



華潤燃氣控股有限公司 China Resources Gas Group Limited

(於百慕達註冊成立之有限公司)
(Incorporated in Bermuda with limited liability)

股份代號 stock code : 1193



Bench-marking &
Growth

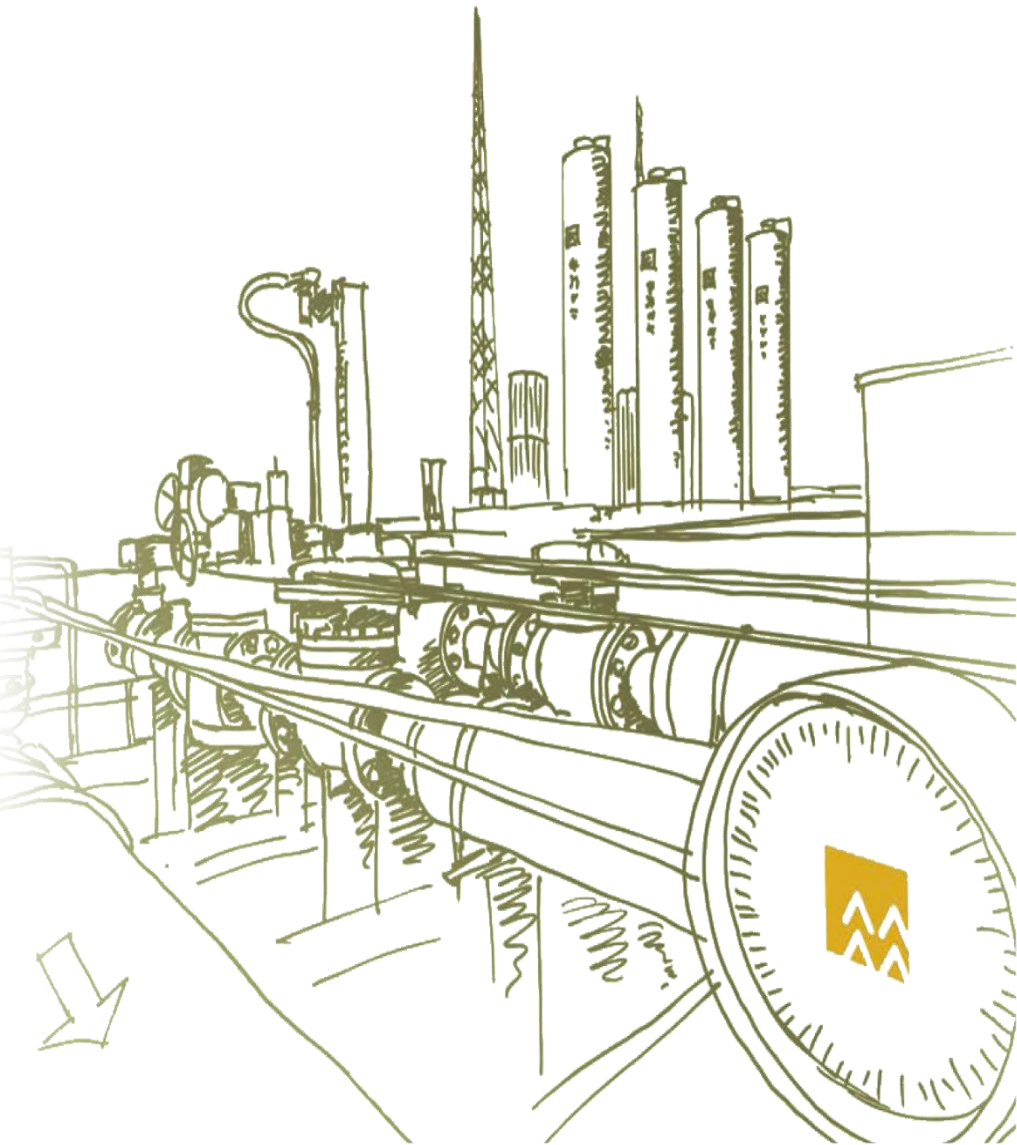
學標杆 促發展

2018 Interim Results Presentation

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Financial & Operational
Highlights



Gas sales volume

12,375 M m³

+22.9%

No. of customers

32.52 M

+12.3%

Turnover

HK\$23,847 M

+34.8%

Profit for the period

HK\$3,397 M

+23.0%

Profit attributable to shareholders

HK\$2,648 M

+25.2%

Net cash from operating activities

HK\$4,071 M

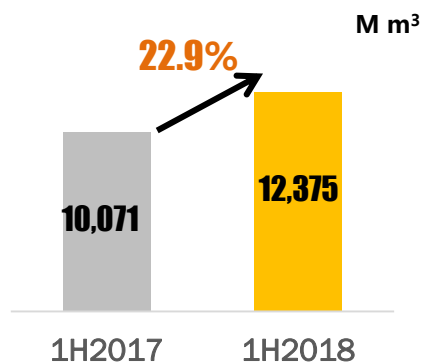
+32.1%

1H 2018, gas sales volume, number of customers and turnover achieved a high growth rate

Gas sales volume

Gas sales volume reached **12,375** M m³, an increase of **22.9%**, higher than the nation's average of **17.5%**:

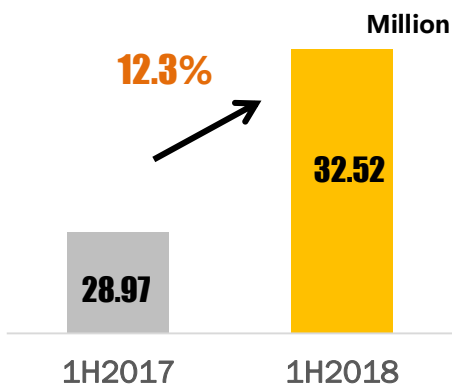
- Industrial growth: **29.8%** ;
- Commercial growth: **27.2%** ;
- Residential growth: **13.8%**.



No. of customers

Accumulated number of customers reached **32.52** million, an increase of **1.70** million new customers in 1H 2018:

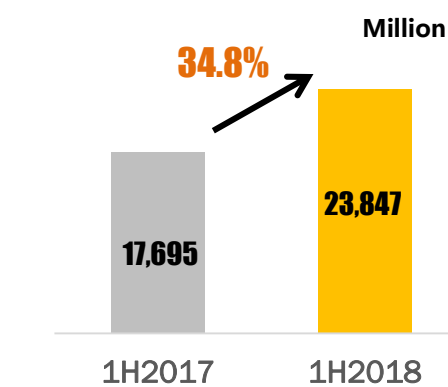
- Residential: **1.12** million ;
- Industrial & Commercial: **10,000**.



Turnover

Turnover was **HK\$23,847** million, an increase of **34.8%**:

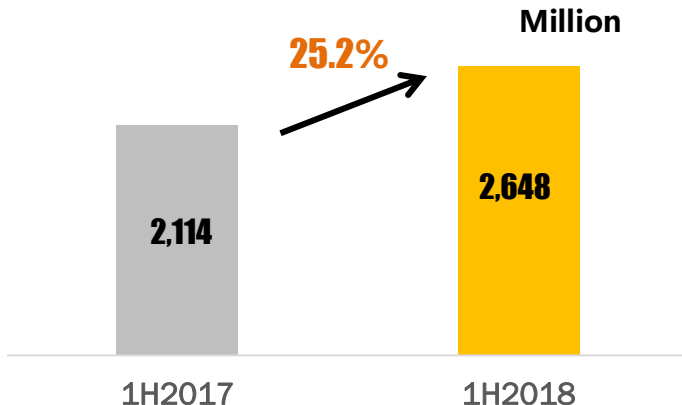
- Gas sales growth: **42.9%** ;
- Connection fee growth: **5.7%**.



1H 2018, profit attributable to shareholders reached HK\$2,648 million, an increase of 25.2%; net cash from operating activities was HK\$4,071 million, an increase of 32.1%

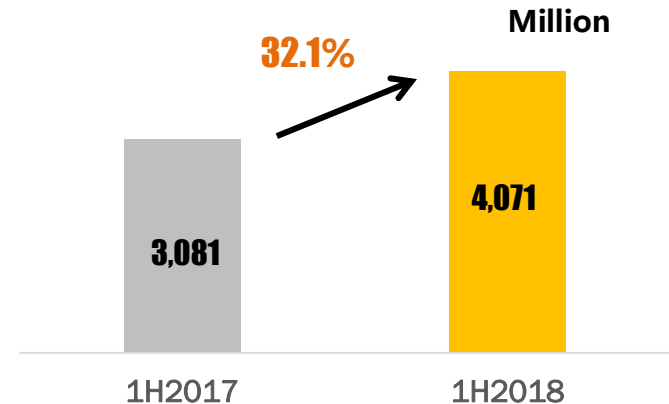
Profit attributable to shareholders

- Profit attributable to shareholders amounted to **HK\$2,648** million, an increase of **25.2%**;
- Earnings per share was **HK\$1.22**, an increase of **25.8%**.



Net cash from operating activities

- Net cash from operating activities amounted to **HK\$4,071** million, an increase of **32.1%**.



In 2018, international credit rating agencies Moody's, Standard & Poor's and Fitch Ratings upgraded CR Gas credit rating to A3, A- and A- respectively, the highest rating granted to the Chinese city gas operators

Upgrade

Grade A

- Credit rating agencies affirm CR Gas strong and healthy financial position. There will be sustainable cashflow to fund the CAPEX and the business will continue to expand with low gearing. Superior financial performance will maintain.
- Upgraded by the 3 agencies confirms the recognition of both the credit rating agencies and capital market for the sustainable financial performance and business strategy of CR Gas. It will further enhance CR Gas financing capacity and costs of financing.

MOODY'S

Stable

Baa1



A3



Stable

BBB+



A-

FitchRatings

Stable

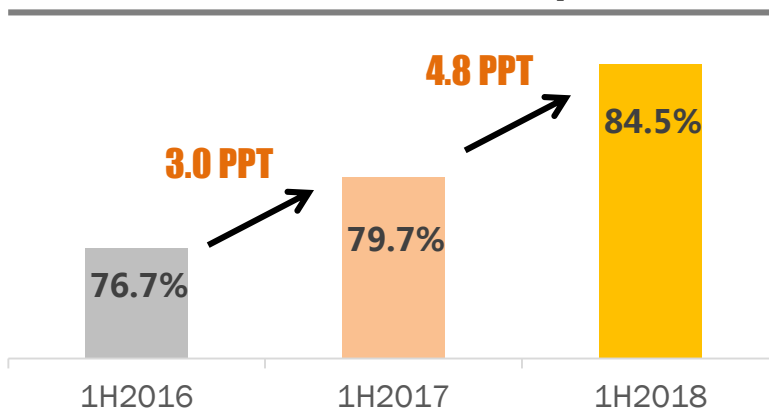
BBB+



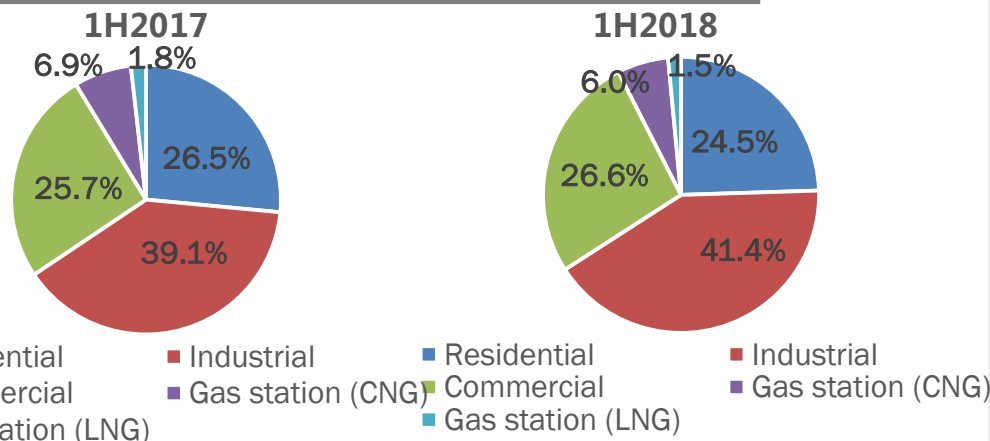
A-

CR Gas continued to optimize its business by increasing the gas sales revenue proportion to 85% in 1H 2018, commercial and industrial gas sales volume reached 68% of the gas sales revenue

Gas Sales Revenue Proportion



Gas Sales Volume Proportion



Increase in Gas Sales Revenue Proportion

- Recurring gas sales revenue continued to increase from **76.7%** to **84.5%** of the total revenue;
- An increase of **7.8 PPT** in 3 years, further enhanced the sustainable growth of CR Gas.

Optimization in Gas Sales Volume Mix

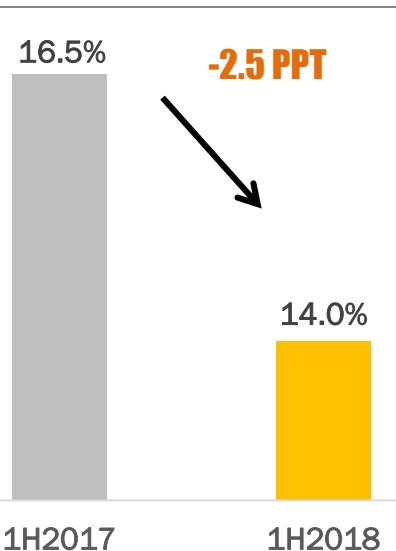
- Growth in the C&I gas sales volume, industrial and commercial gas volume proportion increased to **41.4%** and **26.6%** respectively;
- Proportion of higher margin C&I gas sales volume increased to **68%**, further enhanced the quality of the gas sales volume mix.

Cost Control and Efficiency

CR Gas further enforced the cost control and operation efficiency in 1H 2018, total expenses as a percentage of revenue reduced by 2.5 PPT

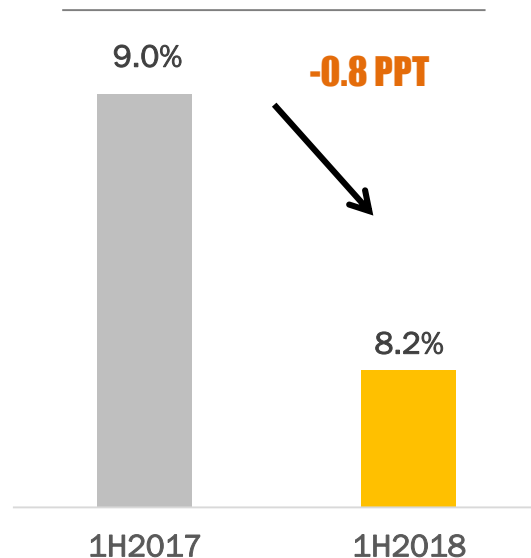
Total Costs ↓

Total expenses as a percentage of revenue (selling & distribution + administrative + finance) dropped from **16.5%** to **14.0%**, reduced **2.5PPT**



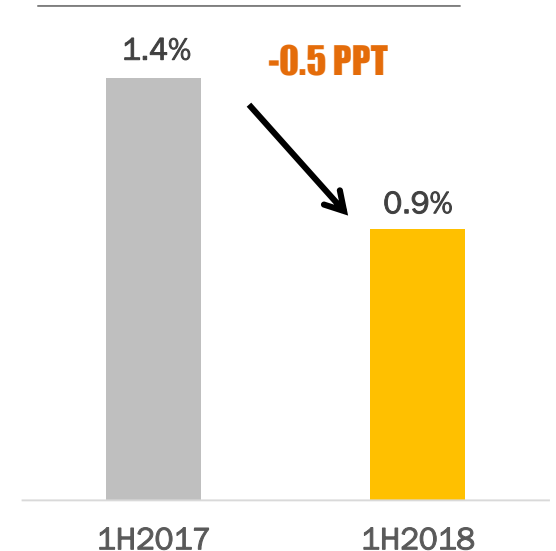
S&D Expenses ↓

Selling & distribution expenses as a percentage of revenue dropped from **9.0%** to **8.2%**, reduced **0.8PPT**

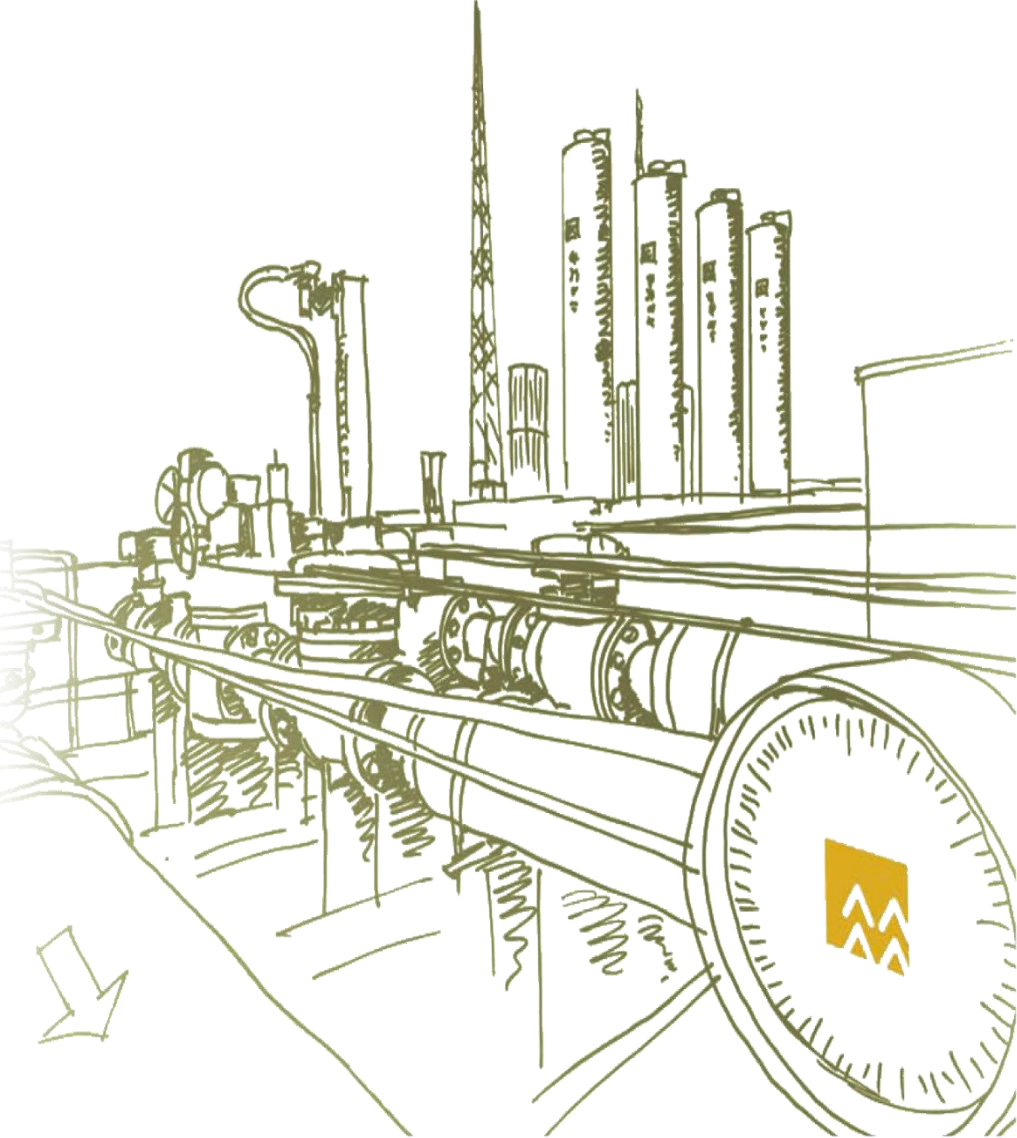


Finance Costs ↓

Finance costs, as a percentage of revenue, dropped from **1.4%** to **0.9%**, reduced **0.5PPT**



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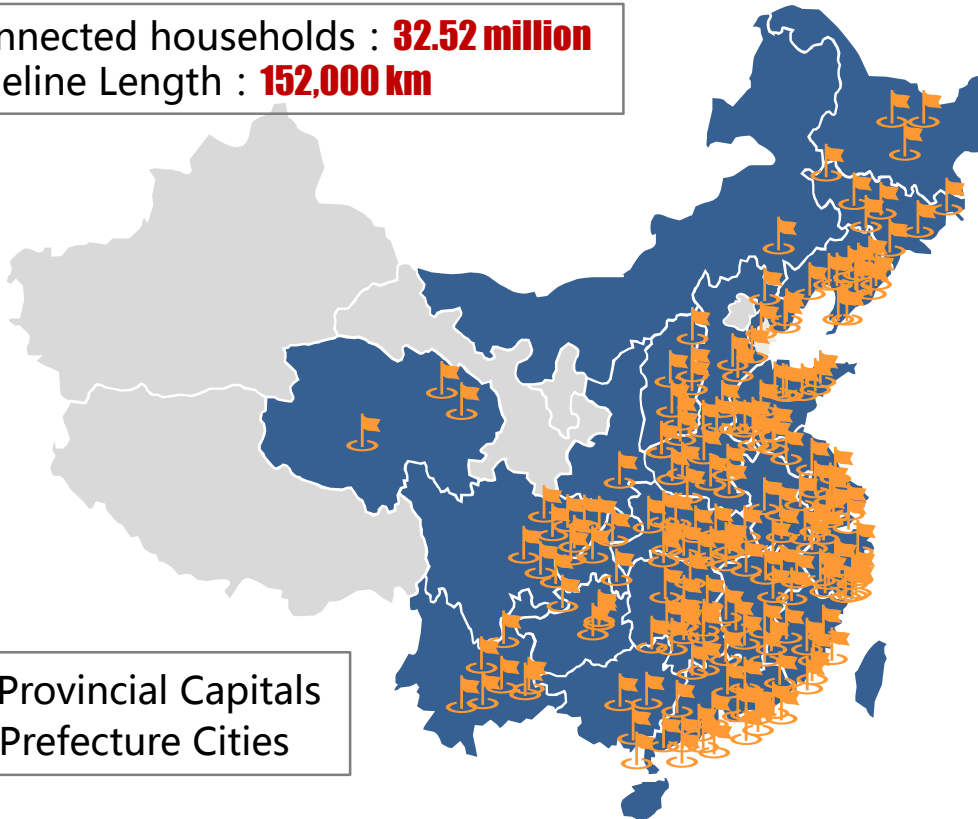
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Financial & Operational Highlights

CR Gas is servicing more than 32 million customers in fast economic developing regions in PRC, it will continue to drive the company's growth and create stable and sustainable return to our shareholders

CR Gas Projects: **243**

Connected households : **32.52 million**
Pipeline Length : **152,000 km**

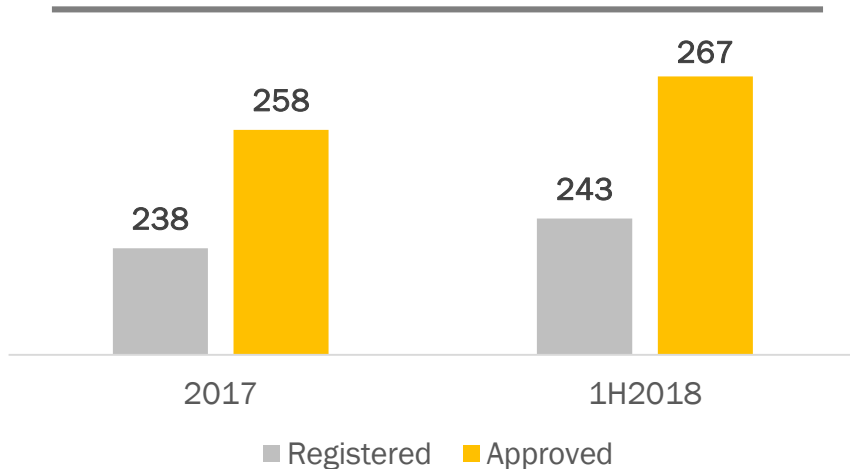


Focus on PRC City Gas Investment

- Strategic located in those fast economic developing regions, such as Beijing-Tianjin-Hebei; Yangtze River Delta; Sichuan-Chongqing and Pearl River Delta Bay area;
- CR Gas is the largest city gas operator in terms of connected households and covered population;
- Leverage on its superior location and the rapid urbanization, CR Gas will actively extend its footprint from the existing coverage.

1H 2018, 20 new projects were set up or approved, total investment was HK\$745 million.
Dalian and Qinhuangdao project completed increase in shareholding and restructuring

Projects approved & set up



New Investments

- 1H 2018, **20** new projects were set up or approved, total investment was **HK\$745** million;
- **11** projects have been set up with investment of **HK\$480** million. Another **9** projects have been approved by the board with proposed investment of **HK\$265** million.

Dalian and Qinhuangdao

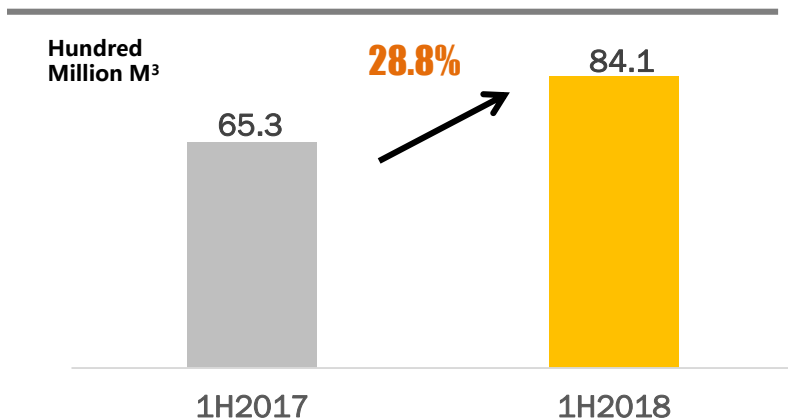
- **Dalian:** Equity Transfer & Share Subscription Agreement was entered with CRH in **July 2018**, shareholding has increased to **60%** via CRH ;
- **Qinhuangdao :** shareholding has increased to **61%** in **May 2018** , CR Gas owns **49%** , CRH owns **12%**.

Jiangyin Pipeline Project

- Agreement was entered in **July 2018**, CR Gas invested **RMB40** million to own **40%** of the JV;
- The JV will responsible to invest, construct and operate the high pressure pipeline in Jiangyin city.

Coal-to-gas conversion will drive the growth on gas consumption in both city and rural area, enhance overall organic growth

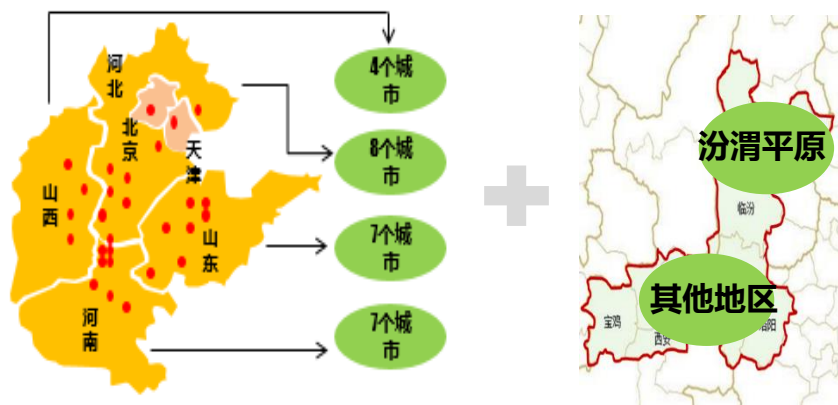
C&I Gas sales volume



City customer development

- Leverage on having more larger city projects, potential for connecting existing households is higher
- 1H 2018 existing household connection: **223,000** households, an increase of **15.4%**;
- Existing household capacity: **5.85** million, **2.873** million (**49.1%**) connected;
- New connected C&I customers: **32,000**, C&I gas sales volume increase **28.8%**.

Rural coal-to-gas coverage



Rural coal-to-gas conversion

- Expand from "2+26" cities to Fen-Wei Plain (汾渭平原) and Shandong-Henan regions;
- 1H 2018 rural conversion: **101,000** households, 2018 planned conversion: **315,000** households;
- Conversion capacity: **1.67** million households, **457,000** households covered.

1H 2018, 3 distributed energy project agreements in Chongqing, Guangdong and Hunan were signed, revenue from electric charging post increased 3 times year on year

Distributed Energy Projects

1H 2018, **3** distributed energy project were signed:

- Invest **RMB160** million to form an JV with Chongqing Gas to develop the distributed energy business in Chongqing;
- Cooperate with CR Land to provide integrated energy services to the Chiwan project (赤湾项目), planned installed capacity is **245kW**;
- First hospital project at Yueyang, Hunan was signed, similar projects will be replicated.

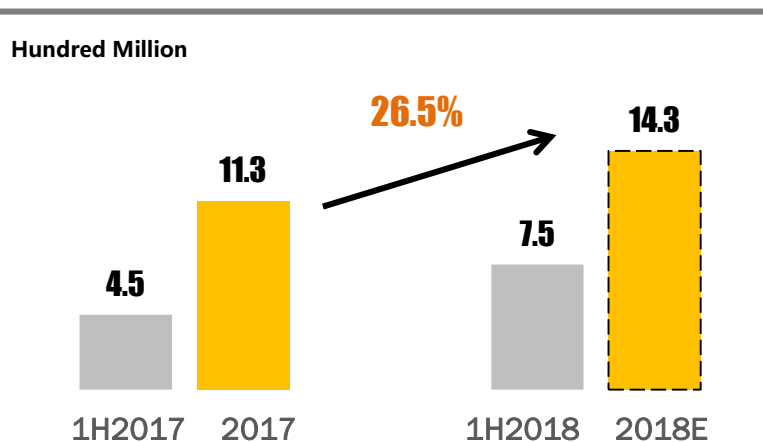
Electric Charging Posts

1H 2018, Hangzhou and Nanjing started electric charging post operation, revenue from electric charging posts reached **HK\$40** million, 3 times increase year on year:

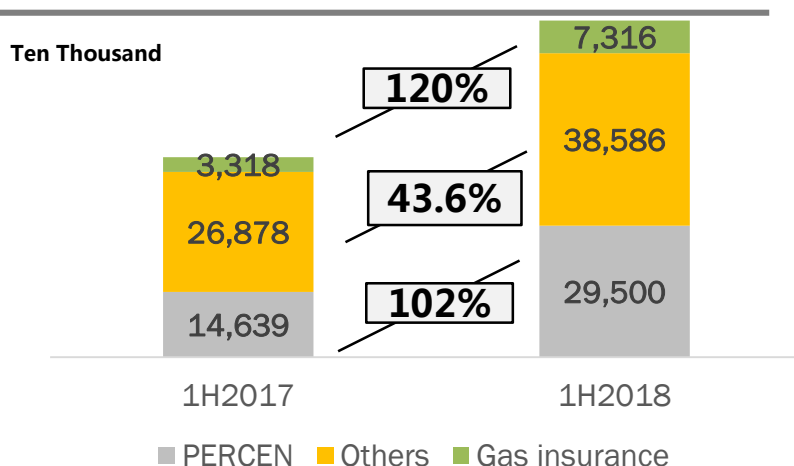
- Hangzhou : **180** charging posts built , served **474** electric public buses;
- Nanjing : served **310** electric public buses , **6.1** million units were consumed ;
- Zhenjiang : completed design and construction permit applications.

1H 2018, CR Gas intensely explored the customer value and actively promoted value added services to our customers, turnover from value added business reached HK\$ 750 million, an increase of 68.7%

Target Turnover



Turnover Breakdown



Value Added Business Highlights

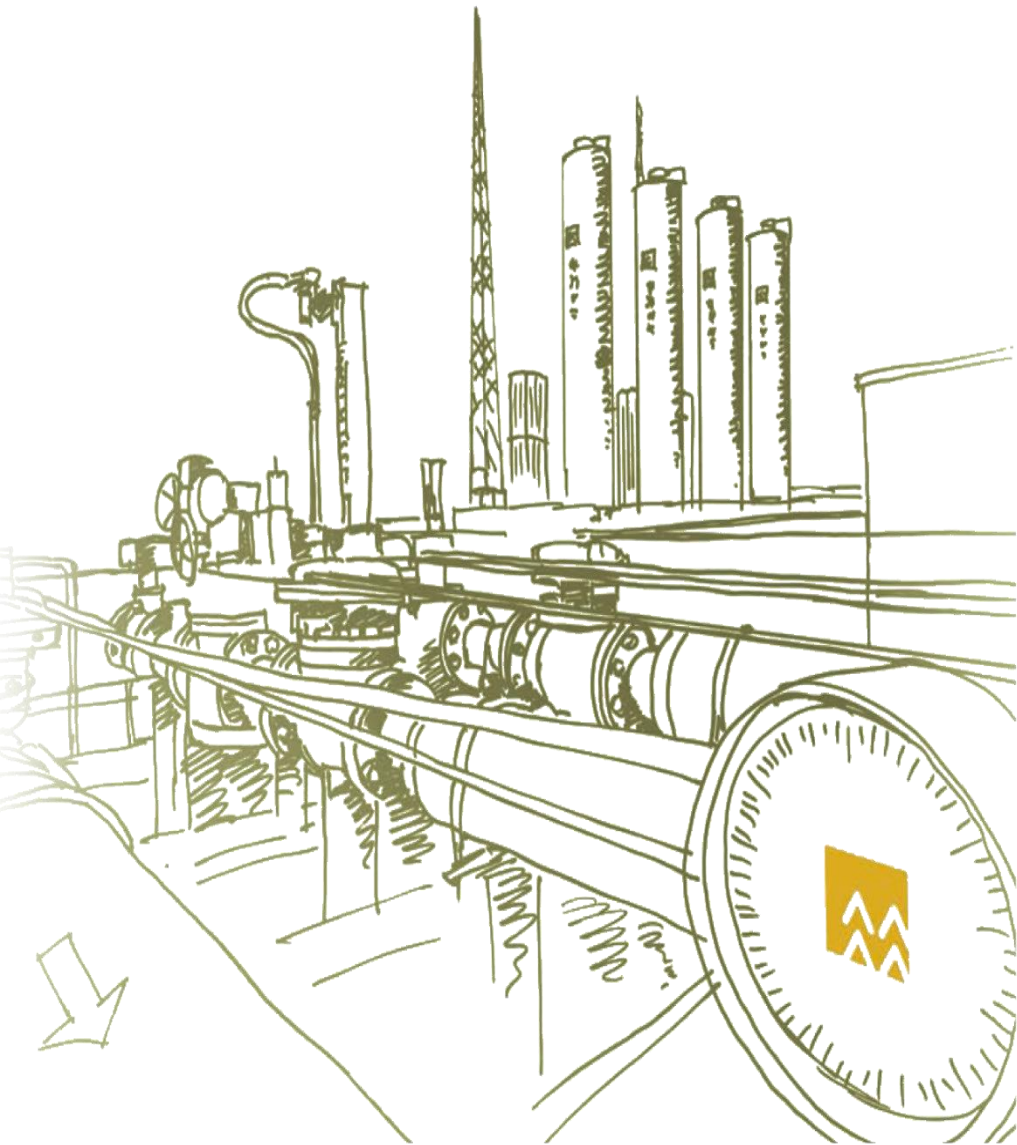
Leverage on CR Gas's large customer base of **32.52** million customers:

- **142,000** units of "PERCEN 百尊" gas appliance sold in 1H 2018, an increase of **18%**, turnover was **HK\$295** million, an increase of **102%**;
- Gas insurance premium income reached **HK\$73.16** million in 1H 2018, an increase of **120%**;
- **2018** turnover from value added business targets to be **HK\$1,430** million, an increase of **26.5%**.

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Financial Highlights (1)



华润燃气
China Resources Gas

As at	30 June 2018	30 June 2017	Increase/(Decrease)
	HK\$' 000	HK\$' 000	
Turnover	23,846,503	17,694,671	34.8%
Gross profit	6,741,865	5,699,767	18.3%
Profit from operations (before finance costs and share of JVs & associates results)	4,004,301	3,236,416	23.7%
Profit for the period	3,396,858	2,760,864	23.0%
Profit attributable to owners of the Company	2,647,744	2,114,477	25.2%
Net cash from operating activities	4,070,696	3,080,862	32.1%
Basic EPS⁽¹⁾ (HK\$)	1.22	0.97	25.8%
Interim dividend proposed per share (HK cents)	15	15	0%

Note: (1) Basic earnings per share is calculated based on weighted average number of issued shares, excluding restricted award shares held by trustee.

Financial Highlights (2)



华润燃气
China Resources Gas

As at	30 June 2018	31 December 2017	Increase/(Decrease)
	HK\$' 000	HK\$' 000	
Total assets	73,586,530	68,763,804	7.0%
Bank balances and cash	12,004,581	10,355,981	15.9%
Total bank and note borrowings	12,312,185	11,366,719	8.3%
Net borrowings	307,604	1,010,738	(69.6%)
Equity attributable to owners of the Company	23,728,259	21,992,648	7.9%
Non-controlling interests	7,904,160	7,176,677	10.1%
Total equity	31,632,419	29,169,325	8.4%

Financial Highlights (3)



华润燃气
China Resources Gas

Financial Indicators	30 June 2018	30 June 2017	Increase/(Decrease)
Gross profit margin	28.3%	32.2%	(3.9ppt)
Net profit margin	14.2%	15.6%	(1.4ppt)
Net profit margin attributable to owners of the Company	11.1%	11.9%	(0.8ppt)
Debt to capitalization ratio ⁽²⁾	28.0%	28.0% ⁽¹⁾	0ppt
Debt to assets ratio ⁽³⁾	16.7%	16.5% ⁽¹⁾	0.2ppt
Return on equity (Annualized)	22.3%	21.2%	1.1ppt

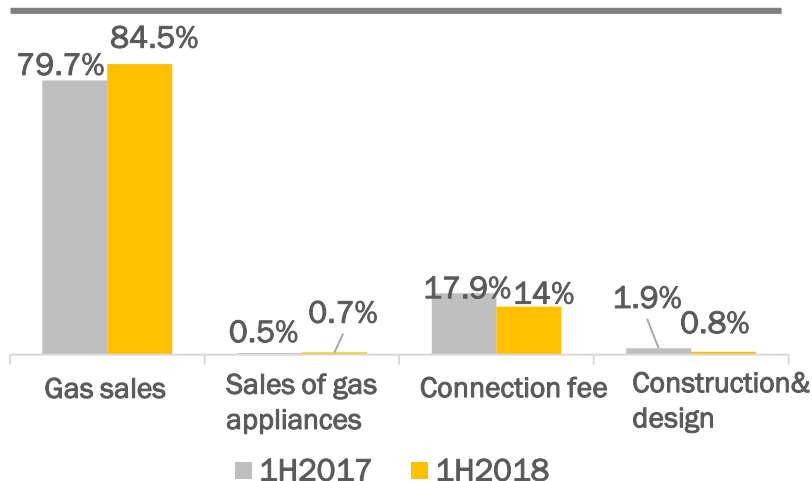
Note : (1) Debt ratios as at 31 December 2017

(2) Debt/capitalization ratio is the ratio of total bank and note borrowings to total bank borrowings and total equity

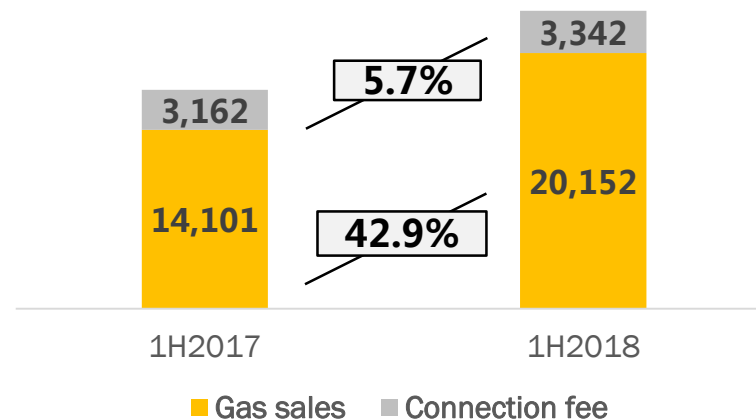
(3) Debt/asset gearing ratio is the ratio of total bank and note borrowings to total assets



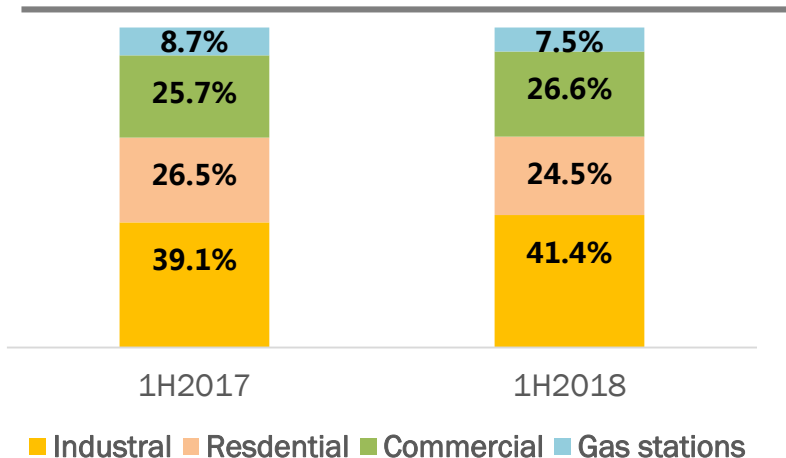
Revenue breakdown



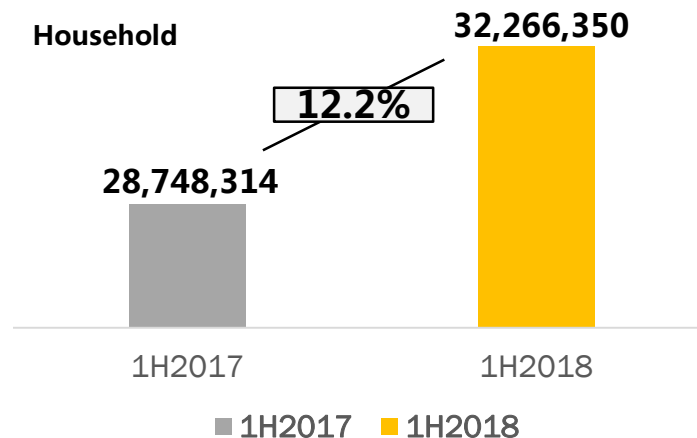
Gas Sales & Connection Fee Revenue



Gas Sales Volume breakdown

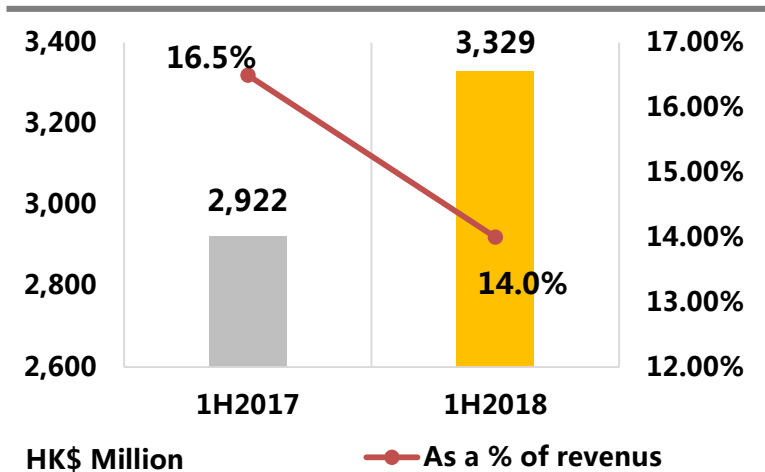


Residential Customers

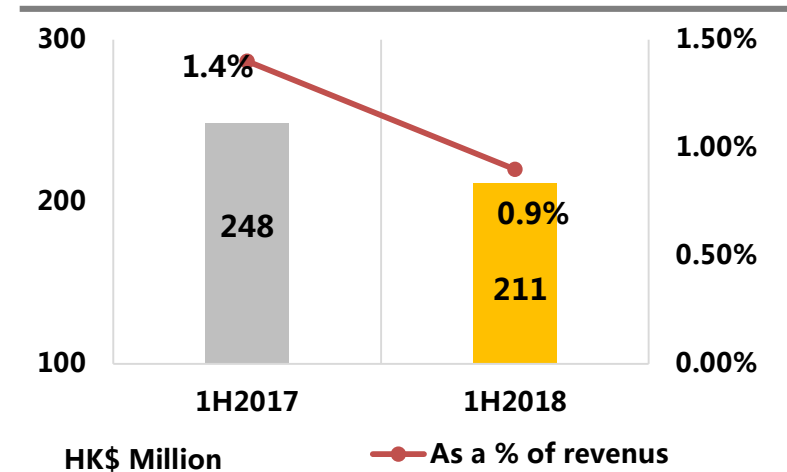




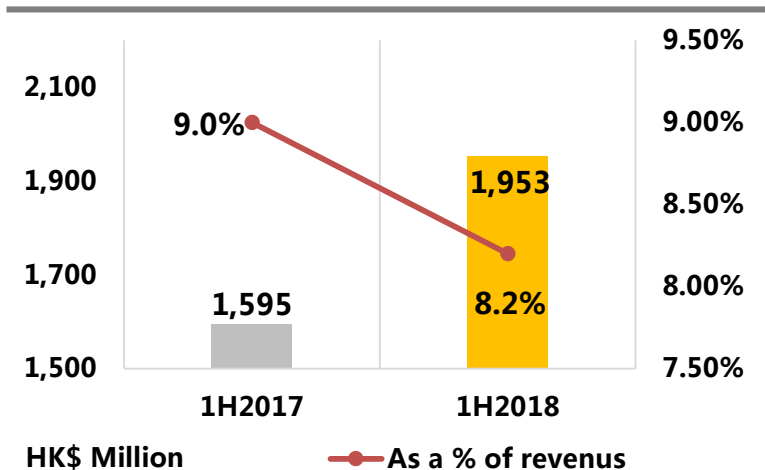
Total Costs



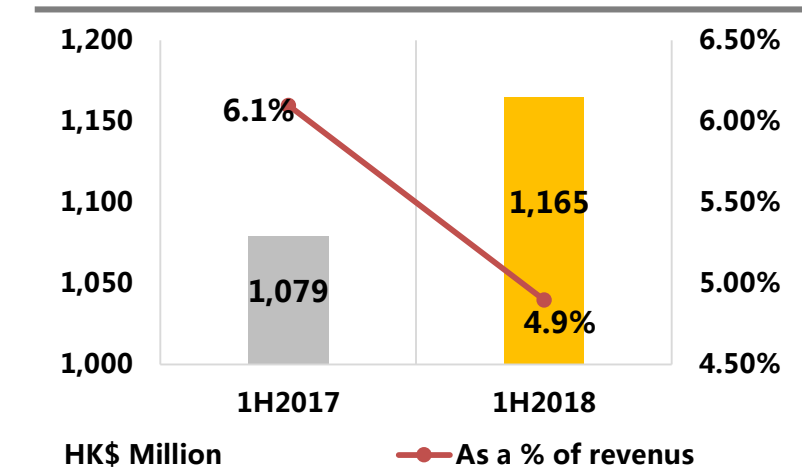
Finance Costs



Selling & Distribution Expenses

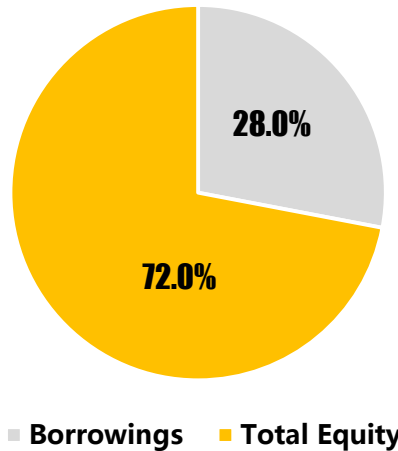


General & Administrative Expenses



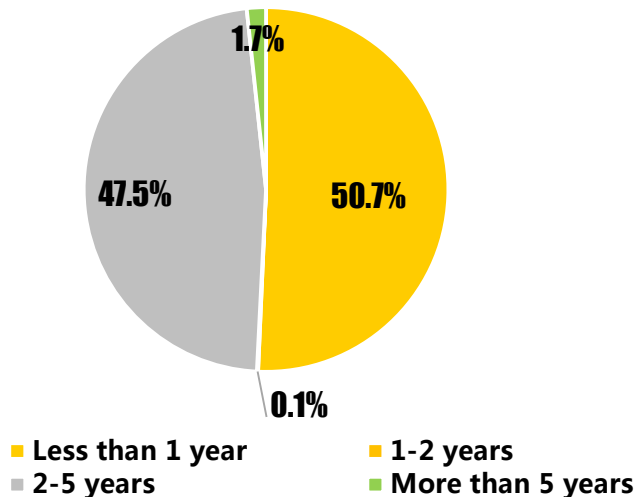


Equity & Debt



	HK\$' 000	%
Total equity	31,632,419	72.0
Total bank and note borrowings	12,312,185	28.0
Total capital	43,944,604	100.0

Long & Short Term Borrowings



	HK\$' 000	%
Less than 1 year	6,248,928	50.7
1-2 years	8,601	0.1
2-5 years	5,844,359	47.5
More than 5 years	210,297	1.7
Total bank and note borrowings	12,312,185	100.0

Operational Highlights (1)



华润燃气
China Resources Gas

As at	30 June 2018	30 June 2017	Increase/(Decrease)
Number of projects	243	230	13
Connectable households (million)	65.83	60.10	5.73
Connectable population (million)	198.20	181.50	16.70
Residential penetration rate	49%	48.2%	0.8PPT
Gross gas sales volume (million m³)	12,375	10,071	22.9%
Residential	3,035	2,667	13.8%
Industrial	5,118	3,942	29.8%
Commercial	3,292	2,587	27.2%
CNG gas station	740	695	6.5%
LNG gas station	190	180	5.5%
Average gas tariff / cost / gross margin (RMB per m³)	2.74/2.12/0.62	2.41/1.77/0.64	0.33/0.35/(0.02)

Operational Highlights (2)



As at	30 June 2018	30 June 2017	Increase/(Decrease)
Total length of pipeline (km)	151,651	137,534	14,117
Connected customers			
Residential	32,266,350	28,748,314	3,518,036
Industrial	16,174	13,053	3,121
Commercial	236,313	210,240	26,073
Average residential connection fee (RMB)	3,230	2,853	377
New household with paid connection fee			
Gross	1,117,934	1,294,087	(176,873)
Consolidated	755,625	829,508	(73,883)
Gas stations (CNG/LNG/L-CNG)	354 (228/83/43)	357(236/79/42)	(3) ((8) /4/1)

Disclaimer and Contact

This presentation and subsequent discussion may contain certain forward-looking statements, including statements regarding our intent, belief or current expectations with respect to China Resources Gas (CR Gas)'s businesses and operations, market conditions, results of operation and financial condition, capital adequacy, specific provisions and risk management practices. Readers are cautioned not to place undue reliance on these forward looking statements in relation to holding, purchasing or selling securities or other financial products or instruments. CR Gas does not undertake any obligation to publicly release the result of any revisions to these forward looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. Past performance cannot be relied on as a guide for future performance.

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