



CR GAS **2019**
Final Results Presentation

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Financial & Operational Highlights





In 2019, the CR Gas key financial and operational indicators continued to improve, business scale, earning and return maintained rapid growth.

	2018	2019	Growth Rate
Gas sales volume (billion m³)	24.28	28.01	15.4%
Number of customers (million)	34.64	37.95	9.5%
Turnover (HK\$ billion)	51.17	55.84	9.1%
Profit for the year (HK\$ billion)	5.89	6.47	9.8%
Profit attributable to shareholders (HK\$ billion)	4.45	5.04	13.3%
Net cash from operating activities (HK\$ billion)	8.34	8.49	1.8%
Basic EPS (HK\$)	2.04	2.32	13.7%
Proposed final dividend per share (HK\$ cents)	62	72	16.1%
Total dividend per share (HK\$ cents)	77	87	13.0%



As a result of the acceleration of C&I energy conversion, gas sales volume (28.01 billion m³), number of customers (37.95 million) and turnover (HK\$55.84 billion) achieved a high growth rate in 2019.

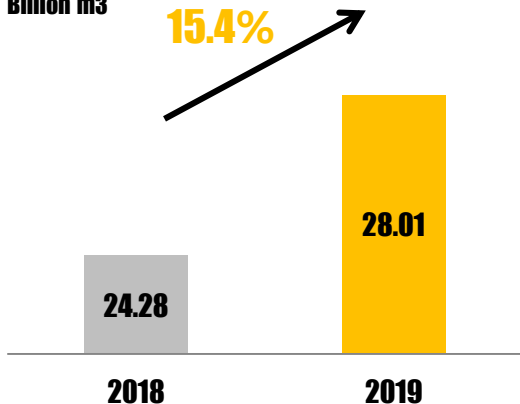
Volume **28.01B m³**

an increase of **15.4%**

- Industrial growth: **22.4%**;
- Commercial growth: **12.5%**;
- Residential growth: **14.5%**.

Billion m³

15.4%



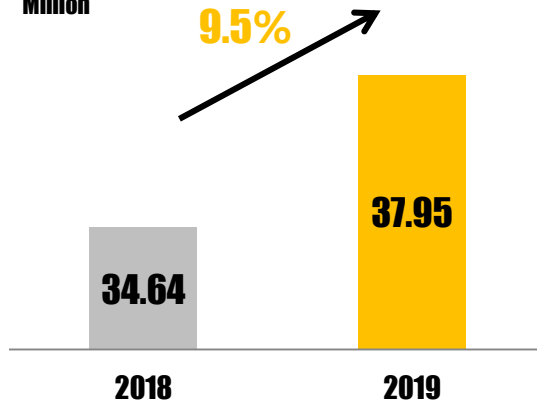
Customer **37.95 M**

an increase of **3.31 million** new customers:

- Residential: **3.27 million** ;
- C&I: **28,000**.

Million

9.5%

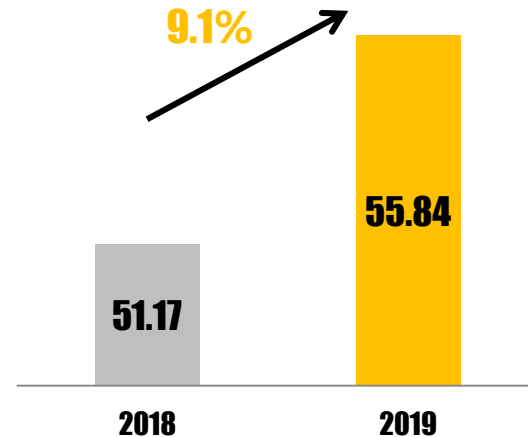


Turnover **HK\$ 55.84B**

an increase of **9.1%**

HK\$ Billion

9.1%





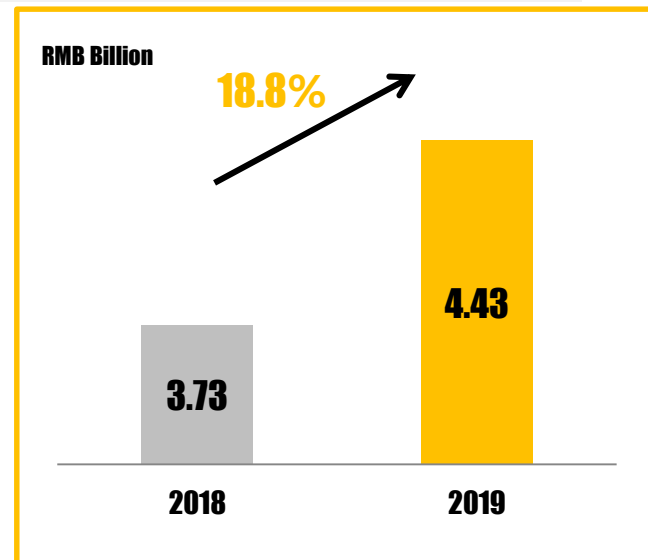
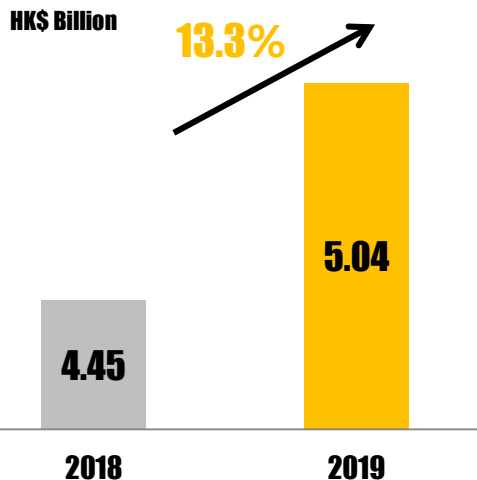
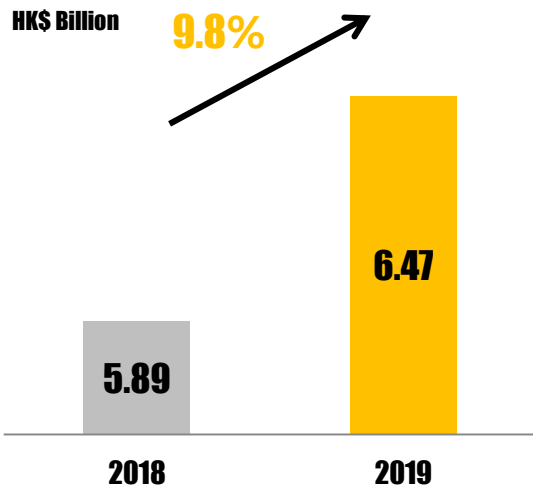
In 2019, profit attributable to shareholders reached HK\$5.04 billion, an increase of 13.3%; RMB depreciated in 2019, excluding the exchange impact, an increase of 18.8%.

Profit **HK\$ 6.47 B**

Profit Attributable to Shareholders **HK\$ 5.04 B**

an increase of **9.8%**

an increase of **13.3%**, excluding the exchange impact, an increase of **18.8%**.





In 2019, net cash flow from operating activities reached HK\$8.49 billion, bank balance and cash were HK\$13.24 billion, financial liquidity maintained at strong position.

Cash Flow

HK\$ 8.49 B

Debt Ratio

26.7%

Bank and Cash

HK\$ 13.24 B

an increase of 1.8%

an decrease of 0.2 ppt

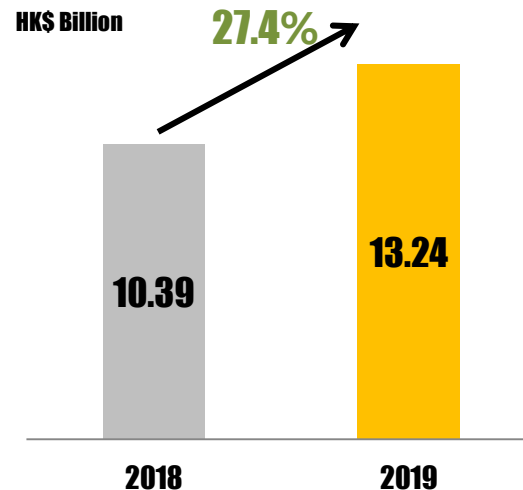
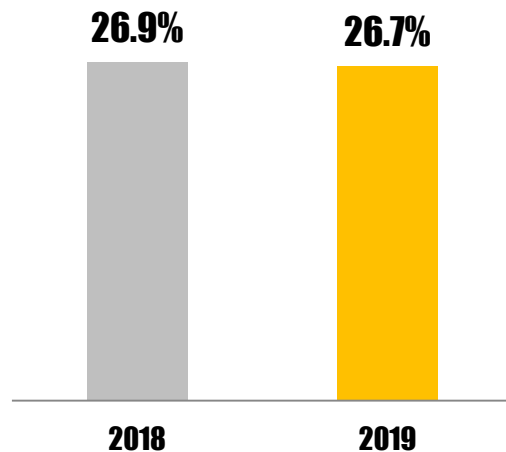
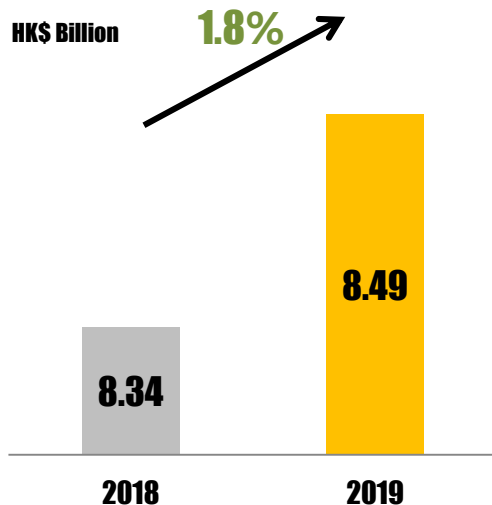
an increase of 27.4%

HK\$ Billion

1.8%

HK\$ Billion

27.4%



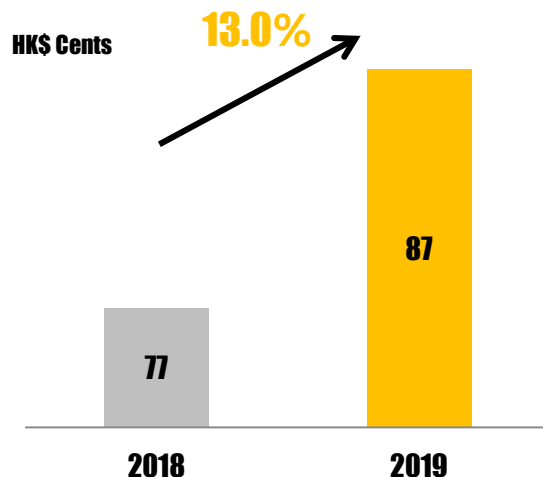


2019 proposed final dividend is HK\$0.72 per share, total dividend is HK\$0.87 per share, dividend payout ratio is 38%, maintain stable growth.

2019 Dividend

HK\$ **87** cents

Proposed final dividend is **HK\$0.72 per share**, total dividend is **HK\$0.87 per share**, **13%** over the **HK\$0.77 per share** in **2018**. Payout ratio: **38%**.



Stable Growth in Dividend Payout

	2018	2019
Basic EPS (HK\$)	2.04	2.32
2019 Total dividend per share (HK\$)	0.77	0.87
Dividend payout rate	38%	38%

- 2019 interim dividend paid was **HK\$0.15 per share** and proposed final dividend is **HK\$0.72 per share**;
- 2019 proposed total dividend is **HK\$0.87 per share**, an increase of **HK\$0.10 per share** or **13%**.

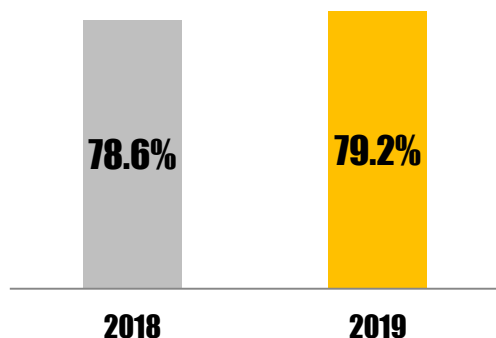


CR Gas continued to optimize its business structure in 2019, gas sales revenue proportion increased 0.6ppt to 79.2%, driven by the rapid growth of commercial and industrial gas sales volume.

Gas Sales Revenue Proportion

Recurring gas sales revenue continued to increase from **78.6%** to **79.2%**, an increase of **0.6 ppt**.

+0.6ppt



Gas Sales Volume Mix

Growth in gas sales volume is mainly driven by the rapid growth of higher margin commercial and industrial customers. Gas sales volume from industrial customers reached **13.97 billion m³**, an increase of **22.4%**.

+14.5%

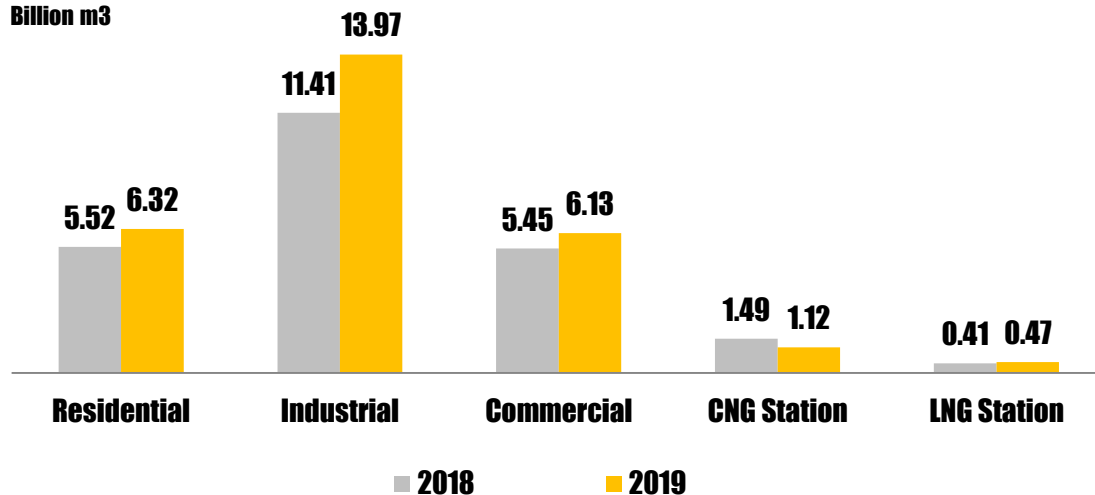
+22.4%

+12.5%

-24.8%

+14.8%

Billion m³





In December, 2019, CR Gas’s virtual borderless management model was selected, out of 141 candidates, one of the 6 exhibited cases in the “4th Annual SOE Management Meeting 2019” and award first prize of the “70th Anniversary of the Founding of New China” National SOE Management Innovation Achievement.

《 CR Gas virtual borderless innovative management model 》

- Over **4000** entries;
- One of the **141** shortlisted candidates;
- One of the **27** first prize award of the National SOE Management Innovation Achievement;
- One of the **6** exhibited cases in the Annual SOE Management Meeting

Award first prize of the “70th Anniversary of the Founding of New China” National SOE Management Innovation Achievement



Experts' Comments

Comment by CHEN, Xiaohong, Former Director of the Enterprise Research Center, R&D Center of State Council:

“CR Gas's borderless management model has broken through the organizational barriers, promoted the collaborative sharing of internal resources, stimulated the vitality of the enterprise, and solved the management problems of the old state-owned enterprises, in line with the modern enterprise management trend.”

SUN, Minghua, Vice Chairman of the Chinese Enterprise Management Research Association, Chief Editor of the 《SOE Management》 :

“Over the past years, in the historical process of exploring the management practice of Chinese characteristics socialist SOE, there is no completed and mature model can be served as a reference. The exploration of CR Gas's borderless management model is a bold innovation and rewarding attempt to the management of Chinese characteristics modern SOE.”



To affirm CR Gas sustainable growth and outstanding performance, 3 major international credit rating agencies maintained the company's 2019 credit rating, the highest rating to the Chinese city gas operators.

Maintain the highest rating

International credit rating agencies **S&P**、**Moody's** and **Fitch** affirmed CR Gas credit rating **A-**、**A3** and **A-** respectively, the highest rating granted to the Chinese city gas operators.



Stable

A3

Stable

A-

Stable

A-

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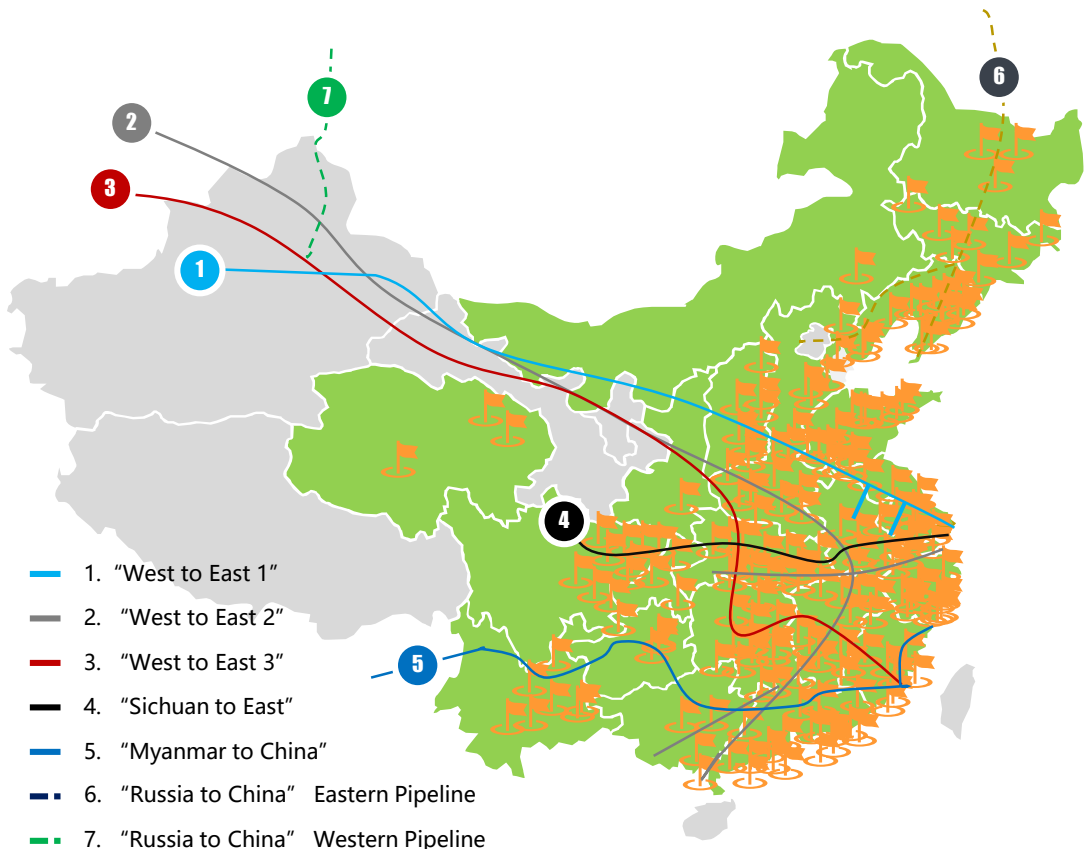
Company Development

Financial & Operational Highlights





Pan-China strategy of project locations help diversifying the systematic risk regionally; projects can easily secure gas sources as most of them are located closely to the main gas supply pipelines.



251

City Gas Projects



14

Provincial Capitals



73

Prefecture-level Cities



37.95 M

Customers



179 K km

Pipeline

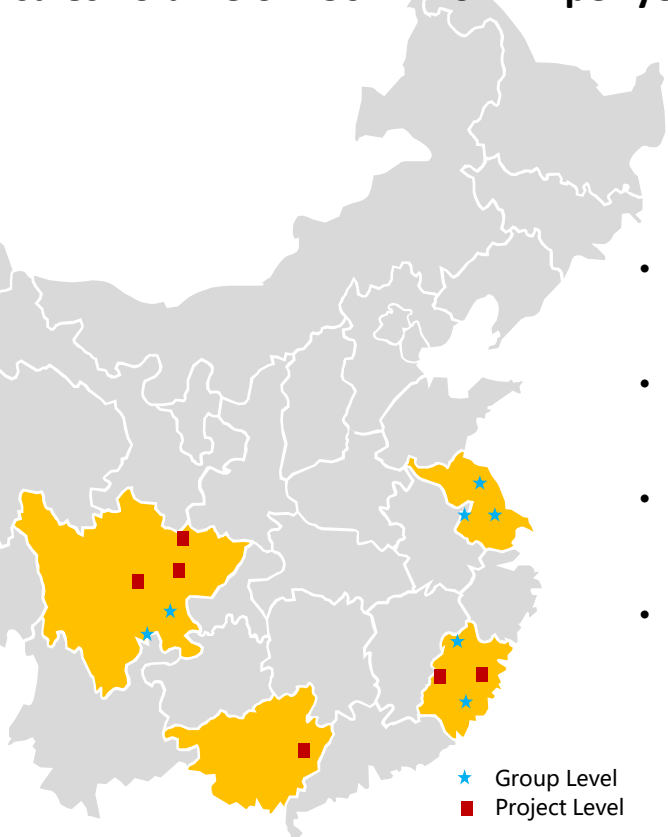


71.60 M

Connectable Households



In 2019, 8 new projects were set up at group level, 5 new projects at project level, total investment was HK\$0.7 billion, representing a new concession area of 4,328 m², 200,000 new customers and addition gas sales volume of 150 million m³ per year.



- M&A Capex: **HK\$0.7 billion**
- Concession area added: **4,328 KM²**
- New customers: **200,000**
- Annual additional gas sales: **150 M m³**

★ Group Level
■ Project Level

New projects in 2019			
Group Level	Location	Project Level	Location
厦门智慧能源	福建省 厦门市	龙岩雁石	福建省 龙岩市
射阳燃气	江苏省 射阳县	福州高新区	福建省 福州市
南京空港	江苏省 南京市	梧州润桂	广西省 梧州市
江阴润通	江苏省 江阴市	达州万源	四川省 达州市
内江沱江	四川省 内江市	成都华新	四川省 成都市
武夷山	福建省 武夷山市		
宜宾增持	四川省 宜宾市		
德润生物	香港		



On August 2, 2019, CR Gas, Ningbo government and Guangxing Gas agreed to set up a city gas JV in Ningbo. The JV agreement has been entered in December 2019.

Ningbo Project

Ningbo: vice-provincial city; specially designated in the state plan; major port city in the south-east coast. Guangxing Gas is the major city gas operator in Ningbo.

Scale:

- Customer: Pipeline **810,000**, Bottle **500,000**
- Gas Volume: NG **800 million**, LNG **84,000 ton**
- Net Profit: **RMB160 million**



JV Agreement: On August 2, 2019, CR Gas, Ningbo government and Guangxing Gas entered a JV co-operation agreement. JV agreement has been entered on December 12, 2019. CR Gas owns 48.1% of the JV.

Most significant SOE reform project in terms of size, quality and scale.



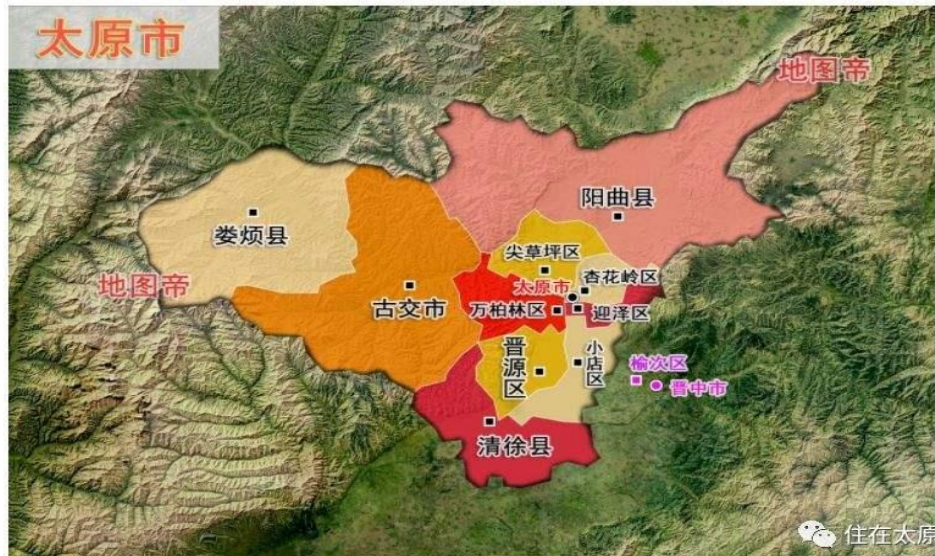
On October 22, 2019, CR Gas and Shanxi Gas Group entered an co-operation agreement. CR Gas is planning to acquire Taiyuan project through subscription of new shares.

Taiyuan Project

Taiyuan: major city in the central part of the PRC confirmed and approved by the State Council of PRC. Taiyuan Gas is the major city gas operator in Taiyuan, the provincial capital of Shanxi.

Scale :

- Customer: **1.27 million**
- Total Assets: **RMB5.71 Billion**
- Turnover: **RMB1.68 Billion**



Co-operation Agreement: Agreed by Shanxi government, CR Gas and Shanxi Gas Group entered an co-operation agreement on October 22, 2019. CR Gas is planning to acquire Taiyuan project through subscription of new shares.

Taiyuan is one of the 2 remaining provincial capital projects still wholly owned by government.



Actively participate in the Guangdong-Hong Kong- Macao Greater Bay Area development plan by setting up CR Gas vice operation headquarter, 8 city gas companies, 1 holding company and 1 technology company have been set up to capture the future development and growth in the Greater Bay Area.



Zhongshan "Cuiheng New District" Vice Operation Headquarter

- Business Development
- Safety Operation
- Technology Research
- New Investment

✔ 3 New Startup units

✔ Value-Added Service

✔ Technology Center

Coverage in Greater Bay Area

"City Gas"
"Industry"
"Technology"



2019 Greater Bay Area Highlight

City Gas



Gas Sales **900 M³**



Customer **610 K**



Turnover **RMB3.3 B**

Industry+Technology



Turnover **RMB157 M**



Net Profit **RMB18.21 M**



Leverage on the core city gas business, CR Gas will develop through the value chain to enrich the business model. 5 midstream pipeline companies have been invested in order to expand the service coverage in the cities.

Upstream

Terminal
(Exploring)



Midstream
Pipeline

5 midstream pipeline companies in Jiangsu, Zhejiang and Yunnan provinces

Downstream

Continue to expand city gas service coverage

Charging Post



Gas Appliance



Gas Insurance



City Gas



Distributed Energy



Gas Meter



Actively invest in the distributed energy projects, 10 new projects were signed in 2019, total investment of HK\$4 billion. A total of 32 projects were signed, total designed capacity is 340MW. Wuxi Mayuan district project becomes the Nation's model project.

Steadily Tap into the Distributed Energy Market



10 Projects signed in 2019:

- Nanjing: Industrial Park
- Chongqing: Green Industrial Park; Campus; Clinic & Hospital
- Chengdu: Hospital
- Xiangyang: Hospital
- Yueyang: Hospital

Projects signed or in operation: 32

Designed capacity: 340MW

Industrial Park



Hospital Complex



Production Base



Concentrate on high quality project acquisition, development and operation

Wuxi Mayuan district project becomes the Nation's model project

Focus on regional customer base to enhance the return and profitability



Pilot project with Aero Engine Corporation of China (AECC) for domestic production of "Low Nitrogen combustion" gas turbine.

国家能源局

国能函科技[2019]81号

国家能源局关于将华能南通电厂燃气轮机发电项目等 24 个项目列入第一批燃气轮机创新发展示范项目的复函



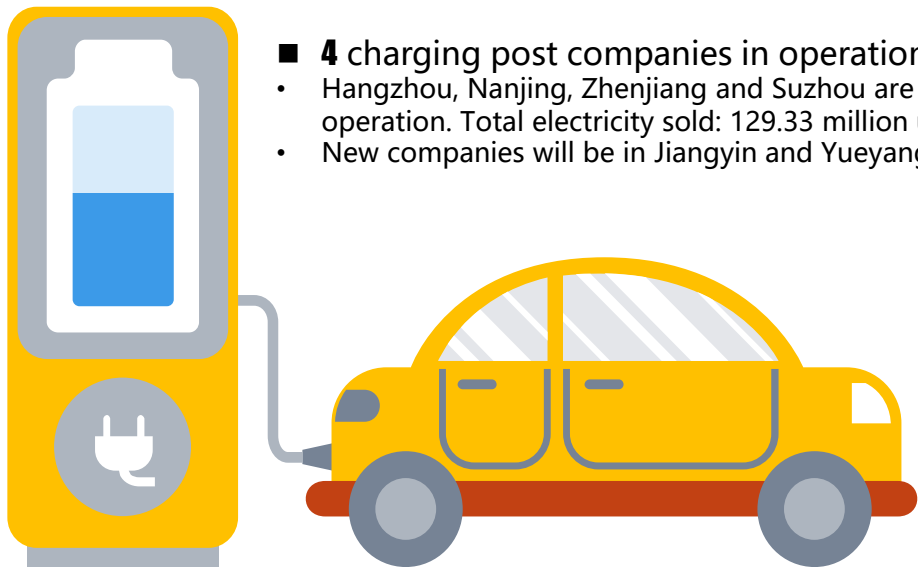
Continuous exploring the new energy business, satisfactory operating performance achieved in the transportation refueling market in the form of electricity, gas and hydrogen. In 2019, sales from electricity charging post reached 130 million units, and increase of 108%, operating profit increased 146% to HK\$40.37 million.

130 M units

Increased 108%

**Operating profit HK\$40.37 million,
an increase of 146%**

- **4** charging post companies in operation, **2** planned
 - Hangzhou, Nanjing, Zhenjiang and Suzhou are in operation. Total electricity sold: 129.33 million units.
 - New companies will be in Jiangyin and Yueyang.



Explore the Transportation Refueling Market



Exploring the commercial vessel gasification/LNG market and the Gas/Hydrogen combined station.



4

R&D on converting offshore fishing vessels

- Estimated annual gas sales volume per vessel is 70,000 m³, the overall market capacity could be 1 billion m³.



4

Pilot hydrogen refueling stations have approved

- Hydrogen refueling stations have approved in Wuxi, Wuhan, Weifang and Xiangyang.



Leverage on the huge customer base, value-added services such as selling of gas appliances and gas insurance can be offered. Turnover from value-added services reached HK\$2.01 billion, increased 29.7%. Of which, gas insurance continued to increase 73.7% to HK\$330 million.

29.7%



HK\$2.01 Billion

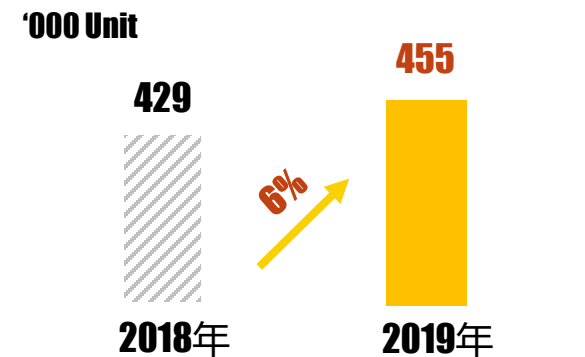
Turnover from value-added services



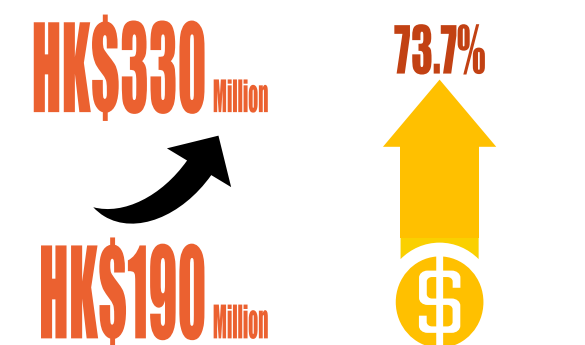
华润燃气 China Resources Gas 华理保险经纪有限公司 China Resources Insurance Brokers Co., Ltd.



Gas Appliance Sold



Gas Insurance Turnover



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As at	31 Dec 2019	31 Dec 2018	Increase/(Decrease)
	HK\$'000	HK\$'000	
Turnover	55,835,113	51,165,371	9.1%
Gross profit	13,930,819	13,621,728	2.3%
Profit from operation (before finance costs and share of JVs & associates results)	8,168,712	7,530,060	8.5%
Profit for the year	6,469,453	5,888,411	9.9%
Profit attributable to the equity holders	5,043,477	4,450,101	13.3%
Net cash from operating activities	8,490,918	8,341,530	1.8%
Basic EPS ⁽¹⁾ (HK\$)	2.32	2.04	13.7%
Interim and proposed final dividend per share (HK\$ cents)	87	77	13.0%

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



As at	31 Dec 2019	31 Dec 2018	Increase/(Decrease)
	HK\$'000	HK\$'000	
Total assets	81,023,956	73,571,778	10.1%
Bank balance and cash	13,236,655	10,392,696	27.4%
Total bank, note and other borrowings ⁽¹⁾	12,889,152	11,638,022	10.8%
Net borrowings (Net Cash)	(347,503)	1,245,326	(127.9%)
Equity attributable to the equity holders	26,795,437	24,081,120	11.3%
Non-controlling interests	8,561,346	7,527,360	13.7%
Total equity	35,356,783	31,608,480	11.9%

Note: (1) The amount due to an intermediate holding company (2019: HK\$5,027,140,000, 2018: HK\$3,501,781,000) and amount due from an intermediate holding company (2019: HK\$0, 2018: HK\$573,610,000) are included in bank, notes and other borrowing.



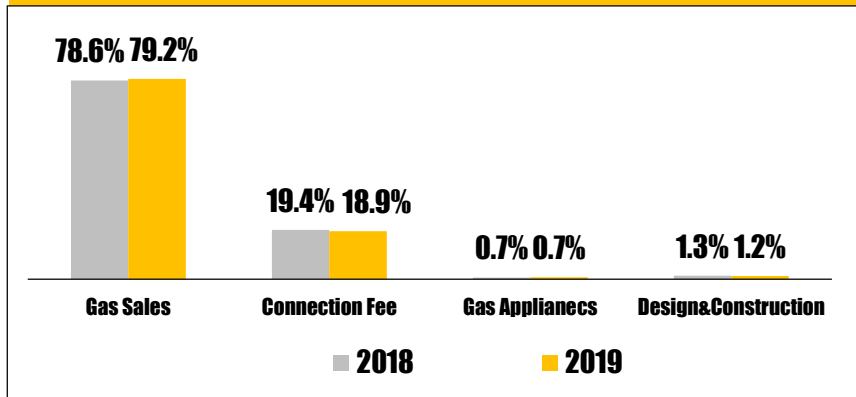
Financial Indicators	31 Dec 2019	31 Dec 2018	Increase/(Decrease)
Gross profit margin	24.9%	26.6%	(1.7ppt)
Net profit margin	11.6%	11.5%	0.1ppt
Net profit margin attributable to owners of the Company	9.0%	8.7%	0.3ppt
Debt to capitalization ratio ⁽¹⁾	26.7%	26.9%	(0.2ppt)
Debt to asset ratio ⁽²⁾	15.9%	15.8%	0.1ppt
Return on equity	18.8%	18.5%	0.3ppt

Notes: (1) Debt/capitalization gearing ratio is the ratio of total bank, note and other borrowings to total bank, note and other borrowings and total equity

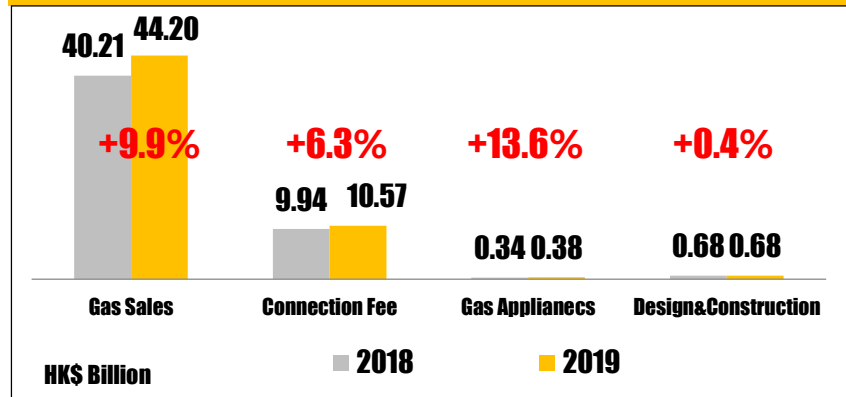
(2) Debt/asset gearing ratio is the ratio of total bank and note borrowings to total assets



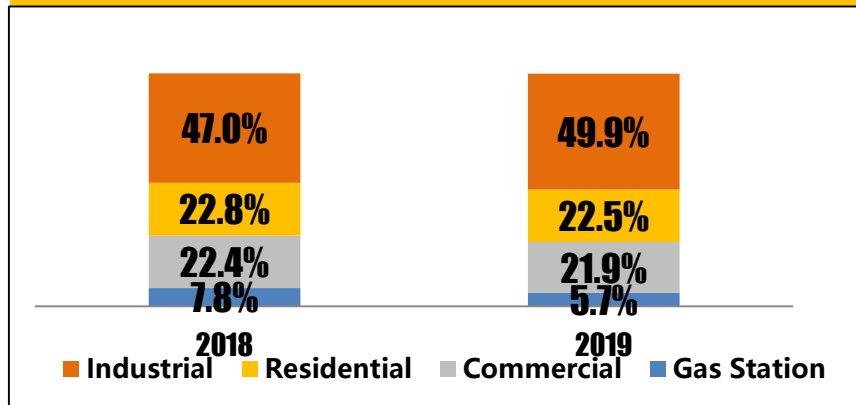
Revenue Mix



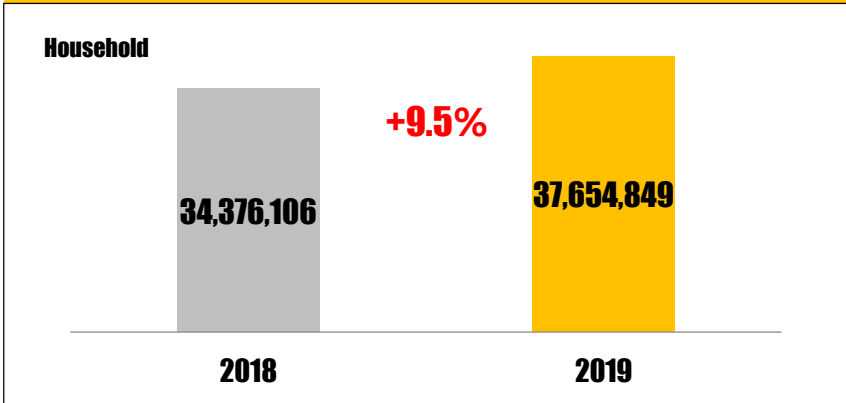
Revenue Growth Rate



Gas Sales Volume

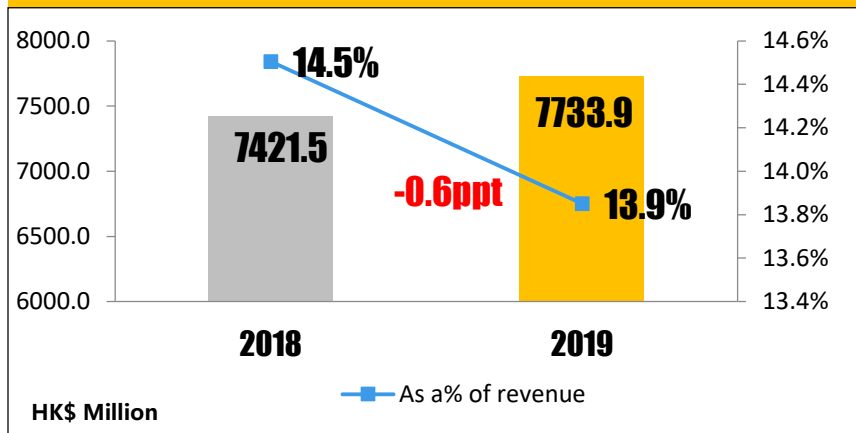


Residential Customer

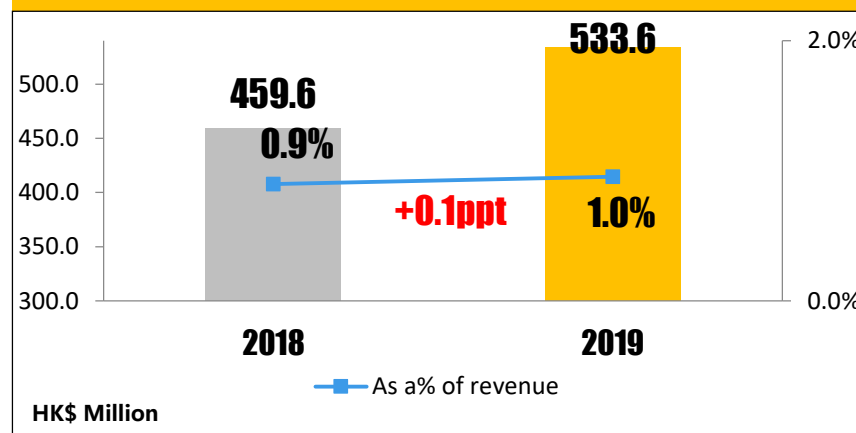




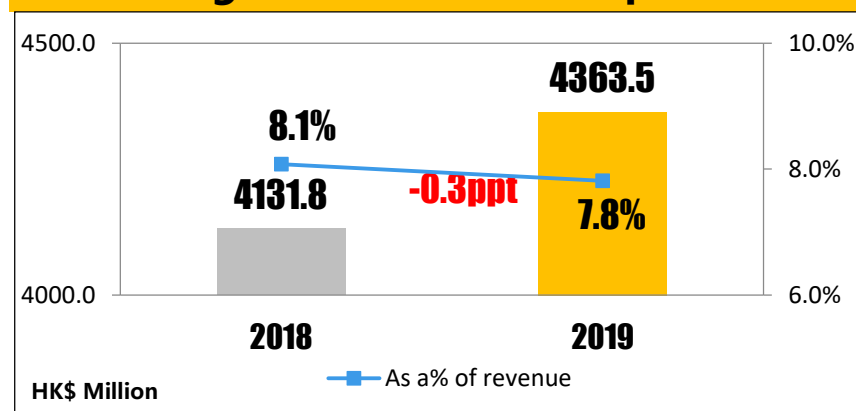
Total Costs



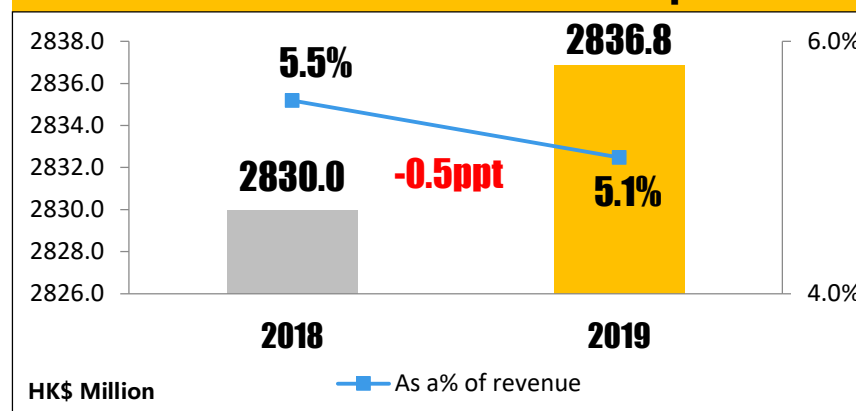
Finance Costs



Selling & Distribution Expenses



General & Administrative Expenses





Equity & Debt

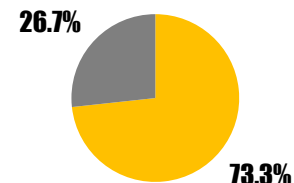
	HK\$'000	%
Total equity	35,356,783	73.3%
Total bank, note & other borrowing	12,889,152	26.7%
Total capital	48,245,935	100.0%

Long & Short Term Borrowings

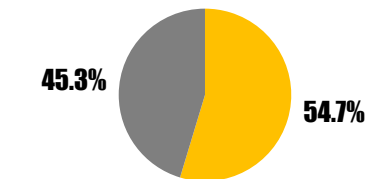
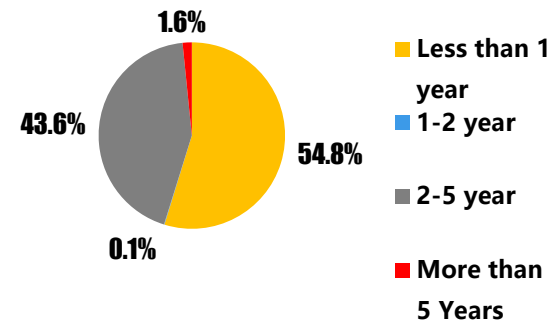
	HK\$'000	%
Less than 1 year	7,058,487	54.8%
1-2 years	9,114	0.1%
2-5 years	5,616,091	43.6%
More than 5 years	205,460	1.6%
Total	12,889,152	100.0%

Fixed & Floating Borrowings

	HK\$'000	%
Floating rate	7,047,140	54.7%
Fixed rate	5,842,012	45.3%
Total	12,889,152	100.0%



■ Equity ■ Borrowing



■ Floating Rate ■ Fixed Rate



	As at 31 Dec 2019	As at 31 Dec 2018	Change
Number of projects	251	248	3
Connectable householders (million)	71.38	68.87	2.51
Connectable population (million)	221.28	206.61	14.67
Penetration rate of residential household	53.00%	50.30%	2.7ppt
Gross gas sales volume (million m³)	28,010	24,278	15.37%
Residential	6,315	5,522	14.36%
Industrial	13,966	11,406	22.44%
Commercial	6,133	5,449	12.55%
CNG station	1,123	1,490	[24.63%]
LNG station	473	412	14.81%
Average gas tariff / cost / gross margin (RMB per m³)	2.74/2.16/0.58	2.68/2.08/0.60	0.06/0.08/[0.02]



	As at 31 Dec 2019	As at 31 Dec 2018	Change
Total length of pipeline (km)	179,216	155,076	24,140
Connected customers	37,948,710	34,642,424	3,306,286
Residential	37,654,849	34,376,106	3,278,743
Industrial	21,135	18,285	2,850
Commercial	272,727	248,032	24,695
Average residential connection fee (RMB)	2,710	2,892	(182)
New residential with paid connection fee			
Gross	3,275,795	3,224,555	51,240
Consolidated basis	2,349,982	2,243,015	106,967
Gas stations (CNG/LNG/L-CNG)	354 (225/82/47)	359 (229/85/45)	(5) ((4)/(3)/2)

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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2019 Final Results Presentation