



The Hong Kong & China Gas Co. Ltd. (3 HK)

incorporated

Towngas China Co. Ltd. (1083 HK)

2018 Final Results

20 March 2019



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.



~~~~~  
Creating

Shared  
Value  
~~~~~



煤氣
Towngas



環保生活每一天
Go Green Every Day

GROUP FINANCIAL RESULTS

2018 Final Results

(HK\$ Mn)	2018	2017	Change
Revenue	39,073	32,477	+20%
Operating Profit	8,383	7,631	+10%
Other Gain	20	630	-97%
Interest Expenses	(1,177)	(1,257)	-6%
IFC	2,030	1,217	-
Profit Attributable to Shareholders	9,313	8,225	+13%
Earnings per Share	HK 60.53 cents	HK 53.46 cents	+13%
Full Year Dividends per Share	HK 35 cents	HK 35 cents	-
Bonus Shares	1 for 10	1 for 10	

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2017
Inv. gain: 261
IPO: 277
538

Business Sectors

2018 Operating Profit After Tax



OPAT HK\$7.45Bn + 5%

Hong Kong (HC)

HK\$3.08Bn

+ 2%

Mainland Utilities (MU)

HK\$3.83Bn

+ 4%



New Energy (NE)

HK\$0.53Bn

+ 42%

HKCG Group Financial Position

as at 31 Dec 2018

HKCG (3 HK)	31 Dec 2018	31 Dec 2017	Change		18 Mar 2019	31 Dec 2017	Change
	HK\$ Bn	HK\$ Bn					
Total assets	132.7	131.1	+1%	Share price (HK\$)^	18.36	13.93	+32%
Net asset value	70.2	70.2	-	Market cap. (HK\$ Bn)	282.5	214.3	+32%
Cash and Bank	8.8	12.8	-31%	No. of Shares (Bn)^	15.39	15.39	-
Total borrowings	35.7	36.9	-3%	P/E Ratio	31.8x	26.1x	
Interest Coverage	10.7x	9.9x		P/B Ratio	4.5x	3.5x	
Gearing (Net)	29%	28%		<div> Credit Ratings: <div>  A+ </div> <div>  A1 </div> </div>			

^2017 figures were adjusted for the bonus share issue in 2018

Repayment of 6.25% USD 1Bn 10-Year Bond

- **Matured on 7 August 2018**
- **Sources of fund**
 - MTN private placements
 - Bilateral Bank loans
 - Cash on hand
- **Interest reduction by \$200Mn p.a. after repayment**



2018 Final Results

Towngas China (1083 HK)

(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%
Earnings per Share	HK 43.89 cents	HK 49.87 cents	-12%
Dividend per Share	HK 15 cents	HK 15 cents	

TCCL Group Financial Position

as at 31 Dec 2018

TCCL (1083 HK)	31 Dec 2018	31 Dec 2017	Change		7 Mar 2019	31 Dec 2017	Change
	HK\$ Bn	HK\$ Bn					
Total assets	34.0	32.8	+4%	Share price (HK\$)	6.20	6.28	-1.3%
Net asset value	17.8	17.2	+3%	Market cap. (HK\$ Bn)	17.42	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	14.2x	12.7x	
Interest Coverage	8.6x	9.9x		P/B Ratio	1.1x	1.1x	
Gearing (Net)	33%	31%		<div> Credit Ratings: <div>  BBB+ </div> <div>  Baa1 </div> </div>			

Strong Dividend from Joint Ventures



(HK\$Bn)

Cumulative Total = \$19.4 Bn



Rolling 3-Year Cashflow Projection

Healthy Position

		(HK\$ Bn)
Inflow 	HK Operations	14
	PRC Dividends Distribution	8
		22
Outflow 	Cash on Hand	9
	Fund available for investment	31
	Dividend	18
	HK Capex	2
	PRC Investments	10
		30
Cash Balance		<u>1</u>

TGC ♥ Hello Kit Hong Kong
點玩都開心 Gas
Business



Hong Kong Business FY2018

Profit After Tax
HK\$3.08Bn
Strong & Stable



Gas Sales

29,550TJ

+ 1.7%



Customers

1.9Mn

+ 25,104



Household
Penetration

74%



Network
Coverage

86%

FCVC fuel cost pass-through
mechanism

Business Challenges & Opportunities

- More housing units coming ➡
- New gas applications ➡
- Extended business - Mia Cucina
- Kitchen cabinet: > 30% market share
- CAPEX coming down

More Housing Units In Coming Years

2019-20 HK Government Budget	
	Supply in coming 5 years
Public	100,400
Private	~100,000
	Around 200,000 units

More Commercial & Industrial Gas Sales

	Target Customer	Additional Annual Gas Volume
Gas Cooling and Heating Applications	Disneyland, Ocean Park, Data Centres, Science Park, HK Airport	500TJ
Diesel Conversion Projects	Hospitals, Hotels, Food Processing Factories, Laundries	590TJ
New Projects	Children Hospital and Hospital Authority Projects, Hotels, Food Factories Expansion, HKJC new Clubhouse	280TJ
Potential Project	Waste paper recycle Plant	1,000TJ



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Go Green Every Day

Caring for Future Generations

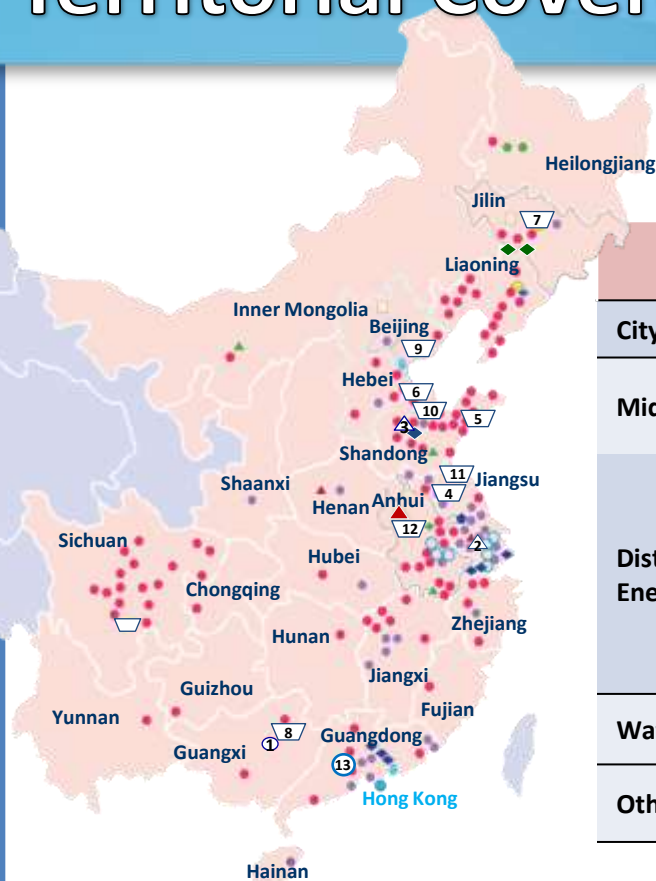
Mainland Utilities



Up to 19 Mar 2019

Territorial Coverage

13 projects added, with total of **174** projects
in **24** provincial regions



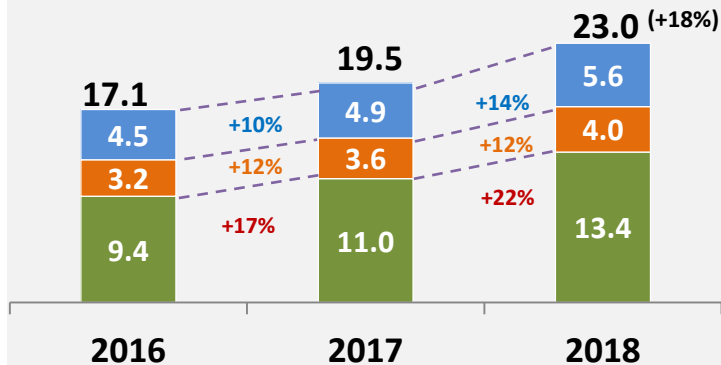
		Total projects	New Projects
City-gas	○	131	1. Liuzhou, Guangxi
Midstream	△	12	2. Jinan – Liaocheng, Shandong 3. Jintan NG storage (phase 2), Jiangsu *
Distributed Energy System	◡	11	4. Jiawang District, Xuzhou 5. Jimo Chuangzhi New District, Qingdao 6. Yangxin, Shandong 7. Changchun, Jilin 8. Guilin, Guangxi 9. Chengnan Economic Development Zone, Tangshan 10. Boxing Economic Development Zone, Binzhou 11. Xuzhou Biomedical Industrial Park 12. Maanshan Economic and Technological Development Zone
Water	◯	8	13. Foshan Water Environmental *
Others	◆	12	-

* HKCG project

Mainland City-gas Volume Mix FY2018

(Bn m³)

MU



Volume Mix

	2016	2017	2018
Residential	26%	25%	24%
Commercial	19%	19%	18%
Industrial	55%	56%	58%

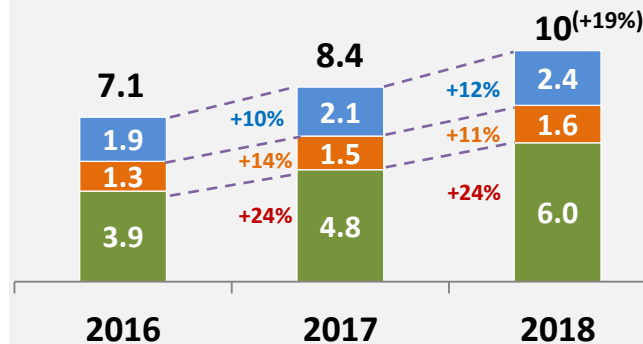
Residential

Commercial

Industrial

(Bn m³)

TCCL



Volume Mix

	2016	2017	2018
Residential	27%	25%	24%
Commercial	18%	17%	16%
Industrial	55%	58%	60%

(All JVs)

Mainland City-gas Customer Gain

2018	MU	TCCL
New Customers	2.1Mn	1.0Mn
Total	27.5Mn	12.6Mn

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

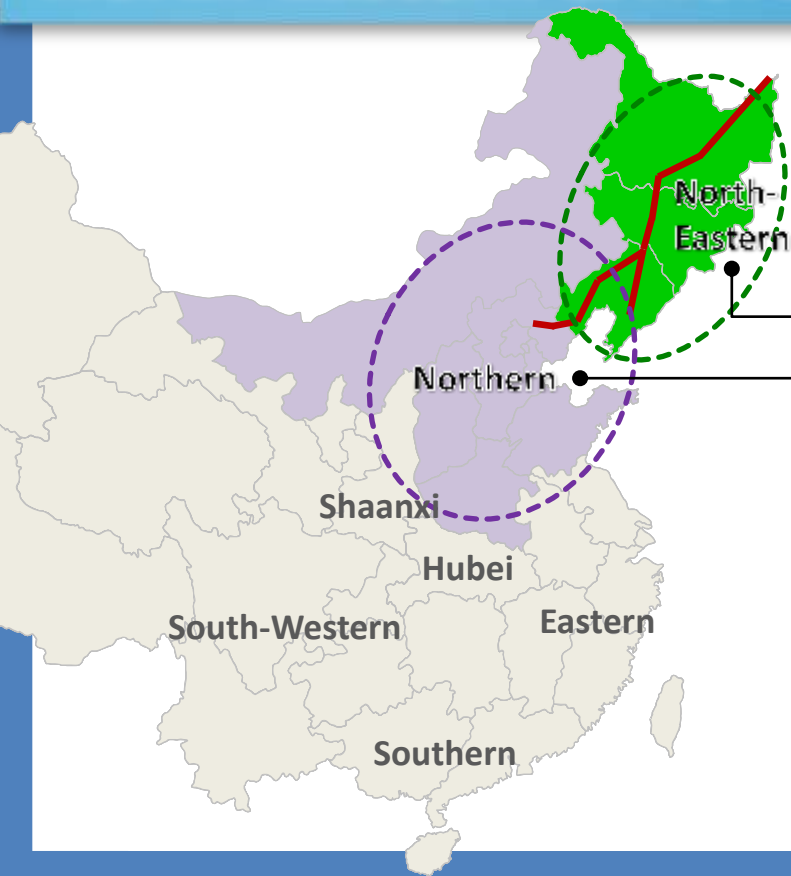


2018	2020	2030
280 Bn m ³	360 Bn m ³	480 Bn m ³
8%	10%	15%

3. Establishing National Grid Company

- More freedom on gas flow
- Upstream business opportunities

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	2022
Number of projects	25	>30
Volume (Bn m ³)	1.7	4.0
Volume Growth	CAGR: 24%	

Northern	2018	2022
Number of projects	38	>40
Volume (Bn m ³)	3.0	5.4
Volume Growth	CAGR: 16%	

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 purchase LNG
- Inter-city pipeline network

Coal-to-Gas Conversion

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

Mainland City-gas Opportunities & Strategies



Jintan Underground NG Storage

<u>Project Information</u>	<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

Gas storage in Jintan, Jiangsu

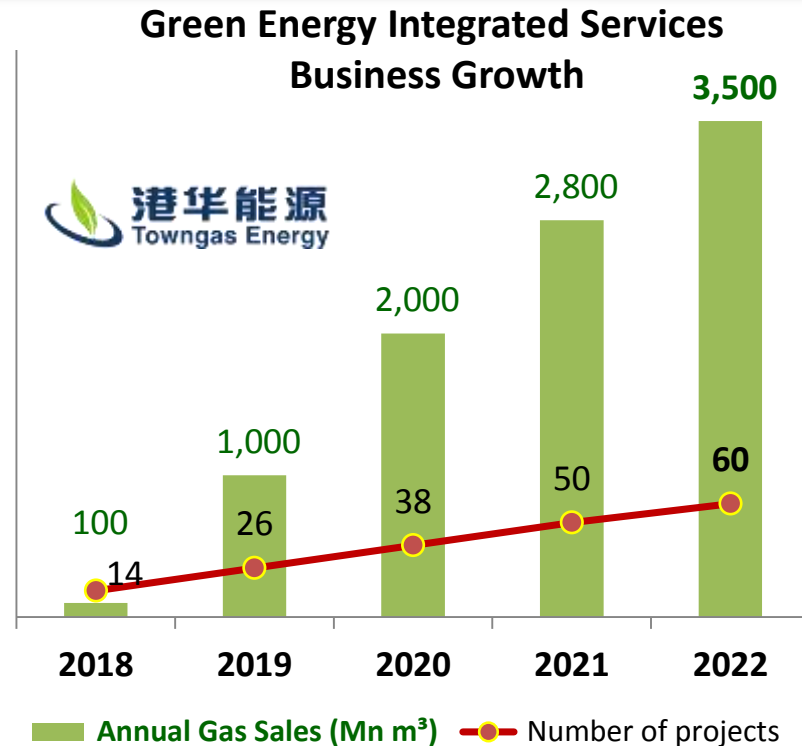
- To meet winter demand through National Grid
- Sharing investment cost among JVs
- National grid facilitates free flow of NG
- NG trading opportunities
- Shanghai Gas to be a partner with a 25% shareholding

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

2018	MU			TCCL		
	Customers Gained	Annualized Steam ton	Annualized Vol. (Mn m ³)	Customers Gained	Annualized Steam ton	Annualized Vol. (Mn m ³)
Commercial	18,200	-	450	10,025	-	250
Industrial	1,437	9,224	1,200	717	4,450	580
Total	19,637	9,224	1,650	10,742	4,450	830
2017			1,740			880
2016			1,350			700

Distributed Energy System (DES) Strategies

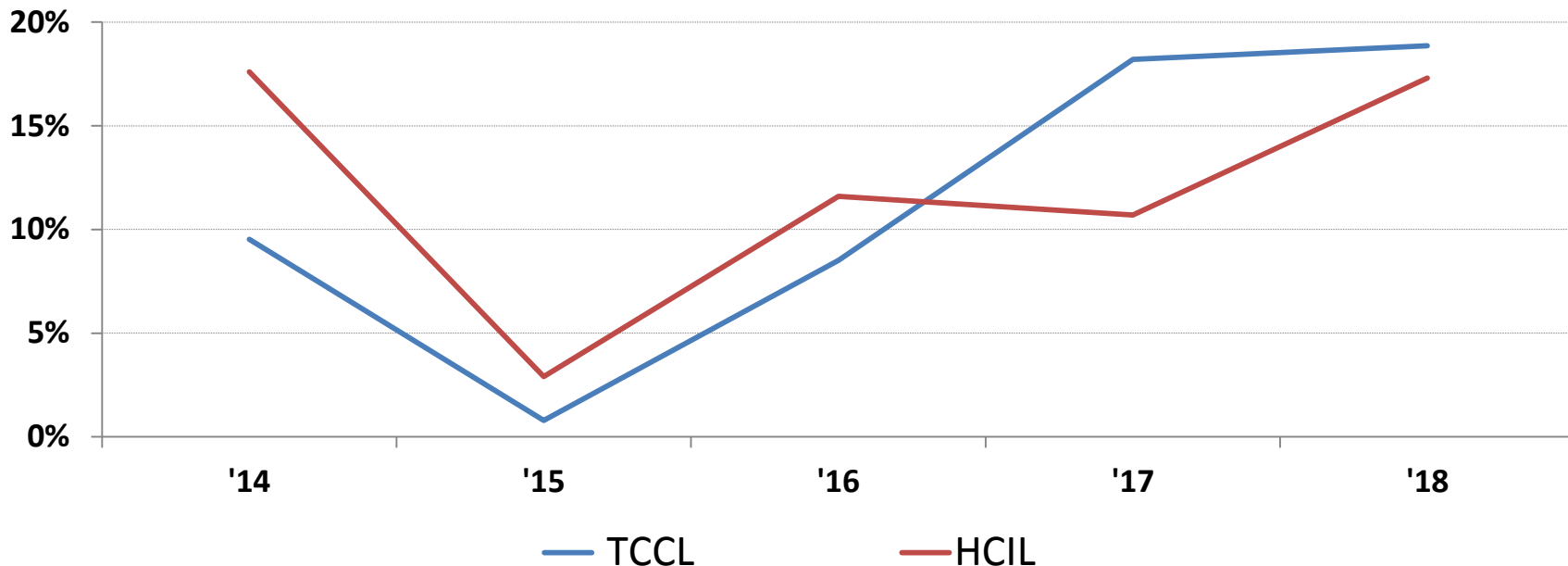
- Green Energy Integrated Services
- Enhance energy efficiency with more gas sales
- Projects
 - Central space heating
 - Central steam supply for industrial parks
 - Air-conditioning
 - Electricity
 - Pipelines for steam supply from power plants
- Target: one project per JV



Mainland City-gas Opportunities & Strategies (2)

Steady gas volume growth

- TCCL with more industrial areas & more C&I customers



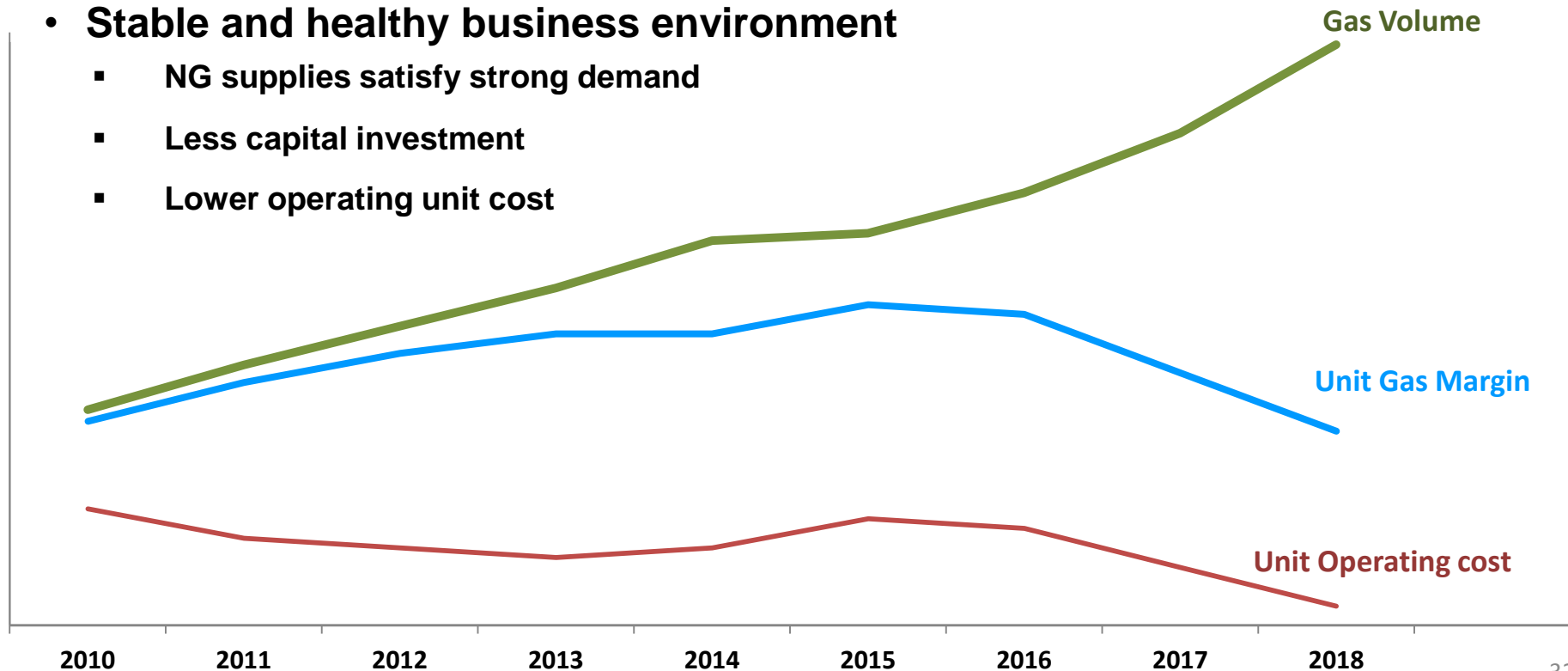
Mainland City-gas Opportunities & Strategies (3)

- **Sustainable dividend payout ratio from JVs (~60%)**
 - Since 2006, cumulative amount: HK\$ 19.4 billion
- **Significant reduction in small scale LNG direct suppliers due to**
 - Safety issues
 - Security of supply
 - No price advantage

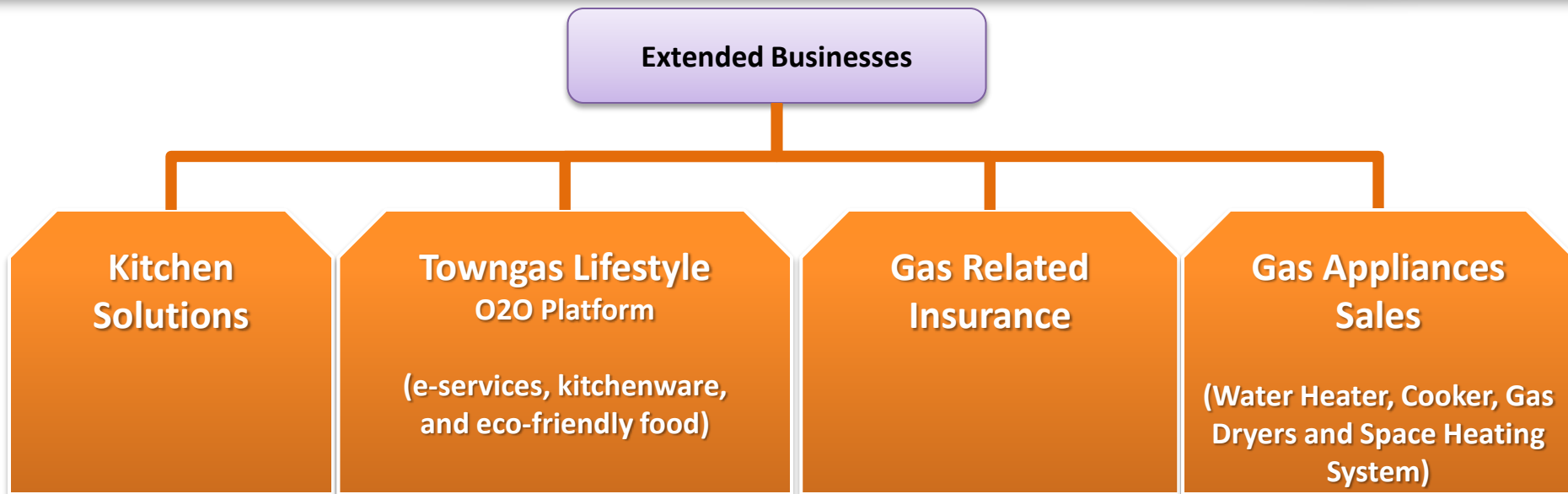
Mainland City-gas Opportunities & Strategies (4)

- **Stable and healthy business environment**

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



Extended Businesses



	2017	2018	2019
Revenue (HK\$ Bn)	0.8	1.15	1.5

Water Business

1. Total 8 projects serving more than 2.2Mn customers

	Water Supply	Sewage	Food & Organic Waste	Heavy Metals Sewage Treatment
Mn ton p.a.	950	430	0.18	4.7

2. 26% shareholding in Foshan Water company signaling a new era for business expansion in the Greater Bay Area

3. 2018 profit: HK\$424 million

4. 2019 profit growth target: >15%



Food Waste Treatment Business

- **First food waste project located in Suzhou Industrial Park**
- **Commissioning in 1H2019**
- **Total investment: Rmb290Mn**
- **Capacity: 500 tons/day, with capacity for expansion**
- **By-products:**
 - ❖ **Natural Gas**
 - ❖ **Bio fuel**
- **Actively shopping for more food waste projects in Eastern China**

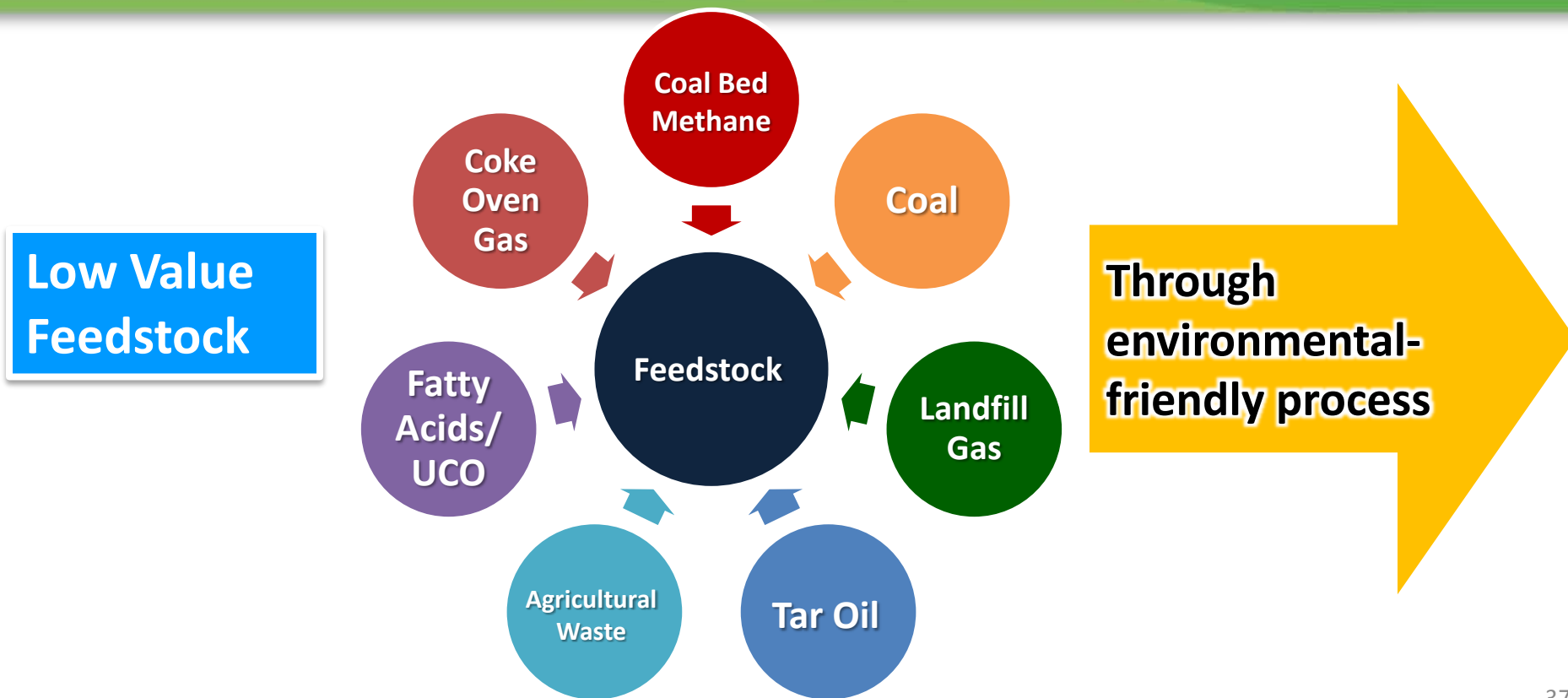


New Energy

Driving Forward
at a Faster Pace

New Energy Strategy:

Turn Low Value Feedstock to High Value Products



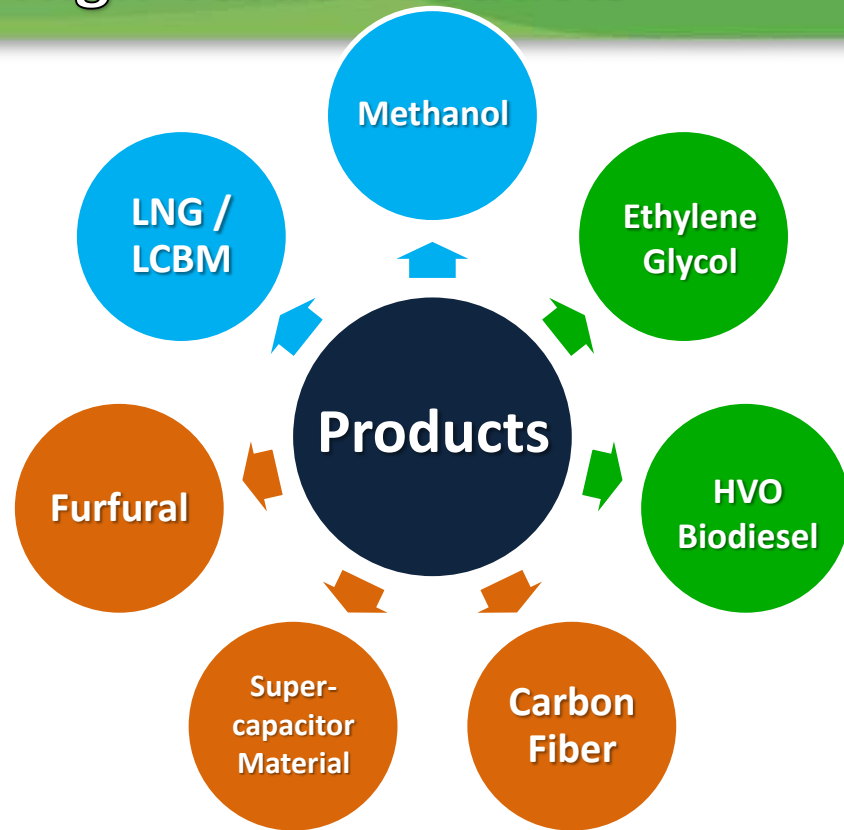
New Energy Strategy: Turn Low Value Feedstock to High Value Products

First Plant: Stages

In operation (2017 and before)

In operation (since 2018)

Under construction



Coal to Methanol and Ethylene Glycol Plant, Inner Mongolia

(Clean Coal Process)



Production Capacity:
190k tons Methanol
120k tons Ethylene Glycol

***Investment: RMB 640Mn**

* Investment for the production of Ethylene Glycol

HVO Plant, Zhang Jia Gang

135k tons Fatty Acid



108k tons HVO

Investment: RMB 530Mn

Agricultural Waste Utilization, Hebei



240k tons Stalks



25k tons Furfural
84k tons Paper Pulp

Investment: RMB 280Mn

High Temperature Tar Oil to Carbon Materials, Inner Mongolia

10k tons HTTO



1,300 tons Carbon Fiber
600 tons Activated Carbon




















Investment: RMB 490Mn

Conclusion

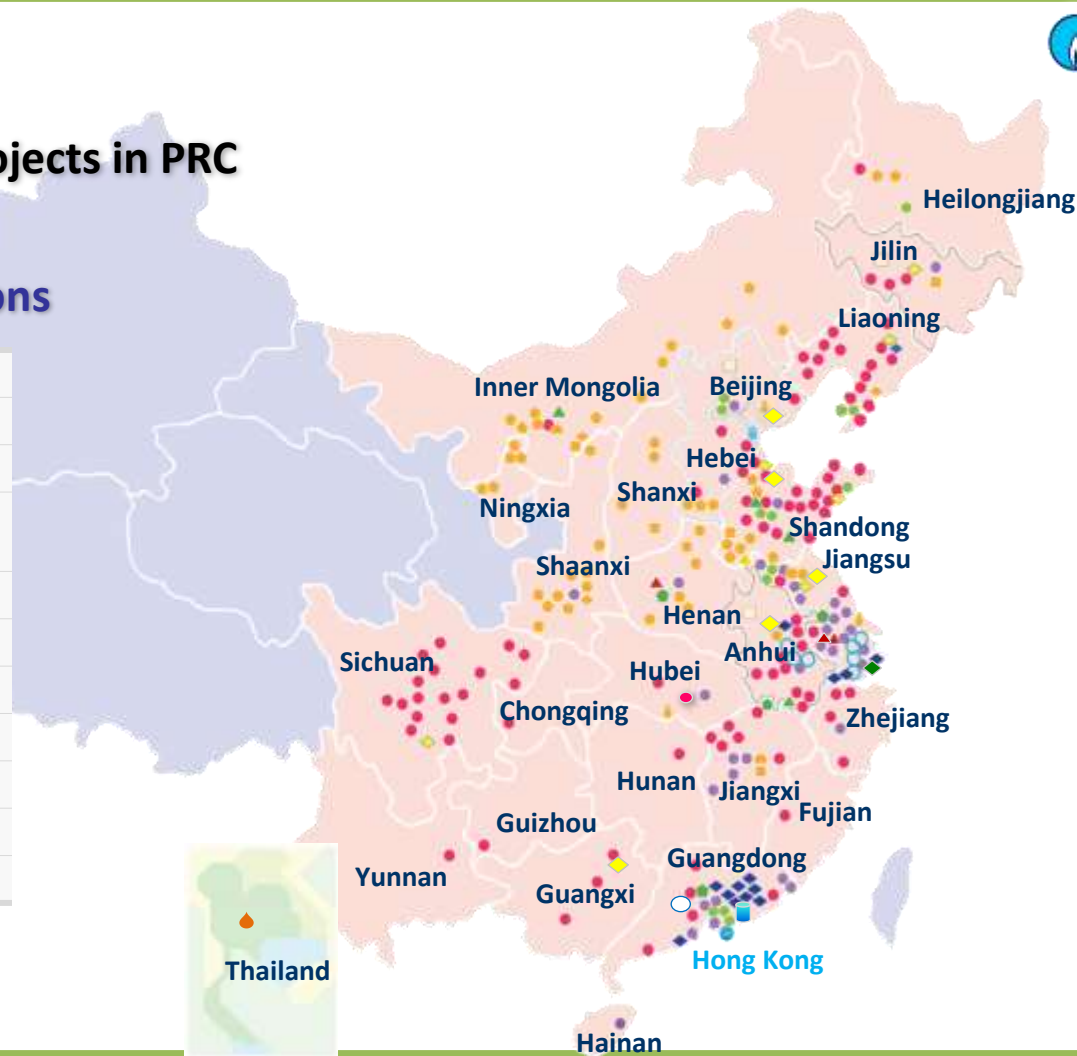
- Steady HK city gas business
- Natural gas becoming mainstream clean energy for China
- Mainland city gas sustaining healthy growth
- Expanding gas application to CHP, space heating/cooling, laundry
- Regulation issues to be tackled
- City water expanding to kitchen waste treatment/utilization
- Promising NE R&D projects; multipliable; hi-growth; intellectual properties
- Tapping into Greater Bay Area potentials
- Capitalizing 30Mn+ customer-base opportunities


Total **254** projects in PRC

26 provincial regions

City-gas	 
Midstream	   
Distributed Energy	
Water, Sewage & Waste Treatment	
Refilling Stations	 
Gas-based	
Coal-based	 
Biomass	
Oil E&P	
Telecommunications	
Others	  

Up to 31 Dec 2018



A photograph of two students, a girl and a boy, sitting at a desk in a classroom. They are both wearing VR headsets and smiling. The girl is on the left, wearing a white and purple striped polo shirt. The boy is on the right, wearing a grey and purple striped polo shirt. They are both holding VR controllers. In front of them are two laptops on the desk. The background is a classroom with a whiteboard and a yellow wall.

Envisioning
A Better
Tomorrow

Outlook

Our Purpose

Sustained Business Growth



Our Scale (at Business Level)

Unit Sales

24Bcm NG
 City Gas

6Bcm NG
Mid Stream

610Mn tons
 City Water

Customer Base

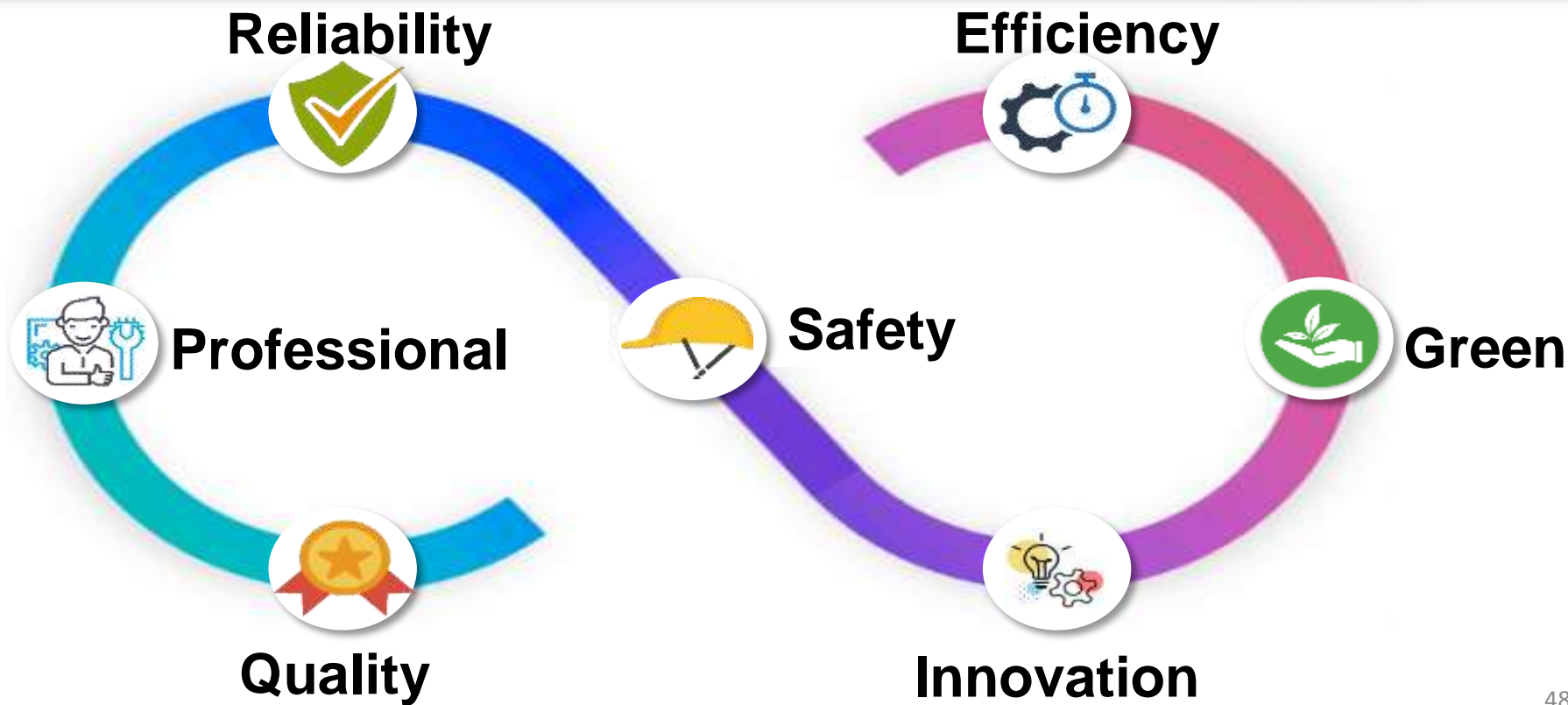
31.6Mn

City Gas (HK): 1.9 Mn
City Gas : 27.5 Mn
City Water: 2.2 Mn

Revenue

\$ 108Bn


Our Business Excellence



Our Aspiration

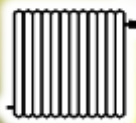
Aspire to be the **Greenest**
Hong Kong based Company



Encompass “Green” in All Businesses



City Gas



**Combined Heat
& Power**



Transportation



**Waste
Treatment**



**Water
Treatment**



**Clean Coal
Utilization**



**Carbon Capture
& Utilization**



Carbon Trading



Green Financing

2019 Outlook

A person is rappelling down a dark, craggy rock face. The scene is set at sunset or sunrise, with a warm orange and yellow glow on the horizon. In the background, a large, dark mountain rises above a body of water. The sky is filled with soft, white clouds.

**It will be an unpredictable
and tough year**

**Yet there exists a number of
investment opportunities**

Investment Opportunities

- **DES becomes a Trend**
- **LNG importation Terminals**
- **LNG Storage Tank Farms**
- **Underground Cavern CNG Storage**
- **High Pressure Pipeline connecting to Upstream Sources**
- **Bio Waste Conversion Facilities**
- **Agricultural Waste Treatment Plants**
- **Conversion of Coke-Oven Gas to SNG**
- **Carbon Material R&D and Manufacturing**
- **Enhance Efficiency through Smart Technologies**
- **Micro Data Centres complimented with Back-Bone Fibre-optics**

Thank You

