



2018

**Final Results
Presentation**



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In 2018, the Company's key financial and operational indicators continued to improve, business scale maintained rapid growth.

	2017	2018	Growth Rate
Gas sales volume (billion m³)	19.67	24.28	23.4%
Number of customers (million)	30.81	34.64	12.4%
Turnover (HK\$ billion)	39.84	51.17	28.4%
Profit for the year (HK\$ billion)	4.91	5.89	19.9%
Profit attributable to shareholders (HK\$ billion)	3.65	4.45	21.8%
Net cash from operating activities (HK\$ billion)	7.80	8.34	7.0%
Proposed final dividend per share (HK\$ cents)	40.0	62.0	55.0%

As a result of the development of existing and high-end rural households, gas sales volume (24.28 billion m³), number of customers (34.64 million) and turnover (HK\$51.17 billion) achieved a high growth rate in 2018.

Volume

24.28 billion m³, an increase of **23.4%** :

- Industrial growth: **32%**;
- Commercial growth: **22.5%**;
- Residential growth: **15.8%**.

24.28 B m³

Customer

34.64 million, an increase of **3.83 million** new customers:

- Residential: **3.81 million**;
- C&I: **20,000**.

34.64 M

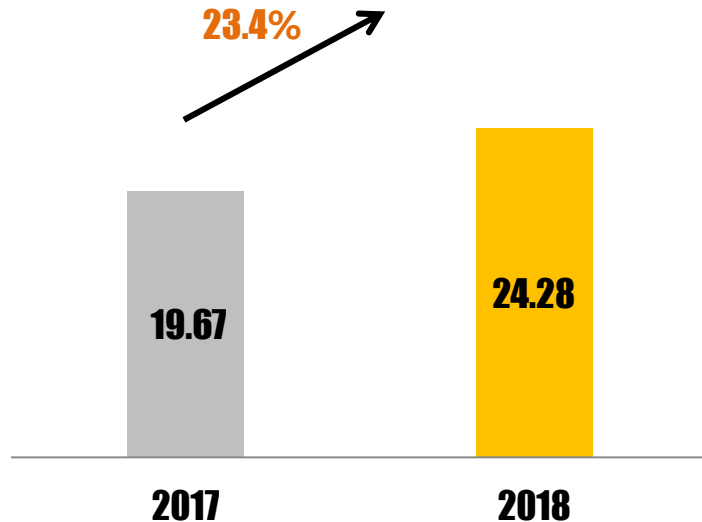
Turnover

HK\$51.17 billion, an increase of **28.4%**:

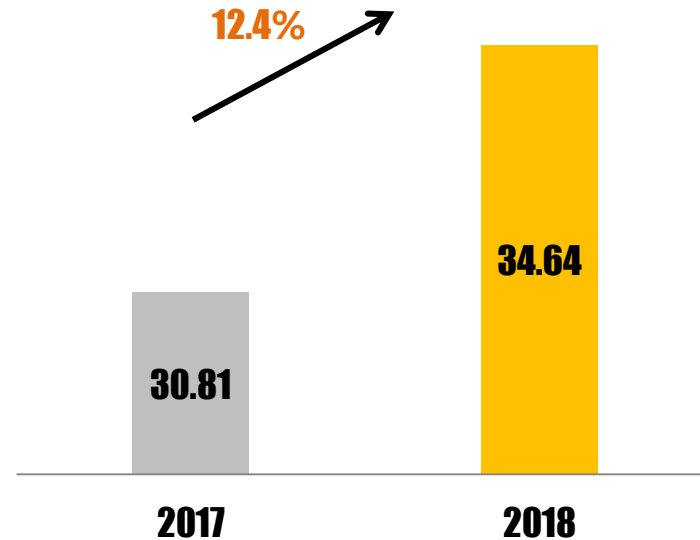
- Gas sales growth: **38.3%**;
- Connection fee growth: **11.4%** .

HK\$ 51.17 B

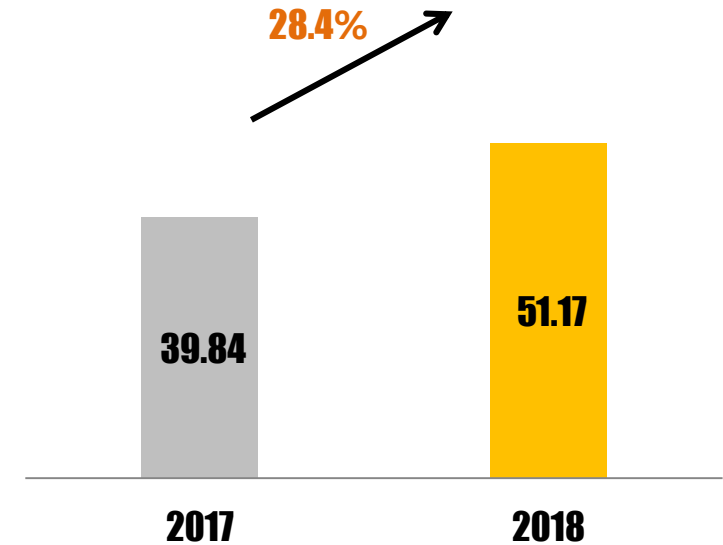
Billion m³



Million



HK\$ Billion

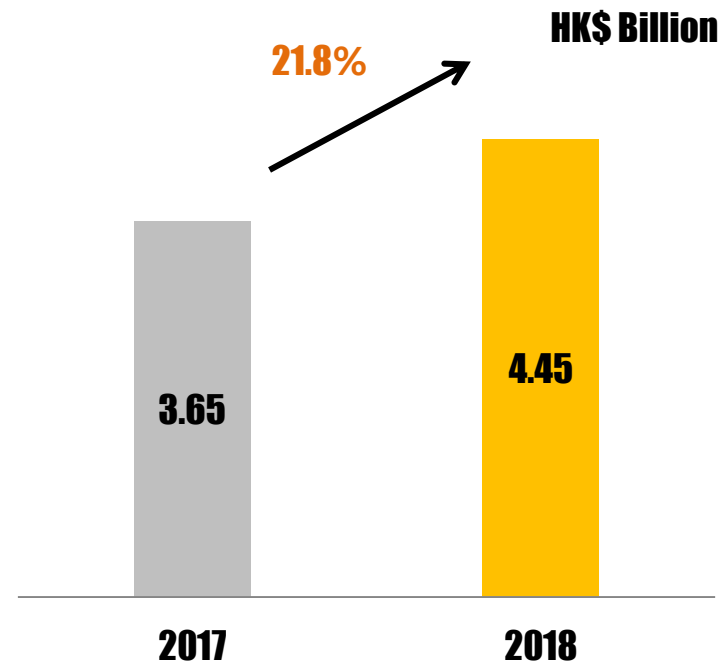


In 2018, profit attributable to shareholders reached HK\$4.45 billion, an increase of 21.8%; net cash flow from operating activities continued to increase to HK\$8.34 billion.

Net Profit

HK\$ **4.45** B

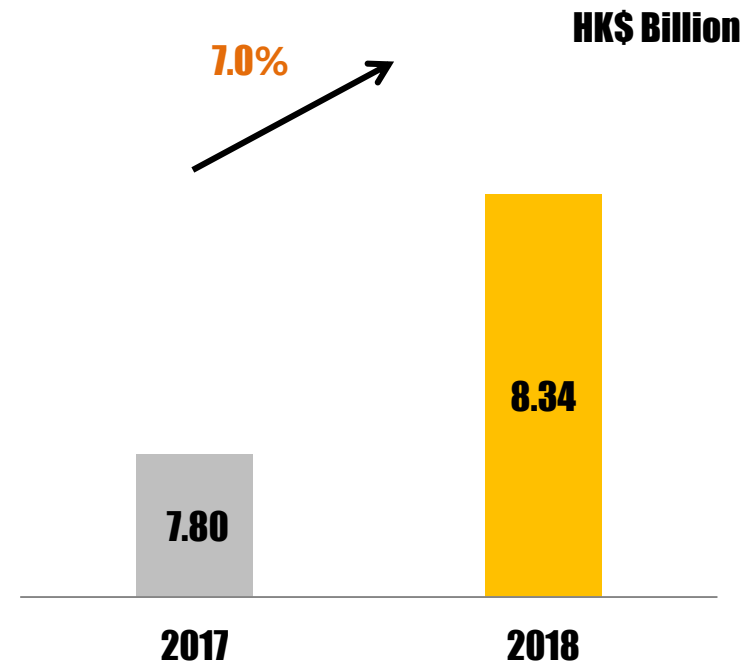
- Profit attributable to shareholders of **HK\$4.45 billion**, an increase of **21.8%**;
- EPS of **HK\$2.04**, an increase of **21.4%**.



Cash Flow

HK\$ **8.34** B

- Net cash from operating activities amounted to **HK\$8.34 billion**, an increase of **7.0%**.

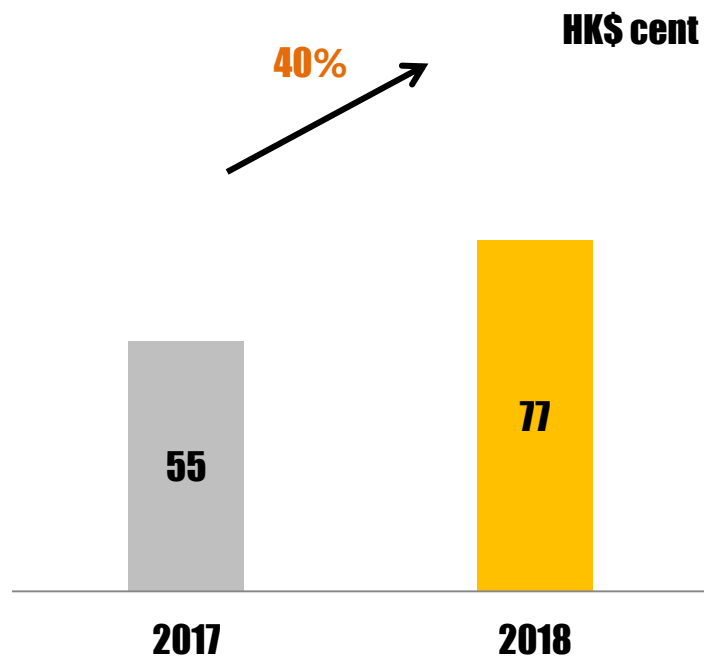


2018 proposed total dividend is HK\$0.77 per share, dividend payout ratio increase from 33% in 2017 to 38% in 2018, dividend amount increase 40%.

2018 Dividend

HK\$ 77 cents

- Proposed final dividend is **HK\$0.62**, total dividend is **HK\$0.77**, an increase of **40%**;
- Payout ratio: **38%**.



Stable Growth in Dividend Payout

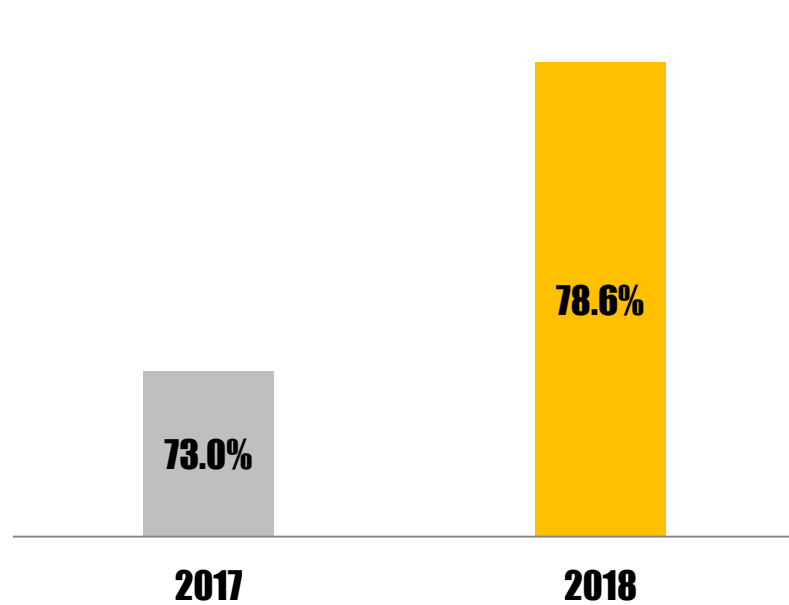
	2017	2018
Basic EPS (HK\$)	1.68	2.04
2018 Total dividend per share (HK\$)	0.55	0.77
Dividend payout rate	33%	38%

- 2018** interim dividend paid was **HK\$0.15 per share** and proposed final dividend is **HK\$0.62 per share**;
- 2018** proposed total dividend is **HK\$0.77 per share**, an increase of **HK\$0.22 per share** or **40%** over the **HK\$0.55 per share** in **2017**.

CR Gas continued to optimize its business structure in 2018, gas sales revenue proportion increased 5.6ppt to 78.6%, driven by the rapid growth of commercial and industrial gas sales volume.

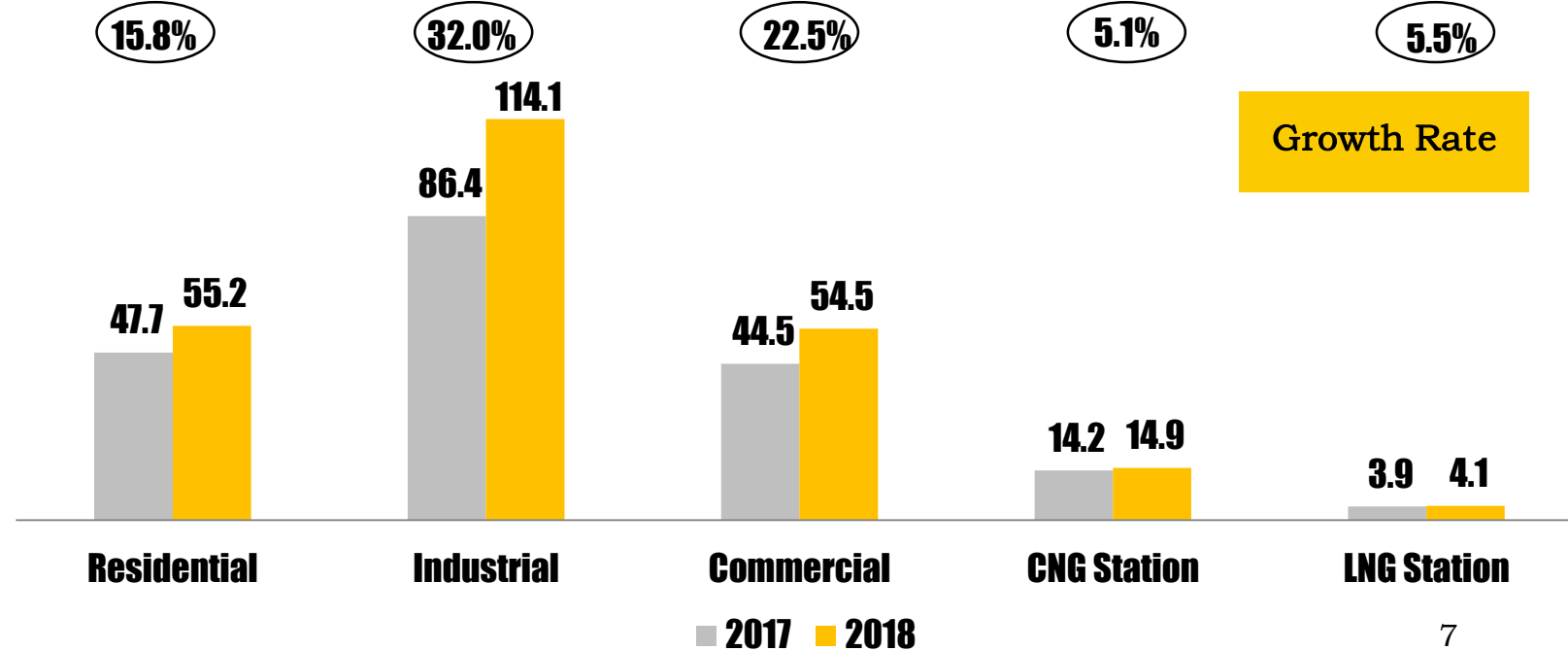
Increase in Gas Sales Revenue Proportion

Recurring gas sales revenue increased from **73.0%** to **78.6%**.



Optimization in Gas Sales Volume Mix

Growth in gas sales volume is mainly driven by the rapid growth of higher margin commercial and industrial customers.

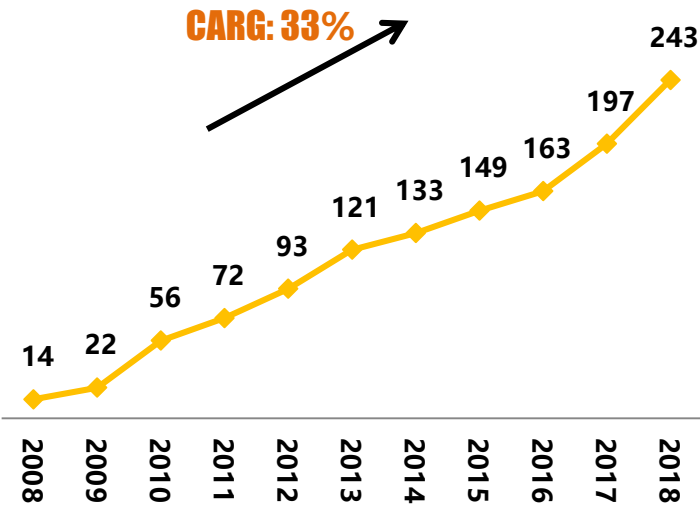


In the past 10 years from 2008 to 2018, CR Gas continued to grow rapidly. CAGR of volume, customer and turnover reached 33%, 32% and 33% respectively.

Volume

Increased from **1.4 billion m³** in **2008** to **24.3 billion m³** in **2018**, 10-years CAGR reached **33%**.

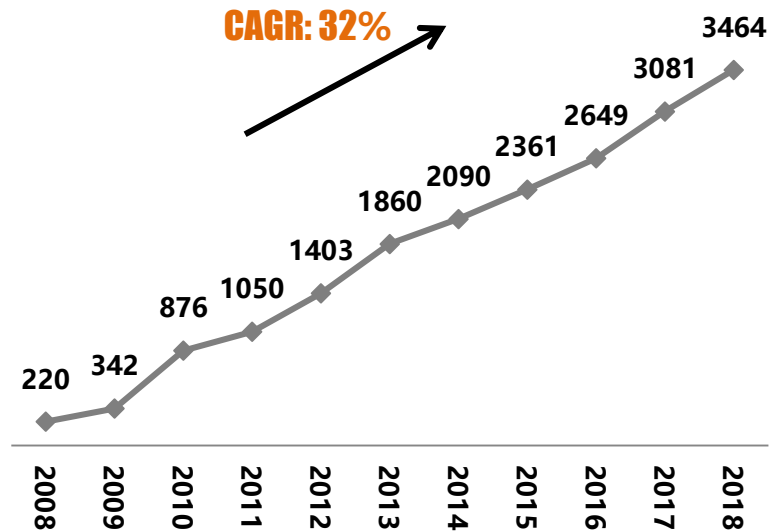
Hundred Million m³



Customer

Increased from **2.2 million** in **2008** to **34.63 million** in **2018**, 10-years CAGR reached **32%**.

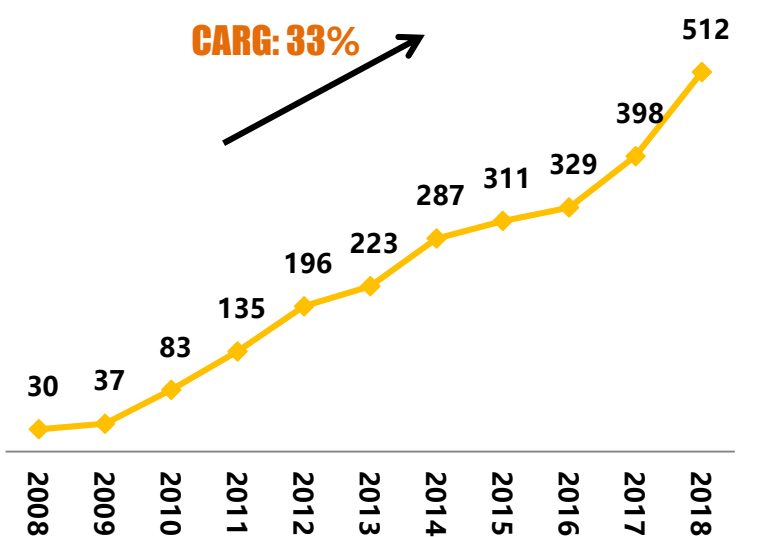
Ten Thousand



Turnover

Increased from **HK\$3.0 billion** in **2008** to **HK\$51.2 billion** in **2018**, 10-years CAGR reached **33%**.

HK\$ Hundred Million

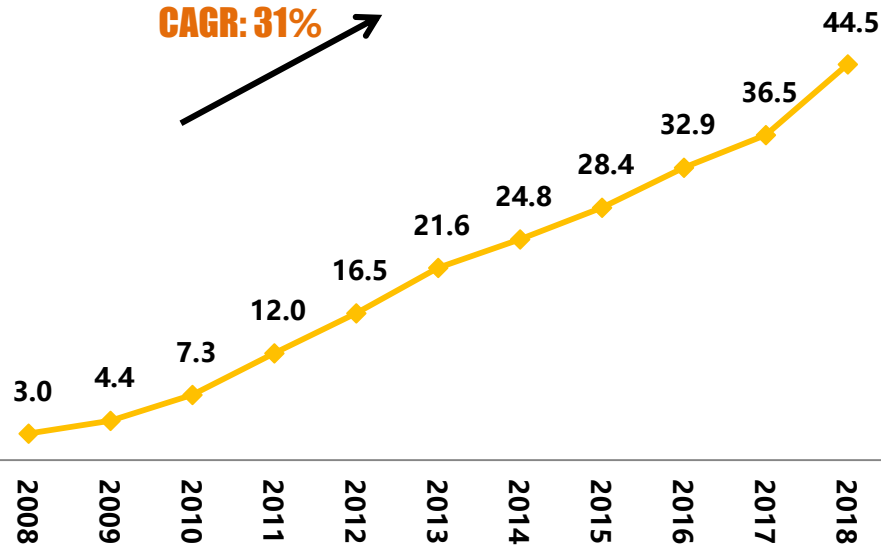


Profitability continued to growth in the past 10 years, profit attributable to shareholders increased from HK\$300 million to HK\$4.45 billion; total dividend increased from HK\$4 cents to HK\$77 cents.

Net Profit

Increased from **HK\$ 300 million** in **2008** to **HK\$4.45 billion** in **2018**, 10-years CAGR reached **31%**.

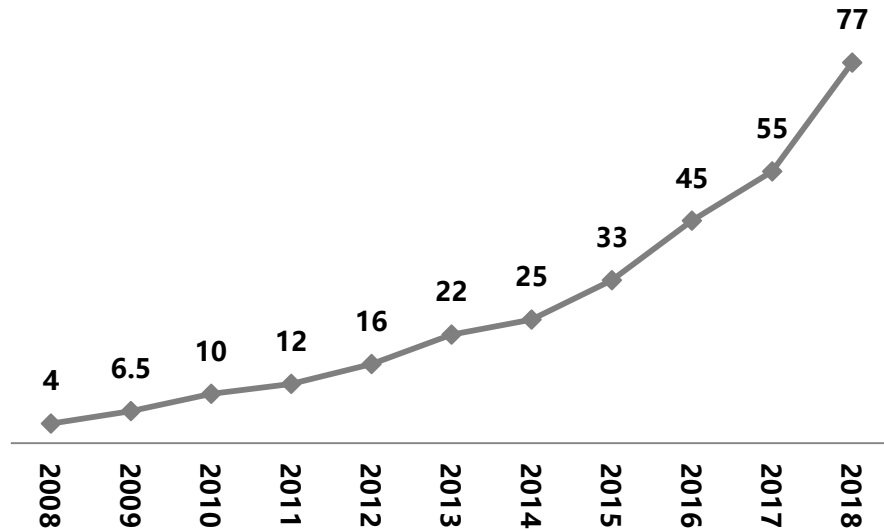
HK\$ Hundred Million



Dividend

Increased from **HK\$4 cents** in **2008** to **HK\$77 cents** (proposed) in **2018**

HK\$ cent



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

- **February 2018, Moody's** upgraded CR Gas credit rating from **Baa1** to **A3**, the highest rating granted to the Chinese city gas operators; it affirmed CR Gas sustainable growth and outstanding performance;
- **June & July 2018, S&P and Fitch Ratings** issued reports to upgrade CR Gas credit rating to **A-**;
- Credit rating upgrade will further enhance CR Gas financing capacity for future development and expansion.

MOODY'S

Stable

Baa1 → A3



Stable

BBB+ → A-

FitchRatings

Stable

BBB+ → A-

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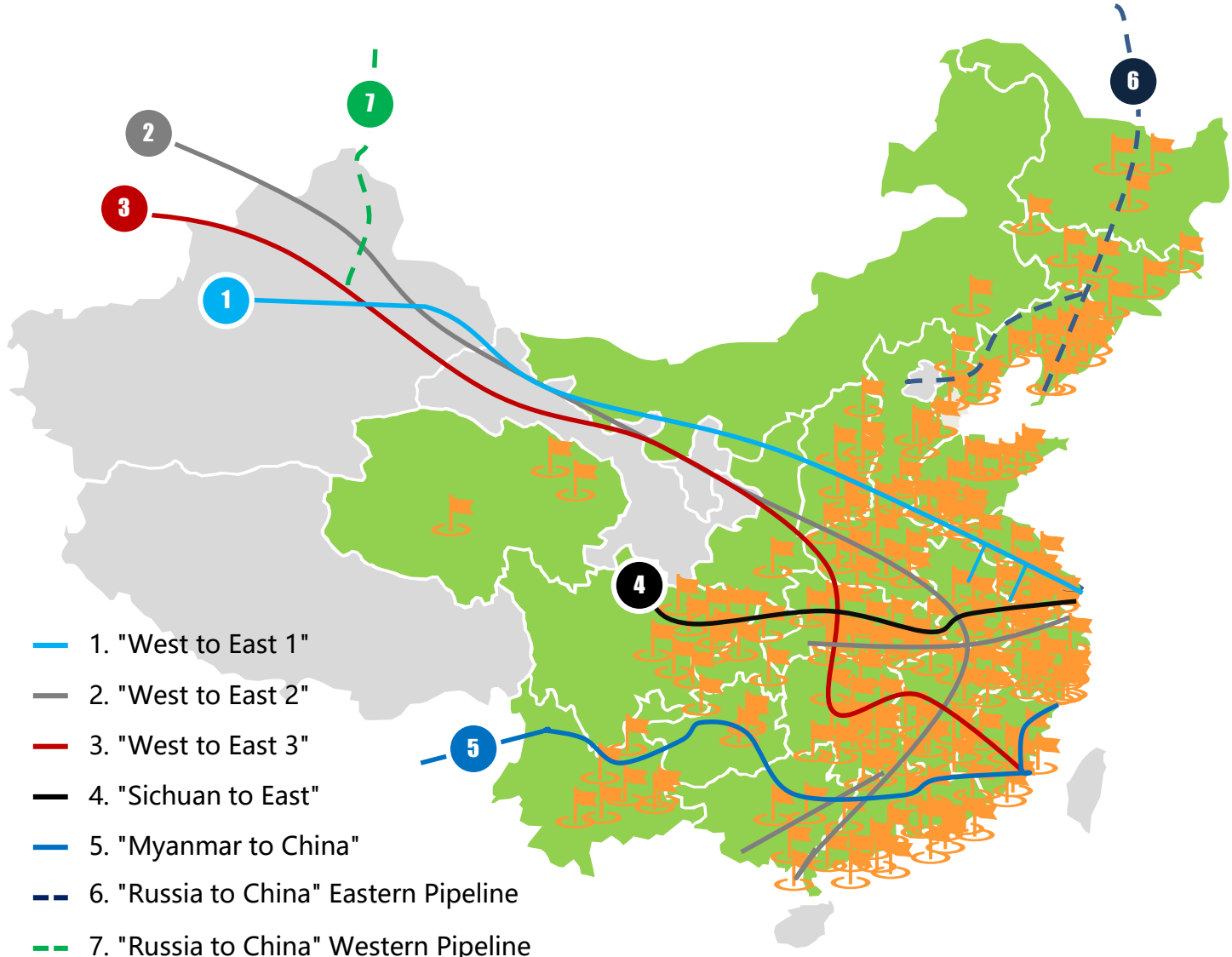
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Pan-China strategy of project locations help diversifying the systematic risk regionally; projects can easily secure gas sources as most of them are located closely to the main gas supply pipelines.



248 City Gas Projects

14 Provincial Capitals

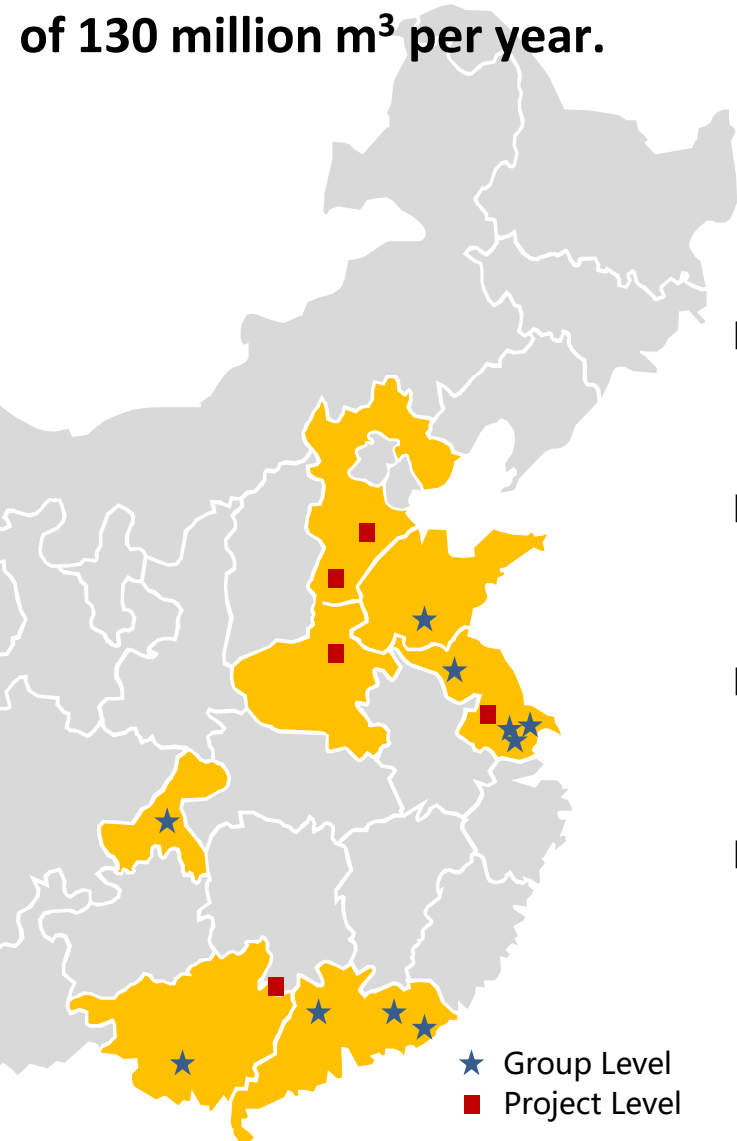
73 Prefecture-level Cities

34.64 M Customers

155 K Pipeline

68.87 M Connectable Households

In 2018, 10 new projects were set up at group level, 9 new projects at project level, total investment was HK\$1.49 billion, representing a new concession area of 10,000 km², 600,000 new customers and addition gas sales volume of 130 million m³ per year.



- M&A Capex: **HK\$1.49 billion**
- Concession area added: **10,000 km²**
- New customers: **600,000**
- Annual additional gas sales: **130 M m³**

★ Group Level
■ Project Level

New projects in 2018

Group Level	Location	Project Level	Location
马山工业园	江苏省	郑州物流园	河南郑州
惠山智慧能源	江苏省	富川县	广西贺州
宿迁洋河新区	江苏省	镇江公交新能源	江苏镇江
汕头潮阳区	广东省	衡水鸿华燃气	河北衡水
江阴高压管网	江苏省	峰峰平安燃气	河北邯郸
阳山县	广东省	昆明天然气管网	云南昆明
邹城市	山东省	四川空港燃气	四川成都
南宁市武鸣区	广西省	乐都工业园	青海乐都
普宁市纺织工业园	广东省	枣庄高新区	山东枣庄
重庆分布式能源	重庆市		

Redefining the headquarter functions, further enhance the technology capacity and expand the value-added business model to create new earnings driver.

Operation Headquarter

- Bus. Development
- Safety Operation
- Technology Research
- New Investment



Management Headquarter

- Administration
- Human Resources
- Strategic Planning
- Team Building



Redefine HQ Functions
Improve Expansion Capacity

Research & Development Center Establishment



- Leverage on the strong research and technology support, CR Gas will establish "PERCENT" gas appliances and smart energy R&D center in the Guangdong-HK-Macao Greater Bay Area;
- Promote smart gas operation with the application of **GIS** and **SCADA**.

Technology & Value-Added Services Expansion



- Technology and value-added service company will be set up in Zhongshan to expand the value-added services coverage and further promote the gas insurance and gas appliance business.

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



Actively invest in the distributed energy projects, 6 new projects were signed in 2018, total investment of HK\$1.07 billion. A total of 23 projects were signed, total designed capacity is 287MW; 30 gas-heat projects with steam sold of 140,000 ton/year.



Steadily Tap into the Distributed Energy Market

6 Projects signed in 2018:

- Yueyang: Hospital
- Shenzhen: Eco-Recreation Park
- Nanjing: Airport & Industrial Park
- Puning: Textile Industrial Park
- Chongqing: Hospital
- Chongqing: Green Industrial Park

Industrial Park



Commercial Complex



Production Base



Projects signed or in operation: 23

Designed capacity: 287MW

Develop the Gas-Heat Integrated Projects



Extend from gas distribution to value-added heat distribution:

- Industrial gas-heat projects: 4
 - Steam: 140,000 ton/year
 - Gas volume equivalent: 10.80 million m³
- Commercial heat projects: 9
 - Gas volume equivalent: 1.96 million m³
- Residential heat projects: 17
 - Gas volume equivalent: 16.84 million m³

In 2018, vehicle charging companies have been set up in Hangzhou and Nanjing, scale of value-added business continue to expand.

Exploring New Energy Opportunities

38 vehicle charging stations in **Hangzhou** and **Nanjing** are in operation.

- Electric public bus served: **1500 buses**
- Annual electricity consumption: **62 million units**
- Operating profit: **HK\$16.5 million**
- **Zhenjiang** and **Yueyang** start operation in 2019.

Suzhou and Nanchang:
Pilot cities to transform existing gas stations to charging stations.



■ Gross Gas Appliance Revenue:



■ Gross Gas Insurance Revenue:



■ Gross Other Value-added Revenue:



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As at	31 Dec 2018	31 Dec 2017	Increase/(Decrease)
	HK\$'000	HK\$'000	
Turnover	51,165,371	39,837,597	28.4%
Gross profit	13,621,728	11,915,789	14.3%
Profit from operation (before finance costs and share of JVs & associates results)	7,530,060	6,305,062	19.4%
Profit for the year	5,888,411	4,910,867	19.9%
Profit attributable to the equity holders	4,450,101	3,653,994	21.8%
Net cash from operating activities	8,341,530	7,796,322	7.0%
Basic EPS ⁽¹⁾ (HK\$)	2.04	1.68	21.4%
Interim and proposed final dividend per share (HK\$ cents)	77	55	40.0%

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

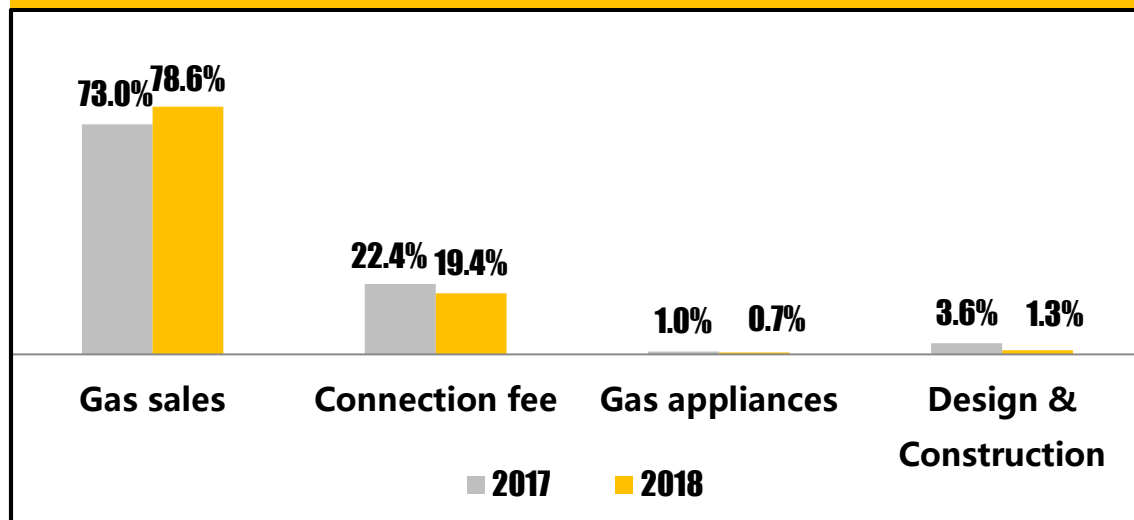
As at	31 Dec 2018	31 Dec 2017	Increase/(Decrease)
	HK\$'000	HK\$'000	
Total assets	73,571,778	68,763,804	7.0%
Bank balance and cash	10,392,696	10,355,981	0.4%
Total bank, note and other borrowings	11,638,022	11,366,719	2.4%
Net borrowings	1,245,326	1,010,738	23.2%
Equity attributable to the equity holders	24,081,120	21,992,648	9.5%
Non-controlling interests	7,527,360	7,176,677	4.9%
Total equity	31,608,480	29,169,325	8.4%

Financial Indicators	31 Dec 2018	31 Dec 2017	Increase/(Decrease)
Gross profit margin	26.6%	29.9%	(3.3ppt)
Net profit margin	11.5%	12.3%	(0.8ppt)
Net profit margin attributable to owners of the Company	8.7%	9.2%	(0.5ppt)
Debt to capitalization ratio ⁽¹⁾	26.9%	28.0%	(1.1ppt)
Debt to asset ratio ⁽²⁾	15.8%	16.5%	(0.7ppt)
Return on equity	18.5%	16.6%	1.9ppt

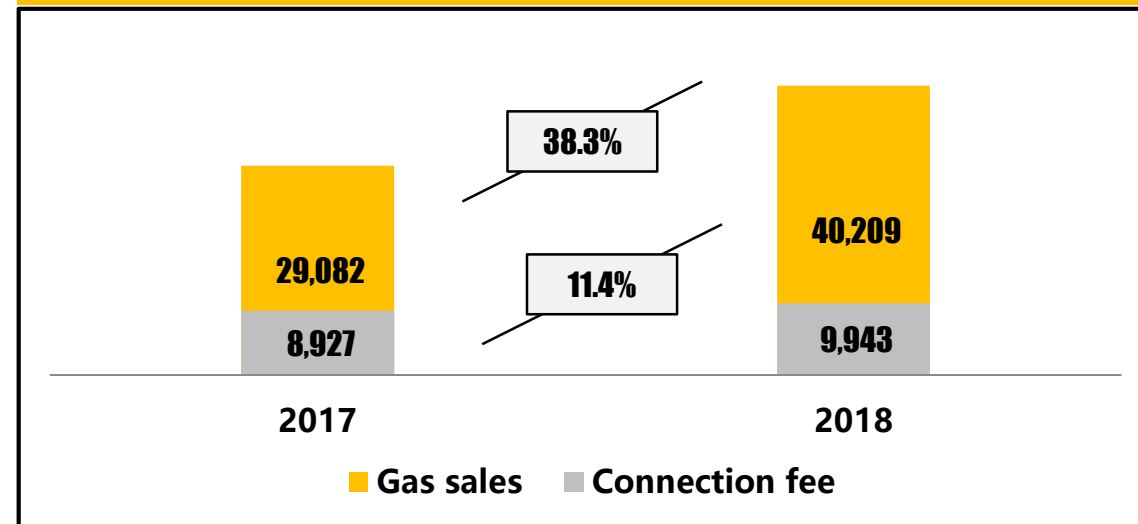
Notes: (1) Debt/capitalization gearing ratio is the ratio of total bank, note and other borrowings to total bank, note and other borrowings and total equity

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

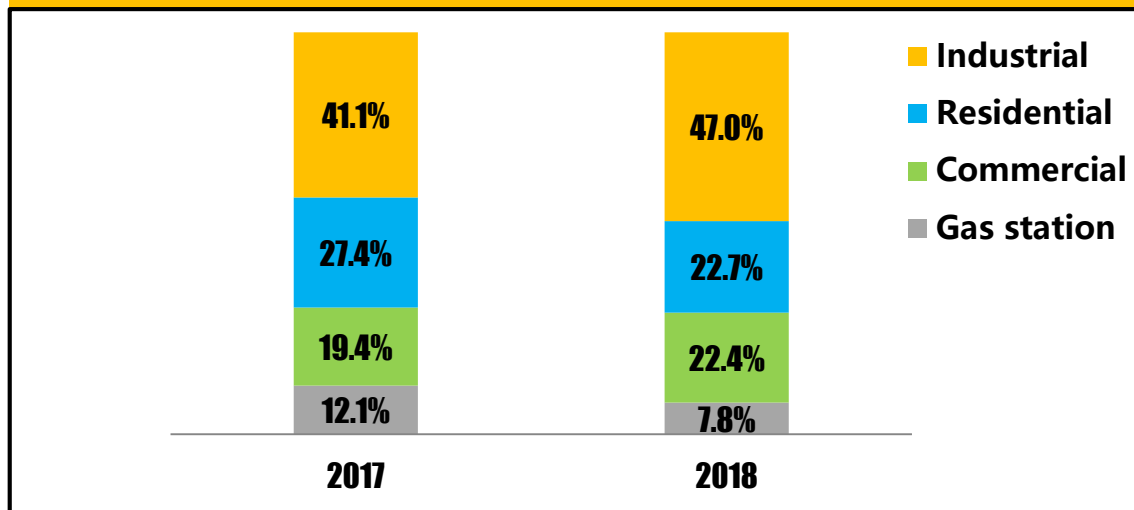
Revenue



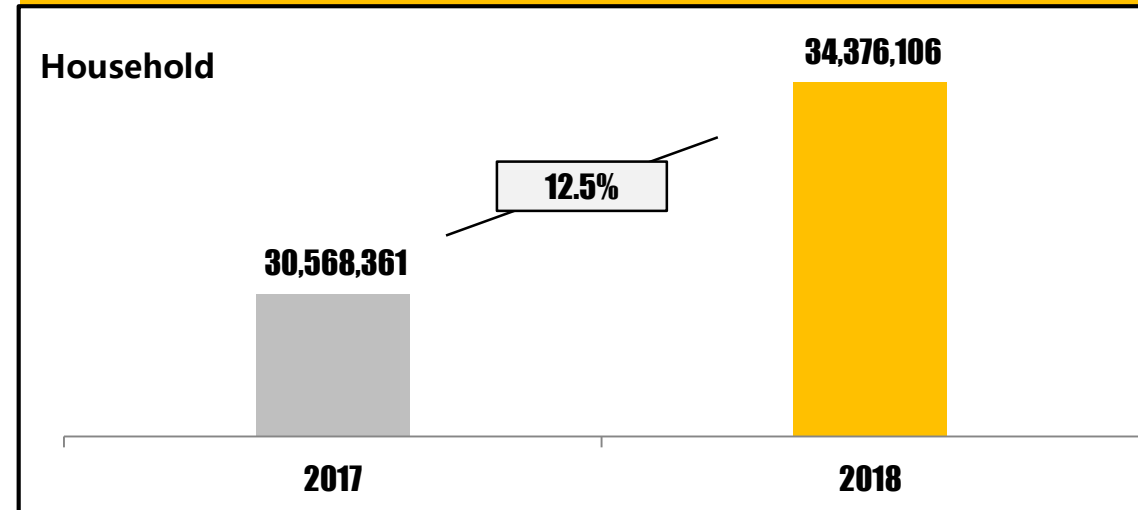
Gas Sales & Connection Revenue



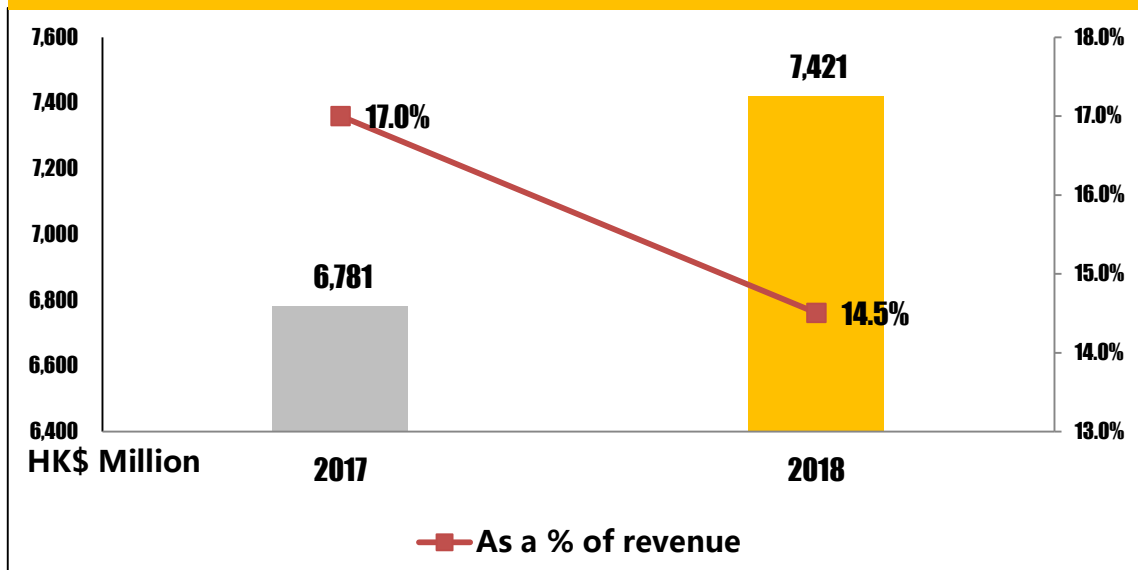
Gas Sales Volume



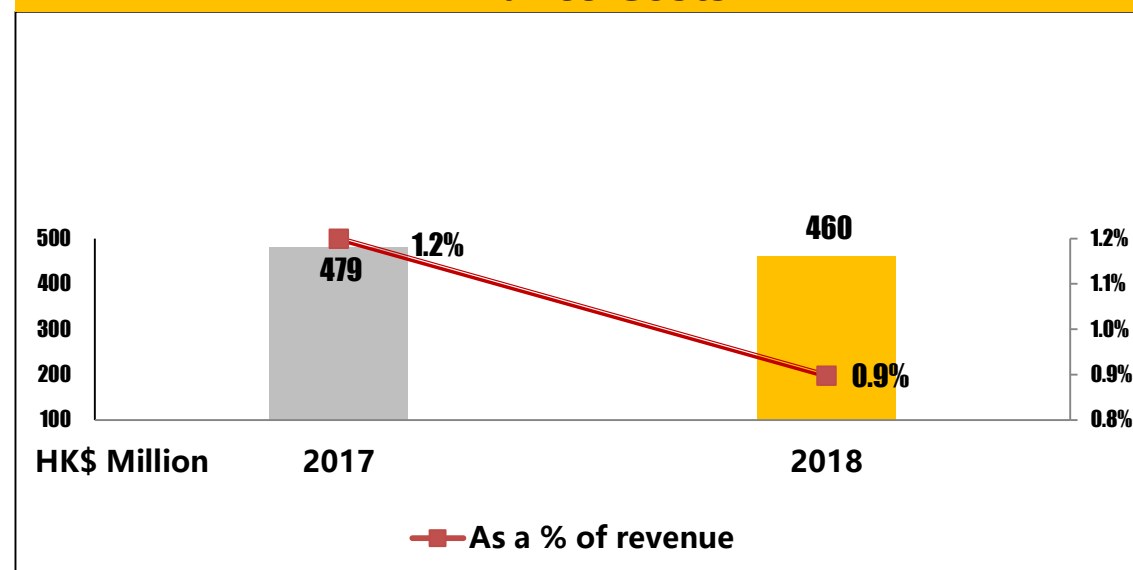
Residential Customer



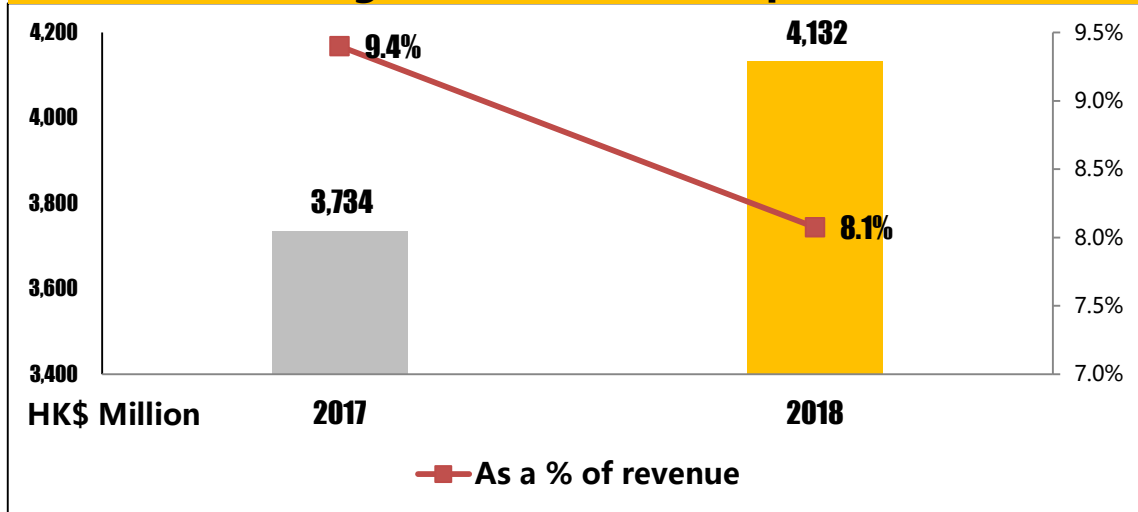
Total Costs



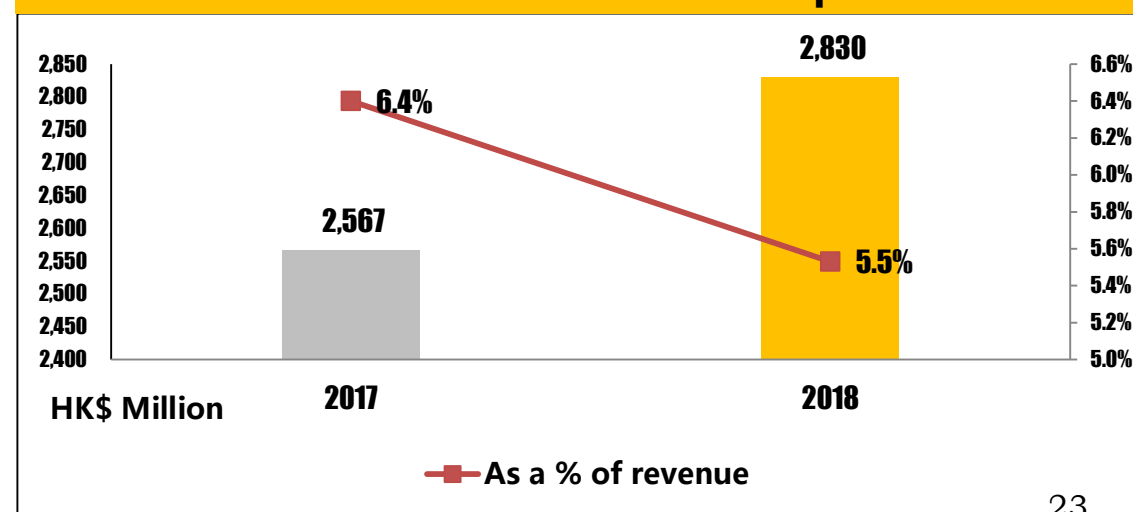
Finance Costs



Selling & Distribution Expenses

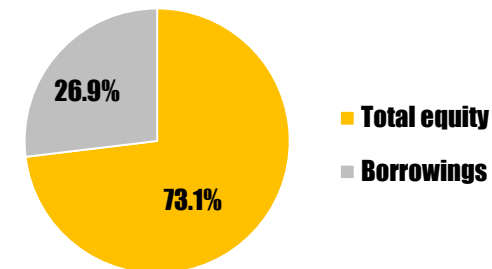


General & Administrative Expenses



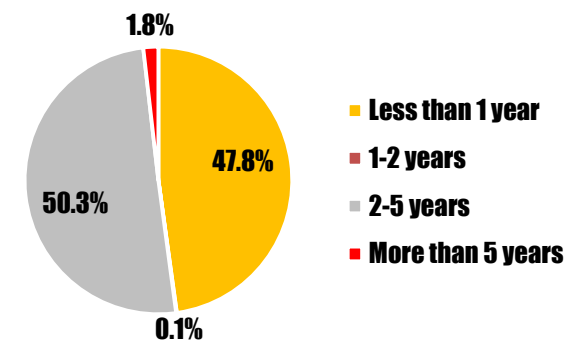
Equity & Debt

	HK\$'000	%
Total equity	31,608,480	73.1%
Total bank, note & other borrowing	11,638,022	26.9%
Total capital	43,246,502	100.0%



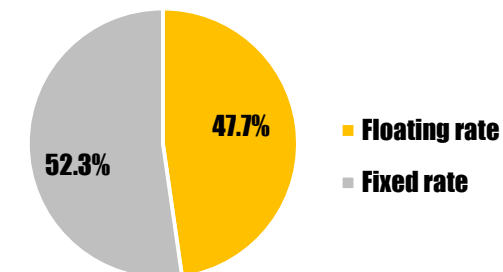
Long & Short Term Borrowings

	HK\$'000	%
Less than 1 year	5,563,132	47.8%
1-2 years	8,983	0.1%
2-5 years	5,854,586	50.3%
More than 5 years	211,321	1.8%
Total	11,638,022	100.0%



Fixed & Floating Borrowings

	HK\$'000	%
Floating rate	5,554,150	47.7%
Fixed rate	6,083,872	52.3%
Total	11,638,022	100.0%



	As at 31 Dec 2018	As at 31 Dec 2017	Change
Number of projects	248	238	10
Connectable householders (million)	68.87	62.86	6.01
Connectable population (million)	206.61	188.58	18.03
Penetration rate of residential household	50.3%	48.4%	1.9ppt
Gross gas sales volume (million m³)	24,278	19,667	23.4%
Residential	5,522	4,767	15.8%
Industrial	11,406	8,644	32.0%
Commercial	5,449	4,448	22.5%
CNG station	1,490	1,418	5.1%
LNG station	412	390	5.5%
Average gas tariff / cost / gross margin (RMB per m³)	2.68/2.08/0.60	2.62/2.04/0.58	0.06/0.04/0.02

	As at 31 Dec 2018	As at 31 Dec 2017	Change
Total length of pipeline (km)	155,076	145,522	9,554
Connected customers	34,642,424	30,810,018	3,832,406
Residential	34,376,106	30,568,360	3,807,746
Industrial	18,285	15,224	3,061
Commercial	248,032	226,434	21,598
Average residential connection fee (RMB)	2,892	2,940	(48)
New residential with paid connection fee			
Gross	3,224,555	2,996,077	228,478
Consolidated basis	2,243,015	2,078,327	164,688
Gas stations (CNG/LNG/L-CNG)	359 (229/85/45)	349 (227/79/43)	10 (2/6/2)

Disclaimer and Contact

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