



【For Immediate Release】

27 March 2019



(Stock code: 3633.HK)

Announces 2018 Annual Results
Turnover Significantly Increased by 51.1% to HK\$7.63 Billion
Final dividend was HK 7cents Dividend payout ratio at 28.6%

Financial and Operational Highlights

For the year ended 31 December	2018 (HK\$' 000)	2017 (HK\$' 000)	Change
Turnover	7,627,088	5,048,100	+ 51.1%
Gross profit	2,221,873	1,289,102	+72.4%
Profit attributable to owners of the Company	620,684	557,959	+11.2%
Adjusted profit attributable to owners of the Company (excluding the net foreign exchange gain/loss and share option expenses)	1,001,436	443,212	+125.9%
EBITDA	2,048,801	1,257,947	+62.9%
Basic earnings per share	HK24.52 cent	HK 22.10 cents	+11.0%
Proposed final dividend per share	HK 7.00 cents	HK 5 cents	+40.0%
Unit of natural gas sold ('000 m³)	1,615,646	1,327,480	+21.7%
New piped gas connections made (residential households)	668,577	365,178	+83.1%

[27 March 2019 – Hong Kong] The natural gas distributor and service provider in the PRC – Zhongyu Gas Holdings Limited (“Zhongyu Gas”, together with its subsidiaries, the “Group”; stock code: 3633.HK) is pleased to announce its annual results for the year ended 31 December 2018 (the “Year”).



Annual Results

During the Year, the Group recorded a turnover of HK\$7,627,088,000, representing a year-on-year (“yoy”) increase of 51.1% (2017: HK\$5,048,100,000). The growth in turnover was mainly attributable to a significant increase in both the sales of gas to downstream customers and the connection revenue from gas pipeline construction under the implementation of the “coal-to-gas” conversion policy. Gross profit increased by approximately 72.4% to HK\$2,221,873,000 (2017: HK\$1,289,102,000). Profit attributable to owners of the Company surged by 11.2% yoy to HK\$620,684,000 (2017: HK\$557,959,000). The Group recorded a foreign exchange loss of approximately HK\$321,905,000 (2017: gain of HK\$114,747,000), which was mainly arising from the Group’s bank borrowings denominated in United States dollars and Hong Kong dollars as a result of the depreciation of RMB since the second quarter of 2018. The Group also recognised an equity-settled share option expenses of HK\$58,847,000 (2017: nil). Excluding the impact of these foreign exchange losses or gains and equity-settled share option expenses in 2018 and 2017, the adjusted profit attributable to owners of the Company in 2018 was approximately HK\$1,001,436,000, representing a yoy increase of approximately 126.0%.

The basic earnings per share attributable to the owners of the Company was HK24.52 cents in 2018 (2017: HK22.10 cents), the Board proposed a final dividend of HK7.00 cents per share to share the fruitful returns with its shareholders. The dividend payout ratio was 28.6%.

Business Overview

The Group’s existing four major business segments include the sales of gas, gas pipeline construction and connection, the operation of CNG/LNG vehicle filling stations and the sales of stoves and related equipment. As of 31 December 2018, the Group operated a total of 61 exclusive piped gas projects and covered 15,527,000 connectable population across the PRC.

Sales of gas

During the Year, turnover generated from the sales of gas amounted to approximately HK\$4,871,134,000, representing a yoy increase of approximately 43.3%. Turnover from the sales of gas accounted for approximately 63.9% of the Group’s total turnover, acting as the major turnover contributor to the Group.

There is a continuous growth in the demand of natural gas among downstream customers under the implementation of the PRC’s environmental protection and energy transform policies. The sales



of gas to industrial and commercial customers were approximately HK\$3,216,181,000 and HK\$500,141,000, representing growth of approximately 39.8% and 33.3% yoy. The sales of gas to its residential households for the Year increased by 34.3% to approximately HK\$837,033,000. The growth in the sales of gas to residential households was supported by the implementation of the “coal-to-gas” conversion policy.

Gas pipeline construction

During the Year, connection revenue from gas pipeline construction amounted to approximately HK\$2,251,268,000, representing an increase of approximately 82.3% and accounting for approximately 29.5% of total turnover. The Group adhered to the environmental protection policy and conducted a number of conversion projects in different regions of the PRC. The connection revenue from the “coal-to-gas” projects for residential households surged by approximately 325.0% to approximately HK\$1,447,721,000 (2017: HK\$340,616,000). During the Year, the Group had provided new natural gas connections for 668,577 residential households, representing an ample increase of approximately 83.1%, including 445,324 residential households under the “coal-to-gas” conversion. As at 31 December 2018, the Group’s penetration rates of residential pipeline connection amounted to 64.9% (2017: 63.6%).

Operation of CNG/LNG vehicle filling stations

Revenue from the operation of CNG/LNG vehicle filling stations amounted to approximately HK\$342,365,000, representing a moderate decrease of approximately 3.9%. The revenue accounted for approximately 4.5% of the total revenue. In view of the increased cost of natural gas, the average selling price of natural gas for CNG/LNG vehicle filling stations for the Year was adjusted upward by 12.8% to RMB3.35 per m³ (2017: RMB2.97 per m³). As at 31 December 2018, the Group had 62 CNG/LNG vehicle filling stations and commenced building an additional 9 CNG/LNG vehicle filling stations in the PRC. All new CNG/LNG vehicle filling stations are expected to commence operation in 2019.

Prospects

The PRC government has demonstrated its determination to ease air pollution and improve air quality of the country by 2020 and natural gas will continue to be one of the major substitute for coal. Along with a more diversified natural gas supply system established in the PRC last year, the strong demand for natural gas from industrial, commercial and residential users is expected to persist in 2019. According to the 13th Five-Year Plan, the natural gas consumption is expected to reach 360 billion m³ by 2020, representing a compound annual growth of 13.3% from 280 billion m³ in 2018.



In 2019, stable and strong demand for gas from the Group's existing customers is expected under the context of progressive energy conversion and the continuous economic growth in the PRC. The Group will continue its efforts and deepen its penetration in covered areas by acquiring new customers for piped gas or LNG supply, as well as for its gas related value added services and products under the Group's own consumer brand “中裕鳳凰” (Zhongyu Phoenix), in order to take advantage of its existing geographical coverage and large customer base. Yet, considering the uncertain external economic condition, the Group will take cautions and be more selective when acquiring new customers, as it is important for the Group to stay financially strong with a healthy level of cash flow, account receivables and profitability at all times.

On top of its current business footprint, the Group has been seeking for expansion by mergers and acquisitions over the years. In January 2019, the Group acquired 100% of the equity interest of two peers, who operated gas related business similar to the Group in Jiaozuo City, Henan Province, for an aggregate consideration of approximately RMB462 million. The acquired companies had been granted exclusive rights by the local governmental authority of Mengzhou City and Wen County to invest in, build and operate piped gas business and provide the ancillary services in Mengzhou City and Wen County. Together with the Group's existing presence in Jiaozuo City, these acquisitions will further enhance the Group's foothold in Henan Province, and are expected to make positive financial contributions to the Group. In the future, the Group will focus on M&A projects that are relatively mature, profit-making and with strong cash flow, and have potential to create synergy with the Group's existing operations and generate extra values.

In the longer term, smart energy and decentralised energy business will be another growth driver of the Group. The Group will accelerate the development by increasing its pilot bases and optimizing the system according to customers' specifications, striving to become one of the most competitive integrated smart energy providers.

– End –



About Zhongyu Gas Holdings Limited

Zhongyu Gas Holdings Limited (“Zhongyu Gas”) (Stock Code: 3633.HK), is a natural gas distributor and service provider in China. Currently, Zhongyu Gas and its subsidiaries have 63 exclusive gas projects, with 26 in Henan Province, 19 in Hebei Province, 6 in Jiangsu Province, 4 in Shandong Province, 2 in Jilin Province, 1 in Fujian Province, 1 in Heilongjiang Province, 2 in Zhejiang Province and 2 in Anhui Province. Leveraging 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.

Corporate website: <http://www.zhongyugas.com>

This press release is issued by DLK Advisory Limited for and on behalf of **Zhongyu Gas Holdings Limited**.

For further information, please contact:

Zhongyu Gas Holdings Limited

Tel: (852) 2295-1555

Fax: (852) 2295-1228

Email: ir@zhongyugas.com

DLK Advisory Limited

Maggie Lee (maggielee@dlkadvisory.com)

Adrian Cheung (adriancheung@dlkadvisory.com)

Vinci Chan (vincichan@dlkadvisory.com)

Tel: +852 2857 7101

Fax: +852 2857 7103