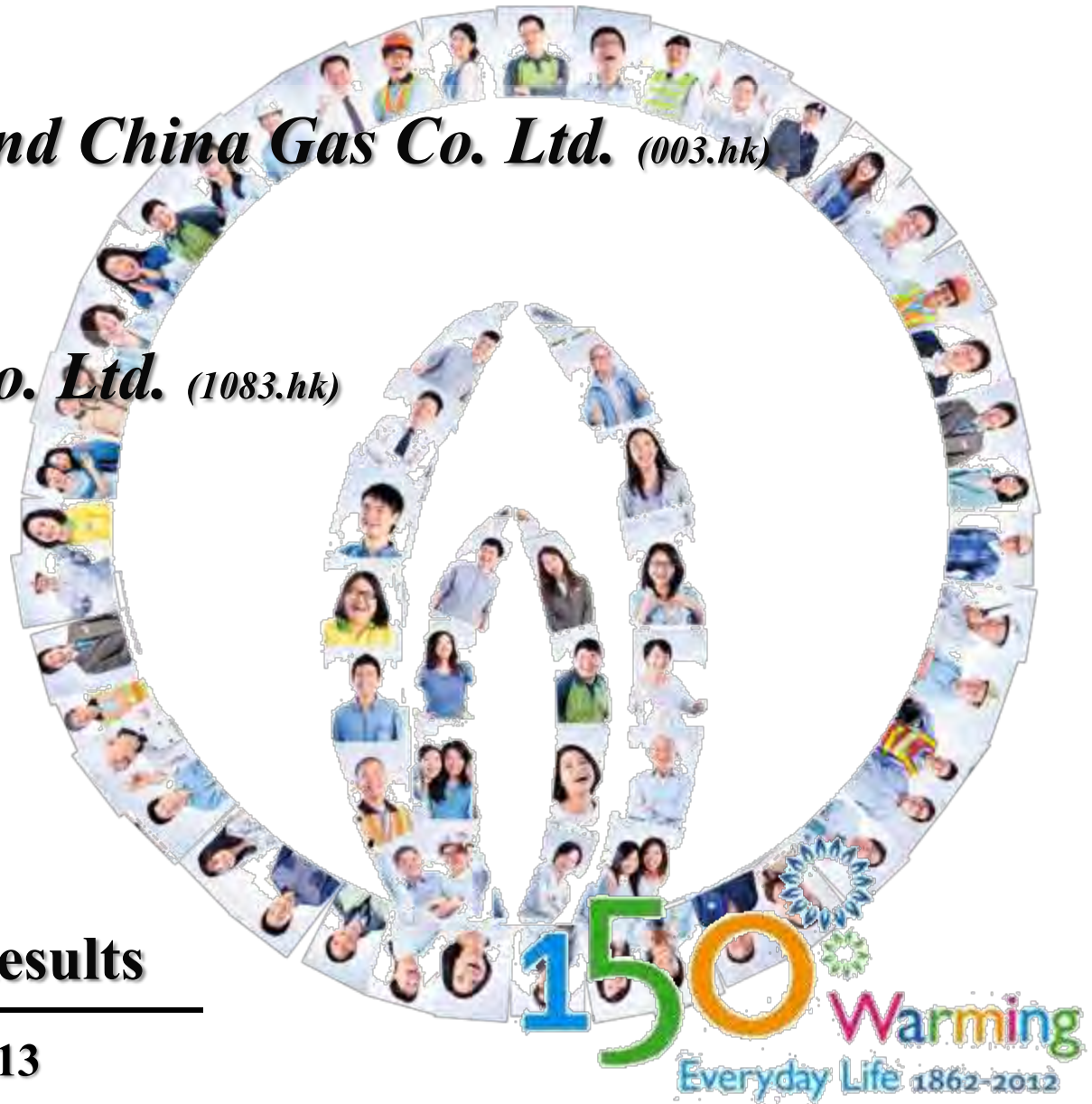


The Hong Kong and China Gas Co. Ltd. (003.hk)

***Incorporating
Towngas China Co. Ltd. (1083.hk)***

2012 Annual Results

18 March 2013



Disclaimer



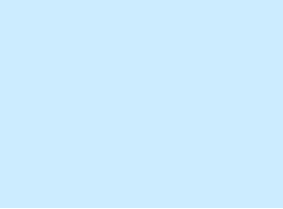
This presentation and subsequent discussion may contain certain forward-looking statements. These forward-looking statements reflect the Company's view on some future events and involve known and unknown risks and uncertainties and other factors which may cause actual performance and development to differ materially. Past performance cannot be relied on as a guide for future performance.

Agenda



- ① Corporate Overview
- ② Global and Mainland China Energy Update
- ③ Business Review
 - **New Energy**
 - **Mainland Utilities & Towngas China (1083.hk)**
- ④ Group Financial Review
- ⑤ Conclusions & Outlook

Corporate Overview












Corporate Overview





HKCG (003.hk) Results Highlights

2012	HK\$Bn	Change vs 2011
Turnover excl. FCVC	23.2	 11%
Mainland Utilities operating profit	2.6	 22%
New Energy operating profit	0.6	 20%
Operating profit after tax, before properties sales, revaluation surplus & net financial income	5.7	 11%
IFC revaluation gain	1.4	 92%
Profit attributable to shareholders	7.7	 26%
Earnings per share	88.9 cents	 26%
Full year dividends per share	35 cents	-
Special bonus share issue	1 for 10	-



Towngas China (1083.hk) Results Highlights

2012	HK\$Mn	Change vs 2011
Turnover	5,183	↑ 20%
Operating profit	989	↑ 16%
Profit attributable to shareholders	841	↑ 19%
<hr/>		
Earnings per share	34.17cents	↑ 19%
Full year dividends per share	6cents	↑ 20%



Our Performance

Hong Kong Business



Volume Growth

↑ **0.8%**

Customer Gains

↑ **25,807**

Household Customers

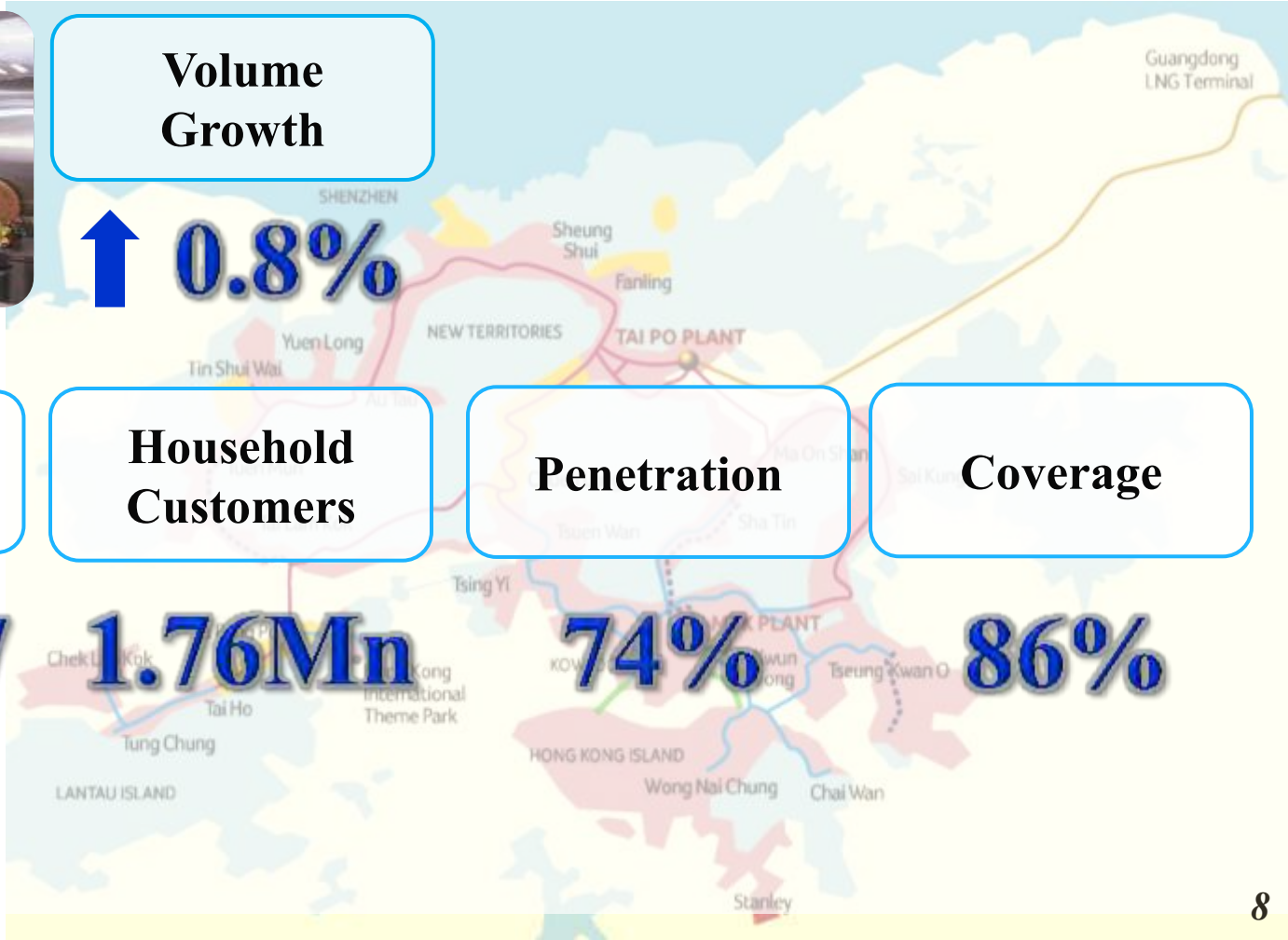
1.76Mn

Penetration

74%

Coverage

86%



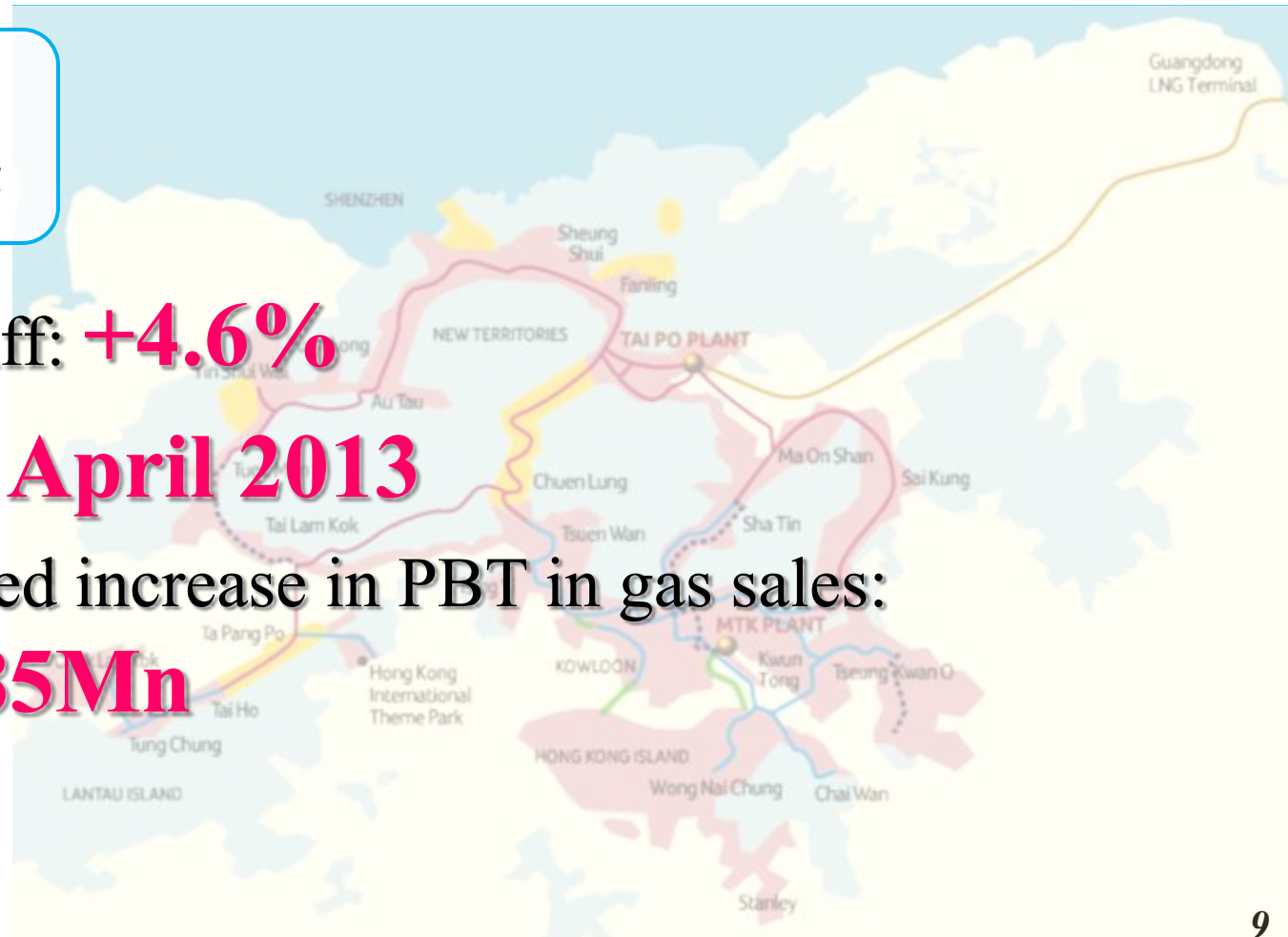


Our Performance

Hong Kong Business

Tariff Adjustment

- ❑ Basic tariff: **+4.6%**
- ❑ Effective **April 2013**
- ❑ Annualized increase in PBT in gas sales:
HK\$285Mn





Our Performance

Mainland Utilities



Profit After Tax

HK\$2,551Mn
(up HK\$468Mn, +22%)

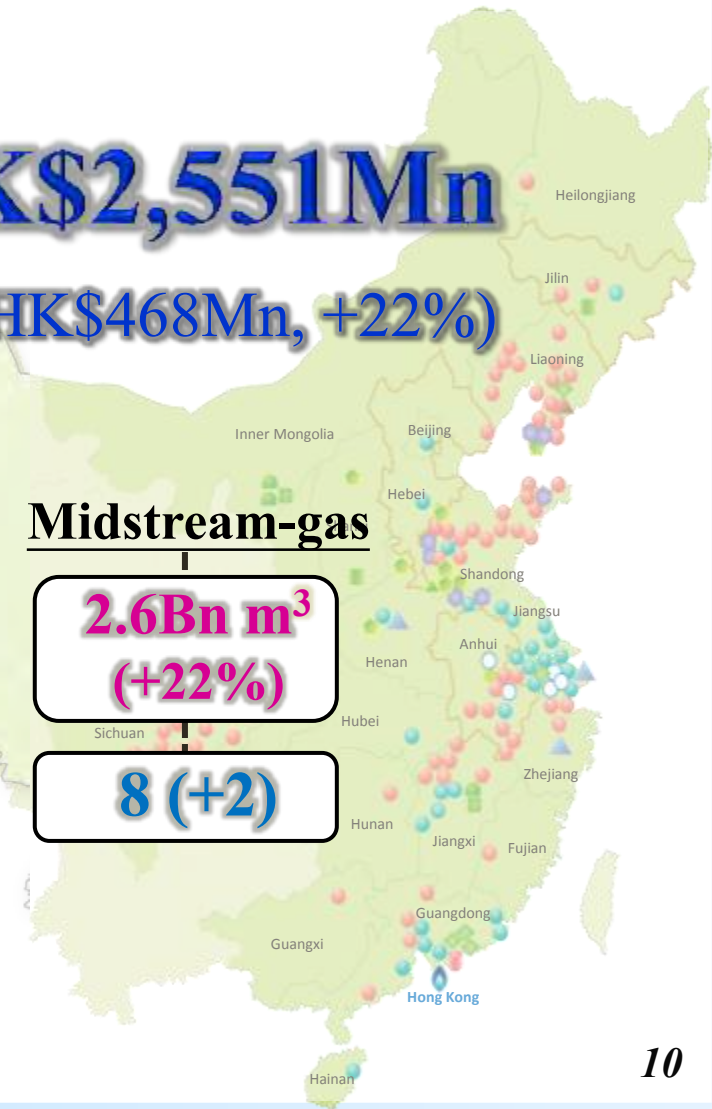
2012:

Volume:

Projects Number:

Customers Number:

	<u>City-gas</u>	<u>City-water</u>	<u>Midstream-gas</u>
Volume:	11.9Bn m³ (+15%)	393Mn ton (+6%)	2.6Bn m³ (+22%)
Projects Number:	107 (+7)	4	8 (+2)
Customers Number:	14.8Mn (+12%)	0.9Mn (+9%)	





Our Performance

New Energy

Profit After Tax

HK\$602Mn

(Business outside HK: HK\$355Mn +46%)

- 3 projects added, total 22 Mainland projects in 11 provincial regions

HK Business

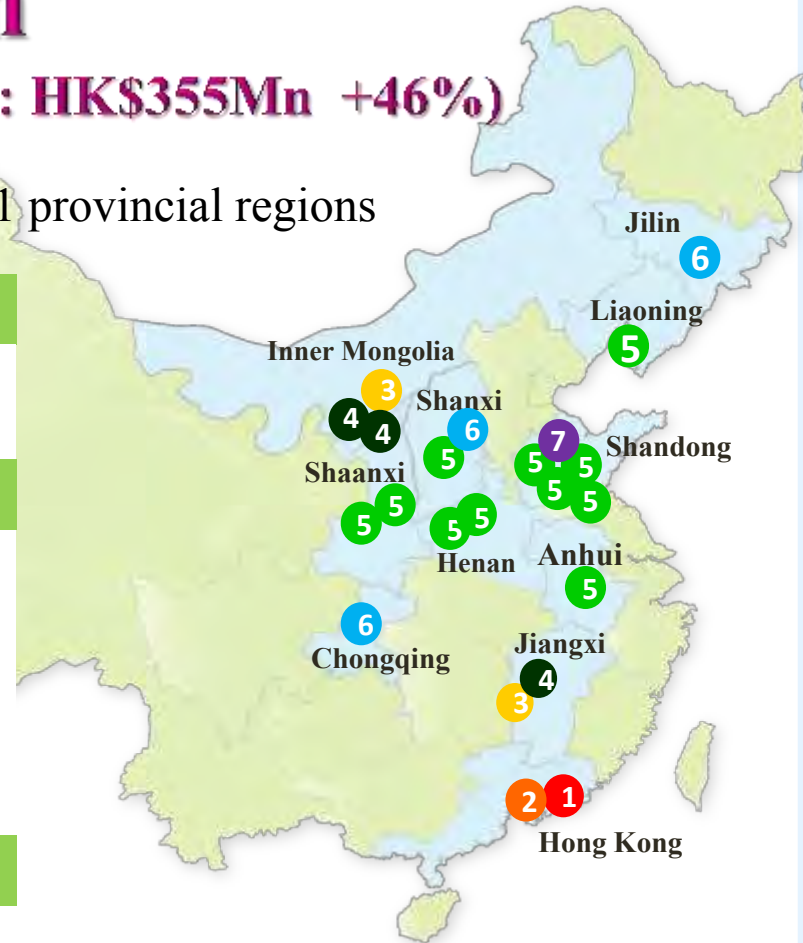
LPGV Filling Stations	5 Stations	1
Aviation Fuel Facilities	1 Project	2

Mainland China Business

Coal-based Chemical Processing	2 Projects	3
Coal Mines	3 Projects	4
CNG/LNG Refilling Stations	11 Projects	5
Oil & Gas / Coalbed & Coal Mine Methane	3 Projects	6
Coal Logistic	1 Project	7

Overseas Business

Thailand Onshore Oil E&P	1 Project	
--------------------------	-----------	--





Our Vision / Mission

Vision

*To be **Asia**'s leading **energy** supplier and service provider, with a focus on **environmental-friendliness** and **technologies**.*

Mission

To provide our customers with a safe, reliable supply of energy and the caring, competent and efficient service they expect, while working to preserve, protect and improve our environment.





Our Focus

1. Geographical Territory

Asia

(started off with Mainland China)

- ❑ Immense energy market
- ❑ Growth economy
- ❑ Highly industrialized
- ❑ Rapid urbanization



2. Business Nature

Utilities/Infrastructures

- ❑ City-gas & pipelines; water & telecom
- ❑ Focus on growth market

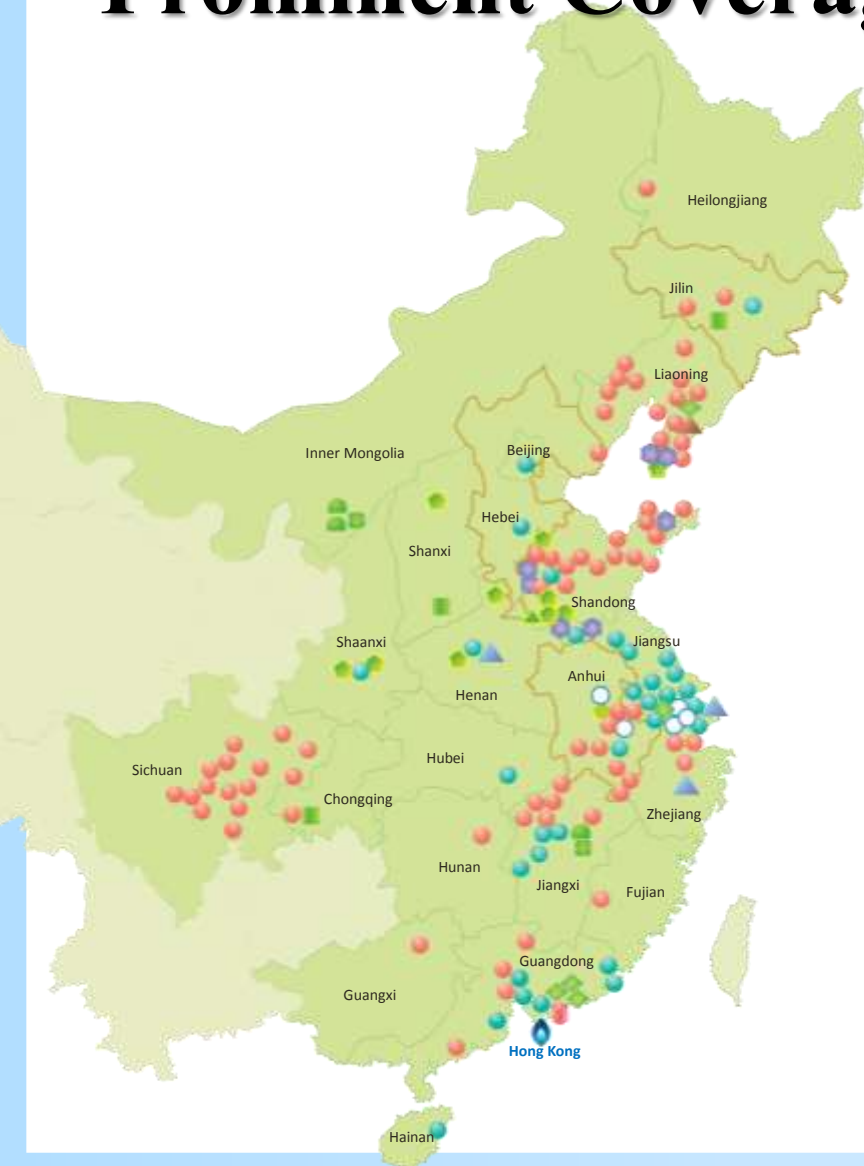
Energy

- ❑ Clean fuels; reduced emission; unconventional fossil fuels; alternatives to crude; non-food biomass → fuels; coal → cleaner fuels; supply chains of fuels





Mainland China Businesses: Prominent Coverage



12 projects added, total **150** projects
in **22** provincial regions

Utilities

City-gas	107 (HKCG: 34 + TCCL: 73)
Midstream	8
Water & Sewage	4

New Energy

Gas-based	3
Coal-based	6 coal-mine chemical plant logistics
Filling stations	11

Telecommunications

6

Others

5

As at Dec 2012



Our Strengths



Financials

- ❑ Cash rich & strong cashflow
- ❑ High credit rating: A1 (Stable), A+ (Stable)
- ❑ Low cost of fund
- ❑ Healthy gearing ratios



Corporate Image

- ❑ Meticulous corporate governance
- ❑ Well respected & highly praised
- ❑ Solid, robust & forward looking
- ❑ World class quality operations
- ❑ Effective management



Core Skills

- Expertise in:
- ❑ Safety/Customer service
 - ❑ Engineering
 - ❑ Infrastructure/Construction
 - ❑ Chemical processing



Our Opportunities

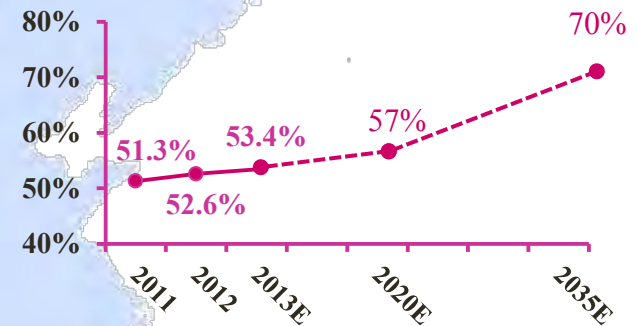
– Mainland China is the Key



❑ *Strong clean energy growth in 12th 5-year*



❑ *Rapid urbanization*



❑ *Development of clean energy technologies*

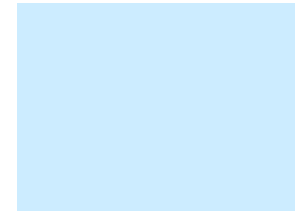
- *Flourish in China in coming 5-10 yrs*
- *Time to accumulate energy reserves/assets*



❑ *Promising unconventional /renewable fuels*

- *CBM, CMM, Shale Gas, Biomass*

Global & Mainland China Energy Update



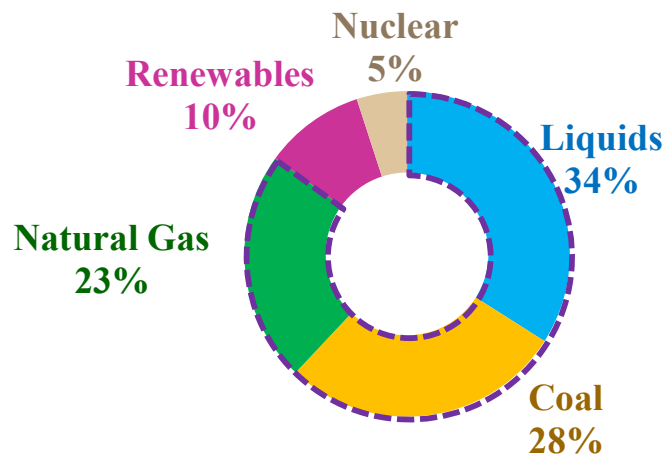
World Energy Consumption



- ❑ Fossil fuels (liquids, coal, NG) = ~80% of world energy consumption
- ❑ Renewables is the fastest growing source of world energy

2008

87 Bn BOE

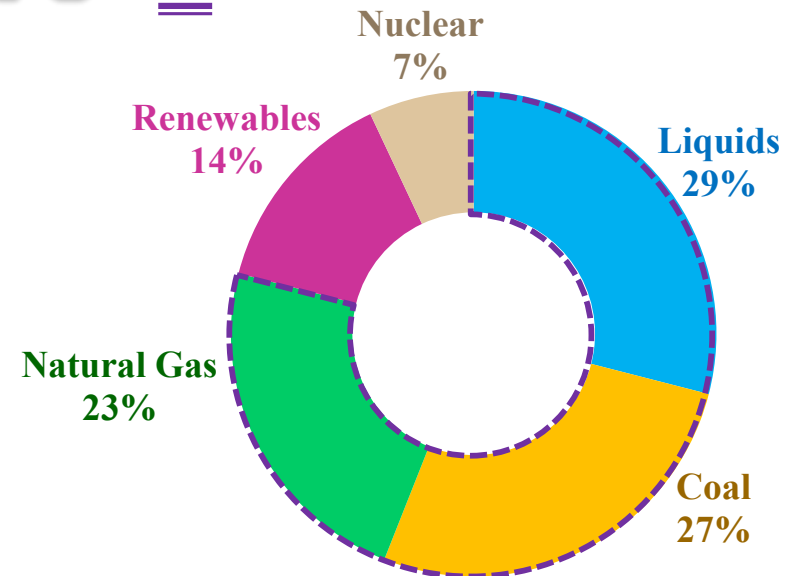


+52%



2035

132 Bn BOE





Energy Consumption of Mainland China

NATURAL GAS

Fastest-growing fossil fuel



Energy

Liquids (Bn BOE)

Coal (Bn BOE)

Natural Gas (Bn m³)

Renewables (Bn kWh)

Nuclear (Bn kWh)

Total (Bn BOE)

2008

2035

**% Change
(2035 vs 2008)**

2.8

6.2

+121%

10.4

19.6

+88%

76

326

↑329%

1875

6389

+241%

65

916

+1309%

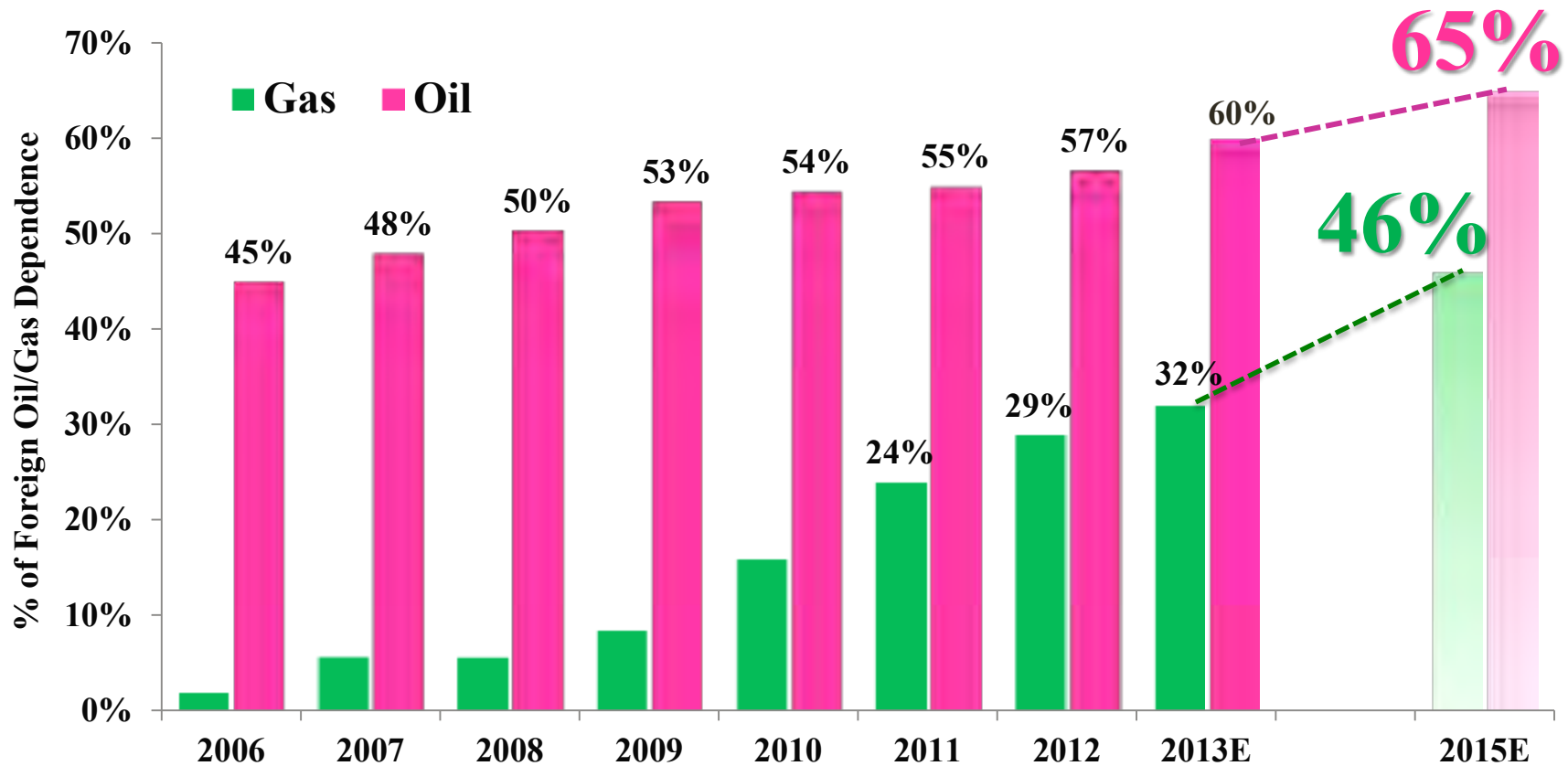
14.9

33.0

+121%



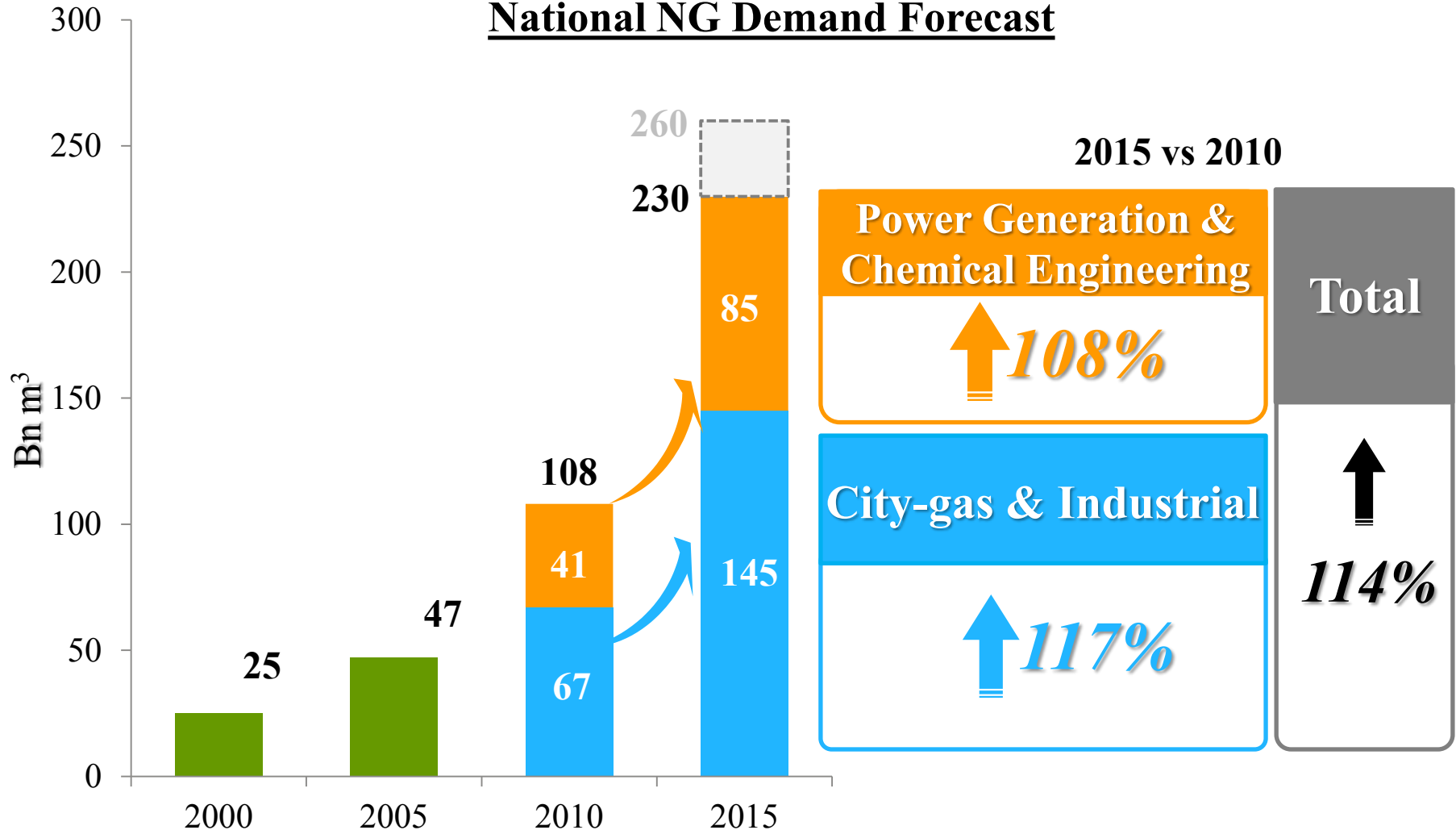
Significant Import of Oil & Gas into Mainland China





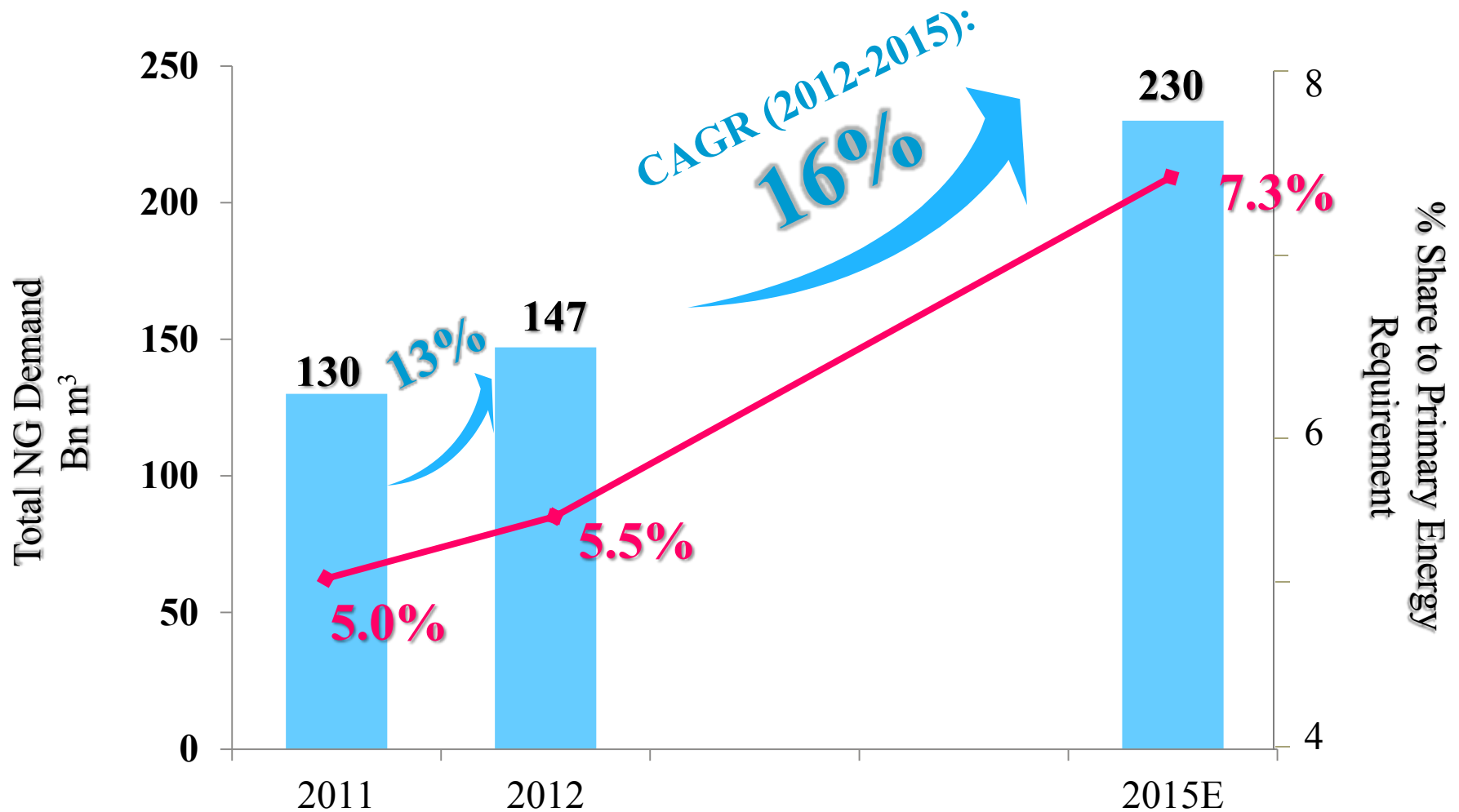
Strong NG Demand

National NG Demand Forecast



(Source: BP / Guangdong Oil & Gas Association)

Strong NG Demand



■ Total NG Demand, Bn m³ (LHS)

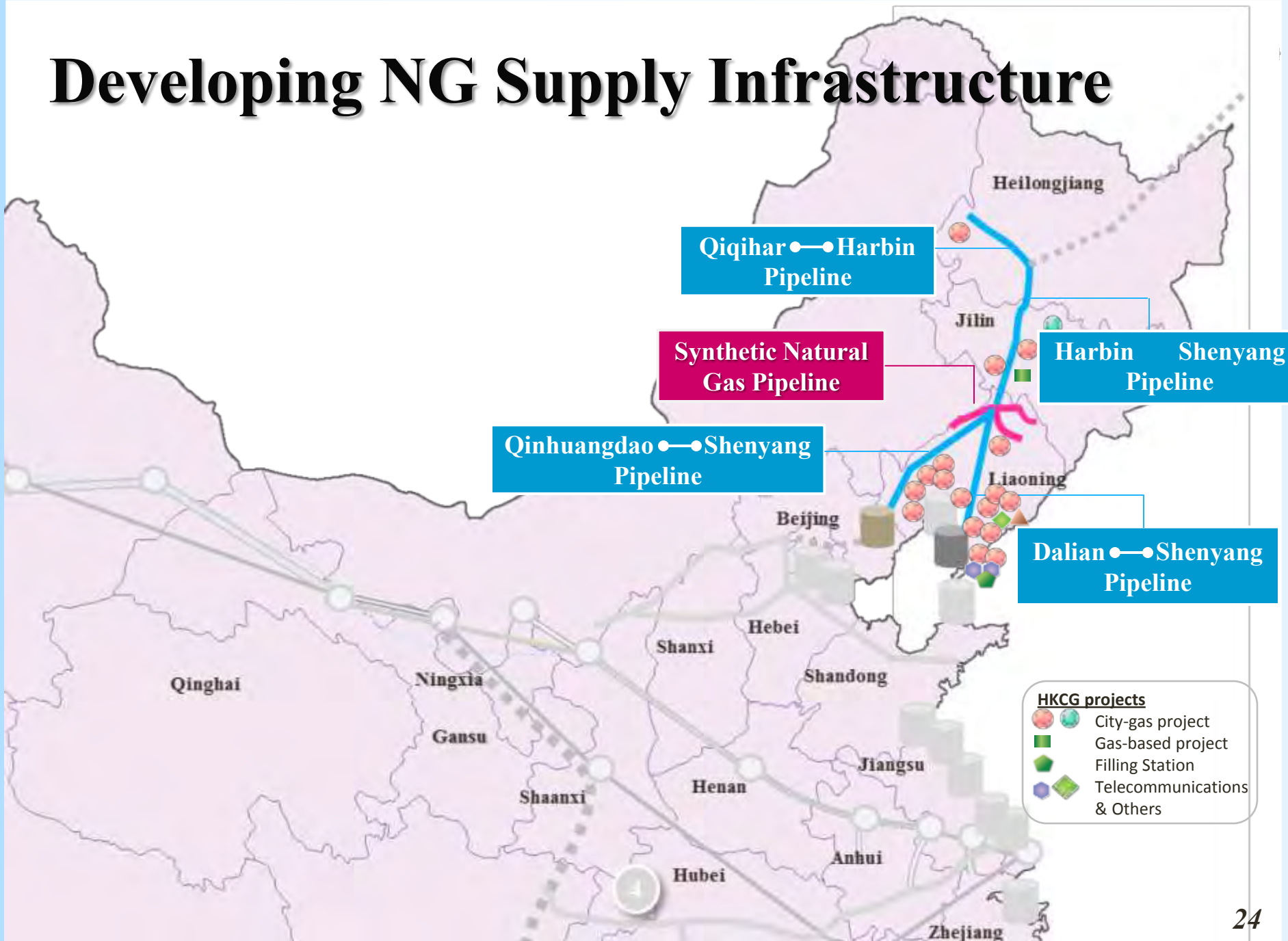
◆ % Share to Primary Energy Requirement (RHS)

Developing NG Supply Infrastructure



NG Source	Commissioning Year	Capacity
① West to East 1	2004	17 Bn m ³
② West to East 2	2011	30 Bn m ³
③ Central Asia	2010	Eventually 40 Bn m ³
④ Sichuan to East	2010	15 Bn m ³
⑤ Burma to China	Mid 2013	12 Bn m ³
A Rissua to China	Under Negotiation	38 Bn m ³
★ HKCG Jincheng	2009	LCBM Shanxi
▲ West to East 3	2015	30 Bn m ³
Existing LNG Terminal		44M tonnes
LNG Terminal under construction		30M tonnes
LNG Terminal under planning		70M tonnes

Developing NG Supply Infrastructure



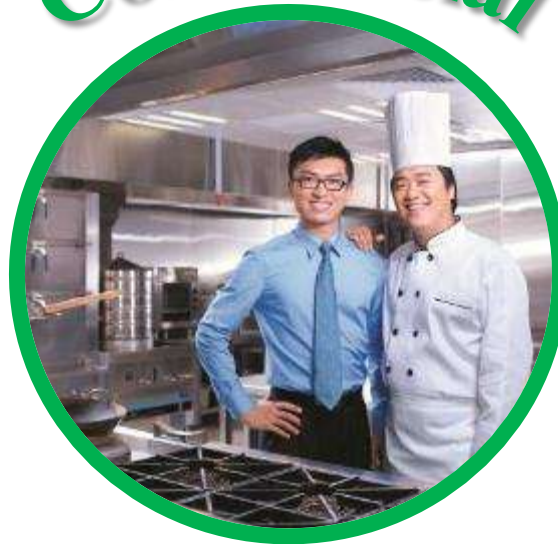


Natural Gas, the natural choice

Residential

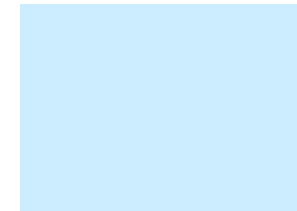
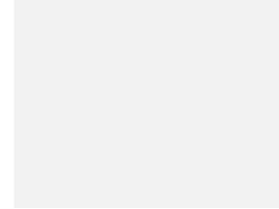


Commercial



Industrial



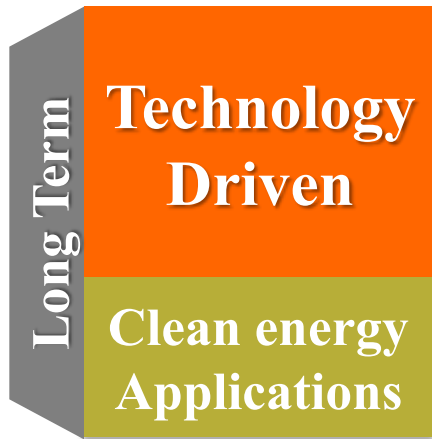


New Energy





New Energy Strategy



- Coal-bed Methane Utilization**
- Industrial Waste Transmutation**
- Agricultural Waste Transmutation**
- Mobility Fuels**



- Coal-bed Methane Reserves**
- Shale Gas/Shale Oil Reserves**
- Coal, Oil & Gas Reserves**
- Fuel Logistics**

Shanxi Jincheng LCBM



<i>Shareholdings</i>	70%
<i>Production Capacity</i>	250Mn m3 p.a.
<i>Commissioning</i>	Phase 1 – Dec 2008 Phase 2 – Mar 2011

Inner Mongolia Xiaoyugou Coal Mine



Shareholdings

70.1%

Production Capacity

1.2Mn tons p.a.

Commissioning

Q2 2013

Inner Mongolia Coal → Methanol → Gasoline

<i>Shareholdings</i>	70.1%
<i>Production Capacity</i>	120,000 tons p.a.
<i>Commissioning</i>	Q4 2013



Kejian Coal Mine

<i>Shareholdings</i>	100%
<i>Production Capacity</i>	2012: 0.6Mn tons p.a. 2013: 1.8Mn tons p.a.
<i>Commissioning</i>	Sep 2011





Shandong Jining Logistics Project

<i>Shareholdings</i>	55%
<i>Throughput Capacity</i>	10Mn tons p.a.
<i>Commissioning</i>	Jun 2012 (trial) Q4 2013

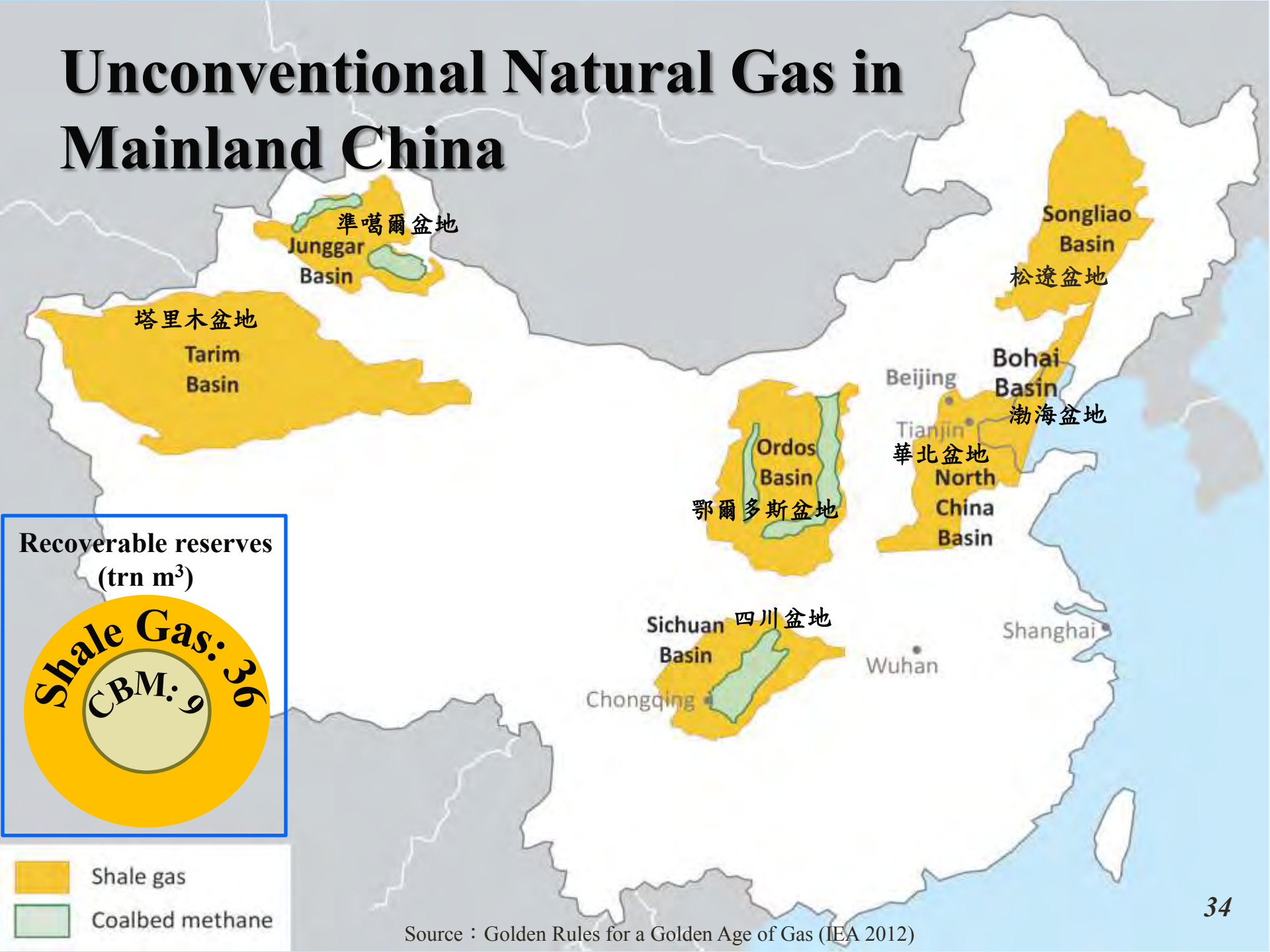


Thailand Onshore Oil Exploration & Production Project (Block L33/L44)

<i>Shareholdings</i>	60%
<i>Production Capacity</i>	2013: ~3000Bbl/day
<i>Reserve</i>	1P: 10Mn Barrel 2P: 30Mn Barrel



Unconventional Natural Gas in Mainland China



Recoverable reserves
(trn m³)



Shale gas
Coalbed methane

Source : Golden Rules for a Golden Age of Gas (IEA 2012)



Shale Gas Opportunities

- ❑ Strong support from government on development of unconventional gas, e.g. shale gas, coal bed methane
- ❑ Gas reserve reaches 600Bn m³ by 2015
- ❑ Production capacity reaches **6.5Bn m³** by **2015**
- ❑ Ministry of Land and Resources places shale gas blocks for auction

<i>2011 Jun</i>	2 blocks awarded
<i>2012 Dec</i>	19 blocks awarded
- ❑ Subsidy for shale gas extraction @ **RMB 0.4/m³**



LNG Vessels



Investment along Changjiang



Mainland Utilities





Towngas China





Towngas China (1083.hk)

2012 Achievements

- ❑ Record high profit at HK\$841Mn
- ❑ Improvement in gas margins
- ❑ 74 JVs in total, 7 city-gas & 1 midstream projects added
- ❑ 2013 Achievements:
 - 4 new city-gas projects added
 - Record high market cap. at HK\$19.6Bn (15 Mar 2013)



Towngas China (1083.hk)

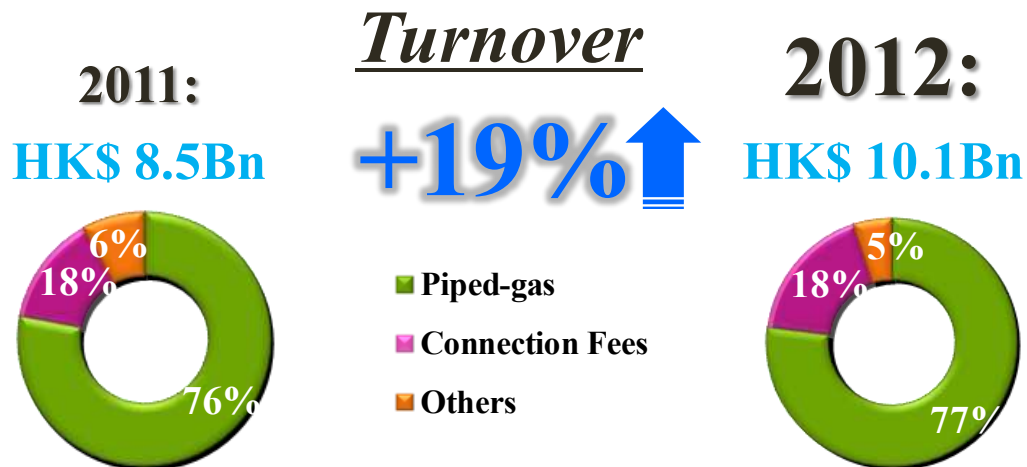
Results Highlights (Financial)

(HK\$Mn)	2011	2012	Change
Gas Sales	3,288	3,972	+21%
Connection Fees	1,033	1,211	+17%
Turnover	4,321	5,183	+20%
Profit attributable to shareholders	709	841	+19%
Basic EPS (HK cents)	28.84	34.17	+19%
Full year dividend per share (HK cents)	5	6	+20%



Towngas China (1083.hk)

Results Highlights (Management)



(HK\$Mn)	2011	2012	Change
Piped-gas	6,439	7,805	+21%
Connection Fees	1,478	1,770	+20%
Others	539	528	-2%
Total Turnover	8,456	10,103	+19%
JV profit contribution	803	1,025	+28%
Profit margin ratio	9.5%	10.1%	
Exchange difference	117	45	-62%
Administration expenses	(91)	(116)	+27%
Financial cost	(120)	(113)	-6%
Profit attributable to shareholders	709	841	+19%

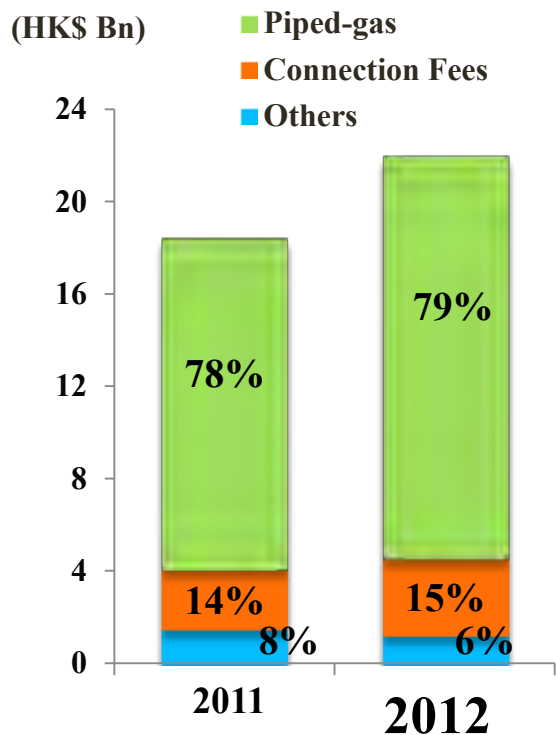
Improvement in margin

*All JVs shared equity basis

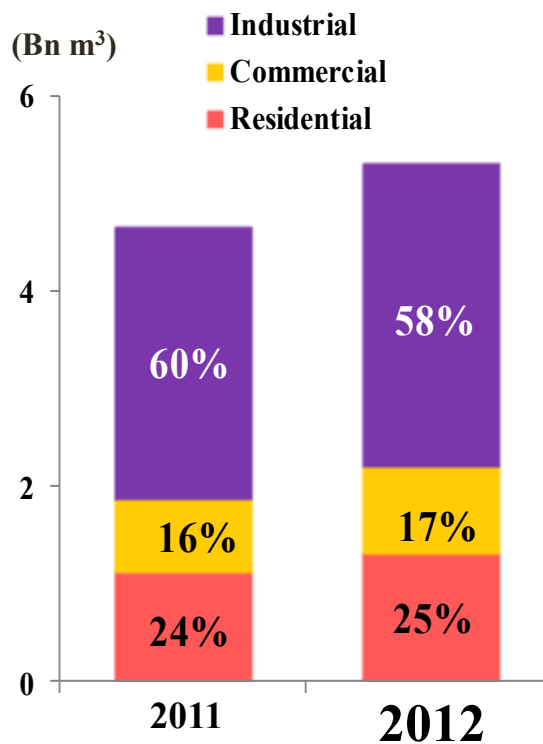


Towngas China (1083.hk): Operational Highlights

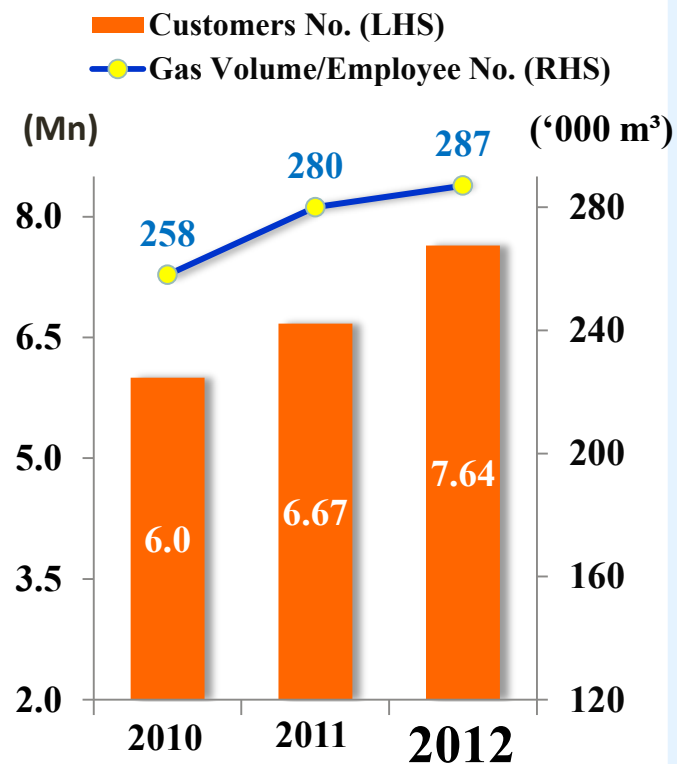
Turnover Mix* (%)



Sales Volume Mix (%)



No. of Customers & Productivity



*Towngas China, All JVs (100%)








Territorial Coverage



10 projects added, total **122** projects
 in **20** provincial regions

Utilities

City-gas	107
	(HKCG: 34  + TCCL:  73 )   
Midstream	8 
Water & Sewage	4 
Others	3

AS at Dec 2012



10 New Projects Added in 2012

City-gas 7 projects

- ① Liaoning Wafangdian 遼寧瓦房店
- ② Shandong Zhaoyuan 山東招遠
- ③ Jiangxi Yifeng 江西宜豐
- ④ Liaoning Xinqiu 遼寧阜新新邱
- ⑤ Hebei Qinhuandao 河北秦皇島市
- ⑥ Fujian Changting 福建長汀縣
- ⑦ Shandong Pingyin 山東平陰

Gas consumption in 5 years' time: **562Mn m³**
 Total investment: **RMB745Mn**

Midstream 2 projects

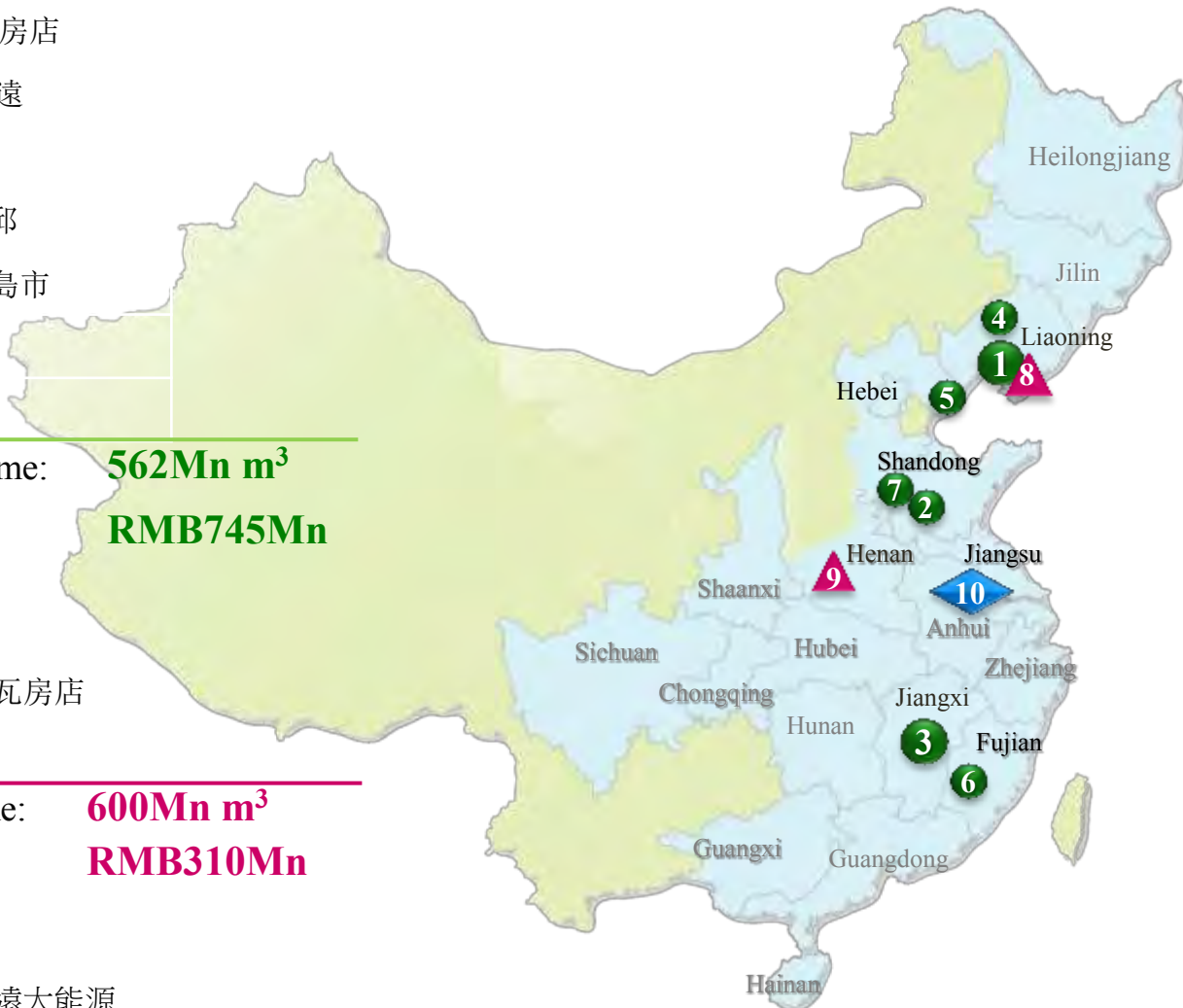
- ⑧ Liaoning Wafangdian 遼寧瓦房店
- ⑨ Henan Dengfeng 河南登封

Gas consumption in 5 years' time: **600Mn m³**
 Total investment: **RMB310Mn**

Other 1 project

- ⑩ Suzhou Broad Energy 蘇州遠大能源

Total investment: **RMB170Mn**



5 New Projects Added YTD March 2013

City-gas 4 projects

- ① Shandong Feicheng 山東肥城
- ② Anhui Maanshan Zhengpugang 安徽馬鞍山鄭浦港
- ③ Sichuan Mianzhu 四川綿竹
- ④ Shandong Boxing 山東博興

Gas consumption in 5 years' time: **352Mn m³**

Total investment: **RMB747Mn**

City-water 1 project

- ⑤ Anhui Maanshan Zhengpugang 安徽馬鞍山鄭浦港

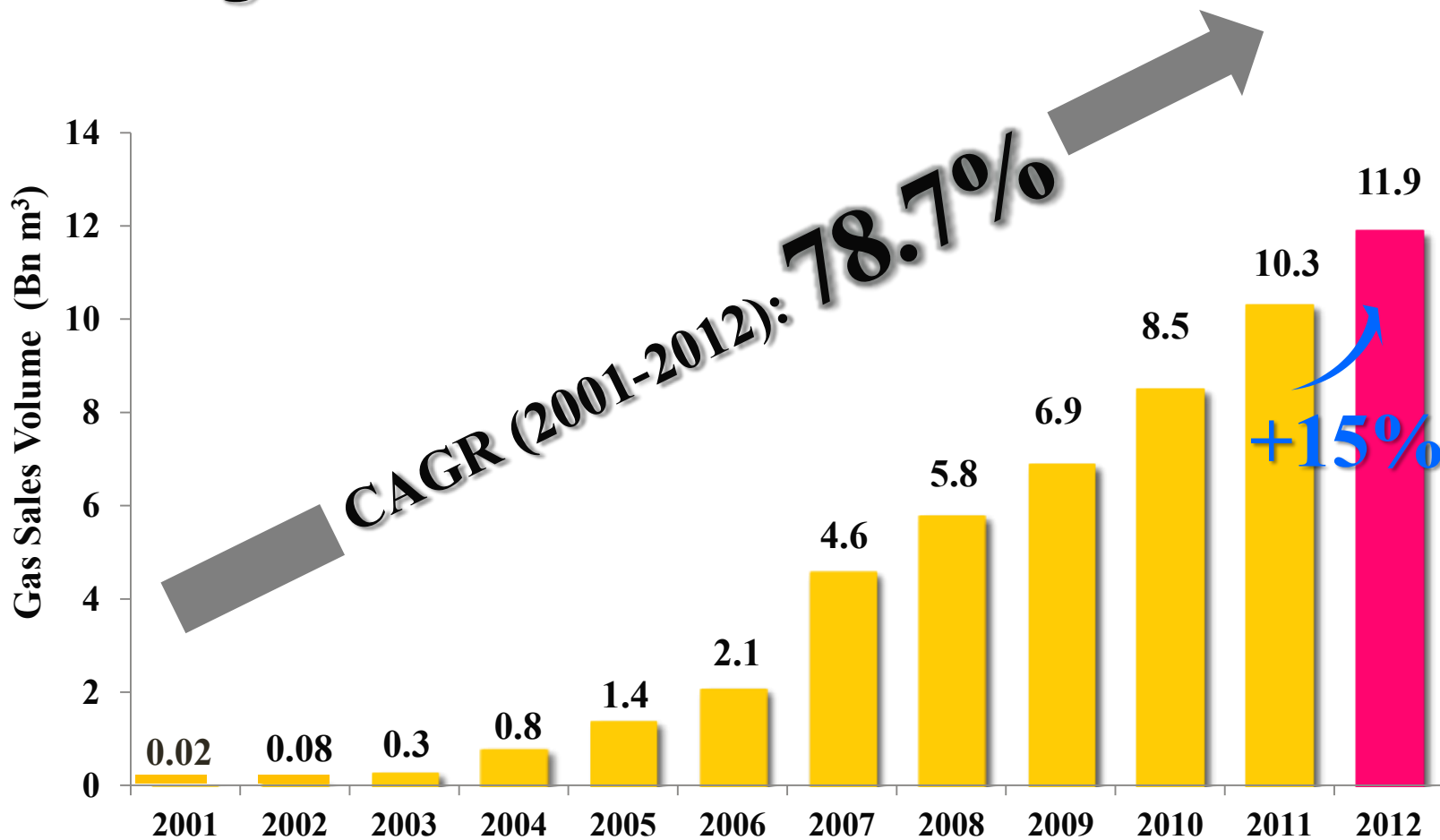
Water consumption in 5 years' time: **15Mn ton**

Total investment: **RMB155Mn**





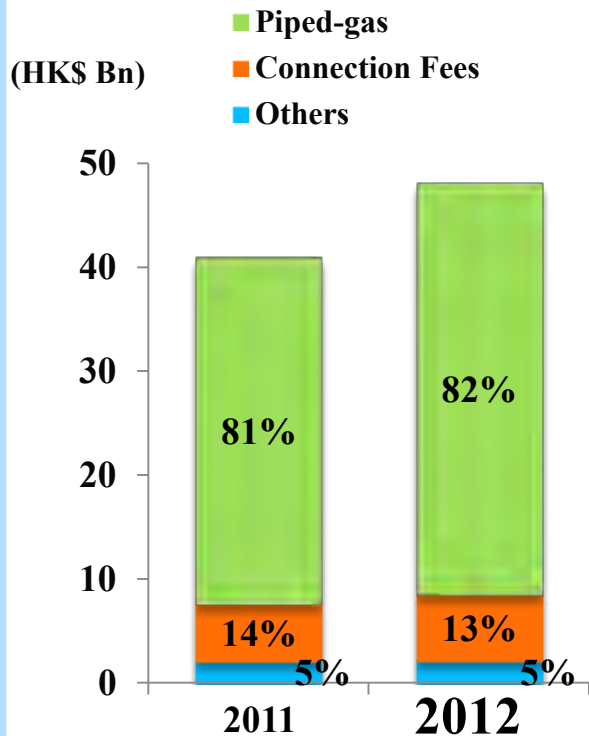
City-gas Business: Growing Gas Sales Volume



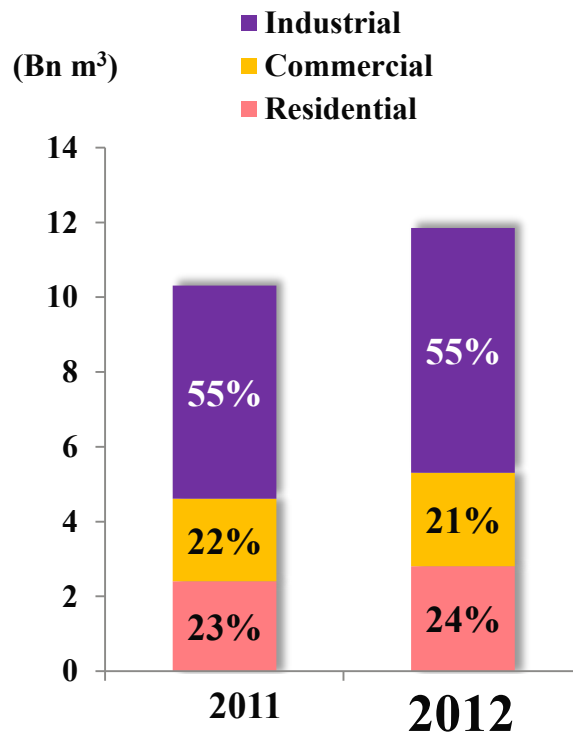


City-gas Business: Operational Highlights

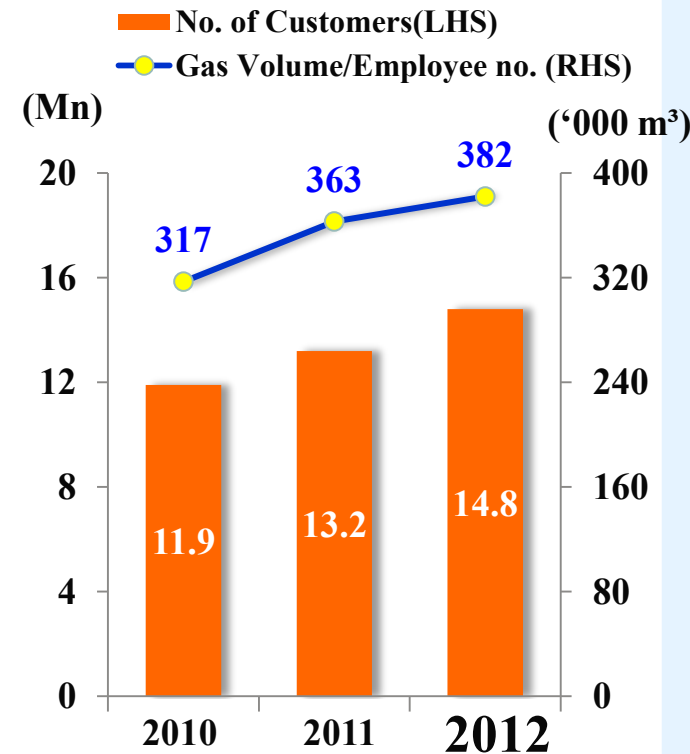
Turnover Mix (%)



Sales Volume Mix (%)



No. of Customers & Productivity





Segment Results

2012

**Total
Turnover**

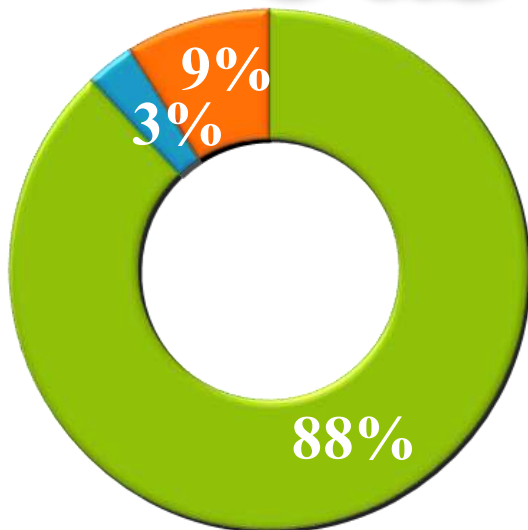
+17% ↑

**Shared
Profit**

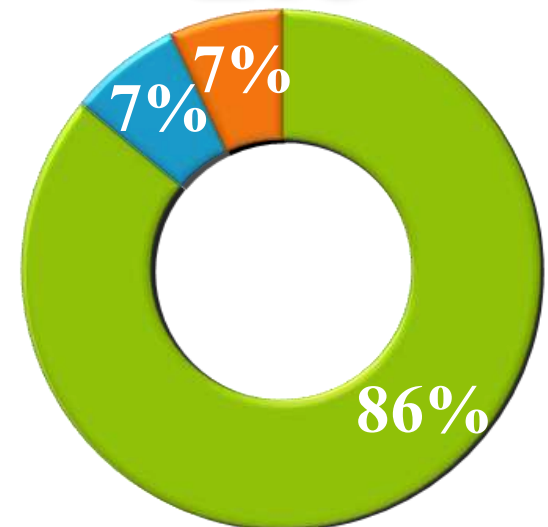
+22% ↑

HK\$ 54.5 Bn

HK\$ 2.6 Bn



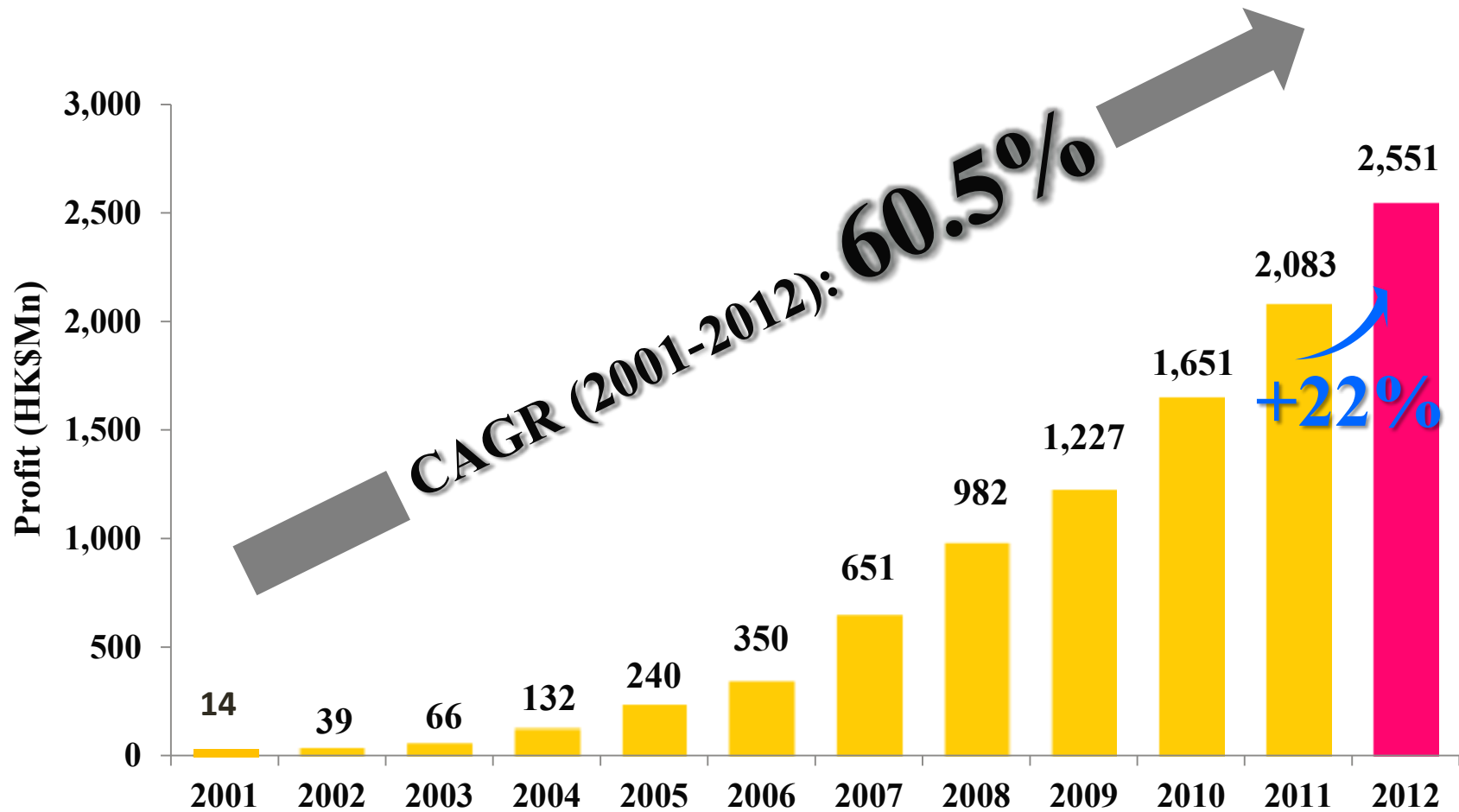
- City-gas
- Water
- Midstream



* Turnover: All JVs (100%)



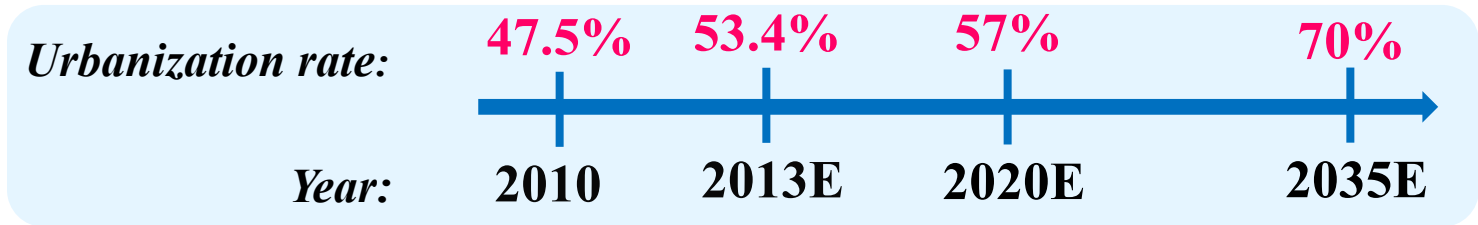
Consistent Profit Growth Path





City-gas Business Outlook

- ❑ Increasing natural gas supplies:
 - W2E2
 - W2E3
 - Burma pipeline
 - Russia Eastern Pipeline
- ❑ China remains a manufacturing base
- ❑ Increase in urbanization rate:



- ❑ Increasing housing supply:

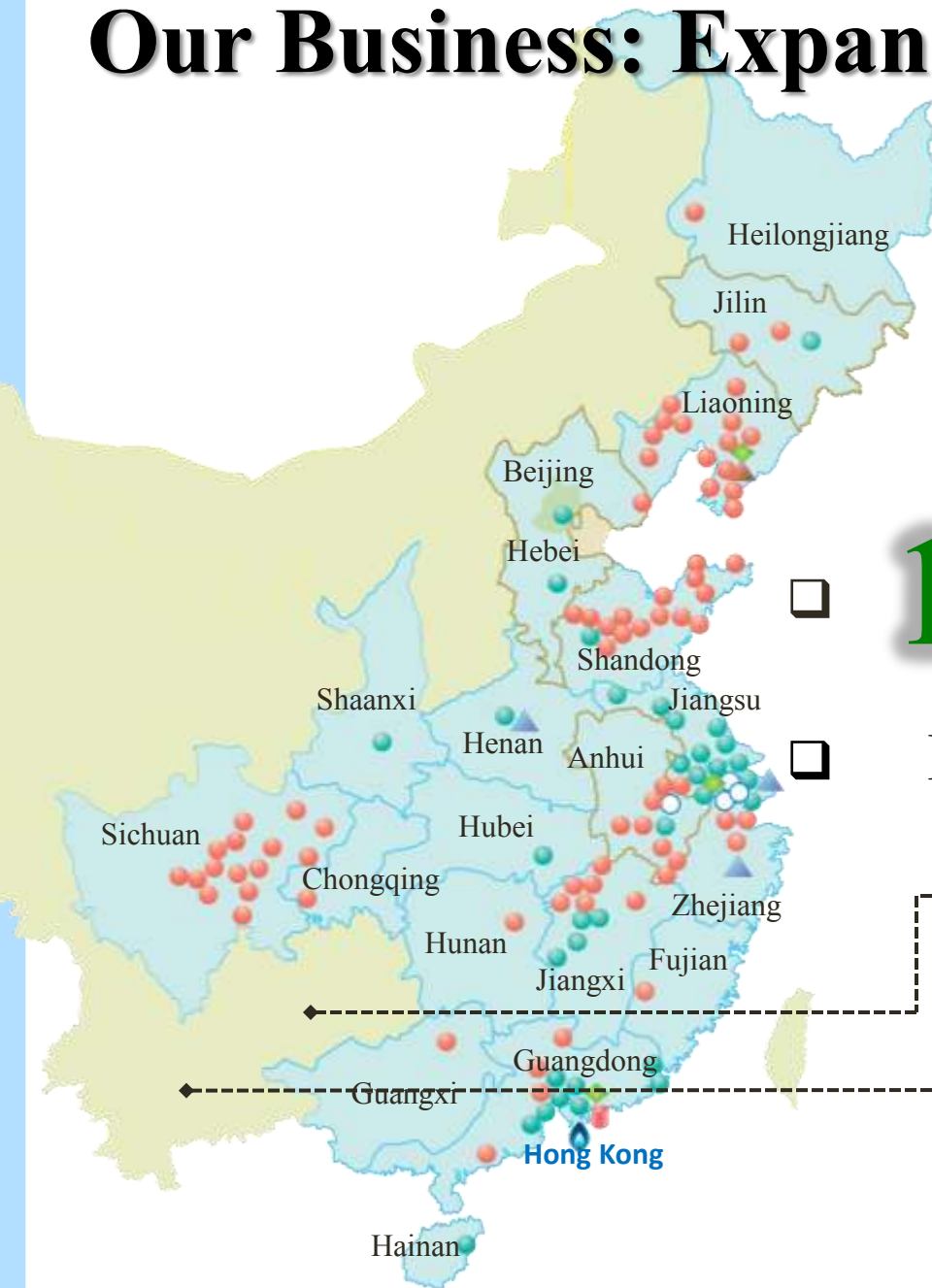
Subsidizes Housing	2011-2015	36 Mn
	2013	6.3 Mn



- ❑ No significant change in connection fee policy



Our Business: Expanding Coverage

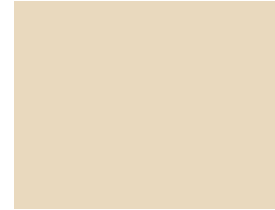


□ **10** new projects / year

□ **Extending new territories:**

Guizhou

Yunnan



Group Financial Review





HKCG (003.hk) Financial Highlights

(HK\$Mn)	2011	2012	Change
Turnover	22,427	24,923	11%
Total operating expenses	(16,752)	(18,819)	12%
	5,675	6,104	8%
Other gains, net	589	1,007	71%
Interest expense	(752)	(864)	15%
Share of profits less losses of associated companies	1,648	2,455	49%
Shares of profits less losses of jointly controlled entities	909	1,199	32%
Profit before taxation	8,069	9,901	23%
Taxation	(1,344)	(1,484)	10%
Profit for the period	6,725	8,417	25%
Non-controlling interests	575	689	20%
Attributable to shareholders of the Company	6,150	7,728	26%
Earnings per share – basic and diluted (HK cents)	70.8	88.9	26%

*Adjusted for the bonus issue in 2012



TCCL (1083.hk) Financial Highlights

(HK\$Mn)	2011	2012	Change
Turnover	4,321	5,183	↑ 20%
Operating profit before returns on investments	586	743	↑ 27%
Other gains, net	196	160	↓ 18%
Share of results of associates	195	245	↑ 26%
Share of results of jointly controlled entities	199	235	↑ 18%
Finance costs	(142)	(148)	↑ 4%
Profit before taxation	1,034	1,235	↑ 19%
Taxation	(257)	(299)	↑ 16%
Profit for the year	777	936	↑ 20%
Non-controlling interests	68	95	↑ 40%
Attributable to shareholders of the Company	709	841	↑ 19%
Earnings per share - basic (HK cents)	28.84	34.17	↑ 19%



Strong Financial Position

As at 31 Dec. 2012,

Cash on hand



HK\$12.4Bn

HK\$11.7Bn
as at 31 Dec 2011

Current ratio



124%

Well above 100%

NAV



HK\$45.3Bn

↑ 9%,
HK\$41.6Bn
as at 31 Dec 2011

ROE



17%

14.8%
as at 31 Dec 2011



Healthy Gearing

Gearing (net debt):

	<i>HKCG (003.hk)</i>	<i>TCCL (1083.hk)</i>
	30.3%	18.6%
Interest coverage:	9.6x	11.5x

Credit Ratings:



Moody's

	<i>HKCG (003.hk)</i>	<i>TCCL (1083.hk)</i>
	A1 (Stable)	Baa2 (Stable)
	A+ (Stable)	BBB (Stable)
	cnAAA	cnA
	(Greater China Regional Scale)	



S&P's



Strong Financial Position

- Easy access to local and international debt capital markets at competitive low cost of funding
- New MTN Issued in 2012:

Amount	HK\$4.4Bn
Tenor	10,15,30 years
Interest rate	Average: 3.4%



Successful Share Placement for Towngas China

16 January 2013

No. of share placed

150mn @HK\$6.31/share

Proceeds raised

HK\$946mn (gross)
HK\$930mn (net)

Discount

2.77%
(to avg. closing price of
HK\$6.49/share for last 5 trading
days preceding 9 Jan)

Over-subscription

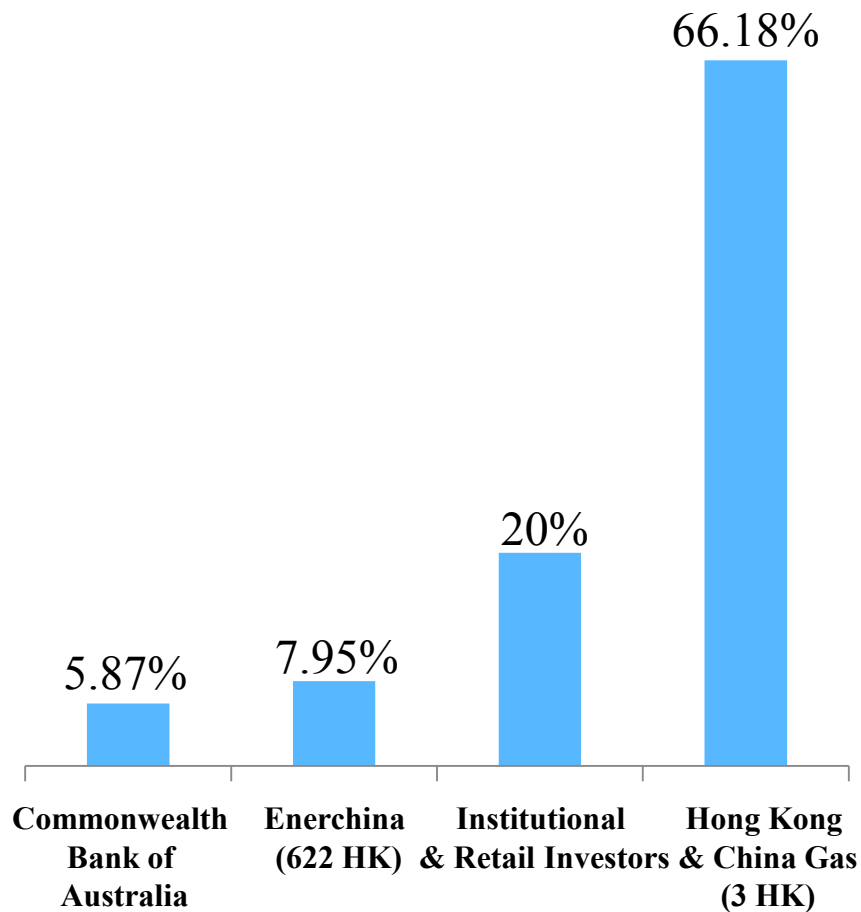
>20x



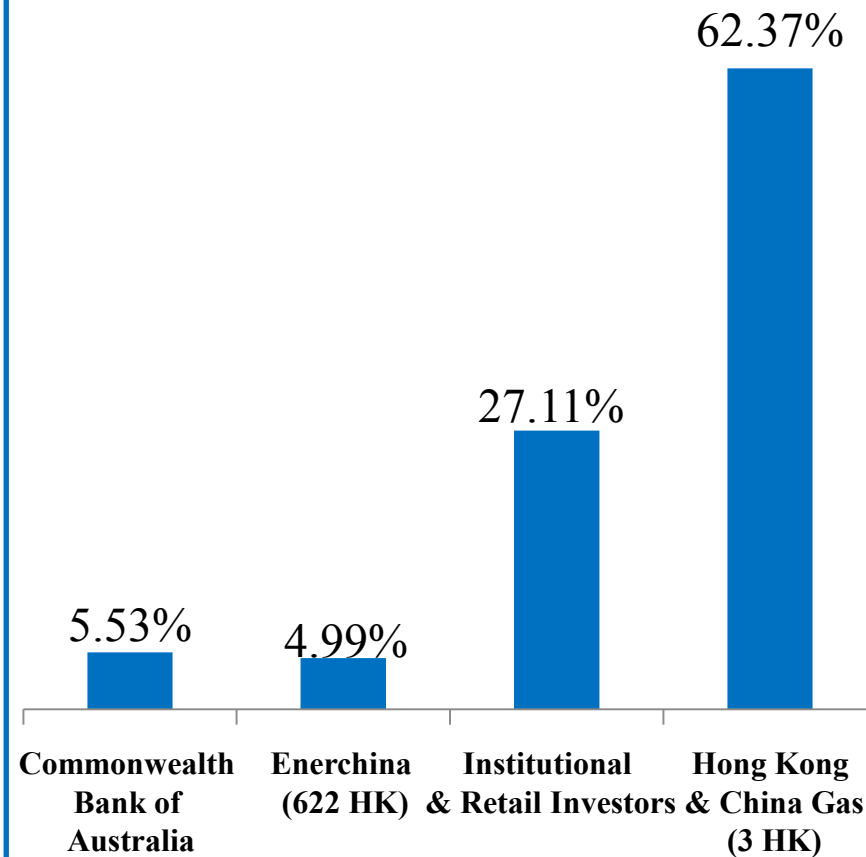


Towngas China (1083.hk) Shareholders Profile

1 January 2013



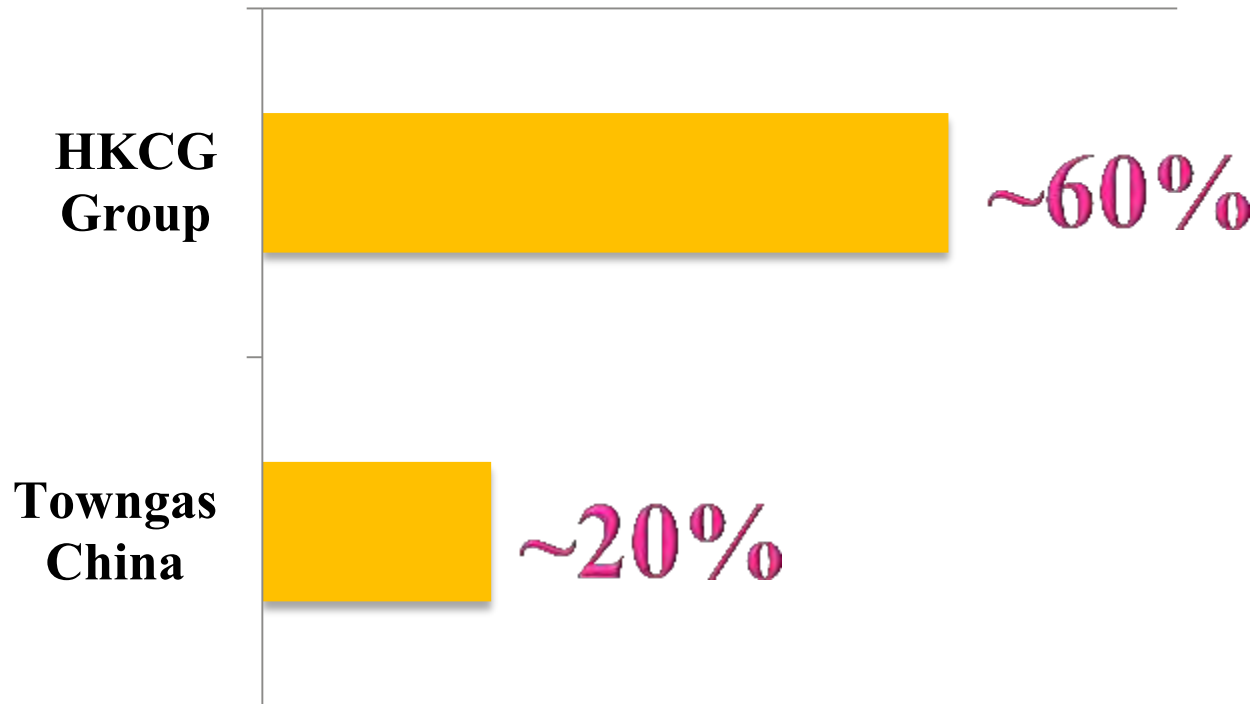
15 March 2013





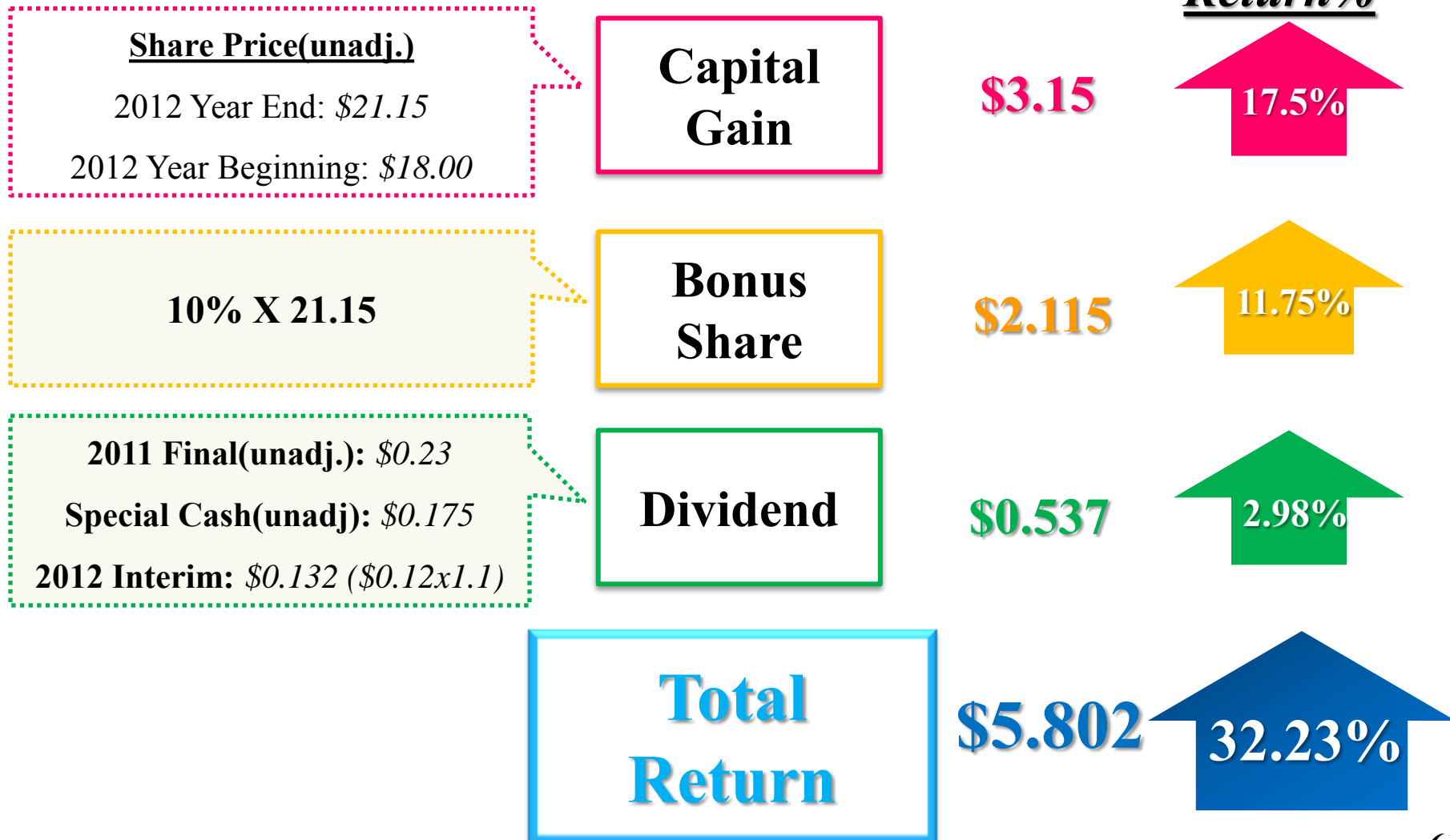
Dividends

Group Dividend Policy





Total Return of HKCG Shareholder in 2012





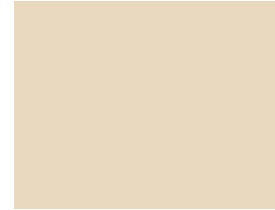
Rolling 3-Year Cashflow Projection: 2013-2015

(HKD Bn)		HK Operation	13.2
		PRC Dividends	4.5
			17.7

(HKD Bn)		Dividend	10.7
		Capex	12.0
			22.7

Finance by Cash on Hand

5.0



Conclusion & Outlook





China's Development Policy & Investment Opportunities

Urbanization

Economic Development

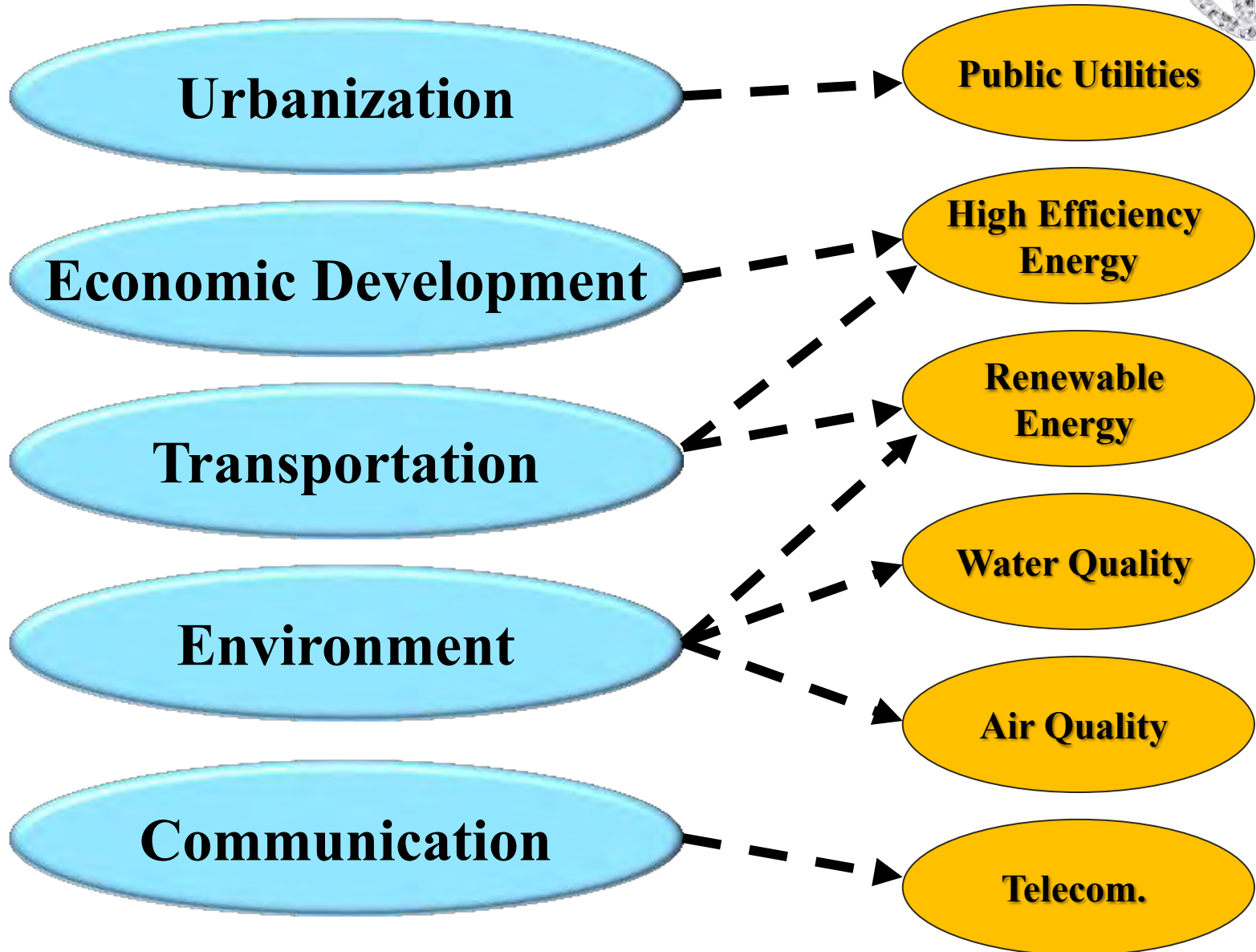
Transportation

Environment

Communication

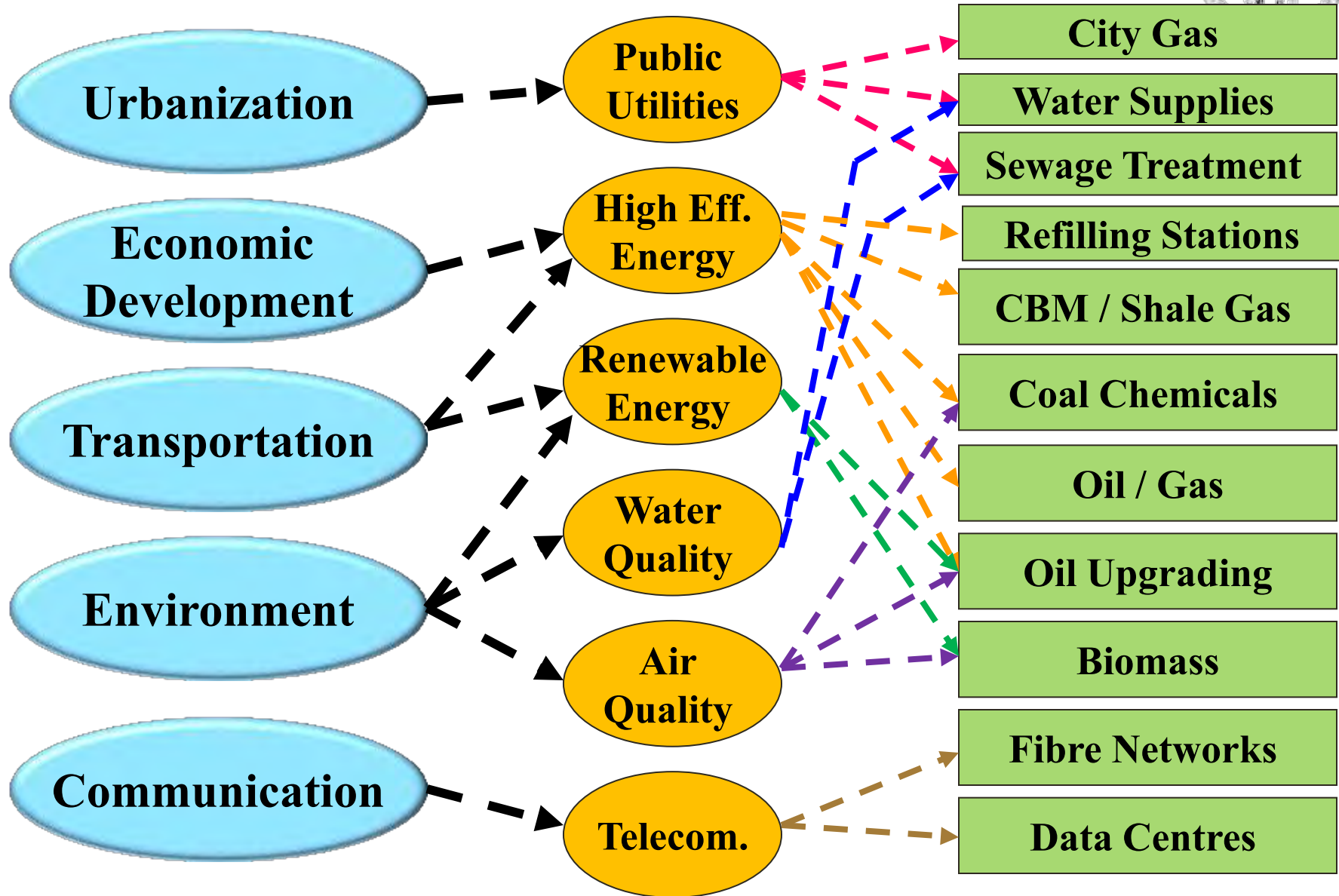


China's Development Policy & Investment Opportunities





China's Development Policy & Investment Opportunities





3 Business Drivers

Hong Kong Core



- Town gas
- Landfill gas
- Bandwidth + Data centre



Mainland Utilities



- City-gas:
HKCG + Towngas China (1083.hk)
- Midstream
- Water supply / sewerage



New Energy



- CBM/CMM Exploration
- CBM/CMM Liquefaction
- Coal Mining and Logistics
- Coal-based Chemicals
- Unconventional Energy Exploration
- Oil/Gas Exploration
- Clean Transportation Fuels
- Fuel Storage





Our Strategy (2013-2017)

- ❑ Continue to penetrate into the Mainland China's city-gas market

- ❑ Easing off demand pressure on crude/NG import from other countries

Position ourselves as a **world class** city-gas operator

- ❑ Extend coverage in the supply chain of energy

- ❑ Increase interest in upstream reserves, especially in unconventional fuels

Safe gas supply expert

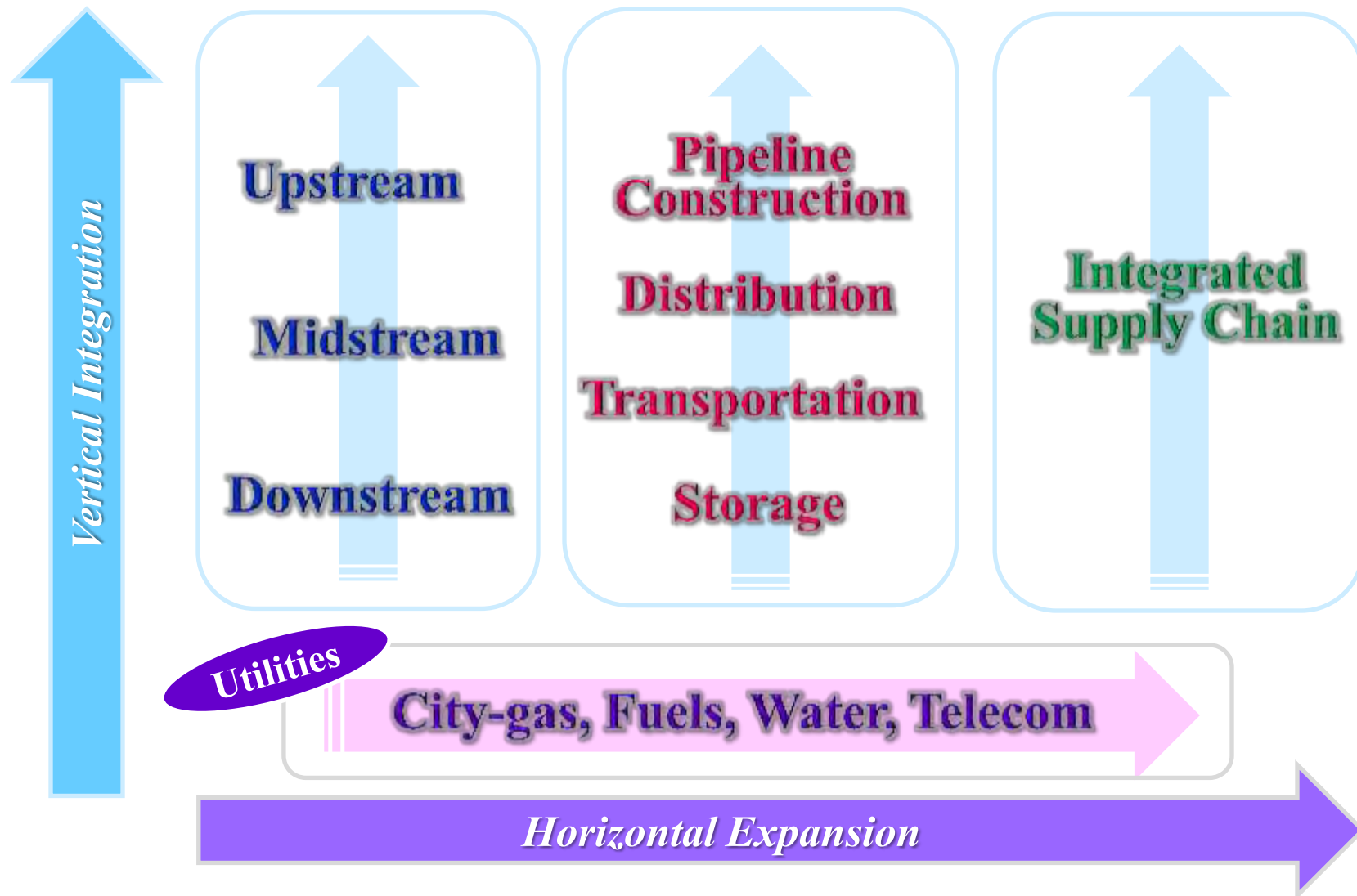
Commit to **protect the environment**

- ❑ Develop the clean fuel markets/ applications

- ❑ Matching clean energy policy in china



Our Strategy (2013-2017)





Our Targets (2013-2017)

In 2013, strong growth in Mainland China (GDP +7.5%) businesses will continue.



HK Gas Business remains as a stable, low growth, cash generating operation.

Operation efficiency is the key.

More green energy sources, e.g. landfill gas.



Mainland City-gas Business is projected to continue having mid-teens growth.

Capturing gas markets is the key.



New Energy Business is positioned to deliver high growth.

Developing and applying advanced technologies in energy transmutation is the key.

Operating Profit After Tax





For the One-and-Half Century, We are as always:

In the right trade,

In the right region,

At the right time,

On the right track.





A Global 500 Company



*The Hong Kong and
China Gas Co. Ltd.*



*The Energy Opportunities are
Immense.*

*We are Ready Here
to Capture the Growth.*



Thank You!

