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CORPORATE PARTICIPANTS

Ming Hui Liu *China Gas Holdings Limited - Executive Chairman, MD & President*

PRESENTATION

Operator

Dear investors, welcome to attend China Gas Holding 2019 Annual Results release. Let me give you an introduction of the management members. At Shenzhen Venue, they are: Executive Chairman, Managing Director, President, Mr. Liu Ming Hui; Executive Director, Executive President, Mr. Huang Yong; Ms (inaudible), Executive Director and Vice President; and non-Executive Director, Mr. Jiang Xinhao. At Hong Kong venue, we have Executive Director, Managing Vice President; Mr. (inaudible); Assistant President, General Manager of Capital Management Center, Mr. Frank Li.

Now let's give the floor to Mr. Liu Ming Hui, Executive Chairman, for opening remarks.

Ming Hui Liu - *China Gas Holdings Limited - Executive Chairman, MD & President*

Dear investors, dear analysts, good evening. I'm very delighted to have this opportunity to communicate with you our 2019-2020 annual results. It is such a pity that because of the pandemic, we cannot host you or see you in person. It is such a pity I have parted Hong Kong for quite a long time, and I miss Hong Kong very much. But I know if I want to go there, I will have to stay there. Otherwise, I will have to have quarantine here or there. Anyhow, the pandemic is so killing to all of us.

Even though I can't see all of you in person, I still wanted to leverage this opportunity to report and share with you the fiscal year 2019-2020 results. And I will present to you the annual results for fiscal year 2019-2020. And Mr. Zhou, Mr. Huang and (inaudible) and Mr. Jiang who joined me today to answer the questions of your concern.

Without further ado, I'd like to give you a report on our performance and annual results on fiscal year 2019-2020. I know you all concern sustainable development. Actually, ESG is so much attended to by all these large funds and funds managing companies. ESG had been incorporated in to our business blueprint. We have formulated a sustainability committee in which I am the head of the committee. We also had a sustainability secretariat and office. We even hired professional advisers and formed different working groups. Of the 13 core functional departments, they all joined our ESG work. Together, we promote the sustainability issue in CGH, so to say, ESG is incorporated into our business blueprint. I will not share with you the details, but one particular figure, in the last 3 years, because our launch and efforts in using the natural gas, we have reduced the discharge of over 100 million tons of carbon dioxide. In 2019 year alone, we have reduced over 60 million carbon dioxide. This is a tremendous effort we made to China's green development.

Let's now look at the returns we bring to our shareholders. Over the years, our CGH teams, first and foremost, they are very good at execution. This strong execution had enabled us to deliver maximized value to our shareholders in the last 17 years. Actually, 18 years, if we add last year, and we transformed from a company owning 34 concessioned city projects to over 600 last year. Last year, actually, the specific figure was 604, 604 concessioned city gas projects. In the last 18 years, the CAGR, if you look at from 2010 to 2019, the core EPS had been 27.5%. The DPS CAGR had been 36.7%. This year, the Board of Directors had approved that in the payout ratio is CNY 0.5. Last year, it's CNY 0.44 per share.

Now let's look at the connections. In the last 3 years -- for 3 years in a row, we have refreshed the world record in natural gas industry. What is that record in the annual residential connections? If you look at fiscal year 2017, it's 3.92 million newly connected users, in 2018, 5 million, and last year, 5.44 million. So for 3 years, we have created world records, and I'm sure this year, moving on, we will keep refreshing the record.

Looking back over the last 18 years of journey, apart from very strong execution, China Gas Holding also is very innovative. In the last 18 years, the Chinese city gas industry had seen new development models, business models of all of them were created and initiated by our holding as a participator and initiator as well as the founder and chairman of the China's Natural Gas Association, I am very proud to say China Gas Holding had created a lot of #1s in this industry. We lead the business model in this industry. For example, over the last few years, in the year 2004, we were the first, the pioneer in fostering the long-distance pipeline projects. And then using these pipelines, we cover the surrounding cities. This model was



actually quite mature abroad. However, in the year 2004, none of our peer companies had started to do so in China. And we pioneered Hubei, a 144 kilometers long-distance pipeline connecting the nearby cities. We created it. In 2007, we launched the hub city and satellite city strategy. We covered the nearby regions of the hub city, and we leverage on the hub city teams to replicate nearby. This is a business model initiated by our holding group.

And in 2009 and 2010, we started to reduce our reliance on the real estate market. We wanted to cover the streets, townships, cities, village committees. We wanted to capture all of these existing residential households. So in 2009, we pioneered in connecting the existing residential households in large-scale and connecting new households, and this model was also copied by other peer companies. In the year 2013, we answered to China's environmental protection policy. To some extent, we help foster the environmental protection projects in China. In 2013, we started the conversion of coal-fired boilers with natural gas-fired boilers. In the year 2014, we pioneered in promoting key townships promotion strategy. In 2015, we started to initiate concept like beautiful countryside. We increase our investment in township gas pipelines. In 2015, we established Zhongran SmartLiving, and value-added service was incorporated as one of our core businesses. In 2016, we started the pilot in Hebei, helping the National Ministry of Environmental Protection to move along with the coal-to-gas project. In the year 2017, centered on Beijing, Hebei and Tianjin region, we started the large-scale coal-to-gas projects, implementation. In year 2018-2019, our journey to innovation never stopped together with the Ministry of Housing and Urban-Rural Development of China, we were entrusted by the department to execute LPG micro pipeline network model projects, and we constantly innovate that business model. This year, 2020, we started our investment in LPG micro pipeline network. This micro pipeline network market will become another investment opportunity based on last 18 years of successful stories. And this is China Gas Holding execution and innovation and where it lies.

Number three, I'd like to talk about our strong sense of social responsibility. Each corporate or business advocates and claim it is a socially responsible company. However, pandemic is a large test to our promise. Over the pandemic, our 50,000 Chinese gas -- China Gas employees started to work as grade worker to make efforts to safeguard our livelihoods. Over that event, our performance was widely praised and acknowledged by Chinese societies from Xinhua News Net to CCTV to local medias to Internet networks. Over the last few months, our performance had been reported by Chinese media for over 150,000 times. Our performance and the heavy reports of our performance had surpassed our reports in the social medias and media networks in the last 18 years. Why? Because our performance was widely acknowledged by Chinese society. So what did we do in 3 aspects? First of all, to safeguard livelihood. When the pandemic struck China, our whole company, over thousands of businesses, 50,000 staff, they started to move at the front line, no one single staff is left behind. All of them are devoted, even including those people who were not physically at Wuhan. They traveled long distance to Wuhan because we were the main supplier of the natural gas in Hubei province. We have dozens of businesses, over 5,500 staff at that time to ensure gas supply was the first and foremost mission. At that time, the traffic had been locked down on road and LNG cannot enter Wuhan. So we had shared over half of the LNG supply in Hubei. For LPG, in Wuhan, at that time, started to demand large supplement. China Gas Holdings leveraged our fleet capacity. We have created a route from Middle East to a receiving terminal in Wenzhou, and then our onshore fleets created another route from Zhejiang to Yangtze River to Wuhan. This has supplied over 5,200 tons, 3 batches of LPG. This is lifesaver to Wuhan. And this term was quoted by Hubei provincial government. So lifesaver. Without LPG supply, a lot of households in Wuhan cannot even cook a simple meal. At that time, we also created and supplied for 68 major hospitals, supplied 1,400 thousand tonnes of LPG to over 400,000 households in Wuhan. As you know, that a lot of our staff members also went to the front line to deliver the gas to the citizens, which have touched a lot of people, including Leishenshan Hospital, Mobile Cabin hospital and others.

In Hubei, all of our gas pipelines, including the whole country, there's no incident or accident happened. In the whole process, we have guaranteed the supply of source and safety. And secondly, safeguard people's livelihood and address people's difficulties during the pandemic crisis. China Gas has donated a total amount of HKD 57.48 million, not only the foundation, but also our subsidiary enterprises. We also secured protective gears for our employees, and we helped -- we delivered daily necessities to millions of households. A lot of the normal citizens couldn't access inside or out, but our employees have the special certificates and a pass. So we -- our staff members volunteered to deliver the daily necessities to millions of thousands of homes with free vegetables and fruits, none of our staff members ever bargained for any subsidy. They even used their own private cars, worked over time to serve the local citizens to help them out of their difficulties.

We're also facilitating the farmers to sell the strained agricultural products. We helped one country -- one county in Hunan province. Within 1 week, we helped them sold more than 1 million -- more than 500,000 tonnes of pears, also like eggs. On April 8, we signed a strategic agreement with Hubei Administration of Agriculture, by using 1 of China Gas platforms, we'll help them to sell the strained agricultural products. I, myself, together



with Ms. (inaudible), supported by all the staff members from China Gas, we become a streaming celebrity. And we are online for about 130 minutes and we sold more than RMB 27 million agriculture products, which demonstrated our concentrated determination to fight against the pandemic.

We are also one of the earliest to reopen our daily work routine. And we are among the very first bunch of peers to resume work in Shenzhen. Also, we were one of the only who started resumed work in mid-February. As a very unique pioneer or pilot in CBD area of Shenzhen, we also tried to get all the subsidiary to start resume of the work. We, at the headquarter started on February 3. which also showed our very strong corporate -- social responsibility.

Okay. Now I'm going to go to the details and the breakdown of our performance in the past year. First of all, the financial performance. Our natural gas, in 2019, the volume growth was dropped down by 1.7%. And the total amount is 18,659.3 million cubic meters. That's due to the crisis. While the residential amount has growth 70 -- 6.0%. So the first 3 quarters last year, we performed very well. But from January to March, it was negative. Comparatively speaking, dropped by 23% year-on-year. But from April to June, we received a recovery.

Customer breakdown of the natural gas. Residential year-on-year increase is 23.6%. While urban residential is -- the industrial user increased by 5.2%, while commercial decreased by 9.1%. And residential -- urban residential growth is 23.6%. It's understandable because the lockdown of the city and all the transportation got locked down. That's why the CNG/LNG stations dropped by 16.2%.

Connection last year, residential connection household is 5.4 million, accumulated to 35 million with 18.3% increase. While city projects is balanced, newly connected 2.3 million. And 2 years ago, about 2.7 million. So it's balanced. While township projects, 6 -- 2.6 million compared to 2 years ago with an increase. City projects accumulated -- accumulative household is 28.869 million thresholds, while township projects accumulated household is 6.23 million. The year-on-year growth is 76.1%. Industrial connection, 2,271; and commercial, 34,050. While CNG/LNG stations, with 19 minus because, we shut down 19 stations.

Connection fee compared to 2019, a maintained balance. City projects, 2,494; while 2018, 2,500. RCG projects, 2,900, while in 2018, the price was 3,000. So it remained very much balanced. And the penetration is about 64.9%.

Tariffs are the signed -- connected, there is a remaining -- about 3 million contracts, contracted projects needs to be connected.

Tariff and dollar margin. First of all, tariff, residential was 2.53; in 2018, 2.52. Industrial, 2.68 compared to 2018, 2.65. Commercial, 2.77 against 2.79. While stations, 3.18 against 3 -- 2.93. Average selling price, 2.69 compared to 2018, 2.66. Average procurement unit cost, 2.09 against 2.05. So the general tariff and blended dollar margin is also pretty much balanced, 0.605 against 0.610.

Okay. The natural gas project, I will not elaborate. Let's go directly to LPG. I'm pretty sure you understand our past situation. We have the team, we import, and we have good logistics transportation. We have a second-tier for -- and Class I, Class II terminals. The terminals, we have 6 million terminals from the residential terminals and industrial and commercial, more than 150,000 terminals. With the business coverage increased to 21 provinces and automotive regions. And the distributed projects has been increased to 113.

We also have 2 big, large-scale, heavy-weighted vessels set off to the U.S. directions. And the second one will also follow in July.

LPG, the crude oil price fluctuated heavily. Which brings to the price volatility of LPG, but we have increased and gathered -- we have gained very rich experience to adapt to the volatility and avoid the risk of price.

Last year, although the sales dropped by 4.2% due to the pandemic crisis leading to the business lockdown. As you know, LPG the major application is in business and commercial. Therefore, the sales of LPG dropped by 4.2%; retail, 2.2%; while retail wholesale, 2%; and retail, 9% drop, not only because of the sales volume, but also the price -- selling price dropped down, too, but the core profitability increased by 9%. 2019 increased by 76%, reaching about 100 million. And the core net margin, our profit ratio has also increased.

Let's take a look at the value-added business. We are also leading the whole industry because we take a light-asset business. The sales revenue increased by 28.8%, exceeding \$500 million. It's still below our expectation because from January to March, everything is locked down. Everything



is stopped. We couldn't really go to the households or for sales. And this has brought us serious impact. While the gross margin year-on-year increase, our growth is 37.3%, amounting 100 -- \$1.9 billion. In 2018, the gross profit margin was 36.4%, while this year, in 2019, 38.8%, operating profit increased by about 40% from 11 million to 15 million -- from \$1.1 billion to \$1.5 billion.

We formulated our own e-commerce platform called HOMNLY Smart Living. We started with Gasbo. Now we also had air purifier, water purifier, kitchen appliances, insurance as a combo, all of these products together serves our slogan, which is the value proposition. That is to enable our end user, a more loving home, a more loving kitchen. Around that value proposition, we have deployed around the kitchen appliances, and we enlarged our impact, and that's our main strategy. If you refer to my slides, I've given introduction on grid-type service on vertical e-commerce, shopping guide, membership reward program and social media e-commerce. This value-added service is quite booming for China Gas. Tencent, one of the senior executive of Tencent visited China Gas, and he is surprised and astonished to find that of all the business models they know for China Gas, a company enjoys such strong online and offline promoting ability is quite astonishing to them. So I talked a lot about our value proposition and business to a lot of investors, they say, well, I still want to look at your financial performance because that's the key.

So let me come down to financial performance. Our revenue, \$59.5 billion, slight increase, among which the gas sales dropped slightly by 0.2%. Connection fees increased by 10.2%. LPG sales, because the price drop, it had dropped by 13.5%. Value-added service increased by 28.8%. Construction, design and services increased by 6.8%. The gross profit over the last one year reaching \$17 billion. So \$17 billion, increased by 21.6%. Profit attributable to owners of the company, over \$9.1 billion, increased by 11.7%. Earnings per share basic, HKD 1.76 increased by 8%, among which we have one-off and nonoperational items, deducting over \$296 million. The general information to all of you is: first, core profit attributable to owners of the company. So that figure is \$9.4 billion, increased year-over-year on 16.4%. Even in February and March, when we're so severely hit by the pandemic, our last quarter, our core profit still maintained 16.4% increase. That's a manifestation of our strong execution. If we cannot deliver such core profit attributable to our owners, then we would be wasting our time, deliberating these results to all investors. So based on core profit attributable to owners of the company and our EPS is \$1.81, increased by 12.4%. So dividend per share is CNY 0.05 (sic) [HKD 0.05]. We're quite generous to our investors. We've been generous to our investors for quite a long time. And I know Mr. Jiang should be thankful to China Gas. That's why our payout ratio is almost 27.6%, increased slightly comparing with last year. I'd like to stress, given Q4 where we were hit so much by the pandemic, we still maintained core profit increase by 16.4% given that RMB has depreciated for 6%. So if all that added together, our core profit attributable to our owners of the company is quite substantial.

Now let's look at balance sheet. Total assets over \$112 billion. Total equity over \$45 billion. Shareholders equity almost \$40 billion. Cash, \$7.6 billion, slightly decreased year-on-year, mostly because at the end of March, we paid a little bit of overdue to our banks. Later on, Mr. Zhu will share with you his interpretation. Our net gearing ratio 64%, quite prudent.

Looking at the foreign currency, our foreign currency dominates less than 20% in our overall debt. That's 19.7%. We still maintain very ample financial resources by the accounting year. We own bank credit RMB 71 billion. The already approved RMB bonds amount to CNY 28 billion. So in total, we own over CNY 99 billion comprehensive credit. So our financial resources, very ample and sufficient.

One more information to all of you. When we fight against the pandemic, we see opportunities out of the crisis, even though the pandemic has negative impact to our society in the economy. However, it is not purely a sad story to China Gas. For example, the loans during the pandemic provided by Chinese banks. A lot of banks approached us and offer us preferential loans with lower interest, and we were approved with a lot of these bank loans, the government subsidized the interest, and the annual interest is as low as 1% or 1% plus. Therefore, we still own ample financial resources, and there should be no worry to our financial prudence.

Now let's look at our operating profit margin, 21.1% among which gas sale has taken up 12.5%. Connection fees, 22.5%, which is dropped comparing with last year's 32.7%. If you look at construction, design and services, that's 35.8%; LPG sales, 1.5%; value-added services, 31.7%. That's for operating profit margins.

Now let's look at the AR recovery. I know you're all concerned about the AR recovery for our connections and contribution to the rural projects. So last year, we promised we would return and recover over 4 billion. Actually, we have recovered more than 5 -- almost 5 billion. So over the last 3 years, for the coal-to-gas in Northeastern China, we have connected to 5.57 million. We commenced over 2 million. And the total connection fee is CNY 16 billion, and we actually recovered CNY 7 billion. So recovery rate is 44%. So at the end of last year, we will break 0. And this year, we have



commenced over 1.82 million households. So over the last 4 years, we will reach commencement of over 4 million households. And at the end of the operation next year, all of them will start receiving natural gas, and we will start receiving our recovery.

Let's look at future strategy and outlook. China Gas had major 3 markets. First is Northeastern China. We've been working hard in Northeastern China for quite a long time. And starting from this year, we start to see payback and rewards from that market, a lot of analysts had been to Northeastern China. Last year, to be frank, we promised the commencement of our service by the end of December. However, because of the problems with our pipeline, we had not fully launched the project. Harbin did not receive natural gas until February because there are a lot of after maintenance for the pipeline. This year, we started to see benefits from our work in northeastern China. In the next 3 years, we expect to see the utilization rate in Northeastern China increase year-by-year.

So that's one of the major regional market for potential natural gas. It's quite a hollow market in the past, and it will start to rise year-by-year in the future. The second is for the Northern part of China, the clean energy heating Hebei had started and other provinces are following suits. In the past, you might have a question, say, will that be like a PV market, or photovoltaic market, the government will not back it up. I think these years, government work report, everything had been explained quite clearly, the Chinese government were unswervingly promoting the clean energy heating because clean energy heating is different from PV power generation. The clean energy heating had to be a regional effort. So we have to engage in the whole region because the pollution will be blown away from one part of China to the other. That's why Chinese Ministry of Environmental Protection is very committed at today, this year's 2 sessions the department leaders and ministry leaders, they stated many times that clean energy heating is a basic national policy and the Chinese government will not change stance behind it.

So the third heated market is Shandong province. As you all know, China Gas owns very rich deployment in Shandong province from our organizational structure, China Gas had 9 operational regions, and each region managed several provinces and in Shandong province alone, they manage Shandong province only. Why? Because apart from the city projects, coal-to-gas project in Shandong, we're also a shareholder of Shandong Oil and Gas Corporation, and Shandong Oil and Gas Corporation also engages on the Northern Pipeline and West pipeline projects in Shandong, which was approved by NDRC.

For the western and northern pipeline, the power supply is over 20 billion cubic meters, which covers the LNG terminals' outreach, also the energy storage facilitations and facilities also are responsible for China Gas. And for all these regional terminals, they also want Shandong Oil and gas corporation to participate, and we will benefit from it. We are also restructuring Shandong Oil and Gas Corporation major shareholders, for example, Shandong provincial government and [Luxian] Corporation. In Shandong Province, we expect that by 2030, the demand will be over 47.1 billion cubic meters, more than 3 provinces in Northeastern China together.

And we consider this as worth our focus and highlighted strength, and we are very optimistic. Besides that, we have also integrated strategic planning, enhanced the corporation and a coordinated development with other provinces in Shandong, including Shandong, Shanxi, Hebei, Yunnan, Anhui, Heilongjiang, Jilin, Hubei and many other provinces, Guangdong province also has signed a strategic corporation agreement with us and require us or ask us to optimize and maximize the resources in the Greater Bay Area. We never emphasize this part or release this news because we think an agreement signed with the provincial government is not worth our publicity. More importantly is how we promote and execute the corporation.

Besides that, we have also signed with, [Sinopec], and we have consolidated a series of joint ventures, and we want to set up a specific company selling LPG, SLG in the Greater Bay Area. As you also know, Hubei province has been struck heavily by the pandemic -- epidemic crisis, while the central government has given unprecedentedly support from national debt, governmental subsidy and all other financial support to Hubei province, which brings along a series of new projects. I've paid a visit to Hubei 2 times, and have covered all the province -- all the regions and the cities, 11 cities in Hubei province have signed comprehensive strategic cooperation agreement with China Gas. Every -- or each city has come up with a serious of projects with us. So we think by taking these first-class revitalizing and the recovery opportunity of Hubei province, we have firmly grasped the opportunity.

We also have some other further strategies. Last year, we have initiated 18 projects. And this year, we estimated -- we estimate no less than 18. Through the industrial and commercial coal-to-gas and also the distributed heating using natural gas, together with the value-added service, we comprehensively promote the further growth and development of the company. In the past more than 10 years, China Gas has always played the

top priority of execution and strategy -- strategic planning. In terms of execution, capability and competence, I'm very proud, and I'm very confident to declare that we belong to the #1 team. After the epidemic, even Hubei province provincial leadership said, I am -- I was the first President of a big corporate who came to Hubei on site to help and develop the business. We also have initiated a new strategy called LPG micro pipeline networks. This will probably disrupt China's future perspective 10-years pipeline network development direction. It's a light-asset pipe-to-gas business. As we know, pipe-to-gas is a heavy-asset business because of the centralized pipe and also the supply system, it's not a big issue in the central cities. Also in the Northern part of China, in plain geographic featured rural areas in Northern China. But once it comes to southern part of China, when it's a hilly region or with mountainous geographic features then it became very difficult because of the investment. And no one in the world has ever taken this pace. And we want to be a pacesetter, and we want to be an innovator. As we know, we have done the statistics. According to the past data, older data, in the past 3 decades years -- of years in Europe and the U.S., Japan, South Korea, pipeline gas -- pipe-to-gas has experienced natural gas and also LPG micro pipeline network development. LPG micro pipeline, this name was given by the Ministry of Construction. While in Europe and America, they call it LPG mobile home business technology. In France, U.K., Germany and the U.S., the newly increased pipe-to-gas users starting from 70% to 95% adopted this new technology rather than the grand natural gas pipeline. All the thresholds -- households, they use the small-sized cans to support this business and increased newly connected users in U.S., more than 95% of them use this new technology. Well, in China, we haven't set up the criteria or standard yet. So we have seen such opportunity. More than 8 years ago, we imported this technology, and we digested, reformed and researched in the past 8 years. Including the equipment manufacturing and production. We have made -- we have fired up 15 patent rights. Without national criteria or standard, we drafted a national criteria and standards, which has gained the recognition from competent authorities from the national level. And we have the right of the standards.

Thirdly, we have imported the technology of big data, cloud platform and Internet of Things, abiding by the requirement from the Ministry of Commercial and Business Administration. We have owned this technology, and we are more than ready to promote such technology in China market. China Gas is also the only ownership of LPG in Mainland China, and this technology requires the [FL] of -- and it is the cheapest LPG in the international community. That means the whole supply chain has been in favor to us.

Now let's talk about the technology. In terms of the promotion of the technology. Why is it good? Because it's a light-asset business. The terminal using the LPG small-sized gas supplier equipment, for example, if it's a village with only 100 households or even 50 households, we only need to set up a very small closed network, connected at the 50 households with 1 LPG specific storage can and using our mobile LPG adding vehicle, then it will work. The construction cost will be greatly or dramatically drop. The usage cost of the citizens will be dropped too due to the following reasons. First of all, this equipment does not require high-voltage network. No station, no central pipeline network, only needs to build up the last 1-mile or 100-meter low-voltage network plus a storage can. And the total -- the whole technology is owned by us. The cost will be dramatically dropped, which will bring the operation -- and the construction cost to decrease will bring the operational cost to decrease, which will lead to the citizens usage cost of LPG micro pipeline even 30% less than using the canned or bottled LPG, which will give us a very strong possibility to promote this business in China market. And this possibility brings us another potential dramatic market, which is worth our expectation. I will give you the details about how big or how strong this market will be. When we set up such a closed network, the construction cycle is very short as fast as 1 month or even 15 days longest, no longer than 3 months. Once you have the can there, then you can start the connection of the gas. When the connection fee is paid, then you can start the fire. This is different from coal-to-gas in Northern part of China. When the network is done, the tariff is not negotiated. Nothing is settled. So when you start the fire of the project, you have to start with more than dozens of thousands of thresholds -- rather households rather than only selectively a few. And this is one of the very strong characteristics of this project. The return of the asset or capital investment is very fast. So we started with the demo pilot projects in the 4 counties, about 2 years ago. And we have received visits, government official visits from the ministry level. And we received high appraisal and recognition. On the same -- at the same time, the occupation area of the site is very small. This is a very complicated thing. Sometimes it took us more than a year to start the newly added network site. Maybe you only need 5 square meter place or 10 square meter place, then you can bring solution to the place. And I think this is a disruptive, revolutionary technology with the promotion of this technology, we will release a big potential market to possibility.

How big is market in China? We estimate rural area, there would be another 160 million households to be connected, excluding those very much -- very rare or remote area. We estimate 90 million households relying on this technology to be connected. And we think this is a huge market, massive market.

Currently, the country is also playing big support with central government-released documents, especially highlighted that in the country side or rural areas to increase the micro pipeline network construction. And the Ministry of Construction has coordinated or aligned by -- with another 7



-- 6 ministries to draft proposal to replace the current network with the LPG micro pipeline network to avoid the safety issues. So from construction to operation to sales, it's all consolidated or integrated. And also from the government policy support, we easily give you the conclusion that this is with great market potential, which will be our highlighted focus for prospective construction.

Okay. Some outlook. You might think that I'm bragging. So how do you perform next year? I will share with you our outlook. Next year financial return, right, investment return. I give you some indicators. This year, we will give about \$8 billion to \$9 billion. In the past 3 years, the numbers I gave you are realized, and I'm very confident that the account receivables will be \$8 billion to \$9 billion. And gas volume growth in city and township projects, the growth. LNG and pipeline will be excluded, retail, and we give you a number of 15% gas volume growth. And we believe that we will be -- we are confident that we will make it. You're also very much concerned about struck by epidemic, COVID-19. Q1, minus 13%, February and March, even worse, but April, I will tell you. Y-o-Y growth is 8% in May. Y-o-Y growth, 10%, June, first half of June, the growth is even higher. So we do believe that 15% growth is not a very challenging thing. And among the 15% increase, we have 2 rigid increase, 1 rigid increase is the Russian gas, Northeastern China market, which will have an increased demand for 500 million cubic meters, and that's taking up 3.3% out of 15% increase. Also, coal-to-gas newly connected 1.8 million users, and newly increased 900 million cubic meters, which is 6%, out of 15% increase. That together, we still need to have 6% increase for other businesses. And then we will deliver the 15% increase very easily. And that's why I'm very confident this increased rate will not be a challenge. And the city and township projects new connections, 5 million to 5.5 million. For micro pipeline networks, 0.5 million. So this year, together, we will have new connections for both of the projects up to 6 million households. LPG sales, 4 million tons, gross profit, value-added services, another 30% increase on existing record. That's our goal for this year. Most recently, the pipeline gas and the trade volume both started to recover, especially the LNG trade business increased dramatically CNOOC and China Petro Co., they are willing to provide us a large amount of very cheap LNG. And that's why the procurement price of LNG is cheaper. And we will have much better gross profit and dollar margin. Last item is the share option scheme. This has been published for quite a long time. We have confidence in it. China Gas. I'm not joking on this matter because my staff had been with me for the last 18 years, and we deliver to our staff each time for our promise. So it's \$15 billion.

All of us, we will not be taking the rip off our shareholders, and we are very confident we will deliver these options. Good bye.

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