

Towngas China (1083.hk)

2016 Interim Results Presentation





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

63.71%*



Towngas China
(1083.hk)

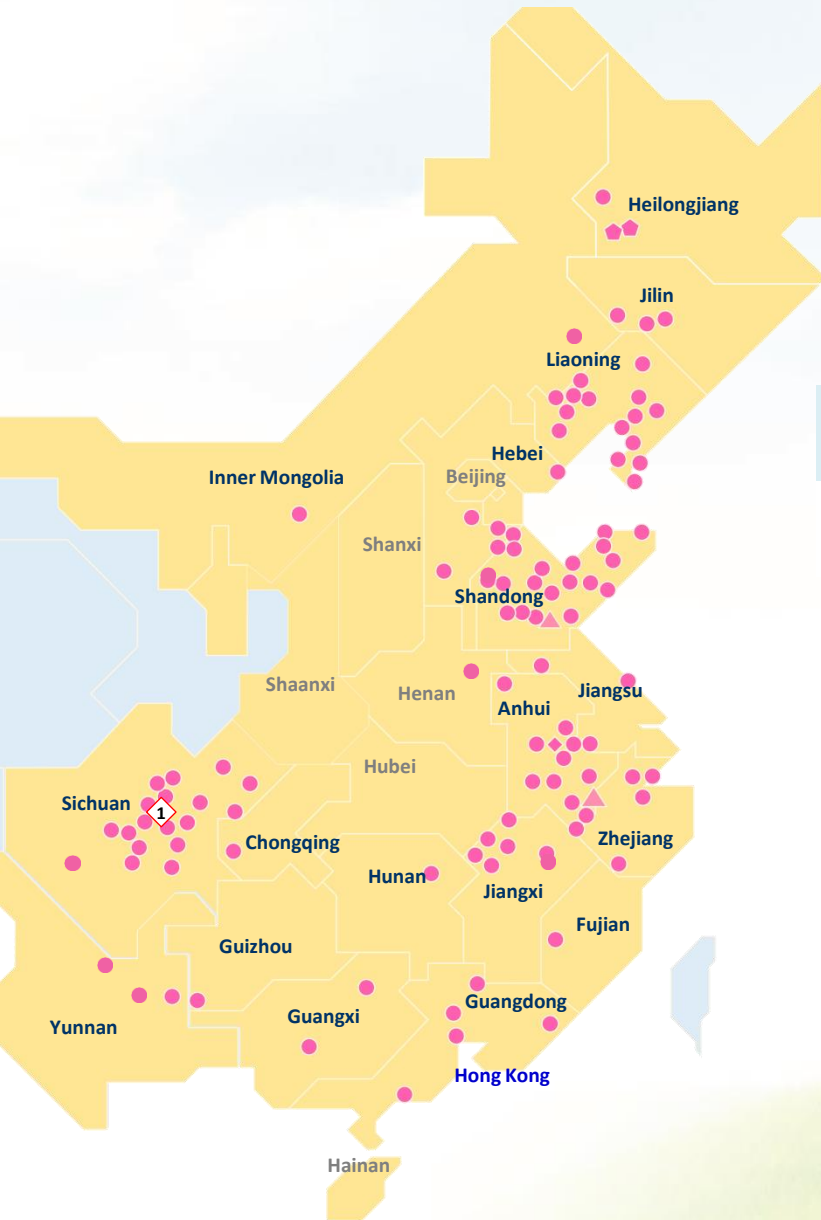
- Major city-gas operator in mainland China

* As at 16 August 2016




Territorial Coverage





As of Jun 30, 2016

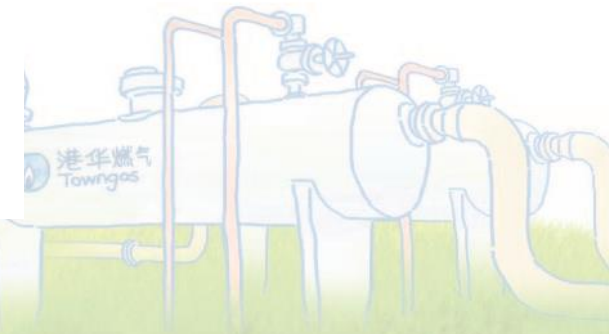


1 project added, total **103** projects in **18** provincial regions

	New Projects	Stake	TCCL Investment
	Sichuan Distributed Energy System	25%	Rmb129Mn

Profile

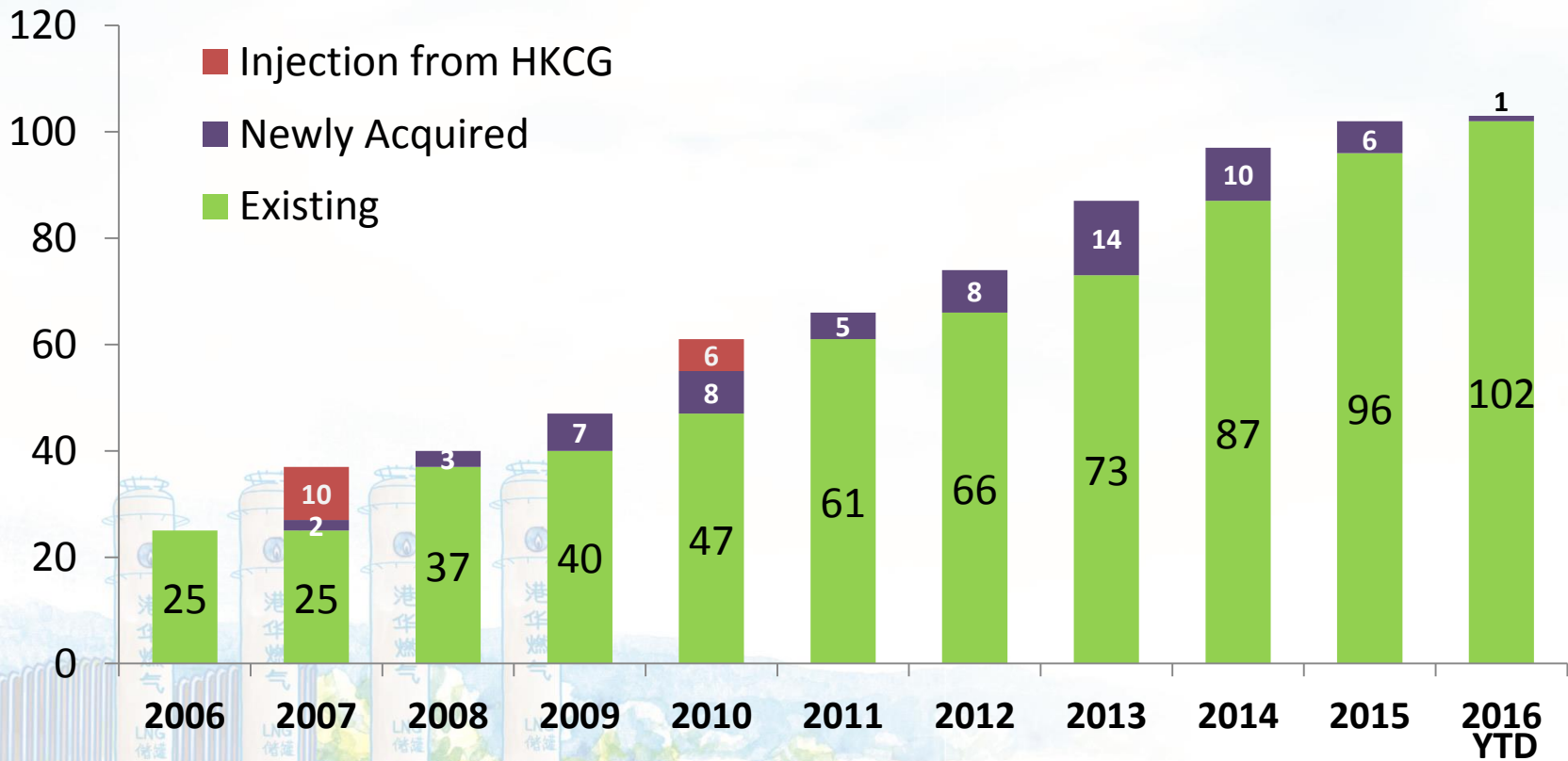
- City-gas  97
- Midstream  2
- Refilling station  2
- Other  2





Number of Projects

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	16YTD
25	37	40	47	61	66	74	87	97	102	103





Financial and Operational Performance





1H2016 Results Highlights



Profit From Project Companies

HK\$805Mn **↑6%**
(Rmb678Mn **↑11%***)



Gas Sales Volume

↑5%

3.6Bn m³

Total Projects

+1

Total 103

Total Customers

6 months
+383,900

10.4Mn

New Connections

6 months
435,261

* In Original Currency

Results Highlights (Financial)

	1H2015	1H2016	Change
Turnover (Rmb Mn)			
Gas Sales	2,576	2,268	-12%
Connection Fees	577	626	+9%
	<u>3,153</u>	<u>2,894</u>	-8%
Profit from project companies (Rmb Mn)	612	678	+11%
Average Exchange Rate (Rmb/HKD)	1.2467	1.1874	-4.8%
Profit from project companies (HKD Mn)	763	805	+6%
Profit attributable to shareholders (HKD Mn)	639	564	-12%
Basic EPS (HK cents per share)	24.24	21.18	-13%

Results Highlights (Financial)

Improvement in Segment Margin

(HK\$Mn)	1H2015	1H2016
Piped-gas & related products	8.3%	10.4%
Gas connection	45.4%	46.7%

Non-recurring & Special Items

(HK\$Mn)	1H2015	1H2016
Exchange (Loss)/Gain	11.2	(79.2)
Gross Financial Costs	(88.6)	(118.4)

Note:

- ▶ All the non-RMB borrowings had either been converted into RMB borrowings or hedged with cross-currency swaps by July 2016.



Healthy Balance Sheet

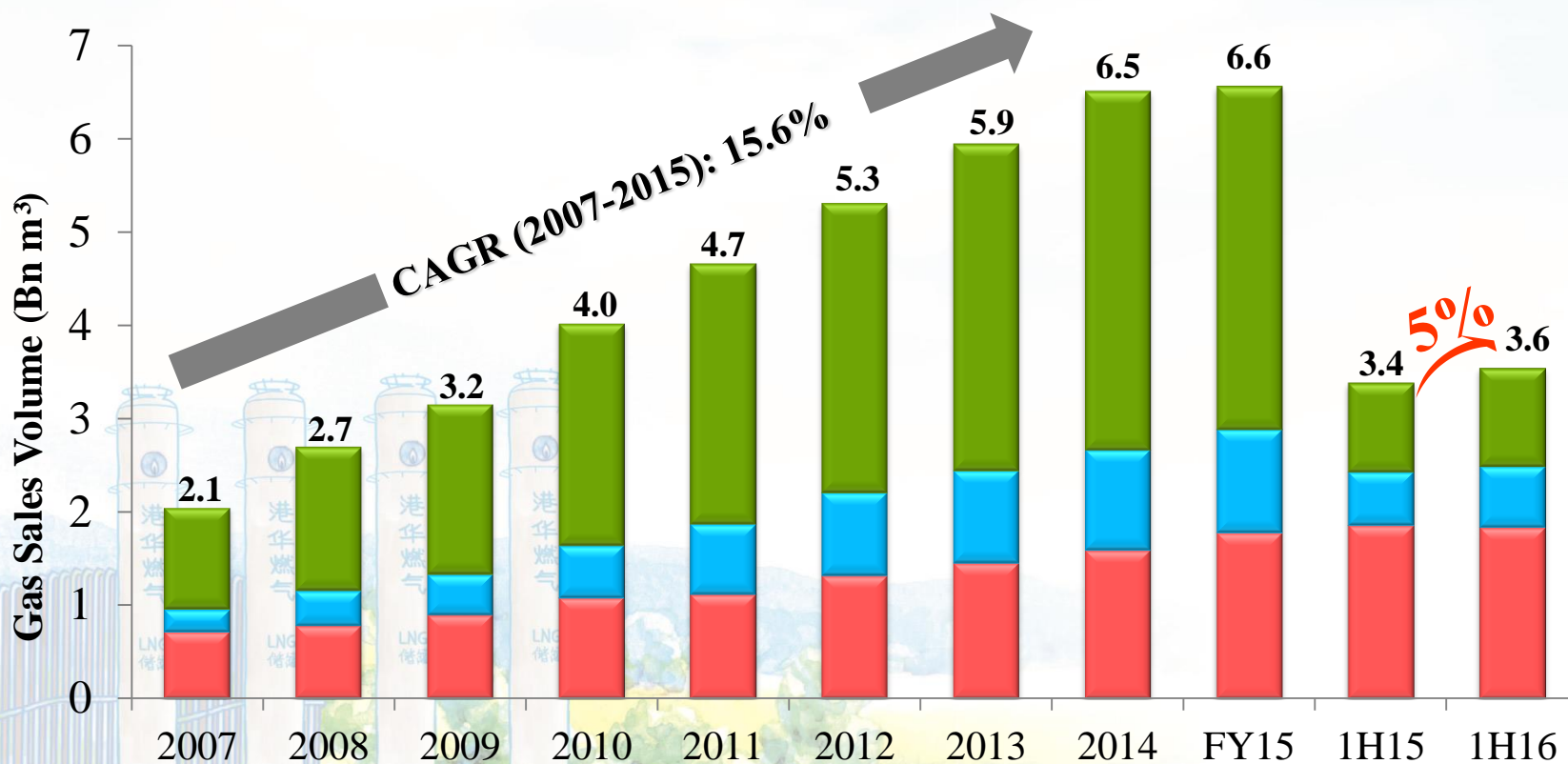
(HK\$Mn)	Y.E.2015	1H2016	Change
Total Assets	28,871	29,292	+1.5%
Total Liabilities	14,171	14,633	+3.3%
Total Equity	14,700	14,659	Stable
Gearing Ratio*	28.6%	28.6%	Stable

Note:

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

Growing Gas Sales Volume

(Bn m ³)	1H15	1H16	Change
■ Industrial	1.85	1.83	-1%
■ Commercial	0.66	0.58	+14%
■ Residential	0.96	1.06	+10%
Total	3.39	3.55	+5%



*All JVs (100%)



Gas Sales Volume of JVs



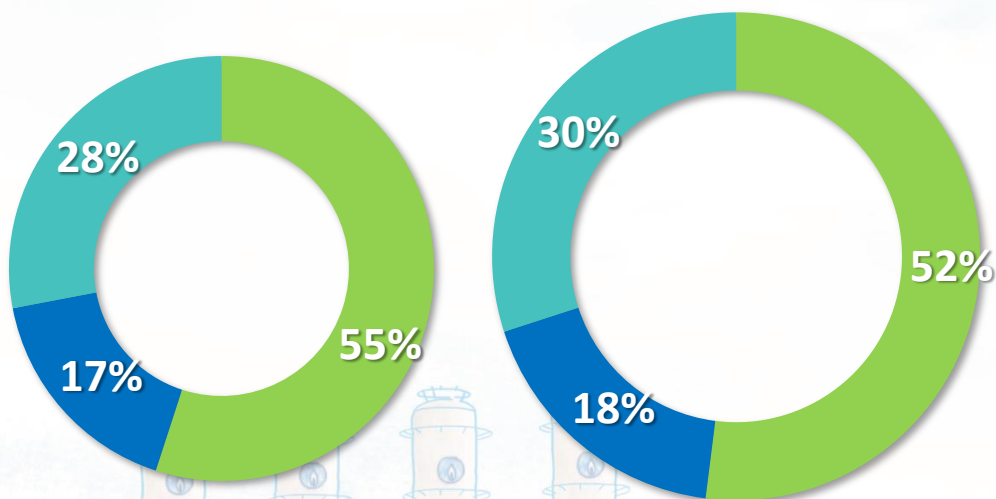
Volume (Mn m ³)	1H15	1H16	Change
Subsidiaries	899	924	+3%
JCEs & Associates	1,790	1883	+5%
Chengdu JV	704	744	+6%
Total	3,393	3,551	+5%

Note: Chengdu JV with 13% shareholding is classified as financial investment according to accounting standard

Operational Highlights

Gas Sales Volume Mix (%)

■ Residential
 ■ Commercial
 ■ Industrial



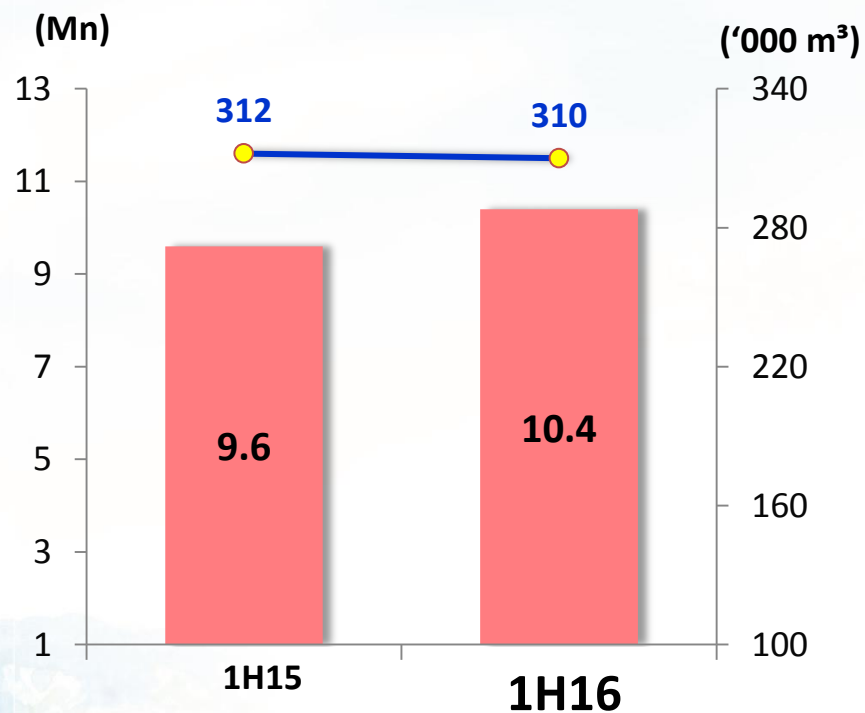
1H15

1H16

Productivity

■ Customers No. (LHS)

● Gas Volume/Employee (RHS)



(Mn)

('000 m³)

1H15

1H16

* All JVs (100%)



Natural Gas Price Reform



- ▶ A cut of RMB0.7/m³ 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

Market Development

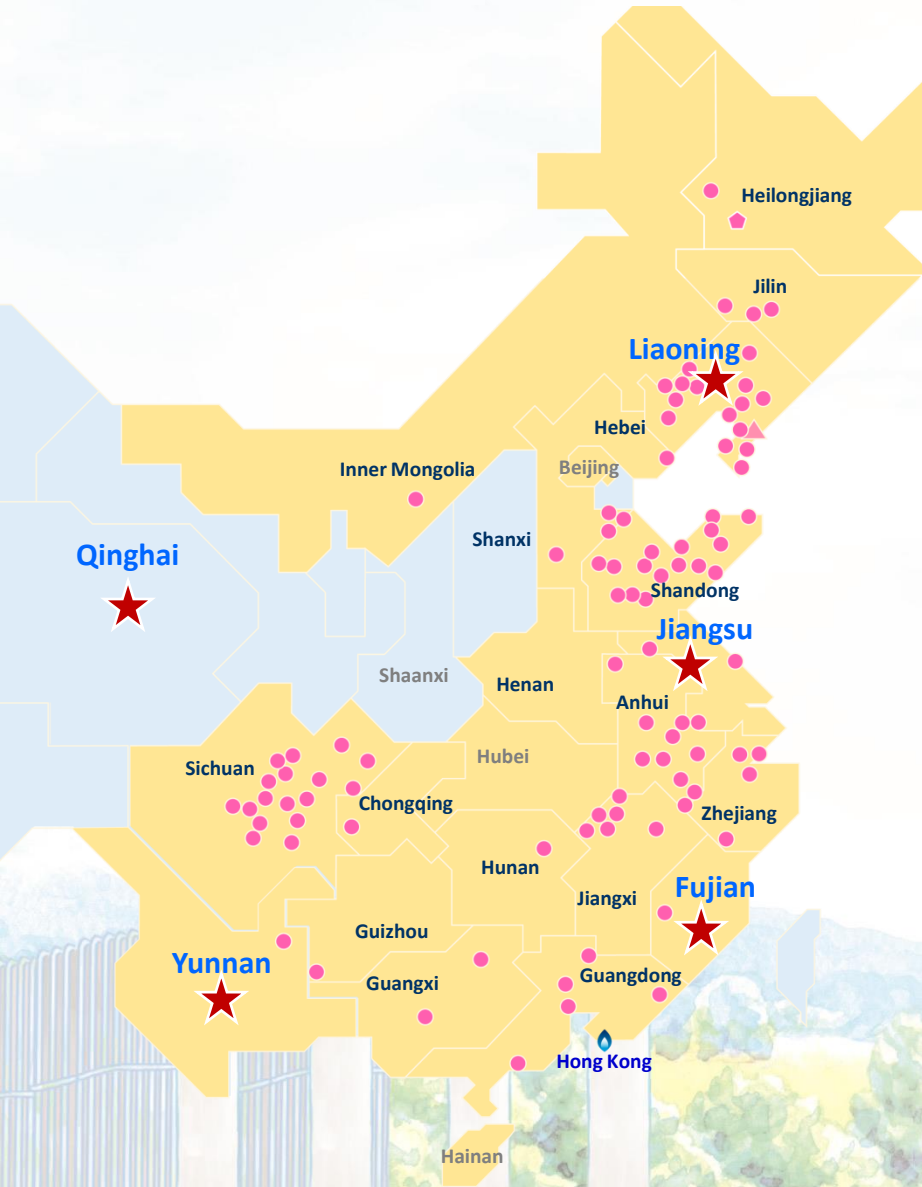
Commercial & Industrial



Industrial Customers Coal-to-Gas Conversion	1H15	1H16
JVs with supporting government policy	-	69
Converted Customer	169	310
Capacity (Steam tons)	996	2,613
NG Demand (Mn m ³ /p.a.)	130	340

Commercial Customers	1H15	1H16
Newly Acquired Customer	3,141	3,256
NG Demand (Mn m ³ /p.a.)	80	80

Our Business: Expanding Coverage



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

- Fujian
- Jiangsu
- Liaoning
- Yunnan
- Qinghai



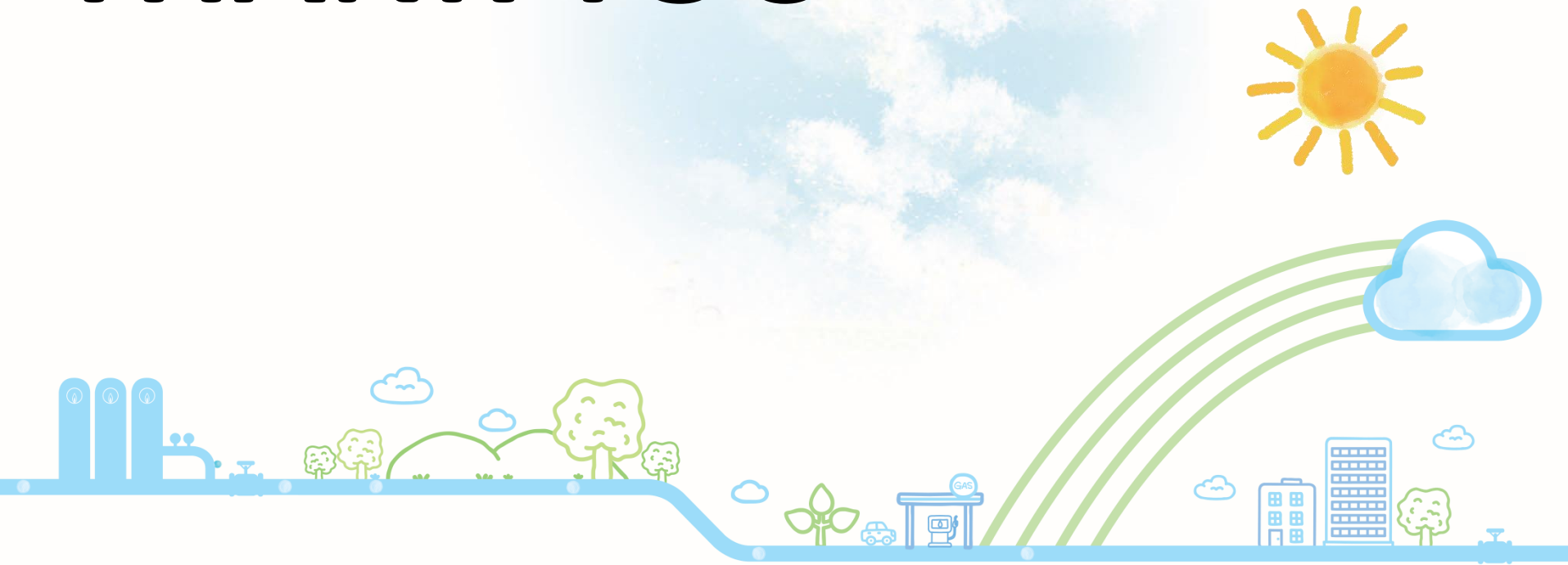
Outlook

- ▶ 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 m³ in 3 years
- 2.5Bn m³ in 5 years

THANK YOU



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.