



# **Zhongyu Gas Holdings Limited**

## **中裕燃氣控股有限公司**

**(Stock Code: 3633.HK)**



**2013 Annual Results**  
**(March 2014)**



# Disclaimer

## Disclaimer

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# Company Overview

Zhongyu Gas is a downstream gas distributor in China engaging in the investment, operation and management of city gas network infrastructure; and the distribution of pipeline gas to residential, industrial and commercial users.



## Pipeline Natural Gas Business

- Started in **2003**
- **29** gas projects with exclusive rights
  - **21** in Henan Province
  - **4** in Shandong Province
  - **2** in Jiangsu Province
  - **1** in Fujian Province
  - **1** in Heilongjiang Province
- **834,471** residential users (Penetration rate:**49.6%**)
- **506** industrial users
- **2,749** commercial users







# Company Overview

Zhongyu Gas also engages in the construction and operation of CNG/LNG Filling Stations for vehicle.



## CNG/LNG Vehicle Filling Business

- Started in **2007**
- Owns **27** CNG/LNG filling stations
  - **14** in Henan Province
  - **12** in Shandong Province
  - **1** in Jiangsu Province
- **12** CNG/LNG filling stations under construction





# Revenue Model

## 1. Sales of Piped Gas

- Industrial users being the major driver

## 2. Connection revenue from gas pipeline construction

- Steady growth of profit
- Low penetration rate of residential pipeline connection (i.e. 49.6% as at 31 December 2013)
- Residential connection fee being the segment's major income source

## 3. Revenue from operation of CNG/LNG vehicle filling stations

- Fast expansion business





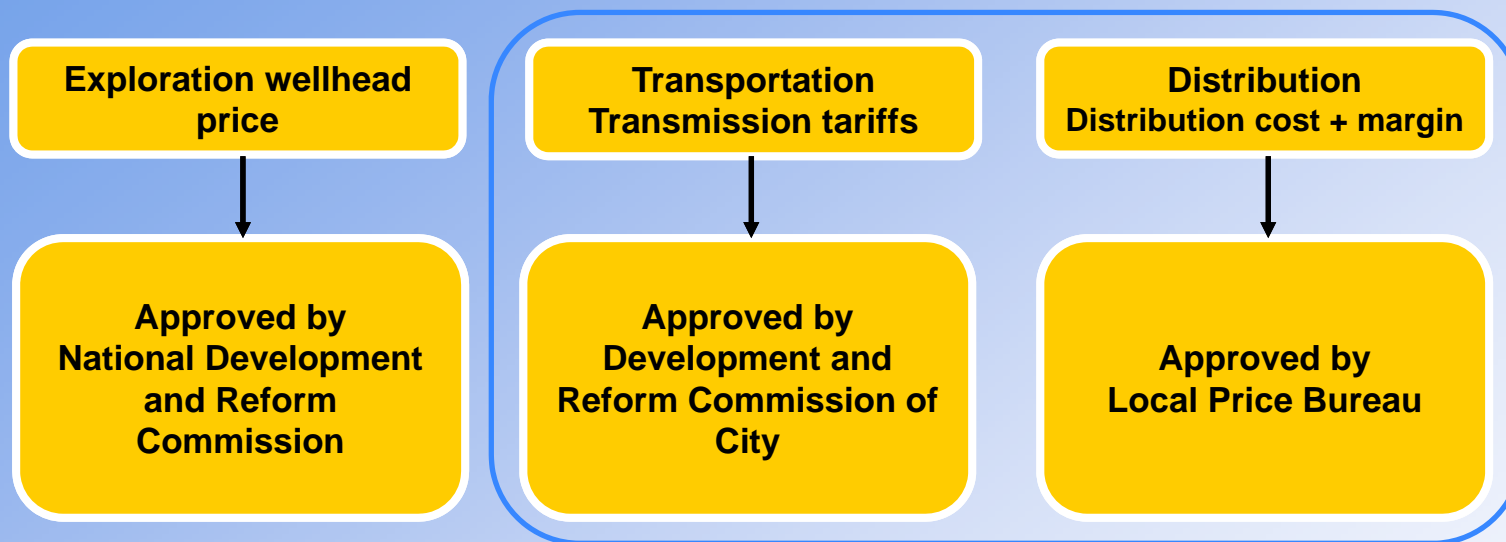
# Easy Access to Gas Sources





# Pricing Model

## Industrial and Commercial Users



## Residential Users

In December 2011, a price link mechanism (價格調整聯動機制) between the upstream and selling prices of natural gas for residential users was established in Henan Province, which effectively reduces the time lag between upstream and downstream price adjustments.







# Fast Business Expansion



Connectable Urban Gas	As at 31/12/2012	As at 31/12/2013
Total connectable urban population	4,308,000	5,819,000
Total connectable residential households	1,231,000	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 Siukeung**  
Joint Managing Director  
and  
CFO

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

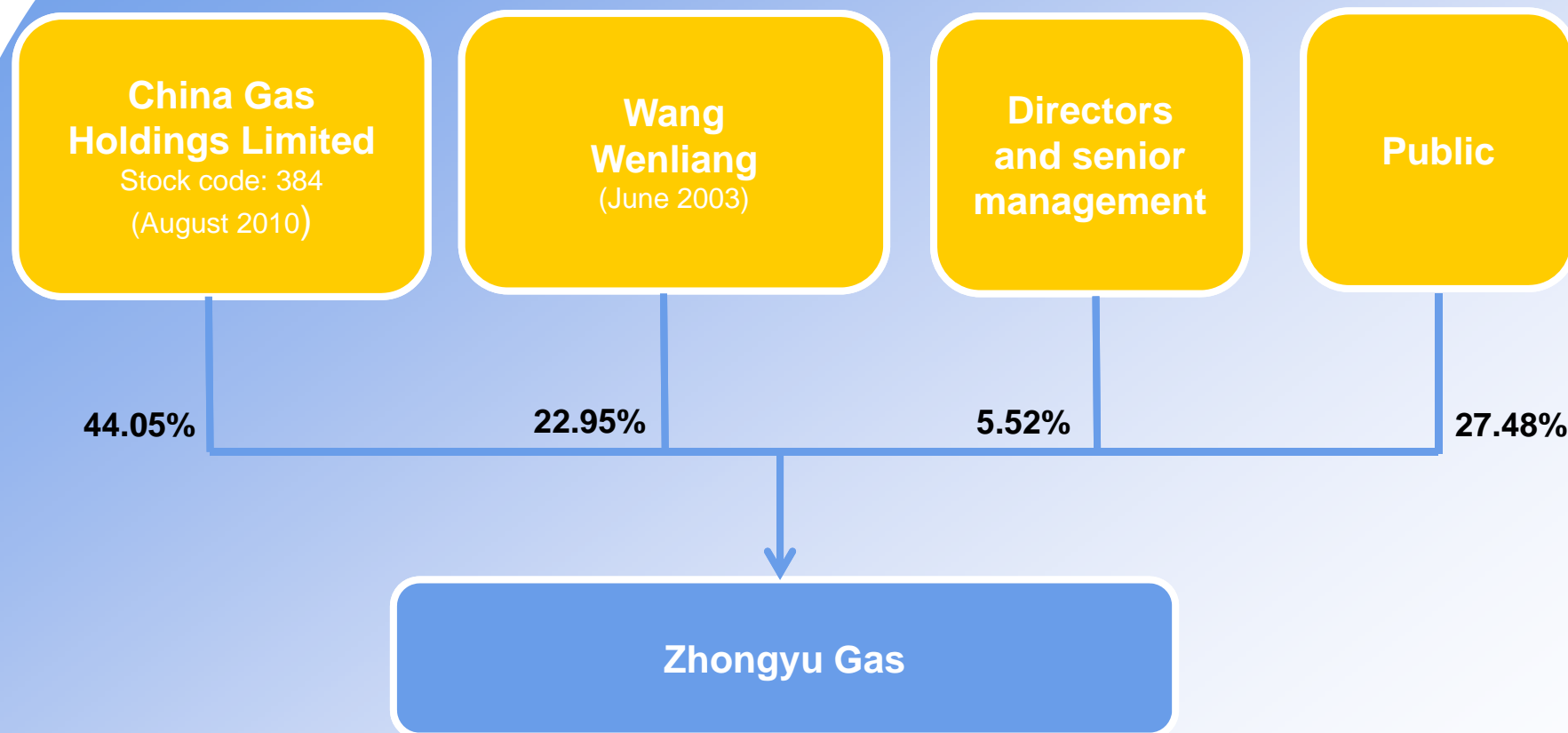
Planning, design and consultation regarding natural gas projects

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





# Shareholding Structure



**Total issued shares: 2,524 million shares  
(As at 31 December 2013)**





# Business Review

## New Projects Expansion

- 5 new projects
- New Projects in Donghai County, Wuzhi County, Tieli City, Lingbao City and Dezhou City
- Mainly focus on industrial location and customers

## New CNG/LNG Filling Stations Expansion

- 15 new CNG/LNG filling stations
- 12 new CNG/LNG filling stations under construction





# 2013 Annual Results Highlights

For the year ended 31 December	2012 HK\$'000	2013 HK\$'000	% changes
<b>Turnover</b>	2,754,084	3,130,885	+ 13.7%
<b>Sales of piped gas</b>	2,007,110	2,243,421	+ 11.8%
<b>Connection revenue from gas pipeline construction</b>	546,378	618,774	+ 13.3%
<b>Operation of CNG/LNG filling stations</b>	166,431	242,908	+ 46.0%
<b>Gross profit</b>	648,612	745,675	+ 15.0%
<b>(Gross margin)</b>	(23.6%)	(23.8%)	+ 0.2 ppt
<b>Profit attributable to owners of the Company</b>	226,021	262,248	+ 16.0%
<b>(Net profit margin)</b>	(8.2%)	(8.4%)	+0.2 ppt
<b>Earnings per share (HK cents)</b>			
<b>Basic</b>	9.05	10.39	+ 14.8%
<b>Diluted</b>	9.01	10.38	+ 15.2%
<b>EBITDA</b>	523,821	602,789	+ 15.1%
<b>Net assets value per share (HK\$)</b>	0.6	0.7	+ 16.7%
<b>Net gearing ratio</b>	53.6%	71.5%	+ 17.9 ppt

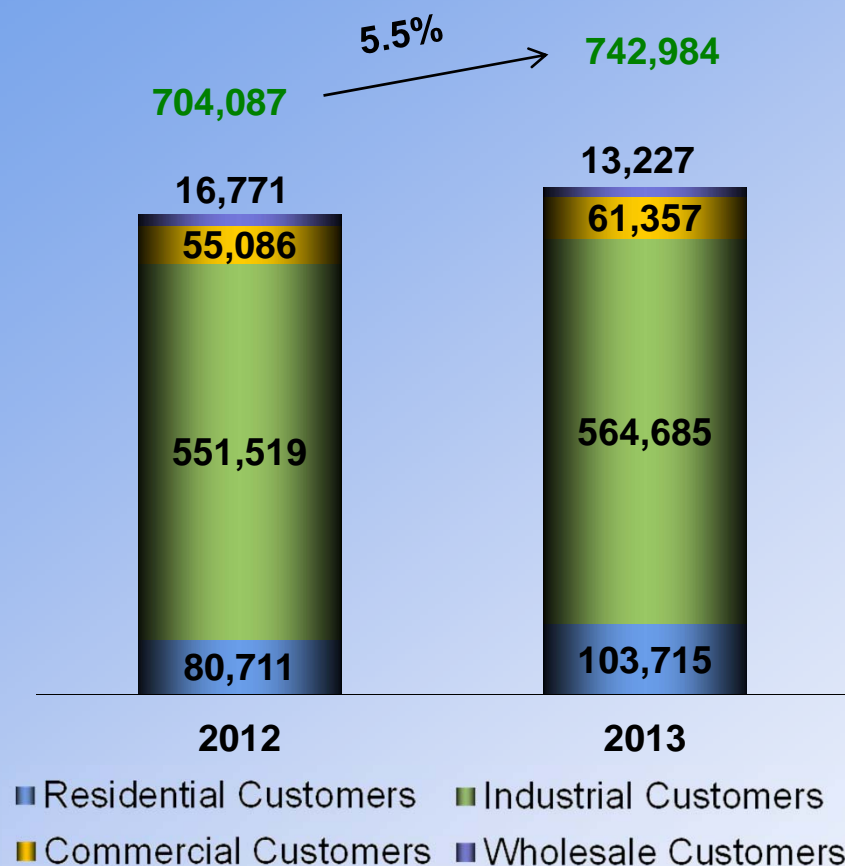






# Operation Highlights

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



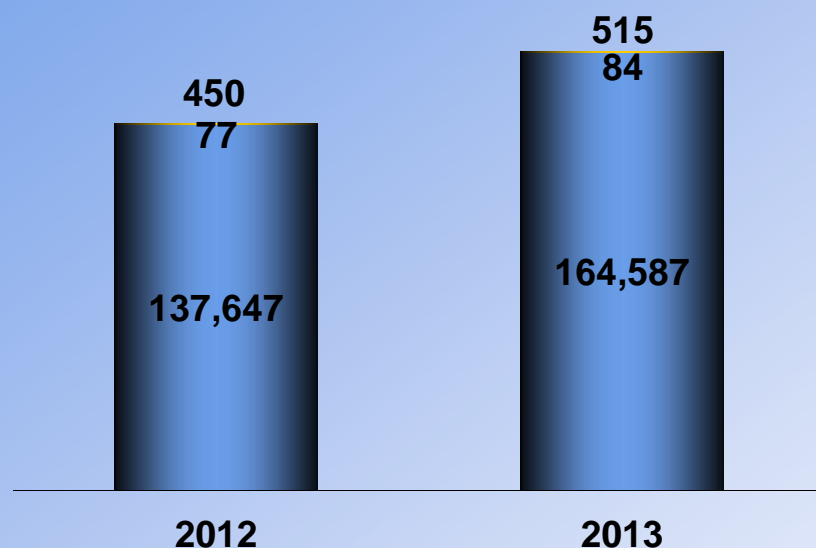
	% of Total	Growth	Reason
Residential Customers	14.0%	+ 28.5%	• Benefit from the gas supply ramp-up from the second West-East Gas Pipeline
Industrial Customers	76.0%	+ 2.4%	
Commercial Customers	8.2%	+ 11.4%	• Increase in no. of connected users
Wholesale Customers	1.8%	- 21.1%	
<b>Total</b>	<b>100%</b>	<b>+ 5.5%</b>	• Growth in gas consumption of industrial customers





# Operation Highlights

## Gas Pipeline Construction – No. of New Connection



■ Residential Customers ■ Industrial Customers  
■ Commercial Customers

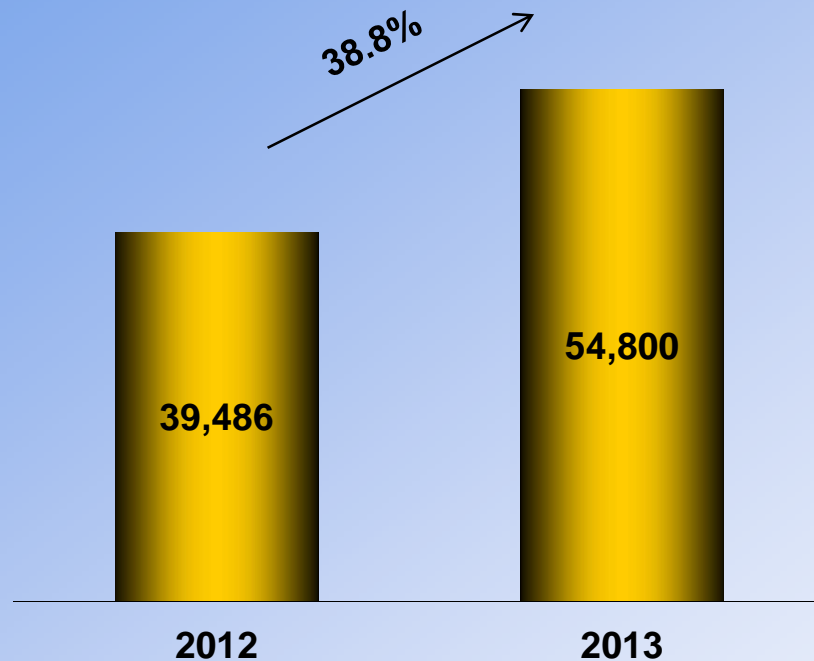
	Growth	Reason
Residential Households	+ 19.6%	• Mainly attributable to the increase in completion of construction work for gas pipeline connection
Industrial Customers	+ 9.1%	
Commercial Customers	+ 14.4%	
Total	+ 19.5%	





# Operation Highlights

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



	Growth	Reasons
Gas Sales Volume	+ 38.8%	<ul style="list-style-type: none"><li>An increase in the number of CNG/LNG filling stations from 12 to 27 stations</li></ul>





# Operation Highlights

## Natural Gas Customers & Tariffs Data

Customer	2012	2013	Increase
Residential	669,884	834,471	+ 24.6%
Industrial	422	506	+ 19.9%
Commercial	2,234	2,749	+ 23.1%
CNG/LNG Filling Stations	12	27	+ 125%
<b>Customer Tariffs (pre-tax) (RMB per m<sup>3</sup>)</b>			
Residential	1.95	1.95	N/A
Industrial	2.21	2.35	+ 6.3%
Commercial	2.50	2.68	+ 7.2%
CNG/LNG Filling Stations	3.43	3.51	+ 2.3%
Residential Connection Fee (RMB per Customer)	2,700	2,760	+ 2.2%





# Operation Highlights

## Other Operational Data

	2012	2013	Increase/ Decrease
Connectable Urban Population ('000)	4,308	5,891	+ 36.7%
Household Penetration Rate	54.4%	49.6%	- 4.8%
Total Intermediate & Main Pipelines (km)	2,509	3,204	+ 27.7%

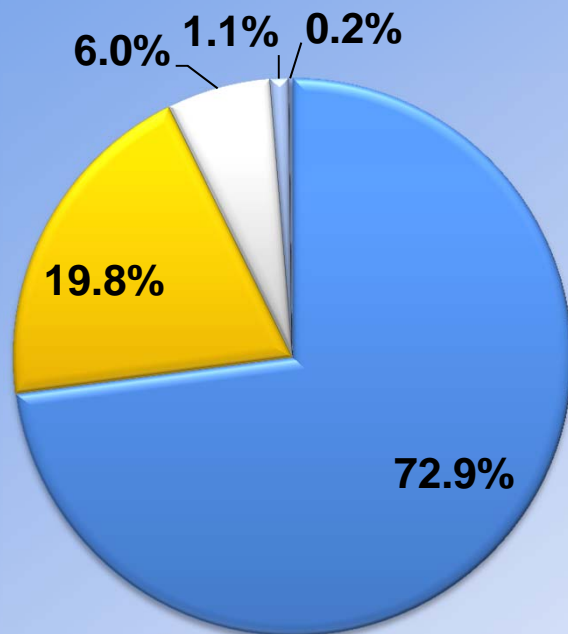




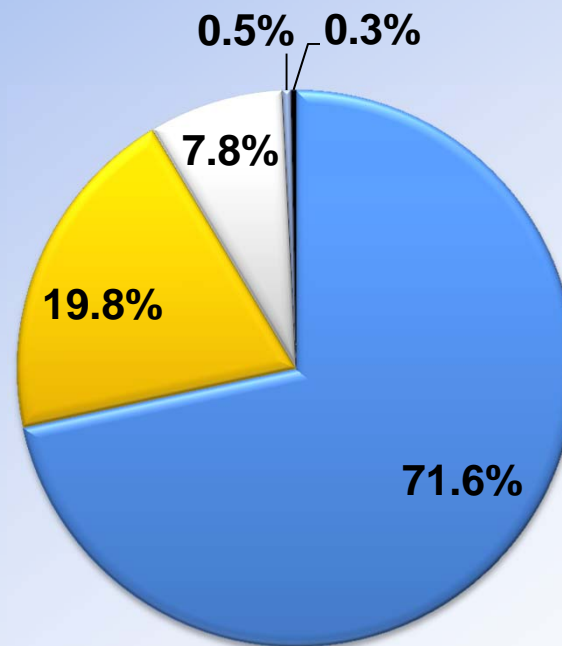


# Financial Highlights

Revenue by Segment



2012



2013

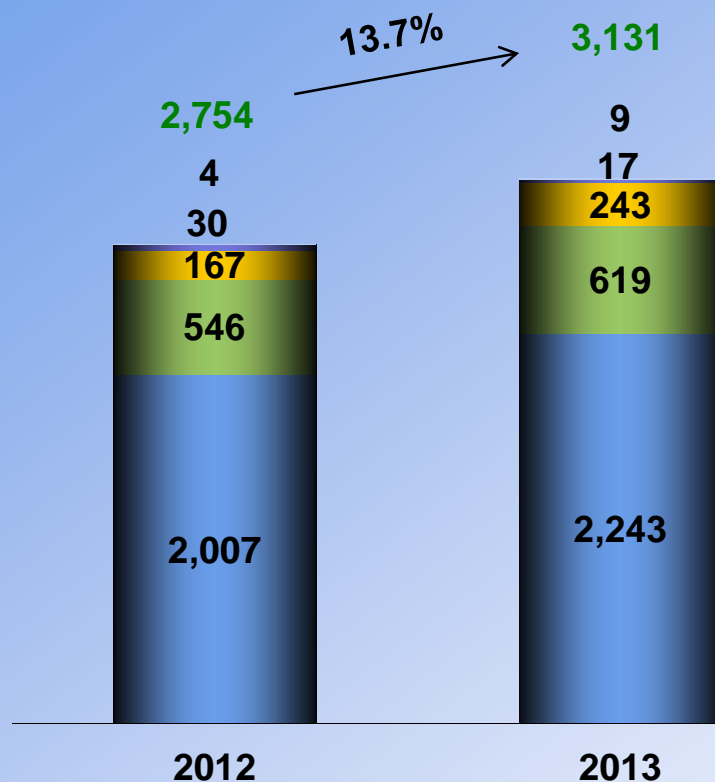
■ Sales of piped gas ■ Connection Fee ■ CNG/LNG filling stations ■ Sales of LPG ■ Others





# Financial Highlights

## Revenue (HK\$ m)



	2012	2013	Growth
Sales of Piped Gas	2,007	2,243	+ 11.8%
Construction Fee	546	619	+ 13.3%
CNG/LNG Filling Stations	166	243	+ 46.0%

- Sales of Piped Gas
- Connection Fee
- CNG/LNG Filling Stations
- Sales of LPG
- Others





# Financial Highlights

## Project Expenditure Analysis

### Cost of sales / Turnover



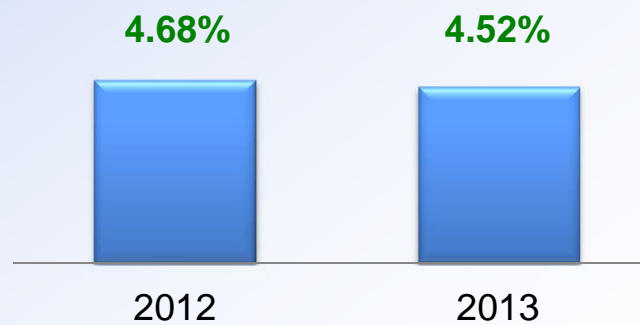
### Administrative expenses / Turnover



### Finance Costs / Turnover



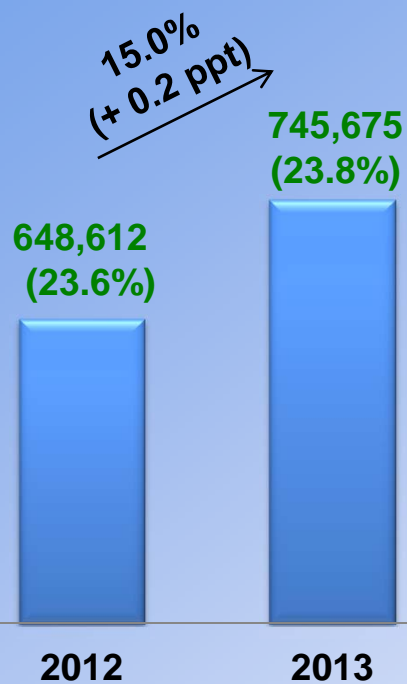
### Income Tax Expenses / Turnover



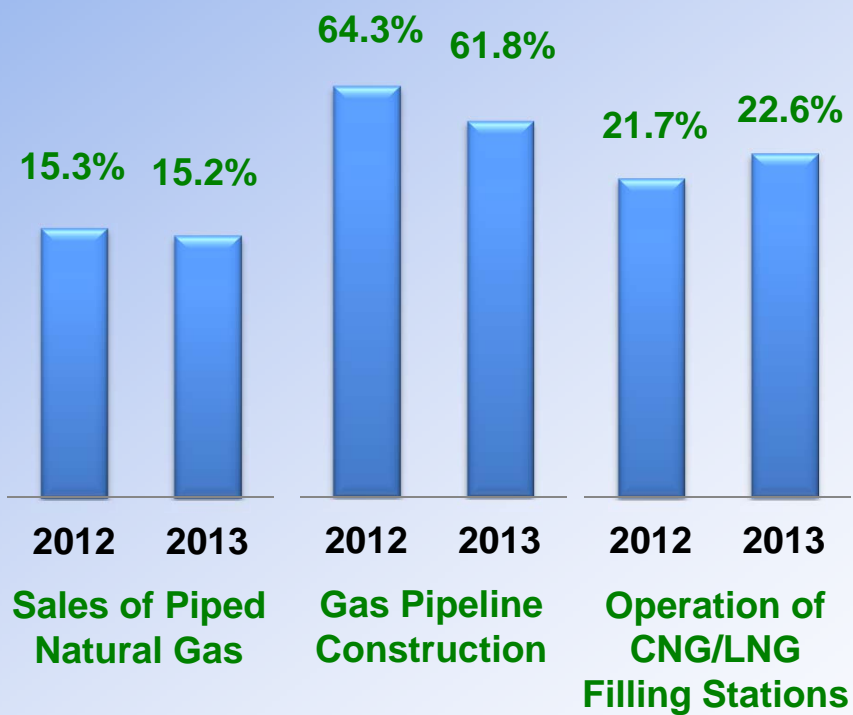


# Financial Highlights

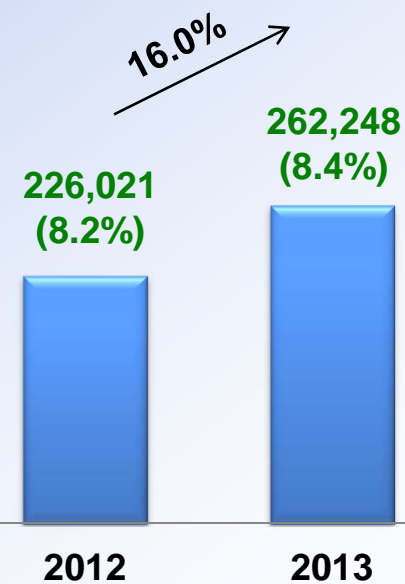
Gross Profit (HK\$'000)  
(Gross Profit Margin)



Gross Profit Margin by Segment



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



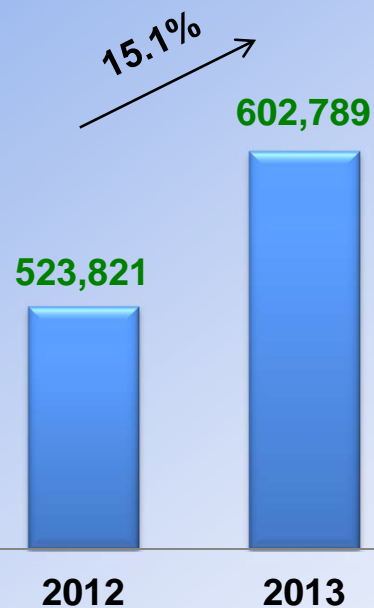


# Financial Highlights

Basic EPS  
(HK\$ cent per share)



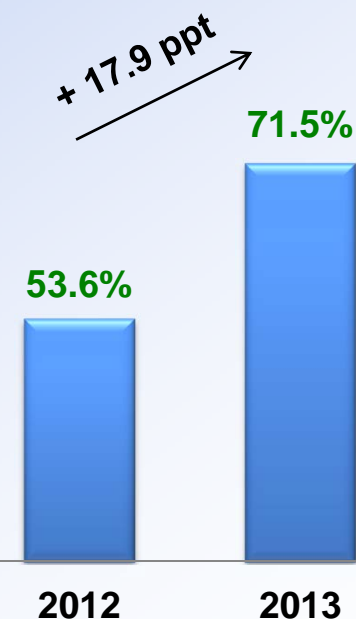
EBITDA  
(HK\$'000)



NAVPS  
(HK\$ per share)



Gearing Ratio  
(%)







# Financial Summary

For the year ended 31 December

HK\$'000	2009	2010	2011	2012	2013	CAGR
<b>Turnover</b>	844,150	1,169,469	1,794,319	2,754,084	3,130,885	+ 38.8%
<b>Profit for the year attributable to the owners of the Company</b>	20,060	22,811	86,114	226,021	262,248	+ 90.2%

As at 31 December

	2009	2010	2011	2012	2013
<b>Total assets</b>	1,630,853	2,275,534	2,836,665	3,548,701	4,698,914
<b>Total liabilities</b>	(817,092)	(1,373,127)	(1,607,525)	(1,987,239)	(2,770,240)
<b>Net Assets</b>	813,761	902,407	1,229,140	1,561,462	1,928,674
<b>Equity attributable to the owners of the Company</b>	693,797	769,311	1,088,441	1,390,235	1,692,480
<b>Bank balance and cash</b>	413,779	351,963	351,275	348,570	429,546
<b>Total borrowing</b>	305,756	878,186	876,030	1,186,033	1,809,118
<b>Net gearing ratio</b>	N/A	58.3%	42.7%	53.6%	71.5%
<b>Net cash inflow from operation</b>	233,576	221,681	326,757	415,972	486,151





# Thank You

## Investor Relations Contact:

### *Zhongyu Gas Holdings Limited*

Unit 2804-06, China Merchants Tower,  
Shun Tak Centre, 168-200 Connaught Road Central,  
Hong Kong

Tel.: (852) 2295 1555

Fax: (852) 2295 1228

E-mail: [ir@zhongyugas.com](mailto:ir@zhongyugas.com)

### *Porda Havas International Finance Communications Group*

Units 2009-2018, 20/F,  
Shui On Centre, 6-8 Harbour Road, Wanchai,  
Hong Kong

Tel.: (852) 3150 6788

Fax: (852) 3150 6728

E-mail: [zhongyugas@pordahavas.com](mailto:zhongyugas@pordahavas.com)

