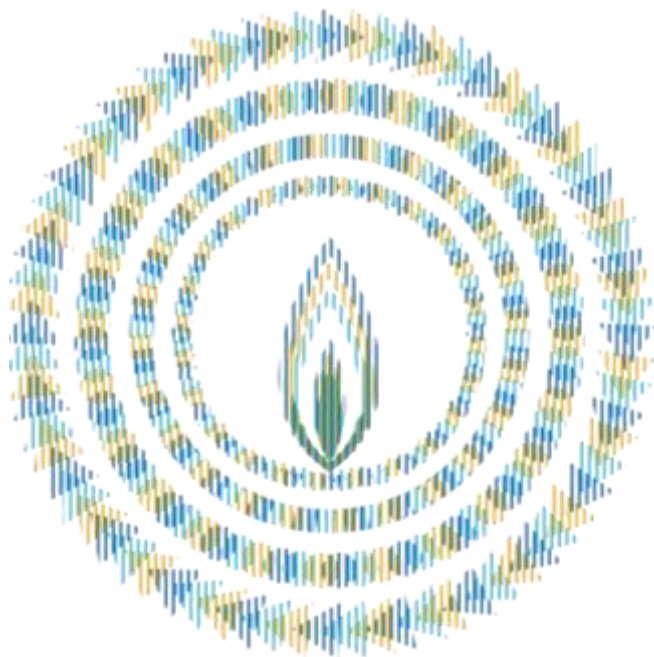



The Hong Kong & China Gas Co. Ltd. (3 HK)
incorporated
Towngas China Co. Ltd. (1083 HK)

2016 Interim Results Presentation



ENERGISING
THE CITY

Hong Kong Core




FROM
INNOVATION
TO VALUE

Mainland Utilities

Corporate



New Energy & Telecom



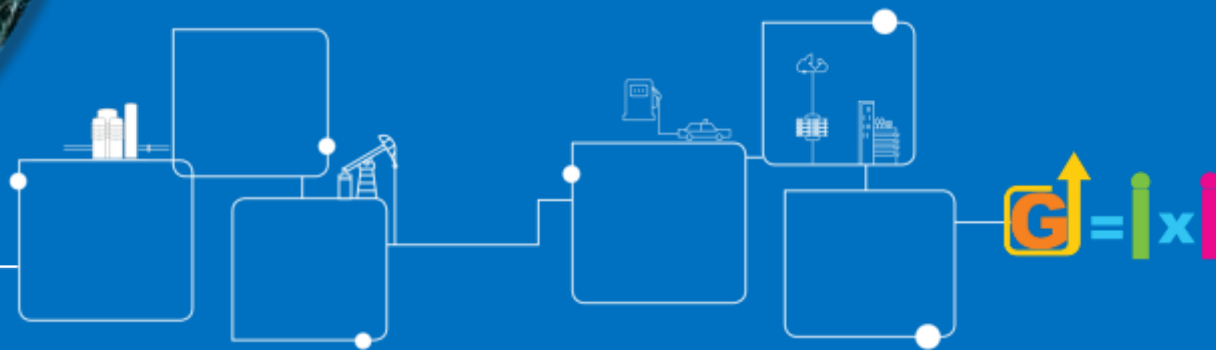
CREATING
OPPORTUNITIES
FOR GROWTH

Full of Challenges





2016 INTERIM RESULTS OVERVIEW



Three Business Drivers



HK Core (HC)



- City-gas



- Bandwidth + Data Centre

Mainland Utilities (MU)



- City-gas
(0003.hk + 1083.hk)
- Mid Stream
- Gas Storage
- Clean Transportation Fuels



- Water Supply/Sewage

New Energy (NE)



- Energy Infrastructure
- Renewables/Recycling
- Unconventional Fuels
- Clean Transportation Fuels

2016 First-Half : Highlights



- Slower GDP growth in China
- Weak export-oriented output
- Steady domestic consumption
- Depressed oil price
- Improved competitiveness of PNG
- Promising growth in housing market
- Continuous depreciation of RMB

0003.HK Hong Kong & China Gas Co., Ltd



(HKD) Operating Profit After Tax By Businesses

HC	MU	NE
1.7Bn 10% ↗ (44%)	2.0Bn 2% (7%*) ↗ (53%)	0.1Bn 49% ↘ (3%)
OPAT 3.8Bn		3% (5%*) ↗
Profit Attributable to Shareholders	4.3Bn	3% ↗

* In Original Currency

Mainland Gas Sales



Residential	Commercial	Industrial
2.5Bcm	1.9Bcm	4.2Bcm
15% ↗	6% ↗	6% ↗
Total Gas Sales : 8.6Bcm 9% ↗		
Gas Margin : 28.7% 5% ↗		

Business Profile

Total **235** projects in PRC
26 provincial regions

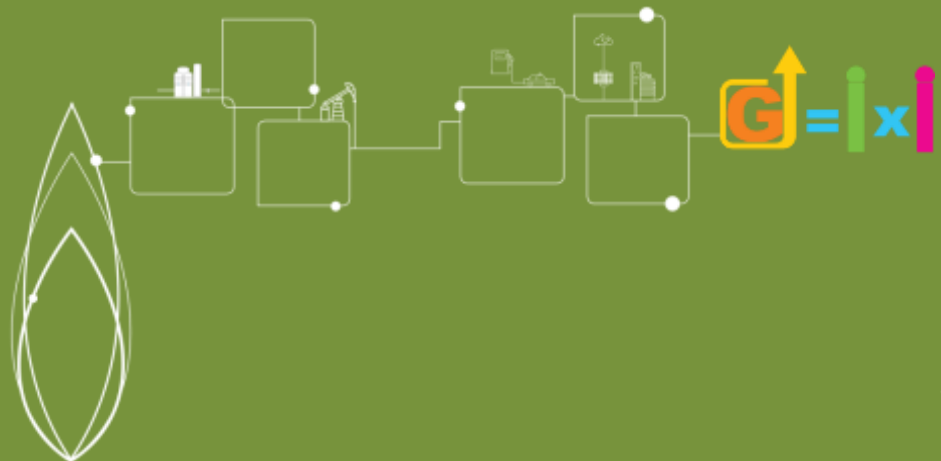


Up to 31 Jul 2016



NEW ENERGY & TELECOM

CREATING
OPPORTUNITIES
FOR GROWTH



New Energy Highlights



- **Steady income of HK\$150Mn (+5%) from HK Aviation Fuel Facilities**
- **Thailand oil production hit by low oil price, controlled production output to 0.7M barrels (-28%)**
 - operating cash flow: +HK\$71Mn
 - P/L: +HK\$10Mn
- **60 LNG/CNG refilling stations by 2016**

New Energy Highlights (con't)



- Focus on in-house technology development
- 3 new projects in progress
 - COG → PNG/LNG
 - PAO → Chemicals
 - Biomass → Chemicals + Fuel Additive
- Innovation / R&D Centres for technology development
- Successfully swing away from crude price sensitive products

Technologies to be commercialized in 2016/2017



- Biomass → Chemicals
- Tar Oil → Carbon Materials
- Methanol → Ethylene glycol
- Powder Coal → Tar oil / Semi-coke
- Syngas → Industrial Chemicals

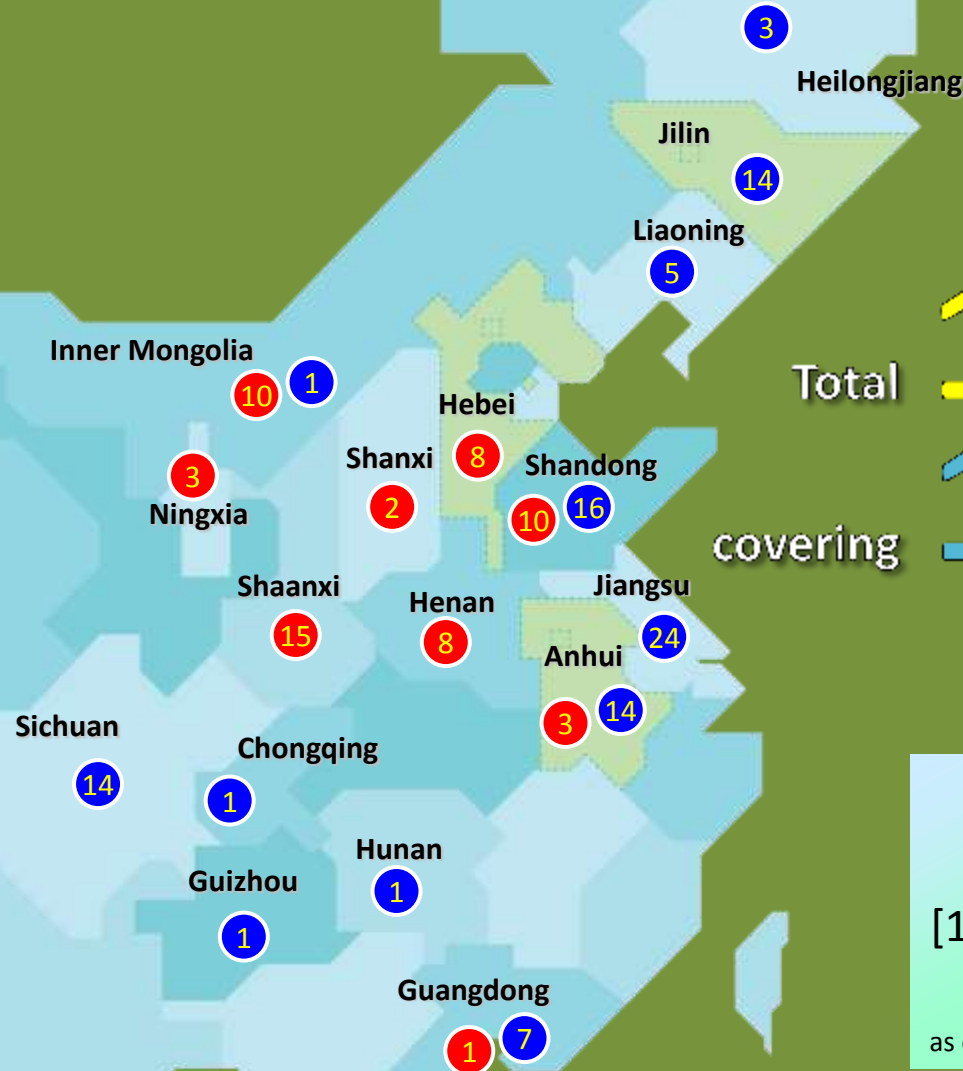
CAPEX on New Energy Projects



<u>Year</u>	<u>HK\$ (Bn)</u>
2016	1.2
2017	1.8
2018	2.0
	5.0

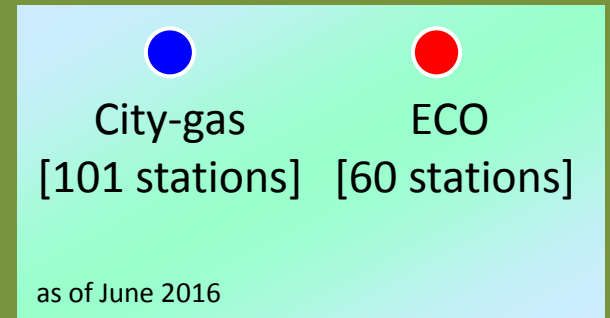
PIRR: 25%

Refilling Station Business



Total **161** stations

covering **17** provincial regions



Telecommunication Business



- **Data Centre Capacity: 14,500 racks**
 - Five centres in operation
 - One to be commissioned by end 2016
- **Optical Fiber Network Backbone**
- **Cloud Computing**

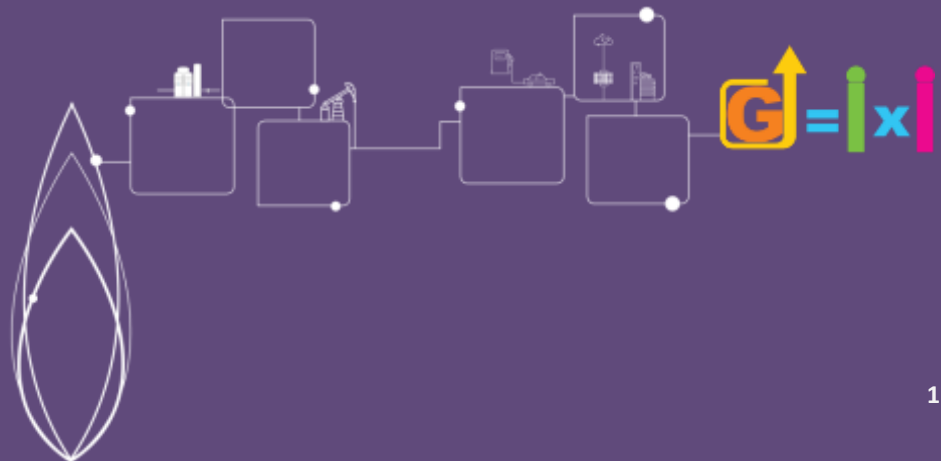
Optical Fiber Network Backbone





Utilities

Hong Kong &
Mainland China



Hong Kong Business Performance



**Profit
After Tax**

HK\$1.7Bn 10%↗

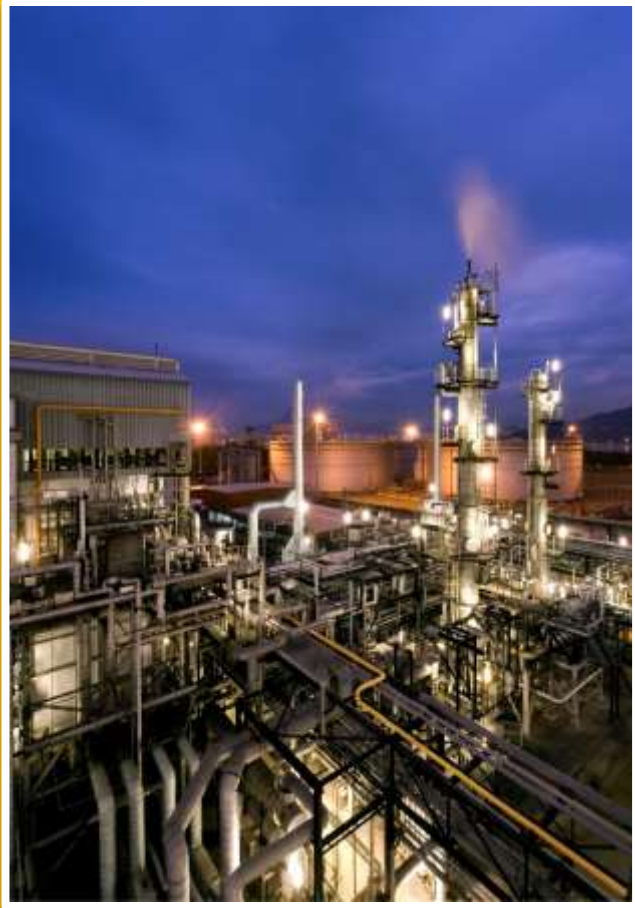
**Town Gas
Sales**
15,774TJ
1.8%↗

**Total
Customers**
1.85Mn
8,129↗
6 months

**Household
Penetration**
74%

Coverage
86%

Hong Kong Business Performance



- **Raised basic tariff by 4.4% effective 1 August 2015**
- **Fuel cost pass-through, price competitive**
- **Residential gas sales rose by 3.7% on lower average temperature (-0.9°C)**
- **Commercial gas sales volume grew by 1.5%**
- **Total gas sale volume: +1.8%**

1083.HK **Towngas China Co., Ltd.** (TCCL)



Revenue

HK\$3.4Bn **13%** ↘

**Profit from project
Companies**

Rmb0.7Bn **11%*** ↗

HK\$0.8Bn **6%** ↗

**Profit Attributable
to Shareholders**

HK\$0.6Bn **12%** ↘

* in Original Currency



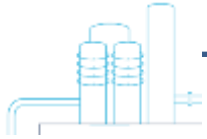
Mainland Utilities Performance

(TCCL inclusive)



Operating Profit After Tax

HKCG Group
HK\$2Bn 2% ↗ (7%* ↗)

	 City-gas		 Water	 Midstream
	HKCG Group	TCCL	HKCG Group	HKCG Group
Volume:	9% ↗ 8.6Bn m ³	5% ↗ 3.6Bn m ³	4% ↗ 209Mn ton	4% ↘ 1.5Bn m ³
Total projects:	131	97	6	8

* in Original Currency

Mainland Utilities Performance

(TCCL inclusive)



City-gas



Water

	HKCG Group	TCCL	HKCG Group
	Total Customers:	1.0Mn ↗ 21.9Mn	0.4Mn ↗ 10.4Mn
New Connections:	4% ↗ 0.97Mn	7% ↗ 0.44Mn	
Refilling Station Volume:	8% ↗ 162Mn m ³	15% ↗ 117Mn m ³	
Number of Refilling Stations:	101	71	

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

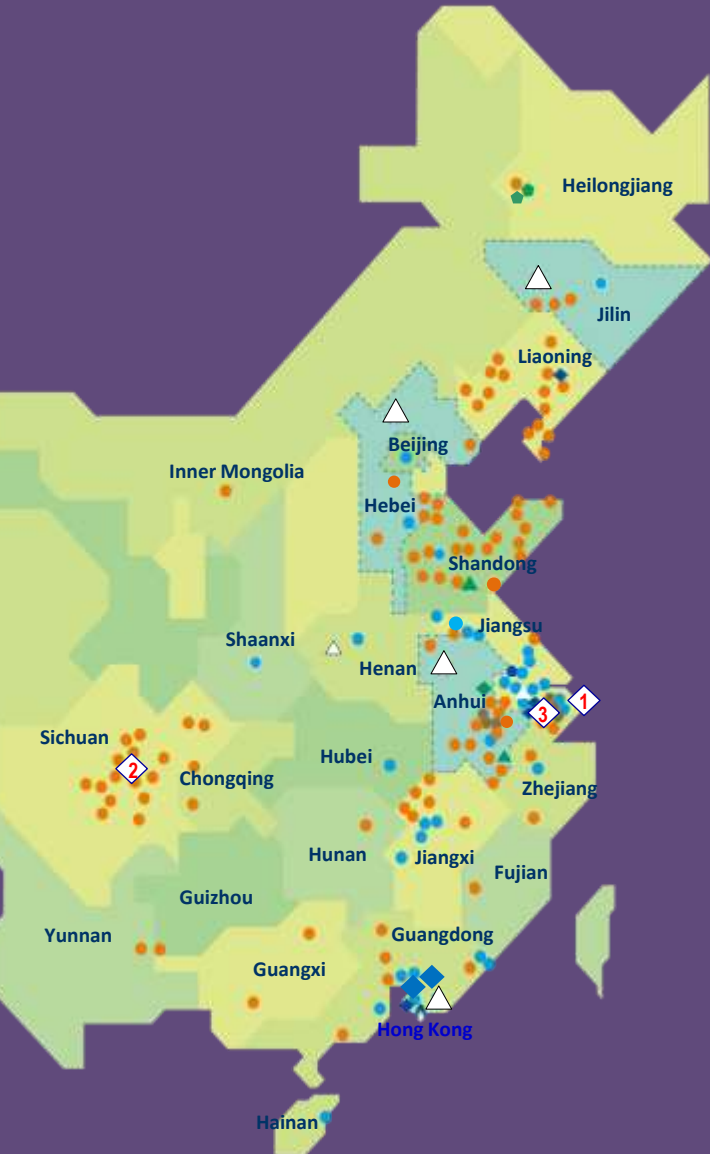


Industrial Customers Coal-to-Gas Conversion	1H15	1H16
JVs with supporting government policy	-	94
Converted Customer	445	690
Capacity (Steam tons)	2,149	4,217
NG Demand (Mn m ³ /p.a.)	280	550

Commercial Customers	1H15	1H16
Newly Acquired Customer	5,527	5,976
NG Demand (Mn m ³ /p.a.)	140	150

Up to 31 Jul 2016

Territorial Coverage



3 projects added, total **157** projects
in **24** provincial regions

New Projects

- | | | |
|-------|---|---|
| Other | ◆ | <ol style="list-style-type: none"> 1. Shanghai Petroleum and Natural Gas Exchange Centre 2. Sichuan Distributed Energy System 3. Hua Yan Environmental Industry Development (Suzhou) |
|-------|---|---|

Utilities: Number of projects

City-gas	131 (HKCG: 34 ● + TCCL: 97 ●)
Midstream	8 HKCG ▲ TCCL
Water & Sewage	6
Refilling stations	3 ⬠ HKCG ⬠ TCCL
Others	9 ◆ HKCG ◆ TCCL

Outlook: Utilities



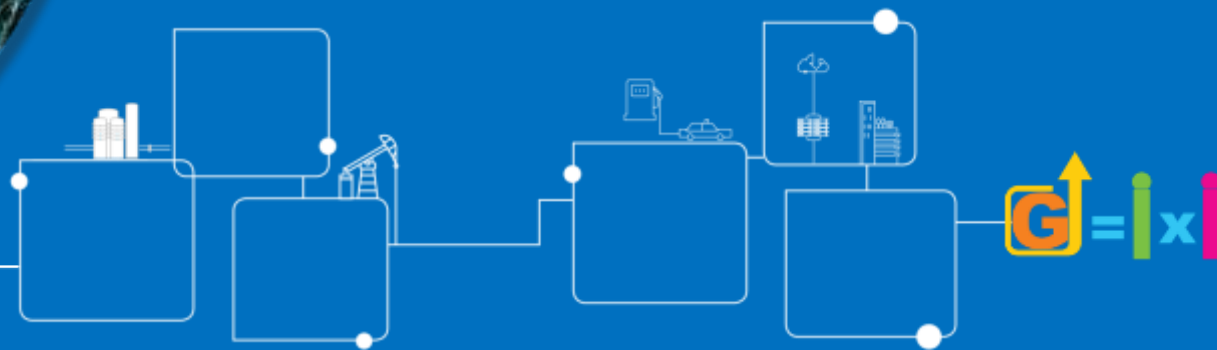
- ▶ Gas sales volume with mid growth in the medium term
- ▶ Development focus
 - Boilers & kilns conversion in industrial application
 - Restaurants
 - Gas refilling stations
 - Residential clothes drying, water heating and space heating
- ▶ Environmental pressure helps NG replace dirty fuels
- ▶ Price reforms help NG remain competitive
- ▶ Increasing urbanization brings in steady connection fees and customer gain
- ▶ Leveraging on 21 million plus household customers with business opportunities

Potential:

- 2Bn m³ in 3 years
- 5Bn m³ in 5 years



1H16 FINANCIAL OVERVIEW



Stock Market Performance



Hang Seng Index

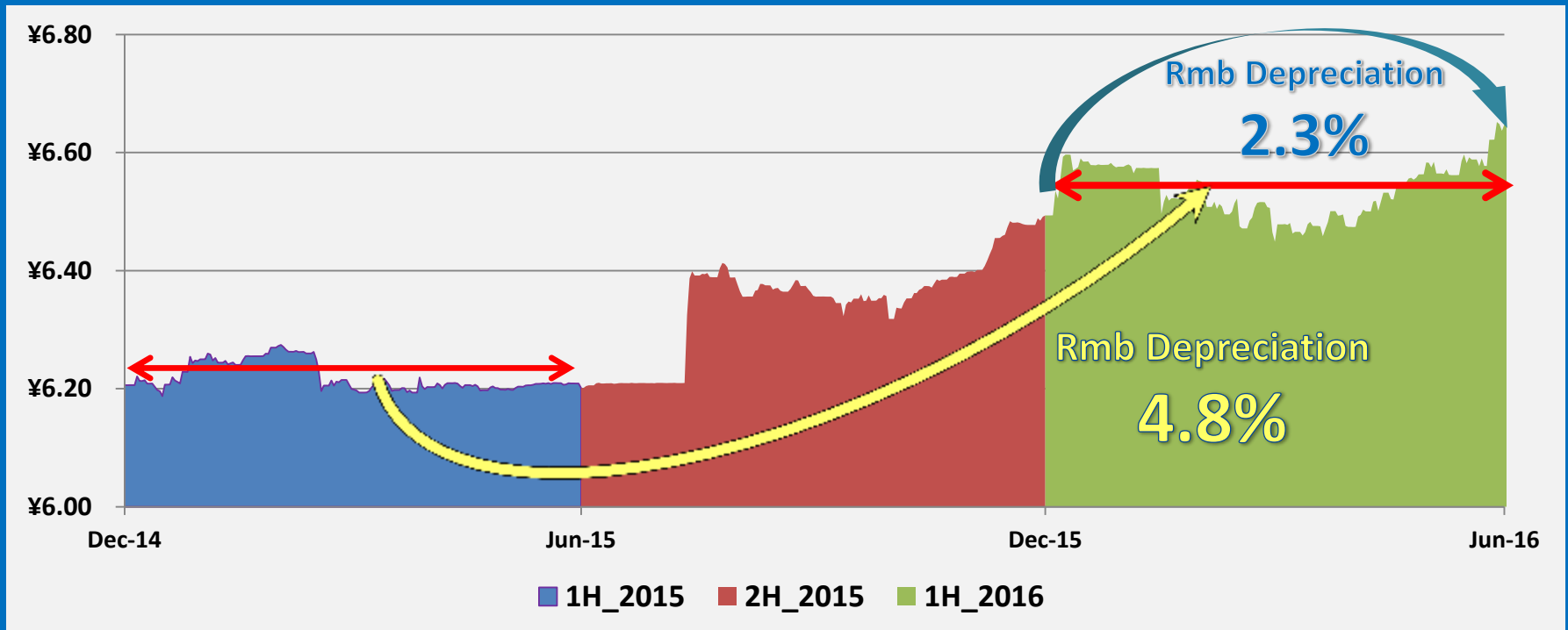


RMB Exchange Rate



- **Continuous downward trend**

- ❖ 2016 YTD: -2.3%
- ❖ Average FX rate: -4.8% YoY



Note 5: Other Gains, net



Reduction in Net Investment Gain due to:

- I. Rmb depreciation in 2016
- II. Reduction in Rmb deposit interest
- III. Less investment income due to changes in market conditions
- IV. MTM gain in Shenzhen Gas CB (converted in April 2015)

0003.HK Hong Kong & China Gas Co., Ltd.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30TH JUNE



(HK\$ Mn)	2016	2015	Changes
Revenue	14,162.4	15,083.1	-6.1%
Total operating expenses	(10,191.8)	(11,283.4)	-9.7%
	3,970.6	3,799.7	+4.5%
Other gains, net	54.6	598.3	-90.9%
Interest expense	(576.9)	(490.6)	+17.6%
Share of results of associates	1,273.5	831.4	+53.2%
Share of results of joint ventures	879.6	938.7	-6.3%
Profit before taxation	5,601.4	5,677.5	+1.3%
Taxation	(770.7)	(952.9)	-19.1%
Profit for the period	4,830.7	4,724.6	+2.2%
Attributable to:			
Shareholders of the Company	4,330.7	4,197.1	+3.2%
Holders of perpetual capital securities	55.3	55.2	+0.2%
Non-controlling interests	444.7	472.3	-5.8%
	4,830.7	4,724.6	+2.2%
Dividends	1,526.0	1,387.6	+10.0%
Earnings per share – basic and diluted, HK cents	34.1	33.0*	+3.3%

* Adjusted for the bonus share issue in 2016

Note 3: Group EBITDA Return on Revenue



	Hong Kong Core		Mainland Utilities		New Energy	
	1H16	1H15	1H16	1H15	1H16	1H15
Revenue (HK\$Bn)	4.9	4.8	8.0	8.9	0.9	1.1
EBITDA (HK\$Bn)	2.6	2.4	2.4	2.2	0.3	0.4
$\frac{\text{EBITDA}}{\text{Revenue}}$ (%)	52.8%	49.1%	29.7%	25.1%	31.3%	38.7%

1083.HK **Towngas China Co., Ltd. (TCCL)**



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

1083.HK **Towngas China Co., Ltd. (TCCL)**



Segment Margin

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

Non-recurring & Special Items

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

Note:

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

Consolidated Balance Sheet



(HKD Bn) **1H16**

Total Assets **117.0**

Net asset value **63.0**

Cash **12.6**

Total Borrowing **34.1**

Gearing (net) **27.7%**

Share price ^(22 Aug) **\$14.58**

Market cap ^(HKD Bn) **186.7**

P/B ^(2015 Results) **3.5x**

P/E ^(2015 Results) **25.4x**

Rolling 3-Year Cashflow Projection

Healthy Cashflow

(HKD Bn)



Outflow

Group Operation 13

PRC Dividends Distribution 7

20

Cash on Hand 14

Fund available for investment 34

Dividend 14

HK Capex 4

PRC Investments 8

26

Cash Balance 8



ENERGISING
THE CITY

Hong Kong
Core



FROM
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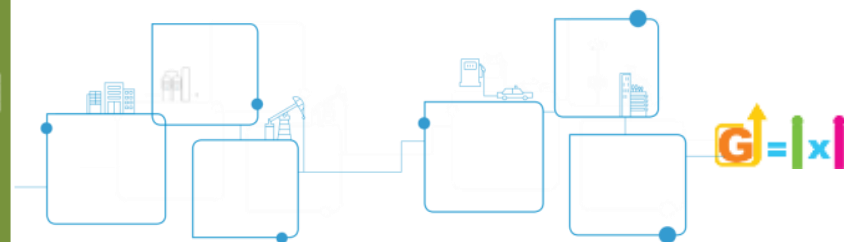


New Energy
& Telecom



CREATING
OPPORTUNITIES
FOR GROWTH

OUTLOOK



2016 : Full of Opportunities



❖ Air Quality Improvement

❖ Continued growth of NG consumption in mainland China

Year	2015	2020	2030
NG Share (Primary Energy Consumption)	6%	10%	15%
NG Consumption (Bn m ³)	193	300	480

2016 : Full of Opportunities



- **PNG Price Competitiveness Substantially Improved**
 - ❖ **Abundant upstream NG supply**
 - ❖ **Peak load storage capacity being balanced**
 - **LNG**
 - **U/G Caverns**

2016 : Full of Opportunities



- **Expand Market Scope of City-gas**
 - ❖ Distributed energy centres (CHP)
 - ❖ Coal to gas conversion
 - ❖ Space heating
 - ❖ Water heating
 - ❖ Clothes drying

2016 : Full of Opportunities



- **Expand NG Land/Marine Transport Sector**



2016 : Full of Opportunities (con't)



- **Waste Management : Biomass**
 - ❖ Food waste treatment
 - ❖ Agricultural waste conversion
- **New Generation Automobiles : Electric Cars**
 - ❖ Carbon fibre material
 - ❖ Batteries

2016 : Full of Opportunities (con't)



- **Internet Plus (Big Data Era)**

- ❖ To be a major HK/Mainland networked data centre service provider
- ❖ Six data centres as a country-wide backbone established
- ❖ Well positioned to capture secured data storage, processing and transmission businesses
- ❖ Foundation laid; Ready to expand

Looking Forward



HC

Remains as a stable, low-growth cash generating business

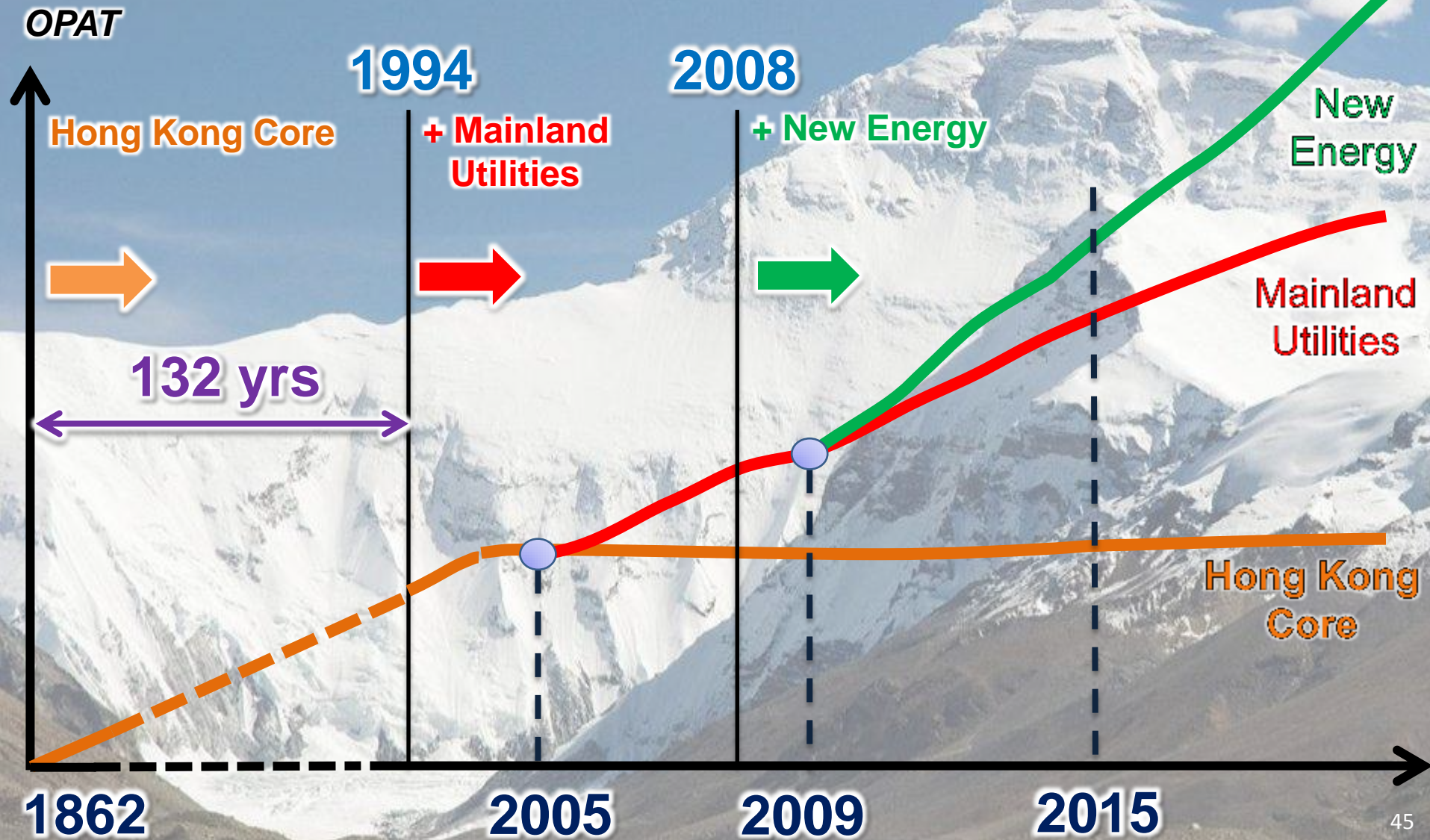
MU

Continues to be a mid-growth locomotive having market share & organic volume expansion while capturing the environmental & urbanization opportunities

NE

Positioned to be a high-growth driver focusing on renewable/recycling & clean fuels, while developing proprietary technologies, at the same time establishing energy infrastructures

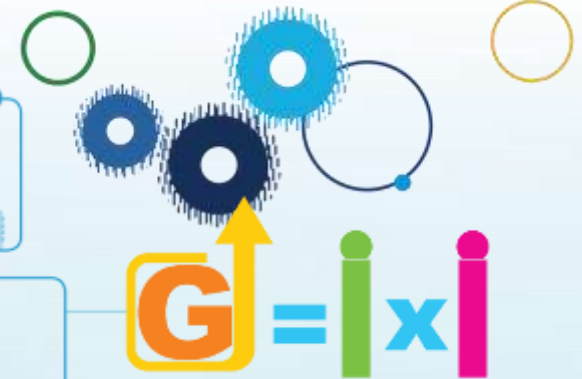
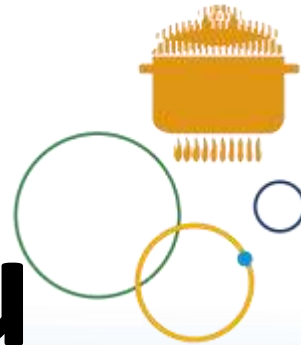
Sustaining Growth





EXPANDING
NEW HORIZONS

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.