

# 2021

## Zhongyu Energy Holdings Limited

### 2021 Annual Results Presentation

27 April 2022





**中裕能源**  
ZHONGYU ENERGY

- **2021 Annual Business Review**
- **Development strategy**
- **Financial summary**
- **Appendix**



# Full-year operating results

In 2021, the Group achieved steady growth, with gas sales volumes reaching record highs, a continued improvement in profitability, and rapid growth in the integrated energy business

Key metrics	2020	2021	YoY growth (%)
Unit of natural gas sold (bn m <sup>3</sup> )	2.2	2.8	↑ 25.9
Cumulative users (mn)	4.0	4.4	↑ 10.1
Integrated energy electricity sales (GWh)	11.4	21.7	↑ 90.5
Turnover (HK\$ bn)	8.6	11.3	↑ 32.8
EBITDA (HK\$ bn)	1.9	2.1	↑ 9.6
Net profit (HK\$ bn)	1.1	1.3	↑ 13.4
Net profit attributable to shareholders (HK\$ bn)	1.1	1.2	↑ 12.5
EPS (HK\$ cents)	40.0	44.2	↑ 10.6
Final proposed dividend (HK\$ cents)	7.0	8.0	↑ 14.3
Special dividend, proposed (HK\$ cents)	-	5.0	For Zhongyu Energy's 20-year anniversary
Full-year dividend, proposed (HK\$ cents)	9.0	16.0	↑ 77.8

# Business segment performance summary

The Group, operating under a “one body, three wings” strategy, has achieved continued performance improvement, underpinned by a “two-pronged growth” strategy across its core gas and smart energy businesses

## City gas

- As of December 2021, the Group had 73 gas projects with concession rights in 10 provinces across the PRC
- Total natural gas sales volume increased by 25.9% year-on-year to 2.82bn m<sup>3</sup> in 2021
- As at 31 December 2021, the Group’s residential pipeline connection penetration rate had risen to 69.5%
- Total length of the Group’s existing intermediate and primary gas pipelines increased by 3.7% from 25,456 km to 26,399 km



## Value-added business and new retail

- Leverages the Group’s own offline retail brand “Zhongyu Phoenix” (中裕鳳凰), online retail platform “Zhongyu iFamille” (中裕i家), and 4.27mn existing customers to push the growth of value-added services business
- Presently, the upgrade of Zhongyu iFamille 2.0 platform has been completed, with cumulative number of registered members exceeding 500K at the end of 2021
- Leveraging the diversified user base and high-quality product portfolio, value-added business has achieved rapid sales growth, at a 2017-2021 CAGR of 118%

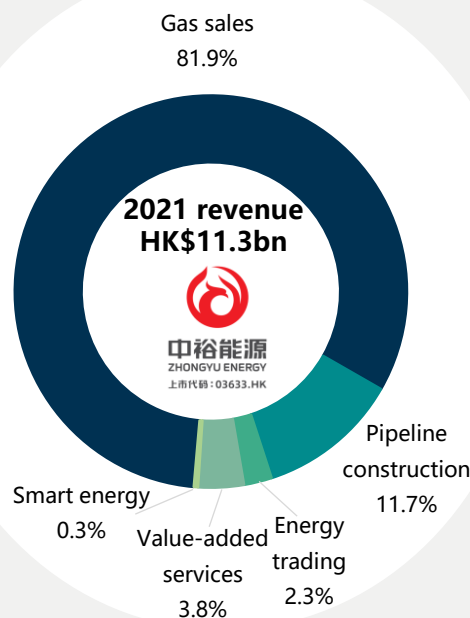
## Smart energy

- As at 31 December 2021, the cumulative number of projects in operation reached 43 projects, and electricity sales during the year increased by 90.5% YoY to 21.74 GWh
- In 2021, following the execution of Zhongyu Energy Holdings Limited’s strategic transformation and reorganization of core business segments, smart energy will now be a core area of focus under the Group’s newly established entity Zhongyu Smart Energy Group

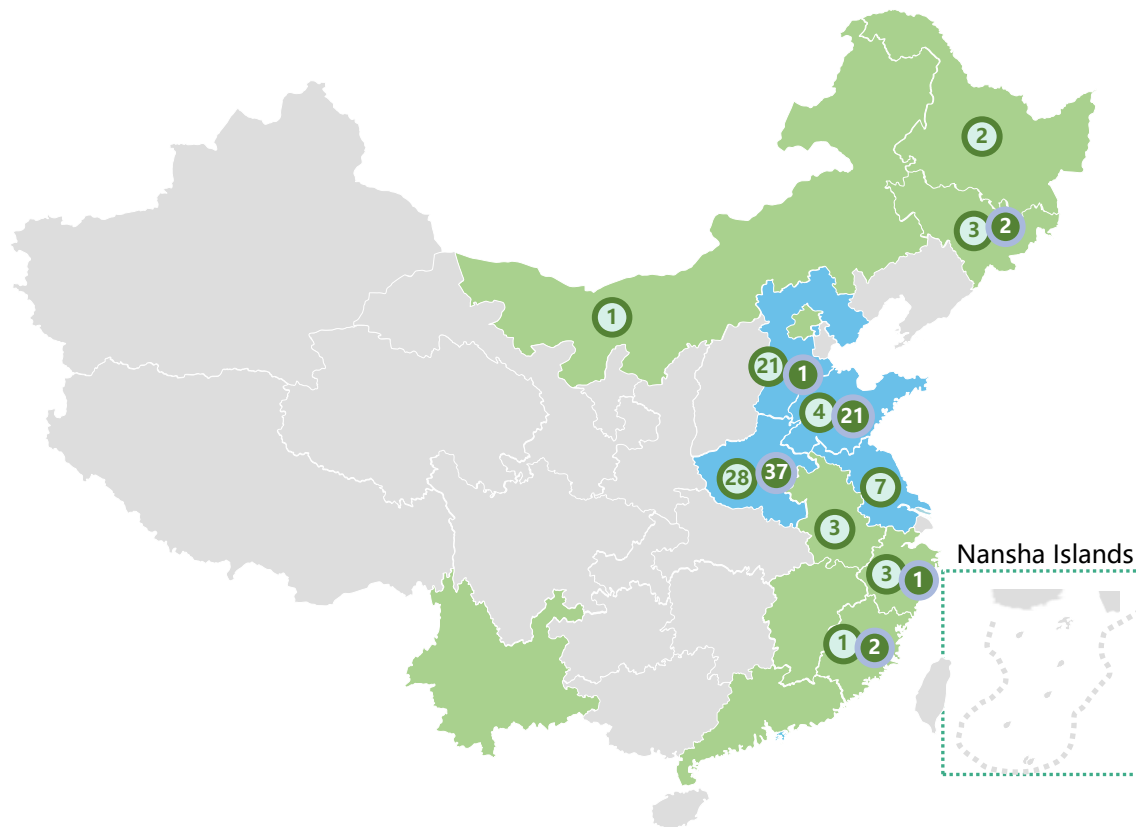


## Energy trading

- During the year of 2021, LNG sales volumes increased by 65.3% YoY to 230mn m<sup>3</sup>
- Currently, the Group has 64 CNG/LNG vehicle filling stations and 7 CNG/LNG vehicle filling stations under construction in the PRC
- The Group had 3 dangerous goods transportation companies, and its own LNG logistics network, with operations spanning the whole of mainland China



# Core projects are concentrated in densely-populated provinces with a strong industrial sector and economy



Location of city gas projects		
Province	City gas projects	CNG/LNG filling stations
Henan	28	37
Hebei	21	1
Jiangsu	7	-
Shandong	4	21
Jilin	3	2
Fujian	1	2
Heilongjiang	2	-
Zhejiang	3	1
Anhui	3	-
Inner Mongolia	1	
<b>Total</b>	<b>73</b>	<b>64</b>



**73**  
city gas projects



**64**  
vehicle filling stations



**13** provinces and autonomous regions covered by member companies



**22.01mn**  
Connectable population



**69.5%**  
Penetration rate of residential pipeline connections



**264,00 km** total length of existing intermediate and primary pipelines



**City gas projects**



**Key provinces for operations**



**Filling stations**



**Provinces with presence**

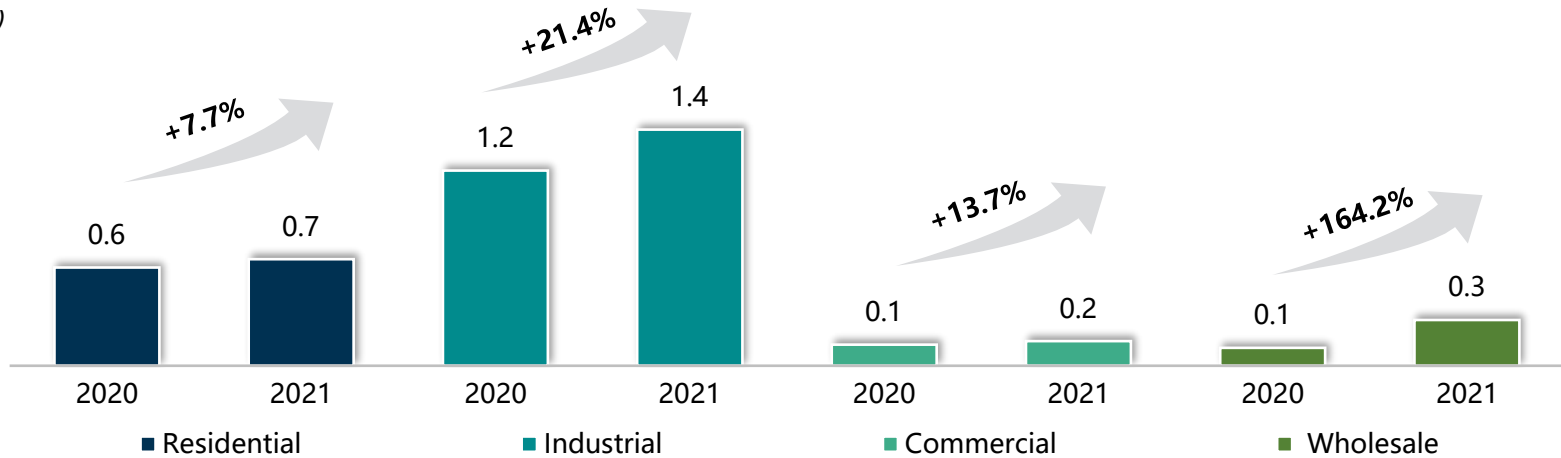
Source: Company Information, as of 31 December 2021

# Overview of 2021 business results

In 2021, the Group's city gas business achieved further expansion, with sales growth across its diversified customer base led by industrial and commercial user growth, and supported by year-on-year increases in gas price

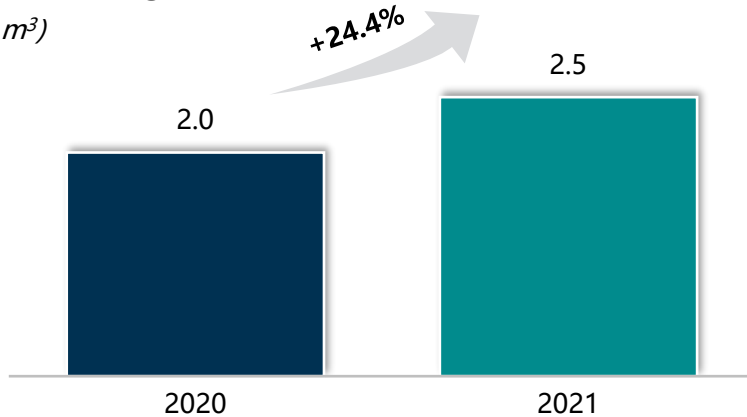
## Gas sales volume by customer type

(bn m<sup>3</sup>)



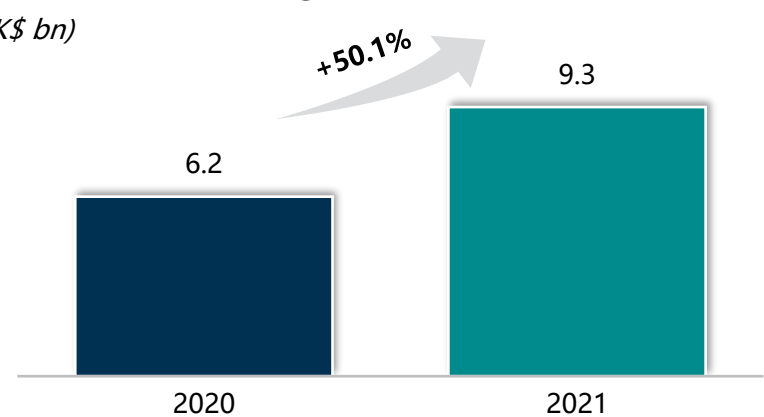
## Total retail gas sales volume

(bn m<sup>3</sup>)



## Total turnover from gas sales

(HK\$ bn)



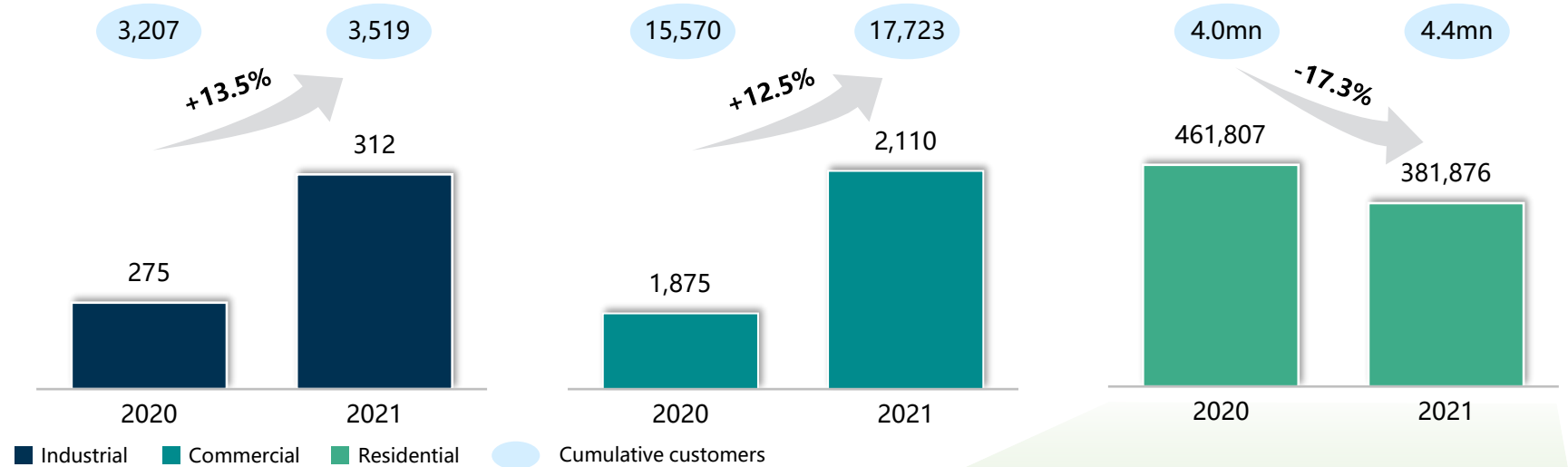
Source: Company Information

# Overview of 2021 business results (cont'd)

In 2021, the number of new customers of the Group remained stable, demonstrating sufficient room for organic expansion of the gas business

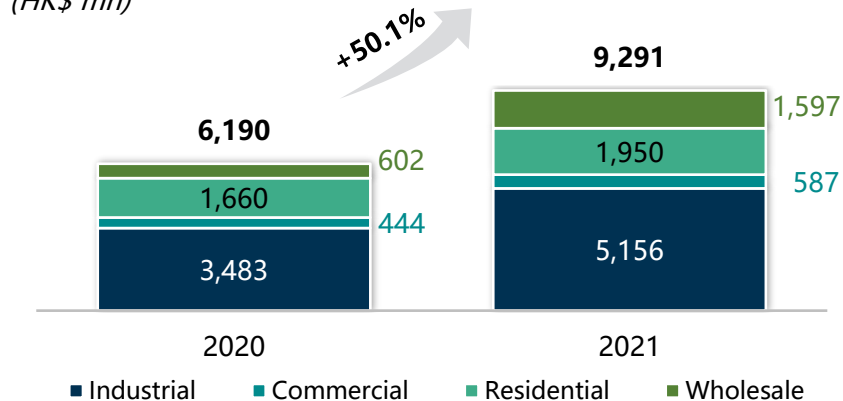
## Number of new customers

(households)



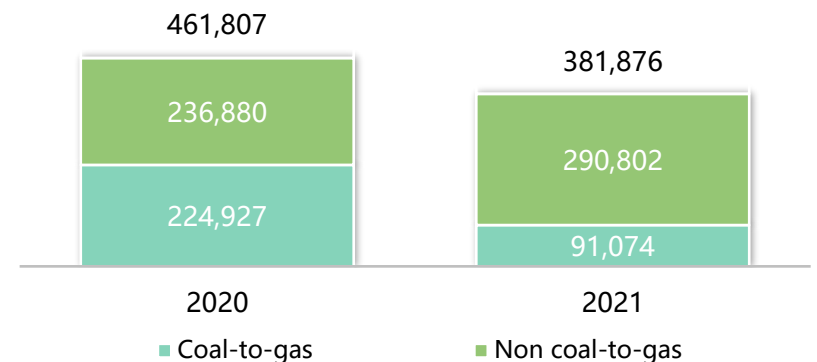
## Gas sales by customer type

(HK\$ mn)



## New residential piped gas connections

(households)

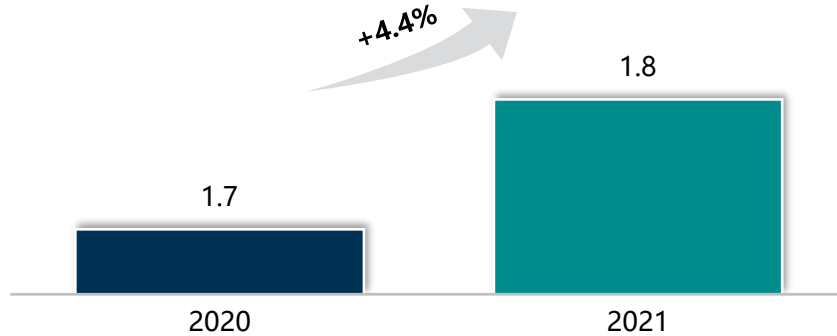


Source: Company Information

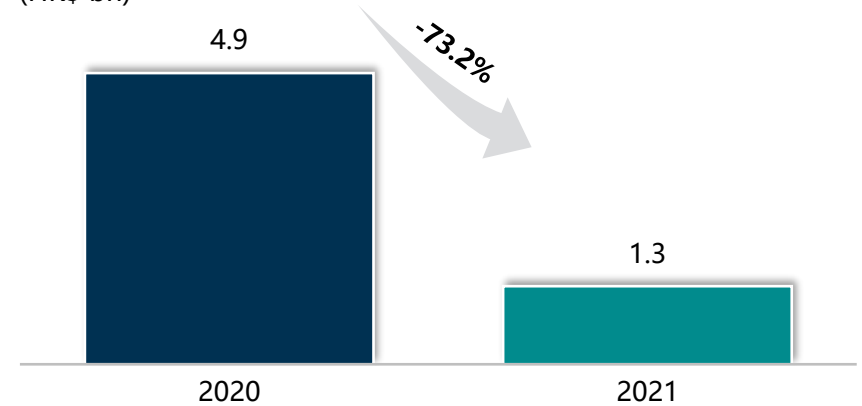
# Overview of 2021 business results (cont'd)

Adequate and stable liquidity, strengthened by strong operating performance and principled working capital management

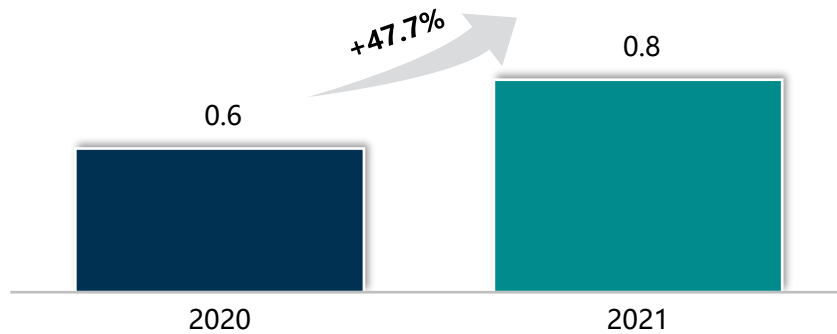
**Cash and deposits**  
(HK\$ bn)



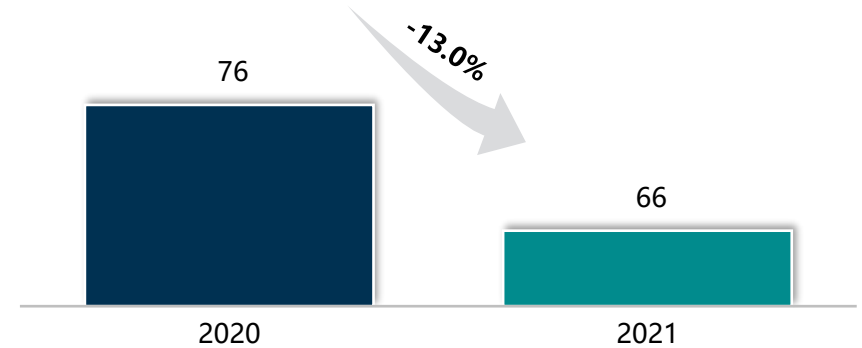
**Net current liabilities**  
(HK\$ bn)



**Current ratio**  
(x)



**Receivables turnover ratio**  
(days)



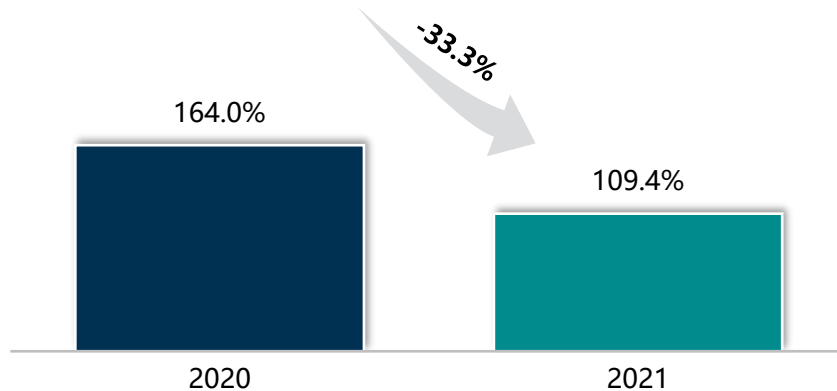
Source: Company Information



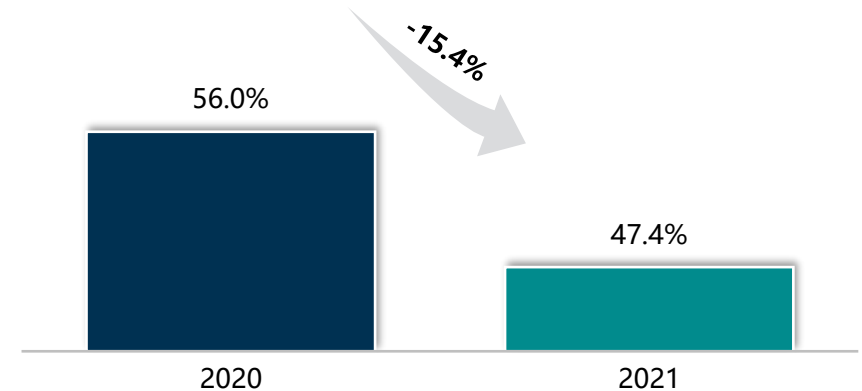
# Overview of 2021 business results (cont'd)

The Group has steadily improved its liability management, enhancing financial flexibility

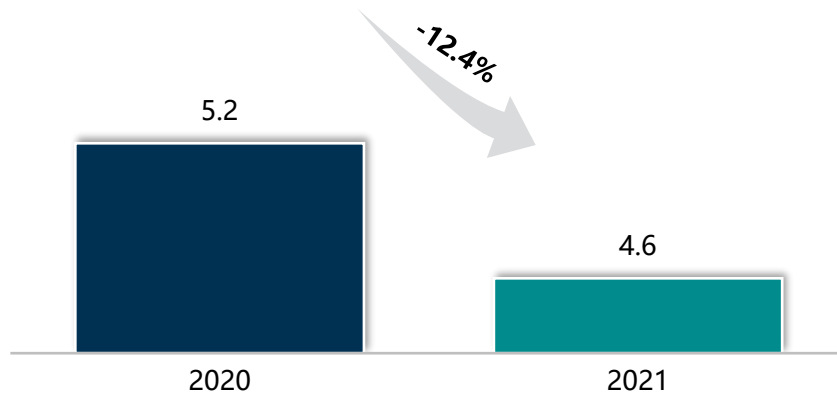
**Net debt / total equity** <sup>(1)</sup>  
(%)



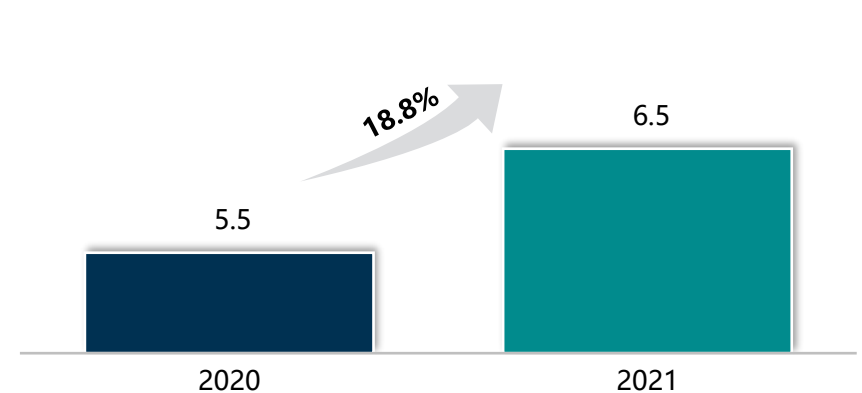
**Net debt / total capital** <sup>(2)</sup>  
(%)



**Net debt / EBITDA**  
(x)



**EBITDA interest coverage ratio** <sup>(3)</sup>  
(x)



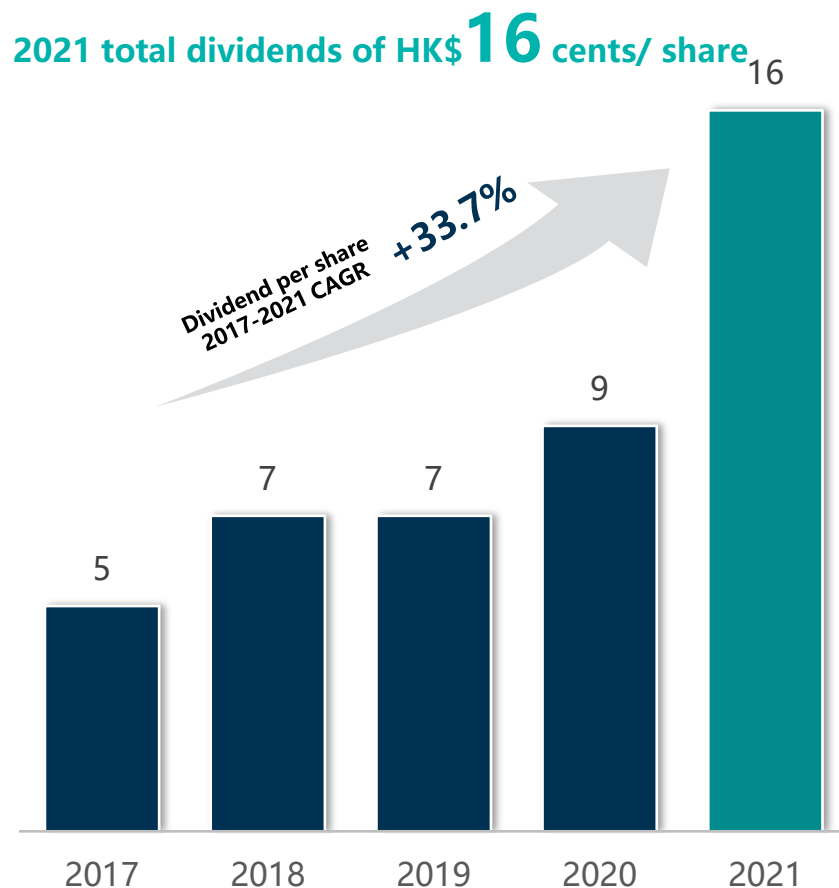
Source: Company Information

Note:  
(1) Net asset = total borrowings + total lease liabilities - bank balances and cash - pledged bank deposits; Total equity = equity attributable to owners of the Company  
(2) Total assets = total debt + total shareholder's equity (equity attributable to owners of the Company)  
(3) EBITDA interest coverage ratio = EBITDA / total financial cost

# Overview of 2021 business results (cont'd)

Since 2017, the Group has achieved steady growth in both dividends paid and payout ratio

## Full-year dividend paid



## Stable growth in dividends paid and payout ratio

Earnings per share and dividend paid (HK\$ cents)	2020	2021
Basic earnings per share	40.0	<b>44.2</b>
Interim dividend - proposed	2.0	<b>3.0</b>
Final dividend - proposed	7.0	<b>8.0</b>
Special dividend - proposed	-	<b>5.0</b>
Full-year dividend - proposed	9.0	<b>16.0</b>
<b>Full-year dividend payout ratio</b>	<b>22.5%</b>	<b>36.2%</b>

Source: Company Information



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# 1 Capture market opportunities in the natural gas industry to provide strong growth momentum for core business operations

Since the city gas business was launched in 2002, Zhongyu Energy has kept pace with the increasing demand in the PRC for natural gas. Zhongyu Energy will firmly capture the opportunities arising from a transition to low-carbon, and drive the sustained, long-term development of its gas business

## Industry opportunities created by macro changes

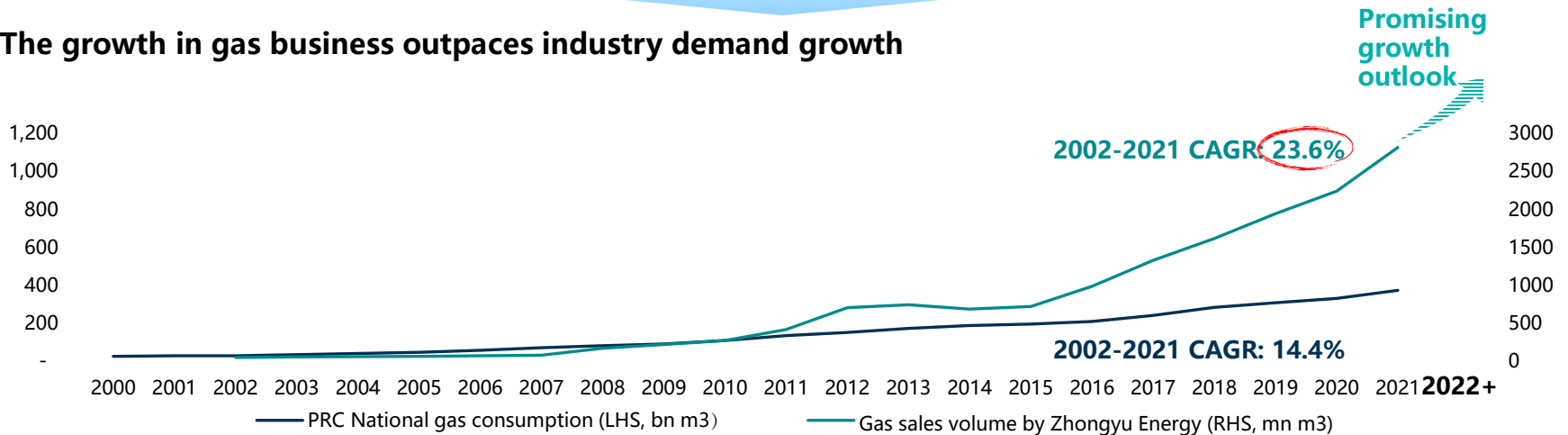
- ✓ With the implementation of the PRC's "dual carbon" goals, natural gas will continue to play a pivotal role as a bridge and balance in China's transition to a low-carbon economy, with gas industry outlook expected to be even more promising in the long run
- ✓ Gas pipeline developers are able to provide a multi-entity and multi-channel source of supply of upstream oil and gas resources to downstream markets, enhancing efficiency and providing sourcing flexibility
- ✓ The modernization of rural areas and development of industry & commerce has been vigorously promoted by policies including the "Comprehensively promote rural revitalization" policy, creating significant potential for increased gas demand



## Unique advantages of Zhongyu Energy

- ✓ Leverages resources and know-how accumulated over more than twenty years in the energy industry, supported by geographically diversified business operations
- ✓ Core projects are concentrated in densely-populated provinces with a strong industrial sector and economy
- ✓ Customer base diversification, increasing urbanization rates, and increasing customer penetration rates provides the potential for further growth

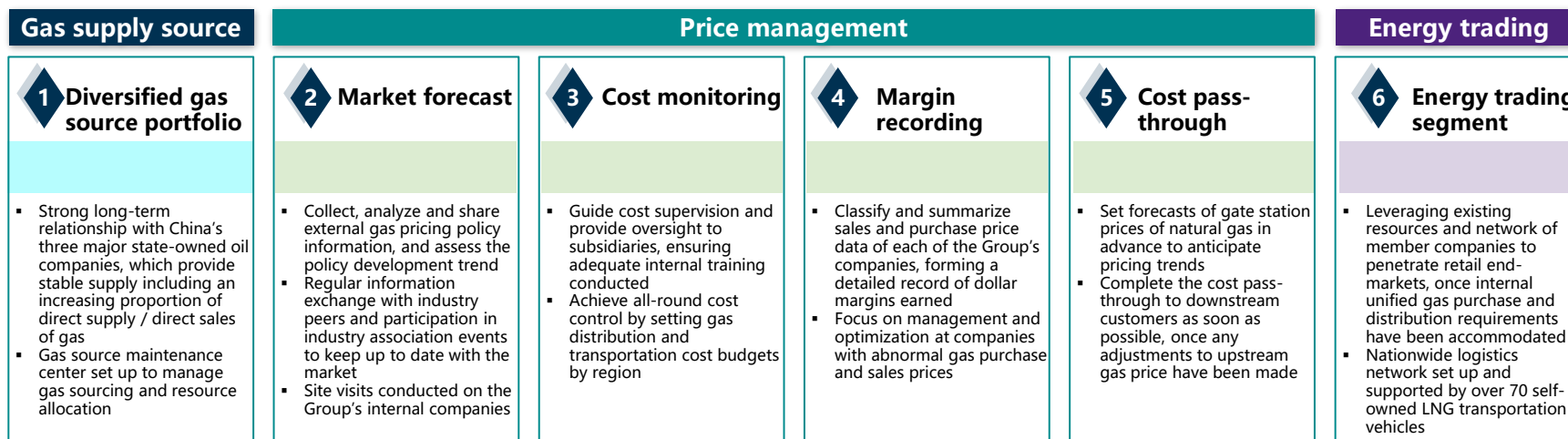
## The growth in gas business outpaces industry demand growth



Source: Company Information, NBS

## 2 Continue to strengthen gas source supply and pricing management systems, supported by additional flexibility in sourcing via the energy trading business

**Diversified and stable gas supply sources, supported by improving price management and energy trading business, ensures margin stability and hedges against operating risks arising from gas price volatility**



Type of customers (RMB/m <sup>3</sup> , net of tax)	2020	2021	% growth
<b>Natural gas ASP</b>			
Residential	2.44	2.49	2.0%
Industrial	2.58	2.95	14.3%
Commercial	3.08	3.34	8.4%
Wholesale (LNG)	2.22	3.07	38.3%
CNG/LNG filling stations	2.76	3.18	15.2%
<b>Average natural gas purchase price <sup>(1)</sup></b>	<b>2.06</b>	<b>2.33</b>	<b>13.1%</b>
<b>Overall dollar margin</b>	<b>0.48</b>	<b>0.50</b>	<b>4.2%</b>

Source: Company Information

Note:

(1) Exclusive of gas transmission and distribution costs.

### 3 Increase market share in the maturing value-added business segment by uncovering new market opportunities

The Group will continue to focus on its large customer base, expansion across industry verticals, and expansion of its product and service offerings, to drive the continued development and growth of its value-added businesses

Own well-known retail brands



- Zhongyu Phoenix is committed to developing into a comprehensive gas service provider, with a product portfolio covering nearly **200** high-quality gas appliances in various categories such as gas stoves, gas water heaters, wall-mounted gas boilers and range hoods
- Construct a **one-stop integrated service provider** with operations spanning R&D, manufacturing, sales, distribution, installation and after-sales service, positioned as a business tailor-made for gas customers

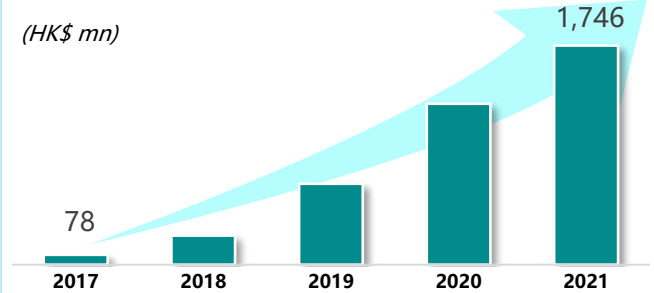
"Internet +" new retail platform



- Zhongyu's self-use commodity warehouse and new retail supply chain are established by integrating Zhongyu Phoenix's flagship products and high-quality third-party products, allowing better satisfaction of customer needs, unlocking customer value, and enhancing retention
- In 2021, Zhongyu iFamille new retail platform V2.0 was successfully launched; this connects to JD-VOP, with more than **60,000 SKUs** available for sale; achieved **200,000+** newly registered members, with a total of **500,000+** registered members



Cumulative sales of value-added business exceeded HK\$1.7 bn



#### Key development trends for value-added business

1 **Direction of brand strategy: brand ecosystem**

2 **Channel strategic direction: urban + rural**

3 **Sales strategy: dual circulation**

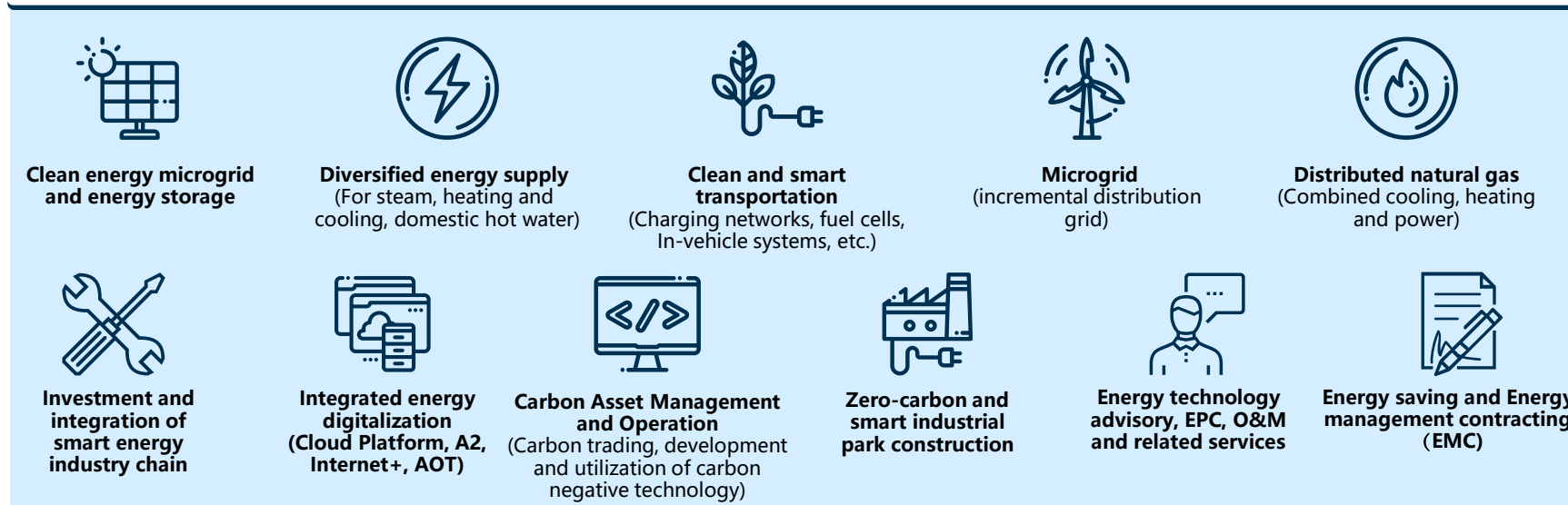
4 **Service concept: "household butler" service**

Source: Company Information

# 4 Position the Group as the “most valuable integrated energy services provider” by focusing on development of the smart energy business

Zhongyu Energy aggressively expands the smart energy business, realizes strategic transformation, and will further unlock new business opportunities to expand the segment going forward

## Scope of smart energy businesses

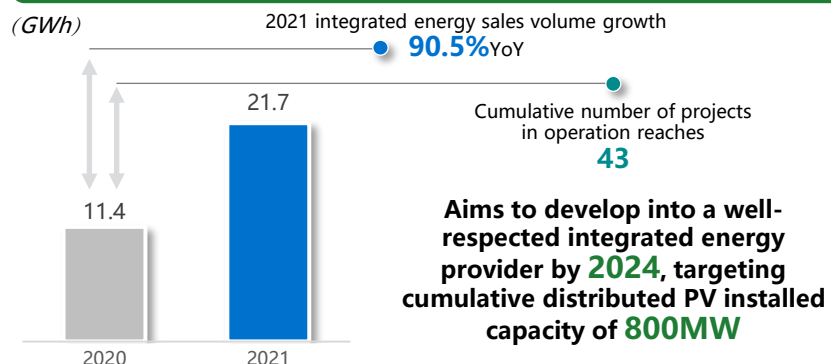


## Unique strengths of Zhongyu Energy

- By relying on its competitive advantages at its concessions, the Group has established long-term co-operation with local governments, industrial and commercial customers, and continues to deepen collaboration efforts
- Strong technological and resource advantages accumulated via over 20 years of operation. The Group has completed dozens of distributed energy feasibility analyses for companies like China Huadian, Beijing Gas, China Gas, State Power Investment Corporation and China's three major state-owned oil companies, and participated in the engineering of many renowned distributed energy projects in China including the Chongqing CBD Project, Changsha Huanghua Airport, and the PetroChina Data Center
- Deeply experienced and professional technical team who have had experience partaking in the preparation of gas industry standards
- Possesses the innovation and execution speed of private companies and small to medium-scale service providers, whilst still satisfying the standardized management framework requirements for HK listed companies

Source: Company Information

## Current track record demonstrates the successful initial deployment of smart energy projects





# Position the Group as the "most valuable integrated energy services provider" by focusing on development of the smart energy business (cont'd)

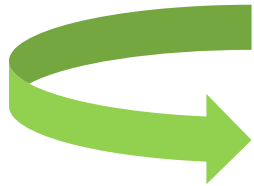
Zhongyu Energy has always adhered to the concept of "developing clean energy and creating better life", and promoted the expansion of gas business and smart energy concurrently, and the results achieved so far has been widely recognized by the industry



## Core gas business



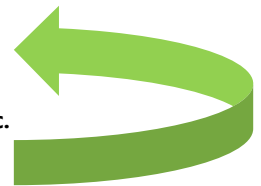
## Smart energy business



- ✓ Committed to optimize energy structure of operating regions, promoting the optimization of resources and improvement of the environment in service areas
- ✓ Over 20 years of experience and expertise in city gas operations. Well-equipped to continuously improve the production process of green gas, and promote energy saving and emissions reduction



- ✓ Actively co-operate with local governments to expand operations in distributed energy, smart grid, photovoltaic power generation and energy storage, ground source heat pumps, cold storage facilities, new energy vehicle charging stations, etc.
- ✓ With the rapid development of smart energy business, the Group aims to capture a larger share of the clean energy market and contribute to the green and sustainable development of the PRC



## Selected awards and certifications

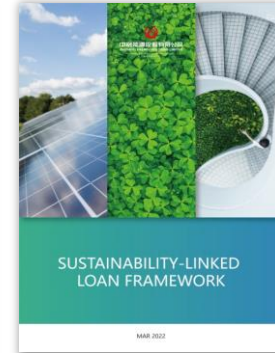
### Selected awards

- 1 In Dec 2021, won the "Best ESG Award" of the 2021 China Financing Awards sponsored by "China Financial Market" and jointly organized by several Hong Kong industry authorities
- 2 In Jan 2022, won the "Carbon Neutrality Pioneer" Green Finance Innovation Breakthrough Award organized by Ping An under the guidance of Shenzhen Green Finance Association



### Selected green certifications

- 1 In Nov 2021, obtained the green cross-border syndicated certification of Bank of Beijing
- 2 In Mar 2022, received Second Party Opinion (SPO) signed by DNV and completed the Sustainability Linked Loans (SLL) Framework
- 3 Currently applying for green and sustainable finance certifications issued by internationally renowned institutions



# 5 Continue to maintain leading safety and quality standards by strengthening ESG, governance and internal controls

## Zhongyu Energy keeps its development mission in mind and strives to be a integrated energy service provider that promotes green development and shoulders social responsibilities

- Against the backdrop of global "carbon neutrality", Zhongyu Energy (formerly "Zhongyu Gas") officially renamed to "Zhongyu Energy Holdings Limited". This name change reflects the Group's ambition to become an integrated energy service provider, in line with its current business strategy and future objectives to focus on development of smart energy and renewable energy, and demonstrate management's focus on ESG controls going forward



### Environmental protection

- Zhongyu Energy has established an oversight mechanism to develop and implement specific measures to ensure proper management and reduction of greenhouse gas, air pollutants, waste and wastewater discharges from operations
- City gas technology and resources accumulated in 20 years have empowered the integrated energy business, and vigorously promote the development strategy in the field of renewable energy

#### Since establishment:



Cumulative **15bn m<sup>3</sup>** natural gas utilized



Reduced carbon dioxide emissions by **2.16mn tons** for the region served



Reduce PM2.5, sulfur dioxide and other emissions by **over one million tons**



### Social responsibility

#### 1 Employee care

- The Group values equal opportunities for all employees, values teams with employees of different backgrounds, and adopts different policies to promote cultural inclusion. The Group believes that individual differences are the driving force for sustainable development
- The Group has established the "Training Management System" to regulate employee training programs. Meanwhile, it has formulated training management policies and regularly develops new courses for employees to support their development needs

#### 2 Social responsibility

- The Group has comprehensively regulated the approval procedures and investment plans for community contribution investments within the Group
- Over the years, the Group has been actively donating and participating in social welfare activities in community construction and poverty alleviation



### Corporate governance



In Feb 2022, the ESG Committee was established, with internal management further emphasizing the importance of ESG. The ESG Committee is fully responsible for the sustainable development of the Group, and is presided over by the Chairman of the Board and the core management






The ESG Office reports directly to the ESG Committee and links with various business departments to supervise and implement the Group's ESG strategy



The Group has formulated the "Zhongyu Gas Audit Supervision System" and "Zhongyu Gas Accountability System" to monitor and ensure that the Group does not have any form of corruption, bribery, extortion, fraud and money laundering during its operations


# 5 Continue to maintain leading safety and quality standards by strengthening ESG, governance and internal controls (cont'd)


## Renewable energy and energy efficiency initiatives


-  Invested in the construction of industrial and commercial distributed rooftop photovoltaic projects in multiple provinces and cities including Shandong, Jiangsu, Henan, Fujian and Beijing
-  Aside from photovoltaic projects, biomass, steam and ground source heat pump cooling and heating projects have been rolled out in many provinces and cities, covering multiple applications including in schools, office buildings and residential quarters
-  At the same time, the Group actively develops energy-saving and emissions-reduction infrastructure and energy utilization related technologies. By the end of 2021, Zhongyu has successfully deployed several comprehensive energy projects including waste heat recovery, and utilization of power plants and incremental power distribution networks

★ The Group highly values and actively promotes the recycling of resources, the recovery and sustainable treatment of waste and emissions

 Green upgrade of LNG infrastructure

 Natural gas spill / methane leak monitoring and control

 Natural gas emissions control  
Harmful gas recovery

 Waste and wastewater discharge treatment

## Resource recycling and pollution prevention



## Green environmental protection projects

60+

Charging pile projects invested by the Group to provide high-quality charging services for pure electric buses, new energy social vehicles, etc.

20+

Charging station project subsidiaries

50k kWh

Daily electricity sales volume

## Clean transportation

# 5 Continue to maintain leading safety and quality standards by strengthening ESG, governance and internal controls (cont'd)

Safety management has been deeply rooted in the DNA of Zhongyu Energy. In 2021, the Group has managed to reduce both the number of typical accidents and hidden hazards as uncovered in its audits

## Safety management system

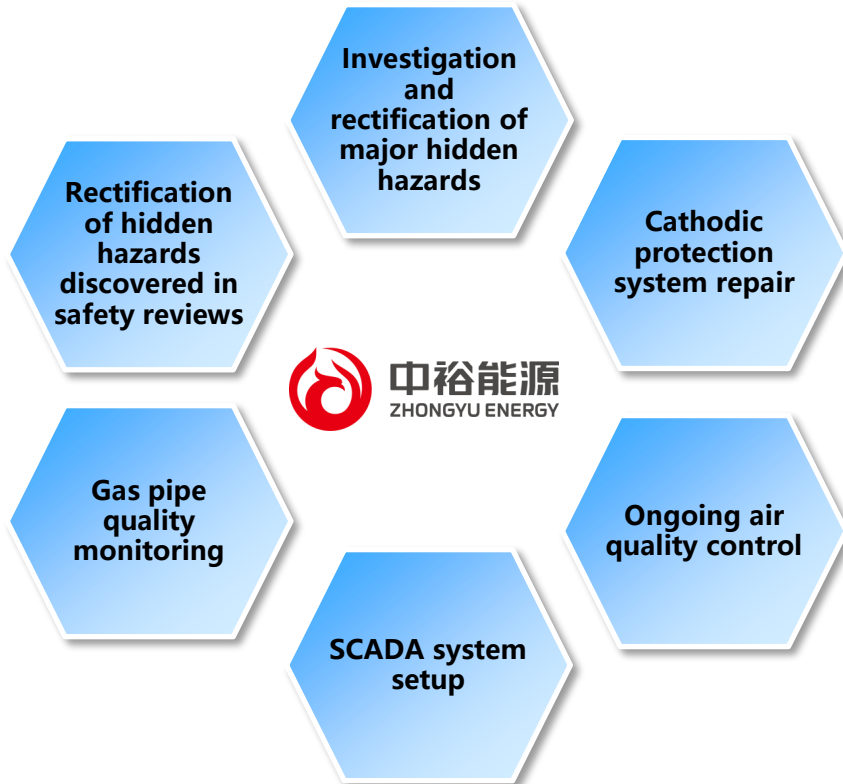
In 2021, safety review coverage of subsidiaries reached **100%**



In 2021, the number of certified safety engineers reached **102**, achieving full coverage of subsidiaries by 2022



In 2021, the number of major and more serious safety incidents was **0**, Level-5 incidents was **0**, and air-quality incidents was **0**



New laser detector and electric vehicles for laser inspection are utilized in all subsidiaries

New plant station laser methane leakage monitoring system

In 2021, the Company took the initiative and have had nearly **30** of its subsidiaries push their local governments to issue relevant policy documents covering the protection of gas facilities





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## Prudent internal management policies and diversified financing channels effectively assist in hedging against potential financial risks and supporting the long-term development of Zhongyu Energy



### Stringent and prudent financial policies

- Continue to optimize the debt cost and structure of Zhongyu Energy through various financing channels such as capital market and bank loans, and gradually deleverage starting from 2020
- The management continues to monitor exchange rate and interest rate risk, and consider adopting financial instruments to hedge significant fixed-rate loans and foreign exchange risk as appropriate
- Well-established investment decision-making and capital expenditure mechanism, prudent and stable investment evaluation in terms of Group strategic fit, financial return, business synergy, etc.
- Maintain reasonable and abundant cash holdings to guard against liquidity risk and maintain funding flexibility



### Diversified financing channels

- Listed on the main board of HKEX, allowing Zhongyu Energy to access well-established capital markets and secure financing in a variety of currencies via an international platform
- During its more than 20 years of operation, Zhongyu Energy has established long-term co-operation with several esteemed domestic and foreign financial institutions:



### Strong track record in capital markets

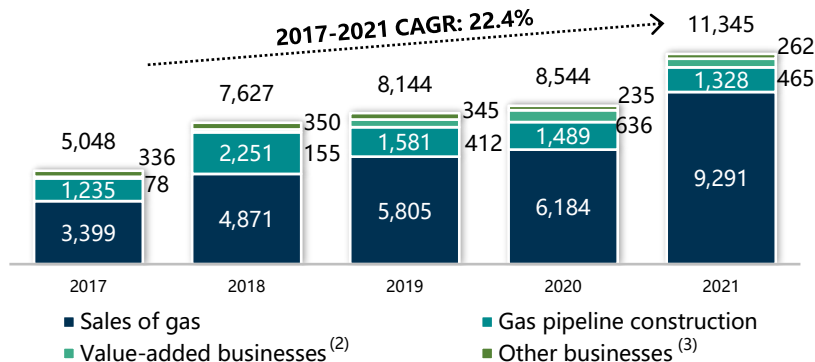
- 1 **Oct 2021** – Zhongyu Energy successfully issued 188 million new shares at a price of HK\$5.80 per share via top-up placement, raising a total of **HK\$1.09 bn**, with Mr. Yao Zhisheng introduced as a strategic shareholder
- 2 **Nov 2021** – Zhongyu Energy signed a three-year offshore syndicated loan financing agreement with a syndicate of domestic and foreign banks, with a total capital raise of **US\$565 mn**. At the same time, the over-subscription mechanism allowed other banks to join at a later stage via a greenshoe option

# Financial summary (cont'd)

**Robust core business and sustainable revenue growth, coupled with the development of value-added services and three new business formats of new retail, smart energy and energy trading, provide the Group with continuous organic growth momentum**

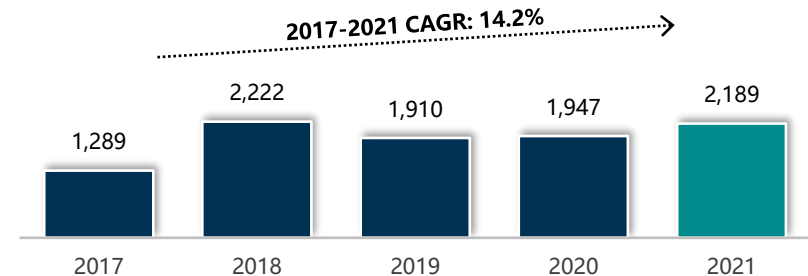
## Revenue

(HK\$mn)



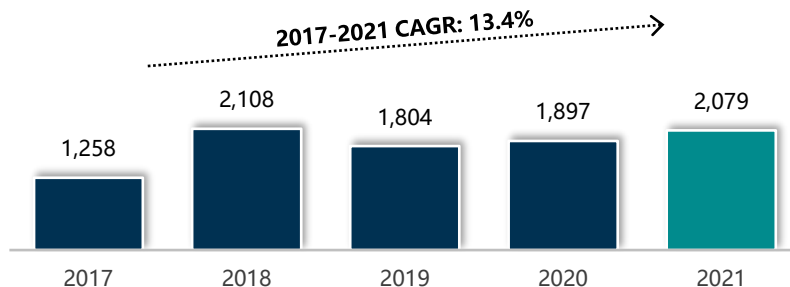
## Gross profit (1)

(HK\$ mn)



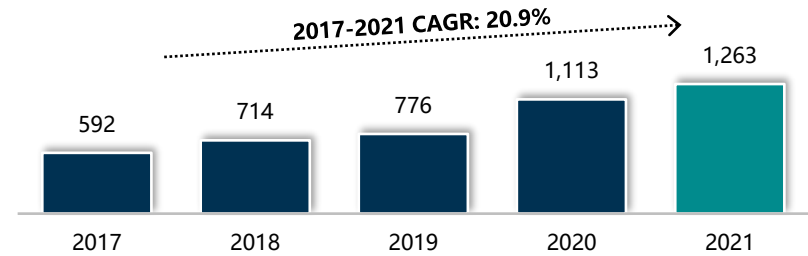
## EBITDA

(HK\$ mn)



## Net profit

(HK\$ mn)



Net profit excluding one-time foreign exchange loss<sup>(4)</sup>

Source: Corporate financial reports  
(1) Total gross profit excluding VAT expenses

(2) Include smart energy business

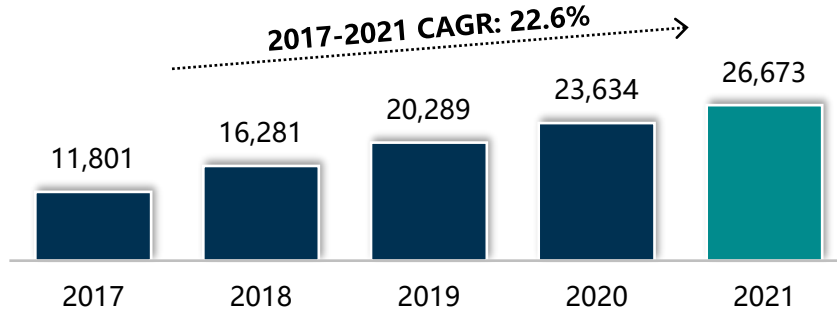
(3) Include sales of LPG and operation of CNG/LNG vehicle filling stations

(4) The decrease in profit in 2019 was mainly due to the decrease in the proportion of revenue from the new pipeline business with higher gross profit margin and the impact of foreign exchange loss. Net profit before foreign exchange loss and share purchase expenses was HK\$484 mn, with a net profit margin of 5.9%

## The Group continues to enhance its capital strength via robust and effective expansion of total assets

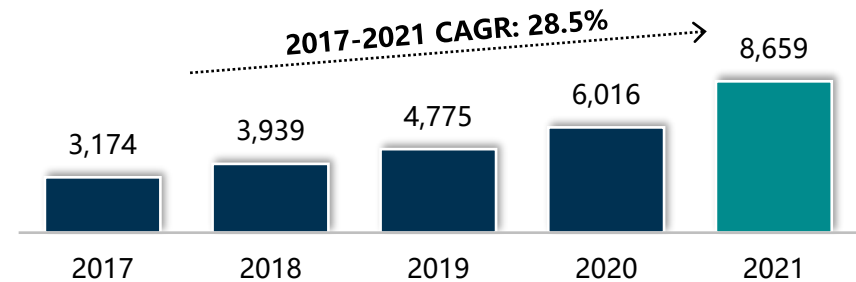
### Total assets

(HK\$mn)



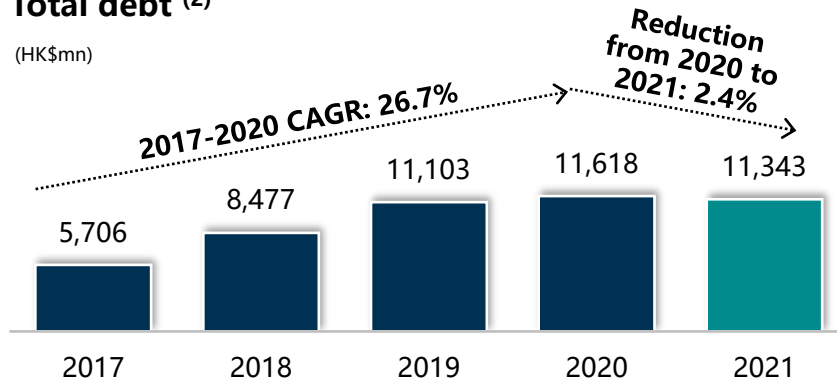
### Total shareholders' equity <sup>(1)</sup>

(HK\$mn)



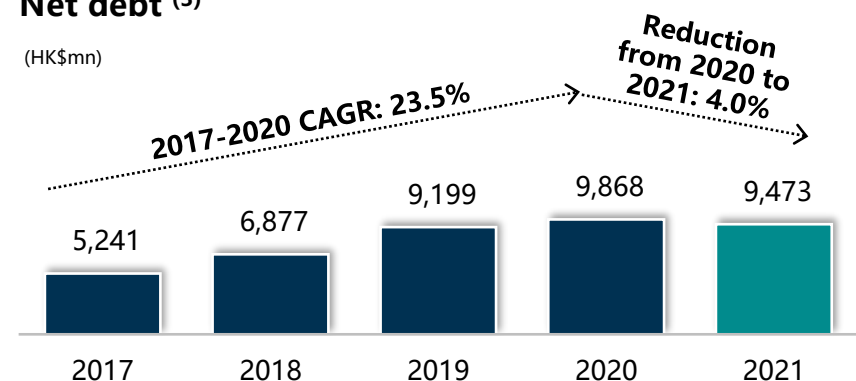
### Total debt <sup>(2)</sup>

(HK\$mn)



### Net debt <sup>(3)</sup>

(HK\$mn)



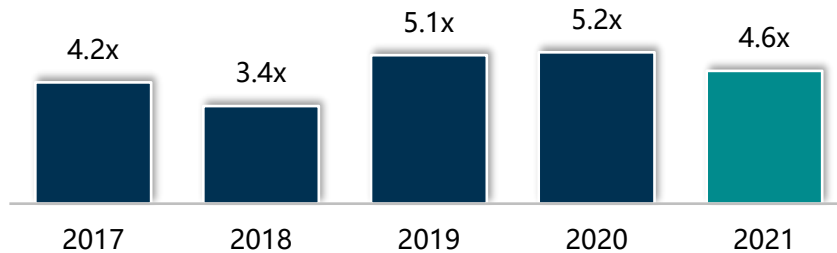
Source: Corporate financial reports  
 (1) Total shareholders' equity = equity attributable to owners of the company  
 (2) Total debt = total borrowings + total lease liabilities  
 (3) Net debt = total debt - bank balance and cash - pledged bank deposits



The Group continues to take deleveraging measures, achieving improvement in solvency and credit metrics

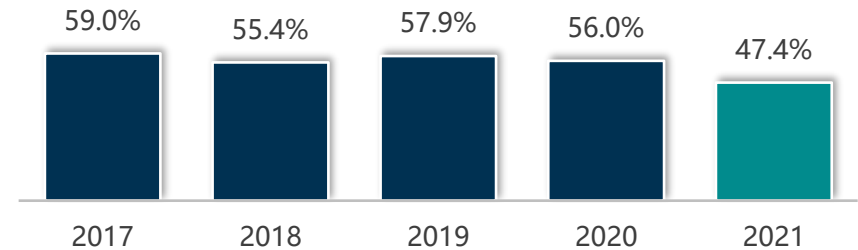
## Net debt <sup>(1)</sup> / EBITDA

(x)



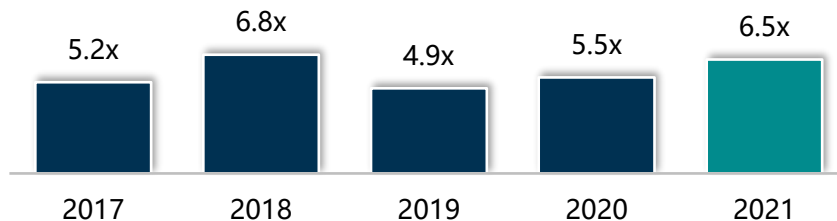
## Net debt / total capital <sup>(2)</sup>

(%)



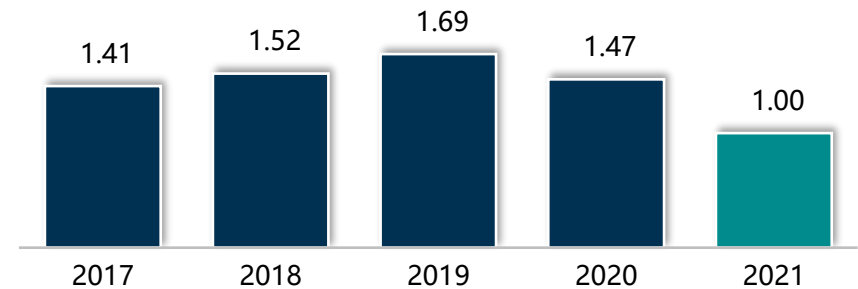
## EBITDA interest coverage ratio <sup>(3)</sup>

(x)



## Net gearing ratio <sup>(4)</sup>

(x)



Source: Company Information

Notes:

- (1) Net debt = total borrowings + total lease liabilities – bank balance and cash – pledged bank deposits
- (2) Total assets = total debt + total shareholder's equity (equity attributable to owners of the Company)
- (3) EBITDA interest coverage ratio = EBITDA / total financial cost
- (4) Net gearing ratio = net debt / total shareholder's equity (including non-controlling interests)



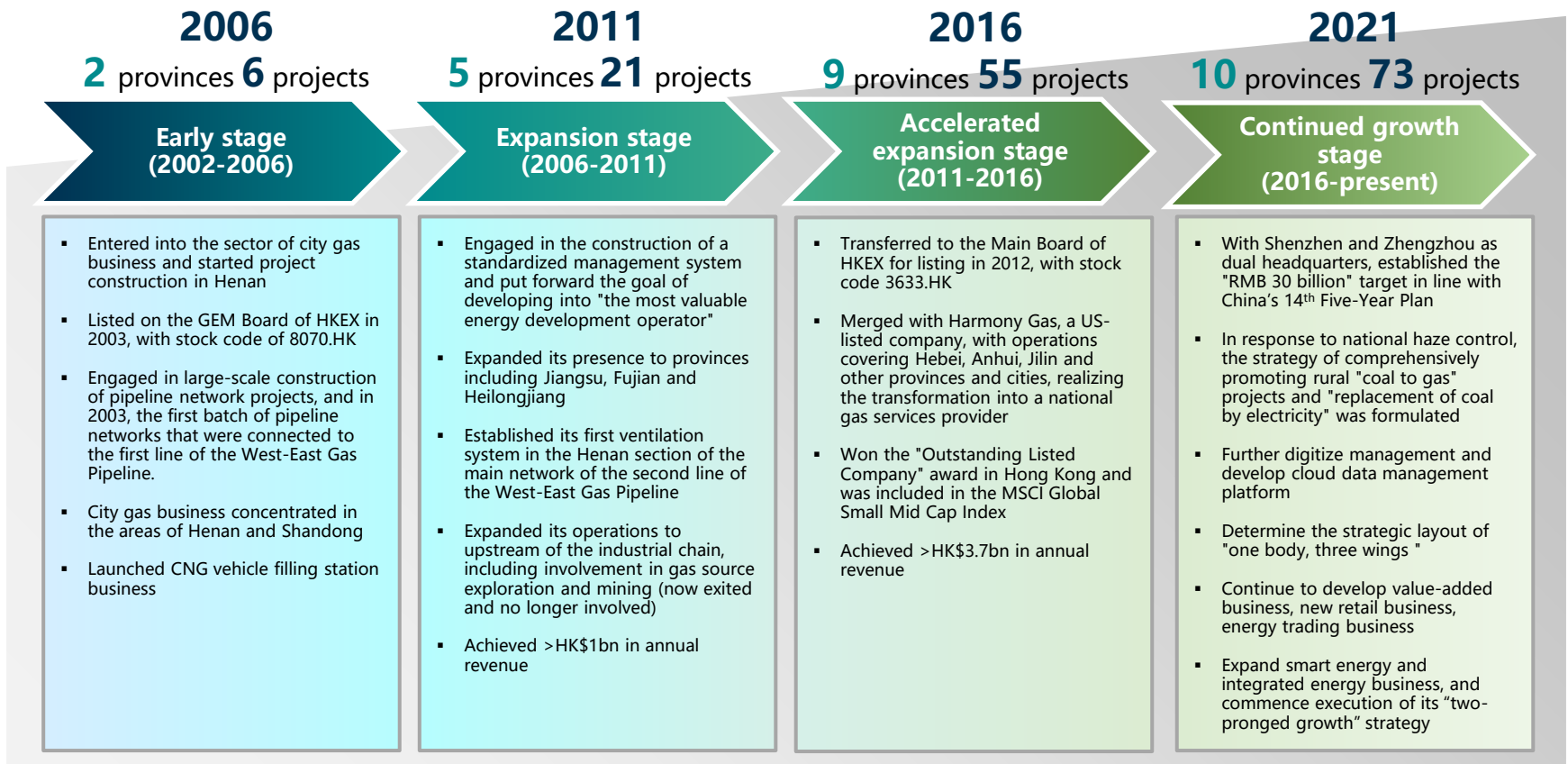
**中裕能源**  
ZHONGYU ENERGY

- **2021 Annual Business Review**
- **Development strategy**
- **Financial summary**
- **Appendix**



# Key development milestones

- Zhongyu Energy Holdings Limited (formerly known as "Zhongyu Gas") was established in 2002, which is a pioneer in China's gas industry. It is principally engaged in city gas operations, gas pipeline construction, gas appliance sales and related new retail value-added services, compressed natural gas (CNG) and liquefied natural gas (LNG) vehicle filling station, sales of liquefied petroleum gas business and smart energy and energy trading
- Listed on the GEM Board of HKEX in 2003 (stock code: 8070.HK) and transferred to the Main Board in 2012 (stock code: 3633.HK)
- In May 2021, Zhongyu Gas was assigned a **Ba3/stable** international rating by Moody's
- Zhongyu Smart Energy Group was established in 2021, opening a new era of executing a "two-pronged growth" strategy



Source: Company Information

# Accelerating the development of clean energy Paving the way for a better future

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