

China Gas Holdings (384 HK)

LPG micro grid: a new growth engine

CGH reported FY20 earnings of HK\$9,188mn, up 11.7% YoY, in line with consensus and our estimates. FY20 results revealed that CGH suffered quite severe impacts in 1Q20, especially from C&I gas sales volume, township project ignitions and value added services. Cash flow and balance sheet improvement was also slower than expected pace, as a result. We think FY20 results was commendable, however, as CGH still delivered 16.2% core earnings growth in the context of losing two months operating time. For FY21E guidance, CGH expected residential connection to reach 5.5-6.0mn household with new connection growth from LPG micro grid, and retail gas volume to increase by 15% YoY. **We raise our TP by 11.2% to HK\$37.12. Reiterate BUY.**

- **FY20 results in line.** Revenue was flat at HK\$59.4bn, 5.2% lower than our estimates due to pandemic led sales drag on gas volume and value added services. GP increased 21.6% to HK\$17.1bn with GPM increased 5.0ppt to 28.7%, reflecting gas connection and value-added services had boost CGH's profitability. Higher GPM compensated other losses recorded and share profit decline from JVs and associates. Mgmt. explained CGH had consolidated Huhhot project and cease drawing fund from investment fund for developing coal to gas project during the year which led to contribution decline from JVs and associates. Net profit was HK\$9,188mn, up 11.7% YoY. Stripping out non-recurring impacts, core earnings was HK\$9,467mn, up 16.2% YoY. CGH's results was in line with consensus and our estimates.
- **COVID-19 dragged FY20 performance; FY21E outlook remains optimistic.** City gas volume increased only 6% in FY20 due to factories and businesses shutdown during 1Q20 in China. Mgmt. saw recovery from Apr, and released positive outlook for FY21E, including 1) city gas sales volume to increase 15% YoY; 2) residential connection to reach 5.5-6.0mn household; and 3) VAS segment to have gross profit increase 30% YoY. The Company also announced new business form to develop LPG micro-pipe network for extending service coverage to smaller township and villages through exclusive LPG storage tank technologies. Given supports from various measures, we think CGH's targets are highly achievable.
- **Raise SOTP TP by 11.2% to HK\$37.12.** We revise our estimates based on 1) more conservative gas consumption outlook for township users, and 2) additional contributions from LPG micro-pipe network connection. Our FY21/22E EPS is trimmed slightly by 2.2% and 0.5%. Our SOTP valuation reflecting our long term view, however, is revised up by 11.2% based on more stable and rapid earnings growth. **Reiterate BUY on CGH.**

Earnings Summary

(YE 31 Mar)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue (HK\$ mn)	59,386	59,540	66,567	78,480	90,805
YoY growth (%)	12.4	0.3	11.8	17.9	15.7
Net income (HK\$ mn)	8,224	9,188	10,670	12,626	14,862
EPS (HK\$)	1.63	1.76	2.04	2.42	2.79
YoY growth (%)	32.7	8.1	16.1	18.3	15.5
Consensus EPS (HK\$)	n/a	n/a	2.12	2.42	2.67
P/E (x)	16.7	15.4	13.3	11.2	9.7
P/B (x)	4.0	3.6	3.0	2.5	2.2
Yield (%)	1.6	1.8	2.1	2.5	2.9
ROE (%)	24.1	23.2	22.4	22.1	22.2
Net gearing (%)	69.1	81.5	75.8	56.4	41.0

Source: Company data, Bloomberg, CMBIS estimates

BUY (Maintain)

Target Price	HK\$37.12
(Previous TP	HK\$33.37)
Up/Downside	+36.5%
Current Price	HK\$27.20

China Gas Distributor

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Stock Data

Mkt Cap (HK\$ mn)	141,945
Avg 3 mths t/o (HK\$ mn)	558.6
52w High/Low (HK\$)	34.83/22.3
Total Issued Shares (mn)	5,219

Source: Bloomberg

Shareholding Structure

Beijing Enterprise	23.7%
Liu Minghui	20.9%
Chiu Tat Jung	18.8%
Free float	36.6%

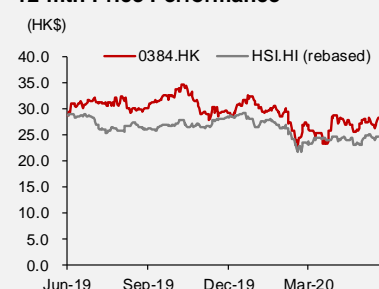
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	4.0%	-2.0%
3-mth	-0.9%	-5.2%
6-mth	-8.3%	5.5%
12-mth	-5.0%	10.5%

Source: Bloomberg

12-mth Price Performance



Source: Wind

Auditor: Deloitte

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- **COVID-19 had brought severe impacts on gas sales.** City gas sales volume was 15.63bcm in FY20, up only 6.0%, lower than our estimates. Weak gas sales volume was mainly dragged by C&I gas sales due to factories and businesses were shut down during Feb-Mar in 2020 for epidemic control. Industrial gas sales volume increased only 5.2% YoY, while commercial gas volume declined 9.1%. Residential gas volume surged 23.6% YoY on the back of increasing township users' contribution. Township users contributed ~1bcm natural gas consumption in FY20, lower than our estimates. Mgmt. explained warm winter in 2019/20 and late township project ignition had led to lower-than-expected winter heating gas consumption.
- **Gas sales volume to increase 15% YoY in FY21E.** CGH was optimistic on gas sales in FY21E, and released 15% target for gas sales volume. Mgmt. confidence was built on 1) additional 1.8mn household new township users will contribute more than 900mcbm gas sales; and 2) Russia-China pipeline will deliver additional 500mcbm gas sales in projects in Northeast China. Both of the gas volume increment will represent ~6% gas volume growth, implying organic growth to reach another 6% to meet growth target. Since the Company recognized residential/industrial/commercial customer accounts growth by 18.3%/18.3%/17.1% respectively in FY20, we think it will not be difficult for CGH to fulfill that growth target.
- **Residential connection reached 5.4mn households.** City residential connection and township connection accounted for 50/50 of the connection mix. Despite the fact that most of the cities in China had lockdowns for more than two months in 1Q20, CGH still delivered its annual connection target. Township projects ignition number was 1.1mn households in FY20, however, lower than mgmt.'s 1.5-2.0mn guidance range, as lockdown measures blocked the Company from providing necessary project safety inspection inside township users' house.
- **LPG micro-pipe network to sustain and boost future residential connection.** Mgmt. raised a new concept called LPG micro-pipe network to further develop rural gas market by switching traditional LPG gas tank to piped LPG supply with centralized gas storage tank. According to our understanding (see details on page 3), we think LPG micro-pipe network can be seen as 1) service extension from large township to smaller areas such as villages; 2) services upgrade to township users in south and southeastern China; and 3) competitive substitute for fuel source under current low crude oil price environment. In FY21E, CGH targeted to develop 500k households for LPG micro-pipe network. We think the new business form cannot only help sustain residential connection, but also improves CGH's LPG segment's performance.
- **Value added services (VAS) to maintain rapid growth.** CGH recorded VAS revenue of HK\$5,025mn, up 28.8%. GP and GPM from VAS segment were HK\$1,950mn and 38.8% prospectively. We estimate average consolidated residential users value increased by 19.5% to HK\$309.2, slightly lower than our projects due to COVID-19's impacts. In FY21E, mgmt. instructed the segment to maintain rapid gross profit growth at 30%.
- **Cash flow improvement slower than expected pace.** CGH collected RMB4.94bn receivables from township connection projects in line with mgmt. guidance, and helped receivables remain stable. By FY20, CGH had completed 5.57mn households' township connection, but ignited only 2mn household. The surging gap between completion and ignition had brought significant growth in contract assets. The account increased 77.5% YoY from HK\$7.2bn to HK\$12.8bn. On the liabilities ends, trade and other payables declined ~HK\$6bn as the Company accelerated payment settlement to support suppliers. Free cash flow was still negative by FY20, and mgmt. expected the figure to turn positive by FY22E, as township projects to peak out and receivable collection to accelerate. Mgmt. expected to collect RMB9bn township project receivables in FY21E.

LPG micro-pipe network

What is LPG micro-pipe network?

We think LPG micro-pipe network is a modification of CGH's coal to gas development strategy in north China. Different from coal to gas replacement and LNG point-to-point supply, LPG micro-pipe network is an asset light investment model, which requires only 1) a centralized LPG storage tank, 2) gas refilling trucks, and 3) limited low pressure pipeline construction, and saves heavy investments from high pressure pipeline and gas regulating station construction, as well as LNG gasification facilities. Therefore, we believe LPG micro-pipe network is solution suitable for distributed piped gas supply for small-scale users (vs. large-scale users for coal to gas replacement projects) with limited gas consumption volume (vs. considerable gas consumption volume for LNG point-to-point supply) for areas with relatively low population density.

LPG micro-pipe network is not only applicable for green field projects for fuel source switch, but also a service upgrade from bottled gas to piped gas to improve residential LPG users' experience and safety.

Why we think it will be successful campaign for CGH?

We believe LPG micro-pipe network will be a service extend to cover smaller township in north China, and has quite considerable business potential cover economically sound area such as southeast and south China. CGH had conducted four pilot tests in Qinghai and Hubei in 2018-19, gained policy supports from Ministry of Housing and Urban-Rural Development (MOHURD, 住建及城乡发展部) and formed 15 patents in relation to storage tank and refilling technologies. Given CGH's in-house supports for LPG trading and supply, we believe it is likely an exclusive business, as other major city gas distributors have no LPG supply units.

We expect CGH will have user value developed through an echelon basis. First tier of value development would be connection fee. According to disclosure from Qinghai Province, CGH's pilot project in Tuguan Village required RMB9,000 investment per household, of which RMB5,000 was for pipeline and network construction, and the remaining RMB4,000 was for in house pipeline and meter installation. We think CGH's LPG micro-pipe network connection business model will be similar to its township coal to gas replacement, and we expect CGH to charge RMB3,000-4,000 per household for in-house connection fee. We think the new connection business will help CGH boost connection volume, and make its connection business more sustainable.

LPG sales to rural residential users would be a second tier value development, in our view. In a low oil price environment, LPG as a direct refinery product from crude oil price is quite compatible comparing with natural gas and LNG. Moreover, through the LPG micro-pipe network, CGH expects to save rural users 20-30% costs from switching bottled gas to piped gas, which we think will likely boost rural users' sentiment in making the switch. We think the Company would have less concerns for LPG users affordability, and stable increase in retail LPG sales volume will in turn help CGH leverage its LPG network and capabilities, and improve its LPG segment's profitability.

Rapid developing pipeline

According to our preliminary research, CGH had established LPG micro-pipe network development agreement in Qinghai, Hubei, Yunnan and Hainan. The Company had also kicked off project development in Guangdong and eastern China region. In FY21, CGH intends to develop 500k households LPG micro-pipe network connection. We expect the figure will have potential to expand further.

Figure 1: FY20 results summary

HK\$ mn, YE Mar 31	FY19A	FY20A	YoY	FY20E	Diff%	Our Comment
Revenue	59,386	59,540	0.3%	62,782	-5.2%	
Sales of piped gas	27,106	27,053	-0.2%	30,094	-10.1%	Dragged by COVID-19 Control measures
Reconciled gas connection	12,460	13,687	9.8%	13,769	-0.6%	
Sales of LPG	15,917	13,774	-13.5%	13,428	2.6%	
Value-added service	3,903	5,025	28.8%	5,491	-8.5%	Dragged by COVID-19 Control measures
Others	0	0	#DIV/0!	0	#DIV/0!	
Cost of sales	(45,327)	(42,443)	-6.4%	(46,468)	-8.7%	
Gross profit	14,059	17,097	21.6%	16,315	4.8%	Gas connection boosted gross profit
Gross profit margin	23.7%	28.7%	5.0ppt	26.0%	2.7ppt	
Other income	786	640	-18.7%	719	-11.0%	
Other gains and losses	295	(180)	-160.9%	50	-459.8%	Other loss also dragged earnings
Selling and distribution costs	(1,820)	(1,973)	8.4%	(1,924)	2.6%	
Administrative expenses	(2,442)	(2,447)	0.2%	(2,582)	-5.2%	
Share of results of associates	520	405	-22.0%	517	-21.7%	Contribution declined from tow nship investment fund Consolidated Hohhot project
Share of results of joint ventures	1,132	571	-49.6%	1,283	-55.5%	
Share-based payments	(63)	0	-100.0%	(200)	-100.0%	
EBIT	12,467	14,113	13.2%	14,178	-0.5%	In line with est.
EBIT margin	21.0%	23.7%	2.7ppt	22.6%	1.1ppt	
Finance costs	(1,284)	(1,388)	8.1%	(1,467)	-5.4%	Remained in good control
Profit before taxation	11,183	12,725	13.8%	12,711	0.1%	
Taxation	(2,198)	(2,464)	12.1%	(2,651)	-7.0%	
effective tax rate	19.66%	19.37%	-0.3ppt	20.86%	-1.5ppt	
Profit for the year	8,984	10,261	14.2%	10,060	2.0%	
Less: Non-controlling interests	760	1,072	41.0%	851	26.0%	Increased due to Hohhot project consolidation
Net profit	8,224	9,188	11.7%	9,209	-0.2%	In line with consensus and ours est.
yoy growth %	34.9%	11.7%	-23.2ppt	12.0%	-0.2ppt	
net profit margin	13.8%	15.4%	1.6ppt	14.7%	0.8ppt	
EPS(HK\$)	1.63	1.76	8.1%	1.76	-0.3%	

Source: Company data, CMBIS estimates

Figure 2: FY20 operating performance summary

HK\$ mn, YE Mar 31	FY19A	FY20A	YoY	FY20E	Diff%
Operating performance					
City gas sales - mcbm	14,744	15,631	6.0%	17,024	-8.2%
Residential	3,985	4,927	23.6%	4,922	0.1%
Industrial	7,050	7,418	5.2%	8,251	-10.1%
Commercial	2,516	2,286	-9.1%	2,717	-15.9%
Vehicle	1,194	1,001	-16.2%	1,134	-11.8%
Whole sale gas - mcbm	9,912	9,741	-1.7%	9,181	6.1%
LPG sales - tonnes	3.99	3.83	-4.2%	3.79	0.9%
Total residential connection	5,108	5,427	6.3%	5,392	0.7%
City residential connection - k HH	2,716	2,732	0.6%	2,692	1.5%
Tow nship residential connection - k HH	2,392	2,696	12.7%	2,700	-0.2%

Source: Company data, CMBIS estimates

Figure 3: Earnings revision

	Old		New		Change(%)	
	FY21	FY22	FY21	FY22	FY21	FY22
Total gas sales volume (mcbm)	33,198	41,299	28,404	32,958	-14.4%	-20.2%
Retail gas sales volume (mcbm)	21,952	27,803	18,381	22,433	-16.3%	-19.3%
Residential connection (CTG incl. mm HH)	5.38	5.12	5.93	5.99	10.2%	17.0%
Revenue (HK\$, mn)	73,904	87,475	66,567	78,480	-9.9%	-10.3%
Net Income (HK\$,mn)	10,908	12,694	10,670	12,626	-2.2%	-0.5%
EPS (HK\$)	2.09	2.43	2.04	2.42	-2.2%	-0.5%

Source: CMBIS estimates

Figure 4: Our SOTP valuation

SOTP valuation (HK\$)	
Organic gas distribution	32.28
NE business value@20% discount	4.84
Our target price for CGH	37.12
Implied PER multiples (x)	
FY21E	18.2
FY22E	15.3

Source: CMBIS estimates

Figure 5: Our DCF valuation for core gas distribution business (excl. NE business)

DCF Valuation	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Key operating forecasts									
Annual gas sales volume (mcbm)	32,958	37,711	42,534	46,787	51,466	56,613	62,274	68,501	75,351
YoY change (%)	16.0%	14.4%	12.8%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Annual residential connection	6.0	6.1	5.9	5.2	4.6	4.2	3.9	3.6	3.3
YoY change (%)	10.3%	1.5%	-3.5%	-11.7%	-10.4%	-9.3%	-8.2%	-7.3%	-6.5%
City residential (mn HH)	2.69	2.67	2.66	2.53	2.40	2.28	2.17	2.06	1.96
Rural coal to gas conversion (mn HH)	2.50	2.40	2.20	1.65	1.24	0.93	0.70	0.52	0.39
LPG micro grid (mn HH)	0.80	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Accumulated residential customer	46.5	52.6	58.5	63.6	68.3	72.5	76.3	79.9	83.3
Turnover (HK\$ mn)	78,480	90,805	100,447	110,109	119,599	128,112	135,951	142,909	145,053
Turnover growth (%)	17.9%	15.7%	10.6%	9.6%	8.6%	7.1%	6.1%	5.1%	1.5%
EBIT (HK\$ mn)	18,911	21,940	23,530	25,353	27,059	28,474	29,674	30,623	30,503
EBIT margin	24.1%	24.2%	23.4%	23.0%	22.6%	22.2%	21.8%	21.4%	21.0%
Tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Depreciation - (HK\$ mn)	2,203	2,495	2,785	3,053	3,317	3,553	3,770	3,963	4,022
CAPEX (HK\$ mn)	(10,912)	(10,889)	(10,859)	(10,697)	(10,536)	(10,378)	(10,222)	(10,069)	(9,918)
Invest in working capital	2,503	875	896	(1,932)	(1,898)	(1,703)	(1,568)	(1,392)	(429)
Free cash flow	8,924	10,033	11,646	10,707	12,530	14,251	15,719	17,000	18,078
Years	1	2	3	4	5	6	7	8	9
Discount factor	0.92	0.85	0.78	0.71	0.66	0.60	0.55	0.51	0.47
Discount free cash flow	8,203	8,478	9,046	7,645	8,224	8,599	8,718	8,667	8,473
Terminal value	289,832								
Terminal perpetual growth	2%								
Terminal EV/EBITDA	8.39								

Valuations (HK\$ mn)		WACC Calculations	
Terminal value	289,832	Cost of debt	4.2%
Terminal perpetual growth	2.0%	Tax rate	22.0%
Terminal EV/EBITDA	8.39	After tax cost of debt	3.3%
Total discount FCF	76,053	Cost of equity	14.3%
Discount terminal value	135,834	Adjusted beta	0.85
Firm value	211,887	Market risk premium	14.7%
Discount FCF(% of total)	64.1%	Risk free rate	1.8%
Terminal value (% of total)	35.9%	% of debt financing	50.0%
Add: Cash & cash equivalent	8,066	WACC	8.8%
Less: Debt	44,130		
Non-controlling interest	7,357		
Equity Value - (HK\$, mn)	168,466		
Number of shares	5,219		
Share fair value (HK\$)	32.28		
FY21E PER*	15.79		
FY22E PER*	13.34		

Source: CMBIS estimates

Note: * FY21/22E PER is calculated based on CGH's EPS as reference for the estimated valuation.

Figure 6: Our DCF valuation for CGH's NE business

(YE Mar 31)	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
DCF Valuation									
Net profit from NE projects - (RMB mn)	1055	1505	1688	1979	2290	2303	2339	2416	2532
FX rate HKD/RMB	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Net profit from NE projects - (HK\$ mn)	1173	1672	1876	2198	2544	2559	2598	2684	2813
Free cash flow projection	828	1,298	1,608	1,929	2,308	2,446	2,489	2,560	2,680
YoY Growth %	1177.2%	56.8%	23.9%	19.9%	19.7%	6.0%	1.8%	2.9%	4.7%
Discount year	1	2	3	4	5	6	7	8	9
Discount factor	0.92	0.85	0.78	0.71	0.66	0.60	0.55	0.51	0.47
Discounted cash flow (HK\$,mn)	761	1,097	1,249	1,378	1,515	1,476	1,380	1,305	1,256
Discounted Terminal value (HK\$, mn)	20,133								
Terminal growth	2.0%								
Terminal EV/EBITDA	5.16								
Total discounted value (HK\$, mn)	31,550								
Share number (mn)	5,219								
NE Business value (HK\$/share)	6.05								
NE Business value @20% discount (HK\$/share)	4.84								

Source: CMBIS estimates

Financial Summary

Income statement

YE 31 Mar (HK\$ mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	59,386	59,540	66,567	78,480	90,805
Costs of sales	(45,327)	(42,443)	(47,352)	(55,886)	(64,679)
Gross profit	14,059	17,097	19,216	22,594	26,126
Other income	786	640	691	800	1,072
Other gains and losses	295	(180)	50	50	50
Selling and distribution	(1,820)	(1,973)	(2,173)	(2,522)	(2,873)
Administrative expenses	(2,442)	(2,447)	(2,702)	(3,147)	(3,595)
Profit from associates	520	405	565	572	574
Profit from JVs	1,132	571	625	613	637
Share-based payments	(63)	-	(50)	(50)	(50)
EBIT	12,467	14,113	16,222	18,911	21,940
Finance costs	(1,284)	(1,388)	(1,411)	(1,529)	(1,615)
Pre-tax profit	11,183	12,725	14,811	17,382	20,325
Income tax	(2,198)	(2,464)	(2,962)	(3,476)	(4,065)
Less: Minority interests	(760)	(1,072)	(1,179)	(1,279)	(1,398)
Net profit	8,224	9,188	10,670	12,626	14,862

Cash flow summary

YE 31 Mar (HK\$ mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Pre-tax profit	11,183	12,725	14,811	17,382	20,325
Depreciation and	1,326	1,591	1,910	2,203	2,495
Change in working capital	7,038	(8,091)	(1,739)	2,503	875
Taxation	(1,874)	(2,245)	(3,094)	(3,235)	(3,790)
Others	(7,556)	(1,001)	(771)	(808)	(854)
Net cash from operating	10,117	2,979	11,117	18,046	19,050
Capex & investments	(11,816)	(5,989)	(12,228)	(10,912)	(10,889)
Others	784	(950)	-	-	-
Net cash from investing	(11,032)	(6,939)	(12,228)	(10,912)	(10,889)
Equity raised	3,785	537	589	640	699
Change of Debts	5,526	1,790	4,158	2,755	2,288
Dividend paid	(2,172)	(2,937)	(3,285)	(3,792)	(4,551)
Others	(804)	(1,100)	-	-	-
Net cash from financing	6,335	(1,710)	1,462	(397)	(1,565)
Net change in cash	5,419	(5,670)	351	6,737	6,597
Cash at the beginning of the	8,246	13,239	7,119	7,470	14,207
Exchange difference	(427)	(450)	-	-	-
Cash at the end of the year	13,239	7,119	7,470	14,207	20,804
Cash at balance sheet	13,239	7,119	7,470	14,207	20,804

Balance sheet

YE 31 Mar (HK\$ mn)	FY19A	FY20A	FY21E	FY22E	FY23E
Non-current assets	68,277	72,558	82,851	91,569	99,975
Investment properties	556	524	566	571	571
PPE	42,965	46,128	55,163	62,291	69,114
Prepaid lease payments	2,148	2,458	2,673	2,958	3,215
Investment in associates	5,746	7,063	7,628	8,201	8,775
Investment in joint	8,022	7,815	7,963	8,606	9,273
Others non-current assets	8,840	8,570	8,858	8,943	9,028
Current assets	41,603	39,509	44,551	52,798	61,726
Inventories	3,412	3,246	3,629	4,122	4,588
Amount due from	-	-	-	-	-
Contract assets	7,185	12,751	15,226	14,501	14,234
Trade receivables	10,061	9,893	11,581	13,347	15,443
Bank balances and cash	13,239	7,119	7,470	14,207	20,804
Other current assets	7,706	6,500	6,645	6,621	6,657
Current liabilities	46,644	49,347	47,193	49,495	52,999
Trade and other payables	23,699	17,700	18,941	21,237	22,638
Amount due to customers	-	-	-	-	-
Contract liabilities	5,168	5,998	6,853	7,712	8,614
Taxation	1,245	1,246	1,333	1,564	1,829
Bank and other borrowings	16,408	24,121	19,773	18,679	19,604
Other current liabilities	125	282	293	303	314
Non-current liabilities	22,453	16,936	25,273	29,182	30,605
Borrowings	21,491	15,568	24,073	27,923	29,285
Deferred income tax	962	1,368	1,200	1,260	1,320
Total net assets	40,782	45,783	54,936	65,690	68,063
Minority Interest	5,461	6,178	7,357	8,637	10,035
Shareholders' equity	35,321	39,605	47,579	57,053	68,063

Key ratios

YE 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Sales mix (%)					
Sales of piped gas	45.6	45.4	48.0	49.5	50.6
Gas connection	21.0	23.0	22.7	19.4	17.0
Sales of LPG	26.8	23.1	17.8	17.8	17.1
Value-added service	6.6	8.4	10.8	11.8	12.7
Others	-	-	0.7	1.4	2.5
Total	100.0	100.0	100.0	100.0	100.0
P&L ratios (%)					
Operating margin	21.0	23.7	24.4	24.1	24.2
Pre-tax margin	18.8	21.4	22.2	22.1	22.4
Net margin	13.8	15.4	16.0	16.1	16.4
Effective tax rate	19.7	19.4	20.0	20.0	20.0
Balance sheet ratios					
Current ratio (x)	0.89	0.80	0.94	1.07	1.16
Quick ratio (x)	9.7	10.2	11.5	12.4	13.6
Cash ratio (x)	0.3	0.2	0.2	0.3	0.4
Inventory turnover days	19.9	20.4	18.9	18.0	17.5
Receivable turnover days	58.6	61.2	58.9	58.0	57.9
Payable turnover days	152	178	141	131	124
Total debt / equity ratio (%)	92.9	87.2	80.3	71.4	63.1
Net debt / equity ratio (%)	69.1	81.5	75.8	56.4	41.0
Returns (%)					
ROE	24.1	23.2	22.4	22.1	22.2
ROA	7.5	8.2	8.4	8.7	9.2
Per share					
EPS (HK\$)	1.63	1.76	2.04	2.42	2.79
DPS (HK\$)	0.44	0.50	0.58	0.69	0.80
BVPS (HK\$)	6.77	7.59	9.12	10.93	12.6

Source: Company data, CMBIS estimates

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