

IPO FACT SHEET
Sino Gas Holdings Group Limited (1759 HK)
ISSUE STATISTICS

Offer Size:	HK\$151.2m – HK\$183.6m
Placement Tranche:	54m
Price:	HK\$2.80-HK\$3.40
Board lot:	1,000
Entry fee:	HK\$3,434.26
Historical PE	6.35x-7.72x
Net tangible asset per share:	HK\$1.50-HK\$1.64
Market Cap (post-IPO):	HK\$604.8m - HK\$734.4m
Open:	14 Dec 2018
Close:	12.00 noon on 19 Dec 2018
Trading:	28 Dec 2018
Sponsor:	Innovax Capital Limited

Year ended 31 Dec	(RMB'000)	yoy % chg
Revenue		
2016	878,373	32.6%
2017	1,095,339	24.7%
Profit for the years/period		
2016	81,857	33.4%
2017	84,242	2.9%

BACKGROUND

- They are an integrated LPG and natural gas supplier in the PRC with a complete industry chain with over 13 years of proven track record in the industry.
- According to the F&S Report, the typical industrial chain of the LPG and natural gas industry encompasses the upstream gas fuel supply, midstream gas fuel transportation and processing as well as the downstream gas fuel distribution and end-user consumption in industrial, residential and vehicular areas.
- During the Track Record Period, they have primarily provided their LPG products in Guangdong Province and Jiangxi Province, their CNG products in Henan Province, and their LNG products in Guangdong Province, through their LPG, CNG and LNG vehicular refuelling stations, LPG domestic stations and CNG Mother Stations under the trade name of “中油潔能”.
- As at the Latest Practicable Date, they, through their subsidiaries and Jointly Controlled Entities, operate: 1 LPG terminal, 2 LPG storage facilities, 6 LPG vehicular refuelling stations, 3 LPG domestic stations, 1 LNG vehicular refuelling station, 2 CNG Mother Stations and 12 CNG vehicular refuelling stations. Amongst which, 17 stations are their Self-owned Stations and 5 are Jointly-owned Stations. One CNG Mother Station is wholly-owned by them and one CNG Mother Station is jointly-owned.

BUSINESS STRATEGY AND FUTURE PLANS

- To capture business opportunities from the sustainable growth of LPG consumption by residential and commercial users in Guangdong Province.
- To further strengthen their LPG logistics and storage capacity in Guangdong Province.
- To pursue vertical integration opportunities in developing new CNG and L-CNG vehicular refuelling stations and CNG Mother Station to strengthen their market position and enhance their competitiveness in Henan Province.
- To complete construction of new stations and purchase the requisite equipment and machineries of new stations as well as to maintain their existing stations.
- To further enhance their logistics services capacity by expanding their vehicles fleet.

COMPETITIVE STRENGTHS

- They benefit from the opportunities arising from the sustainable development of the LPG and natural gas industry in the PRC as well as favourable policy support from the government.
- They are an integrated LPG and natural gas supplier in the PRC with a complete industry chain where they ranked third in LPG vehicular refuelling market in Guangdong Province and second in CNG vehicular refuelling market in Zhengzhou City, Henan Province, in terms of sales volume in vehicular refuelling stations in 2017.
- They have competitive cost advantage in LPG procurement resulting from their long-term business relationship with their major suppliers, their economies of scale and LPG storage capacity.
- Their entrenched business relationship with PetroChina for CNG procurement in Henan Province.
- They are led by an experienced, stable and professional management team.

KEY RISKS

- Their business is subject to the development of PRC government policies and any future unfavourable policies may materially and adversely affect their business development and performance.
- Their business depends significantly on the market recognition of their logo and the trade name of “中油潔能”. Their business could be materially and adversely affected if they are unable to protect their logo and the trade name of “中油潔能”.
- They are dependent on their major suppliers and any instability in or shortages of supply of LPG and LNG from their major suppliers could significantly and adversely affect their business.
- PetroChina is their ultimate sole supplier for CNG in Henan Province and any instability or shortages of supply of natural gas to them from PetroChina could significantly and adversely affect their business.
- Their gross profit margin and growth in profit may fluctuate in the future as their purchase price and selling price of their gas products (including LPG, CNG and LNG) are sensitive to factors beyond their control.
- They had certain deficiencies in legal and statutory compliance in respect of construction approval by the relevant environmental regulatory authorities in the PRC during the Track Record Period.
- They have entered into a lease with an Independent Third Party for the parcel of land on which their Jinpanling Station operates. Their lease and the continuing use of the land is affected by the PRC government’s plans to suspend paid services activities by the armed forces and armed police forces.

DIVIDEND POLICY

- No fixed dividend policy.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
Will be used to acquire operational rights of a LPG domestic station.	22.80	17.0%
Will be used to strengthen our LPG logistics and storage capacity by constructing storage facilities.	24.20	18.0%
Will be used to complete construction, purchase land, equipment and machineries and their installation for the new CNG Mother Station.	30.90	23.0%
Will be used for the construction of new stations, purchase and installation of their requisite equipment and machineries and maintenance of their existing stations.	26.90	20.0%
Will be used to increase their logistics capacity by purchasing additional vehicle fleets.	16.10	12.0%
Will be used for their general working capital.	13.40	10.0%
Total:	134.30	100.00%

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