



Stock Code:01600.HK

China Tian Lun Gas Holdings Limited

2020

Annual Results Investor Presentation

2021/03



» I. Performance Summary

II. Business Review

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Retail gas sales volume grew by 7.9% to **1.218** billion m³ in 2020



Number of residential customers grew by 29.5% to over **4.17** million household



Dollar margin has risen steadily throughout the year to **0.56** RMB/m³



Core profit increased by 10.3% to RMB **895** million, 26% CAGR since listing



Operating Cash Flow increased to RMB **1.39** billion, grew by 7.4%;
free cash flow reached RMB **521** million.

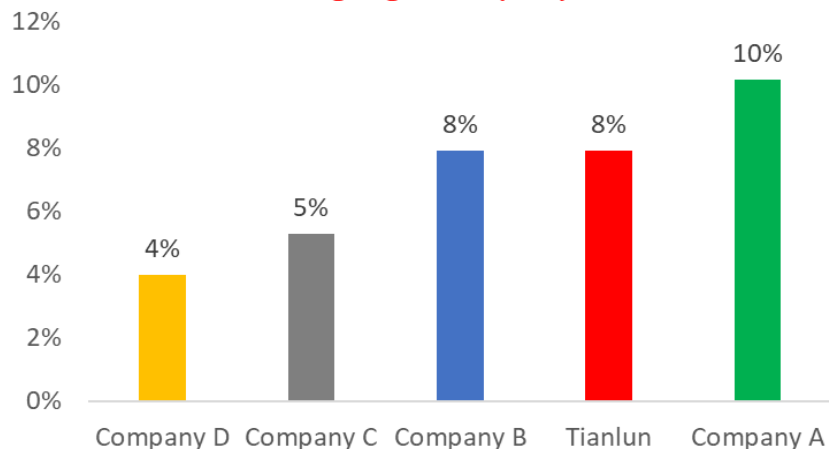


The board recommends a final dividend of RMB **15.3** cents, the cumulative dividend per share for the full year of 2020 is **26.7** cents, 14% increase from last year

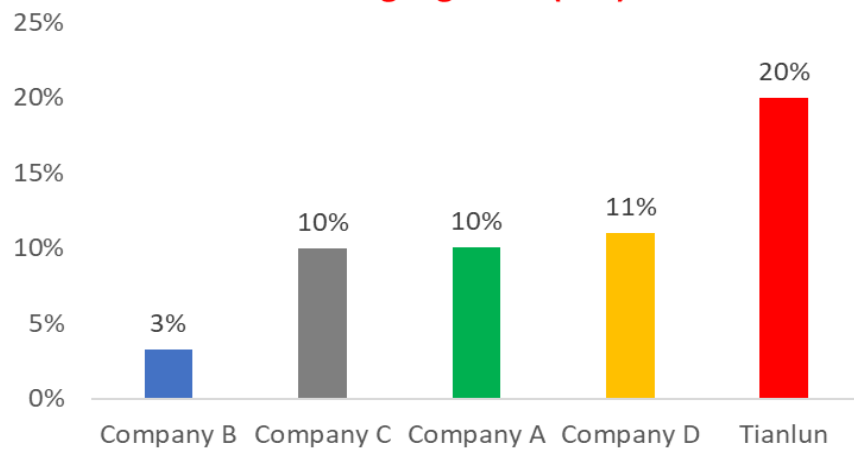
Peers Comparison

In 2020, our retail gas sales volume growth kept at rapid pace with notable performance in residential gas volume.

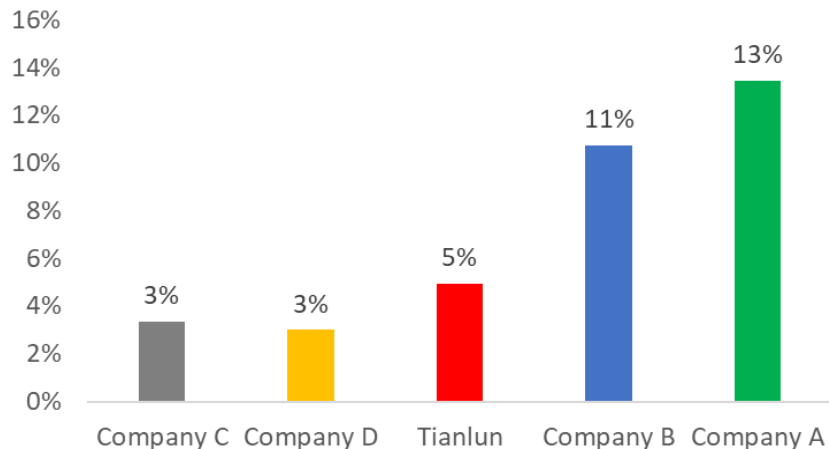
Retail gas growth (YoY)



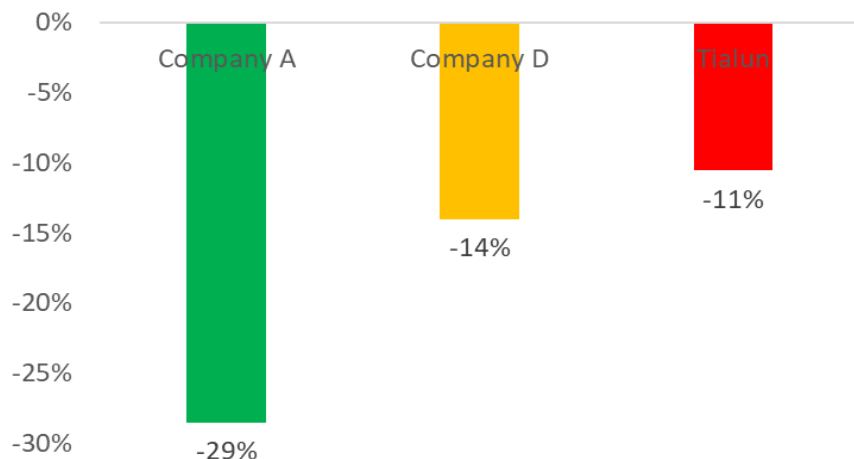
Residential gas growth (YoY)



Commercial & industrial growth (YoY)



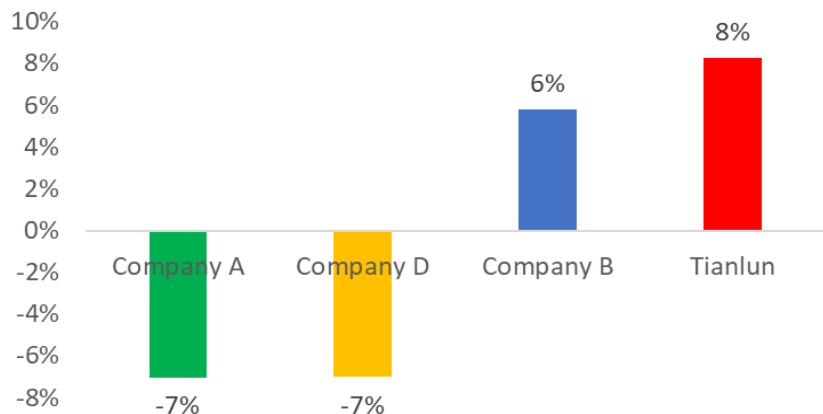
Transportation gas growth (YoY)



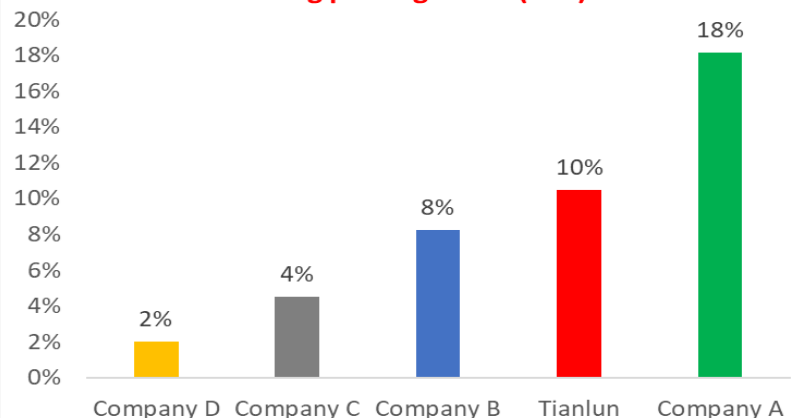
Peers Comparison

- Despite impact of Covid-19, connections revenue maintained positive growth and recurring profit achieved 10% YoY expansion
- Dividend payout (based on recurring profit) was lifted to 30%, in line with peers
- ROE was maintained at >20%, among the sector highest

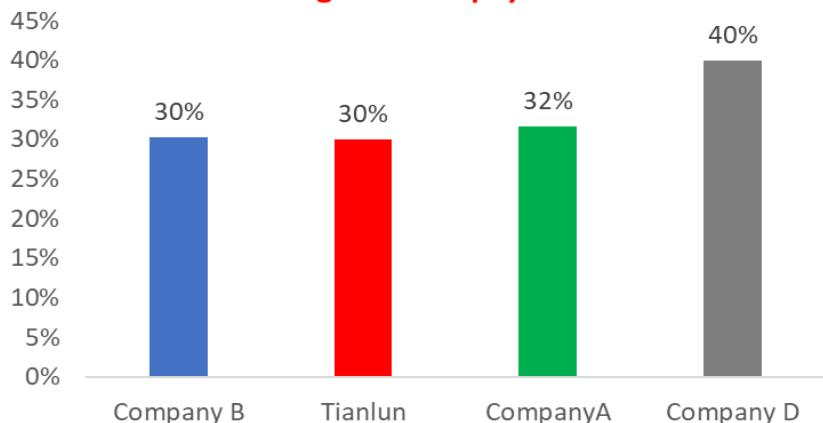
Change in connections revenue (YoY)



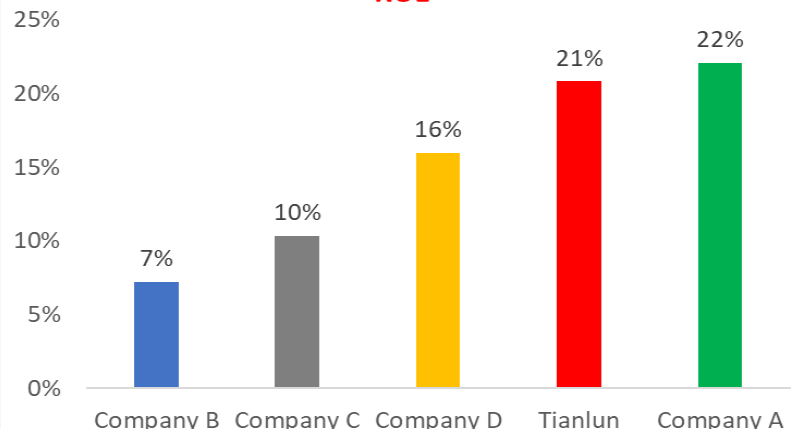
Recurring profit growth (YoY)



Recurring dividend payout ratio

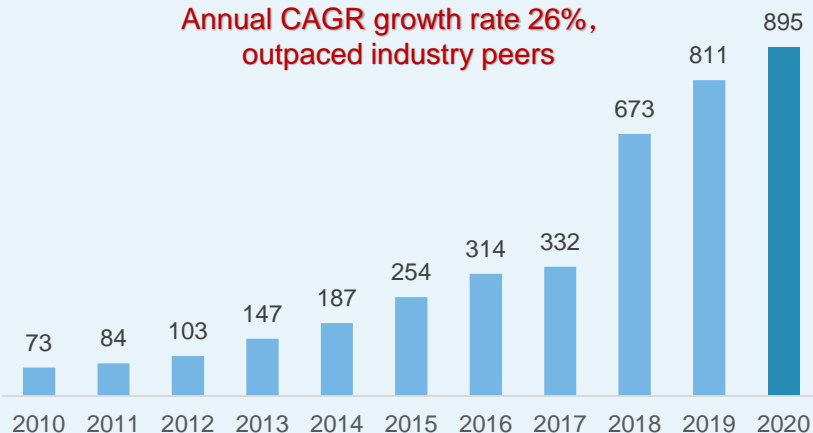


ROE



Core Profit (million RMB)

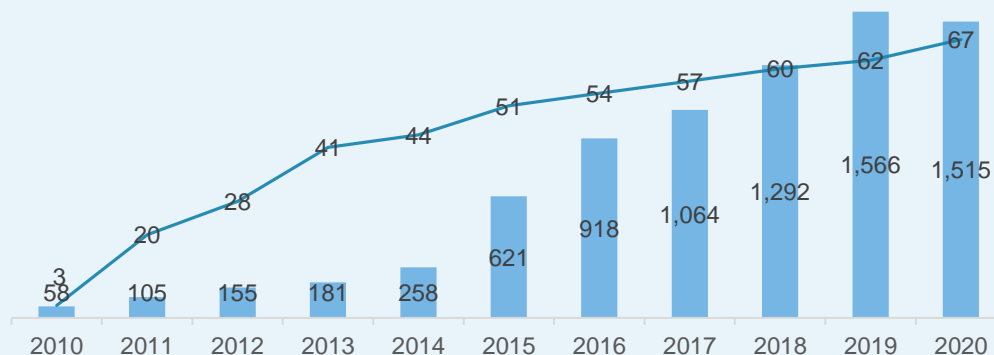
Annual CAGR growth rate 26%,
outpaced industry peers



Gas sales and City Gas Projects

Gas sales volume (million m³) Number of city gas projects

Gas sales volume annual CAGR growth rate 35%



Tian Lun Gas
Established

2002

National M&A
Expansion Strategy

2010

2011

Started Henan rural
coal-to-gas business

2015

2018

City gas M&A
accelerated

2019

2020

Listing on the HKEX
Tian Lun Gas (01600.HK)

Introduction of IFC as a
strategic shareholder

Included in Shenzhen-Hong Kong
Stock Connect
Hang Seng and MSCI Index

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- Our gas sales business was affected by Covid-19 to a certain extent in 1H20, but operations have gradually returned to normal following ease of government control measures in 2H20.

Million m ³	2020	2019	YOY	2H2020 YOY	1H2020 YOY
Gas sales - Retail	1,217.7	1,128.2	7.9%	11.5%	4.2%
Residential	375.2	312.6	20.0%	23.7%	16.2%
C&I	764.3	728.3	4.9%	10.7%	-0.9%
Transportation	78.2	87.4	-10.5%	-20.1%	4.0%
Gas sales - Wholesale	296.9	438.2	-32.2%	-37.6%	-25.4%
Total Gas Sales Volume	1,514.6	1,566.4	-3.3%	-3.1%	-3.5%
Long-haul Pipeline transmission	765.6	761.8	0.5%	8.0%	-8.2%

- Affected by Covid-19, our connection business saw a YoY drop in 1H20.
- With the easing control measures, we have actively picked up construction pace, resulting in a positive growth during 2H20.

	2020.12.31	2019.12.31	Change Amount	Change
Number of Customers* (Household)	4,204,256	3,247,483	956,773	29.5%
Residential Customers (Household)	4,175,949	3,224,163	951,786	29.5%
C&I Customers (Household)	28,307	23,320	4,987	21.4%
Accumulative designed daily gas supply capacity for C&I ('000 m ³ /day)	10,107	8,683	1,424	16.4%

	2020	2019	YOY	2H20 YOY	1H20 YOY
New Residential Customers (Households)	832,213	839,115	-0.8%	1.0%	-2.9%
City(Household)	265,648	260,914	1.8%	5.4%	-1.2%
Rural(Household)	566,565	578,201	-2.0%	-0.6%	-3.8%
New C&I Customers (Households)	3,471	3,431	1.2%	0.7	2.2%
Total Engineering construction service(Million RMB)	2,550	2,355	8.3%	12.0%	3.9%

*Original users of the new consolidated project in 2020: 119,573 residential users; 1,516 C&I users

- In 2020, we passed through the upstream cost reductions to our customers, resulting in a decline of average selling prices
- We achieve a dollar margin expansion of 0.01RMB/m³ with gas source optimization.

Selling prices & gas cost (RMB/m ³)	2020	2019
Residential	2.35	2.35
C&I	2.57	2.74
Transportation	2.85	2.82
Average selling price	2.51	2.64
Dollar margin(ex VAT)	0.56	0.55

Average connection fee (RMB/household)	2020	2019
Urban households	2,601	2,606

Project Overview

We currently operate **67** city gas projects

1 LNG plant

6 long-haul transmission pipelines

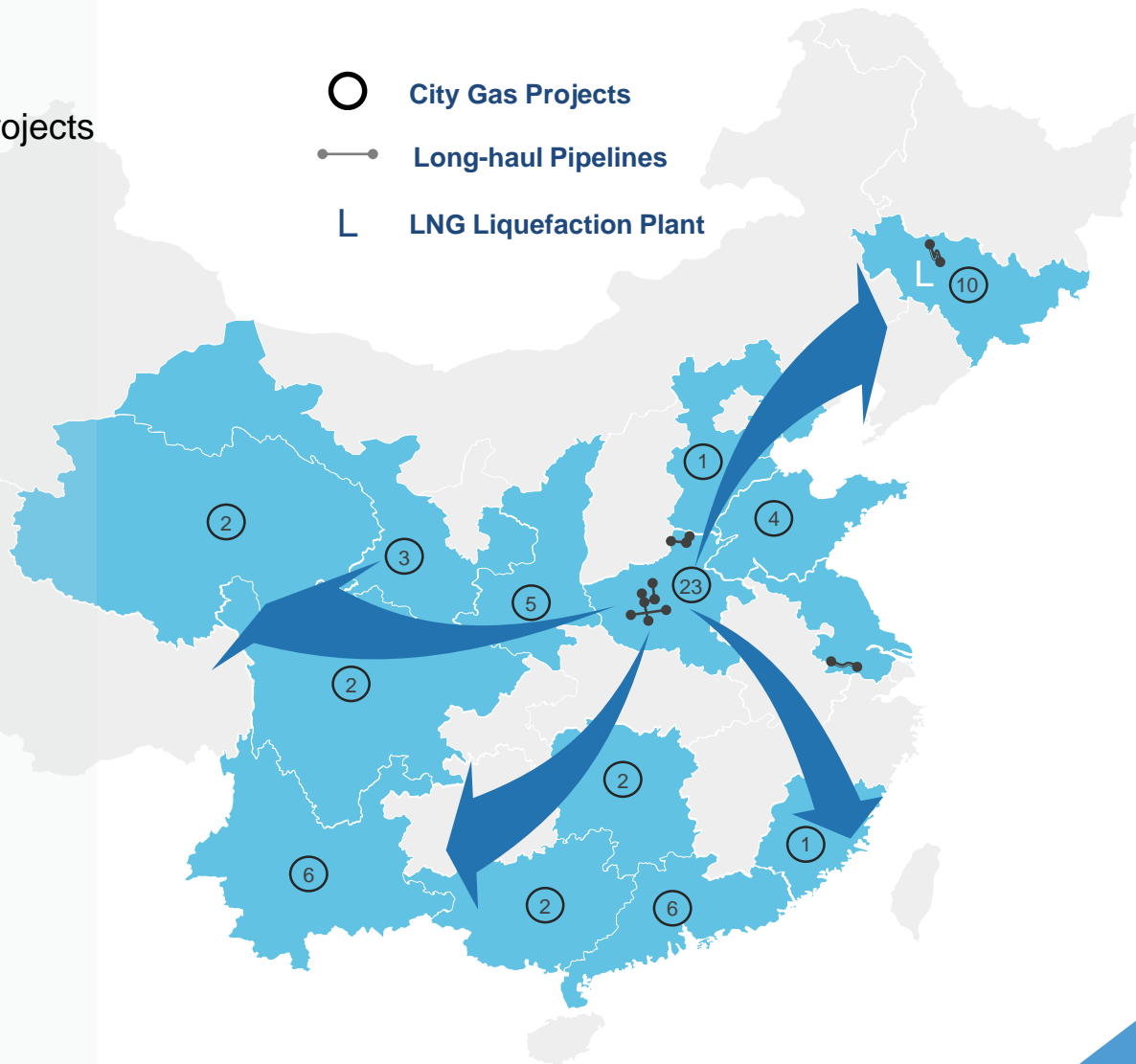
(2 not yet in operation)

51 gas refilling stations

New city gas projects

Henan Shenqiu County
Shaanxi Zizhou County
Gansu Jingyuan County
Qinghai Datong County
Qinghai Huzhu County

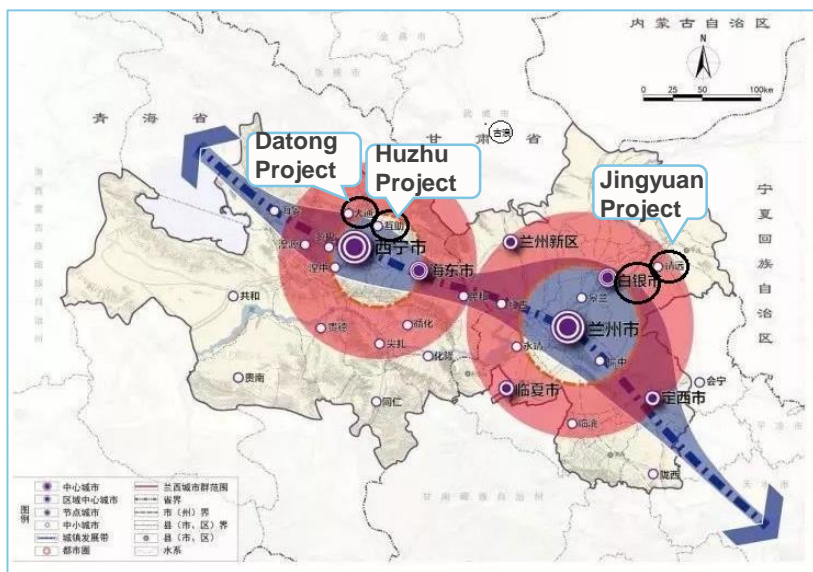
-  City Gas Projects
-  Long-haul Pipelines
-  LNG Liquefaction Plant



Newly consolidated projects

The **Henan Shenqiu County** and **Shaanxi Zizhou** projects were consolidated during 2020.

Newly acquired projects (not consolidated in 2020)



LanXi City Cluster

Project	Jingyuan	Datong & Huzhu
Gas sales volume	40 million m ³	150 million m ³
County population	0.503 million	0.86 million

Project Highlights

High-quality gas source ensures growth of new users

Large potential in industrial gas demand

Stable connection business & VAB

Mature operations and healthy cash flow

Strategic significance:

- Exploring the Northwest market, focus on the Lanxi city group which has the "dual advantages" from policy support, the region's future natural gas demand growth expected to accelerate significantly
- Strengthen the depth of the northwest area, enhance the group's regional brand influence and coordinated development capabilities
- Effectively improve the gas supply capacity of regional projects, and rapidly increase the overall profitability

- In 2H18, we entered the coal-to-gas business with co-operated with Zhongyuan Yuzi.
- By the end of 2020, we have completed cumulative construction of over 1.53 million households and collected back RMB 33.7 bn with 70% of collection rate.

Unit: Ten thousand households, Million RMB	Cumulative household completion	Cumulative project revenue (inc. VAT)	Accumulated Payment collection	Cumulative Payment collection percentage
2018.12.31	38	1,148	500	44%
2019.06.30	63	1,898	731	39%
2019.12.31	96	2,863	1,919	67%
2020.06.30	120	3,686	2,236	61%
2020.12.31	153	4,794	3,368	70%

Targeted marketing scenarios

- Home-entering security check
- 3 million potential customers
- Establish user profiles and set targeted marketing scenarios



Stimulate activity Secure attention

- **Monthly:** Online and offline, internal purchase, live broadcast
- **Twice a year:** Nation-scale events



- The first nation-scale event **after the pandemic** "Unparalleled Stimulating the City" with a total return of 29.55 million RMB
- Large-scale events during the **mid-year double festival** "Double Festivals Gathering Benefits and Enjoying Family Life" with a total return of 37.43 million RMB

Diversified service items

Traditional business

Modification business
Gas appliance business
Insurance business

Improve gas using habit

New business

Modification business
Sales business
Insurance business
Housekeeping service
City Service

Break through the traditional bottleneck

Unit: Million RMB	2020	2019	Change
Revenue	138	106	30.2%
Gross profit	89	67	32.3%
Gross profit margin	64.7%	63.7%	+1.0PPT

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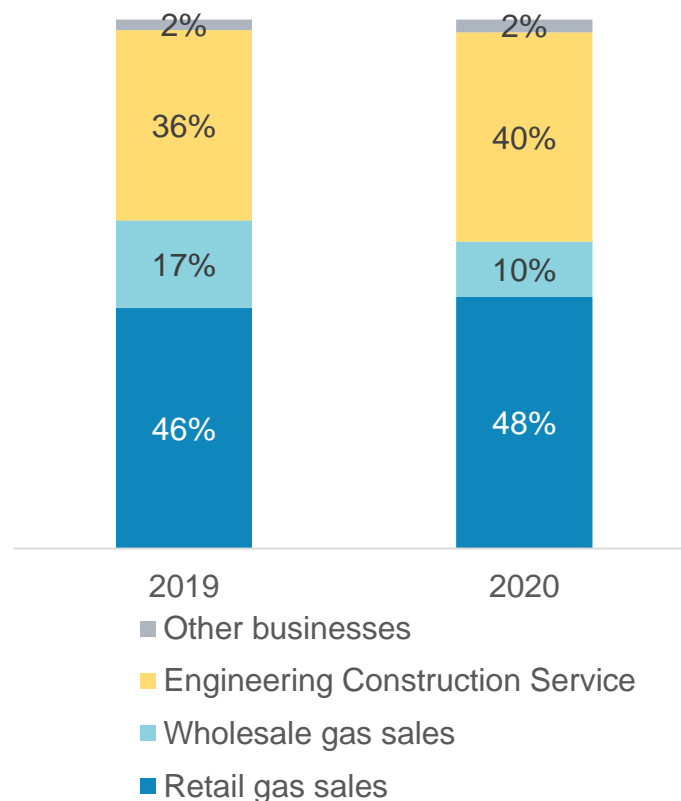


- In 2020, total revenue declined largely due to the lower average selling prices of retail and wholesale gas business, but thanks to the revenue and profit growth of higher-margin business such as retail gas, engineering construction and value-added business, we achieved a 5.5% growth in total segment profit to 1.55 billion RMB.

Ten thousand RMB	2020	2019	Change
Total revenue	643,978	654,862	-1.7%
Retail gas sales	306,083	298,026	2.7%
Wholesale gas sales	67,384	108,116	-37.7%
Engineering Construction Service	254,968	235,535	8.3%
Other businesses	15,542	13,185	17.9%

Ten thousand RMB	2020	2019	Change
Total segment profit	154,623	146,591	5.5%
Retail gas sales	38,514	34,296	12.3%
Wholesale gas sales	4,999	8,360	-40.2%
Engineering Construction Service	102,855	98,557	4.4%
Other businesses	8,255	5,377	53.5%

Revenue



- In 2020, our gross profit, EBITDA, and core earnings expanded by 4.8%, 6.7%, and 10.3% respectively,
- Total gross profit margin increased slightly while both ROE and ROA remained robust.

	2020	2019	Change
Total Revenue (RMB thousand)	6,439,777	6,548,618	-1.7%
Gross Profit (RMB thousand)	1,786,125	1,703,892	4.8%
EBITDA (RMB thousand)	1,763,147	1,652,886	6.7%
Core earnings* (RMB thousand)	895,213	811,376	10.3%
Dividend per share (RMB cents)	26.7	23.4	14.0%
Gross profit margin	27.7%	26.0%	1.7PPT
ROE*	20.8%	22.7%	-1.9PPT
ROA*	7.4%	7.2%	0.2PPT

*Core earnings = Profit attributable to the parent company-Other gains and losses (including exchange gains and losses)

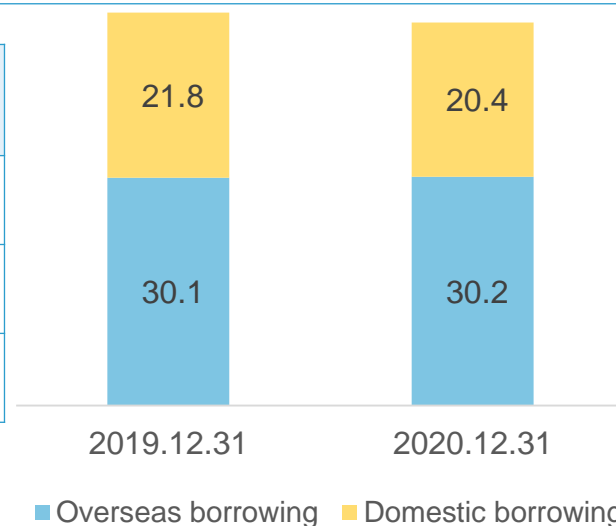
*ROE: Core profit/net assets attributable to the parent company (annualized)

*ROA: Core profit attributable to all shareholders/total assets (annualized)

- Our financial status remains robust and with reduced leverage.

RMB million	2020/12/31	2019/12/31	Change
Total asset	12,918.1	11,938.8	11.2%
Total liability	7,937.8	7,751.5	7.1%
Total equity	4,980.3	4,187.3	18.9%
Equity attributable to owners of the Company	4,699.2	3,890.8	20.8%
Cash and cash equivalents	1,640.1	1,349.8	21.5%
Debt Asset ratio	61.4%	64.9%	-3.5PPT

Borrowings	2020/12/31	2019/12/31	Change
Total borrowings (RMB 100 million)	50.6	51.9	-2.5%
Net debt (RMB 100 million)	34.2	38.4	-10.9%
Net debt/Equity	68.6%	91.7%	-23.1PPT

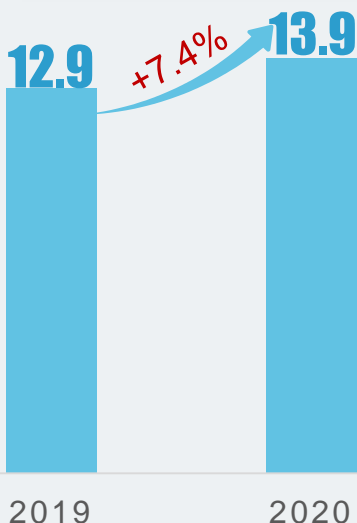


Cash flow growth

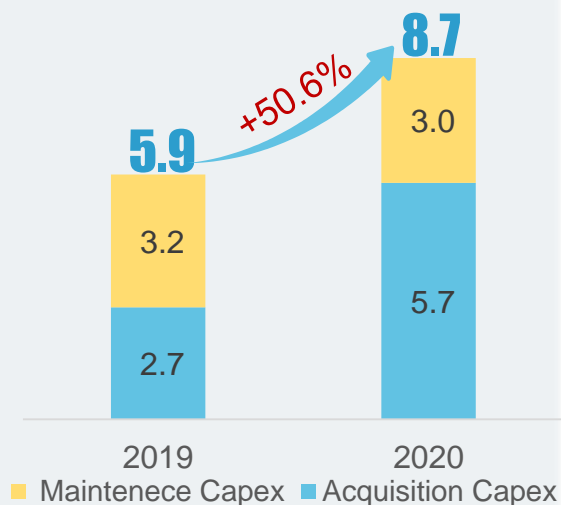
RMB 100 million

- During 2020, our operating cash flow continued to strengthen with steady growth from operating cash flow while coal-to-gas projects keep a continuous net cash inflow. Total Capex increased by RMB 280 million from last year.
- We will continue to strengthen our cash flow management with prudent investments.

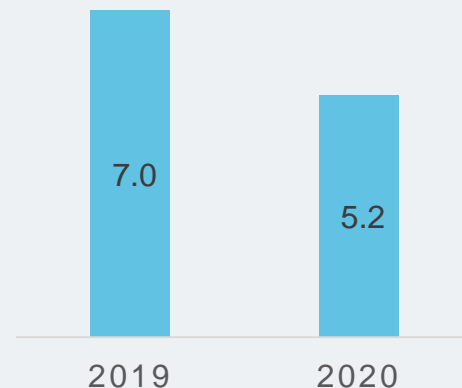
Operating cash flow



Capital Expenditure



Free Cash Flow



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Actively respond to carbon neutrality
and the "14th Five-Year Plan"

Rapidly expand user scale

Increase the gasification rate of existing projects
Selective M&A in advantageous areas
Accelerate the acquisition of coal-to-gas projects

New
urbanization
Revitalizing
villages

Regional
synergy and
cooperation

Enlarge the
market and
promote
consumption

Accelerate the development of
large users
Improve the gasification
utilization rate of existing users

Investment in long-
haul pipeline projects
Strengthen resource
exchange cooperation

Develop large industrial
users
Improve gas supply
capacity

Rapidly increase the scale of gas sales volume

Build a regional leader and
enhance synergic advantage

Strengthen our operational management and enhance organic growth opportunities of our existing projects.

Actively capture new business opportunities based on project return and quality of cash flow.

Actively pursue sustainable development model and establish ESG franchise.

Maintain or achieve a leading position in the key financial indicators to continue to create shareholder value.

Scale

- Adhere to the strategy of **"selective M&A"** and **"gasification of urban and rural areas"** to rapidly expand the scale of business
- By adhering to **"regional synergy"** priority development strategy, we aimed to become regional industry leader in certain provinces and cities.

Profitability

- Self-supplying capacity and **profitability of gas sales** would be enhanced through strengthening cooperation and optimizing gas sources.
- Being customer-centric and service-oriented, we would develop value-added business and **improve asset efficiency**

Sustainability

- Cost reduction and efficiency enhancement can be achieved while **maintaining profitability** with improved safety operation standards and ESG standards.
- The management standard system will be strengthened and digital platform management will be promoted to boost **sustainable development capabilities**.

Performance

- To maintain healthy and rapid development, we will strengthen **free cash flow management** and reduce level of interest-bearing liabilities.
- Win-win cooperation could be achieved with further construction of joint venture cooperation platforms and **improvement of dividends payment**.

Establish an ESG comity under the overall supervision of the board of directors

Fully mobilize all functional departments of the headquarters and member companies to implement ESG relevant work

ESG Management mechanism

01 Decision maker

Board of Directors:
Supervision, Approval

03 Lead department

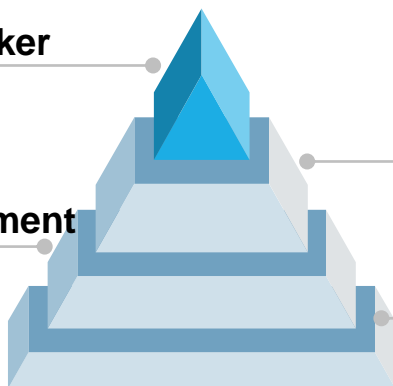
Investor Relations
Department

02 Manager

Management: Implement
ESG risk control

04 ESG Working Group

Functional
departments
Member companies



Hidden danger
investigation
Incident management

**Safe
Production**

Included in member
companies
Performance appraisal
component

**Emission
reduction**

"Tianjiaosheng" Project
Eagle Project
Zhifou online learning platform

**Training
system**

"National Anti-fraud
Alliance"

**Vice
President**

Construction unit monthly
evaluation Security
management accounts for 40%

**Safe
Construction**

Gasification rural goal
10 million households
completed
Reduce carbon emissions

**5.3 million
tons**

2020 Total number of
employees

2932

Henan Rural
population saving on
coal to gas project

**4.5 billion
RMB**

Safety
Management

Environmental
Protection

Talent
Echelon

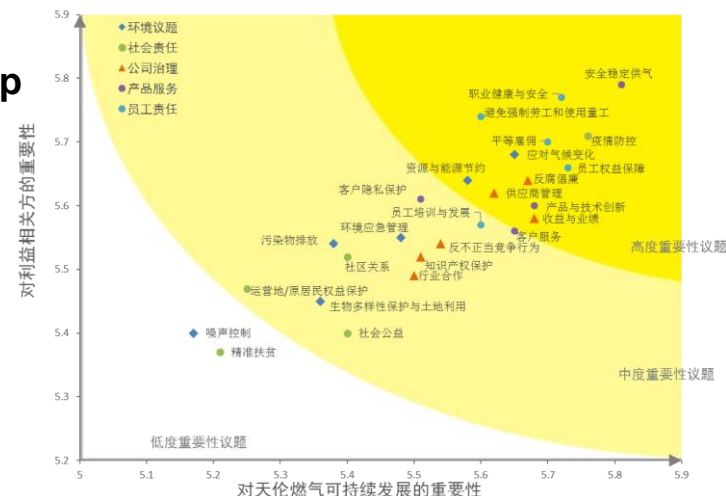
Compliance and
win-win

2020 year ESG rating
and latest development



Industry leading rating

天伦燃气2020年ESG重大议题矩阵



✓ Re-organize and identify **substantive issues** in 2020

✓ Set up improvement working plans on **specific ESG issues**, such as "Responding to Climate Change"

✓ Conduct research on the importance of ESG issues with **stakeholders**, collect a total of **1,222** valid survey questionnaires

Key Guidance

Variables	2021 Guidance
Number of customers	Over 5 million
Retail gas sales volume	25% YoY growth
Dollar margin	Kept stable
Value-added business profit	40% growth
Core earnings	15% growth
Annual dividend payout ratio	Not less than 30% of core profit

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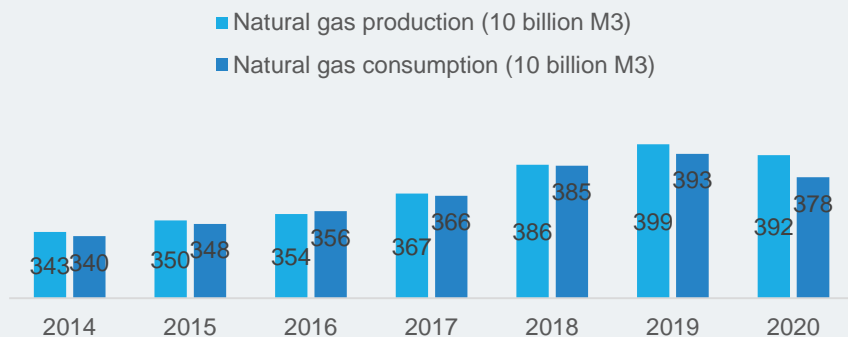
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Optimistic prospects for world natural gas growth

2014-2020 Global natural gas production and consumption



• Supply

Global natural gas consumption demand is weak and prices continue at a low position

Global natural gas production shows negative growth for the first time in 10 years

According to the "Annual Natural Gas Report 2020" released by Rystad Energy, global natural gas production in 2020 will drop by 3.6% to 3.92 trillion M³.

• Demand

In 2020, affected by the global pandemic, global natural gas demand has dropped by 2.5%. In the middle of the year, although there were positive events such as seasonal power demand and the cold winter in Northeast Asia, which stimulated natural gas demand, overall, the pandemic still caused a great impact on global natural gas demand may not recover shortly.

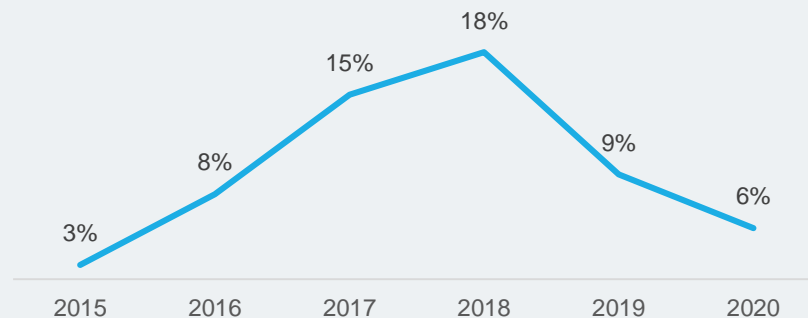
• Outlook

The IEA released the "Natural Gas Market Report for the First Quarter of 2021", showing that natural gas demand in 2021 is expected to increase by 2.8%.

A report issued by the GECF pointed out that by 2050, natural gas is expected to become the world's largest fossil fuel.

China's natural gas maintains rapid growth

2015-2020 China's natural gas consumption increased YoY



According to statistics from the NDRC, the national apparent natural gas consumption will reach 324 billion cubic meters in 2020, a YoY growth of 5.6%. The output of natural gas was 188.8 billion M³, a YoY growth of 9.8%; the total annual natural gas imports reached 102 million tons, a YoY growth of 5.3%.

• Supply

Increase in both National natural gas production and import

Construction of natural gas storage -peak rearrangement project

Layout the "national pipeline network"

• Demand

In 2020, my country's natural gas market has withstood the test of the pandemic and maintained a relatively high growth rate among fossil energy sources, and the consumption of natural gas increased significantly YoY.

• Outlook

According to the forecast of the "World Energy Development Report 2020", during the "14th Five-Year Plan" period, China's natural gas consumption will continue to maintain rapid growth. Natural gas consumption in 2025 is expected to be 482.7 billion M³. The CAGR of natural gas consumption from 2020 to 2025 is 8.4%. Although China's natural gas consumption has passed the period of rapid growth, it will still be an important energy component. It is expected that there will be a period of steady growth for 10 to 15 years in the future.

During the "14th FYP" period, the country will start from eight aspects **including improving the quality of development, insisting on expanding domestic demand, comprehensively promoting rural revitalization, coordinating regional development, comprehensively deepening reforms, accelerating green transformation, promoting common prosperity, and building a safe China, and starting a comprehensive development**, which will be a new journey of Building a Modern Socialist Country

Key provinces	GDP growth rate during the 14th FYP	Policy keywords	Number of Tian Lun Projects
Nationwide	6%	High-quality; regional coordination ; Nationally determined contribution targets for climate change in 2030	67
Henan	6%	Breakthrough in rural revitalization; a strong ecological province; ; modern infrastructure system; urban reconstruction	23
Jilin	6.5%	Gazprom Resources; Rural Construction Action; Carbon Emission Action ; Major Project Construction	10
Gansu	6.5%	LanXi City Cluster; Lanbai Self-created Zone Pilot Area; Rural Revitalization ;Pollution Prevention and Control Battle	3
Qinghai		LanXi City Cluster; Green Low-Carbon Cyclic Development; Urban-rural Regional Coordination	2
Shaanxi	6.5%	Provincial Carbon Peak Action Plan;Green Ecological Network ; Rural Construction Action	5
Sichuan	6%	Three-year action plan to consolidate the results of the pollution prevention and control battle;National Energy Demonstration Province Construction	2
Shandong		Beautiful and livable rural construction; Beautiful Shandong	4

Our strategy actively responds to carbon neutrality and the "14th FYP"

Carbon neutral strategy+ "China's Energy Development in the New Era" White Paper	Key points of the "14th FYP"	Tian Lun Gas's mid-term strategic goals
<ul style="list-style-type: none"> Promote the use of natural gas, electricity and renewable energy to replace inefficient and highly polluting coal; Strengthen the construction and interconnection of natural gas infrastructure, and promote the efficient use of natural gas in areas such as urban gas, industrial fuels, gas-fired power generation, and transportation; Speed up the construction of natural gas branch pipeline network and infrastructure, and expand the coverage of the pipeline network. Promote the construction of supply networks for liquefied natural gas, compressed natural gas, and liquefied petroleum gas in areas not covered by the natural gas pipeline network, develop and utilize renewable energy with considering local conditions, and improve rural energy supply conditions; Further, innovate development methods, accelerate the development and utilization of clean energy, promote non-fossil energy and natural gas to become the main body of energy consumption increase, and further increase the proportion of clean energy consumption 	Rural revitalization: Implement rural construction activities, improve rural infrastructures such as water, electricity, gas, communications, radio and television, and logistics, and improve the rural living environment	Adhere to the strategy of "selective M&A" and "gasification of urban and rural areas" to rapidly expand the scale of business
	New township: Implement urban renewal actions, promote urban ecological restoration, and strengthen the transformation of old communities in cities and towns and community construction	
	Encourage M&A: Encourage enterprise mergers and reorganizations to prevent low-level redundant construction	Self-supplying capacity and profitability of gas sales would be enhanced through strengthening cooperation and optimizing gas sources.
	Market reform: Improve the energy production, supply, storage and marketing system, and strengthen domestic oil and gas development, construction of oil and gas storage facilities, and construction of trunk oil and gas pipelines	
	Expanding domestic demand: Raise people's income and increase the property income of urban and rural residents through multiple channels	Being customer-centric and service-oriented, we would develop value-added business and improve asset efficiency
	Promote consumption: Promote the integrated development of online and offline consumption and develop urban and rural consumer markets	
	Regional coordination: Promote the development of the western region, promote the revitalization of the Northeast, accelerate the rise of the central region, and encourage the accelerated modernization of the eastern region	By adhering to "regional synergy" priority development strategy, the Company aimed to become regional industry leader in certain provinces and cities.
	ECO development: Promote green and low-carbon development, continue to improve environmental quality, and promote harmonious coexistence between man and nature	<ul style="list-style-type: none"> Cost reduction and efficiency enhancement can be achieved while maintaining profitability with improved safety operation standards and ESG standards.; The management standard system will be strengthened and digital platform management will be promoted to boost sustainable development capabilities.
	Cooperation: Adhere to the enterprise as the main body, market-oriented, uphold the concept of green, open, and clean, deepen pragmatic cooperation, strengthen security guarantees, and promote common development	<ul style="list-style-type: none"> Win-win cooperation could be achieved with further construction of joint venture cooperation platforms and improvement of dividends payment.; To maintain healthy and rapid development, the Company will strengthen free cash flow management and reduce level of interest-bearing liabilities

Rural gasification Practitioner

State-owned endorsement



河南省财政厅

www.hncz.gov.cn



中原豫资投资控股集团

Zhongyuan Yuzi Investment Holding Group



Advantage Investment and financing platform-CDB

Professional team



**Strength
Efficient
Mature
Experience**

Construction and operation by listco.-Tian Lun Gas



Sufficient gas source, strong guarantee

Pipe network interconnection
Biomass gas production plant

Guardian of the Blue Sky

Carbon peak

Carbon neutral

2025 is expected to reduce carbon emissions

5.3 million tons

Solve the number of employment

5000 people

Maximum employment of more than 20,000 people

Length of pipeline construction in the village

20,000 kilometers

"14th Five-Year"

Periodicity renovation
Rural construction
ECO development

Henan Government Work Report

Gasification village
Improve infrastructure

Advance model



Lankao sample of market-oriented M&A

Minquan sample of government participation + company operation

Taiqian sample of government perfects the competition mechanism + pilot samples before the stage

Jiaxian sample of market-oriented bidding

United Nations General Assembly: Xi Jinping Announces China's Carbon Neutrality Target

Carbon neutral target :China will increase its national independent contribution, adopt more powerful policies and measures, strive to reach the peak of carbon dioxide emissions by 2030, and strive to achieve carbon neutrality by 2060

➤ International conference related topics

- United Nations Biodiversity Summit: China is willing to assume international responsibilities commensurate with China's development level
- The 3rd Paris Peace Forum: China will develop an implementation plan for achieving carbon neutrality
- Climate ambition summit: In 2030, China's carbon dioxide emissions per unit of GDP will drop by more than 65% compared to 2005, and non-fossil energy will account for about 25% of primary energy consumption, and emphasize that it will promote economic and social development while promoting high-quality development. Develop a comprehensive green transformation

Natural gas pipeline network reform

- **2020.6** The NDRC and the National Energy Administration issued the "Guiding Opinions on Doing a Good Job in Energy Security in 2020", which requires that the construction of oil and gas pipelines be actively promoted, based on the "one network in the country", and the oil and gas pipeline transmission capacity and supply guarantee level will be improved
- **2020.9** The National Pipeline Network Group took over the relevant oil and gas pipeline infrastructure (business) and personnel that originally belonged to the three major oil companies, and formally connected to the grid for operation, which marked a significant achievement in the market-oriented reform of my country's oil and gas pipeline network operation mechanism
- **2021.1** The National Pipeline Network Group held a 2021 working conference. It emphasized the need to resolutely fight the "one network" operation battle, optimize resource allocation, strengthen enterprise-local cooperation, promote provincial network integration, and accelerate the formation of the "X+1+X" oil and gas market system
- **Future** Continuously increase the construction of natural gas production, supply, storage and marketing system in conjunction with the "14th FYP"

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