Research on Foran Energy Transformation Strategy

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Abstract. Hydrogen energy is a critical component of a sustainable and secure energy future, as well as an important development direction of the global energy technology revolution. Accelerating the development of the hydrogen energy industry can help not only to deal with the global environmental crisis, but also to ensure energy supply and achieve sustainable national energy development. By the end of 2021, there had been more than 10 provincial and municipal hydrogen energy industry plans, as well as more than 30 regional and county hydrogen energy special plans, and the central and local governments at all levels issued policies to promote the increase of hydrogen density, as well as further increased subsidies. Foran Energy is one of many companies making the switch to hydrogen. This article will be based on Foran Energy's data for the first half of 2022, combining the surrounding environmental situation to solve the phenomenon of low profit margins following Foran Energy's transformation. The study found that the company can improve its profit margin by adapting to the world situation and adjusting its development strategy.

Keywords: Foran energy; Transformation strategy; China.

1. Introduction

The International Hydrogen Energy Situation According to the China Hydrogen Energy Alliance Research Institute, among more than 20 countries accounting for 44% of global GDP, 9 have developed complete national hydrogen energy strategies, and 11 are developing national hydrogen energy strategies. According to the China Hydrogen Energy Alliance Research Institute, among more than 20 countries accounting for 44% of global GDP, 9 have developed complete national hydrogen energy strategies, and 11 are in the process of developing national hydrogen energy strategies. Furthermore, 14 countries, accounting for 38% of global GDP, have yet to develop a hydrogen development strategy but are already supporting hydrogen pilot and demonstration projects, and 17 governments and/or stakeholders are holding initial hydrogen discussions. China, as the world's first large hydrogen production, hydrogen power industry is rapidly growing; in 2019, for the first time during the two sessions, hydrogen and fuel cells were included in the government work report; in 2021, the hydrogen was formally written "difference" plan, the central government and local policies of local governments at all levels to promote hydrogen density, increase subsidies one step further; By the end of 2021, there would have been more than ten hydrogen energy industry plans at the provincial and municipal levels, as well as more than 30 special hydrogen energy plans at the prefecture, district, and county levels. Hydrogen energy is expected to have a large development space in China in the future. Foran Energy is one of many businesses switching to hydrogen [1].

The subject of this article is a company called Foran Energy. Foran Energy, formerly known as Foshan Gas Management Company, was listed in 2017. Its main business is natural gas sales, transmission and distribution, gas engineering design and construction. With its main business involved in natural gas, Foran Energy is one of the hottest business racetracks in the world. The company recently changed its status from civilian to develop hydrogen energy. Carbon emission and energy policies have been frequently discussed in recent years, and the recently released "14th Five-Year Plan for Modern Energy System" proposes shifting from "double control" of energy consumption to "double control" of total carbon emission and intensity. Also included are some of the main energy targets and strategies for achieving them during the 14th Five-Year Plan period. Furthermore, while the installed capacity of non-fossil energy power generation in China has increased significantly to around 45%, the proportion of power generation is still less than 30%, so it is estimated that in the future, it will be an important work for power generation equipment to be

stable and connected to the grid [2]. However, because there is insufficient electricity from alternative non-fossil energy sources, it will inevitably reach the total energy consumption and total electricity limit for a period of time. Furthermore, while the installed capacity of non-fossil energy power generation in China has increased significantly to around 45%, the proportion of power generation is still less than 30%, so it is estimated that it will be an important work in the future for power generation equipment to be stable and connected to the grid [3]. However, because there is insufficient electricity from alternative non-fossil energy sources, it is bound to experience the total energy consumption and total electricity limit for a period of time. At this stage, hydrogen development has been listed as the top priority for the future development of one area, particularly the global warming and environmental pollution produced new demands for energy use, the world's growing energy conservation and emissions reduction, the hydrogen is the most ideal clean energy, is now one of the most development potential of renewable resources, The development prospect of hydrogen energy has also attracted great attention. Despite promising growth prospects, the company's profit margins are still low.

2. Case Description

Foran Energy Group Co., LTD. invested in and built the Nanzhuang Integrated hydrogen Production, hydrogenation, and gas refueling Station (referred to as Nanzhuang Station in the following essay) on July 28, 2021. (hereafter referred to as "Foran Energy") began testing operations. The station is the first in China to use skid-mounted natural gas hydrogen production equipment, and it is the country's first integrated station of natural gas hydrogen production and hydrogenation within the station. The daily hydrogen production and hydrogenation capacity is 1100kg, which is enough to meet the hydrogenation needs of 100 buses or 150 logistics trucks. Regardless of its relatively low profit growth rate. According to the company's half-year performance report in table 1, which was released on August 24, the company earned 8.244 billion yuan in operating revenue in the first half of 2022, a 51.27% increase year on year [3]. Surprisingly, the revenue increase has occurred at a time when the company's bottom line has struggled to keep up. As shown in table 1, in the first half of this year, the company earned a net profit attributable to its parent of 268 million yuan, representing a 2.82% year-on-year increase [3-5].

Table 1. The company's half-year performance report

	The reporting period	Year-ago Period (before adjustment)	Year-ago Period (Adjusted)	Increase or decrease in this reporting period compared to the same period of the previous year (adjusted)
Operation revenue（yuan）	8,243,680,840	5,430,682,232	5,449,508,325	51.27%
Net profit attributable to shareholders of a listed company(yuan)	268,148,299	261,086,162	260,791,188	2.82%
Net profit attributable to shareholders of a listed company after deducting non-recurring gains and losses	258,922,201	252,137,674	251,321,062	3.02%
Net cash flow from operating activities	336,479,272	66,347,090	68,855,934	388.67%
basic earnings per share	0.2837	0.2762	0.2759	2.83%
diluted EPS(earnings per share)	0.2837	0.2762	0.2759	2.83%
Weighted average return on equity	5.92%	7.76%	7.62%	-1.70%

Such a sharp departure from the situation is the Buddha energy in recent more than a year to appear. In 2020, the growth rates of operating revenue and net profit were 17.81% and 14.05% respectively, which were roughly matched. Blink of an eye to 2021, Foran Energy achieved operating revenue of 13.531 billion yuan, a year-on-year increase of 78.71%; Net profit attributable to its parent was 595 million yuan, a year-on-year increase of 26.72% [6].

3. Analysis of Problems

The Shenzhen Stock Exchange issued an annual report inquiry letter to the company in May this year, shortly after the release of the 2021 annual report, requiring the company to explain why the 2021 annual operating revenue growth rate is higher than the growth rate of net profit, and the main reasons for the opposite trend of net cash flow generated by operating activities. Foran Energy responded that purchasing costs had risen faster than selling prices, that high gas prices had not been fully passed on to downstream customers, and that the increase in total operating revenue was less than the increase in total operating costs.

On August 24, Foran Energy disclosed that it planned to close and terminate some of the raised projects and permanently replenish the working capital with the savings raised, amounting to 36.4981 million yuan. Since its IPO in 2017, the company's fundraising projects have been changed many times. According to the company's semi-annual report disclosure, the company raised the project cumulative change of use of the total proportion of more than 80%, up to 83.22% in table 2 [3-6].

Table 2. The company's semi-annual report

Year of Collection	Half year 2022	Total
Method of solicitation	public issue	--
The total amount of funds raised	71,488.22	71,488,22
Total funds raised have been used in the current period	1,397.88	1,397.88
The total amount of funds raised has been used	70,068.94	70,068.94
The total amount of funds raised for change of purpose during the reporting period	0	0
The total amount of funds raised for cumulative change of use	59,492	59,492
Proportion of the total amount of funds raised for cumulative change of use	83.22%	83.22%
The total amount of funds raised has not been used	7,480.87	7,480.87
Use and whereabouts of the funds raised that have not been used	Funds raised that have not been used are deposited in a dedicated Fund Raising account	--
The amount of funds raised that have been idle for more than two years	7,480.87	7,480.87

After data sorting, it was found that on April 11, 2019, the company put about 190 million Yuan out of the 354 million yuan raised in the third phase of Foshan natural gas high-pressure pipe network project, for the construction of the newly raised project: Lubao to Datang natural gas high-pressure pipeline project and the natural gas dedicated line project of Xiqiao Industrial Park in Nanhai. On May 8, 2020, the company will be invested in Gaoyao City pipeline natural gas project Phase II of the raised capital of about 161 million yuan, 0.4 million yuan, for the newly raised project Shuinan to Lubu (Samit ceramics) natural gas high-pressure pipeline construction. On November 20, 2020, the company invested 138 million Yuan out of 164 million yuan originally planned to be invested in the third phase engineering project of Foshan natural gas high-pressure pipe network for the construction of new natural gas dedicated line project of Gaoming Cangjiang Industrial Park and Xiqiao to Baini high-pressure natural gas pipeline project. On February 2, 2021, the Company will be originally planned to invest in Gaomang Cangjiang Industrial Park natural gas dedicated line project, Luobao to Datang natural gas high-pressure pipeline project, Nanhai Xiqiao Industrial Park natural gas dedicated line project, Foshan Sanshui District natural gas utilization Phase II project raised funds of about RMB 227 million, Acquisition investment funds for the newly raised 40%

equity acquisition project of Guangzhou Yuanheng Storage Co., LTD. (hereinafter referred to as "Yuanheng Storage"). According to the semi-annual report, the company has invested about 701 million yuan in the investment fund, and the benefit realized in the first half of this year is about -0.37 million yuan. Among them, the investment of the acquisition of 40% equity of Yuanheng Storage project is 227 million yuan, and the benefit realized is -0.44 million yuan.

4. Suggestion

The next topic to go over is how to improve the company's low profit margins. The development of new energy enterprises as emerging enterprises has been hampered by technical bottlenecks such as high R&D costs and a long payback period. At the same time, the current international investment environment for new energy enterprises is fraught with uncertainty.

Since its IPO in 2017, the company's fundraising projects have been changed many times. According to the company's semi-annual report disclosure, the company raised the project cumulative change of use of the total proportion of more than 80%, up to 83.22% [5]. A listed company raising specific investment use money through a public stock offering, not in accordance with the original cause of the proposed project (with) shares the specification, but in the course of enterprise operation, directly or indirectly changing the original capital USES behavior through the performance of the relevant procedures for review and disclosure. It is simple to keep changing the raised project so that each investment does not yield a good harvest, resulting not only in fewer and fewer investment funds, but also in a reduction of intangible assets, such as goodwill [7]. Companies can use current global factors to invest or buy and sell. In light of the current shortage of oil and gas in Europe, the world oil price, and the rising price of various gas fuels, the Chinese government will make active adjustments, such as releasing the oil/gas originally stored, and so on, to maintain the domestic oil/gas fuel price level. In this case, the company can try to expand its business by partnering with state-owned fuel companies to increase its profit margin [8].

The Chinese President made a solemn commitment to "strive to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060" at the 75th session of the United Nations General Assembly in September 2020. This commitment will strongly encourage the rapid development of China's new energy industry while acting as a "strong constraint" on the development of traditional fossil energy [9]. Of course, this highlights the goal and direction for China's urban gas enterprises in terms of transformation and development [7]. Some international public utilities began to lay out new energy many years ago, determined to take the transformation road of green and low-carbon development, and began to make adjustments in business strategies. In recent years, many international public utilities have put forward the goal of achieving net zero carbon emissions. After urban gas enterprises enter new business fields such as renewable energy and electricity sale, their future development will face many uncertainties. Echo of city gas enterprise, therefore, should not merely to external pressure blind development strategy formulation and implementation transformation, and shall, first of all, the industry development prospects, especially in their external environment, as well as the driving force for the development of the transformation, direction, advantage and realize the path analysis, and judgment on the basic issues, for example, closely around energy demand structure change and characteristics of practical development plan. The country will steadily grasp the pace of transformation and development and improve the success rate of transformation and development [10].

5. Conclusion

According to recent data, China is facing the problem of insufficient power generation. Due to the lack of electricity from alternative non-fossil energy sources, the limits of total energy consumption and total electricity are bound to be reached for some time. At present, the development of hydrogen has been listed as the future development of top priority, especially global warming and pollution of

the environment to the new demand of energy utilization, the world has made more efforts in energy conservation and emissions reduction, hydrogen is by far the most ideal clean energy, is the one of the most development potential of renewable resources, the development prospect of hydrogen energy and attention. By combining the surrounding environmental situation, Despite promising growth prospects, the company's profit margins are still low. According to the research findings, depending on the international situation, companies can cooperate with national enterprises to ensure the supply of gas and fuel for domestic people. President made a solemn commitment to "strive to peak carbon dioxide emissions before 2030 and achieve carbon neutrality before 2060", this highlights the goal and direction for China's urban gas enterprises in terms of transformation and development. After urban gas enterprises enter new business fields such as renewable energy and electricity sale, their future development will face many uncertainties. The industry development prospects, especially in their external environment, as well as the driving force for the development of the transformation, direction, advantage and realize the path analysis, and judgment on the basic issues.

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