



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

2016 Interim Results Presentation

Bench-marking for
Efficiency
學標杆 增效益

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1

Results Highlights



1H2016 Results Highlights

	30 June 2016	30 June 2015	Change / Growth Rate
Profit attributable to shareholders (HK\$ million)	1957	1557	26%
Gross Profit Margin (%)	35.5%	29.8%	5.7ppt
Interim Dividend (HK\$)	0.15	0.10	50%
Gas Sales Volume (million m ³)	8273	7176	15.3%
Number of Customers (million)	24.98	21.92	14%
Connectable Population (million)	166	152	14

- ✓ Core business profit attributable to shareholders amounted to **HK\$2,120 million**, an increase of **36.2%** over same period for 2015, after adjusting for loss on foreign exchange and the exchange conversion of profit statement
- ✓ Gas Sales volume excludes gas transmission volume of Chongqing project
- ✓ Number of customers includes residential households, industrial and commercial customers
- ✓ Connectable population exceeded 166 million, accounted for 11.9% of the China's population
- ✓ **CR Gas has the most number of customers and connectable population in downstream city**

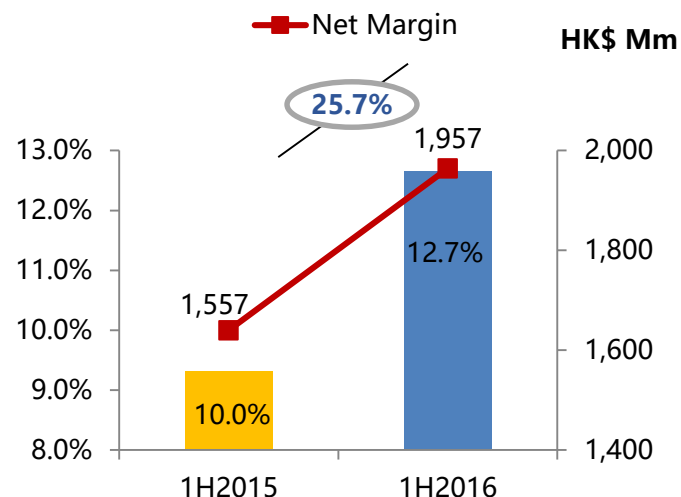
natural gas industry



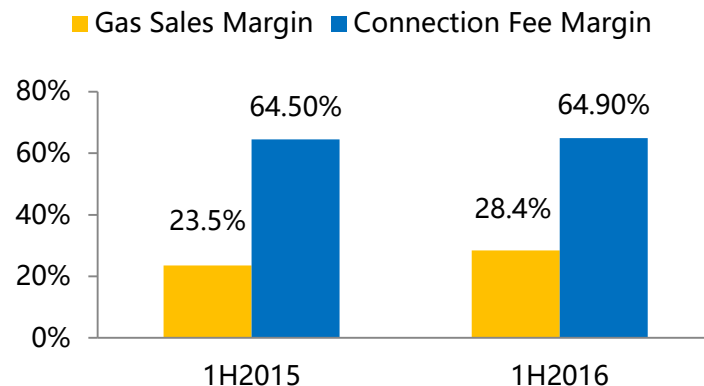
Strong Profitability

- **Profit attributable to shareholders** amounted to **HK\$1,957 million**, an increase of **26%** over HK\$1,557 million for 1H2015.
- Core business profit attributable to shareholders amounted to **HK\$2,120 million**, an increase of **36%** over HK\$1,557 million for 1H2015, after adjusting for:
 - (a) loss on foreign exchange of HK\$4.71 million; and
 - (b) loss of HK\$158 million attributable to the devaluation of RMB exchange rate arising from the conversion of RMB into HK\$ in respect of the statement of profit or loss.
- **Gross profit margin** stood at **35.5%**, representing **5.7** percentage points higher than 29.8% for 1H2015, mainly due to:
 - (a) Implementation of price pass-through on most non-residential customers after the non-residential city gate gas price ceiling was reduced by RMB0.70/m³ in November 2015
 - (b) Implementation of tier-pricing to most residential customers in our major cities
 - (c) Stable gross margin of connection fee, an increase of 0.4% for 1H2015

Profit attributable to shareholders



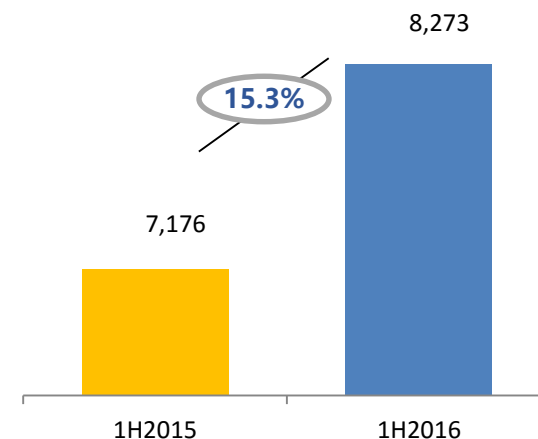
Gas Sales & Connection Fee Gross Margin



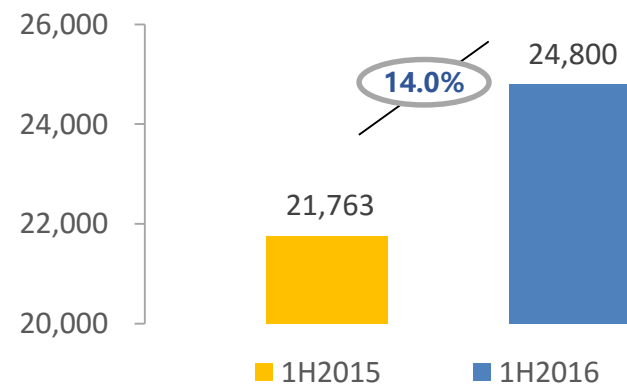
Rapid Growth

- **Gross Gas Sales Volume** increased by **15.3%** from 7,176 million m³ to **8,273 million m³**
 - ✓ CR Gas sales volume has no trading gas volume
 - ✓ Gross gas sales volume was 8,319 million m³ if including gas transmission volume of Chongqing project
 - ✓ Organic growth of gross gas sales volume in 2016 increased by 13.6%, sales volume was 8,148 million m³; acquisition growth increased by 1.7%, sales volume was 125 million m³
-
- The number of **connected customers** increased from 21.76 million for 1H2015 by 3.04 million or **14%** to **24.8 million** for 1H2016
 - ✓ Connectable residential households reached 55.11 million
 - ✓ Connectable population exceeded 166 million

Gross Gas Sale Volume (million M³)



Connected Customers (000s)



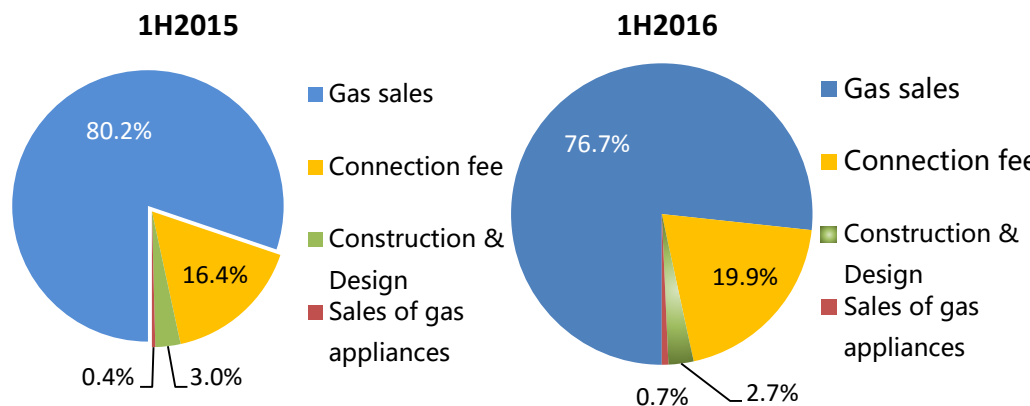
Sustainable Revenue and Superior Customer Mix

Turnover of CR Gas in 1H2016 amounted to HK\$15,413 million, a decrease of 1% over HK\$ 15,598 million for 1H2015, which was mainly due to (a) reduction of city gas prices for non-residential users after the reduction of the ceiling city gate gas price for non-residential users by RMB0.7/m³ or some 28% in November 2015; and (b) decrease of 7% RMB exchange rate

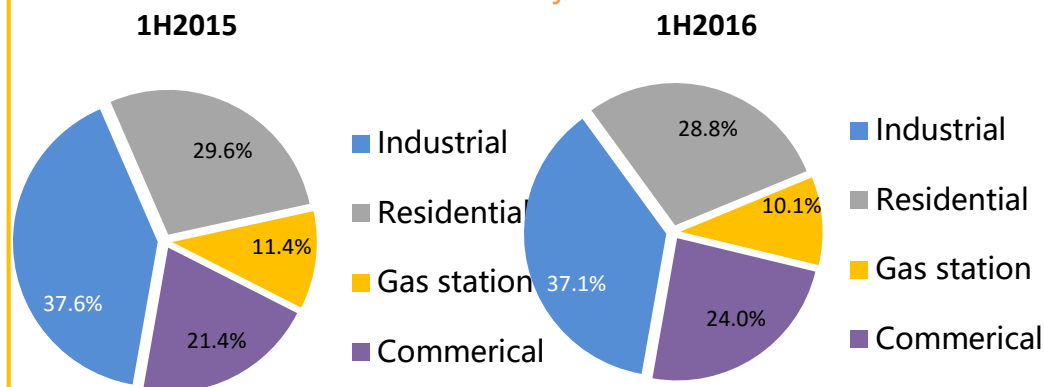
- Revenue breakdown - **High proportion of revenue derived from recurring gas sales** ensures protection against the risk of reduction in one-off connection fees.

- Connected customers breakdown – the proportions of sales volume for residential and commercial customers were **28.8%** and **24.0%** respectively, totalled **52.8%** in 1H2016

Revenue Breakdown



Gas Sales Volume by Customers

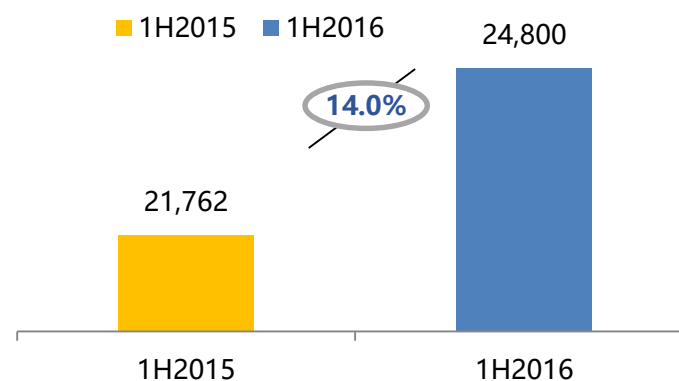


Superior Customer Mix with Increasing Margins

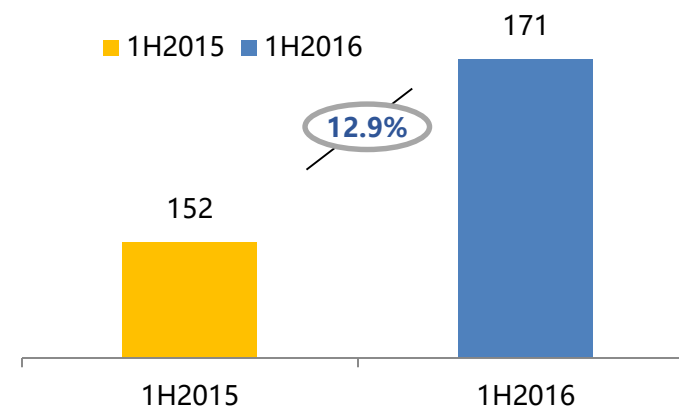
The proportions of residential and commercial customers of CR Gas are highest in the industry. Superior customer mix was enhanced by residential step-pricing, coal to gas conversion and economic restructuring to consumption led.

- The number of residential customers was **24.8 million**, an increase of 3.04 million or **14%**. The number of commercial customers was **171,000**, an increase of 19,000 or **12.9%**.
- Dollar margin of commercial customers was **RMB1.06/m³**, an increase of RMB0.42/m³. Dollar margin of residential customers was **RMB0.42/m³**, an increase of RMB0.11/m³.

Residential Households ('000)



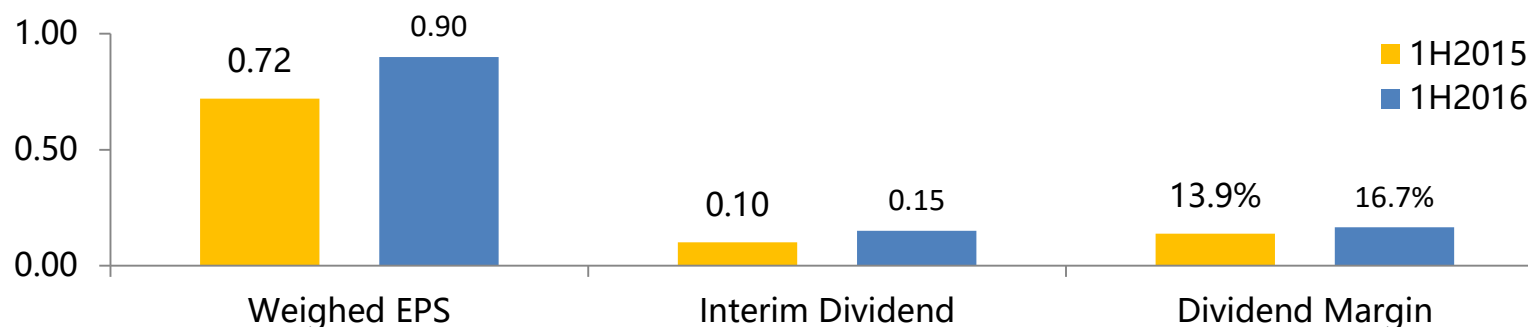
Commercial Customers ('000)



Stable Growth in Dividend

HKD

Earnings per share & dividend	30 June 2015	30 June 2016
Weighted EPS	0.72	0.90
Interim Dividend	0.10	0.15
Interim Dividend Payout Rate	13.9%	16.7%



- Interim dividend of **HK\$0.15** per share for 1H2016, an increase of HK\$0.05 or **50%** over HK\$0.10 for 1H2015
- Total dividend per share for the year 2015 was HK\$0.33 or dividend payout rate was 25.4% (2014: HK\$0.25 or 21.9%)
- CR Gas business has entered into a more matured phase, the dividend margin will gradually increase



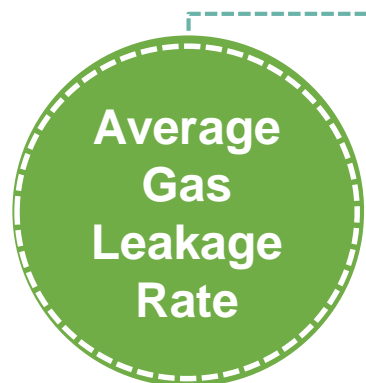
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Operational Highlights

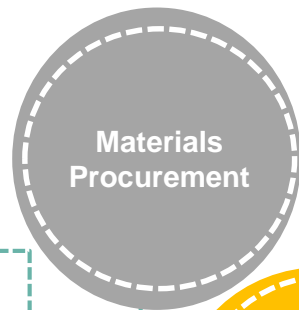


Bench-marking for Efficiency

During 2016, bench-marking practice is continuing relentlessly throughout the business units to accomplish the transformation of its growth model from acquisition to organic growth.



Average gas leakage rate has decreased further to 1.09% in 1H2016, well below the industry average of 3.5%



New residential and commercial customers increased by 14% and 12.9% respectively in 1H2016

Centralized procurement ratio reached 80%. Overall costs decreased significantly with better quality and price through centralized procurement



No major safety incidents occurred during 1H2016

Operational Performance in 1H2016

Operational Performance	As at 30 June 2016	As at 30 June 2015	Change
Number of projects	224	213	11
Connectable householders	55,111,415	50,493,491	4,617,924
Connectable population	166,436,475	152,490,343	13,946,132
Penetration Rate of Residential Household	45.0%	43.1%	1.9%pt
Installed designed capacity for C&I customers (m³ per day) / Utilization rate %	63,079,610 44.2%	49,866,870 46.9%	13,212,740 (2.7%)pt
Total Length of Pipeline (km)	123,066	105,952	17,114
Connected Customers			
Residential	24,800,137	21,762,695	3,037,442
Industrial	11,193	8,067	3,126
Commercial	171,483	151,831	19,652
Average Residential Connection Fee (RMB)	2,910	2,580	330
Gross new households with paid connection fee			
Total	1,191,331	1,024,560	166,771
Consolidated	779,239	673,969	105,270
Gas station (CNG/LNG/L-CNG)	329 (221/71/37)	294 (196/66/32)	35 (25/5/5)



Operational Performance in 1H2016

Operational Performance	As at 30 June 2016	As at 30 June 2015	Change
Gross sales volume (million m³)	8,273	7,176	15.3%
Residential	2,386	2,123	12.4%
Industrial	3,068	2,696	13.8%
Commercial	1,988	1,536	29.4%
Gas Station (CNG)	692	699	(1.0%)
Gas Station (LNG)	139	122	13.9%
Average Gas Tariff / Cost / Gross Margin (RMB per m³)	2.63/1.88/0.75	2.86/2.19/0.67	(0.23)/(0.31)/0.08
Average Gas Gross Profit Margin	28.4%	23.5%	4.9%pt



3

Major Development



New Investment in 2016

As at 30 June 2016, CR Gas has 224 registered projects, **371** projects if including those invested by our subsidiaries.

New Projects	Cities	Provinces
Jianou	Nanping	Fujian
Binyang	Nanning	Guangxi
Qingdao Airport	Qingdao	Shandong
Enping	Jiangmen	Guangdong
Shanghai marine gas	Shanghai	
Shanting	Zaozhuang	Shandong
Jiangning vehicle gas	Nanjing	Jiangsu
Mawei	Fuzhou	Fujian

- The proposed investment for acquisition in 2016 was HK\$2,000 million. As at 1H2016, CR Gas invested in **8** city gas projects for a total investment of **HK\$ 171 million**, and the Board has approved another **14** city gas projects with total proposed investment of **HK\$384 million**, giving a total investment of **HK\$555 million**. CR Gas is confident to fulfil its forecast of the acquisition investment for 2016.
- Total operating capital expenditures for 1H2016 (including pipelines and related facilities) amounted to **HK\$1,274 million**.

Continuous Investment in Large City Gas Projects

01

Qingdao

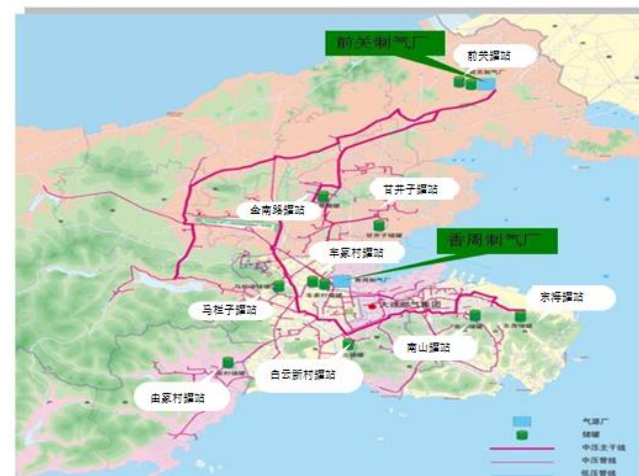
- ✓ On 9 March 2015, CR Gas announced that a joint venture will be established with a registered capital of **RMB1,250 million**, which will be held by Qingdao Taineng (青島泰能) as to 51% and CR Gas as to 49%, respectively.
- ✓ Qingdao, an important city in Shandong Province, has a GDP of RMB940 billion in 2015 with a population of 8.71 million. As a major gas supplier of Qingdao, Qingdao Taineng (青島泰能) Group has approximately one million household users with an annual gas sales volume exceeded **400 million m³**.
- ✓ Qingdao Joint venture is still in the course of government approval, it is expected to be completed by the end of 2016.



02

Dalian

- ✓ On 12th April 2015, CR Gas entered into a Cooperation Agreement with Dalian Gas to establish a joint venture, with CR Gas and Dalian Gas holding 40% and 60% respectively.
- ✓ Dalian is a major city in Liaoning province with an annual GDP of RMB 780 billion, population of 5.943 million and annual natural gas consumption of **100 million m³** currently. The gas sales volume has a lot of upside potential in view of the size of its population and GDP.
- ✓ Dalian JV is undergoing asset valuation and related approval process.



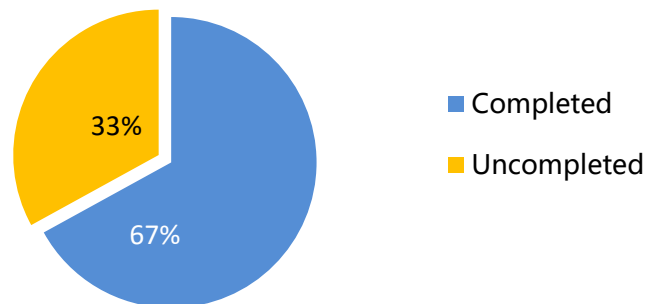
Step-Pricing System for Residential Customers

- CR Gas has implemented step-pricing system for residential customers among its major city gas projects, including Chengdu, Zhengzhou, Wuxi, Fuzhou, Nanchang, Wuhan, Xiamen, Suzhou, Tianjin, Chongqing (to be adopted on 1 September 2016)
- Gas sales volume of the above mentioned projects accounted for 59.3% in CR Gas's gross sales volume, the number of connected customers was 14.10 million.



Implementation of CR Gas's step-pricing system

Sales Volume



Region	City	Status
Anhui Regional Centre	Hefei	Completed
	Wuhu	Completed
	Wangjiang	Completed
	Changshu	Completed
	Chengde	Completed
	Chongqing	Completed
	Chongqing	Completed
	Chongqing	Completed
	Chongqing	Completed
	Chongqing	Completed
Beijing Regional Centre	Beijing	Completed
	Tianjin	Completed
	Shijiazhuang	Completed
	Shijiazhuang	Completed
	Shijiazhuang	Completed
	Shijiazhuang	Completed
	Shijiazhuang	Completed
	Shijiazhuang	Completed
	Shijiazhuang	Completed
	Shijiazhuang	Completed
Chongqing Regional Centre	Chongqing	Completed
	Chongqing	Completed
	Chongqing	Completed
	Chongqing	Completed
	Chongqing	Completed
	Chongqing	Completed
	Chongqing	Completed
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	Chongqing	Completed
Guangdong Regional Centre	Guangzhou	Completed
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	Guangzhou	Completed
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	Guangzhou	Completed
	Guangzhou	Completed
	Guangzhou	Completed
	Guangzhou	Completed
Henan Regional Centre	Zhengzhou	Completed
	Zhengzhou	Completed
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	Zhengzhou	Completed
	Zhengzhou	Completed
	Zhengzhou	Completed
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	Zhengzhou	Completed
Jiangsu Regional Centre	Wuxi	Completed
	Wuxi	Completed
	Wuxi	Completed
	Wuxi	Completed
	Wuxi	Completed
	Wuxi	Completed
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Shanghai Regional Centre	Shanghai	Completed
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	Shanghai	Completed
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	Shanghai	Completed

- As at 1H2016, CR Gas has implemented the escalating gas price method for **67%** of its affected gas volume.



4

Company Strategies



Sustainable Growth of Natural Gas Industry in China

Implementation of “Coal to Gas” incentives and upgrading of natural gas consumption policies resulted in further development of natural gas

Ministries and provincial governments supported “Coal to Gas” policies since January

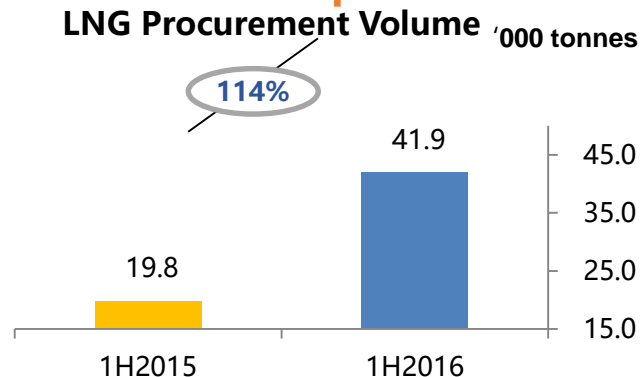
Abolition of coal-burning boilers promotes “Coal to Gas” and the development of natural gas

2016 G20 Energy Ministers' Meeting “Natural Gas Day” held in June

The National Energy Bureau expressed its concern about environmental protection and smog problem, action plan has been adopted which promotes natural gas consumption. The percentage of natural gas consumption in PRC is targeted to reach **15%** in 2030.



In 1H2016, natural gas consumption in China was 99.5 billion m³, which increased by 9.8% over that of 2015, oversupply of natural gas promotes steady growth in LNG consumption



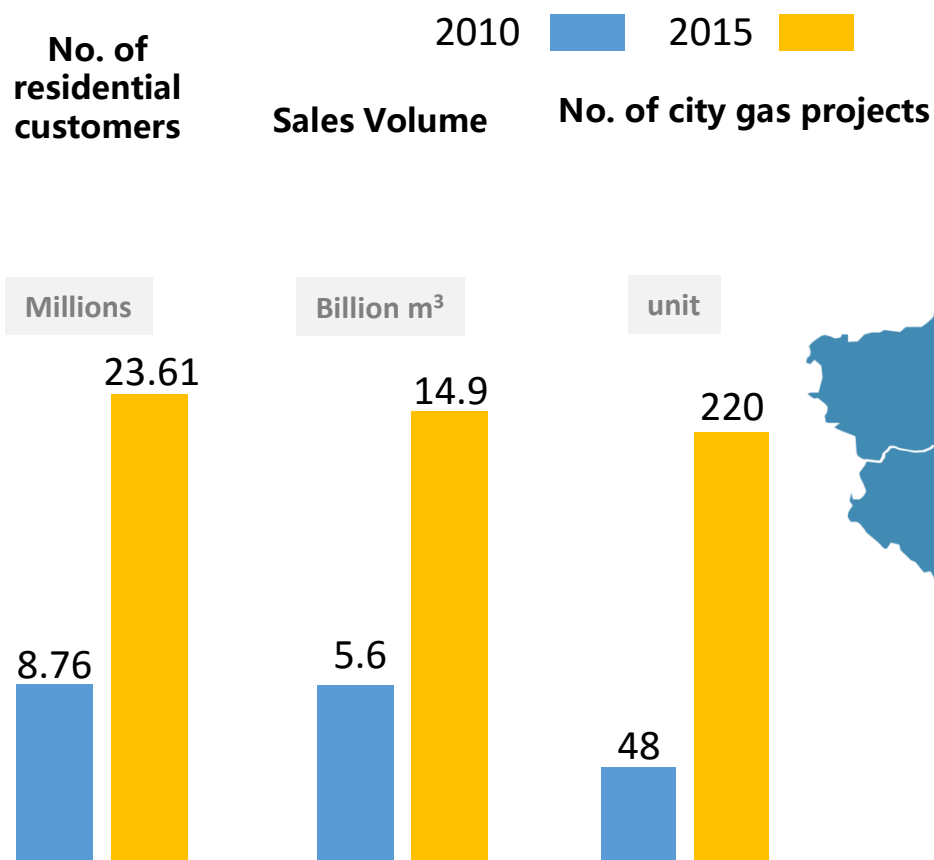
CR Gas procurement volume increased significantly compared with 2015

CR Gas procurement volume was 419,000 tonnes (approx. 586 million m³) in 1H2016, an increase of **114%** over 1H2015, average procurement price decreased by **13%**

LNG is more competitively priced than piped gas in Guangdong and Fujian

Strong Base of High Quality Natural Gas Businesses

CR Gas has led the industry by maintaining a continuous growth over the last 5 years. It registered a CAGR of more than 20% over number of new city gas projects, gas sales volume and number of residential customers. It has 329 gas stations, of which sales volume per station was higher than the industry average. All these reflected a healthy and steady growth in city gas and gas station business.



Gas stations Distribution Map



Pilot Business of Electricity Charging Posts and Electricity Retailing

CR Gas pays close attention to the government policies on electric charging posts and retailing of electricity, with pilot business in certain cities.

Electric Charging Posts

- CR Gas has entered into agreement with Wanxiang Group (万向集团) in Zhejiang, in which a joint venture will be established for Hangzhou bus charging project with an aim to provide charging services for 235 buses in Hangzhou by end of 2016.
- More charging posts projects will be implemented in Fujian, Shandong, Henan, etc



Electricity Retailing

- Preliminary study of electricity retailing has been conducted in 1H2016, CR Gas will continue to monitor closely the relevant policy.
- Provincial electricity retailing companies will be set up in Guangdong, Yunnan, Guizhou, Jiangsu, Hubei etc. in 2H2016
- Will leverage on its existing customer base to tap into gas and electricity retailing model





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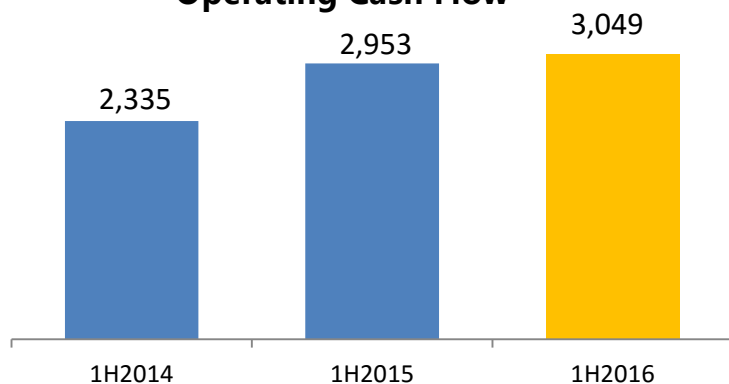
Financial Highlights



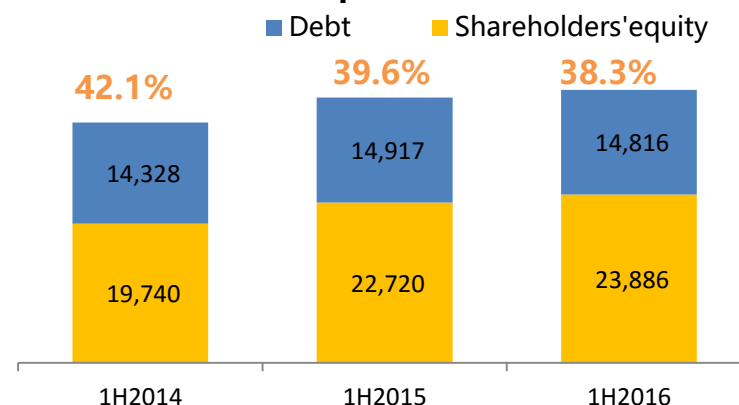
Sound Financial Capabilities & Excellent Capital Structure

Steady growth of operating cash flow, decline in debt to capitalization ratio (lower than credit agencies' 45% threshold), CR Gas investment grade credit ratings of BBB+/Baa1 were reaffirmed. Profit attributable to shareholders increased significantly by 26% when compared to the previous corresponding period. Turnover registered CAGR of 42.6% since listing.

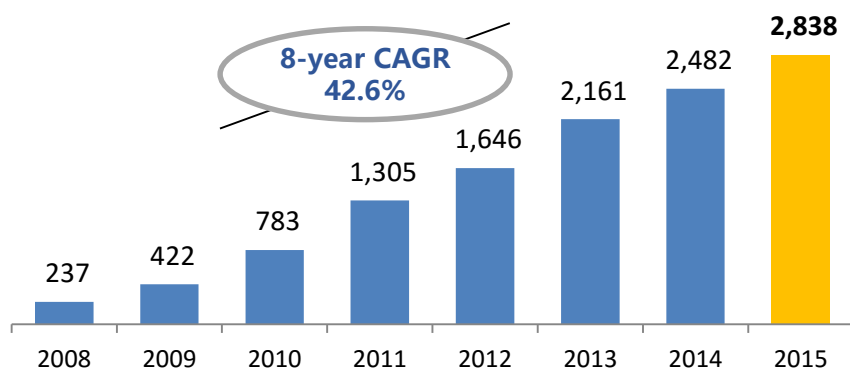
Operating Cash Flow



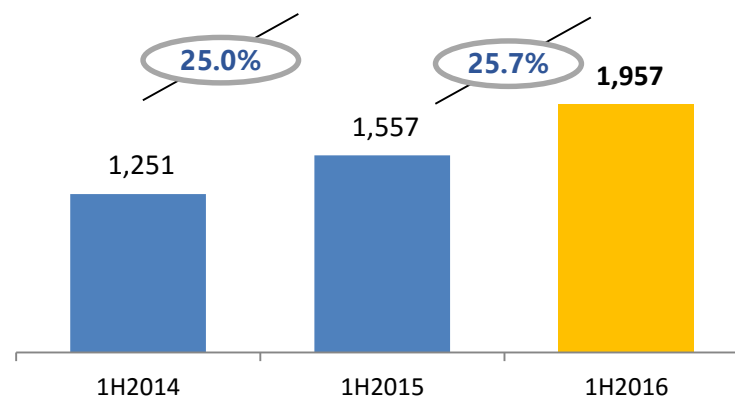
Debt to Capitalization Ratio



Full Year Profit attributable to shareholders (HK\$ Mm)



Half Year



Turnover and Profit

As at	30 June 2016	30 June 2015 (restated)	Increase/ (Decrease)
	HK\$' 000	HK\$' 000	
Turnover	15,412,818	15,597,549	(1%)
Gross profit	5,471,042	4,650,172	18%
Profit from operations (before finance cost and share of JV & associates results)	3,152,077	2,434,911	29%
Profit for the period	2,605,226	2,002,779	30%
Profit attributable to the equity holders	1,956,984	1,557,004	26%
Net cash from operating activities (after tax payments)	3,048,812	2,952,847	3%
Basic EPS⁽¹⁾ (HK\$)	90	72	25%
Interim dividend proposed per share (HK cents)	15	10	50%

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

Assets, Liability & Equity

As at	30 June 2016	31 December 2015	Increase/ (Decrease)
	HK\$'000	HK\$'000	
Total assets	62,172,963	59,896,272	4%
Bank balance and cash	11,227,864	10,750,872	4%
Total bank and note borrowings ⁽¹⁾	14,815,850	14,899,191	(1%)
Net borrowings	3,587,986	4,148,319	(14%)
Equity attributable to the equity holders	17,704,488	17,009,359	4%
Non-controlling interests	6,181,916	5,477,647	13%
Total equity	23,886,404	22,487,006	6%

Note: (1) Included therein were HK dollar and US dollar denominated loans HK\$14.3 billion. To minimize the risk of foreign exchange losses, it is planned to change HK\$8.5 billion to RMB denominated loans or settle them, of which HK\$1.3 billion had been converted to RMB denominated loans up to August 2016.

Profitability, Liquidity & Equity Ratios

Financial Indicators	30 June 2016	31 December 2015
Gross profit margin	35.5%	29.8% ⁽¹⁾
Net profit margin	12.7%	10.0% ⁽¹⁾
Current ratio	0.8X	0.8X
Net Debt to equity ratio ⁽²⁾	20.3%	24.4%
Debt to capitalization ratio ⁽³⁾	38.3%	39.9%
Debt to assets ratio ⁽⁴⁾	23.8%	24.9%
Return on weighted average equity (annualized) ⁽⁵⁾	22.1%	18.4% ⁽¹⁾

Notes: (1) Margin and return as at 30 June 2015 (Restated)

(2) Net Debt/equity gearing ratio is the ratio of net bank and note borrowings to shareholders' equity

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

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

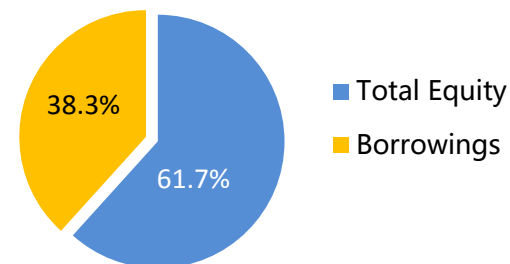
(5) If merger reserve is excluded, return was 14.8%(1H2016), 12.2%(1H2015)

Balanced Capital Structure

Equity & Debt

	HK\$'000	%
Total equity	23,886,404	61.7
Borrowings (bank, notes and shareholders loans)	14,815,850	38.3
Total capital	38,702,254	100.0%

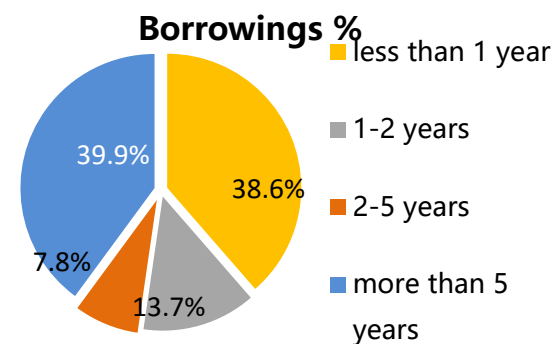
Debt & Equity Ratio's %



Long & Short Term Borrowings

	HK\$'000	%
Less than 1 year	5,716,891	38.6
1-2 years	2,029,219	13.7
2-5 years	1,153,564	7.8
More than 5 years	5,916,176	39.9
Total	14,815,850	100.0%

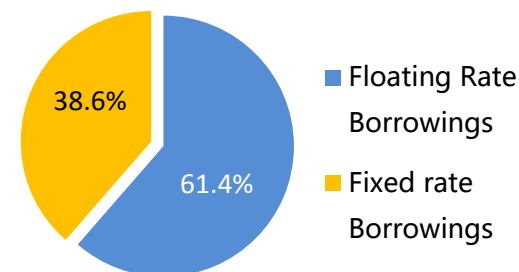
Long & Short Term Borrowings %



Fixed & Floating Rate Borrowings

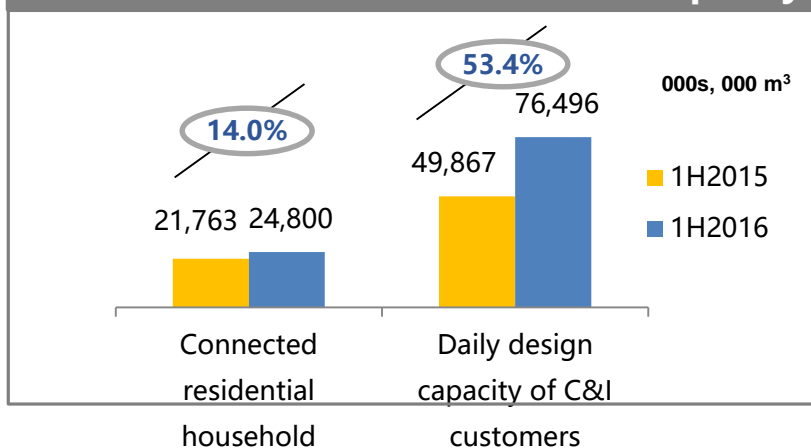
	HK\$'000	%
Floating rate borrowings	9,094,247	61.4
Fixed rate borrowings	5,721,603	38.6
Total	14,815,850	100.0%

Fixed & Floating Rates Borrowing Ratios %

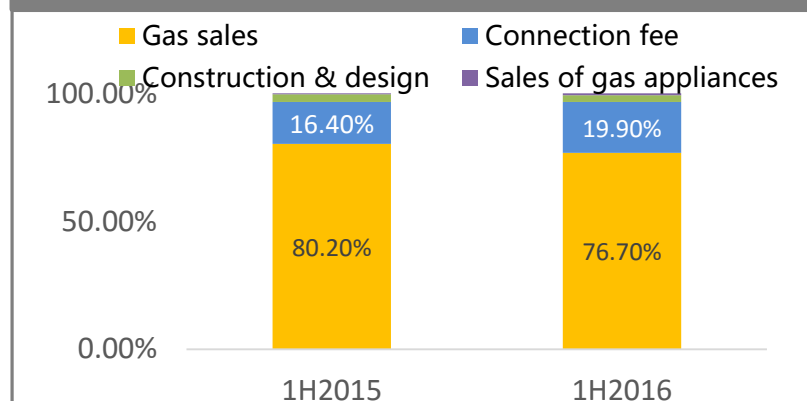


Key Revenue Drivers

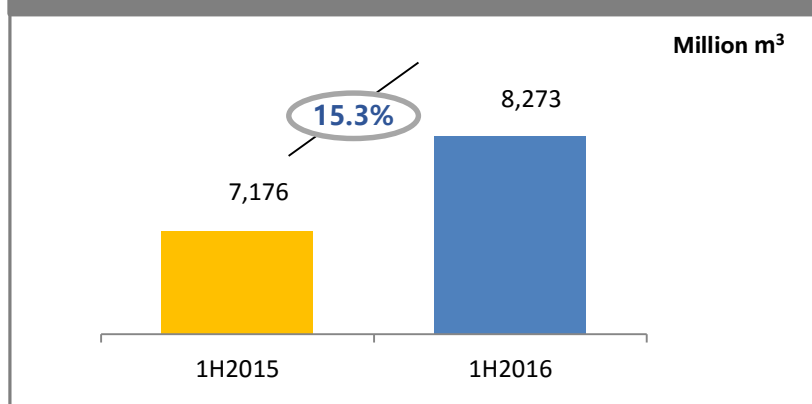
Number of Households and C&I Capacity



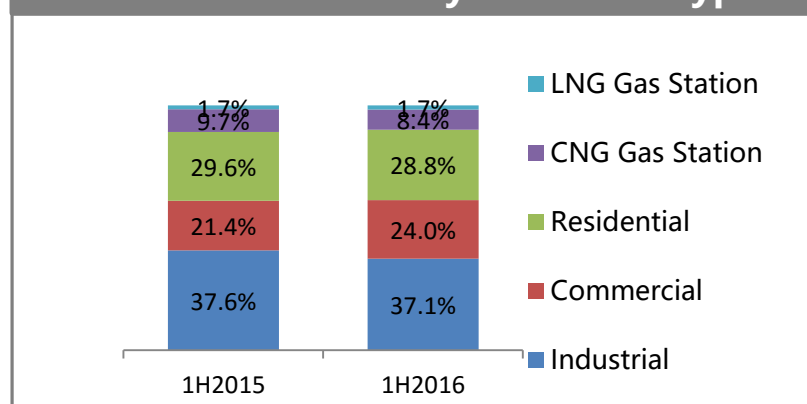
Revenue Breakdown



Gross Gas Sales Volume

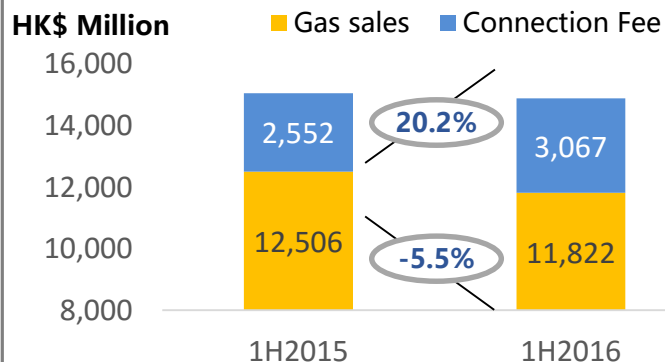


Gas Sales Volume by Customer Type

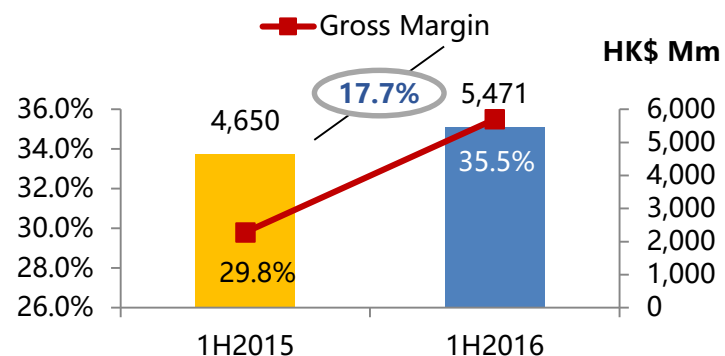


Robust Growth & Profitability

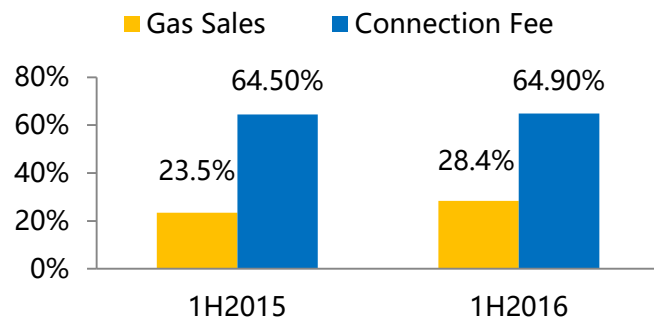
Gas Sales & Connection Fee Revenue



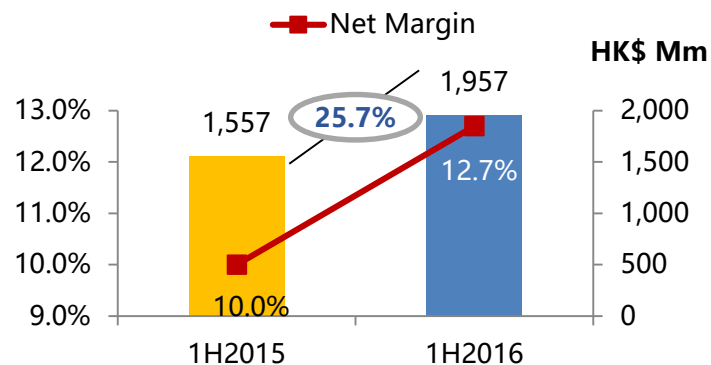
Gross Profit



Gas Sales & Connection Fee Gross Margin

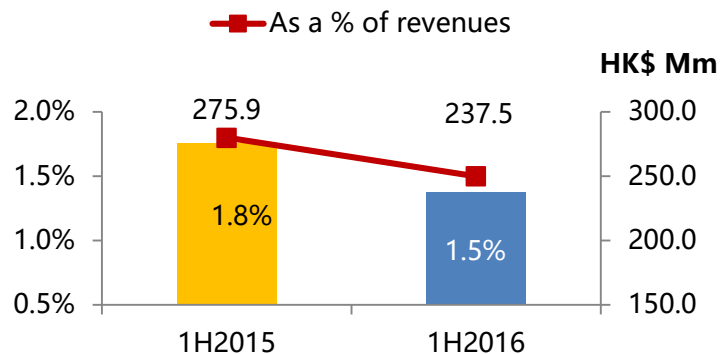


Net Profit

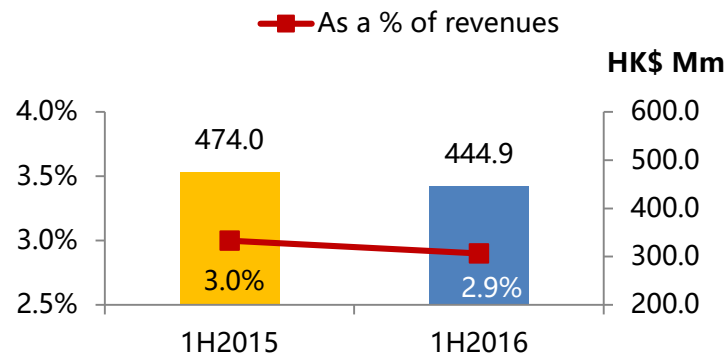


Robust Financial Capability

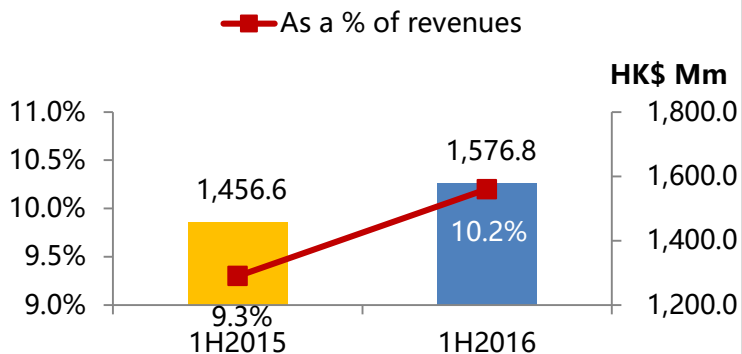
Finance Costs



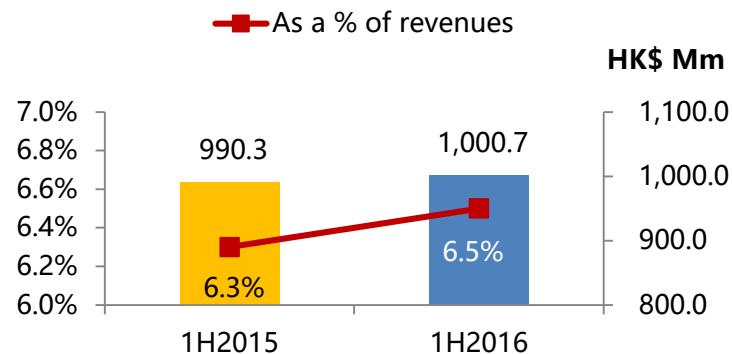
Share of Results of JV and Associates



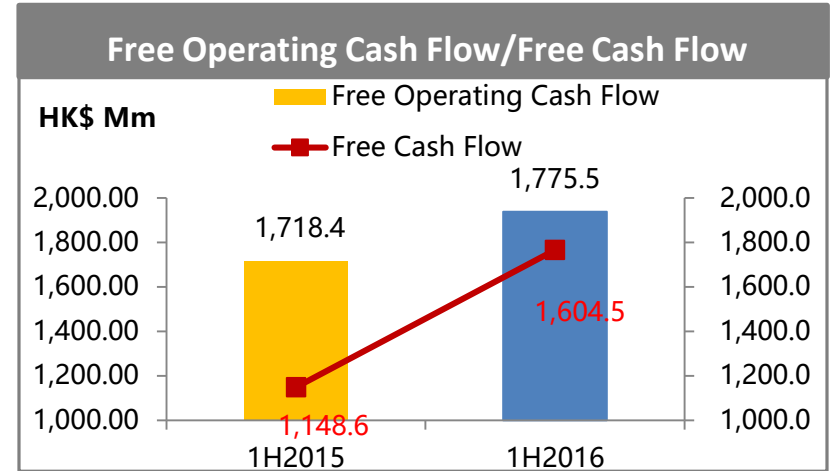
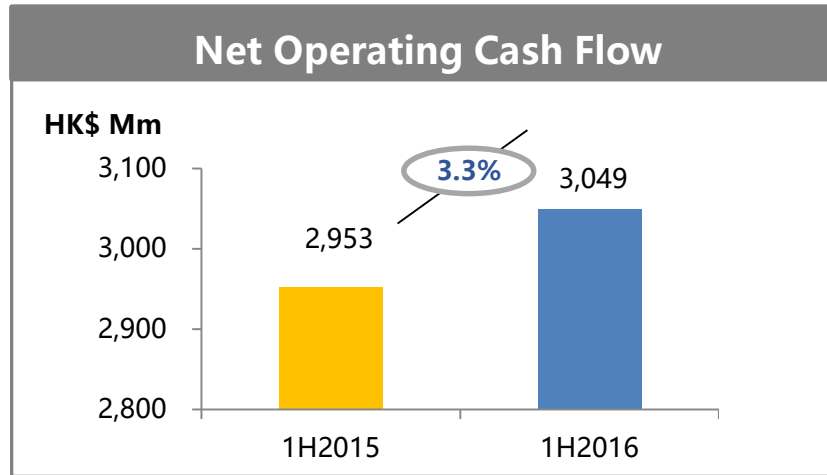
Selling & Distribution Expenses



General & Administrative Expenses



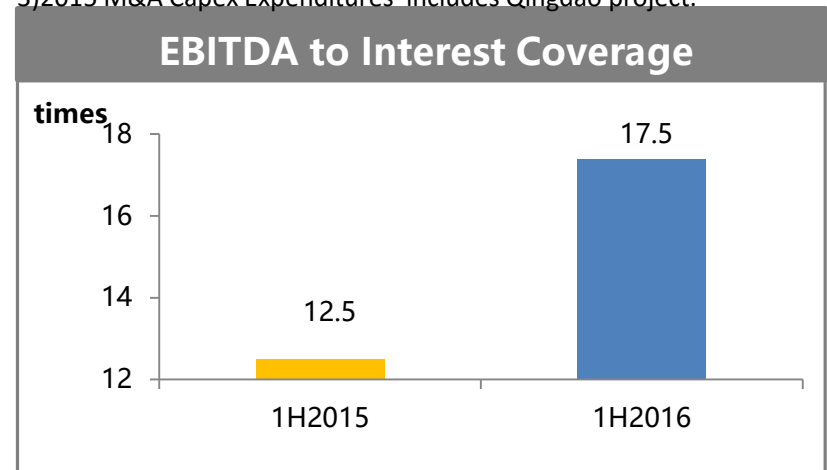
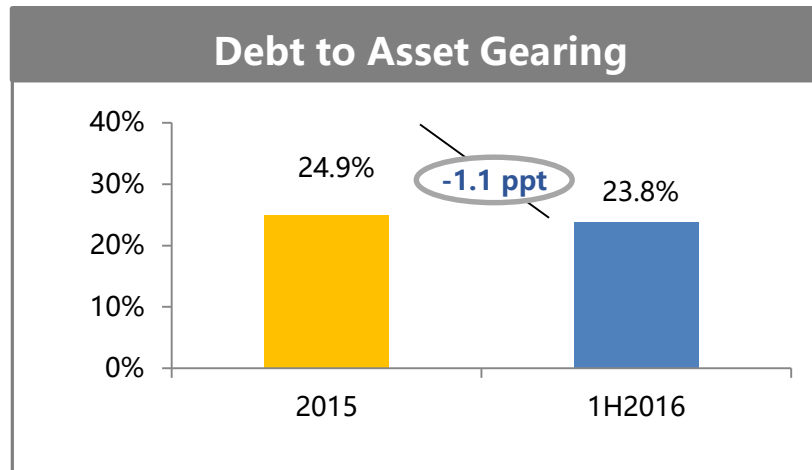
Strong Operating & Free Cash Flow Generation and Sustainable leverage Management



Note :1) Free Operating Cash Flow (before M&A Capex Expenditures) = Operating Cash Flow – Operating Capital Expenditures (1H2016: 1,273.5; 1H2015: 1,234.6)

2) Free Cash Flow= Free Operating Cash Flow – M&A Capex Expenditures (1H2016: 171.0; 1H2015: 569.8)

3)2015 M&A Capex Expenditures includes Qingdao project.



Note: 31.3 times if interest income is included (2015:18.5 times)

Disclaimer and Contact

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For Investor Enquiries:



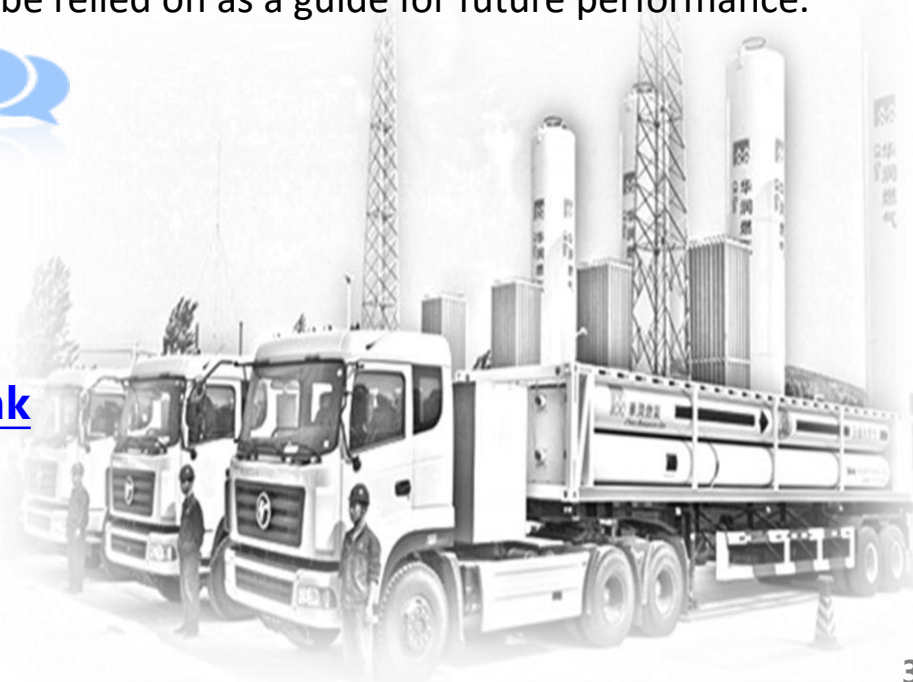
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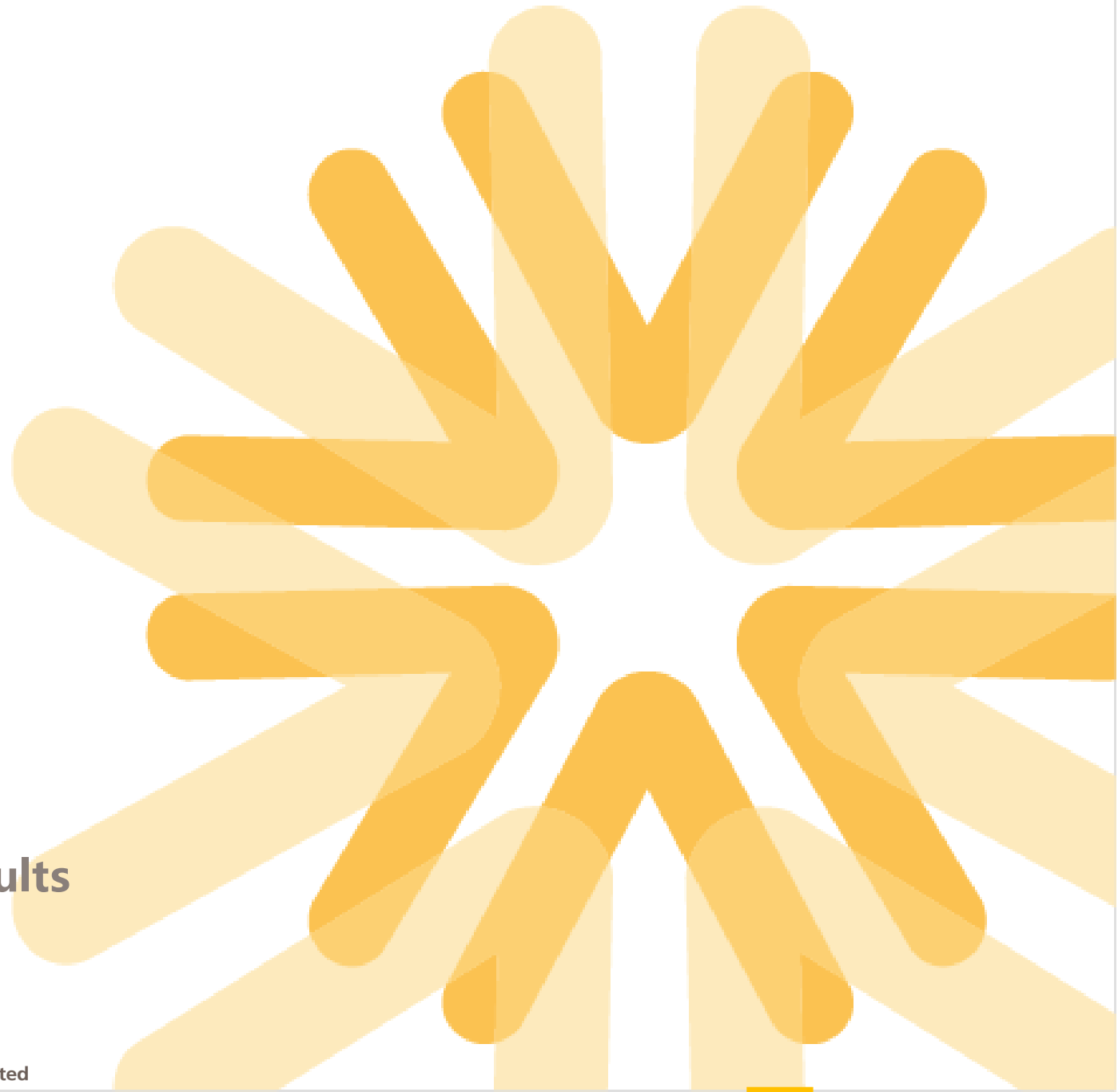
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2016 Interim Results Presentation



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