



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

## **CR GAS EXPECTS TO PASS THROUGH THE RECENT CITY GATE PRICE INCREASE TO NON-RESIDENTIAL CUSTOMERS WITHOUT DELAY AND COST IMPACT**

China Resources Gas Group Limited (“CR Gas” or the “Group”, stock code: 1193) expects to pass through the increase in city gate price to non-residential customers, following the announcement of a nationwide piped natural gas price increase by the National Development and Reform Commission (“NDRC”) of the People’s Republic of China (“PRC”) on 28 June 2013.

According to NDRC, the maximum increase on city gate price is RMB0.40/m<sup>3</sup> for “existing” gas volume (basing on 2012 actual gas volume), while the price increase on “incremental” gas volume is based on the market based pricing formula derived from fuel oil and LPG weighted prices, which is already in place for Guangdong and Guangxi provinces since December 2011. NDRC estimated the proportions of gas volume of “existing” and “incremental” gas for 2013 to be 91% and 9% respectively.

The increase of RMB0.40/m<sup>3</sup> for “existing” volume represents about 15% of CR Gas’ average selling price to non-residential customers. Though the increase of the “incremental” gas volume is higher based on the new pricing formula, the affected volume is small and accounts less than 10% of the Group’s expected sales volume for 2013. So the blended price increase to the Group’s non-residential customers is expected to be only about RMB0.50/m<sup>3</sup> or 18%.

CR Gas believes the moderate price increase will be acceptable to non-residential customers. More importantly, after the increase, gas is still about 30% more competitive than fuel oil and electricity based on similar heat content, and for vehicular use, it is still some 40% cheaper than petrol.

Furthermore, the price increase only affects non-residential customers and therefore no lengthy public hearing process is required; and CR Gas can utilise the existing automatic price adjustment mechanism to facilitate the cost pass through. All these together with CR Gas’ proven ability to

execute the nationwide price adjustment in 2010 increase CR Gas' confidence in passing through the price increase with minimal delay.

Most of CR Gas' city gas projects will carry out the price increase to non-residential customers, except for those not using piped natural gas such as those projects in Fujian and Kunming and those in Guangdong and Guangxi where the new market based price