



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

## Moody's Affirms China Resources Gas at Baa1 Ratings with a Stable Outlook

Hong Kong - **China Resources Gas Group Limited** ("CR Gas" or the "Company", HKEx Mainboard Stock Code: 1193; together with its subsidiaries, the "Group"), the leading downstream city gas distributor in China, has been affirmed by Moody's a "Baa1 Rating" with a stable outlook for both the Issuer Ratings and Senior Unsecured ratings.

"We are very pleased with the affirmation of CR Gas's credit ratings by Moody's. Our strong investment grade credit quality reflects the underlying strength of CR Gas's strategy, the ongoing success in maintaining market leadership, the improved asset quality, and the strong operating performance. These ratings also reflect the CR Gas's healthy financial position and strong funding profile. We will continue to maintain sound levels of profitability, generate significant cash flows, and deliver our commitments to stakeholders." said Mr. Ken Ong, CFO of CR Gas.

According to Moody's, the drivers of CR Gas's Baa1 Ratings are in: 1) Leading position in China's city piped-gas distribution industry; 2) Strong operating support from its parent, CRH, a conglomerate owned by the State Council of China; 3) Well geographically diversified city-gas projects and end-user portfolio; 4) Exposure to China's evolving regulatory and operating environment; and 5) Improved financial profile.

Specifically, Moody's highlights that CR Gas's leading industry position enhances its bargaining power with upstream natural gas suppliers, end users and city governments. Moreover, Moody's expects that the wide geographic diversification enables CR Gas to enjoy better growth potential than competitors, because the company's projects are primarily located in provincial capital cities or regional economic and industrial centres. The report of Moody's affirms that CR Gas has demonstrated its ability to pass on higher costs from the recent national-wide tariff hike in H2 2013 for commercial and industrial customers. Moody's also expects that a material decline in connection fees is unlikely in the near term, because local governments still need to provide incentives for city-gas distributors to build the "last mile" of the connection, amid a low average gas penetration ratio.

Moody's additionally acknowledges the moderate improvement of CR Gas's financial profile, which

shows with funds from operation (FFO)/debt increasing to 22.3% at year end of 2013, from 16.6% a year ago, and debt/capitalization decreasing to 43.1% from 44.7% a year ago. Moody's Ratings also underlines that CR Gas has a sound liquidity profile, having HKD9.6 billion of cash-on-hand against total debt of HKD13.9 billion.

On the whole, Moody's expects that CR Gas will continue to experience rapid growth in the next five years, given the Chinese government's support for greater consumption of natural gas.

At the end of 2013, CR Gas's portfolio is consisted of 176 city gas projects in 21 provinces in China including 11 provincial capitals and 3 direct administrative municipalities with an annual gross gas sales volume of some 12.1 billion cubic meters and 18.6 million customers.

### **About CR Gas**

CR Gas, 63.95% owned by China Resources (Holding) Co. Ltd, one of the largest state-owned conglomerates in China, is principally engaged in downstream city gas distribution business including piped natural gas distribution and natural gas filling stations operation. Its operations are strategically located in areas of China, which are economically more developed and densely populated and areas with rich reserves of natural gas. CR Gas aspires to become a respected market leader in downstream city gas distribution business in China.

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