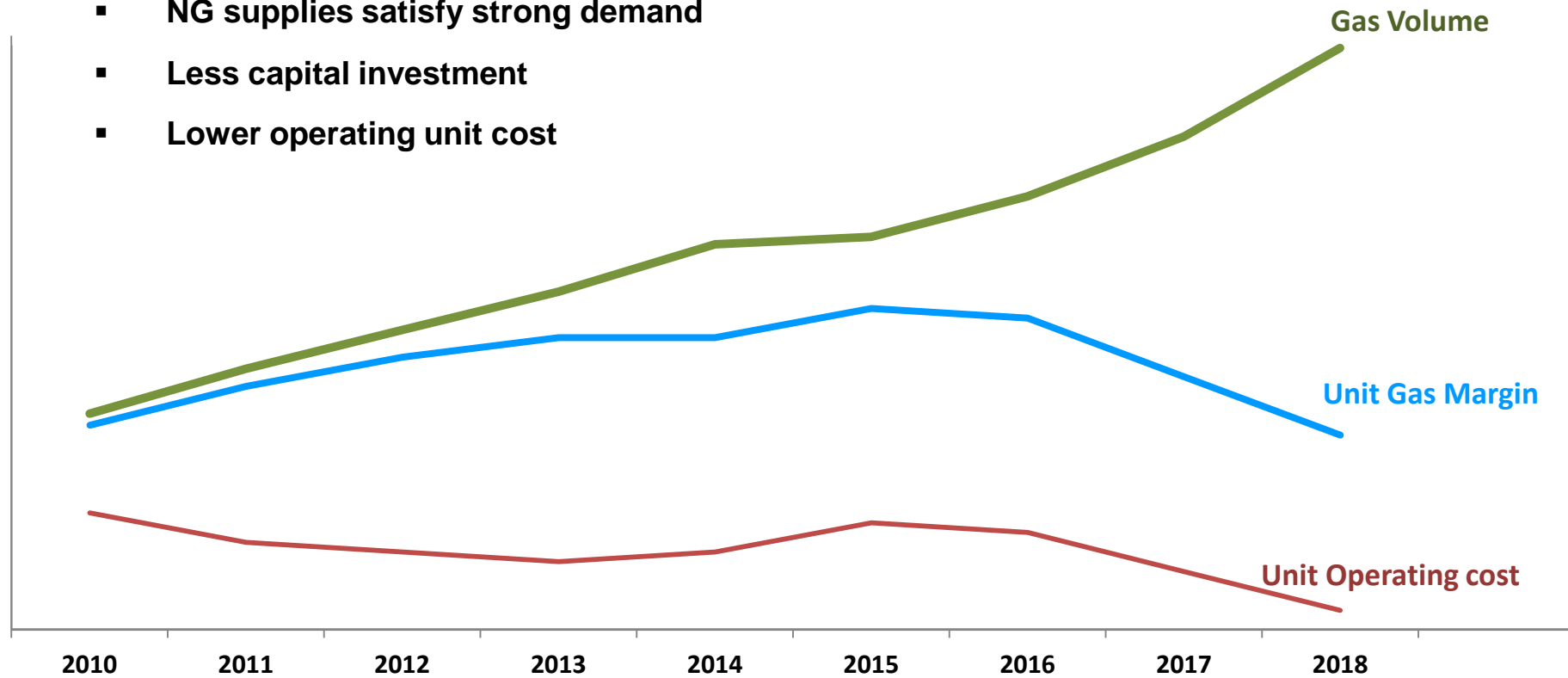
Significant reduction in small scale LNG direct suppliers due to

- **Safety issues**
- **Security of supply**
- **No price advantage**

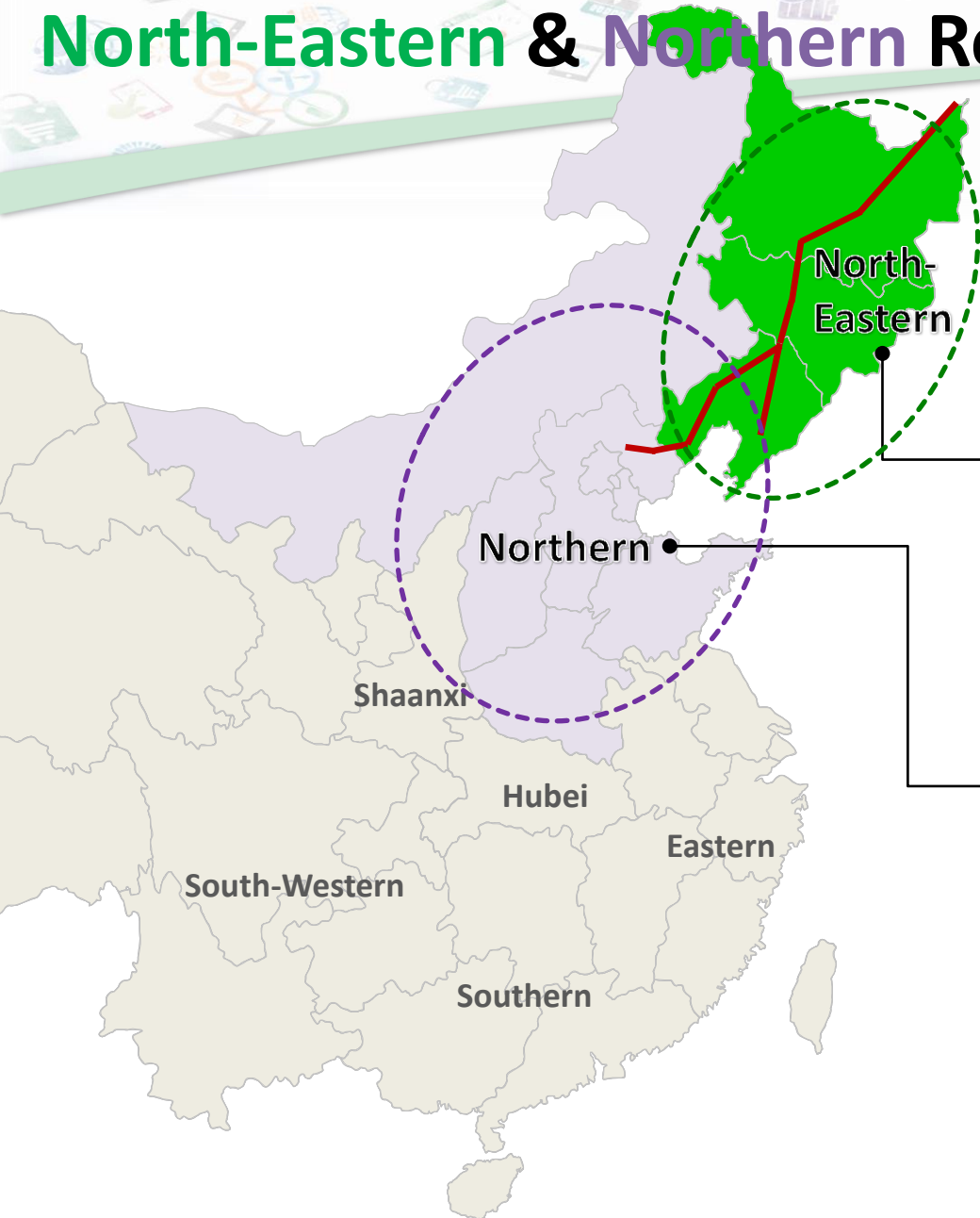
Mainland City-gas Opportunities & Strategies (4)

- **Stable and healthy business environment**

- NG supplies satisfy strong demand
- Less capital investment
- Lower operating unit cost



Russian Gas Will Spark Volume Growth in North-Eastern & Northern Regions



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

| North-Eastern | 2018 | 2022E |
|-----------------------------|-----------|-------|
| Number of projects | 25 | >30 |
| Volume (Bn m ³) | 1.7 | 4.0 |
| Volume Growth | CAGR: 24% | |
| Northern | 2018 | 2022E |
| Number or projects | 38 | >40 |
| Volume (Bn m ³) | 3.0 | 5.4 |
| Volume Growth | CAGR: 16% | |

Mainland City-gas Other Energy to NG Conversion/ New Customers

2018

TCCL

Customers Gained

**Annualized Volume
(Mn m³)**



Commercial

10,025

250



Industrial

717

580

Total

10,742

830

2017

800

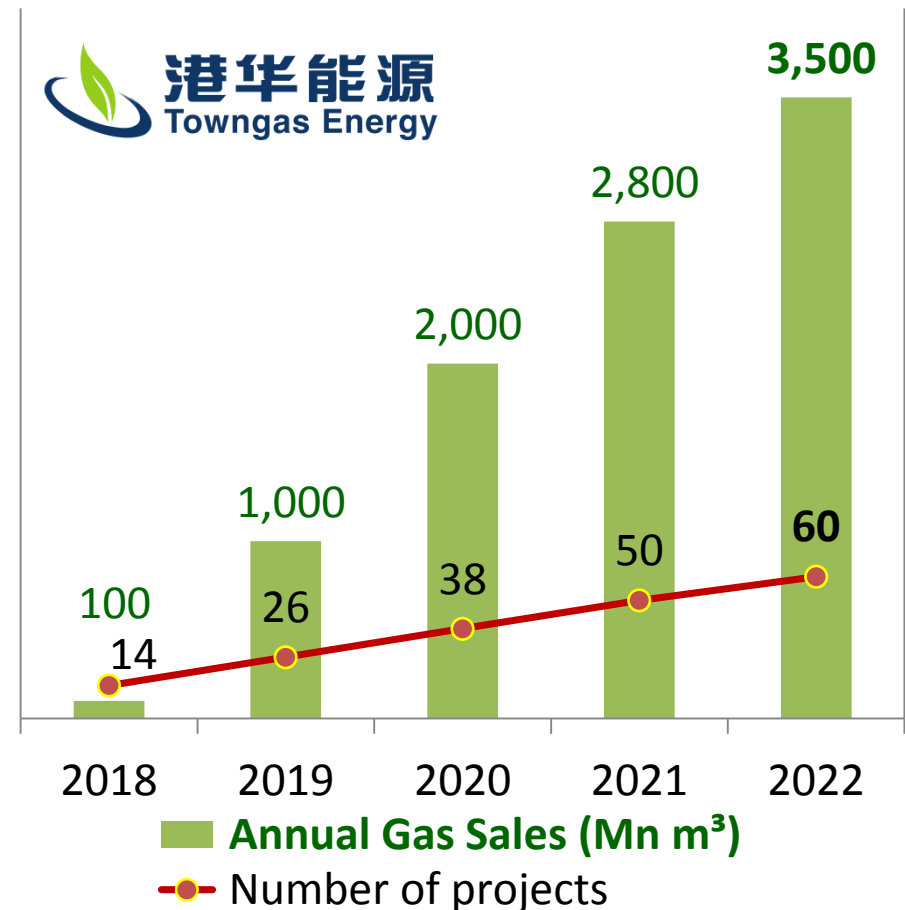
2016

700

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: one project per JV

Green Energy Integrated Services Business Growth



Mainland City-gas Opportunities & Strategies



Jintan Underground NG Storage

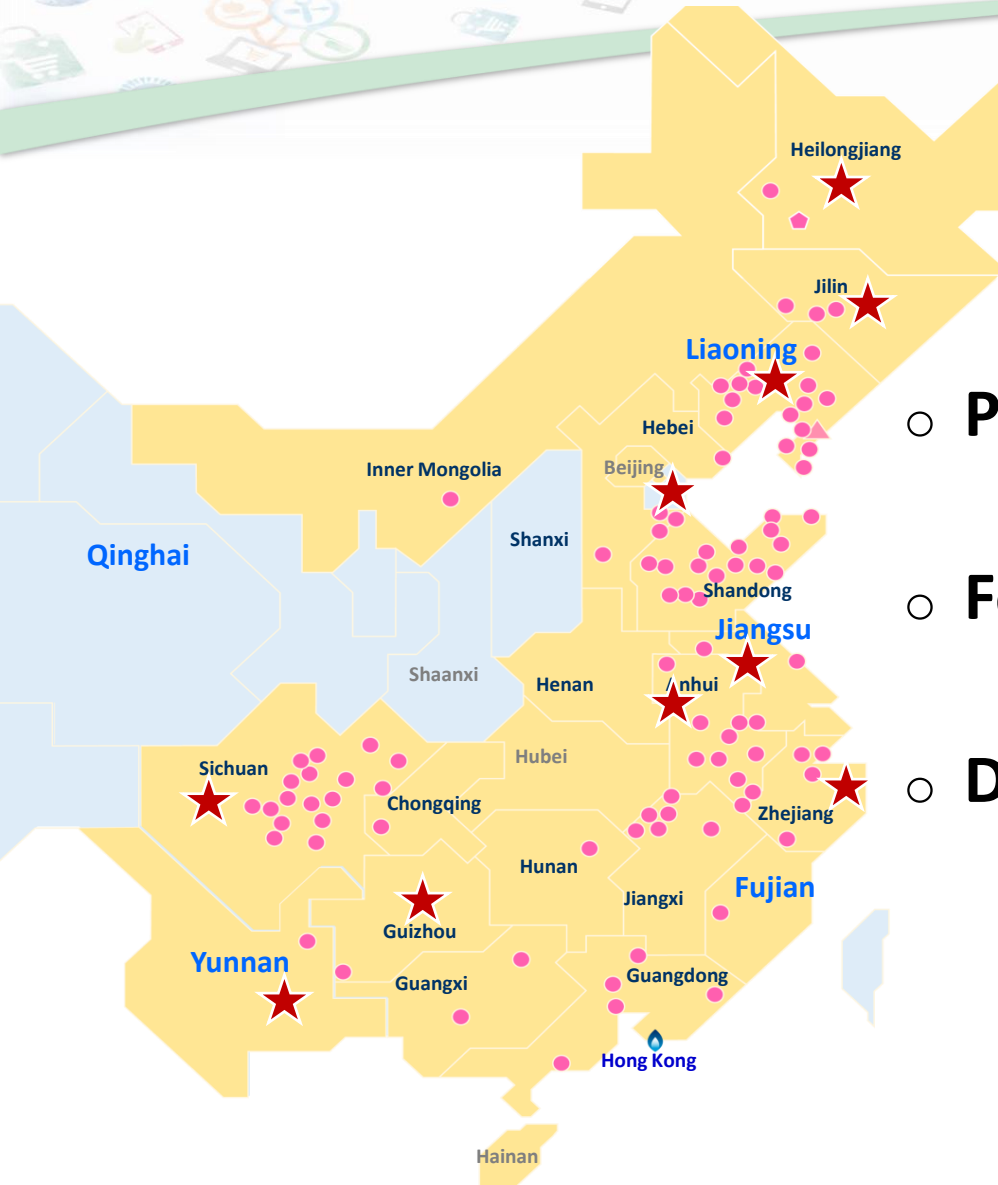
Gas storage in Jintan, Jiangsu

- To meet winter demand through National Grid
- Sharing investment cost among JVs
- National grid facilitates free flow of NG
- NG trading opportunities
- Shanghai Gas to be a partner with a 25% shareholding

Project Information

| | <u>Cumulative</u> |
|------------------------------------|------------------------|
| • Phase 1-1 capacity: (3 caverns) | 140Mn m ³ |
| • Completion: | Jan 2018 |
| • Phase 1-2 capacity: (+7 caverns) | 440Mn m ³ |
| • Construction Commencement: | Mar 2018 |
| • Phase 2 capacity: (+12 caverns) | 1,000Mn m ³ |

Our Business: Expanding Coverage



- Penetration into neighboring cities
- Focusing on new territories
- Develop DES

Thank you

