

To: Business Editor
 【For Immediate Release】



中裕燃氣控股有限公司
ZHONGYU GAS HOLDINGS LIMITED

(STOCK CODE: 3633.HK)

Announces Its Annual Results for the Year Ended 31 December 2013
Turnover Increased by 13.7% to HK\$3,130,885,000
Profit Attributable to Owners of the Company Increased by 16.0% to
HK\$262,248,000

PROACTIVELY EXPANDING DOWNSTREAM DISTRIBUTION BUSINESS
GRASPING OPPORTUNITIES FROM FAVORABLE POLICIES AND
RISING DEMAND FOR CLEAN ENERGY IN CHINA
BOOSTING SUSTAINABLE GROWTH OF BUSINESS

<u>Financial Highlights</u>	For the Year Ended 31 December (HK\$ '000)		
	2013	2012	Changes (%)
Turnover	3,130,885	2,754,084	+13.7%
Gross profit (Gross margin)	745,675 (23.8%)	648,612 (23.6%)	+15.0% (+0.2)%
EBITDA	602,789	523,821	+15.1%
Profit attributable to owners of the Company (Net profit margin)	262,248 (8.4%)	226,021 (8.2)	+16.0% (+0.2)%
Earnings per share			
Basic	HK10.39 cents	HK 9.05cents	+14.8%
Diluted	HK10.38 cents	HK 9.01cents	+15.2%

(Hong Kong, 14 March 2014) – **Zhongyu Gas Holdings Limited** (“Zhongyu Gas” or the “Company”, together with its subsidiaries, the “Group”) (Stock Code:3633.HK), a leading natural gas operator in China, today announced its annual results for the year ended 31 December 2013 (the “Year”).

During the Year, the Group’s turnover increased by 13.7% to approximately HK\$3,130,885,000 from approximately HK\$2,754,084,000 last year. The revenue growth was mainly attributable to the robust growth in sales of piped gas to industrial and residential customers, as well as connection revenue

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from gas pipeline construction for residential customers.

During the Year, the Group's gross profit increased by 15.0% to HK\$745,675,000 from approximately HK\$648,612,000 last year. The overall gross profit margin was approximately 23.8% (2012: 23.6%). During the Year, the Group's total turnover attributable to sales of piped gas is approximately 71.6% (2012: 72.9%). The Group's EBITDA during the Year increased by 15.1% to HK\$ 602,789,000 from approximately HK\$523,821,000 last year. Profit attributable to owners of the Company went up by approximately 16.0% to approximately HK\$ 262,248,000 from approximately HK\$226,021,000 last year.

Business Overview

<u>Sales Breakdown</u>	For the Year Ended 31 December (HK\$ '000)				
	Turnover			% to Total Sales	
	2013	2012	Changes	2013	2012
Sales of piped gas	2,243,421	2,007,110	+11.8%	71.6%	72.9%
Gas pipeline construction	618,774	546,378	+13.3%	19.8%	19.8%
Operation of CNG/LNG filling station	242,908	166,431	+46.0%	7.8%	6.0%
Sales of stoves and related equipment	9,317	4,498	+107.1%	0.3%	0.2%
Sub-total	3,114,420	2,724,417	+14.3%	99.5%	98.9%
Sales of liquefied petroleum gas	16,465	29,667	- 44.5%	0.5%	1.1%
Total	3,130,885	2,754,084	+13.7%	100%	100.0%

Downstream Natural Gas Distribution

As at 31 December 2013, the Group has secured 29 gas projects with exclusive rights. Among which, 21 are in Henan Province, 4 are in Shandong Province, 2 is in Jiangsu Province, 1 is in Fujian Province and 1 is in Heilongjiang Province. The areas in which the Group's gas projects operate currently have a total connectable central urban population of approximately 5,891,000 (2012: 4,308,000). It is estimated that there are an aggregate of approximately 1,683,000 connectable residential households (2012: 1,231,000).

Sales of Piped Gas

Sales of piped gas during the Year amounted to approximately HK\$2,243,421,000, representing an increase of approximately 11.8% over last year. The rapid growth in sales of piped gas was mainly attributable to the increase in gas sales volume by 5.5% to 742,984,000 m³ from 704,087,000 m³ last year. Nearly 97% of total sales of piped gas for the Year were derived from provision of natural gas.

Gas Pipeline Construction

Connection revenue from gas pipeline construction during the Year amounted to approximately HK\$618,774,000, representing an increase of approximately 13.3% over last year. The increase in connection revenue from gas pipeline construction was mainly attributable to the increase in completion of construction work for gas pipeline connection for residential households to 164,587 from 137,647 during the year. The average connection fees charged to residential households by the Group was approximately RMB2,760 (2012: RMB2,700).

The connection revenue from gas pipeline construction contributed approximately 19.8% of the total turnover of the Group, which continued to be one of major sources of turnover for the Group. As at 31 December 2013, the Group's penetration rates of residential pipeline connection reached 49.6% (2012: 54.4%) (represented by the percentage of the accumulated number of the Group's connected residential households to the estimated aggregate number of connectable residential households in its operation regions).

Operation of CNG/LNG Filling Stations

Revenue from operating the CNG/LNG filling stations for the Year amounted to approximately HK\$242,908,000 representing an increase of approximately 46.0% over last year. The natural gas usage per station increased by 19.0% to approximately 3,131,000 m³ during the Year from approximately 2,632,000 m³ last year.

During the year, the turnover derived from operating the CNG/LNG filling station accounted for approximately 7.8% of the total turnover of the Group. The number of the Group's CNG/LNG filling stations is increased to 27 in 2013 from 12 in 2012. In addition, the Group commenced building an additional 12 CNG/LNG filling stations in the PRC. It is expected that 9 new CNG/LNG filling stations will complete construction in 2014. The remaining new CNG/LNG filling stations are expected to complete construction in the first half of 2015.

Upstream Gas Business

The Group secured 8 coal blocks, situated at Jiaozuo, Zhengzhou, Pingdingshan (including Yuzhou and Ruzhou), Hebi, Yima, Yongxia, Henan Province, the PRC, to explore, exploit, develop and produce CBM. The Group will continue to update investors on the latest exploration progress.

Material Events during the Year

Donghai County Project

On 4 June 2013, Linyi Zhongyu Energy Company Limited ("Linyi Zhongyu Energy"), a non-wholly-owned subsidiary of the Company, established a company, namely Donghai County

Zhongyu Gas Company Limited (“Donghai County Zhongyu”) with two individual parties in Donghai County, Lianyungang City, Jiangsu Province, the PRC.

Donghai County Zhongyu is owned as to 67% by Linyi Zhongyu Energy and the remaining by independent third parties. Upon establishment, Donghai County Zhongyu becomes an indirect non-wholly-owned subsidiary of the Company and is engaged principally in the construction and operation of piped natural gas projects on an exclusive basis for 30 years in Shilianghe Town of Donghai County, Lianyungang City, Jiangsu Province, the PRC since 11th April, 2013. Shilianghe Town is an industrial zone.

Wuzhi County Project

On 1 September 2013, Mengzhou Gaoyuan Natural Gas Company Limited and Zhongyu (Henan) Energy Holdings Limited (“Zhongyu Henan”), a wholly owned subsidiary of the Company, entered into an equity transfer agreement pursuant to which Zhongyu Henan acquired 100% of the equity interest in Wuzhi County Gaoyuan Natural Gas Company Limited (“Wuzhi Gaoyuan”) at a total consideration of RMB51 million (equivalent to approximately HK\$65 million). After completion of the equity transfer agreement, Wuzhi Gaoyuan will become a wholly owned subsidiary of Zhongyu Gas.

Wuzhi Gaoyuan is principally engaged in the business of constructing natural gas reserves and related pipeline infrastructure projects as well as operation of CNG filling station in Wuzhi County, the PRC. Wuzhi Gaoyuan obtained a 30-year concession right from local authorities of Wuzhi County, the PRC, to operate the sales and distribution of natural gas in Wuzhi County, the PRC.

Wuzhi County is located in Jiaozuo City, Henan Province, the PRC. The business sector in Wuzhi County has developed rapidly and its comprehensive economic strength keeps growing. There are over 195 industrial large scale enterprises in the County with gross domestic product in Wuzhi County of RMB18 billion.

Tieli City Project

On 18 November 2013, Zhengzhou Kangling Trading Company Limited and Zhongyu Henan entered into an equity transfer agreement pursuant to which Zhongyu Henan acquired 100% of the equity interest in Tieli City Jiahua Gas Company Limited at a total consideration of RMB145 million (equivalent to approximately HK\$185 million). The company’s name was changed to Tieli Zhongyu Gas Company Limited (“Tieli Zhongyu Gas”) after acquisition.

Tieli Zhongyu Gas is principally engaged in the business of constructing natural gas reserves and related pipeline infrastructure projects in Chengguan Town of Tieli City, Heilongjiang Province, the PRC. Tieli Zhongyu Gas obtained a 30-year concession right from local authorities of Tieli City, Heilongjiang Province, the PRC, to operate the sales and distribution of natural gas in Chengguan

Town Tieli City, Heilongjiang Province, the PRC.

Lingbao Zhongyu Project

On 24 December 2013, Lingbao Zhongyu Gas Company Limited, a wholly owned subsidiary of the Company, entered into an agreement with the Housing and Urban-Rural Development Bureau of Lingbao City to obtain a 30-year concession right for constructing and operating of piped natural gas projects on an exclusive basis in the new development district located in Sanmenxia City, Henan Province, the PRC.

Newly acquired CNG filling stations

During the year, Zhongyu Henan acquired 100% of the issued share capital Jiaozuo Zhongyu Compressed Gas Company Limited, which currently operates a CNG filling station in Jiaozuo city.

Growth Prospects

Supported by the favorable domestic business environment and the growing demand for piped gas consumption arising from progressing urbanization, the domestic natural gas market is expected to maintain a steady pace of growth. Against this backdrop, the Group will further expand its downstream natural gas distribution business with a focus on high margin commercial and industrial users and CNG/LNG filling stations with the goal of increasing its penetration rate in the areas it is currently operating in.

The main pipeline of the second West-East Gas Pipeline has been completed and commenced gas supply. As a result, piped gas supply for the Group's projects located in various cities has increased significantly, enabling the Group to connect with more end users, increasing the Group's turnover and in turn, enhancing its earning base. Meanwhile, the connection and supply of gas to Yanshi City and Xinmi City from the sub-pipeline of the Second West-East Gas Pipeline completed and supply commenced, resulting in significant sales growth of piped gas to Yanshi City and Xinmi City during the Year. Most of the gas projects of the Group except the gas projects in Yongcheng City, Nanjing City Shaowu City and Tieli City, are connected and supplied through the First and Second West-East Gas Pipeline.

With the Group's proactive expansion in 2013, 5 additional gas projects with exclusive rights located in Henan, Jiangsu, Shandong and Heilongjiang provinces have been secured during the Year. In addition, the Group has continued to construct 12 additional CNG/LNG filling stations, of which 9 new CNG/LNG filling stations are expected to complete construction in 2014, laying a solid foundation for the Group's business growth in the future.

Looking forward, with the healthy financial position and the constant cash inflow generated by the downstream projects, the Group is cautiously seeking suitable investment opportunities to enhance the operation efficiency by cooperating with promising peers in the industry. Leveraging on the experienced management team and the successful business foundation, the Group is expected to achieve sustainable development, increase the market penetration, and is well-positioned to tackle the challenges and maximize the shareholders' returns.

- End -

About Zhongyu Gas Holdings Limited (Stock Code: 3633)

Zhongyu Gas Holdings Limited ("Zhongyu Gas") (Stock Code: 3633.HK), is a leading natural gas operator in China. Currently Zhongyu Gas has 29 exclusive downstream projects, 21 are in Henan Province, 4 are in Shandong Province, 2 is in Jiangsu Province, 1 is in Fujian Province and 1 is in Heilongjiang Province. Leveraging on its broad client base and seasoned management team, the Group will strive to develop its natural gas sales business in order to capture the ample growth brought by the surging demand of clean energy in the domestic market, and promote the Group's long-term steady development.

Company Website: www.zhongyugas.com

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