

# Towngas China (1083.hk)

## 2015 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.





# Corporate Structure



Hong Kong & China Gas  
(0003.hk)

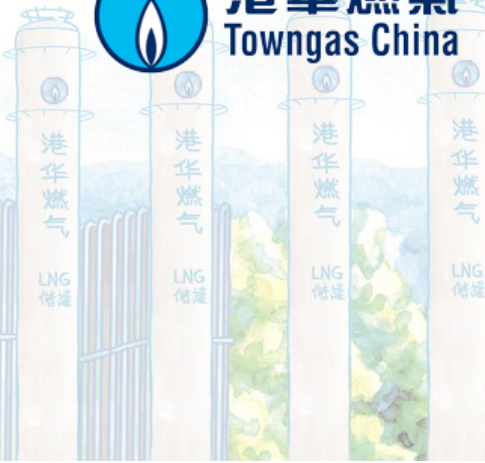
- Major utilities and energy company in Hong Kong and mainland China
- A HSI constituent stock

62.53%



Towngas China  
(1083.hk)

- Major city-gas operator in mainland China

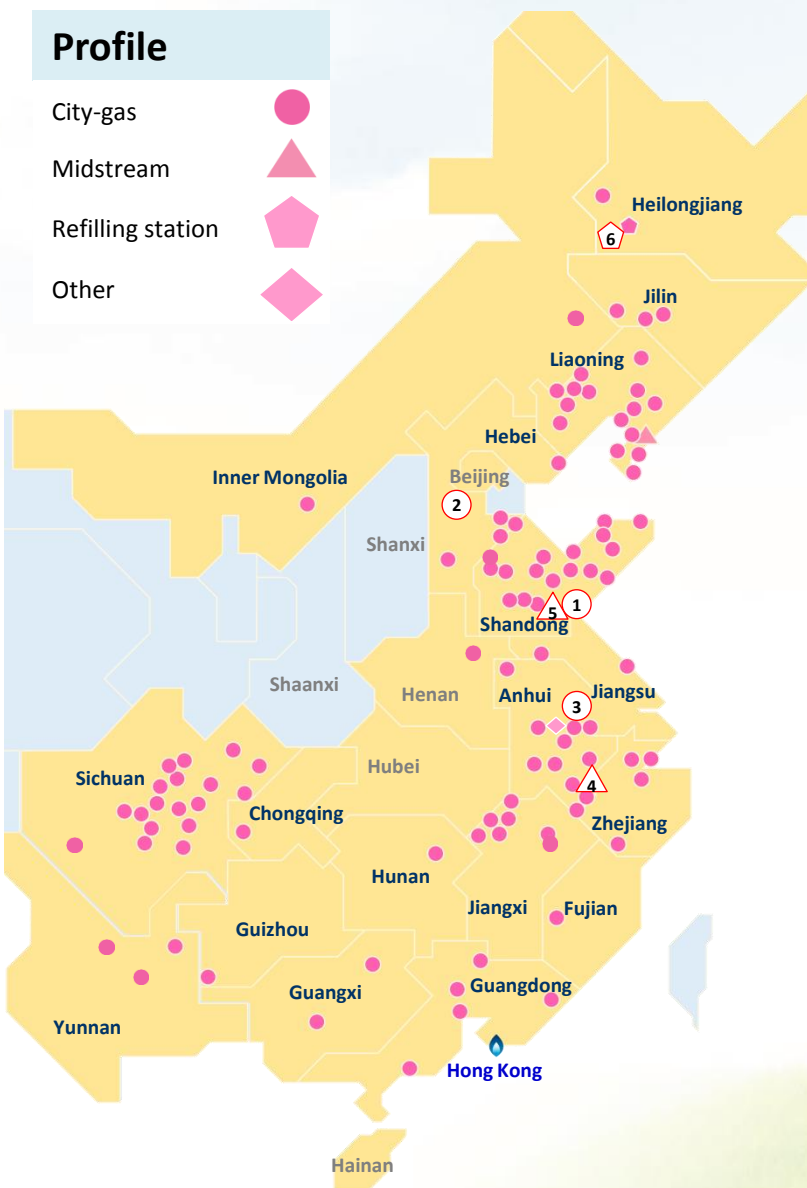


# Territorial Coverage

As of Jan 31, 2016

## Profile

- City-gas ●
- Midstream ▲
- Refilling station ◆
- Other ◇



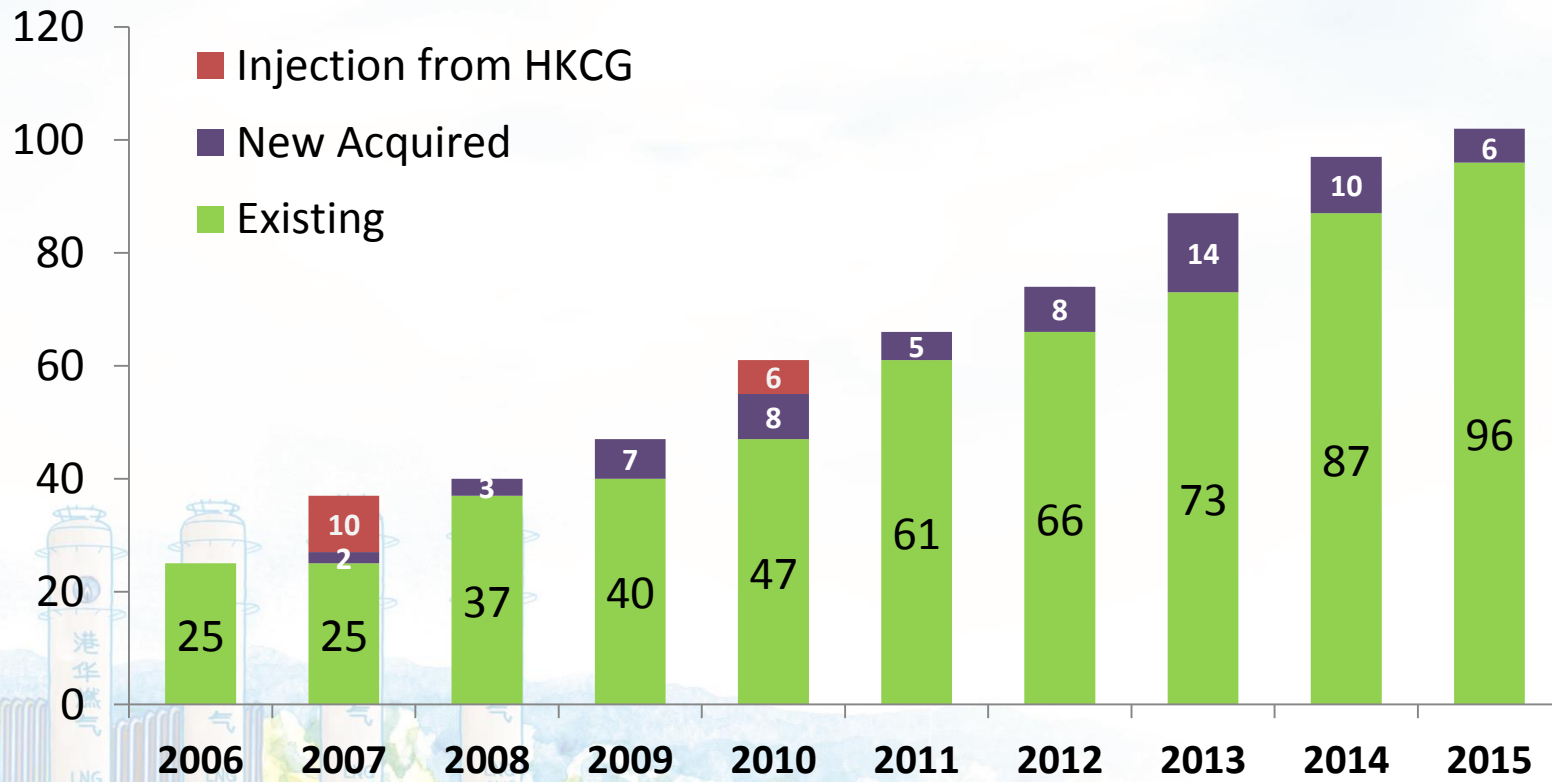
**6** projects added, total **102** projects in **18** provincial regions

	New Projects	Stake	TCCL Investment	Major Industries in the Operating Regions
①	Wulian	70%	Rmb202Mn	Automobile parts and accessories, machinery manufacturing, stone supply
②	Baoding	70%	Rmb186Mn	Manufacturing, electronic information
③	Wuhu	100%	Rmb200Mn	Non-ferrous metal smelting, down, shoes
④	Xuancheng	49%	Rmb170Mn	Non-ferrous metal smelting, down, shoes
⑤	Taian Taigang	49%	Rmb96Mn	Midstream natural gas pipeline project
⑥	Qiqihar (Xingqixiang)	100%	Rmb145Mn	Vehicle gas refilling station
Total Investment			<u>Rmb999Mn</u>	
Total volume in 5-years			<u>1,090Mn m<sup>3</sup></u>	



# Number of Projects

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
25	37	40	47	61	66	74	87	97	102





# Financial and Operational Performance





# 2015 Results Highlights



## Operating Profit After Tax

HK\$1,201Mn **↑1%**

Gas Sales  
Volume

**↑1%**

6.6Bn m<sup>3</sup>

Total Projects

**+6**

Total 102

Total Customers

**+803,000**

10Mn

New  
Connections

**1,042,000**

港華燃氣  
Towngas

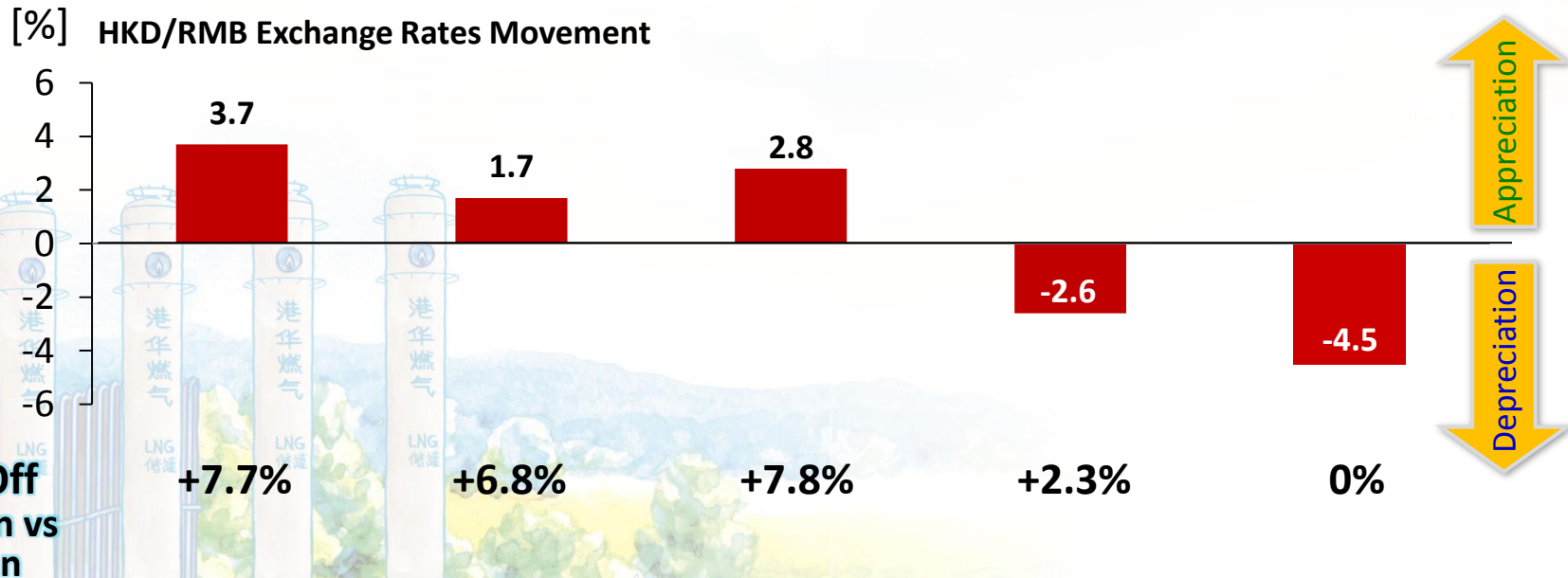
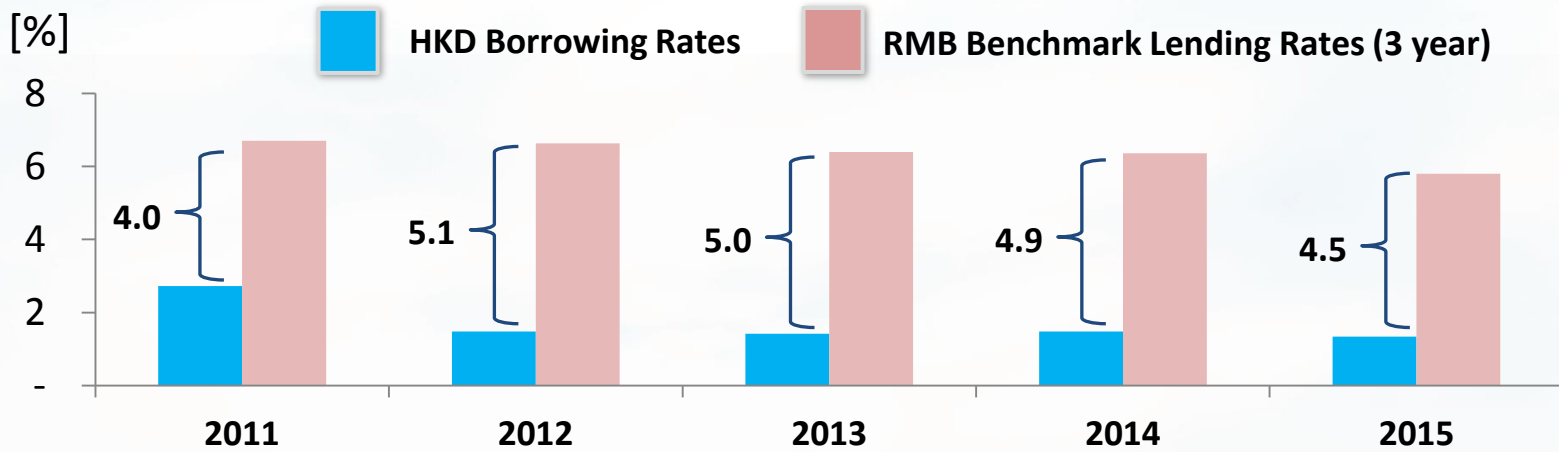
# Results Highlights (Financial)

(HK\$Mn)	FY14	FY15	Change
<b>Turnover</b>			
<b>Gas Sales</b>	<b>6,205</b>	<b>6,011</b>	<b>-3%</b>
<b>Connection Fees</b>	<b>1,677</b>	<b>1,708</b>	<b>+2%</b>
	<b><u>7,882</u></b>	<b><u>7,718</u></b>	<b>-2%</b>
<b>Operating Profit After Tax</b>	<b>1,195</b>	<b>1,202</b>	<b>+1%</b>
<b>Profit attributable to shareholders</b>	<b>1,054</b>	<b>807</b>	<b>-23%</b>
<b>Basic EPS (HK cents per share)</b>	<b>40.19</b>	<b>30.45</b>	<b>-24%</b>





# TOOL: HKD Borrowings



# Non-Rmb Borrowings

Reduce FX Exposure

Rmb Bank Loans

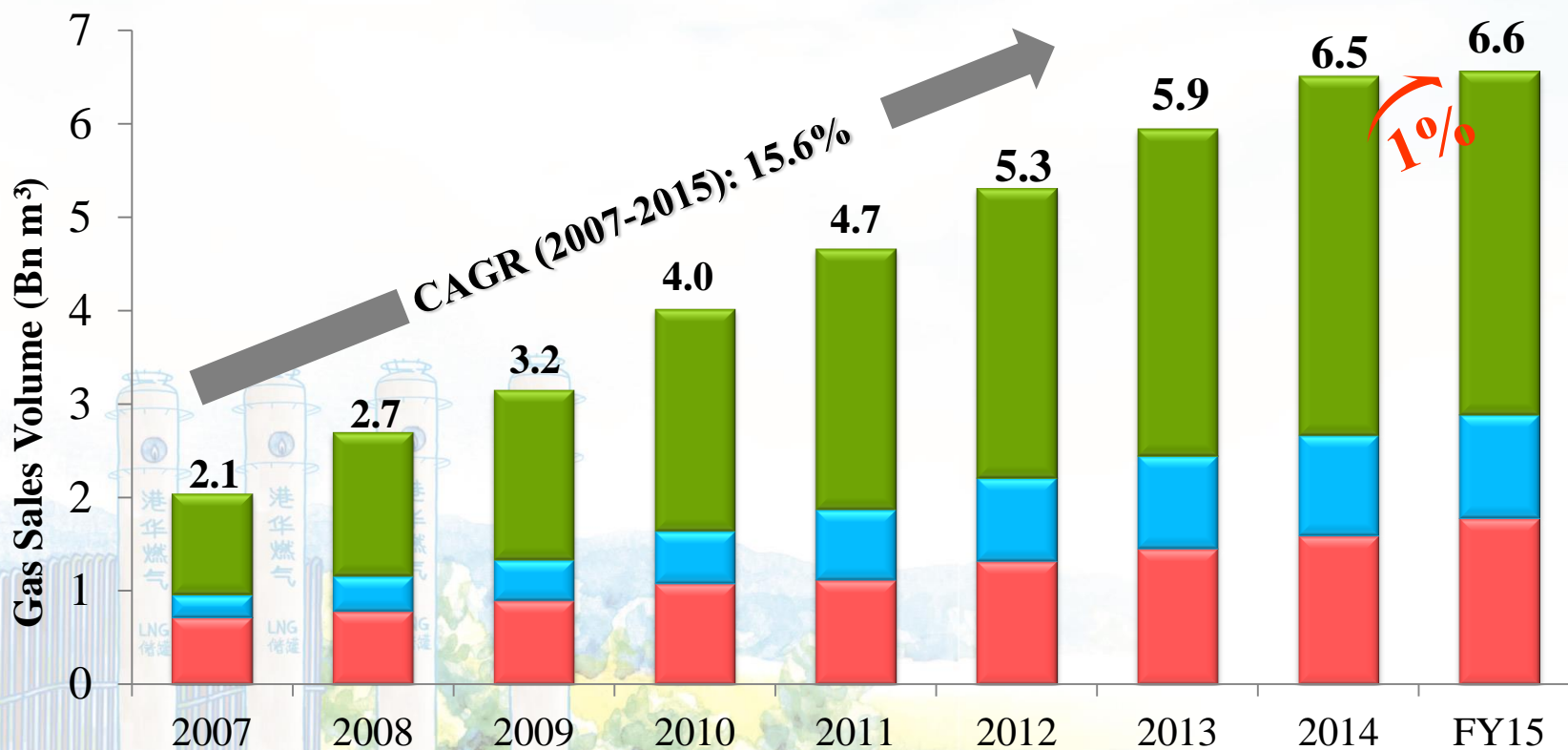
Secured lines: Rmb5Bn

Panda Bonds

Hybrid Instruments

# Growing Gas Sales Volume

(Bn m <sup>3</sup> )	FY14	FY15	Change
<span style="color: green;">■</span> Industrial	3.8	3.7	-4%
<span style="color: blue;">■</span> Commercial	1.1	1.1	+3%
<span style="color: red;">■</span> Residential	1.6	1.8	+12%
<b>Total</b>	<b>6.5</b>	<b>6.6</b>	<b>+1%</b>

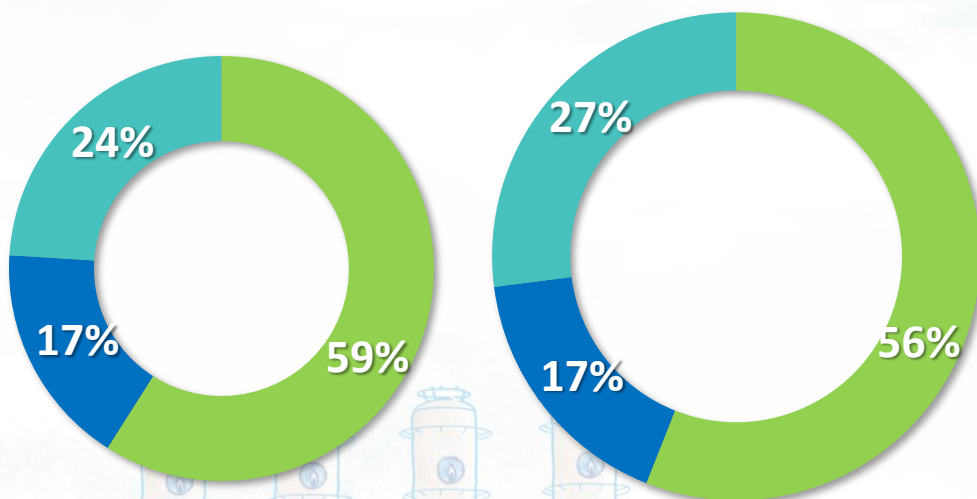


\*All JVs (100%)

# Operational Highlights

## Gas Sales Volume Mix (%)

■ Residential   
 ■ Commercial   
 ■ Industrial

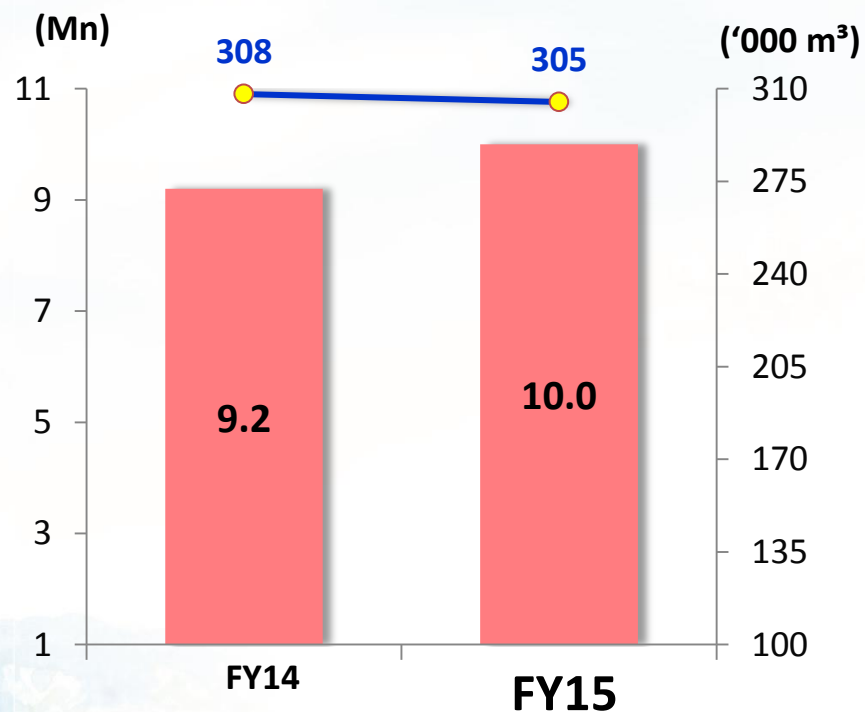


FY14

FY15

## Productivity

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



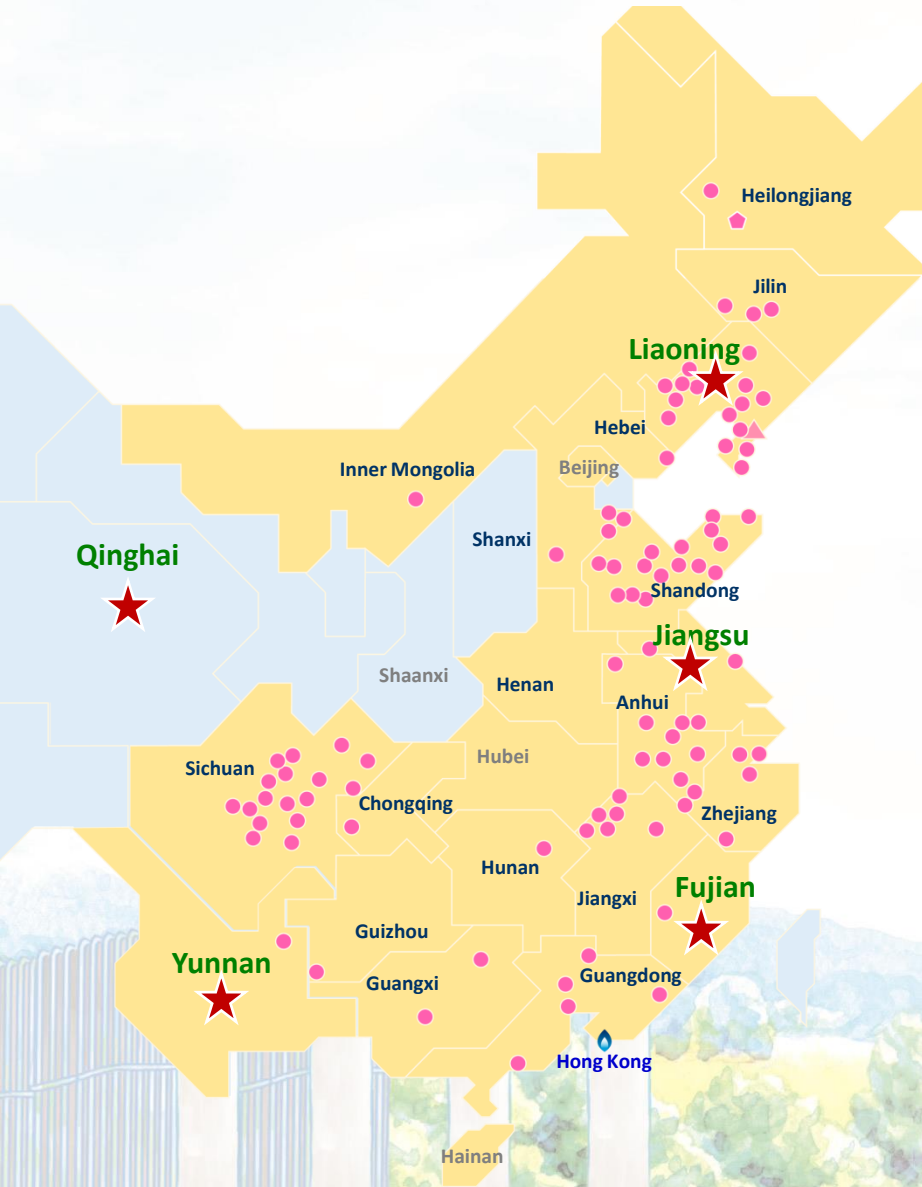
\* All JVs (100%)

# Favorable Natural Gas Gate Price



- ▶ A cut of RMB0.7/m<sup>3</sup> to the non-residential gate price
  - Effective 20 November 2015
  - Price competitiveness of natural gas restored
  - Regain momentum for piped city-gas volume growth
  - Boost to CNG/LNG refilling
- ▶ Residential tiered price system majority implemented

# Our Business: Expanding Coverage



- Target: **4-6** new projects / year
- Penetration into neighboring cities
- Focusing in new territories:

- **Fujian**
- **Jiangsu**
- **Liaoning**
- **Yunnan**
- **Qinghai**



# Outlook

- ▶ Gas sales volume with mid growth in the medium term
- ▶ Development focus
  - Boilers & kilns conversion in industrial application
  - Restaurants
  - Gas refilling stations
  - Residential clothes drying, water heating and space heating
- ▶ Environmental pressure helps NG replace dirty fuels
- ▶ Price reforms help NG remain competitive
- ▶ Increasing urbanization brings in steady connection fees and customer gain
- ▶ Leveraging on 10 million household customers with business opportunities

**Potential:**

- 1Bn m<sup>3</sup> in 3 years
- 2.5Bn m<sup>3</sup> in 5 years

# THANK YOU

