

发展清洁能源 改善人居环境

共创事业，共享天伦

2019

Interim Report

August 2019



发展清洁能源 改善人居环境

共创事业，共享天伦 Interim Report — 2019



**Business
Review**



**Financial
Review**



**Company
Development**



**Company
Highlights**



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Business Review

- 1 Number of Customers
- 2 Gas Sales Volume
- 3 Stale Dollar Margin
- 4 Business Layout



Number of Customers

Number Of Customers	1H2018	1H2019
	1,796,858	2,796,693

YOY Growth: 56.6%

YOY Comparison

	Residential* Customers	C&I Customers
1H2018	1,780,362	16,496
1H2019	2,775,652	21,041

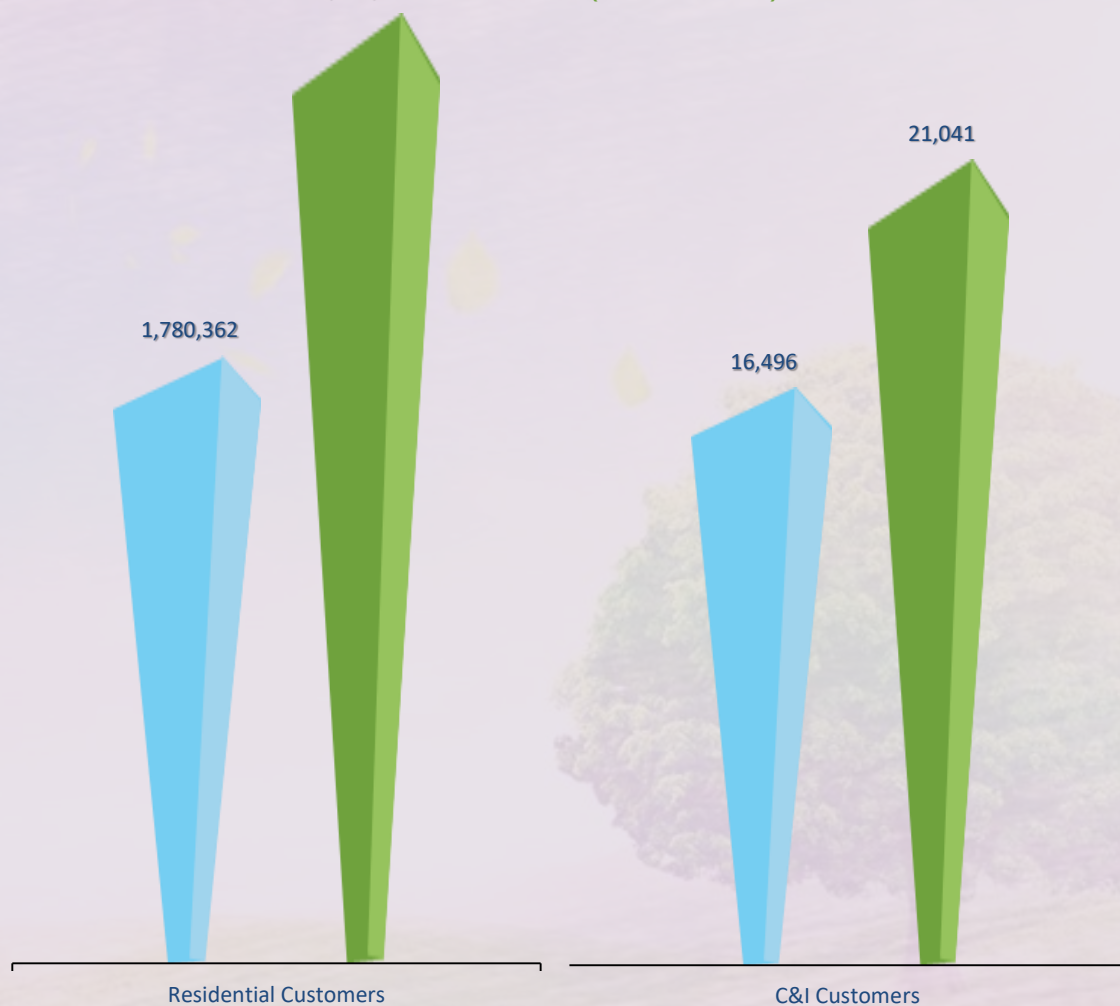
YOY Growth 55.9% 27.6%

*including rural coal to gas residential customers

1 Customers In Total

Residential Customers
(Household) 2,775,652

C&I Customers
(Household)

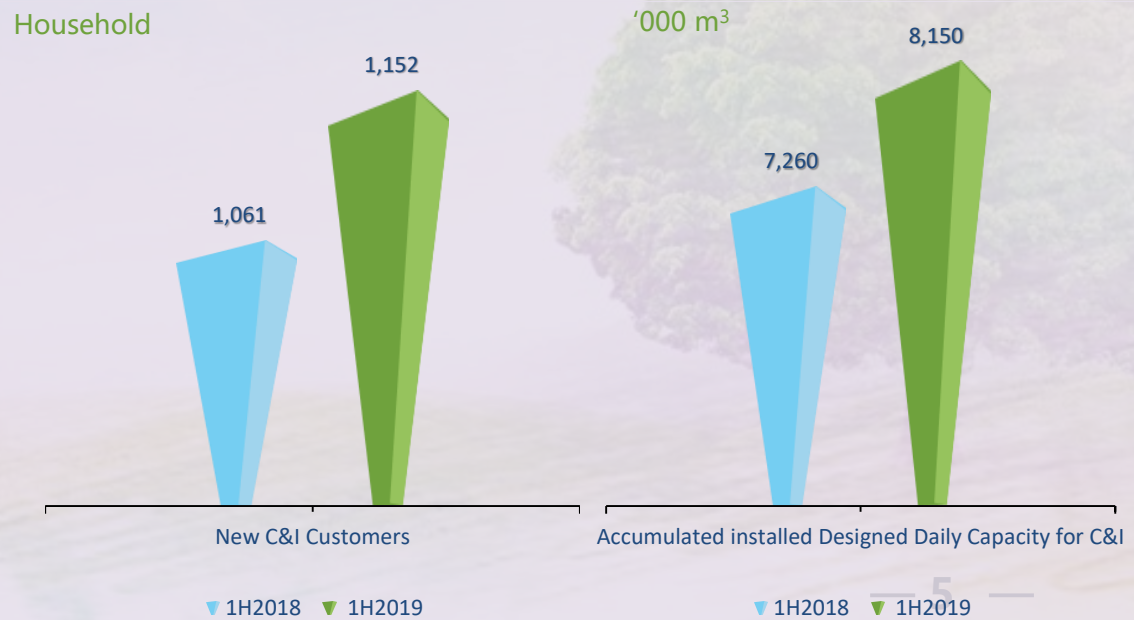
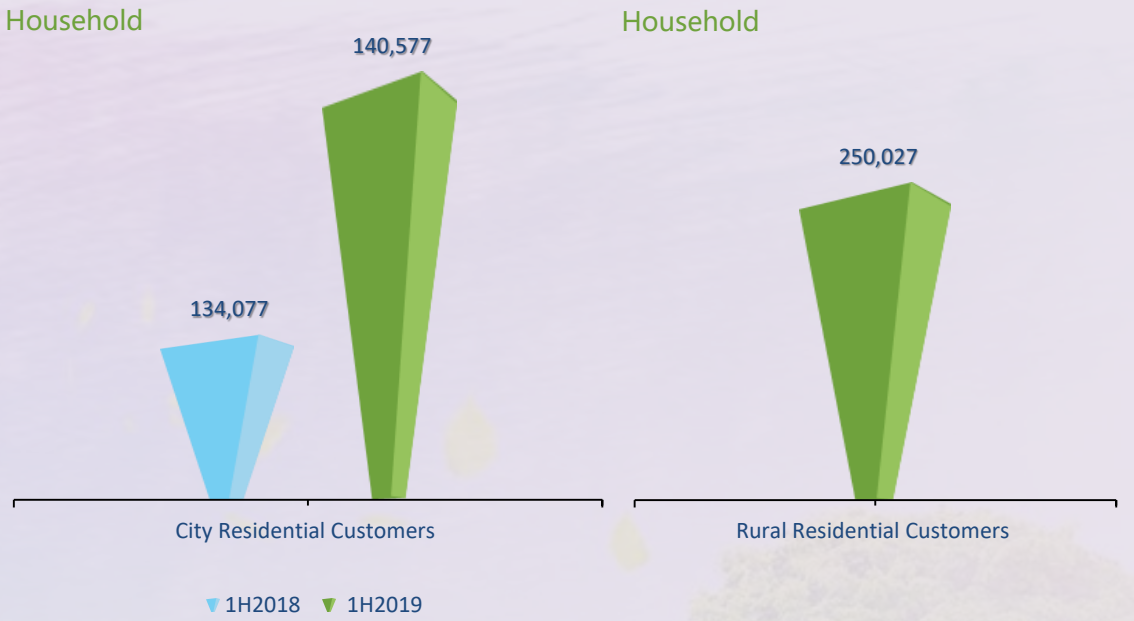


1H2018 1H2019

1 New Customers

Residential	1H2018	1H2019	Change
City	134,077	140,577	4.8%
Rural	—	250,027	—
Household			

C&I Customers	1H2018	1H2019	Change
New C/I Customers Development	1,061	1,152	8.6%
Accumulated Installed Designed Daily Capacity for C&I ('000 m³)	7,260	8,150	12.3%



Interim Results	1H2018	1H2019	Change
City Gas	385	475	23.3%
C&I	205	258	25.8%
Residential	123	152	24.2%
Transportation	58	65	12.8%

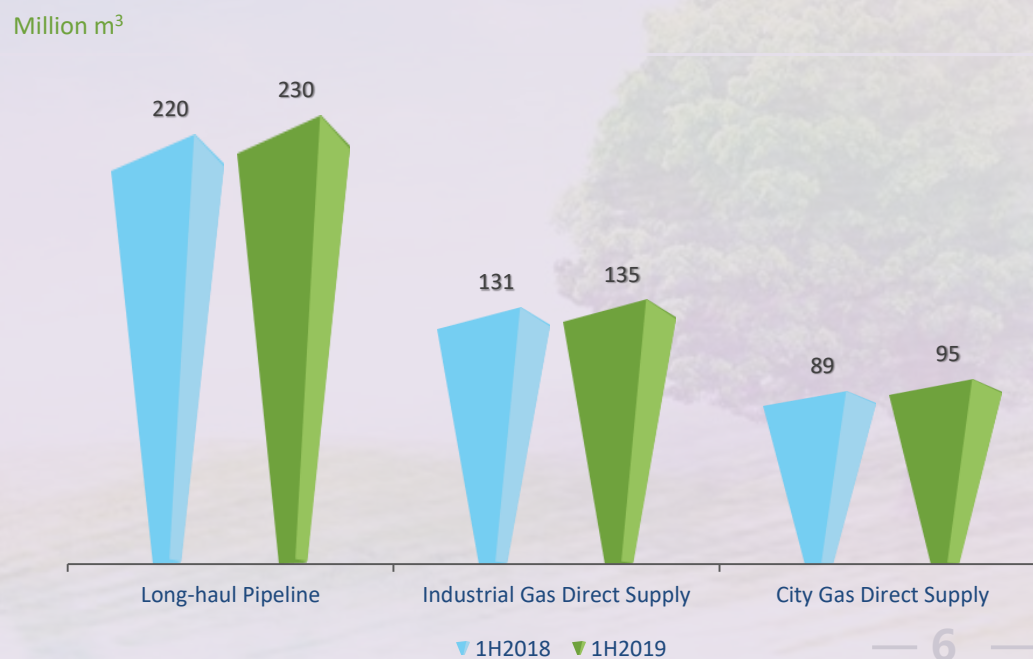
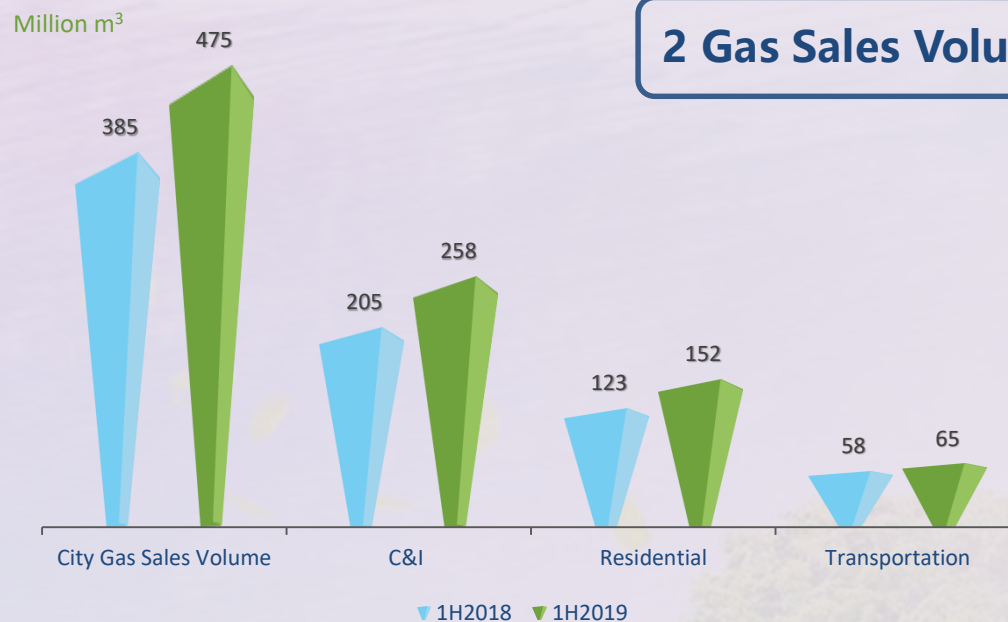
Million m³

In the first half year, the company also conducted gas source trade, with a business volume of 36 million cubic meters.

Interim Results	1H2018	1H2019	Change
Long-haul Pipeline	220	230	4.6%
—Industrial Gas			
Direct Supply	131	135	3.0%
—City Gas Direct			
Supply	89	95	6.9%

Million m³

2 Gas Sales Volume



3 Stable Dollar Margin

Dollar Margin in Gas Sales (RMB/m ³)	1H2019	2018
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Average Dollar Margin	0.54	0.56
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Residential	0.43	0.43
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C&I	0.64	0.67
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Transportation	0.50	0.46
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Average Connection Fee (RMB/household)		
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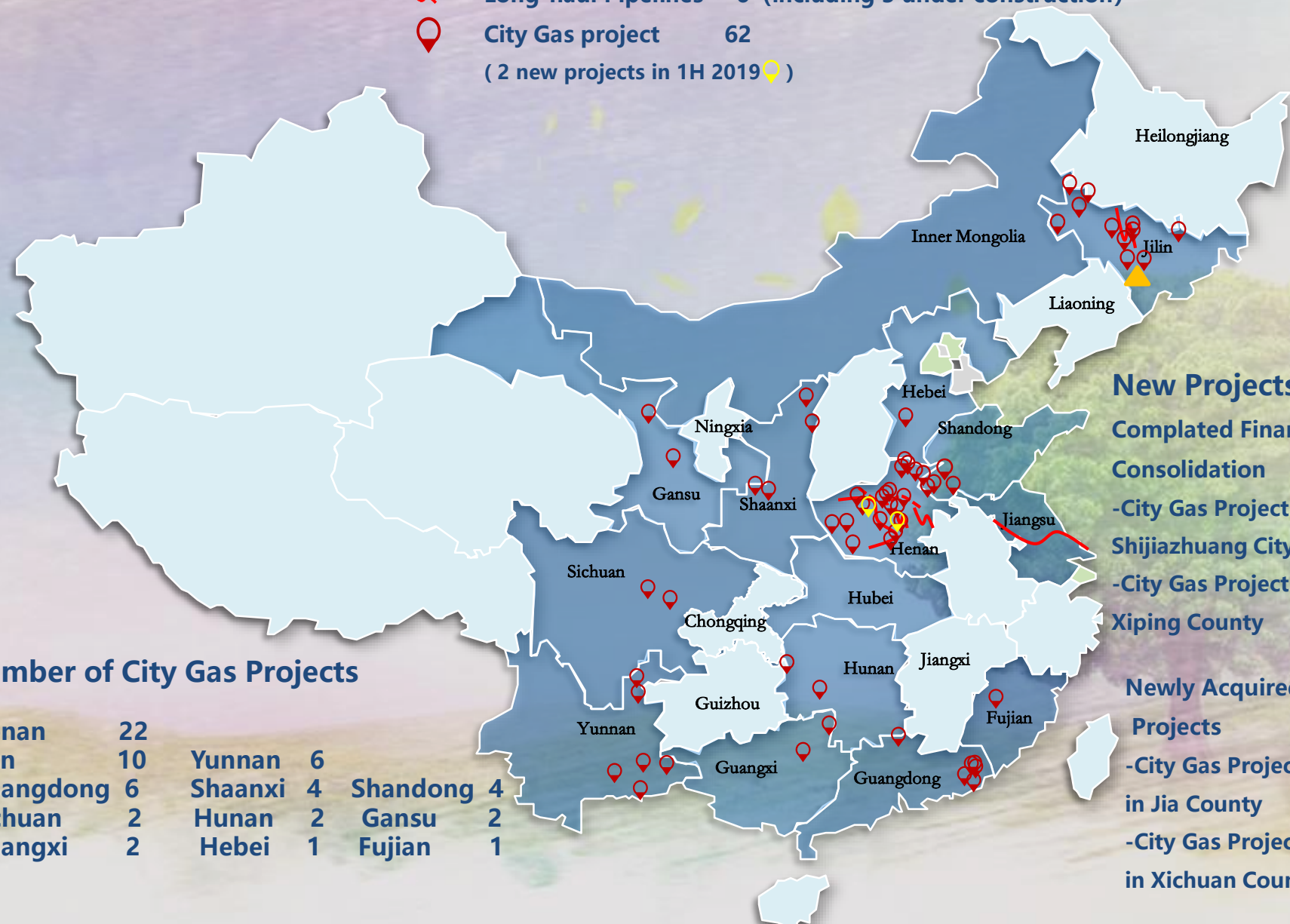
City Residential	2,605	2,645
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Rural Residential	2,752	2,727
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4 Business Layout



- Gas Stations 51
- LNG Liquefaction Plant 1
- Long-haul Pipelines 6 (including 3 under construction)
- City Gas project 62
(2 new projects in 1H 2019)



Number of City Gas Projects

Henan	22	Yunnan	6
Jilin	10	Shaanxi	4
Guangdong	6	Hunan	2
Sichuan	2	Hebei	1
Guangxi	2	Shandong	4
		Gansu	2
		Fujian	1

- New Projects**
Completed Financial Consolidation
- City Gas Project in Shijiazhuang City
 - City Gas Project in Xiping County
- Newly Acquired Projects**
- City Gas Project in Jia County
 - City Gas Project in Xichuan County

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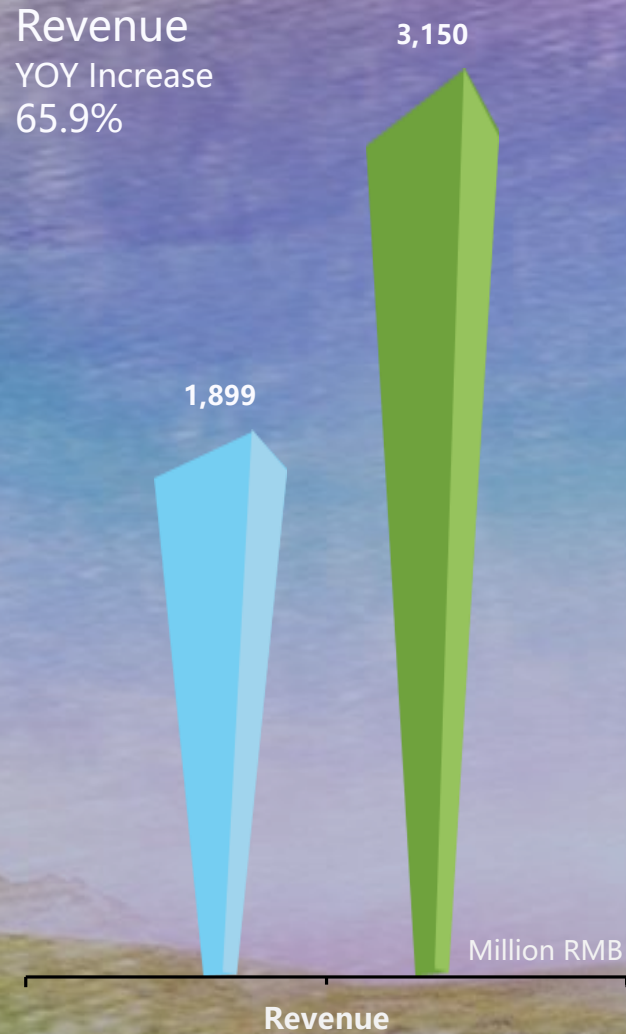
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Financial Review

- 1 Strong Revenue Growth
- 2 High Quality Earning Growth
- 3 Healthy Capital Structure

1 Strong Revenue Growth



1H2018 1H2019

Million RMB 1H2018 1H2019

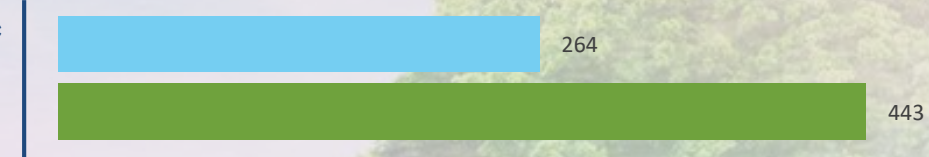
EBITDA
Increase
58.3%



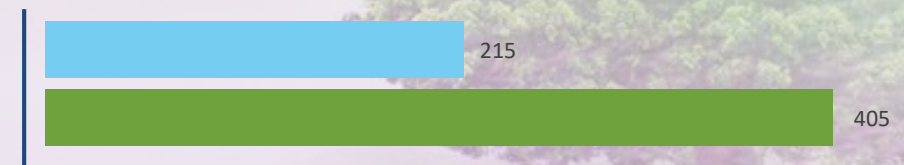
Gross Profit
Increase
66.6%



Core Profit*
Increase
67.8%

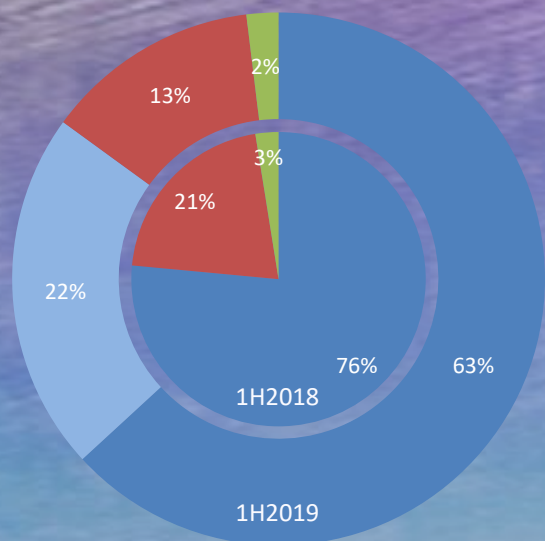


Profit
attributable to
owner of the
company
Increase
88.1%



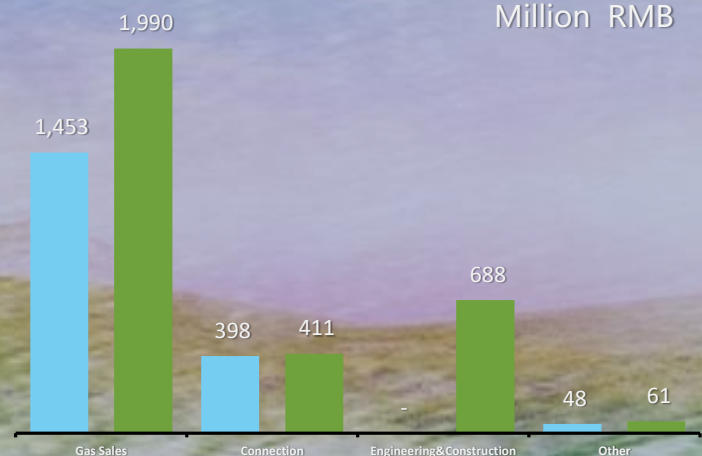
*Core Profit: Net profit excluding disposal of a subsidiary and gains/losses arising from FX exchange

2 High Quality Earning Growth



■ Gas Sales ■ Engineering&Construction ■ Connection ■ Other

Million RMB



■ 1H2018 ■ 1H2019

▼ 1H2018 ▼ 1H2019

Gross Profit Margin



Profit Margin



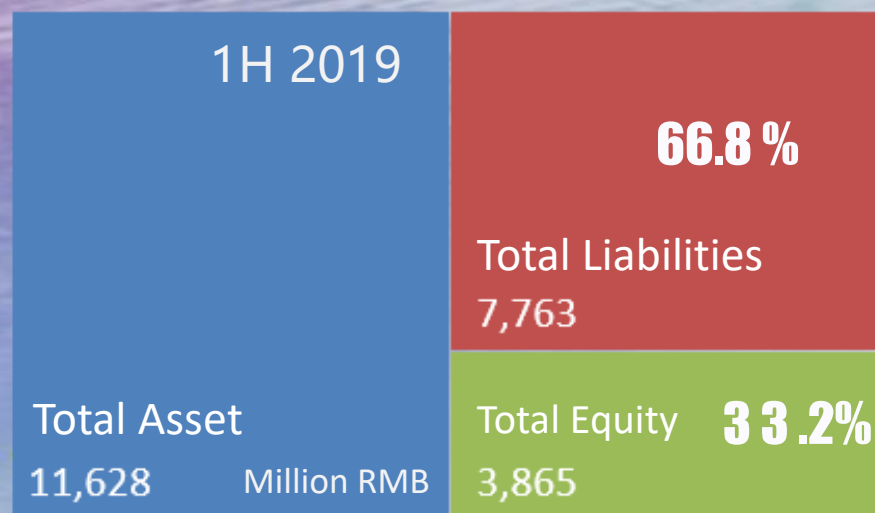
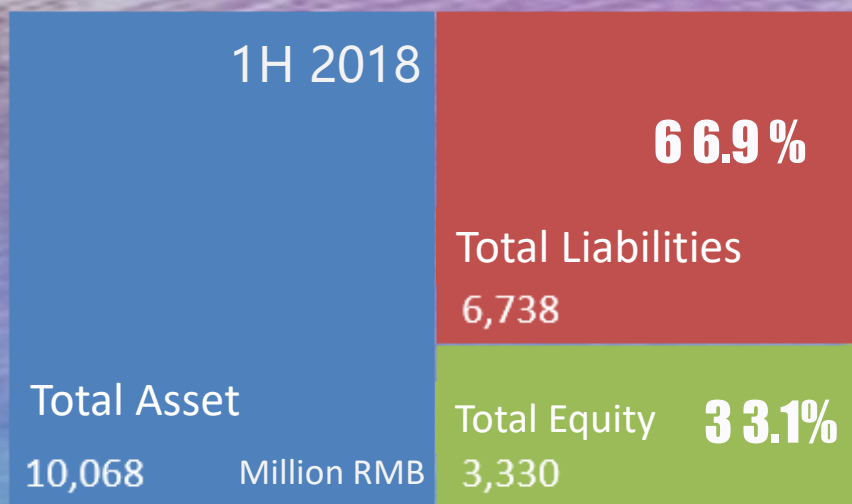
■ 2018 ■ 1H2019

ROE*
(Annualized*)

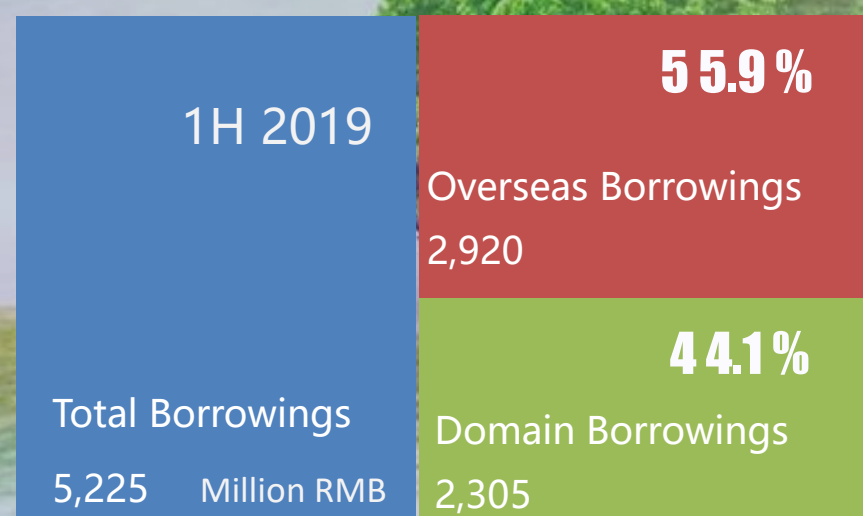
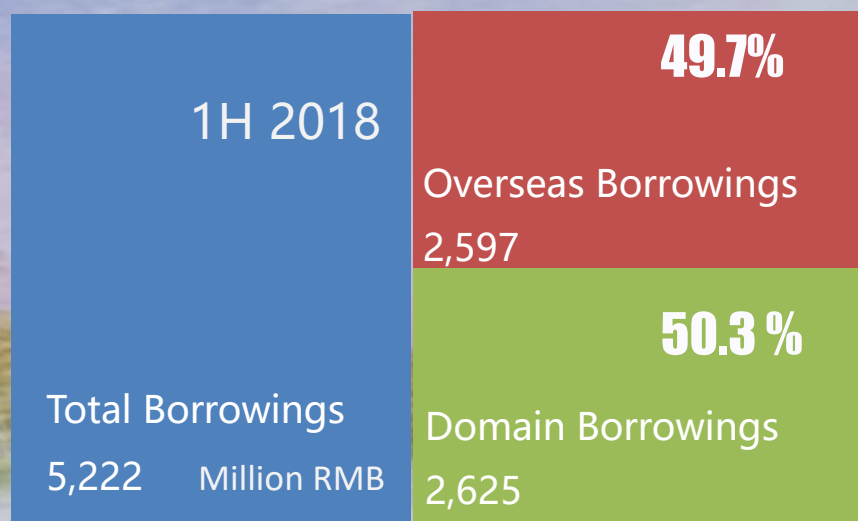


ROA*
(Annualized)





3 Healthy Capital Structure



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Company Development

- 1 Expand Customer Base
- 2 Accelerate The M&A
- 3 Gas Supply Assurance

1 Expand Customer Base



M&A of city gas projects



Continuing to M&A high-quality city gas projects in key operating provinces and core areas, expeditiously expanding the Group's industrial and commercial customer base.



Rural coal-to-gas conversion



The coal-to-gas conversion in the rural areas in Henan Province developed rapidly. In the coming few years, the Group will develop a large amount of rural residential households into our customers rapidly in the Henan Province, thereby expanding the customer base expeditiously.



Development of areas within its operating areas



The residential penetration rate of the existing city gas projects of Tian Lun Gas reaches 43%, showing a great room for development. We will speed up the development of the gas market of existing areas, aiming to increase 2%-3% of the total penetration rate annually and continuously expanding its customer base.

2 Accelerate The M&A

Year 2019 M&A external projects worth 1 billion RMB, and city gas projects will remain to be the main M&A target of the Group in the coming years, thereby sticking to its M&A principles and increasing its efforts in M&A activities year by year



1 Pursuing high-quality city gas project M&A strategies

- Projects in provincial capital cities with enormous potential
- Projects in key provinces and areas
- Gas projects with rich gas source and low stress

2 Increase M&A efforts in the Henan market

- Creating synergies through developing all around the areas with long-haul pipelines
- Creating synergies through integrating Henan coal-to-gas conversion and M&A of city gas projects
- Increasing the pace of M&A, striving to become a city gas enterprise with the highest share in Henan Province

Construction of midstream pipelines

Connected a total of 6 new cities to city gas pipelines through midstream pipeline construction.

1H 2019:

Connected 2 city gas projects to new pipeline gas sources. Song County and Weishi County are equipped with the first city gas pipeline in the province, and hence the gas sales businesses of the Song County project and Weishi County project achieved rapid growth upon being connected to pipeline gas source.

2H 2019:

4 other city gas projects being connected to new pipeline gas source.

Among which, Lushan-Ruzhou Pipeline Branch and Yuzhou-Changge Pipeline Branch will provide new pipeline gas source to Xuchang City and Baofeng County to improve the profitability of the project rapidly.

Diversification of LNG Trade

1H 2019, the Company continued to carry out LNG trade business in the PRC and further enhanced gas source stability. LNG import business overseas is expected to achieve a breakthrough in 2H 2019

Promoting extensive upstream cooperation

1H 2019, the Group has entered into cooperation agreements with various leading upstream enterprises in and outside the PRC to ensure gas source stability and the cost of gas purchase.

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Company Highlights

- 1 Gradual improvement in profitability
- 2 Project layout with clear advantages
- 3 Potential in Capital Market



1 Gradual improvement in profitability



Effective control Securing the profitability

Benefiting from the Group's excellent management system, the Group managed to maintain effective expense control while achieving rapid growth in revenue. Among which, the marketing expense rate decreased from 3.4% (1H2018) to 2.7% (1H2019), and the per capita administrative expense increased slightly from 23,900 (1H2018) to 26,200 (1H2019).



Low penetration rate Yet with enormous potential

City gas projects of Tian Lun Gas are usually operated in cities of various tiers, and as the gas market developed at a later stage, the gas penetration rate of the operating areas is relatively low currently, with a large number of potential industrial and commercial and coal-to-gas conversion customers and a great room for development in the future.

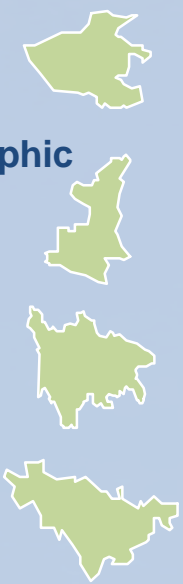


Add-Value services Stimulating rapid growth in revenue

The Group uses the reputation of city gas as an entry point and capitalizes on its city gas sales system and innovative products as well as considerate services to meet customer demands, thereby further exploring the commercial value of over 3 million customers of the Group.

2 Project layout with clear advantages

Geographic Layout



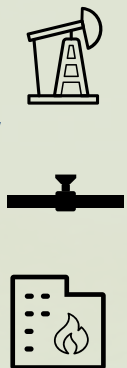
Pipelines in Henan Province are equipped with rich gas source supply and supported by various policies beneficial to the development of natural gas of the government in recent years. Henan Province is the base camp of the Group, where the Group has 22 city gas projects and various midstream pipeline branches. The constructions and management in respect of coal-to-gas conversion in the Henan Province are also carried out by the Group. The Group has created city-rural gas project synergies in the Henan Province, through which district advantages have become increasingly clear.

Shaanxi have clear advantages in terms of gas source. The residents and industrial and commercial customers have a good practice of using gas and it is common for them to add warmth using wall-hanging gas heaters, showing a rapid city gas development. The Group has 4 city gas projects in Northern and Central Shaanxi in total, and will continue to carry out high-quality gas project merger and acquisition in the vicinity of Xi'an, Xianyang and Yulin.

Sichuan is rich in gas source with a stable gas price and residents' good practice of using gas. The district's economic development is positive and it is common to see industrial and commercial customers using gas and hence the natural gas market development is positive as well. The Group has 2 city gas projects and a gas source trade company around Chengdu. The Group will continue to vigorously promote high-quality project merger and acquisition in the economic circle of Chengdu.

By the end of 2019, gas pipelines from Russia will be connected to areas in Jilin Province. In the forthcoming years, gas pipelines from Russia will greatly relieve the tension of gas source in Jilin Province, and a rapid growth in gas usage is expected. The Group has a total of 10 city gas projects, 19 gas stations and 1 LNG plant. The connection of pipelines from Russia to Jilin Province will facilitate the expeditious development of the local industrial and commercial and natural gas customers as well as the popularization of construction of pipelines in Jilin Province.

Industry Layout



Upstream:

The Group has established an intense cooperative relationship with three major oil suppliers in the PRC, being three oil companies to ensure the stability of gas source, and actively carried out communication with foreign gas source suppliers to form a base for various collaborations in the future.

Midstream:

The Group is repairing various pipeline branches to ensure the sufficient pipeline supply for city gas projects. Meanwhile, the Group has also established a natural gas trade company and an import LNG trade company in the PRC to increase participation in the natural gas midstream business.

Downstream:

The Group will continue to step up its efforts in city gas project merger and acquisition in recent years. The Group will leverage its district scale of Henan Province and township coal-to-gas conversion to speed up the merger and acquisition of city gas projects. Meanwhile, the Group will merge and acquire quality projects in other key provinces and cities, and rapidly expand its customer base through project merger and acquisition.

3 Potential in Capital Market

2017 Interim

Dividend Payment Ratio : 25%
Basic Earnings Per Share: 0.19
(RMB)

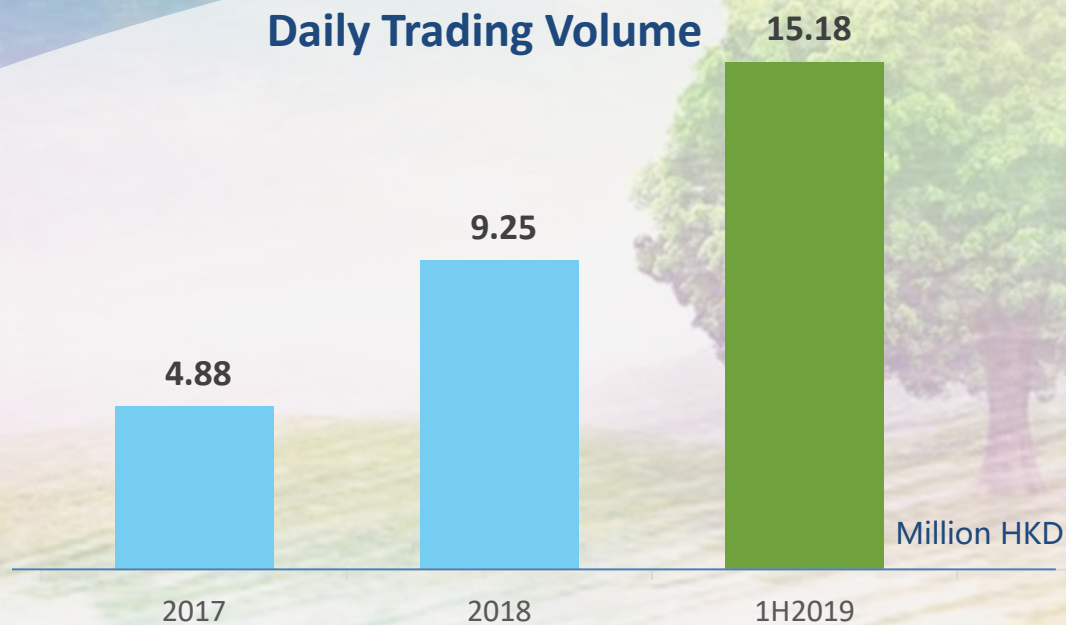
2018 Interim

Dividend Payment Ratio: 25%
Basic Earnings Per Share: 0.22
Dividend payout: 5.36 cents
(RMB)

2019 Interim

Dividend Payment Ratio: 28%
Basic Earnings Per Share: 0.41
Dividend payout: 11.42 cents
(RMB)

Daily Trading Volume



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谢 谢

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Notes



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