



**中裕燃氣控股有限公司**

**ZHONGYU GAS HOLDINGS LIMITED**

(Stock Code : 3633)

## 2014 Interim Results

August 2014

# Disclaimer



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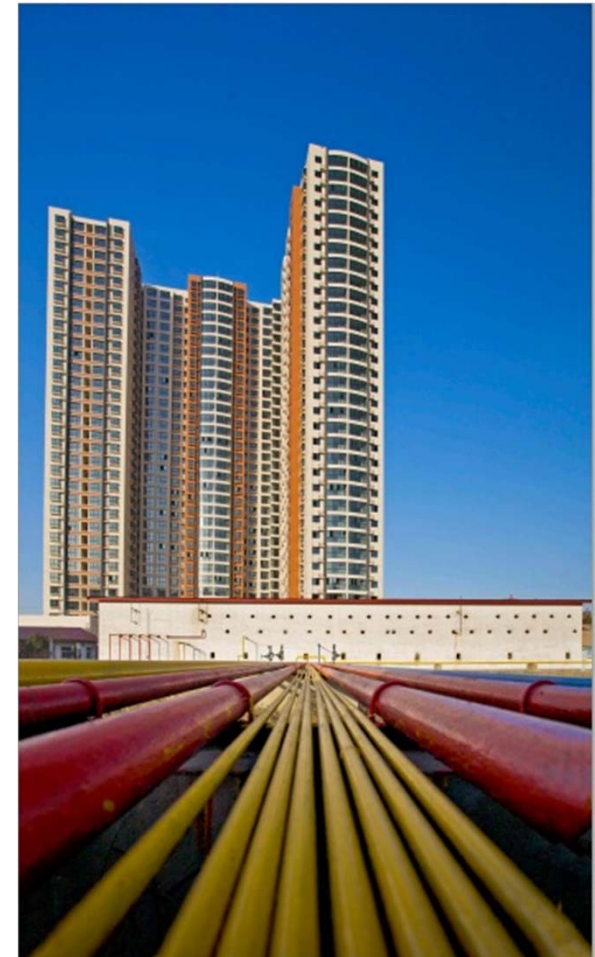


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# About Zhongyu Gas



- Zhongyu Gas Holdings Limited (“Zhongyu Gas”) is a downstream natural gas distributor in China
- Zhongyu Gas is listed on The Stock Exchange of Hong Kong Limited (Stock Code: 3633)
- Zhongyu Gas primarily operates in the following two business areas:
  - ◆ Pipeline Natural Gas Business
  - ◆ CNG/LNG Vehicle Filling Business





# Business Model



## Pipeline Natural Gas Business

- Zhongyu Gas engages in the investment, operation and management of city gas network infrastructure; and the distribution of pipeline gas to residential, industrial and commercial users.



- ◆ Started in 2003
- ◆ 29 gas projects with exclusive rights
  - ✓ Henan Province 21
  - ✓ Shandong Province 4
  - ✓ Jiangsu Province 2
  - ✓ Fujian Province 1
  - ✓ Heilongjiang Province 1
- ◆ 883,216 residential users  
(Penetration rate: 52.5%)
- ◆ 542 industrial users
- ◆ 2,974 commercial users

# Business Model



## CNG/LNG Vehicle Filling Business

- Zhongyu Gas also engages in the construction and operation of CNG/LNG filling stations for vehicle.



- ◆ Started in 2007
- ◆ Owns 33 CNG/LNG filling stations
  - ✓ Henan Province 16
  - ✓ Shandong Province 16
  - ✓ Jiangsu Province 1
- ◆ 13 CNG/LNG filling stations under construction

# Revenue Model



**Zhongyu Gas chiefly has three types of revenue:**

➤ **Sales of Piped Gas**

- ◆ Industrial users being the major driver

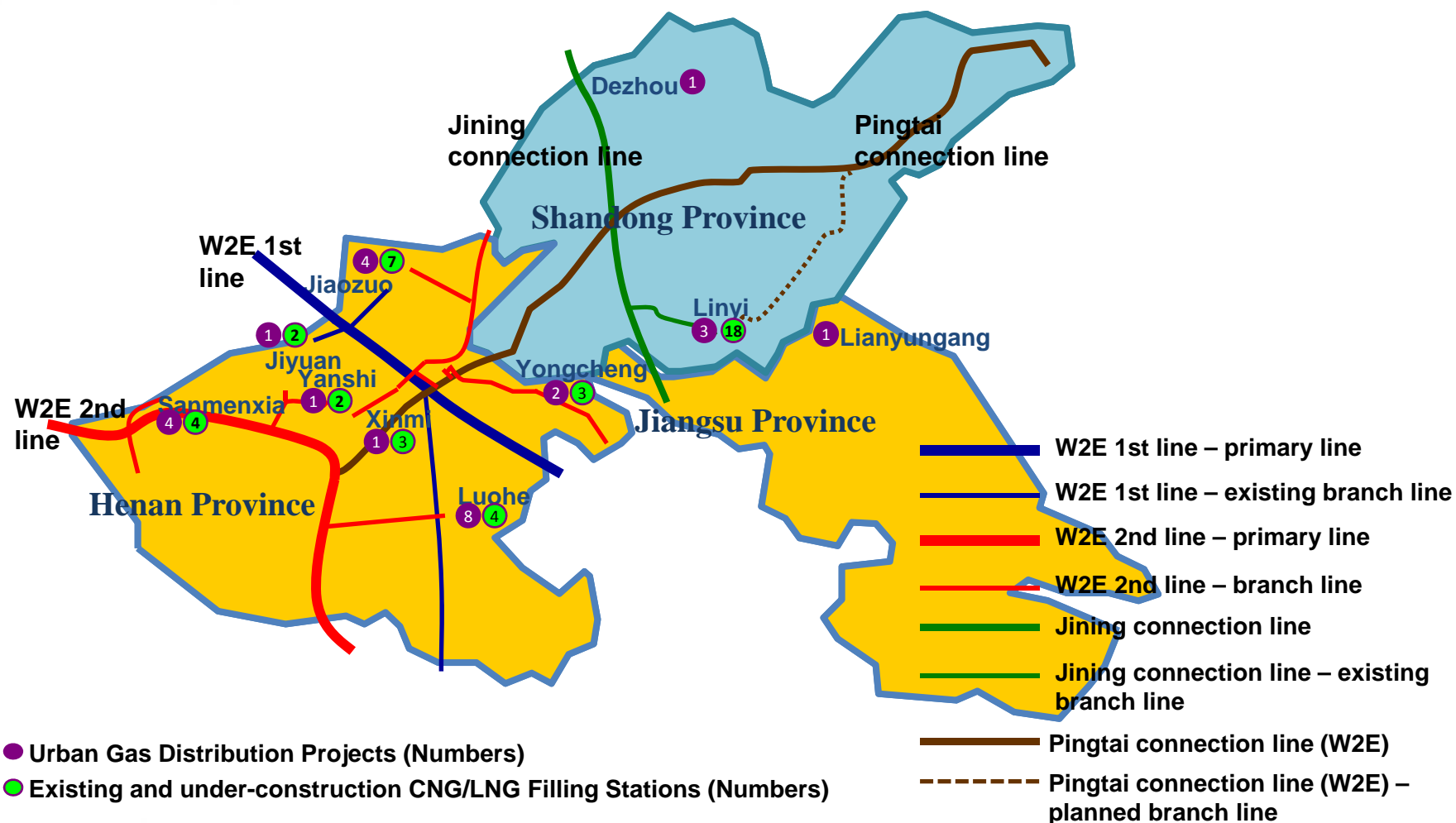
➤ **Connection revenue from gas pipeline construction**

- ◆ Residential connection fee being the segment's major income source
- ◆ Low penetration rate of residential pipeline connection (52.5% as at 30 June 2014)

➤ **Revenue from operation of CNG/LNG vehicle filling stations**

- ◆ Fast expansion business

# Easy Access to Gas Sources





# Pricing Model



**Residential, Industrial and Commercial Users**

**Exploration wellhead  
price**

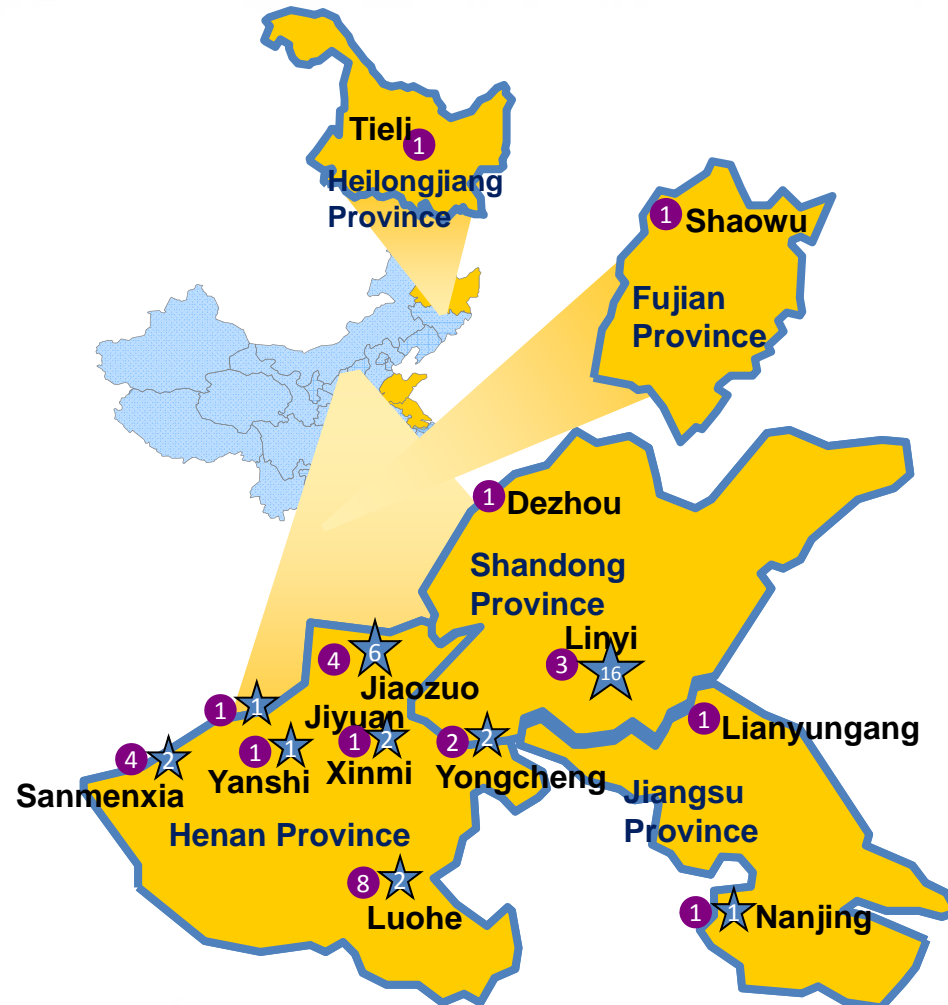
**Transportation  
Transmission tariffs**

**Distribution  
Distribution cost + margin**

**Approved by  
National Development and  
Reform Commission**

**Approved by  
Local Price Bureau**

# Fast Business Expansion



Connectable Urban Gas	As at 30/06/2013	As at 30/06/2014
Total connectable urban population	4,528,000	5,891,000
Total connectable residential households	1,294,000	1,683,000

- Urban Gas Distribution Projects
- ★ CNG/LNG Filling Station Under Operation

# Management Profile



## Senior Management

## Responsibilities

## Experiences

### **Wang Wenliang**

*Chairman  
and  
Joint Managing Director*

Overall strategic development, making and implementation of strategic plans, managing day-to-day operation

Over 17 years of experience in energy, aluminum, property industries. Vice President of Henan Provincial Youth Union

### **Lui Siu Keung**

*Joint Managing Director*

Responsible for the general business operations and management as well as the financial, financing and investor relations activities

Over 18 years experience in corporate finance, accounting and auditing. Associate member of the Hong Kong Institute of Certified Public Accountants INED of Co-Prosperity Holdings Limited (Stock Code: 707)

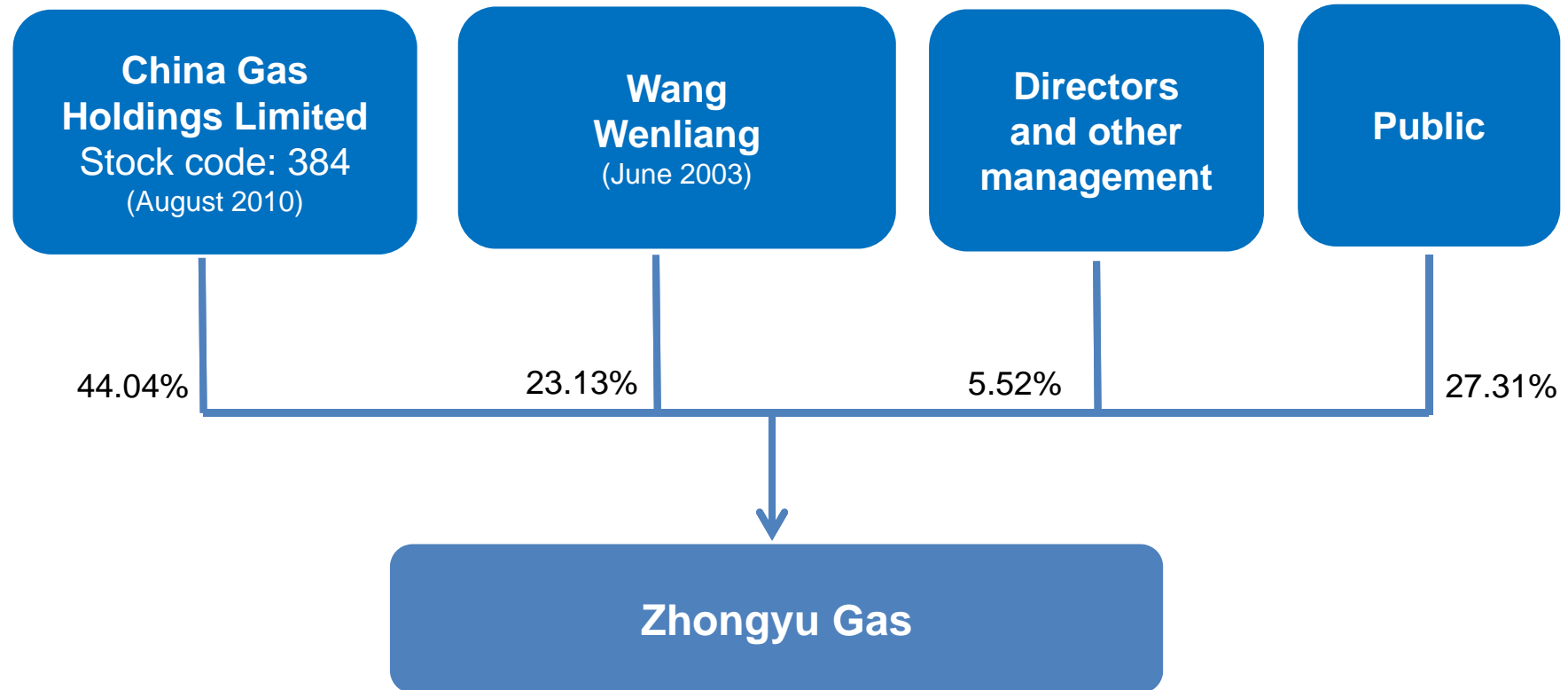
### **Lu Zhaoheng**

*Executive Director*

Planning, design and consultation regarding natural gas projects

Over 29 years experience in NG industry, a leading member in the City Planning Design Institute of Henan Province

# Shareholding Structure



**Total issued shares: 2,525 million shares  
(As at 30 June 2014)**



## **New / Existing Projects Expansion**

- ◆ 2 new projects are acquired in Daishan County and Dezhou City
- ◆ Additional 40% interest in Xiuwu Zhongyu
- ◆ Mainly focus on industrial location and customers

## **New CNG/LNG Filling Stations Expansion**

- ◆ 6 new CNG/LNG filling stations
- ◆ 13 new CNG/LNG filling stations under construction



# 2014 Interim Results Highlights

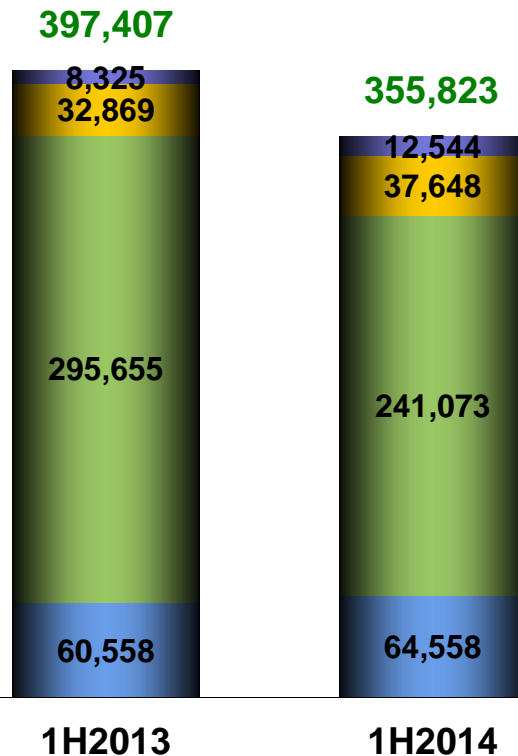


For the six months ended 30 June	2013 HK\$'000	2014 HK\$'000	% changes
<b>Turnover</b>	1,444,030	<b>1,572,648</b>	8.9%
<b>Gross profit</b>	317,070	<b>362,114</b>	14.2%
(Gross margin)	(22.0%)	<b>(23.0%)</b>	(+1.0 pts)
<b>Profit attributable to owners of the Company</b>	97,155	<b>127,460</b>	31.2%
(Net profit margin)	(6.7%)	<b>(8.1%)</b>	(+1.4 pts)
<b>Earnings per share (HK cents)</b>			
Basic	3.85	<b>5.05</b>	31.2%
Diluted	3.85	<b>5.05</b>	31.2%
<b>EBITDA</b>	245,981	<b>304,211</b>	23.7%
<b>Net assets value per share (HK cents)</b>	67	<b>70</b>	4.5%
<b>Net gearing ratio</b>	71.5%	<b>83.5%</b>	+ 12 pts

# Operation Highlights



## Piped Natural Gas Sales Volume ('000 m<sup>3</sup>)



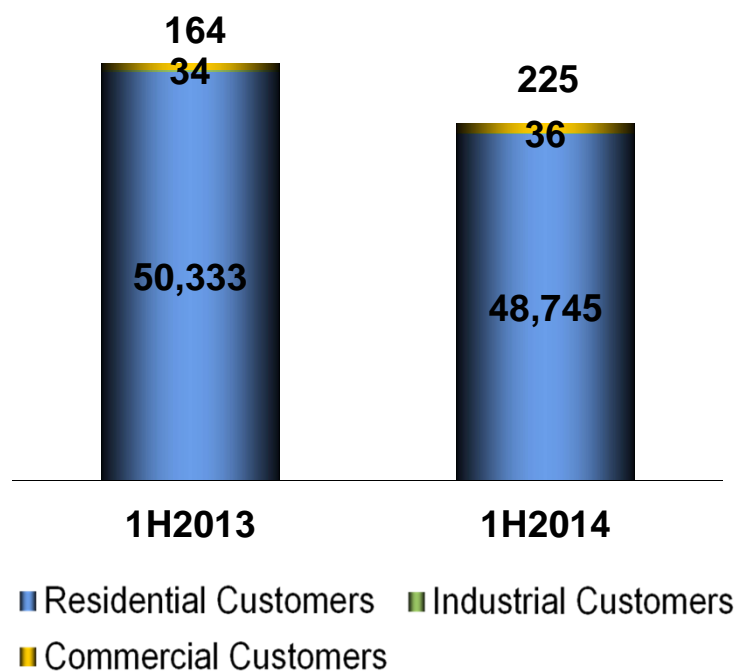
■ Residential Customers 
 ■ Industrial Customers  
■ Commercial Customers 
 ■ Wholesale Customers

	% of Total	Change	Reason
Residential Customers	18.1%	+ 6.6%	➤ Number of residential users increased resulting from urbanization in its existing project cities in PRC as well as the no. of operational locations increased
Industrial Customers	67.8%	- 18.5%	➤ Gas consumption of partly industrial customers was suppressed resulting from average selling price increased
Commercial Customers	10.6%	+ 14.5%	➤ Due to number of commercial customers increased
Wholesale Customers	3.5%	+ 50.7%	
<b>Total</b>	<b>100%</b>	<b>- 10.5%</b>	

# Operation Highlights



## Gas Pipeline Construction – No. of New Connection

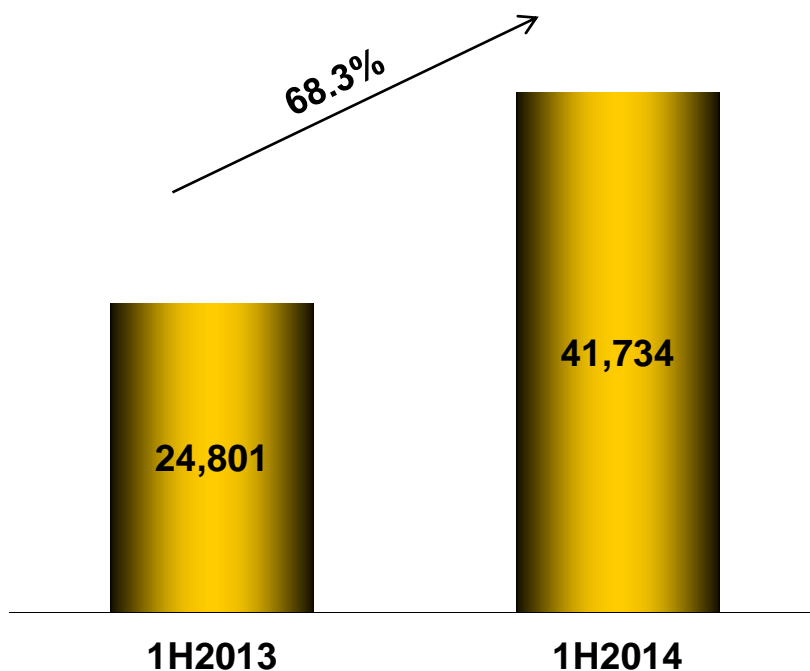


	Change
Residential Households	- 3.2%
Industrial Customers	+ 5.9%
Commercial Customers	+ 37.2%
Total	- 3.0%

# Operation Highlights



## Gas Sales Volume from CNG/LNG Vehicle Filling Stations ('000 m<sup>3</sup>)



	Growth	Reasons
Gas Sales Volume	+ 68.3%	➤ An increase in the number of CNG/LNG filling stations from 14 to 33 stations

# Operation Highlights



## Natural Gas Customers & Tariffs Data

Customer	1H2013	1H2014	Increase
Residential	720,217	883,216	+ 22.6%
Industrial	456	542	+ 18.9%
Commercial	2,398	2,974	+ 24.0%
CNG/LNG Filling Stations	14	33	+ 135.7%
<b>Customer Tariffs (pre-tax) (RMB per m<sup>3</sup>)</b>			
Residential	1.96	1.96	N/A
Industrial <sup>(1)</sup>	2.22	2.62	+ 18.0%
Commercial <sup>(1)</sup>	2.49	2.99	+ 20.1%
CNG/LNG Filling Stations	3.37	3.73	+ 10.7%
Residential Connection Fee (RMB per Customer)	2,710	2,890	+ 6.6%

<sup>(1)</sup> In July 2013, the National Development and Reform Commission of the PRC increased city gas price for non-residential users from RMB 1.89/m<sup>3</sup> to RMB 2.15/m<sup>3</sup> (incl. VAT). Zhongyu Gas passed through the same amount to both Industrial and Commercial users for all city gas projects.

In March 2014, Zhongyu Gas increased customer tariffs (pre-tax) for Industrial and Commercial users to RMB 2.62/m<sup>3</sup> and RMB 2.99/m<sup>3</sup> respectively.



# Operation Highlights



## Other Operational Data

	1H2013	1H2014	Increase/ Decrease
Connectable Urban Population ('000)	4,528	5,891	+ 30.1%
Household Penetration Rate <sup>(2)</sup>	55.7%	52.5%	- 3.2%
Total Intermediate & Main Pipelines (km)	2,827	4,653	+ 64.6%

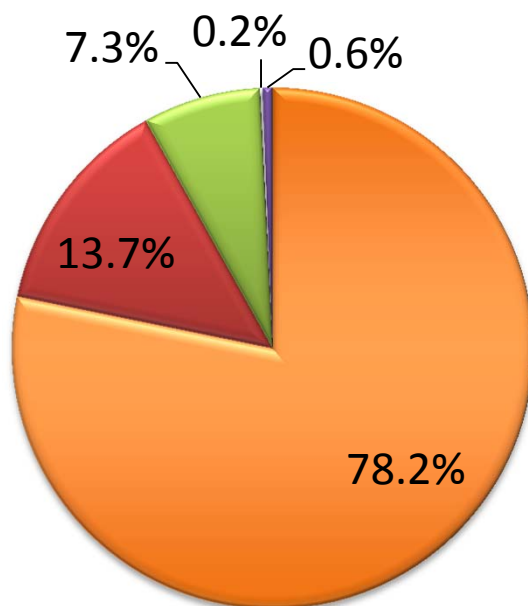
<sup>(2)</sup> The penetration rates of residential pipeline connection represented by the percentage of the accumulated number of the Group's connected residential households to the estimated aggregate number of connectable residential households in operation regions.

# Financial Highlights

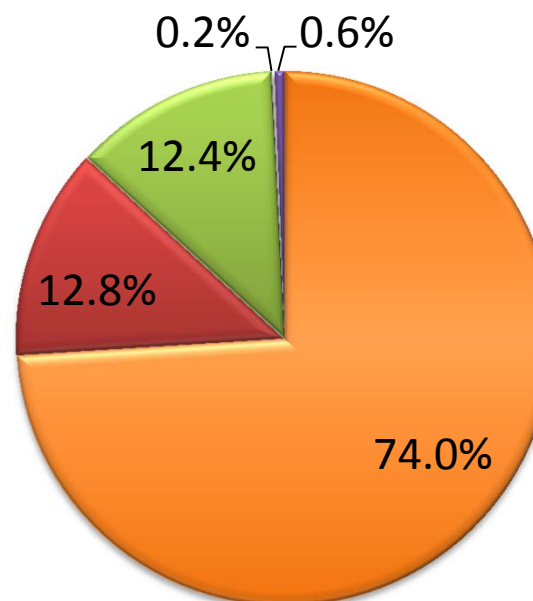


## Revenue by Segment

**1H2013**



**1H2014**

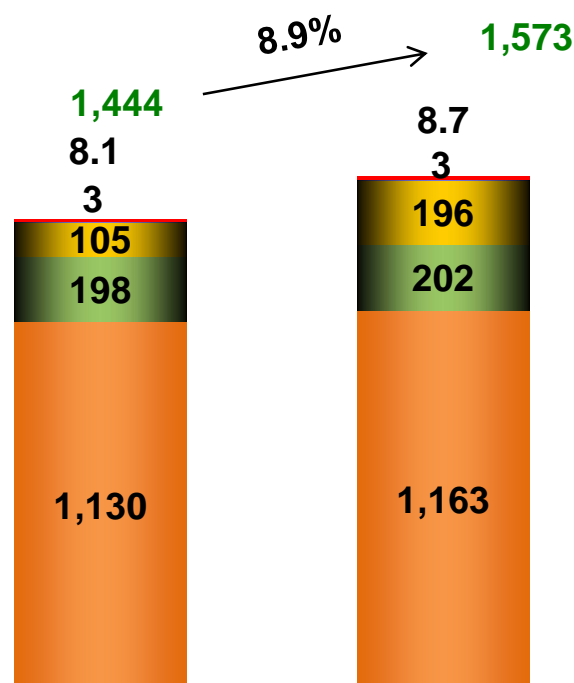


■ Sales of piped gas ■ Connection Fee ■ CNG/LNG filling stations ■ Sales of LPG ■ Others

# Financial Highlights



## Revenue (HK\$ million)



1H2013

1H2014

■ Sales of Piped Gas

■ Connection Fee

■ CNG/LNG Filling Stations

■ Sales of LPG

■ Others

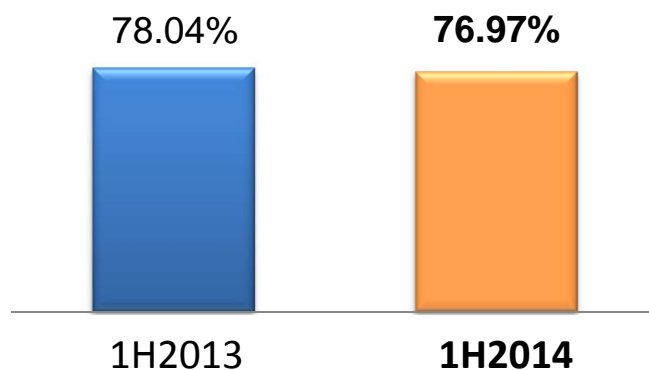
	Growth	Reasons
Sales of Piped Gas	+2.9%	➤ Increase in the average selling price of natural gas, partly offset by decrease in gas volume
Construction Fee	+2.5%	➤ Increase average connection fee for residential households from RMB2,710 to RMB2,890
CNG/LNG Filling Stations	+86.3%	➤ No. of CNG/LNG filling stations increased from 14 to 33 as well as the unit of natural gas sold to vehicles increased YoY 68.3%

# Financial Highlights

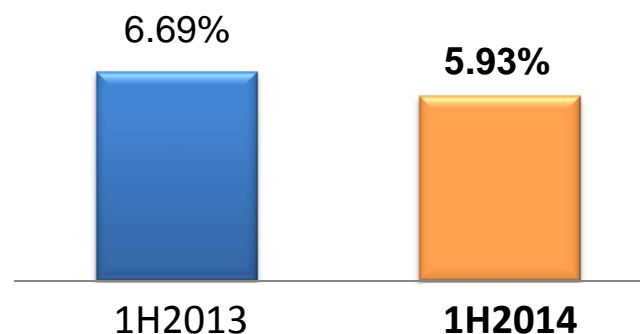


## Project Expenditure Analysis

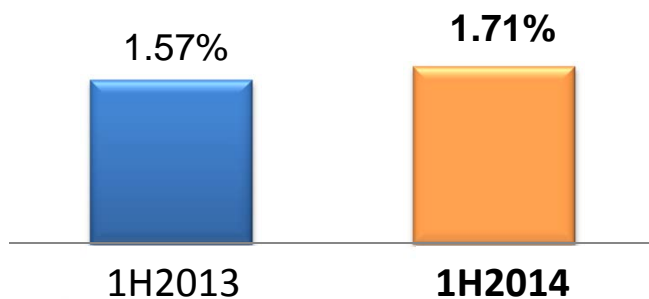
### Cost of sales / Turnover



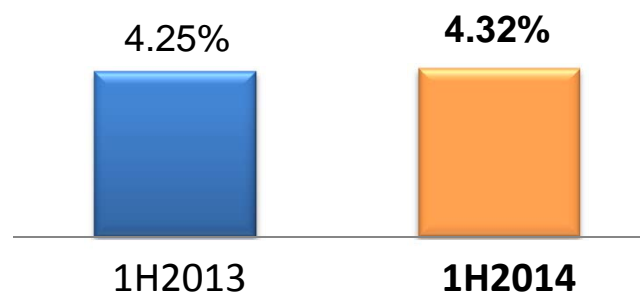
### Administrative expenses / Turnover



### Finance Costs / Turnover



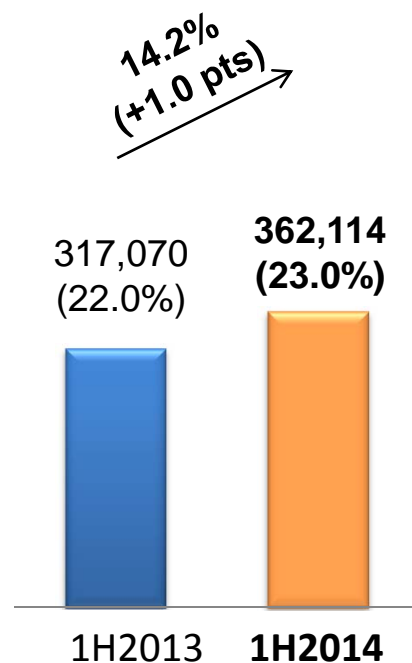
### Income Tax Expenses / Turnover



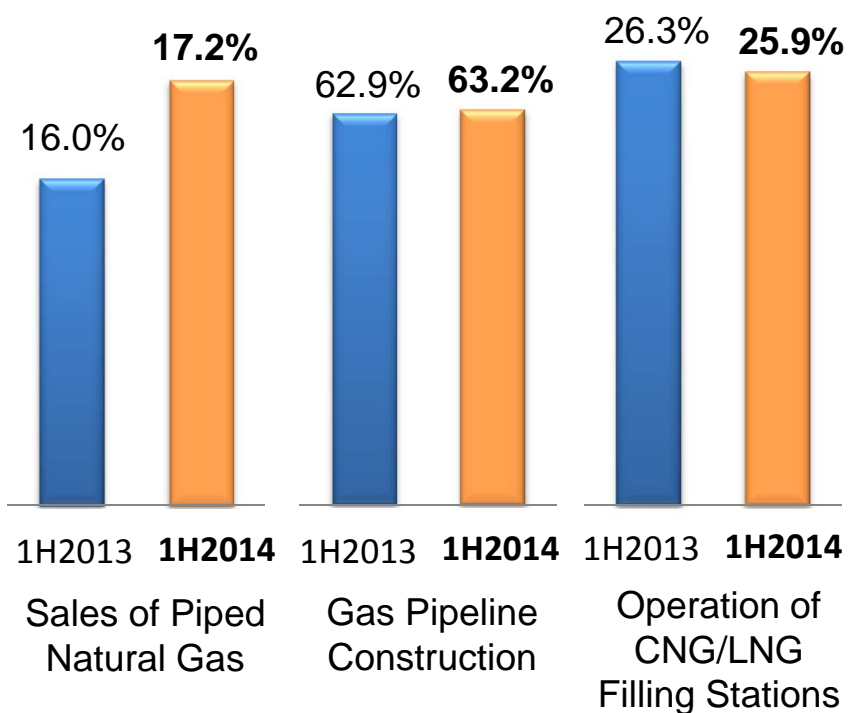
# Financial Highlights



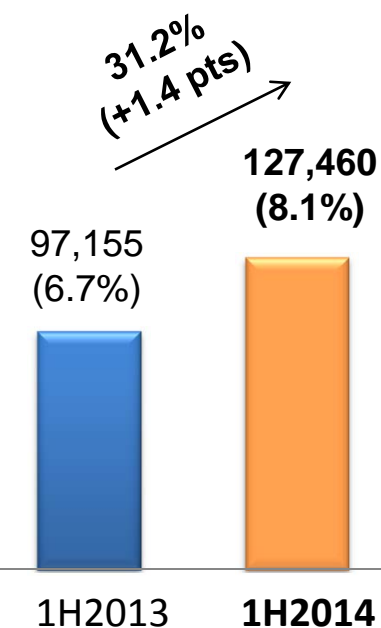
## Gross Profit (HK\$'000) (Gross Profit Margin)



## Gross Profit Margin by Segment



## Profit attributable to Owners of the Company (HK\$'000) (Net Margin)

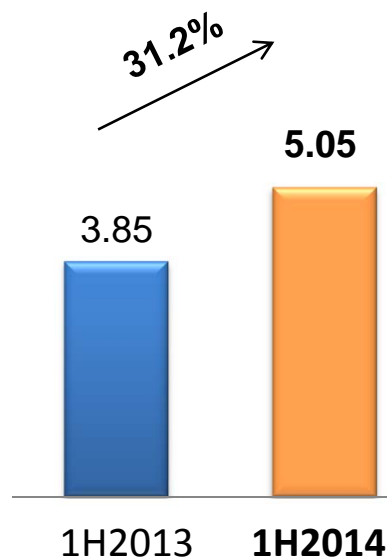




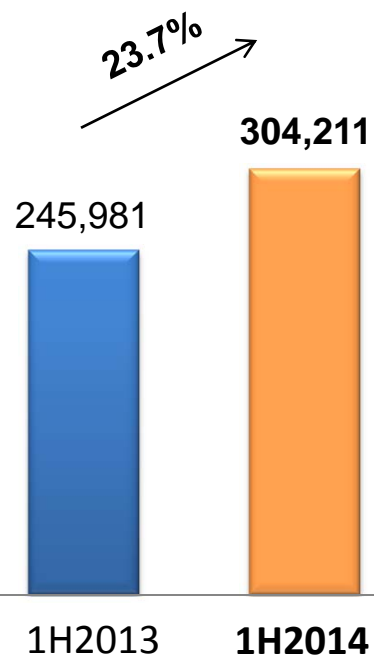
# Financial Highlights



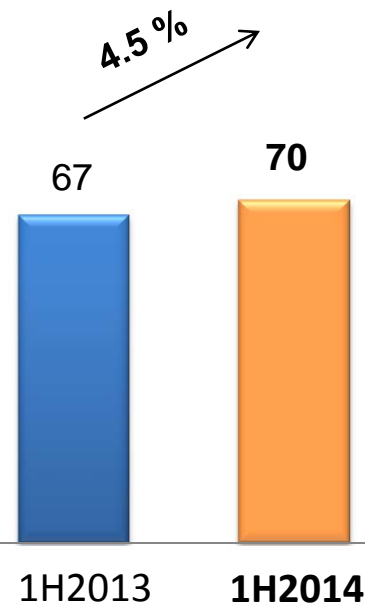
Basic EPS  
(HK cents per share)



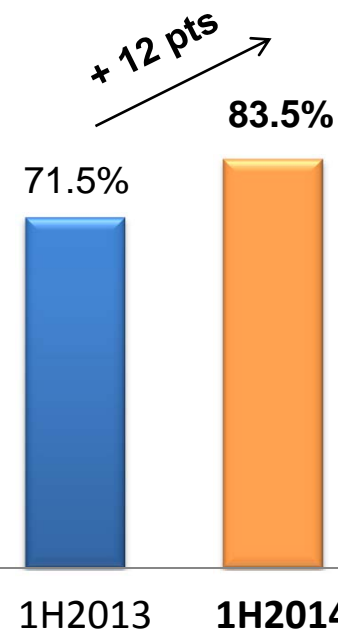
EBITDA  
(HK\$'000)



NAVPS  
(HK cents per share)



Net Gearing Ratio  
(%)



# Financial Summary



HK\$'000	For the six months ended 30 Jun		For the year ended 31 Dec	
	2014	2013	2013	2012
Turnover	1,572,648	1,444,030	3,130,885	2,754,084
Profit for the year attributable to the owners of the Company	127,460	97,155	262,248	226,021

	As at 30 Jun 2014	As at 31 Dec 2013	As at 30 Jun 2013
Total assets	5,151,669	4,698,914	4,273,633
Total liabilities	(3,144,680)	(2,770,240)	(2,576,460)
Net Assets	2,006,989	1,928,674	1,697,173
Equity attributable to the owners of the Company	1,754,494	1,692,480	1,507,408
Bank balance and cash	409,270	429,546	599,857
Total borrowing	2,085,580	1,809,118	1,739,865
Net gearing Ratio	83.5%	71.5%	67.2%
Net Cash inflow from operation	188,565	486,151	121,084

# Thank You

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