



中裕燃气

ZHONGYU GAS

Stock Code:3633.HK

2019 Annual Results Presentation

March 2020



Stock Info

Stock code	: 3633.HK
Issued shares (as at 30-03-2020)	: 2,644,832,157
Share price (as at 30-03-2020)	: HK\$5.530
Market cap (as at 30-03-2020)	: 14.63 Billion
Historical PE (as at 30-03-2020)	: 32.66x
Net assets value per share	: HK\$1.81

FY2019 Results Updates

HK\$ mn	FY2018	FY2019	Change
Turnover	7,627	8,144	+6.8%
Gross profit	2,222	1,910	-14.0%
Profit attributable to owners of the Company	621	430	-30.7%
Basic EPS (HK cents)	24.52	16.93	-31.0%
Gross margin	29.1%	23.5%	-5.6p.p.
Payout Ratio	28.6%	42.6%	+14.0p.p.

About Zhongyu

- **Successfully transformed into an integrated energy service provider**
- **Adhere to the development concept of "developing clean energy and achieving a better life"**
- **Continue to create value for customers and maintain unique development model**



恒生指數
HANG SENG INDEXES

滬港通
SHANGHAI CONNECT

深港通
SHENZHEN CONNECT

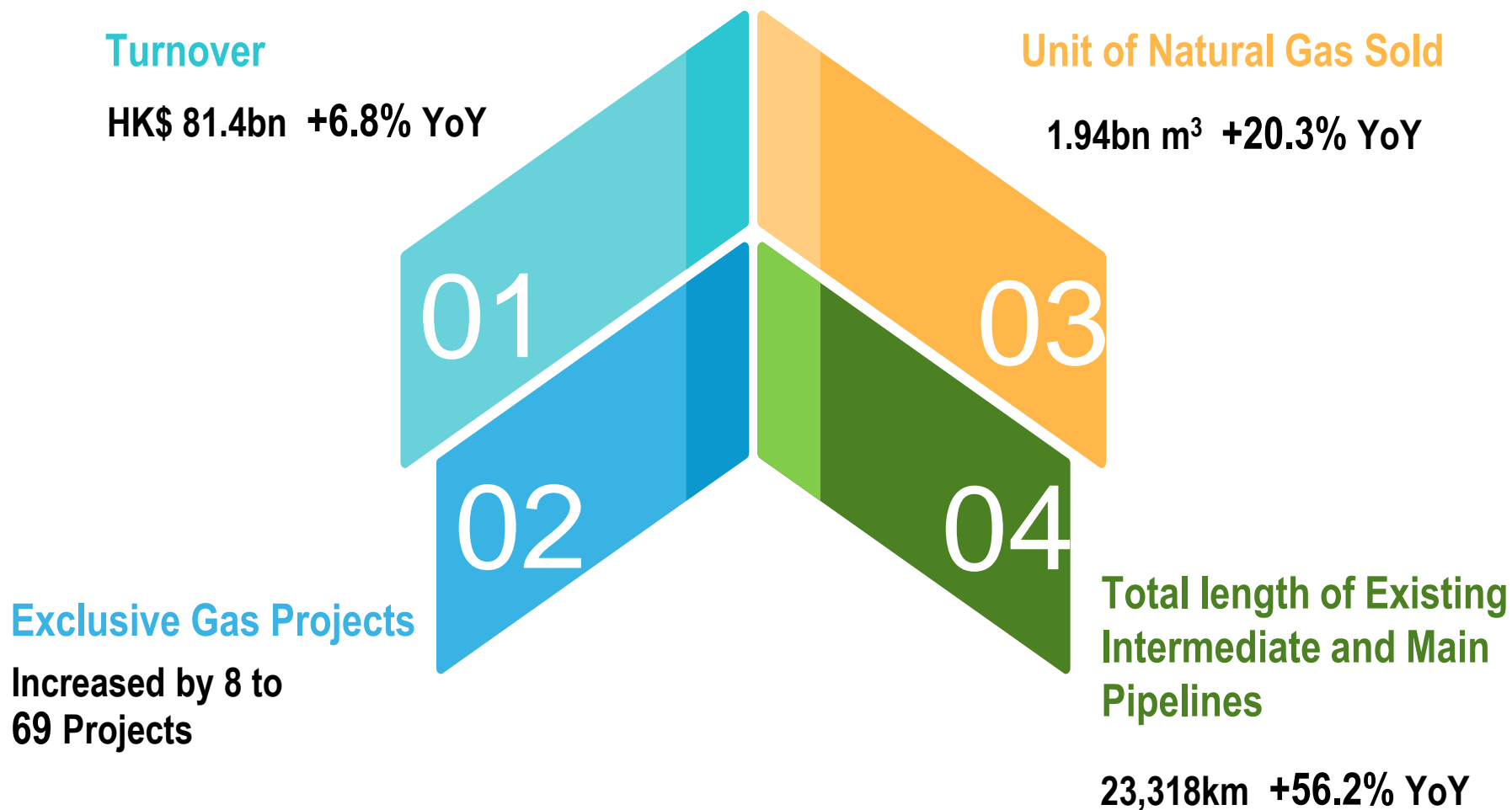
Investment Highlights

1. Benefit from **favorable policies** of national energy transition
2. **Continuous growth** in piped gas businesses
3. Sales of piped gas has **increased rapidly** in the past 5 years
4. **Continuous growth in the numbers of business areas with exclusivity**
5. Develop **high-quality smart energy and decentralized energy** projects



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2019 Annual Business Review Highlights





% of turnover for the year ended 31 December 2019

71.3%



Sales of Gas (Mostly natural gas)

- 69 exclusive projects in cities in Henan, Hebei, Jiangsu, Shandon, Anhui, Jilin, Zhejiang, Heilongjiang and Fujian

19.4%



Gas pipeline construction & connection

- Pipeline connection for existing projects
- One-off connection fee charged to customers

5.1%



Own retail brand
Zhongyu Phoenix,
sales of Stoves and
Other Services

4.2%



- CNG/LNG vehicle filling stations
- Sales of liquefied petroleum gas

Zhongyu member companies are located in
12 provinces across the country with
69 exclusive projects (areas)



Covering Henan, Hebei,
Shandong, Guangdong, Beijing,
Fujian, Jilin, Jiangsu, Zhejiang,
Heilongjiang, Yunnan, Anhui

	No. of operating locations
Henan Province	28
Hebei Province	22
Jiangsu Province	6
Shandong Province	4
Jilin Province	2
Fujian Province	1
Heilongjiang Province	2
Zhejiang Province	2
Anhui Province	2
Total	69

In 2019, **8** gas projects were newly added, including **6** acquired projects and **2** greenfield projects.

	Provinces	Project Name	Operating Areas	Remark
1	Henan	Gaoyuan Gas (Wen County)	County administrative area	Equity Acquisition Project
2	Henan	Gaoyuan Gas (Mengzhou)	City administrative area	
3	Hebei	Yutian Shenghe Gas Project	Sanshuitou Town, Yangjiatao Town, North of Hongqiaomen Station, Hongqiao Town, Guojiatun Town	
4	Hebei	Xinhe Luyuan Project	Economic Development Zone	
5	Henan	Liyang County Tianrun Project, Liyang Liyuan Gas Project	The jurisdiction of Shuyang County Industrial Clusters; Luhe Town, Wenliu Town, Wangchengyu Town, Liangzhuang Township, Bagongqiao Town, Baicheng Township, Xu Township, Liyuan Township	
6	Hebei	Chengan Hengran Project	8 villages of Daodong Fort, Daoxi Fort, Qu Village, Nan Yao Fort, Dayao Fort, Southwest Village, Dong Dagu Temple, Xi Dagu Temple	
7	Heilongjiang	Tieli Shuangfeng Forestry Bureau Project	Shuangfeng Town and Shuangfeng Forestry Bureau	Exclusive Operation Agreement
8	Hebei	Franchise Project of Yuxian Economic Development Zone	Yuxian Economic Development Zone	

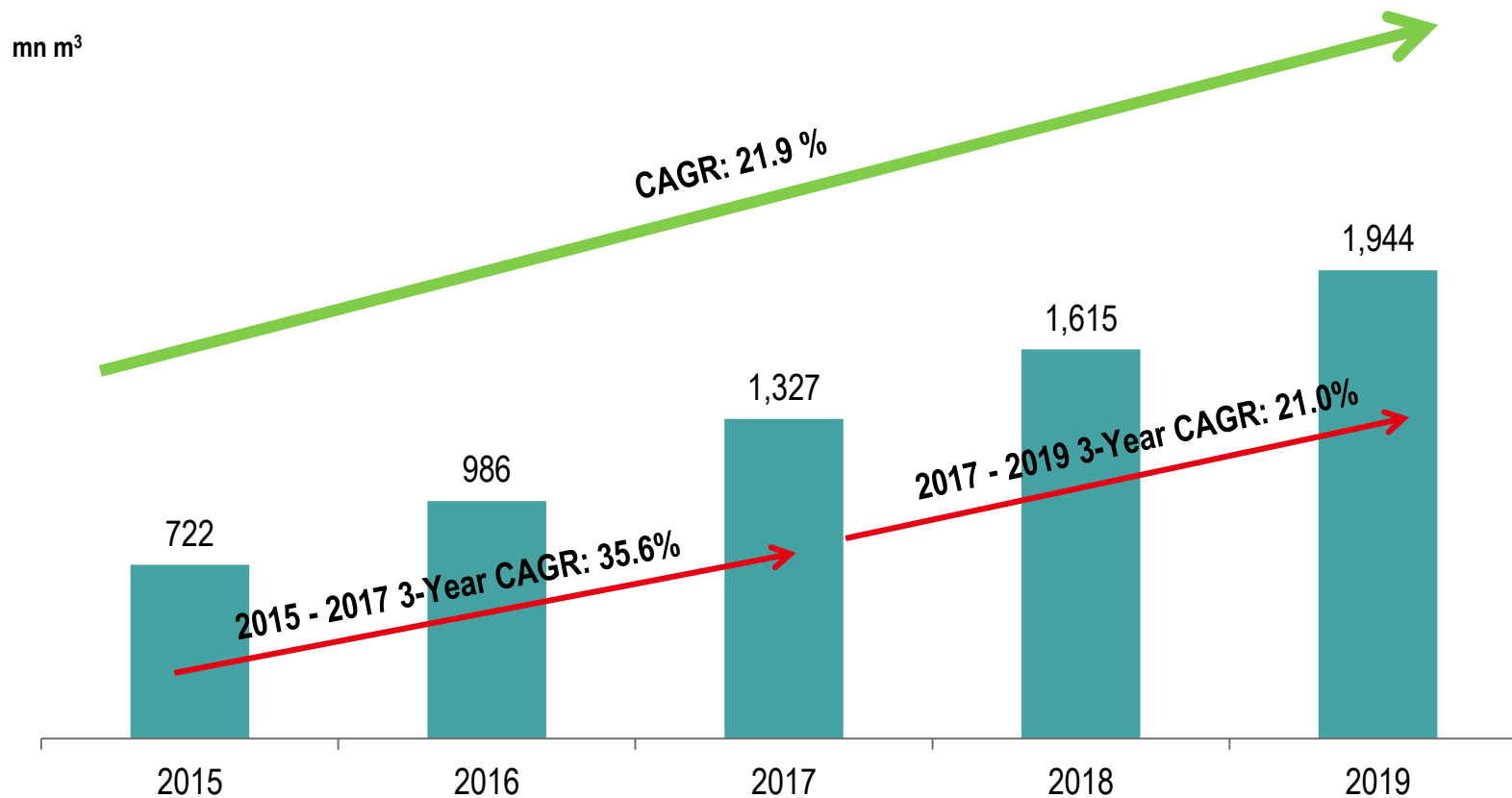
Investment development highlights

1. Multi-projects tracking simultaneously
2. Serial investment in the same area
3. Cross-origin resource sharing, seeking synergy between smart energy project and city gas project

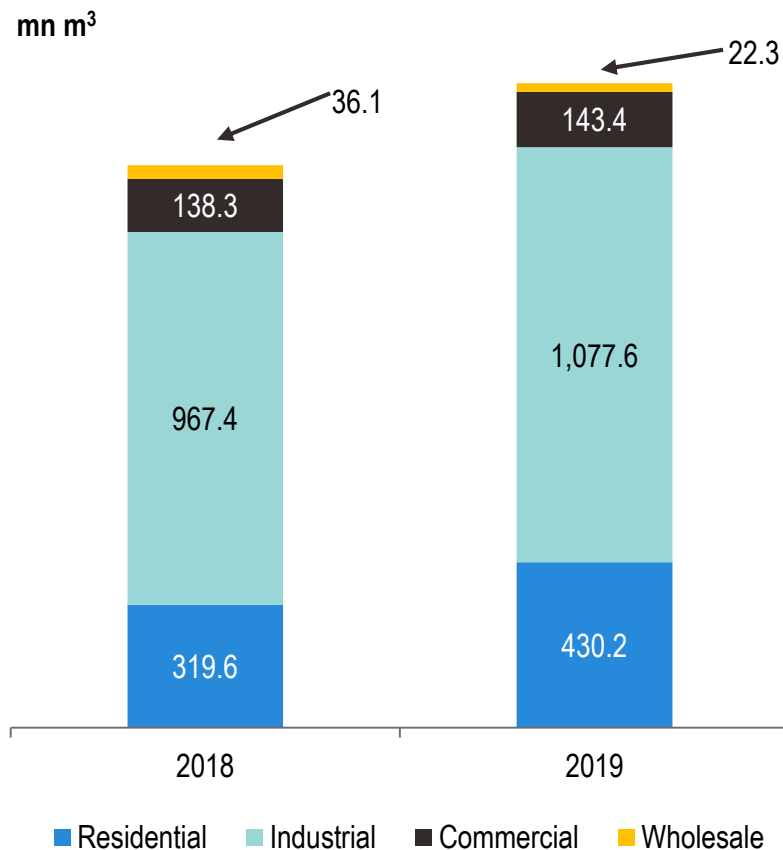
Expected Annual Gas Usage
300 million m³



5-year CAGR for sales volume of gas: 21.9%



Sales volume of piped gas
increased by 14.5% YoY



Growth in sales volume of piped gas

	Change
Residential	+34.6%
Industrial	+11.4%
Commercial	+3.7%
Wholesale	-38.0%
Total	+14.5%

Growth in sales volume of LNG

	Change
LNG Wholesale	+165.7%

Pre-tax ASP and Average Cost of Gas

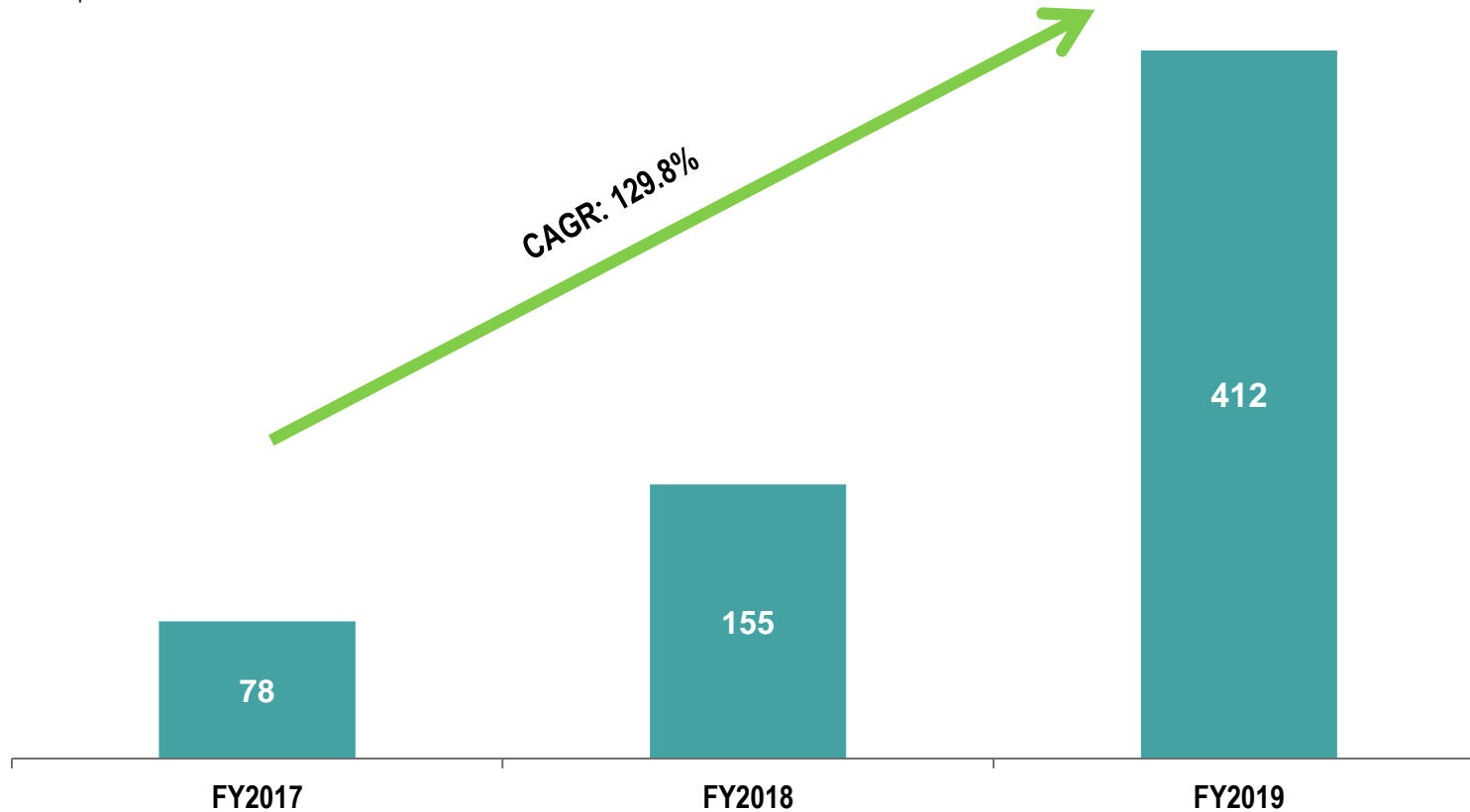
RMB / m ³	2018	2019	Change
ASP:			
Residential	2.20	2.36	+7.3%
Industrial	2.77	2.89	+4.3%
Commercial	3.05	3.22	+5.6%
Wholesale	3.35	3.32	-0.9%
Average Cost of Gas	2.27	2.26	-0.4%
Sales Margin (pre-tax)	0.49	0.50	+2.0%

Number of new piped gas connections made

	FY2018	FY2019	Change
Residential Users	668,577	448,296	-32.9%
<i>Accumulated number of residential users</i>	2,878,103	3,485,127	+21.1%
Industrial Users	489	323	-33.9%
<i>Accumulated number of industrial users</i>	2,135	2,932	+37.3%
Commercial Users	2,130	2,530	+18.8%
<i>Accumulated number of commercial users</i>	10,386	13,695	+31.9%

Value-added services – 3-year sales volume of 129.8%

HK\$ mn





Upstream gas equipment and products

End-user applications and related products and services

Extended products and utility service



Flagship products: gas appliances (gas stoves, gas water heaters, wall hung boilers, extractor hoods), water purifiers, bellows, gas alarms, and insurance

Product sales in 2019:

1. For gas appliances, fire alarms, market share of new users reached 28%
2. For bellows and insurance services, market share of new users reached 88%





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Development Strategies

“One Body, Two Wings, Moderate Diversification”

Energy Trading

- Transportation and protection of gas sources
- Business expansion and distribution

Multi-energy
Complementary Business

Decentralized Energy

- Cooling, heat, steam and electricity

Smart Energy

- Charging pile business
- Wind, light, hydrogen and biomass energy

City gas operation as the core
strategy to realize the integration of
natural gas industrial chain

City Gas Business

- Pipeline network construction
- Residential, commercial and wholesale customer development
- Operation of vehicle filling stations

Smart Technology

- Building and maintenance of self-owned brand
- Product extension and Services

Brand Innovation

Supply Chain

- Centralized procurement
- Raw materials storage

Pipeline

- Design of pipeline construction projects
- Undertaking external business

Servicing industrial and commercial users: 16,627

Major Downstream Segments

Mechanic



Glass



Chemical



Refractory



Forging



Ceramics



Corporate Customers

Hotel



Complex



School

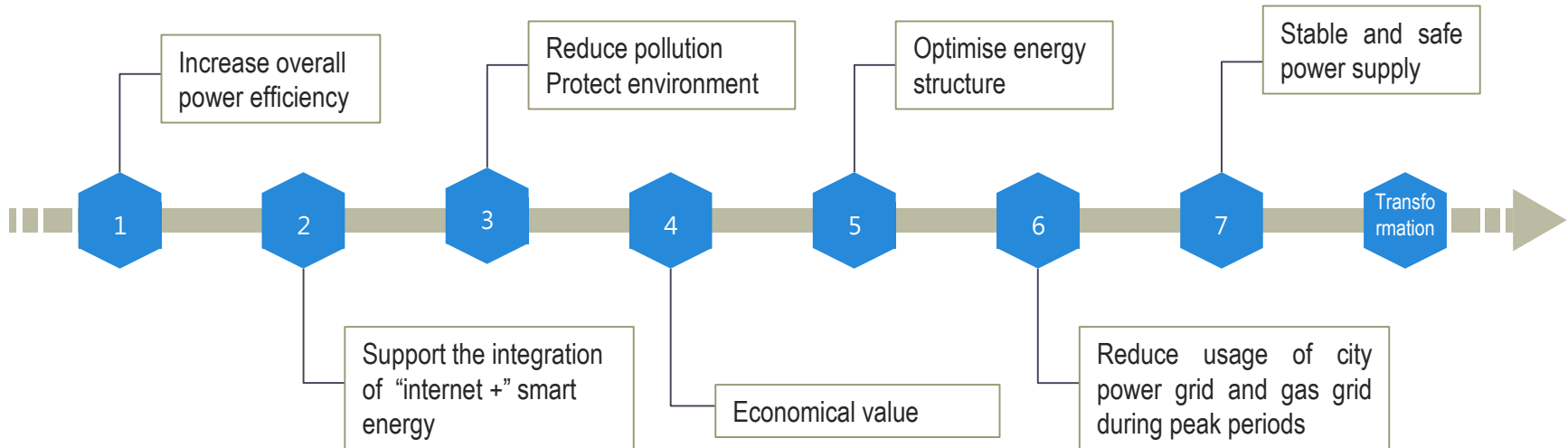


Hospital



Strive to Becoming the Most Competitive Service Providers for Integrated Energy

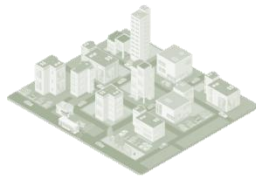
Benefits of Decentralized Energy



Target Customers



Industrial users
with high consumption



Industrial parks with
high consumption



Luxury hospitals and hotels



Data centers

Achievements in 2019:

Signed contracts :

Decentralized energy	2
District energy supply	2
Charging piles	1



Construction in progress:

Incremental distribution network	1
Charging piles	2



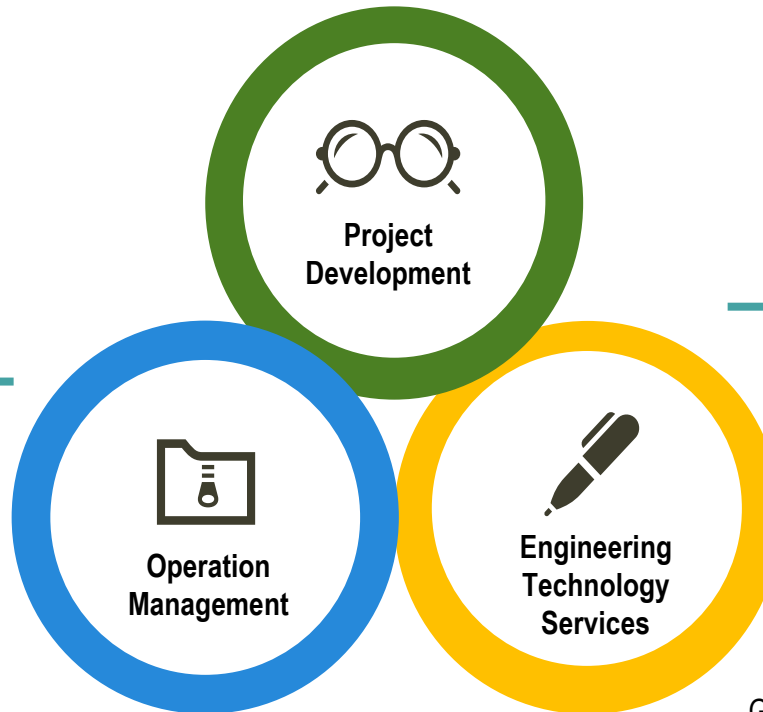
Completed operation:

Decentralized energy	1
Charging piles	4

Operation Management

1 decentralized energy project in operation, energy supply for 121 days and cooling supply for 118 days

5 vehicle filling stations in operation.
Charging services: 775,470 W of electricity



Technology Services

Signed **10** service contracts
Completed **45** feasibility studies and design

Engineering Contracts

Decentralized energy construction: **2**
Energy control project: **1**
Gas heat pump projects of office building: **2**

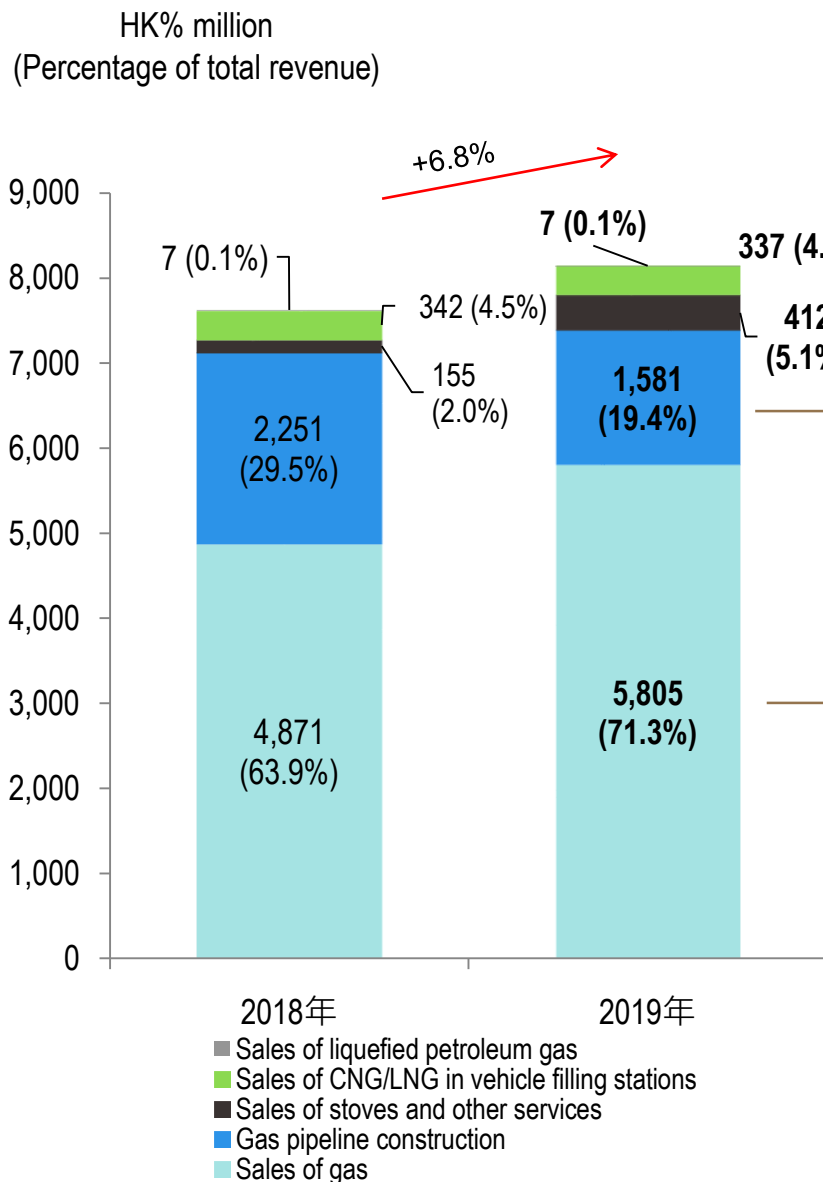


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2019 Annual Results

HK\$ '000	For the year ended 31 December		
	2018	2019	Change
Turnover	7,627,088	8,143,771	6.8%
Gross Profit	2,221,873	1,909,920	-14.0%
EBITDA*	2,048,801	1,769,780	-13.6%
Profit Attributable to Owners of the Company	620,684	430,121	-30.7%
Adjusted profit attributable to owners of the Company**	1,001,436	722,485	-27.9%
Gross Profit Margin	29.1%	23.5%	-5.6p.p.
EBITDA Margin*	26.9%	23.5%	-3.4p.p.
Net Profit Margin	8.1%	5.3%	-2.8p.p..
Adjusted Net Profit Margin **	13.1%	9.5%	-3.6p.p.
Weighted Average Number of Ordinary Shares ('000)	2,530,877	2,540,405	0.4%
Basic Earnings Per Share (HK cents)	24.52	16.93	-31.1%
Interim and Final Dividend Per Share (HK cents)	7.0	2.0 + 5.0	--
Payout Ratio	28.6%	42.6%	+14.0p.p.

*including share option expenses; **excluding the net foreign exchange gain/loss and share option expenses



Sales of stoves and other services ↑ 166.3% YoY

- The Group's products and services are widely accepted
- Products and services include gas water heaters, gas cooking appliances, wall hung boilers and insurance services

Revenue from gas pipeline construction ↓ 29.8% YoY

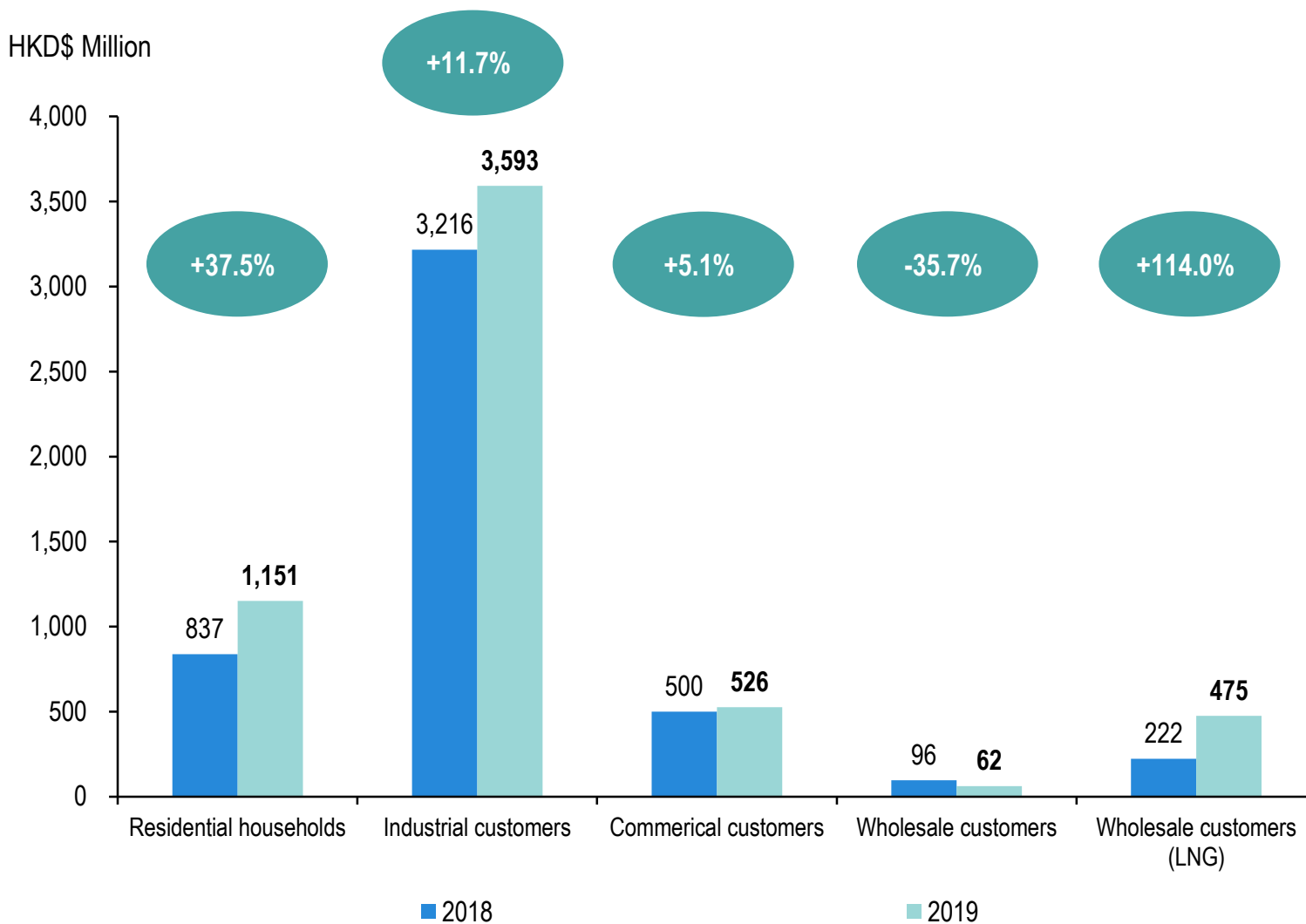
- "Coal-to-gas" policy is being progressively implemented throughout the PRC

Sales of gas ↑ 19.2% YoY

- Overall number of customers increased

Sales of gas increased by 19.2% YoY

HKD\$ Million



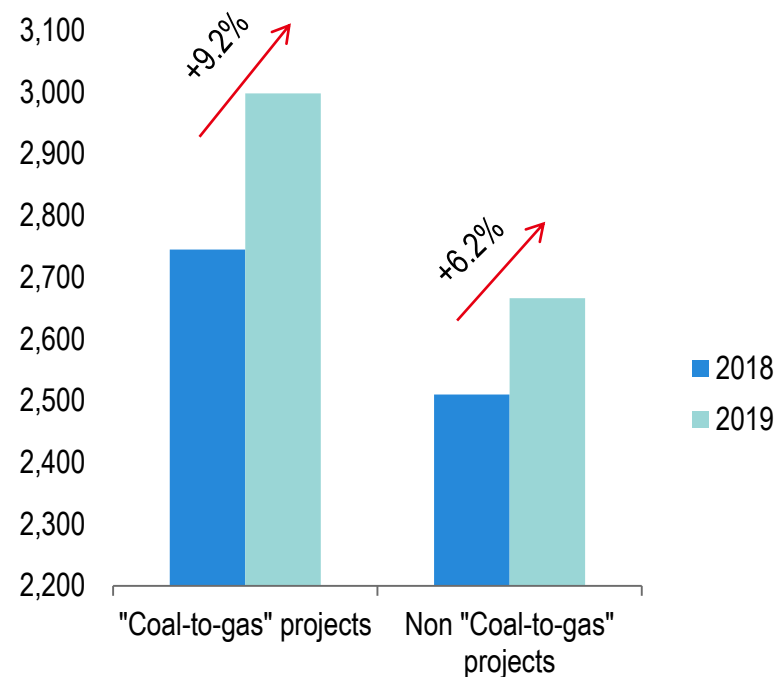
New piped gas connections made during the year

	2018	2019	Change
Residential households	668,577	448,296	-32.9%
- "Coal-to-gas" projects	445,324	217,674	-51.1%
- Non "Coal-to-gas" projects	223,253	230,622	+3.3%
Industrial Customers	489	323	-33.9%
Commercial	2,130	2,530	+18.8%
Total length of existing intermediate and main pipelines (km)	14,928	23,318	+56.2%

Connection fee for residential households

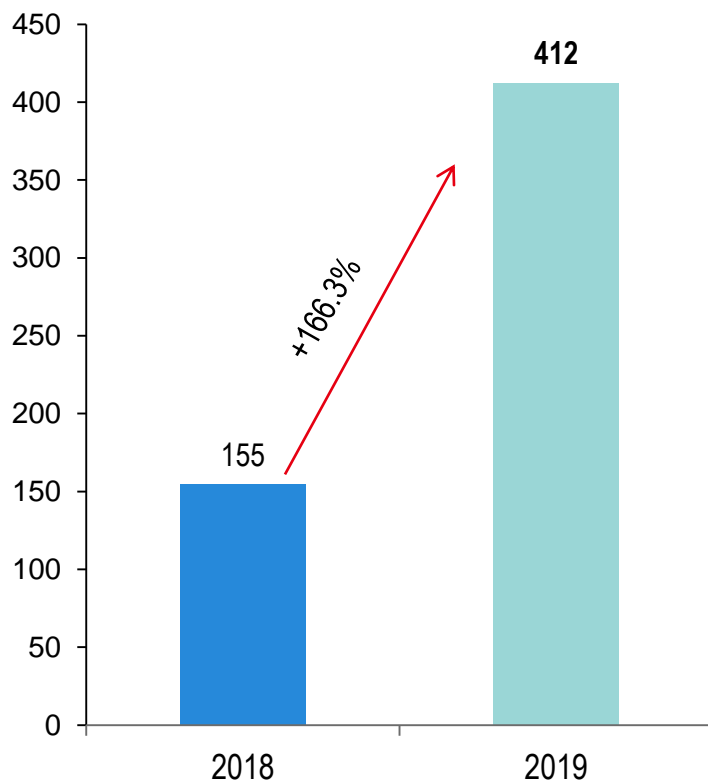
Average connection fee (before tax)

(RMB)



Sales of stoves and other services

HK\$ million



Main reasons for growth:

- During the Year, the Group has placed additional resources to strengthen its retail brand by expanding product portfolio and promote greater brand recognition of “Zhongyu Phoenix”
- Capitalized the full potential of its large pool of residential customers, differentiated itself with customized solutions and increased customer stickiness

Gross Profit Margin Analysis

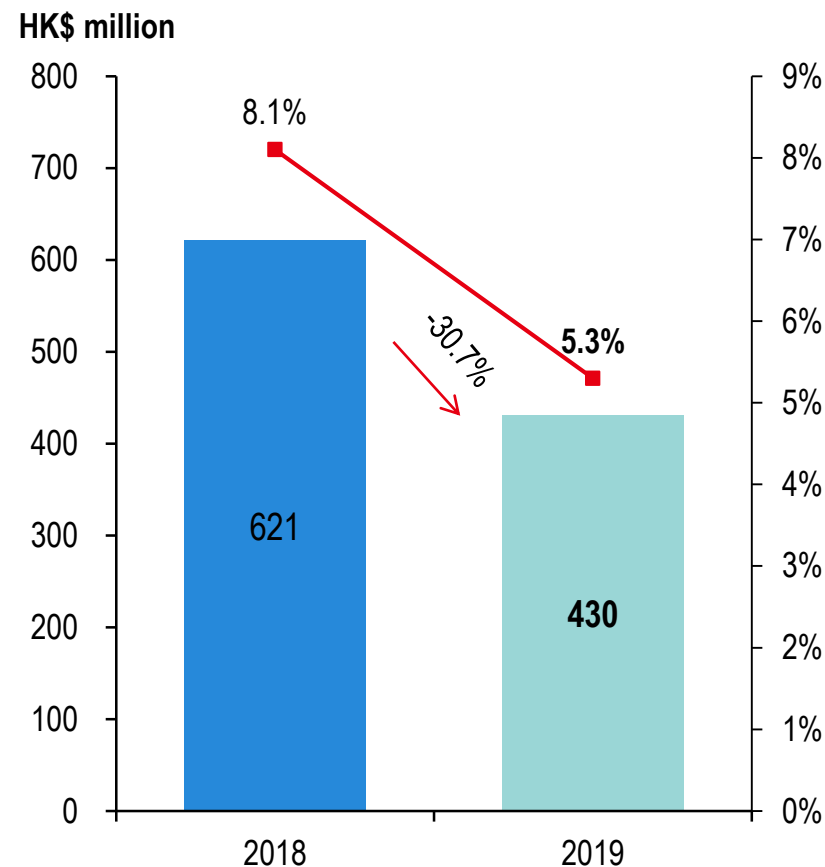
Gross profit margin of main business segments

	2018	2019	Change
Sales of piped natural gas	8.1%	9.9%	+1.8 p.p.
Gas pipeline construction	77.3%	75.5%	-1.8 p.p.
Sales of stoves and other services	63.8%	43.0%	-20.8 p.p.
Overall gross profit margin	29.1%	23.5%	-5.6 p.p.

Main expenses

As a percentage of revenue	2018	2019	Change
Selling and distribution expenses	1.9%	2.2%	+0.3 p.p.
Administrative expenses	4.9%	5.5%	+0.6 p.p.
Finance costs	3.6%	4.2%	+0.6 p.p.

Net profit* and net profit margin



*profit attributable to owners of the Company

Change in overall gross profit margin was mainly due to decrease in the proportion of revenue from pipeline construction to total turnover

Financial position

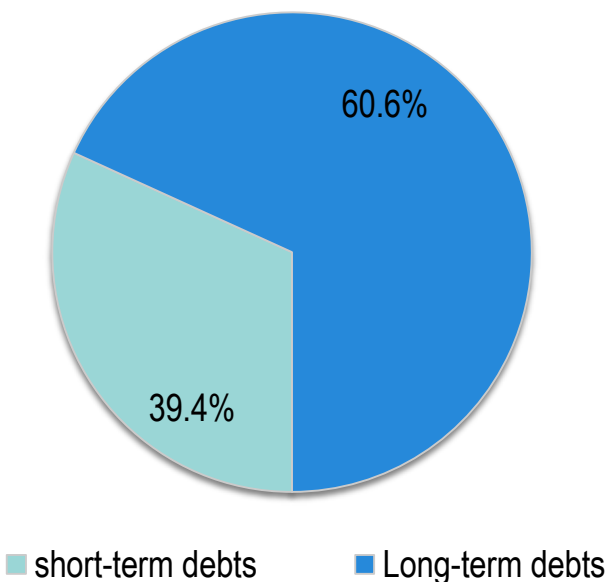
HK\$'000	As at 31 December 2018	As at 31 December 2019	Change
Property, plant and equipment	8,880,175	10,959,292	+23.4%
Total assets	16,281,354	20,289,099	+24.6%
Bank balances and cash	1,595,157	1,903,313	+19.3%
Borrowings and obligations under finance leases	8,477,473	11,081,431	+30.7%
Equity attributable to owners of the Company	3,938,519	4,775,369	+21.2%

Inventories, trade receivables and trade payables turnover days

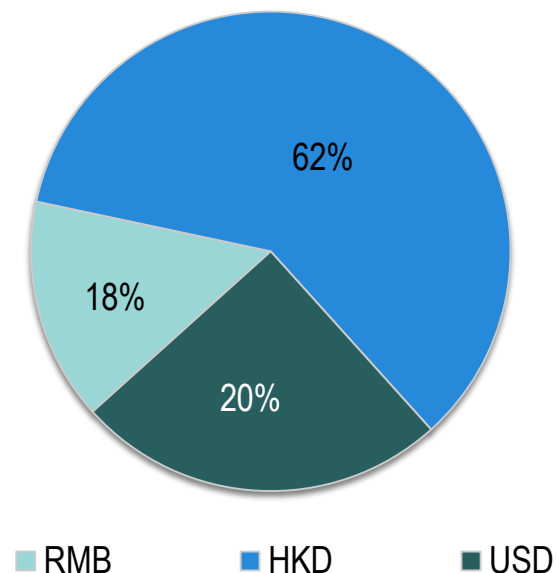
	2018	2019	Change
Inventory turnover days	22 days	28 days	+6 days
Average trade receivables turnover days	56 days	72 days	+16 days
Average trade payables turnover days	65 days	71 days	+6 days

- As at 31 December 2019, total borrowing and obligations under finance leases is approximately HK\$11.1 billion

Total borrowing and obligations under finance leases by short-term and long-term debts
(as at 31 December 2019)



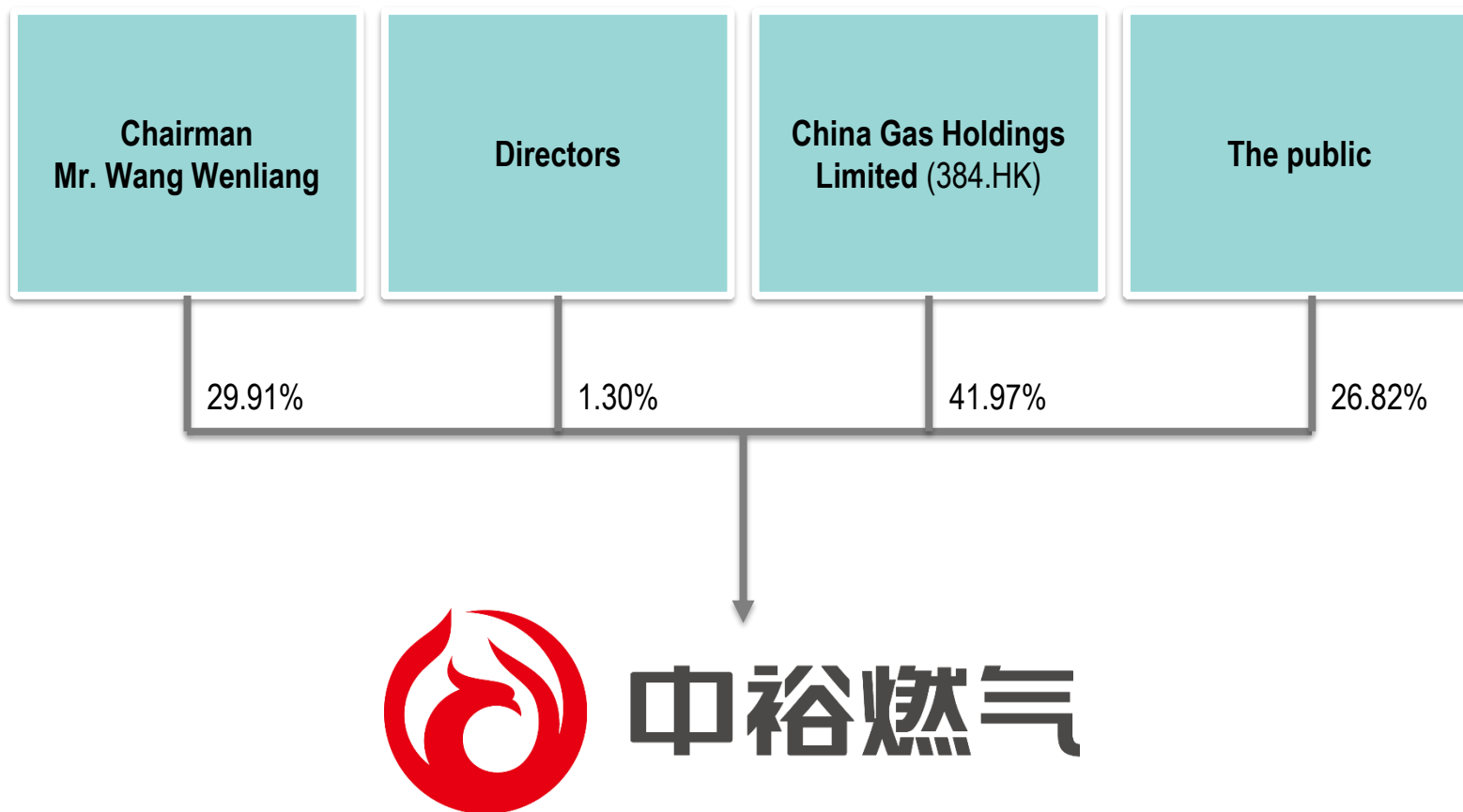
Borrowings denominated in RMB, HKD, and USD, reduce risks from exchange rate
(as at 31 December 2019)





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Appendix



Number of issued shares (As at 30 March 2020): 2,644,832,157 shares



Mr. Wang Wenliang
王文亮 先生

Chairman and
Executive Director

- Overall strategic development, making and implementation of strategic plans
- Over 20 years of experience in energy, aluminum and property development.



Mr. Lui Siu Keung
呂小強 先生

Chief Executive Officer and
Executive Director

- Responsible for the general business operations and management as well as the financial, financing and investor relations activities
- Over 20 years experience in corporate finance, accounting and auditing. Associate member of the Hong Kong Institute of Certified Public Accountants



Mr. Lu Zhaoheng
魯肇衡 先生

Executive Director

- Planning, design and consultation regarding natural gas projects
- Over 30 years experience in NG industry, a leading member in the City Planning Design Institute of Henan Province



Mr. Li Yan
黎岩 先生

Executive Director

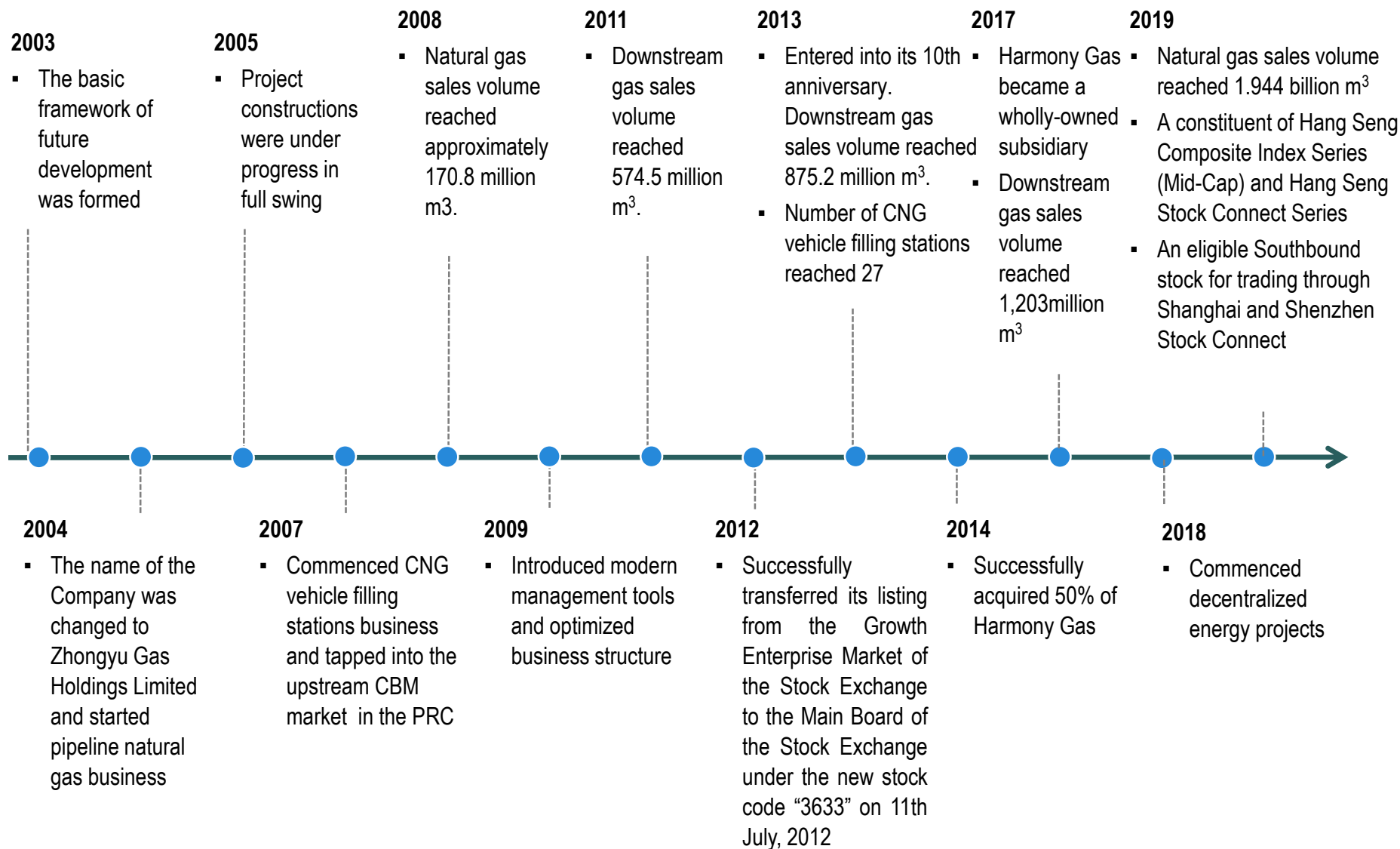
- Appointed as Executive Director at February 2019
- Joined the Group in 2003 and currently serves as its executive vice president, senior economist in China with over 30 years of experience in accounting, finance and economics



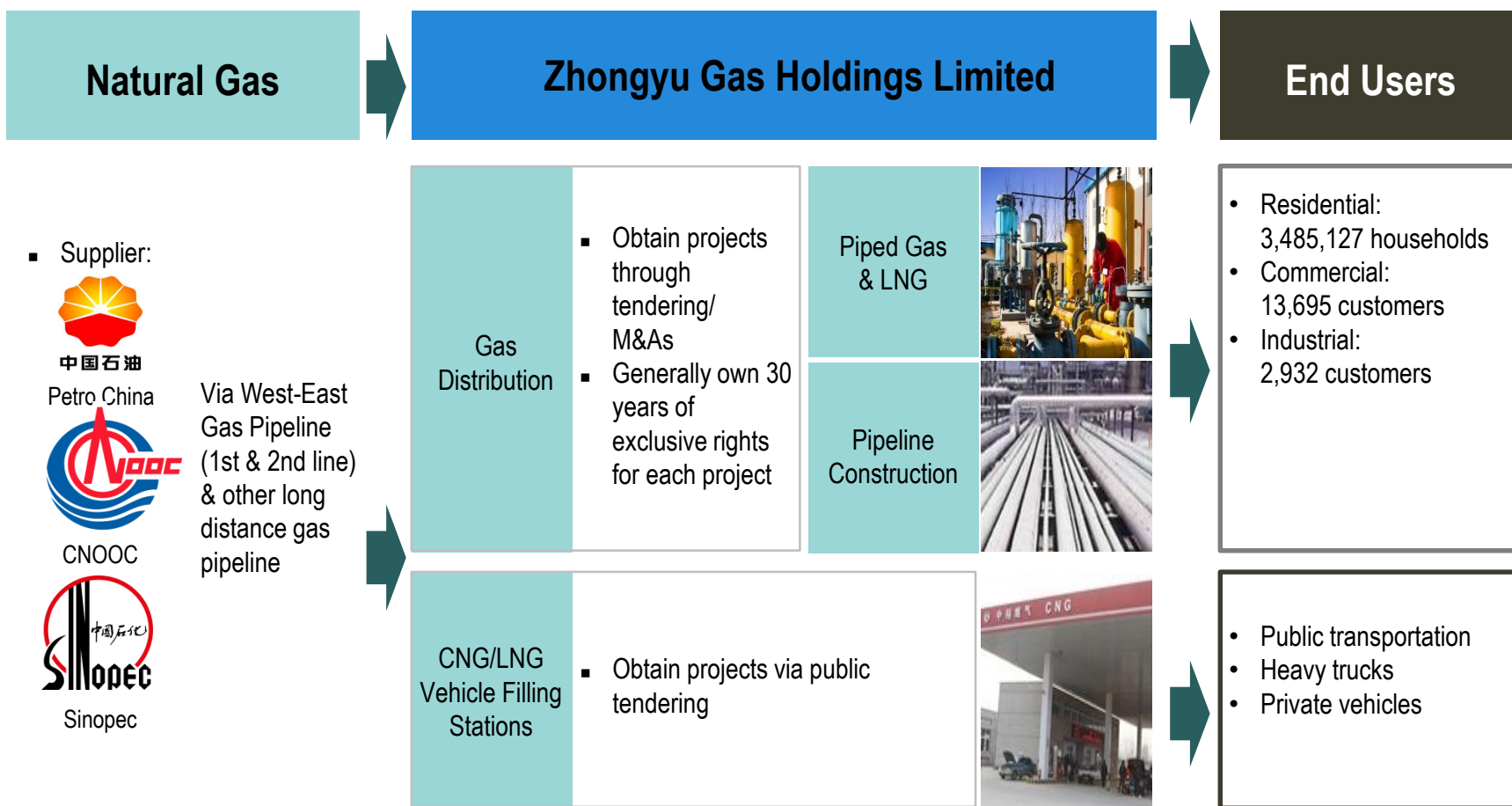
Mr. Jia Kun
賈琨 先生

Executive Director

- Appointed as Executive Director at February 2019
- Joined the Company in 2003 and currently serves as its vice president
- Over 8 years of judicial experience and 19 years of legal, risk management and administrative management experience



Straight-forward business and pricing model for visible profitability



Top 10 Significant Events in the Town Gas Industry in 2019

Order	Time	Key word	Event
1	Jan	Blue Sky War 蓝天保卫战	Notice of the State Grid Corporation on Implementing the Three-year Action Plan to Help Win the Blue Sky Defense War 国家电网公司《关于落实助力打赢蓝天保卫战三年行动计划的通知》
2	May	Reducing Electricity Price 降电价	Notice of the National Development and Reform Commission on Reducing the General Industrial and Commercial Electricity Price 国家发改委《关于降低一般工商业电价的通知》
3	May	Fair and Open Supervision of Pipeline Facilities 管网公平开放	Measures for Fair and Open Supervision of Oil and Gas Pipeline Facilities by the National Development and Reform Commission 国家发改委《油气管网设施公平开放监管办法》
4	June	Prevention and Control Fund 防治资金	Notice of the Ministry of Finance on Issue of Budget for Air Pollution Prevention and Control Fund for 2019 财政部《关于下达2019年度大气污染防治资金预算的通知》
5	June	Anti-monopoly 反垄断	Interim Provisions of the State Administration of Market Supervision on Prohibition of Abuse of Dominant Market Position 国家市场监管总局《禁止滥用市场支配地位行为暂行规定》
6	June	Installation Charges 安装收费	Guiding Opinions of the National Development and Reform Commission on Regulating the Installation Charges of Urban Gas Projects 国家发改委《关于规范城镇燃气工程安装收费的指导意见》

Top 10 Significant Events in the Town Gas Industry in 2019

Order	Time	Key word	Event
7	Oct	Flexible use of coal 宜煤则煤	Opinions of the National Energy Commission on promoting high-quality energy development 国家能源委《推动能源高质量发展实施意见》
8	Oct	CIF prices for China's LNG imports LNG综合进口到岸价	General Customs Administration and the Shanghai Petroleum and Natural Gas Trading Center publishes CIF prices for China's LNG imports 海关总署上海石油天然气交易中心发布《中国LNG综合进口到岸价格》
9	Nov	Cancelling gas gate pricing 取消天然气门站定价	National Development and Reform Commission - Central Development Catalog (revised draft for comments_ 国家发改委《中央定价目录》(修订征求意见稿)
10	Dec	Sino-Russian Eastern Line 中俄东线	Sino-Russian East Line natural gas pipeline project commence operation 中俄东线天然气管道项目投产通气
11	Dec	The National Oil & Gas Pipe Network Company 国家管网公司	National Oil & Gas Pipe Network Group Co., Ltd. was established 国家石油天然气管网集团有限公司成立
12	Dec	Gas Cost Reduction 降低用气成本	Central Economic Work Conference 中央经济工作会议
13	Jan-Dec	Price reduction on gas distribution 降配气价格	Shenzhen, Guiyang, Lishui, Ganzhou, etc. reduce gas distribution prices 深圳市、贵阳、丽水、赣州等降低配气价格

Thank you

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