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J.P.Morgan

Asia Pacific Equity Research
10 November 2016

Hong Kong & China Gas

Good time to consider our UW call amid rising yields

Underweight

0003.HK, 3 HK
Price: HK$15.16

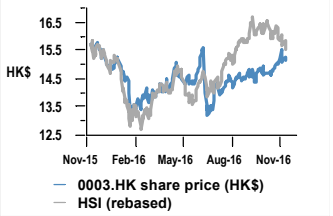
Price Target: HK$12.30

HK & China Gas outperformed the market and peers by 5-10% the past month. We believe this was partly due to investors' search for a safer play in HK-based assets amid regulatory risks in the China gas sector and Rmb depreciation. HKCG shares are richly valued at 26x P/E and 2.5% dividend yield on the back of slowing operating profit growth of c5% pa during 2016-18. We reiterate our UW call on HKCG and recommend OW on ENN and Power Assets instead.

- **More HKD protection from other names.** Amid a depreciating Rmb vs HKD and USD, we believe investors have been attracted to HKCG due to its Hong Kong gas business. However, we believe CLP (2HK) and HK Electric Investments (2638HK) would be better alternatives for that purpose because they respectively have c70% and 100% of their earnings from HK, unlike HKCG which has only c40%.
- **Regulatory overhang in China.** The government has been pushing for lower retail gas prices, which could potentially squeeze the margins for gas utilities. This has resulted in the sector's recent underperformance. However, HKCG outperformed its China gas peers by 10%, which we think is unjustified because c60% of its business would be impacted if margins were indeed compressed.
- **Rich valuation for mid single-digit growth.** Shares of HKCG are trading at 26x P/E, 3x P/B and 2.5% yield. This is a >30% premium vs its HK utilities' peers, which we find unjustified as HKCG's single-digit earnings growth is in line with growth from other HK utilities. Our top pick in HK utilities is Power Assets, which has a 3.8% yield.
- **Risks to our call.** 1) Higher oil prices could improve earnings at the New Energy segment and indirectly result in higher gas demand in China; 2) Higher-than-expected gas consumption in HK and China; 3) Share buybacks by the company.

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Price Performance



	YTD	1m	3m	12m
Abs	1.3%	3.0%	4.0%	-3.8%
Rel	-3.8%	7.8%	4.2%	-2.4%

Hong Kong & China Gas (Reuters: 0003.HK, Bloomberg: 3 HK)

HK$ in mn, year-end Dec	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue (HK$ mn)	31,615	29,591	28,106	29,075	30,183
Net Profit (HK$ mn)	7,109	7,302	6,964	7,161	7,377
EPS (HK$)	0.61	0.63	0.57	0.56	0.58
DPS (HK$)	0.32	0.35	0.37	0.39	0.42
Revenue growth (%)	11.9%	(6.4%)	(5.0%)	3.4%	3.8%
EPS growth (%)	(5.7%)	2.7%	(9.2%)	(1.8%)	3.0%
ROCE	10.9%	10.7%	10.1%	10.2%	10.4%
ROE	13.9%	13.8%	13.1%	13.2%	13.5%
P/E (x)	24.7	24.0	26.4	26.9	26.1
P/BV (x)	3.3	3.3	3.4	3.5	3.5
EV/EBITDA (x)	17.7	17.5	18.0	17.6	17.2
Dividend Yield	2.1%	2.3%	2.4%	2.5%	2.8%

Source: Company data, Bloomberg, J.P. Morgan estimates.

Company Data	
Shares O/S (mn)	12,717
Market Cap (HK$ mn)	192,790
Market Cap ($ mn)	24,858
Price (HK$)	15.16
Date Of Price	10 Nov 16
Free Float(%)	60.0%
3M - Avg daily vol (mn)	9.70
3M - Avg daily val (HK$ mn)	143.09
3M - Avg daily val ($ mn)	18.4
HSI	22,415.19
Exchange Rate	7.76
Price Target End Date	30-Jun-17

See page 10 for analyst certification and important disclosures, including non-US analyst disclosures.
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Key catalysts for the stock price:	Upside risks to our view:	Downside risks to our view:
• Higher gas sale volume growth and addition of new city gas projects • Growth in earnings from New Energy segment • Potential share buyback	• Higher than expected gas volume sales and margins • Improvement in New Energy earnings	• Weaker gas sales growth • Higher gas supply cost • Delays in commissioning of New Energy projects

Key financial metrics	FY15	FY16E	FY17E	FY18E
Revenues (HK$MM)	29,591	28,106	29,075	30,183
Revenue growth (%)	-6.4%	-5.0%	3.4%	3.8%
EBITDA (HK$MM)	13,110	12,895	13,290	13,699
EBITDA margin (%)	44.3%	45.9%	45.7%	45.4%
Tax rate (%)	17%	20%	20%	20%
Net profit (HK$MM)	7,302	6,964	7,161	7,377
EPS (HK$)	0.632	0.57	0.56	0.58
EPS growth (%)	2.7%	-4.6%	2.8%	3.0%
DPS (HK$)	0.35	0.39	0.42	0.47
BVPS (HK$)	4.57	4.65	4.71	4.74
Operating cash flow (HK$MM)	8,277	6,776	8,357	8,593
Free cash flow (HK$MM)	2,247	2,776	4,357	4,593
Interest cover (x)	12	11	11	11
Net margin (%)	24.7%	24.8%	24.6%	24.4%
Sales/assets (X)	0.26	0.24	0.25	0.25
Debt/equity (%)	53.3%	52.8%	52.3%	51.7%
Net debt/equity (%)	40.0%	43.7%	45.3%	47.6%
ROE (%)	14%	13%	13%	14%
Key model assumptions	**FY15**	**FY16E**	**FY17E**	**FY18E**
HK gas volume growth (%)	(1.5)	2.0	0.5	0.5
China gas volume growth (%)	2.0	8.0	7.0	6.0
Interest rate (%)	3.6	3.6	3.6	3.6

Source: Company and J.P. Morgan estimates.

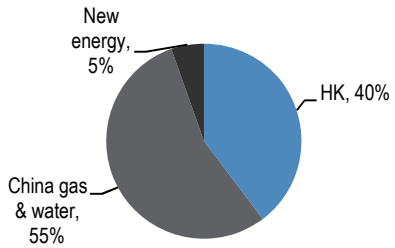
Sensitivity analysis	EBITDA		EPS	
Sensitivity to	FY16E	FY17E	FY16E	FY17E
2% chg in HK gas sales	0.9%	0.9%	0.7%	0.7%
2% chg in China gas sales	0.9%	0.9%	1.0%	1.0%
2% chg in RMB/HK$	1.0%	1.0%	1.0%	1.1%

Source: J.P. Morgan estimates.

Valuation and price target basis

Our Jun-17 PT for HKCG is determined based on a sum-of-the-parts valuation, using DCF to value the HK, China and New Energy segments and NAV to value the Property segment. Our PT implies FY16E P/E of 22x and yield of 3.1%

HKCG 2015 operating earnings breakdown



Source: Company and J.P. Morgan.

JPMe vs. consensus, change in estimates		
EPS (LC)	**FY16E**	**FY17E**
JPMe old	0.57	0.56
JPMe new	0.57	0.56
% chg	*0%*	*0%*
Consensus	0.65	0.67

Source: Bloomberg, J.P. Morgan estimates.

Comparative metrics

	Ticker	Mkt Cap	P/E (x)*		Net gearing (%)		Yield (%)		P/B (x)		ROE (%)	
		$Mn	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E	FY16E	FY17E
CKI	1038 HK	22,489	14.0	13.6	7	6	3.5	3.6	1.6	1.5	11.4	11.5
PAH	6 HK	20,295	20.0	19.5	(44)	(44)	3.7	3.8	1.3	1.3	6.4	6.4
HKEI	2638 HK	8,625	19.5	19.1	83	83	5.3	5.3	1.4	1.4	7.0	7.1
CLP	2 HK	25,539	15.9	14.8	54	46	3.5	3.7	2.0	1.9	13.0	13.2
HKCG	3 HK	24,858	28.6	29.1	44	45	2.4	2.5	3.4	3.5	12.1	12.2
Average		**20,361**	**19.6**	**19.2**	**29**	**27**	**3.7**	**3.8**	**1.9**	**1.9**	**10.0**	**10.1**

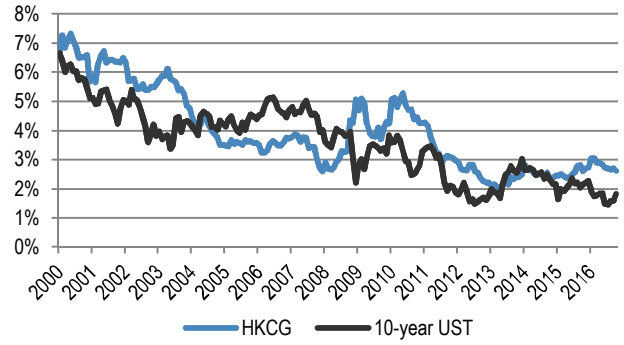
Source: Bloomberg, J.P. Morgan estimates. Prices are as of last trading day. *Recurring EPS

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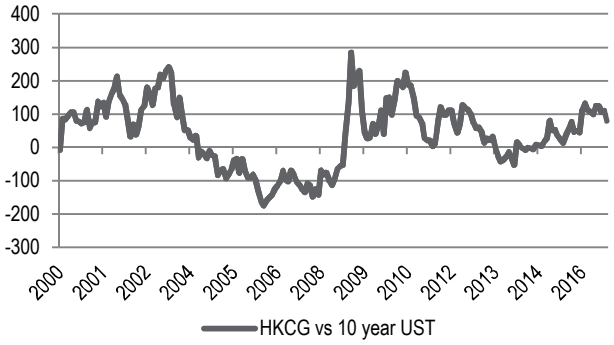
HK utilities' dividend yield vs UST

Figure 1: HKCG yield vs 10-year UST



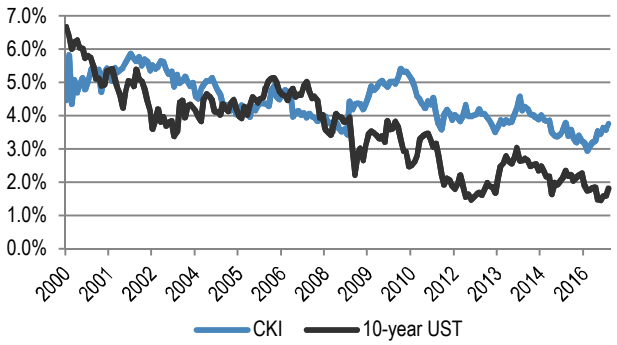
Source: Bloomberg.

Figure 2: HKCG spread vs 10-year UST (in bps)



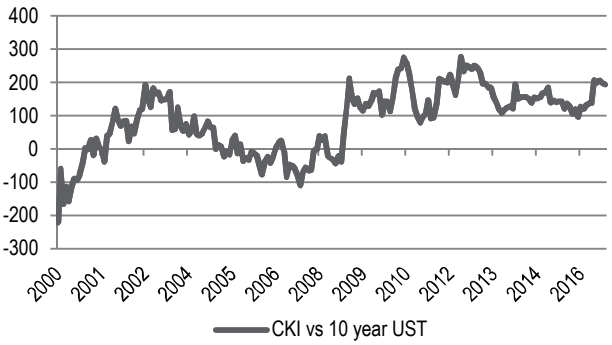
Source: Bloomberg.

Figure 3: CKI yield vs 10-year UST



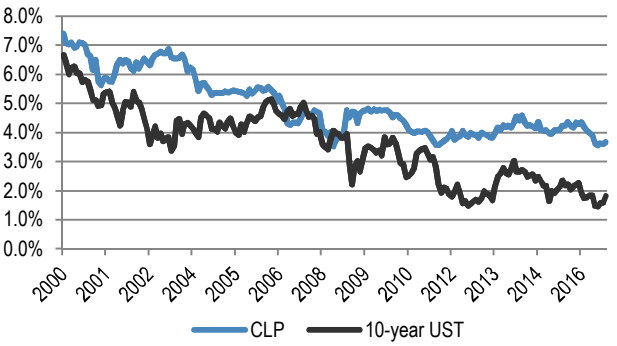
Source: Bloomberg.

Figure 4: CKI spread vs 10-year UST (in bps)



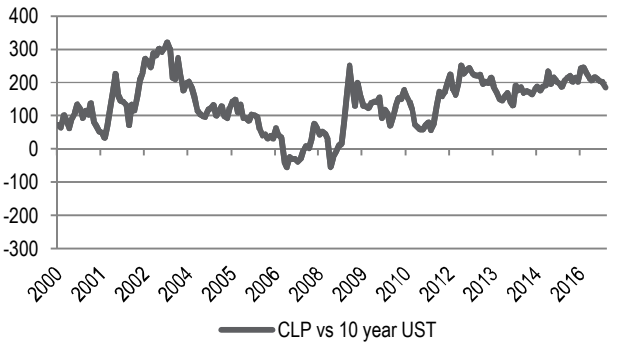
Source: Bloomberg.

Figure 5: CLP yield vs 10-year UST



Source: Bloomberg.

Figure 6: CLP spread vs 10-year UST (in bps)

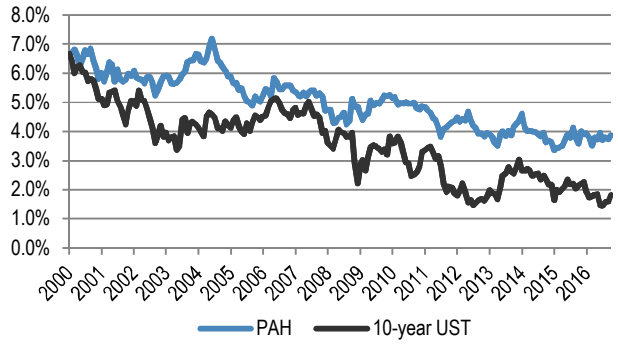


Source: Bloomberg.

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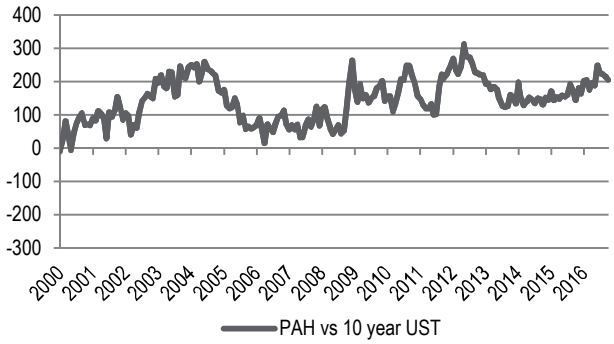
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Figure 7: Power Assets yield vs 10-year UST



Source: Bloomberg.

Figure 8: Power Assets spread vs 10-year UST (in bps)



Source: Bloomberg.

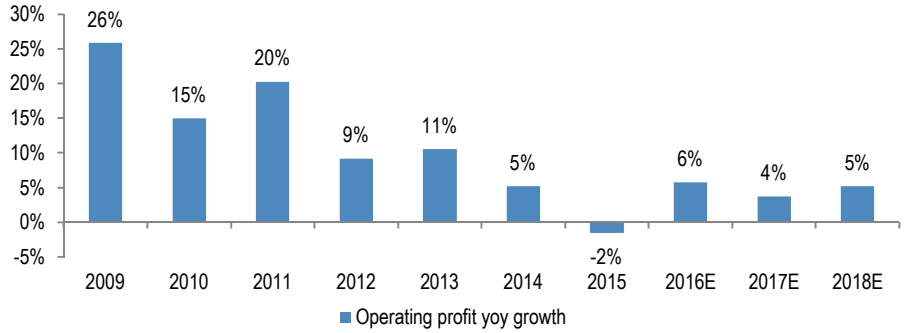
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Rich valuation for low growth business

HKCG has historically enjoyed a valuation premium over its HK utilities' peers because it was the company delivering the highest earnings growth of >20%, driven by its China gas distribution business. However, following the company's disappointing results in 2015, with operating profit after tax down 2% yoy, we expect HKCG's future earnings growth to be at a mid-single digit growth rate.

Figure 9: HKCG - Operating profit after tax



Source: Company reports and J.P. Morgan estimates.

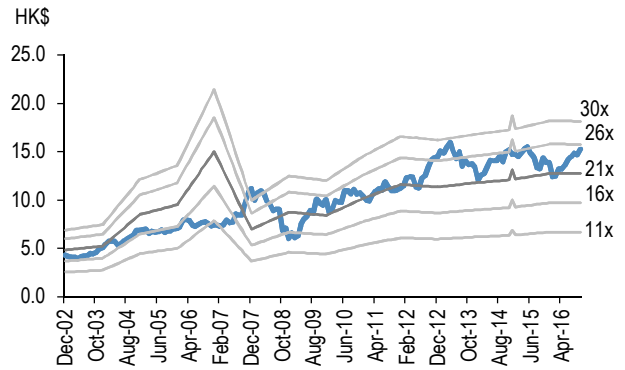
Table 1: HKCG - Operating profit after tax breakdown by segment

HK$MM

FY Dec	2009	2010	2011	2012	2013	2014	2015	2016E	2017E	2018E
HK	2,551.0	2,692.2	2,636.6	2,520.0	2,670.0	2,690.0	2,720.0	2,823.6	2,848.1	2,926.5
China	1,227.0	1,651.0	2,083.0	2,551.0	3,060.0	3,430.0	3,520.0	3,724.0	3,932.5	4,121.3
New energy	-	-	503.0	630.0	570.0	510.0	289.0	359.8	386.1	489.1
Total	**3,778.0**	**4,343.2**	**5,222.6**	**5,701.0**	**6,300.0**	**6,630.0**	**6,529.0**	**6,907.4**	**7,166.7**	**7,536.9**
yoy growth	26%	15.0%	20.2%	9.2%	10.5%	5.2%	-1.5%	5.8%	3.8%	5.2%

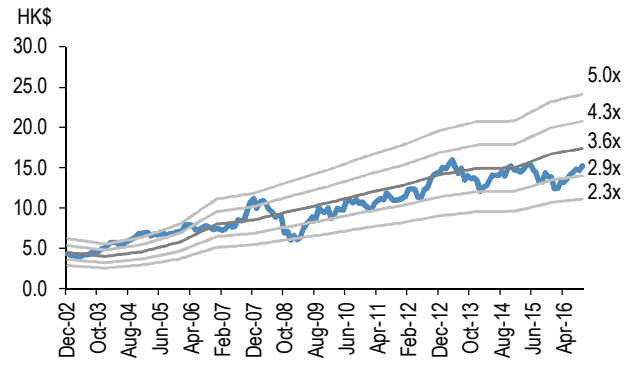
Source: Company reports and J.P. Morgan estimates.

Figure 10: HKCG - 1-year forward PE



Source: Bloomberg.

Figure 11: HKCG - 1-year forward PB



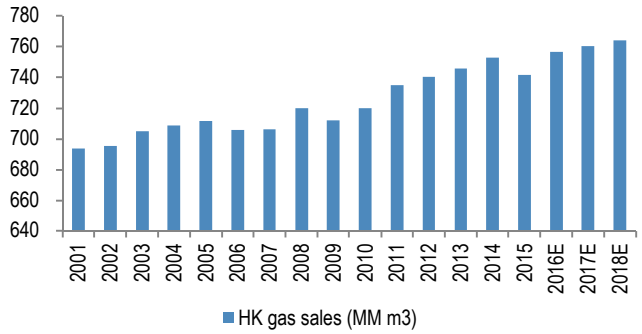
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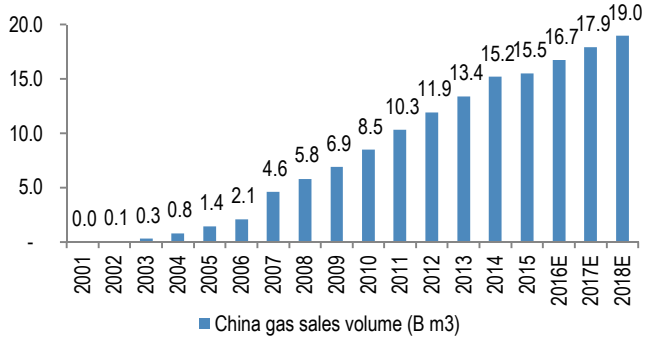
Operation charts

Figure 12: HKCG - HK gas sales volume (MM m3)



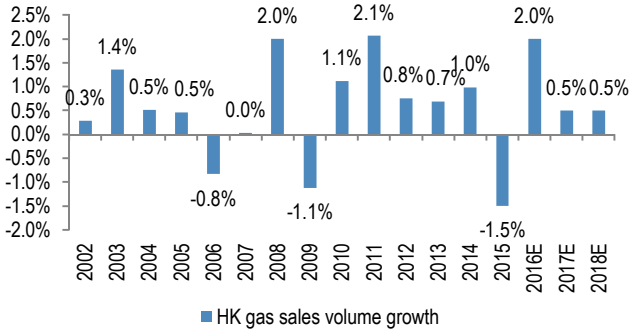
Source: Company reports and J.P. Morgan estimates.

Figure 13: HKCG - China gas sales volume (B m3)



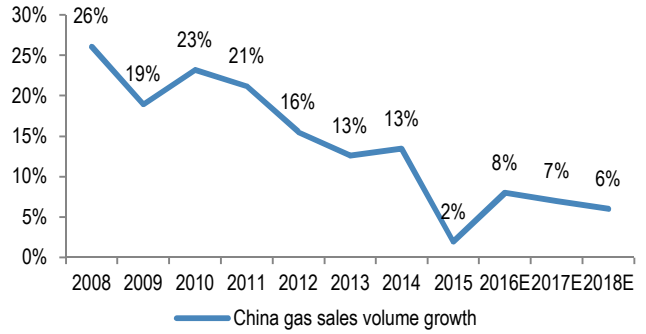
Source: Company reports and J.P. Morgan estimates.

Figure 14: HKCG - HK gas sales volume growth



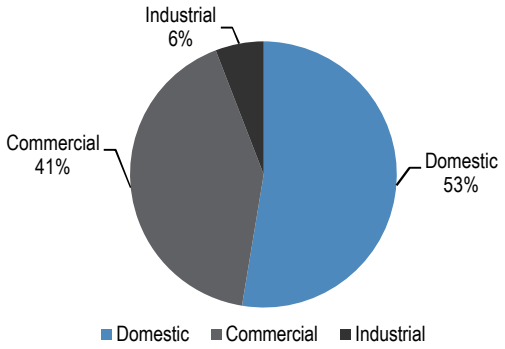
Source: Company reports and J.P. Morgan estimates.

Figure 15: HKCG - China gas sales volume growth



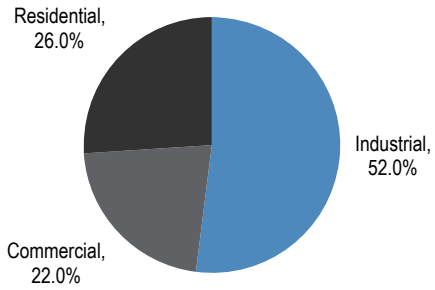
Source: Company reports and J.P. Morgan estimates.

Figure 16: HKCG – HK gas consumption breakdown by customer type (2015)



Source: CEIC.

Figure 17: HKCG - China gas consumption breakdown by customer type (2015)



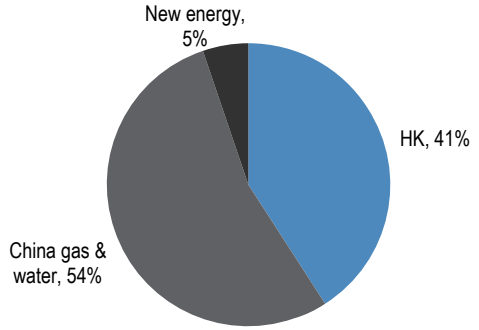
Source: Company reports.

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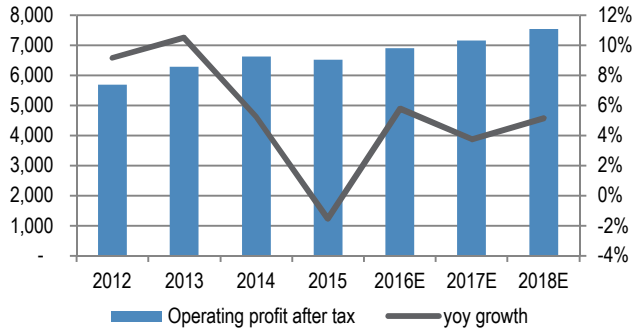
Financial charts

Figure 18: HKCG - operation earnings breakdown by segment (2016E)



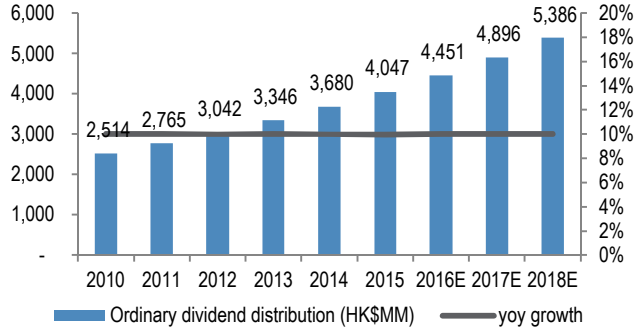
Source: J.P. Morgan estimates.

Figure 19: HKCG - Operating profit after tax (HK$MM), yoy growth (RHS)



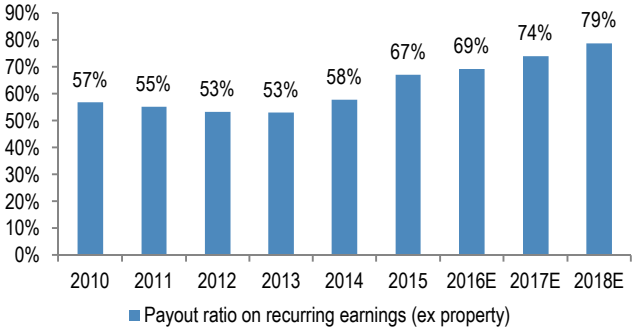
Source: Company reports and J.P. Morgan estimates.

Figure 20: HKCG - Dividend distribution (2010-2018E)



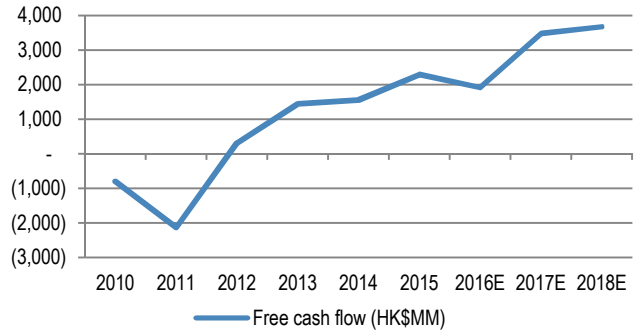
Source: Company reports and J.P. Morgan estimates.

Figure 21: HKCG - Payout ratio (2010-2018E)



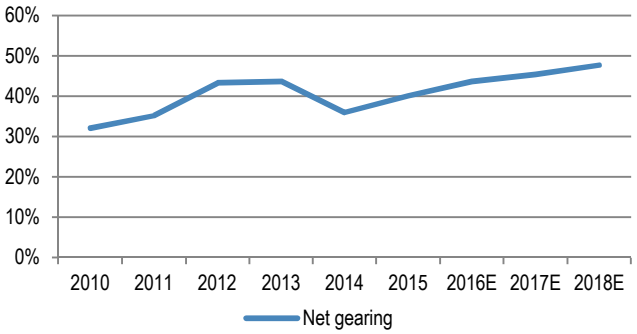
Source: Company reports and J.P. Morgan estimates.

Figure 22: HKCG - Free cash flow



Source: Company reports and J.P. Morgan estimates.

Figure 23: HKCG - Net gearing



Source: Company reports and J.P. Morgan estimates.

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Investment Thesis, Valuation and Risks

Hong Kong & China Gas *(Underweight; Price Target: HK$12.30)*

Investment Thesis

Hong Kong & China Gas is the largest downstream gas distributor in Hong Kong and China, with its monopoly position in HK and 100+ city-gas projects in China. The company is also involved in upstream energy and midstream projects in China. It also owns a 15.8% stake in the IFC complex in HK.

We have an UW on HKCG because this is a company with slowing EPS growth to ~5% in the long run. Yet, its valuation is >30% above peers', which is unjustified because its peers' growth rates are at 2-3%. Negative catalysts could come from regulatory risks in China and weaker-than-expected gas consumption in HK and China.

Valuation

Our Jun-17 PT for HKCG is determined based on a sum-of-the-parts valuation, using DCF to value the HK, China and New Energy segments and NAV to value the Property segment. Our PT implies FY17E P/E of 22x and yield of 3.1%

HKCG: Sum-of-the-parts valuation

Segment	Discount rate	Terminal growth rate/ exit multiple	Valuation methodology	Valuation (HK$ M)	NAV per share (HK$)	% of total
HK gas segment	4.9%	2.5%	DCF	115,380	9.1	61%
China gas & water	7.3%	9x EBITDA	DCF	49,913	3.9	26%
New energy segment	8.7%	9x EBITDA	DCF	5,483	0.4	3%
Property	NA	NA	NAV	19,848	1.6	10%
Net debt				(24,086)	(1.9)	
Minority interest				(8,026)	(0.6)	
Perpetual bonds				(2,354)	(0.2)	
Total				**156,159**	**12.3**	**100%**

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Upside risks include: (1) strong gas demand in HK and China, which would result in higher revenue; (2) higher oil prices which would result in stronger-than-expected earnings from upstream projects; and (3) share buybacks, which would result in share price increases.

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Hong Kong & China Gas: Summary of Financials

Income Statement					
HK$ in millions, year end Dec	**FY14**	**FY15**	**FY16E**	**FY17E**	**FY18E**
Revenues	31,615	29,591	28,106	29,075	30,183
% change Y/Y	11.9%	(6.4%)	(5.0%)	3.4%	3.8%
EBITDA	12,839	13,110	12,895	13,290	13,699
% change Y/Y	7.1%	2.1%	(1.6%)	3.1%	3.1%
EBIT	10,888	11,035	10,896	11,211	11,544
% change Y/Y	5.3%	1.4%	(1.3%)	2.9%	3.0%
EBIT Margin	34.4%	37.3%	38.8%	38.6%	38.2%
Net Interest	(1,013)	(1,129)	(1,184)	(1,206)	(1,220)
Associates	3,215	3,944	3,034	3,174	3,302
Other Income	-	-	-	-	-
Earnings before tax	9,875	9,906	9,712	10,005	10,324
% change Y/Y	4.9%	0.3%	(2.0%)	3.0%	3.2%
Tax	(1,771)	(1,727)	(1,905)	(1,980)	(2,060)
as % of EBT	17.9%	17.4%	19.6%	19.8%	20.0%
Exceptional items	(102)	(111)	(112)	(112)	(112)
Net income (reported)	7,109	7,302	6,964	7,161	7,377
% change Y/Y	3.7%	2.7%	(4.6%)	2.8%	3.0%
Shares outstanding	10,512	11,561	12,717	12,717	12,717
EPS (reported)	0.61	0.63	0.57	0.56	0.58
% change Y/Y	(5.7%)	2.7%	(9.2%)	(1.8%)	3.0%

Cash flow statement					
HK$ in millions, year end Dec	**FY14**	**FY15**	**FY16E**	**FY17E**	**FY18E**
Pre-tax profit	9,875	9,906	9,712	10,005	10,324
Depr. & amortization	1,952	2,075	1,999	2,079	2,156
Change in working capital	449	646	(1,257)	189	221
Taxes	(1,468)	(1,519)	(1,829)	(1,948)	(2,026)
Others	(1,330)	(1,746)	(930)	(1,073)	(1,161)
Cash flow from operations	8,180	8,277	6,776	8,357	8,593
Capex	(6,250)	(6,029)	(4,000)	(4,000)	(4,000)
Disposal/(purchase)	-	-	-	-	-
Free cash flow	1,930	2,247	2,776	4,357	4,593
Other	3,432	1,290	628	671	707
Cash flow from investing	(2,818)	(4,739)	(3,372)	(3,329)	(3,293)
Equity raised/(repaid)	0	0	0	0	0
Debt raised/(repaid)	1,226	1,925	609	409	198
Other	630	(2,336)	(1,296)	(1,317)	(1,332)
Dividends paid	(3,461)	(3,805)	(4,451)	(4,896)	(5,386)
Cash flow from financing	(1,605)	(4,217)	(5,138)	(5,805)	(6,520)
Beginning cash	8,849	12,606	11,926	10,192	9,416
Ending cash	12,606	11,926	10,192	9,416	8,195
DPS	0.32	0.35	0.37	0.39	0.42

Balance sheet					
HK$ in millions, year end Dec	**FY14**	**FY15**	**FY16E**	**FY17E**	**FY18E**
Cash and cash equivalents	12,606	11,926	10,192	9,416	8,195
Accounts receivable	6,976	6,897	6,328	6,603	6,922
Inventories	2,283	2,291	2,337	2,349	2,361
Others	2,777	2,519	2,519	2,519	2,519
Current assets	24,642	23,633	21,376	20,886	19,997
LT investments	26,606	28,880	29,747	30,639	31,558
Net fixed assets	52,037	50,131	52,131	54,052	55,896
Others	11,127	12,920	12,920	12,920	12,920
Total Assets	114,411	115,563	116,174	118,497	120,371
Liabilities					
Short-term loans	7,050	9,712	9,891	10,011	10,069
Payables	11,943	11,937	10,952	11,428	11,980
Others	1,697	1,532	812	844	878
Total current liabilities	20,690	23,181	21,656	22,284	22,927
Long-term debt	24,484	23,363	23,794	24,083	24,222
Other liabilities	7,013	6,906	6,906	6,906	6,906
Total Liabilities	52,187	53,450	52,356	53,273	54,056
Shareholder's equity	52,628	52,841	53,814	54,468	54,784
BVPS	4.55	4.57	4.43	4.28	4.31

Ratio Analysis					
HK$ in millions, year end Dec	**FY14**	**FY15**	**FY16E**	**FY17E**	**FY18E**
EBITDA margin	40.6%	44.3%	45.9%	45.7%	45.4%
Net profit margin	22.5%	24.7%	24.8%	24.6%	24.4%
Sales per share growth	1.8%	(6.4%)	(9.5%)	(1.3%)	3.8%
Sales growth	11.9%	(6.4%)	(5.0%)	3.4%	3.8%
Net profit growth	3.7%	2.7%	(4.6%)	2.8%	3.0%
EPS growth	(5.7%)	2.7%	(9.2%)	(1.8%)	3.0%
Interest coverage (x)	12.7	11.6	10.9	11.0	11.2
Net debt to equity	36.0%	40.0%	43.7%	45.3%	47.6%
Sales/assets	0.3	0.3	0.2	0.2	0.3
Assets/equity	2.2	2.2	2.2	2.2	2.2
ROE	13.9%	13.8%	13.1%	13.2%	13.5%
ROCE	10.9%	10.7%	10.1%	10.2%	10.4%
ROA	6.4%	6.4%	6.0%	6.1%	6.2%

Source: Company reports and J.P. Morgan estimates.

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Other Companies Discussed in This Report (all prices in this report as of market close on 10 November 2016)
CLP Holdings (0002.HK/HK$78.40/Neutral), ENN Energy Holdings Limited (2688.HK/HK$35.75/Overweight), HK Electric Investments (2638.HK/HK$7.57/Neutral), Power Assets Holdings Ltd (0006.HK/HK$73.75/Overweight)

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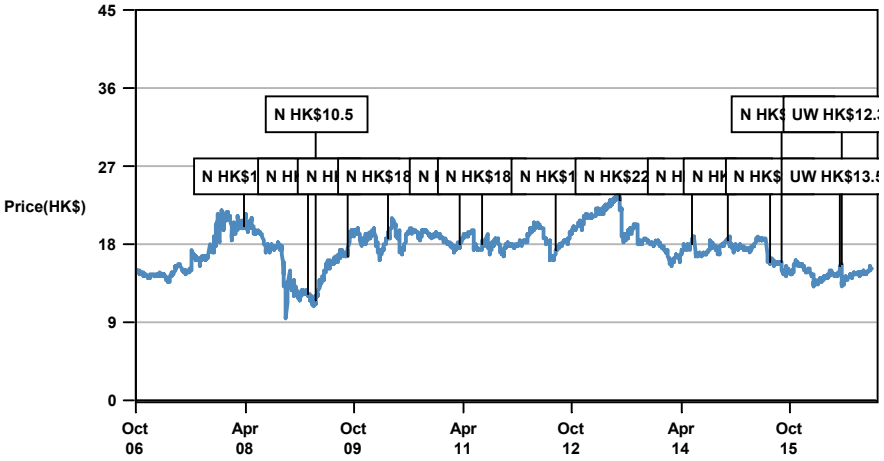
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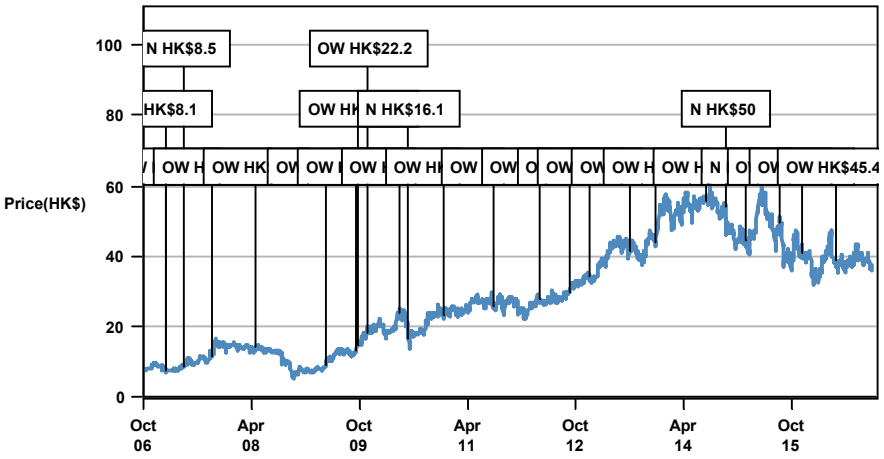
Hong Kong & China Gas (0003.HK, 3 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Mar 26, 2008.

Date	Rating	Share Price (HK$)	Price Target (HK$)
26-Mar-08	N	20.09	18.50
12-Feb-09	N	12.14	13.60
18-Mar-09	N	11.50	10.50
27-Aug-09	N	16.60	15.30
17-Mar-10	N	18.76	18.30
16-Mar-11	N	18.02	19.40
07-Jul-11	N	18.04	18.00
12-Jul-12	N	17.22	19.00
29-May-13	N	23.05	22.00
19-May-14	N	18.10	19.00
19-Nov-14	N	18.36	20.00
18-Jun-15	N	15.86	17.00
14-Aug-15	N	15.88	14.60
07-Jun-16	UW	15.42	13.50
10-Jun-16	UW	15.60	12.30

ENN Energy Holdings Limited (2688.HK, 2688 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Jan 16, 2007.

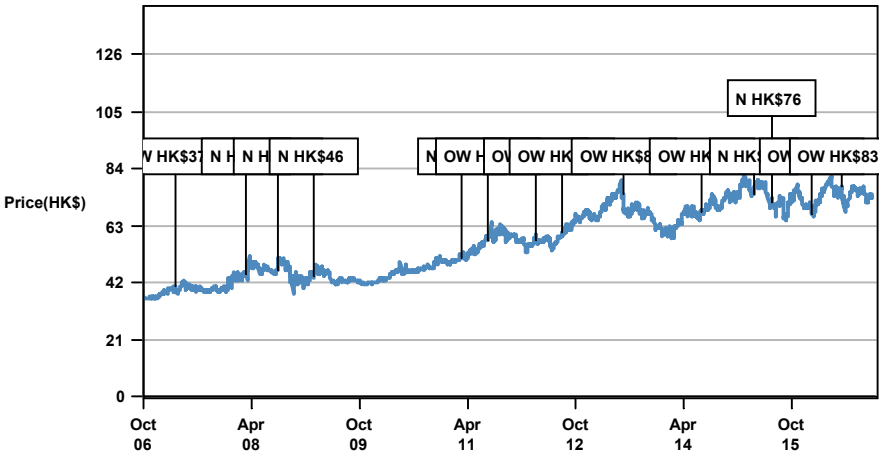
Date	Rating	Share Price (HK$)	Price Target (HK$)
16-Jan-07	OW	8.08	8.10
17-Jan-07	N	7.60	8.10
22-Apr-07	N	8.60	8.50
09-Sep-07	OW	11.40	14.30
23-Apr-08	OW	14.02	16.00
09-Apr-09	OW	9.17	12.50
09-Sep-09	OW	13.00	16.10
16-Sep-09	OW	14.78	17.20
06-Nov-09	OW	18.26	22.20
22-Apr-10	OW	24.15	29.20
03-Jun-10	N	16.32	16.10
03-Dec-10	OW	23.40	30.40
16-Aug-11	OW	25.90	32.00
28-Mar-12	OW	28.15	33.60
29-Aug-12	OW	29.60	36.00
12-Dec-12	OW	33.90	40.00
02-Jul-13	OW	41.50	47.50
14-Nov-13	OW	44.10	51.00
22-Jul-14	OW	56.00	67.00
30-Oct-14	N	54.30	50.00
11-Feb-15	N	44.15	45.00
31-Jul-15	OW	49.50	60.00
17-Nov-15	OW	40.95	50.00
11-May-16	OW	38.80	45.40

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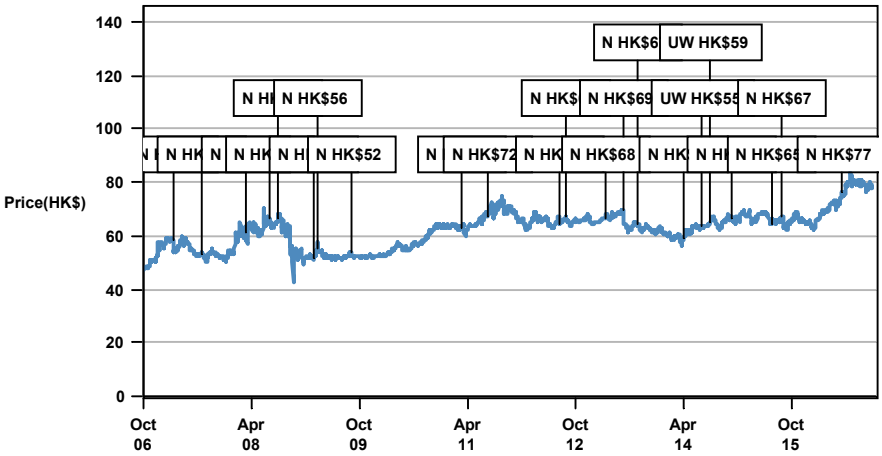
Power Assets Holdings Ltd (0006.HK, 6 HK) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Mar 08, 2007.

Date	Rating	Share Price (HK$)	Price Target (HK$)
08-Mar-07	UW	40.30	37.50
06-Mar-08	N	44.80	46.00
06-Aug-08	N	46.45	48.00
12-Feb-09	N	44.20	46.00
03-Mar-11	N	51.10	54.00
07-Jul-11	OW	57.90	65.00
09-Mar-12	OW	57.45	69.00
25-Jul-12	OW	60.20	70.00
29-May-13	OW	74.75	83.00
27-Jun-14	OW	67.95	82.00
18-Mar-15	N	74.40	79.00
18-Jun-15	N	71.30	76.00
14-Jan-16	OW	67.20	79.00
09-Jun-16	OW	77.50	83.00

CLP Holdings (0002.HK, 2 HK) Price Chart

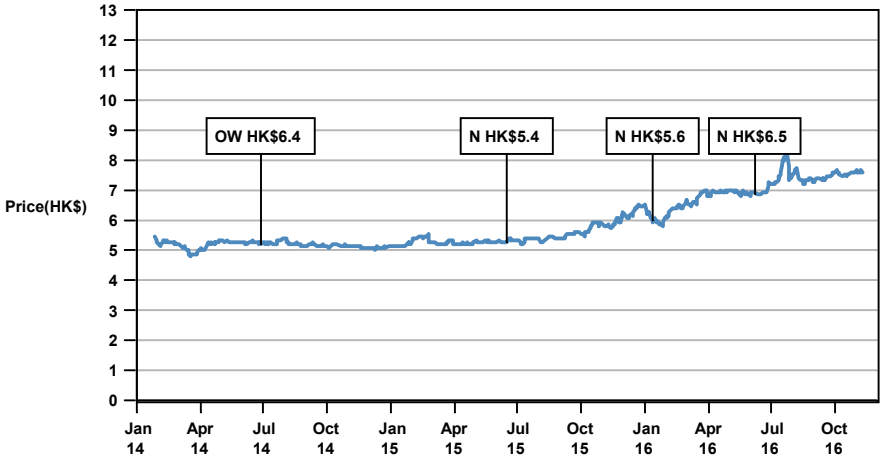


Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Feb 28, 2007.

Date	Rating	Share Price (HK$)	Price Target (HK$)
28-Feb-07	N	58.45	53.00
18-Jul-07	N	52.85	54.00
28-Feb-08	N	61.65	56.00
04-Jul-08	N	66.40	59.00
12-Aug-08	N	66.85	61.00
12-Feb-09	N	51.75	54.00
26-Feb-09	N	55.20	56.00
18-Aug-09	N	53.55	52.00
25-Feb-11	N	62.95	60.00
07-Jul-11	N	67.45	72.00
12-Jul-12	N	64.75	73.00
15-Aug-12	N	67.75	65.00
25-Feb-13	N	66.85	68.00
29-May-13	N	69.85	69.00
12-Aug-13	N	64.45	67.00
02-Apr-14	N	59.10	65.00
27-Jun-14	UW	63.85	55.00
14-Aug-14	UW	65.45	59.00
28-Nov-14	N	66.85	68.00
18-Jun-15	N	64.55	65.00
14-Aug-15	N	67.25	67.00
09-Jun-16	N	76.55	77.00

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HK Electric Investments (2638.HK, 2638 HK) Price Chart



Date	Rating	Share Price (HK$)	Price Target (HK$)
27-Jun-14	OW	5.22	6.40
18-Jun-15	N	5.28	5.40
14-Jan-16	N	6.01	5.60
09-Jun-16	N	6.89	6.50

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Jun 27, 2014.

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Coverage Universe: Wu, Elaine: Beijing Capital Co Ltd - A (600008.SS), Beijing Enterprises Holdings Limited (0392.HK), Beijing Enterprises Water (0371.HK), CLP Holdings (0002.HK), Cheung Kong Infrastructure (1038.HK), China Everbright International Ltd (0257.HK), China Gas Holdings Limited (0384.HK), China Resources Gas Group Limited (1193.HK), ENN Energy Holdings Limited (2688.HK), Grandblue Environment Co Ltd - A (600323.SS), Guangdong Investment Limited (0270.HK), HK Electric Investments (2638.HK), Hong Kong & China Gas (0003.HK), Kunlun Energy Company Limited (0135.HK), Power Assets Holdings Ltd (0006.HK), Towngas China Company Limited (1083.HK)

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IB clients*	51%	48%	34%
JPMS Equity Research Coverage	42%	50%	8%
IB clients*	68%	61%	43%

*Percentage of investment banking clients in each rating category.
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