

# Towngas China (1083.HK)

## 2020 Annual Results Announcement



# Financial Review





# Resilient Results

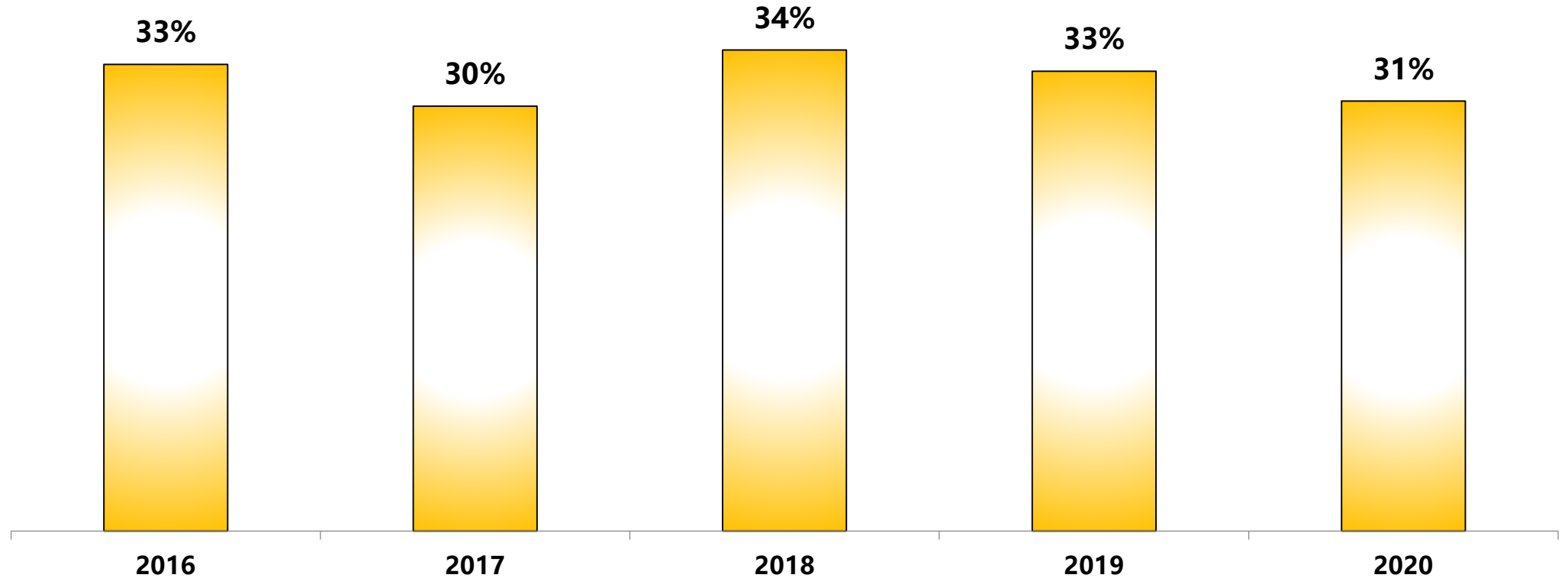
(HK\$ Mn)	2020	2019	Change
<b>Turnover</b>			
<b>Gas Sales</b>	<b>10,616</b>	10,835	<b>-2%</b>
<b>Connection Fees</b>	<b>2,210</b>	2,089	<b>+6%</b>
	<b>12,826</b>	12,924	<b>-1%</b>
<b>Operating Profit</b>	<b>1,824</b>	1,756	<b>+4%</b>
<b>Profit Attributable to Shareholders</b>	<b>1,447</b>	1,308	<b>+11%</b>
<b>Earnings per Share</b>	<b>HK 49.56 cents</b>	HK 46.06 cents	<b>+8%</b>
<b>Dividends per Share*</b>	<b>HK 15 cents</b>	HK 15 cents	
<b>Dividend yield</b>	<b>4.3%</b>	2.8%	

\*with option of script dividend



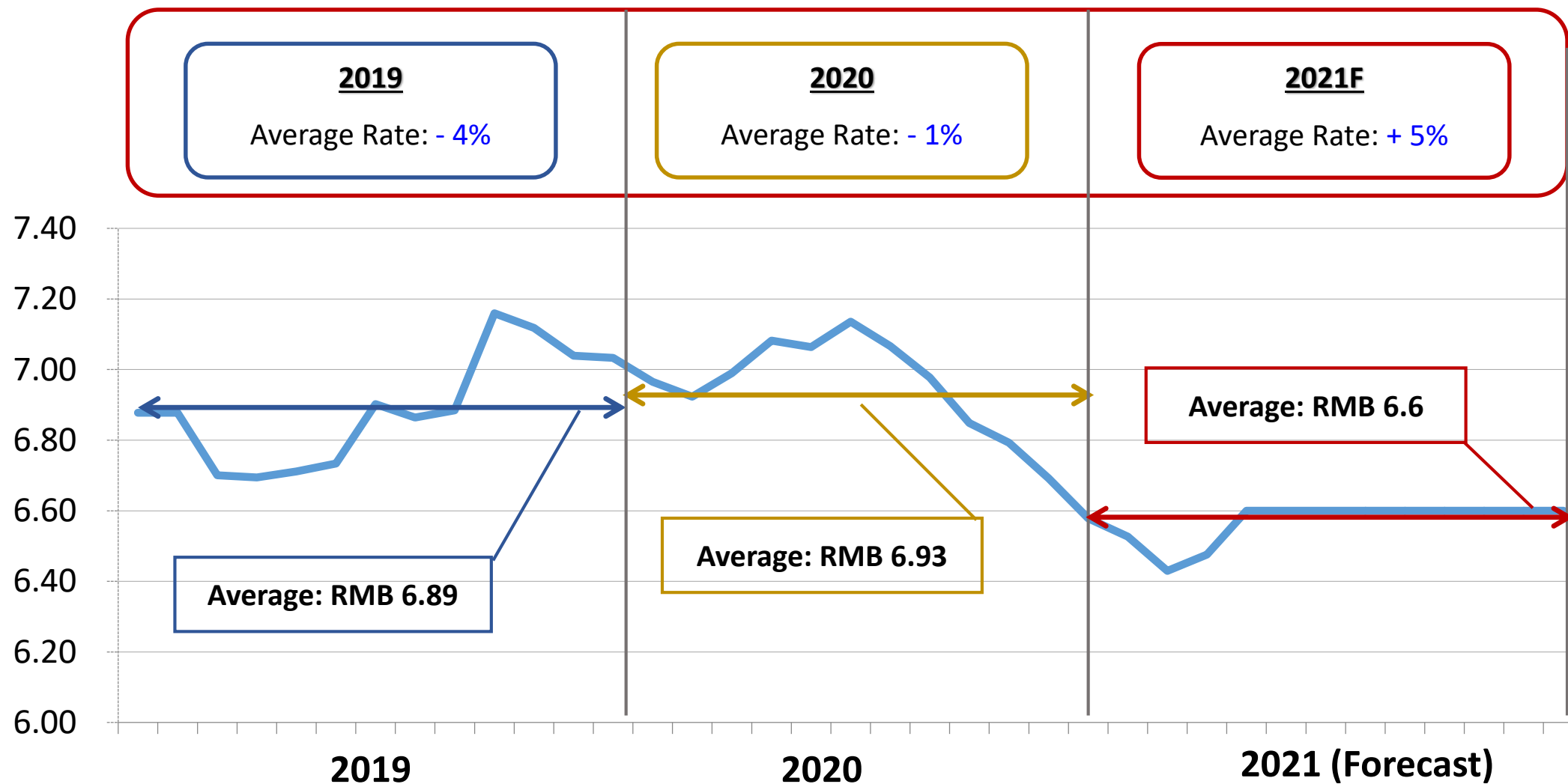
# Healthy Financial Position

## Stable dividend payout ratio







# RMB/USD Average Exchange Rate



**\*Forecast (2021 Mar ~ Dec): RMB 6.60@USD**



# Healthy Financial Position

Items	31 Dec 2020	31 Dec 2019		17 Mar 2021	31 Dec 2019
	HK\$ Bn	HK\$ Bn			
Total assets	42.9	38.2	P/E Ratio	7.0x	11.7x
Net asset value	22.6	20.3	P/B Ratio	0.5x	0.8x
Cash and Bank	2.3	2.0	<div style="border: 2px solid black; padding: 10px;"> <p><b>Credit Ratings:</b></p>  <b>Baa1</b>   <b>BBB+</b> </div>		
Total borrowings	11.5	10.2			
Interest Coverage	7.8x	7.7x			
Net Gearing	28.9%	29.0%			



# Financing Arrangement for Shanghai Gas Cooperation

Transaction Step	Funding
<ul style="list-style-type: none"><li>• Subscription of 25% of enlarged capital of Shanghai Gas by Towngas China</li></ul>	: Bridging loans secured
<ul style="list-style-type: none"><li>• Subscription of 25% of enlarged capital of Towngas China by Shanghai Gas</li></ul>	: Funds returning to Towngas China



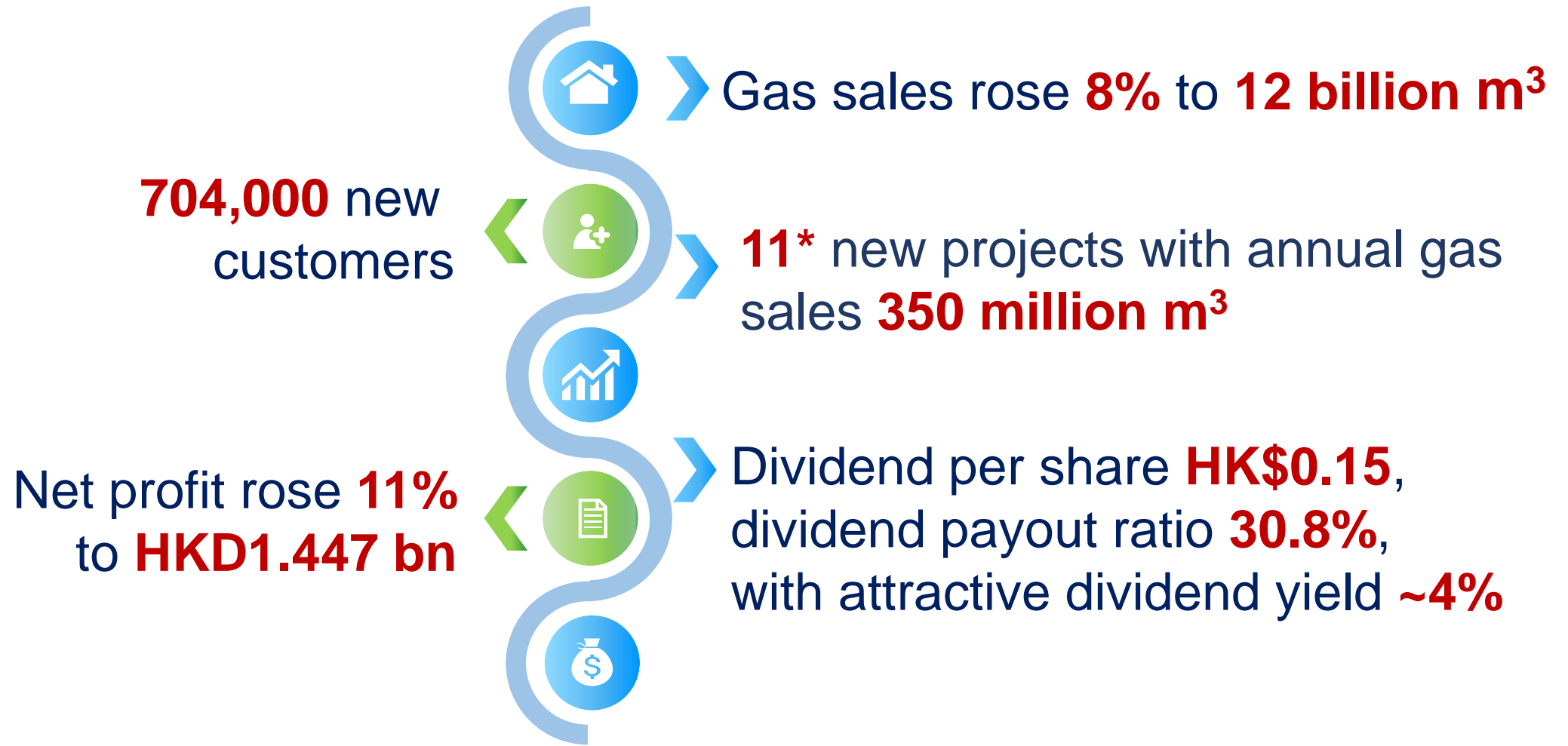
# Business Summary







# Business Summary of 2020



\* All project companies



# Pioneer in Identifying ESG Opportunities with Solid Corporate Governance Structure

- ESG Committee led by CEO and executive directors, reporting to the Board

The Board

ESG Committee



Accreditation and auditing ensure **thoroughness** and **credibility** of data

Towngas amongst **first** in the industry to publish CSR report

Organised the **first** National forum on Corporate Social Responsibility



2012

2013



Published **ESG Reports** in parallel with **Annual Reports**

2014 - 2018



2019

Verified by Hong Kong Quality Assurance Agency



# Constituent of the Hang Seng Corporate Sustainability Index Series

- Constituent of Hang Seng Corporate Sustainability Index Series since 2011
- Named ESG Leading Enterprise by Bloomberg Businessweek and Deloitte China
- Outstanding performance in environmental protection, CSR and corporate governance



恒生可持续发展  
企业指数系列



# Wide Coverage



197

164

City gas ★

3

Shareholding of listed companies

7

Provincial capitals

29

Key cities

21

Distributed energy

1

Upstream

4

Midstream

7

Engineering and other projects

★ All project companies





# Well-positioned Key Projects

3

## Listed companies

<b>Foran Energy (002911.SZ)</b>	<b>38.67%</b>
<b>Chengdu Gas (603053.SH)</b>	<b>11.70%</b>
<b>Changchun Gas (600333.SH)</b>	<b>28.20%</b>

7

## Provincial capitals

Changchun, Jinan, Hangzhou, Chengdu,  
Nanjing, Shenyang

...

29

## Key cities include:

**Guangdong:** Foshan, Qingyuan, Shaoguan

**Shandong:** Zibo, Taian, Weifang, Weihai

**Anhui:** Anqing, Maanshan

**Sichuan:** Mianyang

**Zhejiang:** Huzhou

**Heilongjiang:** Qiqihaer

**Liaoning:** Dalian

...

# Operational Performance

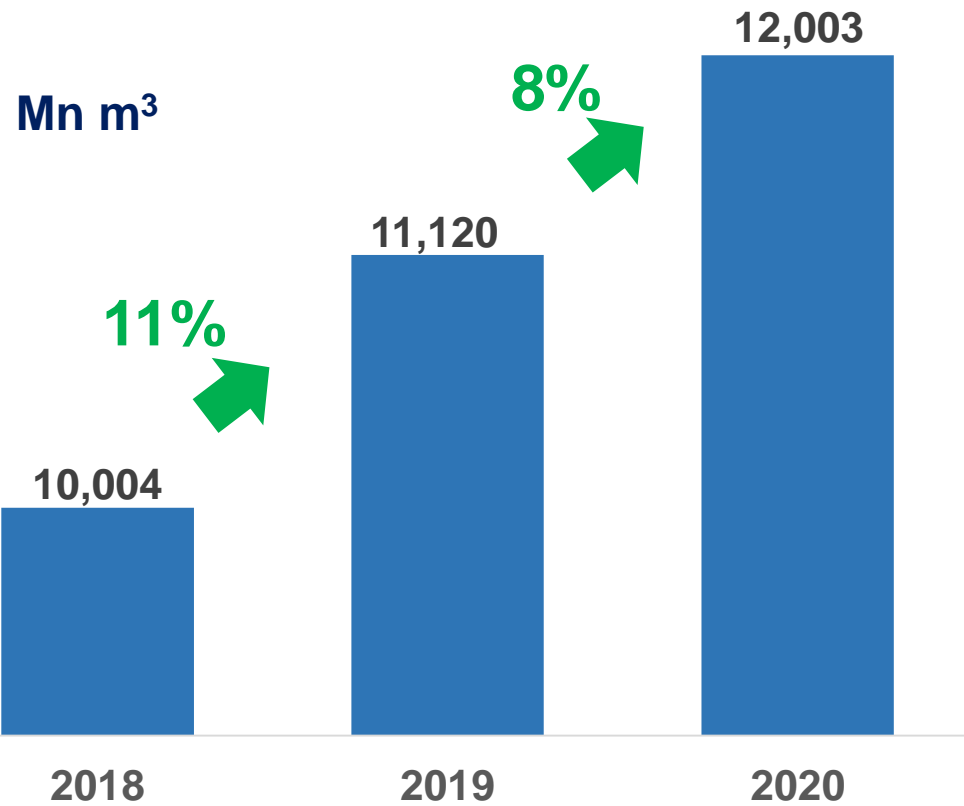






# Steady Growth in Gas Sales Volume and Customer

## Gas Sales



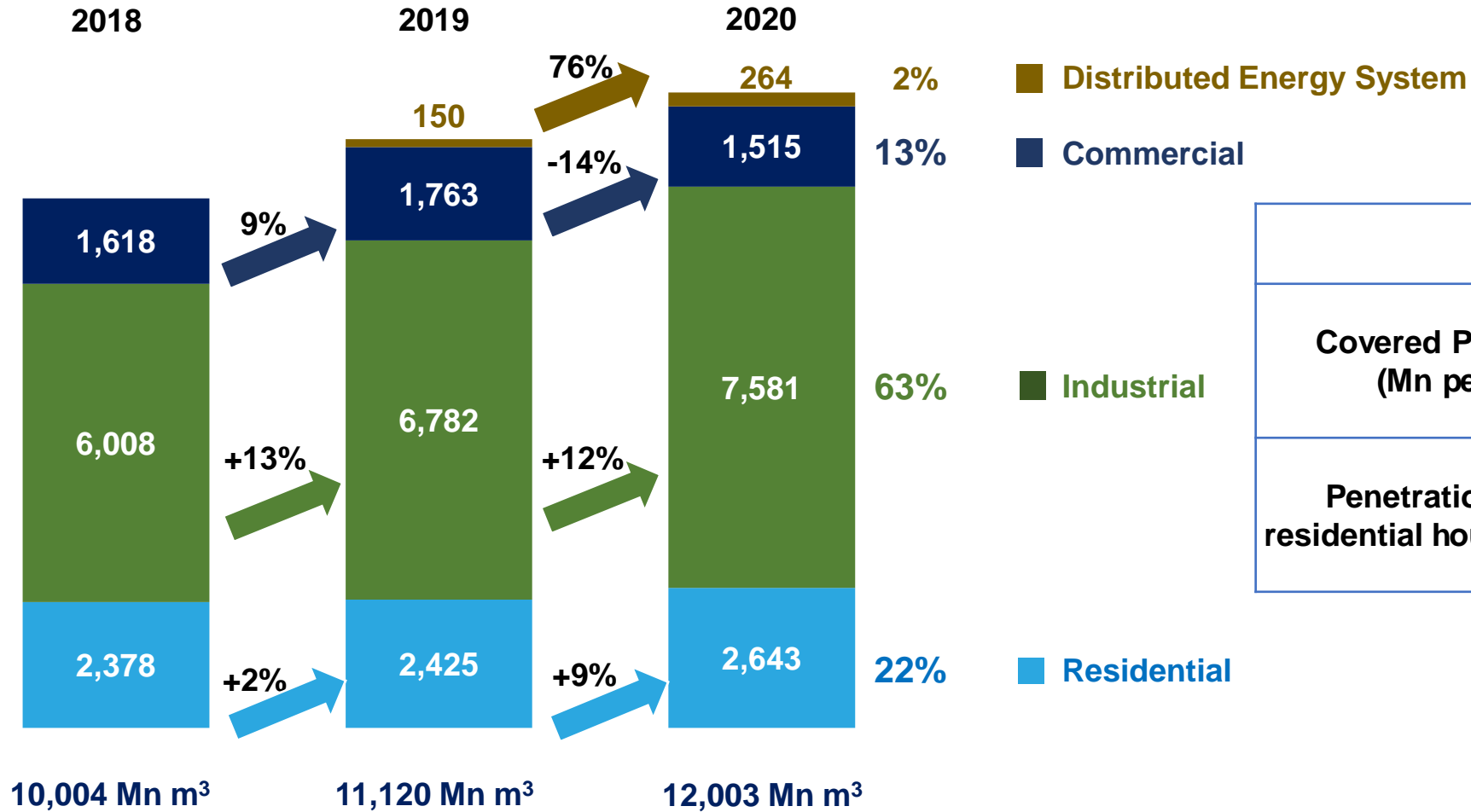
## Customer

(’000)	2019	2020	Change
Residential	13,295.5	13,988.6	+693.1 (5.2%)
Industrial	8.3	9.4	+1.1 (13.3%)
Commercial	134.6	144.5	+9.9 (7.4%)
Total	13,438.4	14,142.5	+704.1 (5.2%)



# City Gas Sales Volume by User Category

Mn m<sup>3</sup>

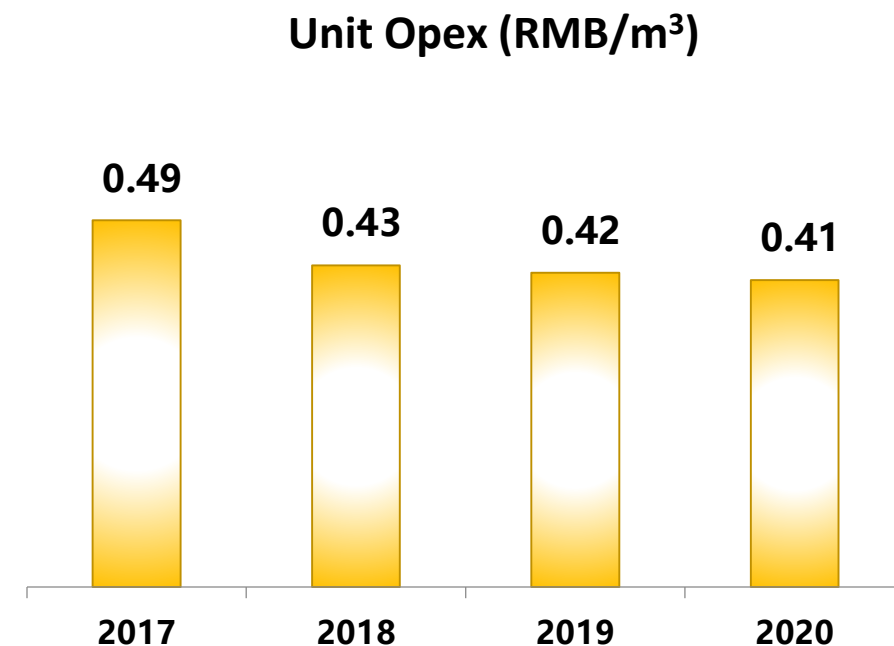


	2018	2019	2020
Covered Population (Mn people)	70.8	73.9	76.3
Penetration rate of residential households (%)	53	54	55



# Price and Margin

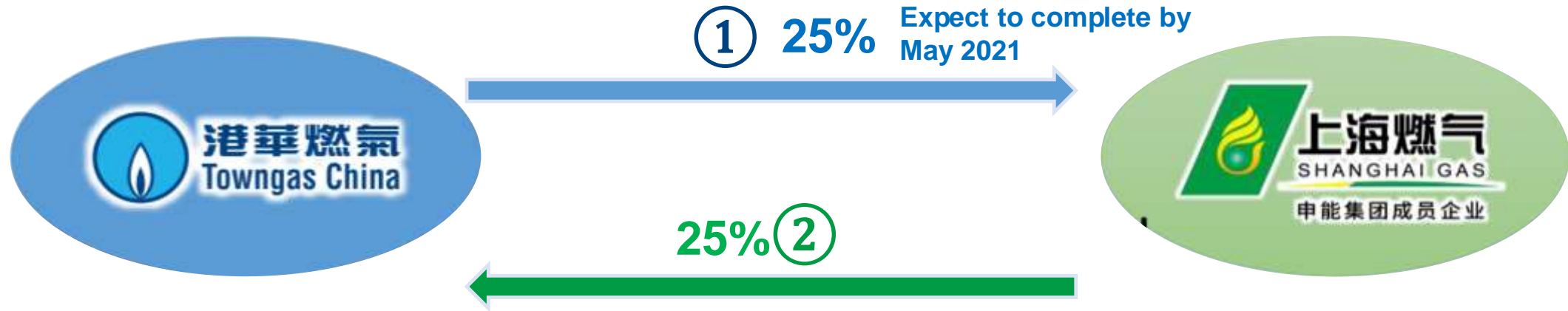
Selling Price (RMB/m <sup>3</sup> )	2018	2019	2020
Residential	2.45	2.56	2.59
Industrial	2.66	2.76	2.46 *
Commercial	3.01	3.22	2.99 *
<b>Avg. Selling Price</b>	<b>2.68</b>	<b>2.78</b>	<b>2.56</b>
<b>Avg. Gas Cost</b>	<b>2.09</b>	<b>2.19</b>	<b>1.99 *</b>
<b>Unit Gas Margin</b>	<b>0.59</b>	<b>0.59</b>	<b>0.57</b>



\* Due to COVID-19, NDRC reduced natural gas cost to alleviate the burden of C&I customers.



# Strategic Cooperation with Shanghai Gas



## 2020

- Gas sales volume: 8.9 Bn m<sup>3</sup>
- Customers: 6.4 Mn
- LNG import volume: 4.3 Mn tonnes (~ 6 Bn m<sup>3</sup>)
- Estimated profit RMB 850 Mn (> 30% growth)
- Expect double digit growth in sales volume & profit in 2021



# Upstream Investment: Shale Gas Liquefaction Project in Weiyuan, Sichuan

## Shale gas reserves

Over **400 billion m<sup>3</sup>**  
recoverable



Secured upstream gas supply of 300 million m<sup>3</sup> p.a.



Liquefaction and storage facilities to be commissioned in 2022



Own gas source for project companies and gas trading

# Business Strategy and Opportunities







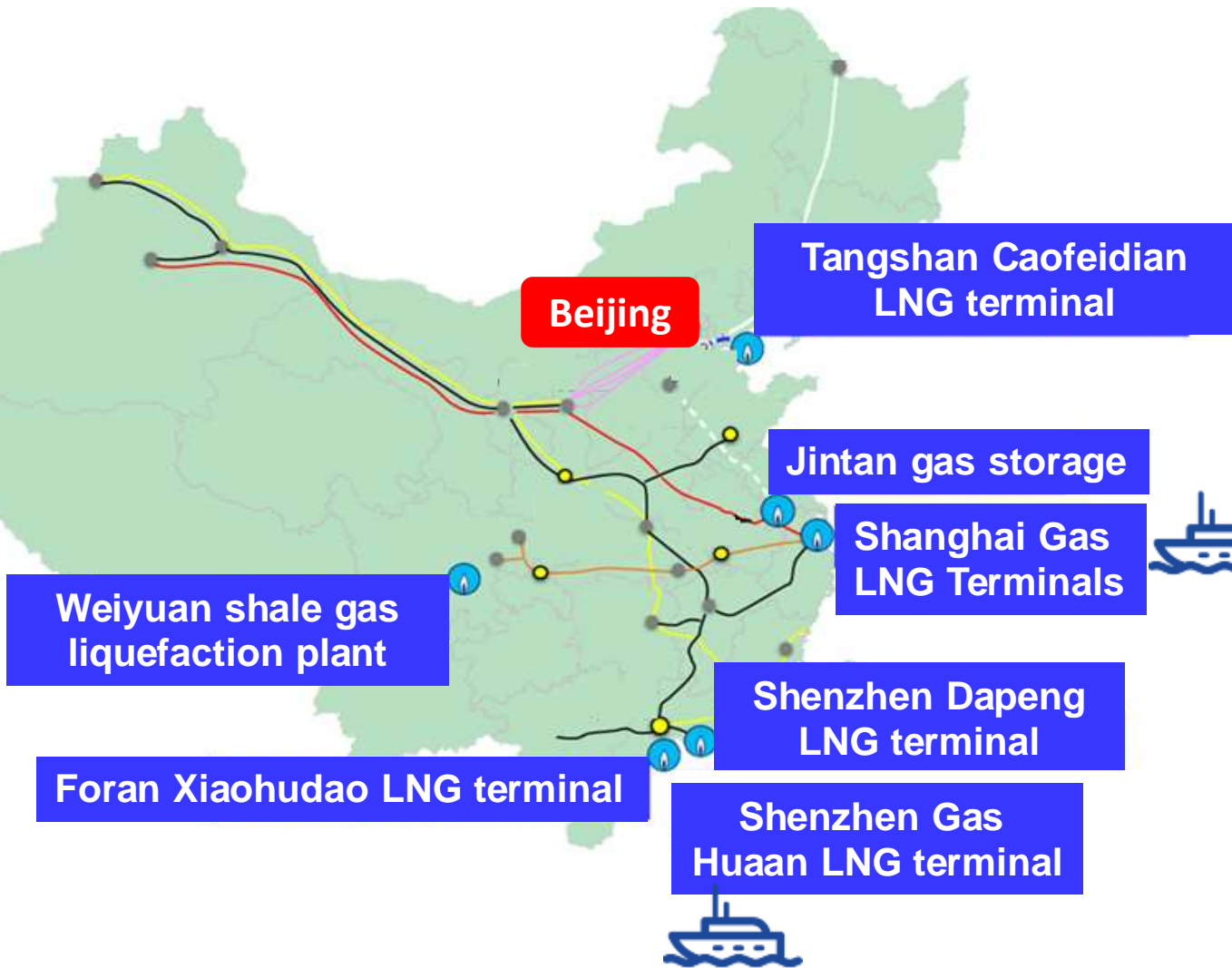
# Upstream Strategy: Tangshan Caofeidian LNG Terminal



- LNG terminal invested and built by Hebei JV partner, China Suntien
- 2 x 200,000 m<sup>3</sup> LNG storage tanks invested by HKCG
- 1 million MT/year right of use of the LNG terminal to be commenced in Q4 2022



# Upstream Strategy



- 6 LNG terminals plus Weiyuan shale gas liquefaction plant
- PipeChina provides third-party access to facilitate gas trading
- Jintan gas storage fulfils peak-shaving and storage functions
- Group procurement to reduce cost

	2021	2022	2023
Group procurement (billion m <sup>3</sup> )	0.7	1	1.5
Cost savings RMB Mn (Rmb/m <sup>3</sup> )	50 (0.07)	100 (0.10)	200 (0.13)



# Space Heating Business

**1**

**In line with the state policy on promoting clean heating**

**2**

**Distributed and individual household heating in urban areas  
Individual household heating in rural areas**

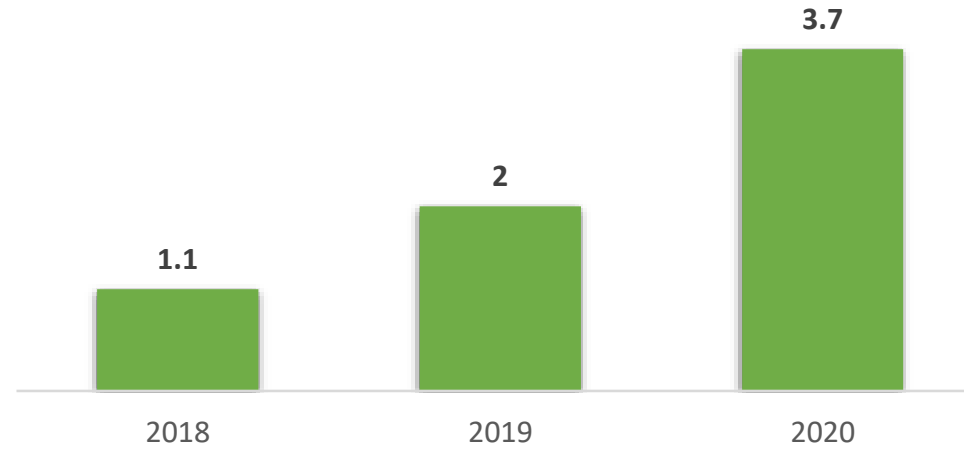
**3**

**Target to gain annual gas sales of 4 billion m<sup>3</sup> in 3-5 years**

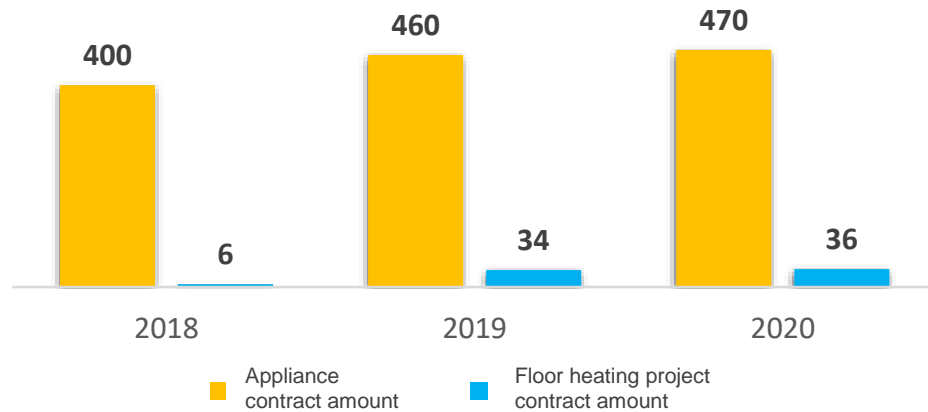


# Continued Extended Business Growth

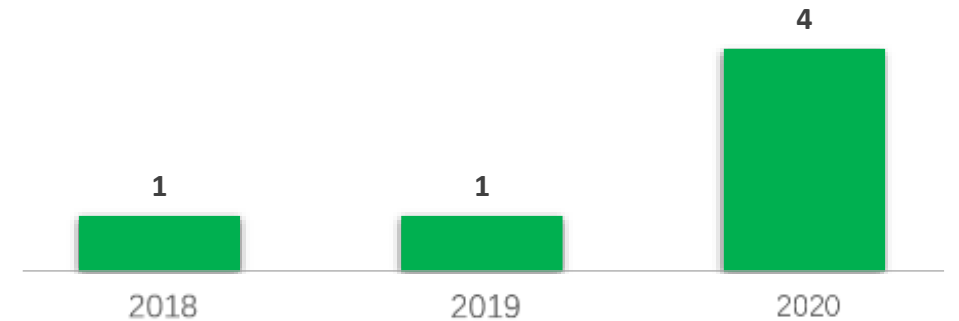
## Online Members million



## Bauhinia RMB million



## Online Products RMB million





# Building on Unique Strengths: Lifestyle Management

**163** customer centres on top of community centres  
Reaching **>47 million** customers every year

**>14 million** existing customers +  
**6.4 million** customers from Shanghai Gas

**Additional services** with regular safety inspection home visits

Establishing **consumer finance** business

**Strengths**

Platform content & meal-planning solutions focusing on health foods & gourmet

Bauhinia appliances & other new equipment

Expanding to health-focused products  
“3 speciality foods per city”

**Healthy Living**

**Comfortable Living**

Mia Cucina high-end kitchen cabinets

Online & offline nutrition & health services

Kitchen safety & smart housekeeping (Smart Home)





# Extended Business Highlights



**Home  
lifestyle**

## Replicating home lifestyle centre

- First home lifestyle centre opened on 12 Dec 2020
- 2021: To launch 20 home lifestyle centres by upgrading and transforming customer centres



**User  
viscosity**

## Enriching platform content

- Collaborating with health foods KOLs such as “Day Day Cook” to develop core content matrices on healthy fine foods
- Aggregating KOCs on healthy, medical and comfortable living to integrate online and offline lifestyle community



**Product  
realization**

## Enhancing supply chain

- Launching own-brand services and products
- Marketing self-researched smart-home products



**Insurance  
promotion**

## Insurance business

- Establishing insurance agent company
- Offline and online insurance products





# Extended Business Highlights

## Business surfacing

### 2021

20 outlets transformed in 2021  
10 in east China, 8 in GBA, 2 in other areas

## Business development

### 2022-2023

80 outlets during development stage  
40 in east China, 28 in GBA,  
12 in other areas

## Business maturity

### 2024-2025

200 outlets in maturity stage  
100 in east China, 60 in GBA,  
40 in other areas

### Progression

	2021	2022	2023	2024	2025
Home Lifestyle Centres	20	40	80	120	200
Online members (Mn)	6	9	12	16	20
<b>RMB (100Mn)</b>					
Healthy lifestyle including insurance	1	2	6	14	25
Comfortable lifestyle	6	8	9	12	15
Gas engineering, materials & related income	3	4	5	6	7
<b>Total</b>	<b>10</b>	<b>14</b>	<b>20</b>	<b>32</b>	<b>47</b>



# Smart Energy

## Upstream renewables

## Power grid

## Smart energy

Photovoltaics (PV)



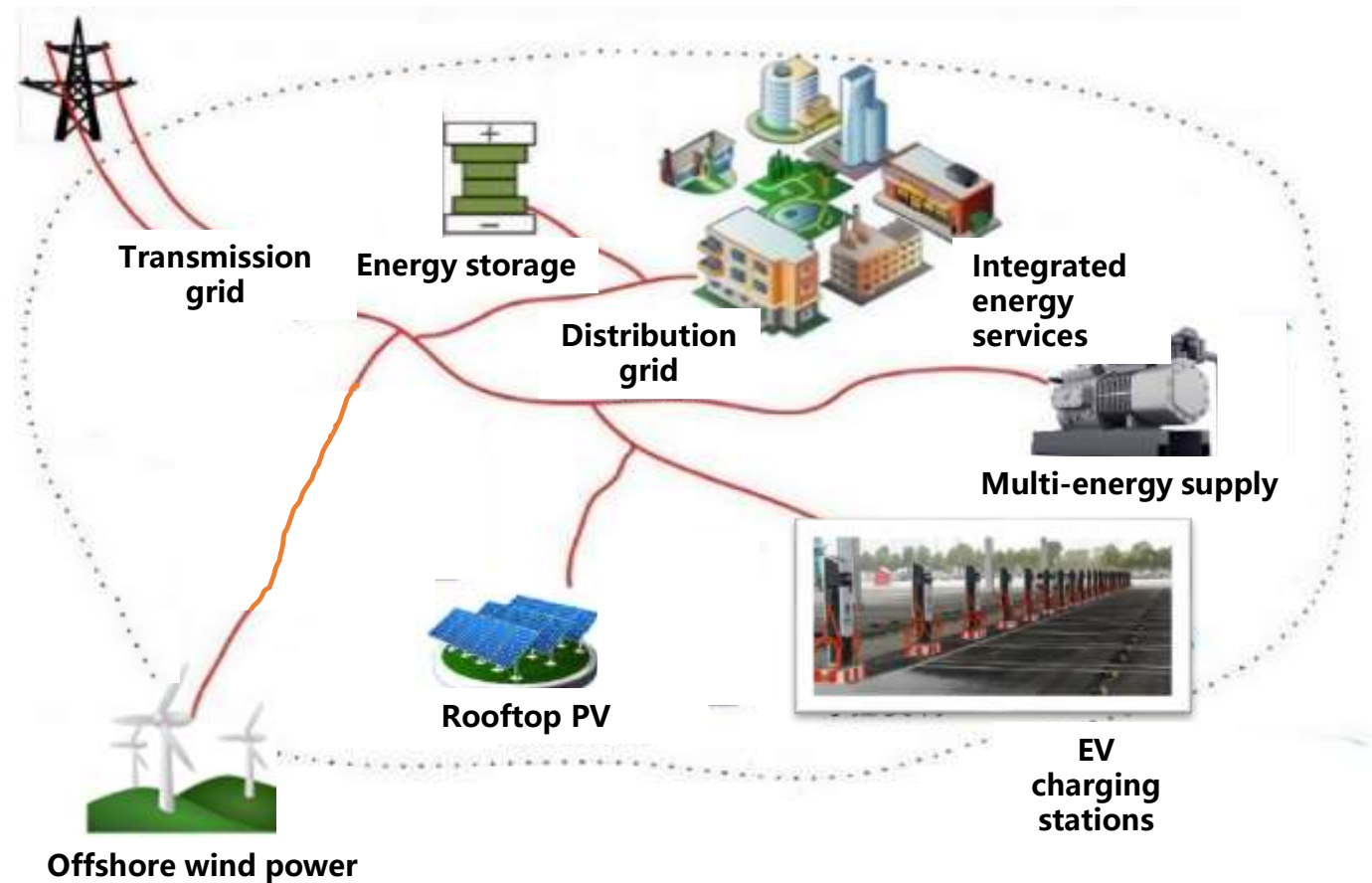
Wind Power



Power Storage



中国南方电网  
CHINA SOUTHERN POWER GRID



国家能源集团  
CHINA ENERGY



中国华能  
CHINA HUAREN



中国华电  
CHINA HUADIAN



国家电投  
SPIC



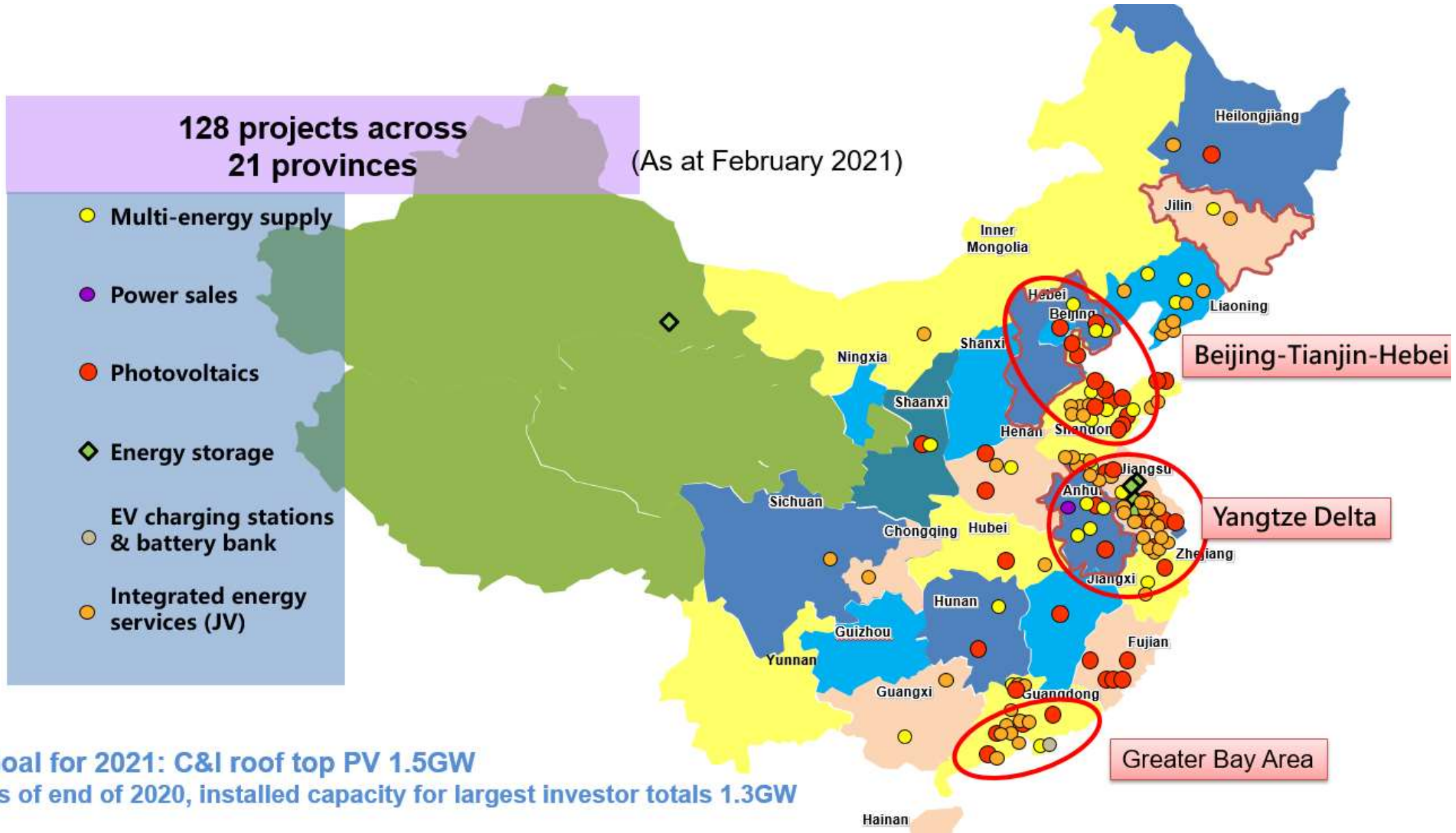
大唐发电



港华能源  
Towngas Energy



# Rapid Development at Towngas Energy





# Conclusion by Chairman





# Outlook

To ensure an increase in quantity and quality of natural gas sales  
(Natural gas sales and margin)

- Annual gas sales volume to achieve double digit growth
- Unit gas margin remains stable
- Unit opex to decrease by 1 cent
- Target to add ~30 projects

To continue to create greater return for shareholders

- Expect a CAGR double digit growth in next 5 years
- Dividend payout ratio maintains at 30%



# Strategic Value of Shanghai Gas Deal

- Access to a large and quality city-gas market
- The Group now has a much stronger positioning in Eastern China
- Market value-added products/services to an addition of 6.4 million households
- Gained access to Shanghai Gas' LNG importation facilities
- Probable IPO of the Shanghai Gas JV





# Share Incentive Scheme for Senior Executives

- Share Incentive Scheme to be implemented to link with Group performance and business growth
  - KPIs:
    - Net profit
    - Gas sales volume
    - Extended business growth
    - Smart energy
- Group to acquire scheme shares from the market for awarding to senior executives



# Policy Creates Opportunity

**Lush green hills** make  
**mountains of gold**

**绿水青山**就是**金山银山**



**Peak carbon emissions**  
**by 2030**

**Attain carbon neutrality**  
**by 2060**





# Policy Creates Opportunity

- 14<sup>th</sup> Five-Year Plan (2021-2025)

Guidance Strategy

**Innovation**, **coordination**, **greenness**, **openness**, **sharing**

Domestic and international dual cycle





# Policy Creates Opportunity

- As a form of clean energy, natural gas is the energy backbone of the future
- PipeChina and third-party entry permitted
- Multiple gas source (LNG, Russian gas) and open gas procurement options
- Extended business
- Cost control: Investment restriction, reduction, and deferment



Thank You





# Disclaimer

This presentation and subsequent discussion may contain certain forward-looking statements. These forward-looking statements reflect Towngas China'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.

