



中國天倫燃氣控股有限公司
CHINA TIANLUN GAS HOLDINGS LIMITED

(HKEx Stock Code:1600)

2016 Annual Results

March, 2017





Disclaimer

- ◆ The information and opinions carried by this document is not for the purpose of comprehensive research, financial services or legal opinion. China Tian Lun Gas Holdings Limited does not guarantee its accuracy and integrity. This document contains the information that is only to provide reference. They cannot be sold, be bought, or be subscribed for securities or other part for the invitation.
- ◆ This document contains information and opinion that can only reflect China Tian Lun Gas Holdings Limited's opinion on the date of the presentation. China Tian Lun Gas Holdings Limited can change anything on this document without notices. China Tian Lun Gas Holdings Limited will not be liable on any loss which is caused by the information, opinion in this document. Recipients should make independent judgment based on this presentation.
- ◆ This document contains confidential information and advice. You can only use or copy for the personal reference purposes. In addition, this document cannot be transmitted or transferred to any other person or be incorporated into other files or data. You agree to this document should keep safe and prevent the data from leaking out.
- ◆ This document and the related discussion may include forward-looking statement with risk and uncertain factors. These expression normally use forward-looking wording, such as believe, expect, planning, forecast, target, possible, hope, will, may and etc. You should not excessively rely on such forward-looking statement that be used for this presentation. These forward-looking statements are based on our own estimates in future performance.

The background features a collage of colorful geometric shapes (triangles and polygons) in shades of green, blue, and yellow. Two photographs are integrated into the design: one showing a close-up of industrial machinery with yellow pipes and valves, and another showing a large industrial facility with several tall, white smokestacks with red bands.

Agenda

1. Financial Performance

2. Operational Overview

3. Performance Highlights

4. Development Focus



1. Financial Performance

2. Operational Overview

3. Performance Highlights

4. Development Focus

Revenue & Profit

Ended 31 December	2016	2015	Change
	RMB('000)	RMB('000)	
Revenue	2,693,094	2,251,970	19.59%
Gross Profit	692,349	608,770	13.73%
EBITDA	862,579	736,554	17.11%
Profit Before Income Tax	444,708	429,471	3.55%
Profit for the Year	334,409	317,982	5.17%
Profit Attributable to Owners	313,379	284,242	10.25%

◆ Excluding the effect of exchange rate fluctuations and taxation, the profit attributable to owners amounted to RMB378 million, up 20.08% y-o-y.

Profitability

Ended 31 December	2016	2015
Gross Profit Margin	25.71%	27.03%
<i>Profit Margin of Urban Gas</i>	18.04%	17.04%
<i>Gas Sale Business</i>		
<i>Long-haul Pipelines</i>	10.14%	10.26%
<i>Overall Gas Sales Business</i>	14.53%	14.26%
<i>Profit Margin of Gas Connection Business</i>	63.10%	62.68%
Net Profit Margin	12.42%	14.12%
EPS (RMB)	0.31	0.30

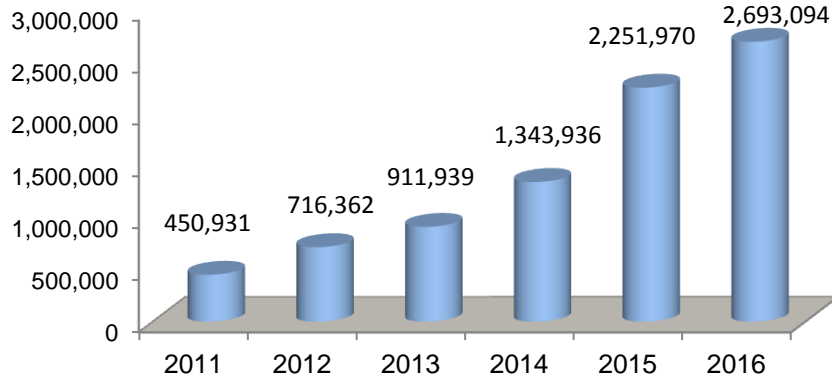
Assets and Equity

	Ended 31 December 2016	Ended 31 December 2015
	RMB('000)	RMB('000)
Total Assets	7,633,412	6,678,409
Total Equity	2,751,709	2,782,378
Total Liabilities	4,881,703	3,896,031
Total Borrowing	3,588,447	2,736,610
<i>Domestic Borrowings</i>	1,247,038	1,626,945
<i>% of Total</i>	34.75%	59.45%
<i>Overseas Borrowings</i>	2,341,409	1,109,665
<i>% of Total</i>	65.25%	40.55%
Total equity ('000 shares)	989,615	1,009,615

Strong Top and Bottom Line Growth

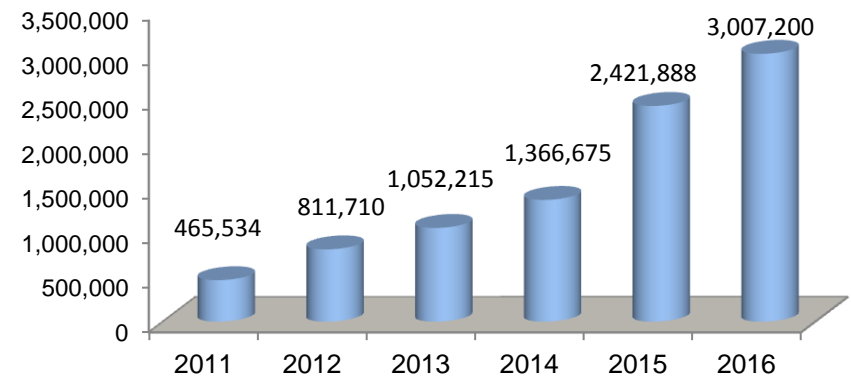
Revenue

RMB'000



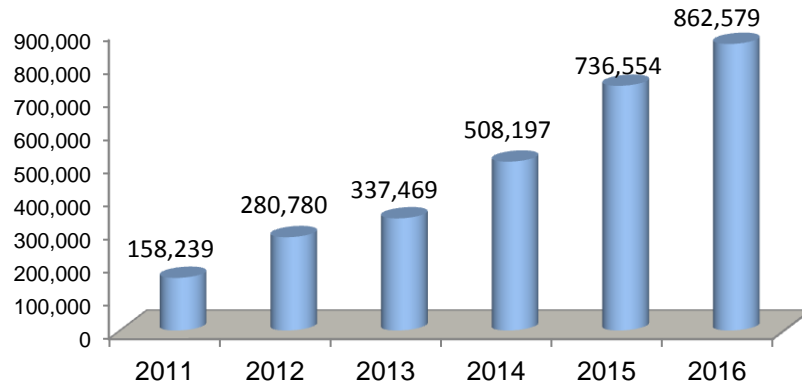
Operation Return

RMB'000



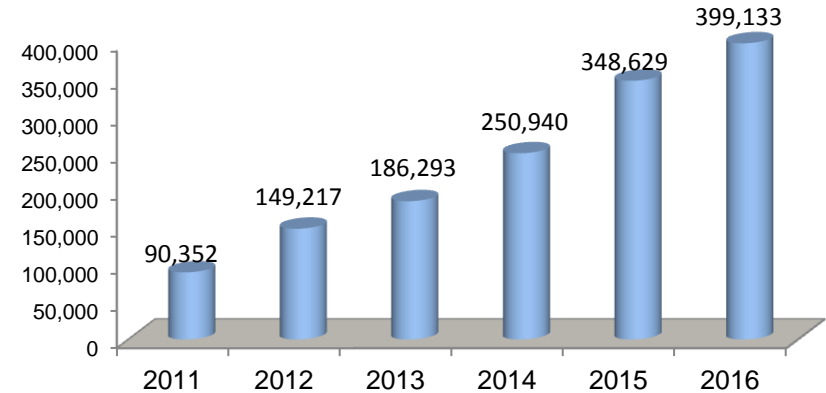
EBITDA

RMB'000



Net Profit

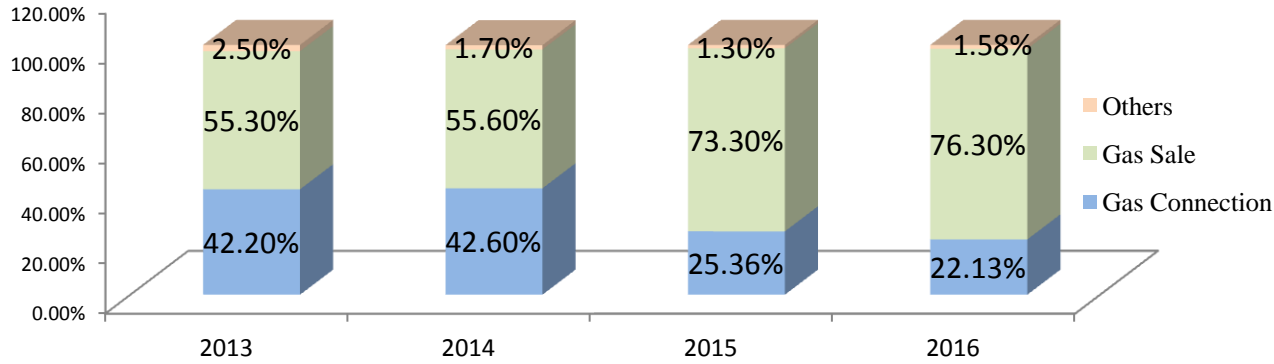
RMB'000



◆ Net profit excludes the effect of exchange rate fluctuations and taxation

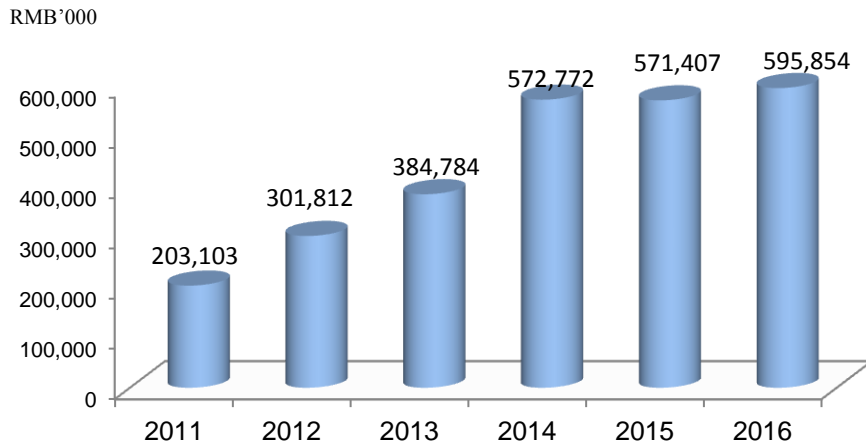
Revenue Breakdown

Revenue Structure

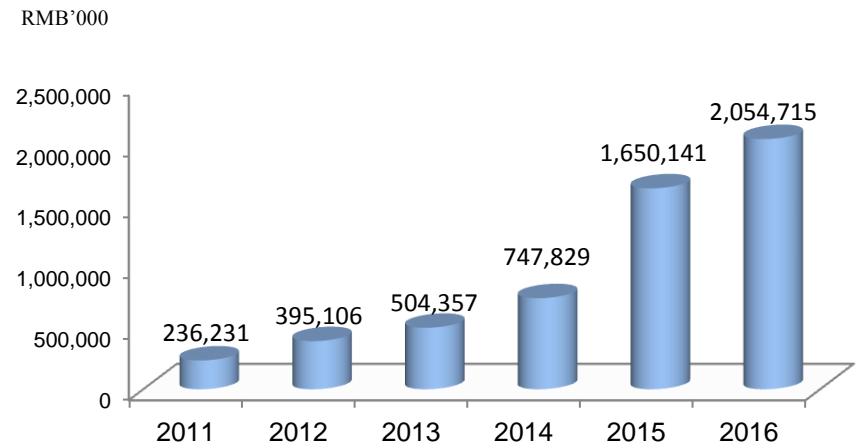


◆ As a stable source of income, gas sale continued to improve.

Gas Connection Revenue

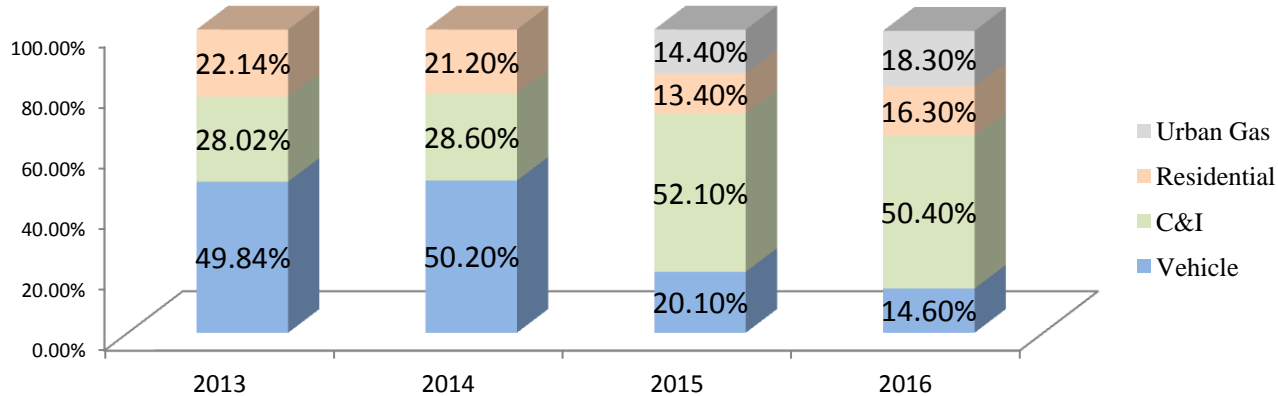


Gas Sale Revenue



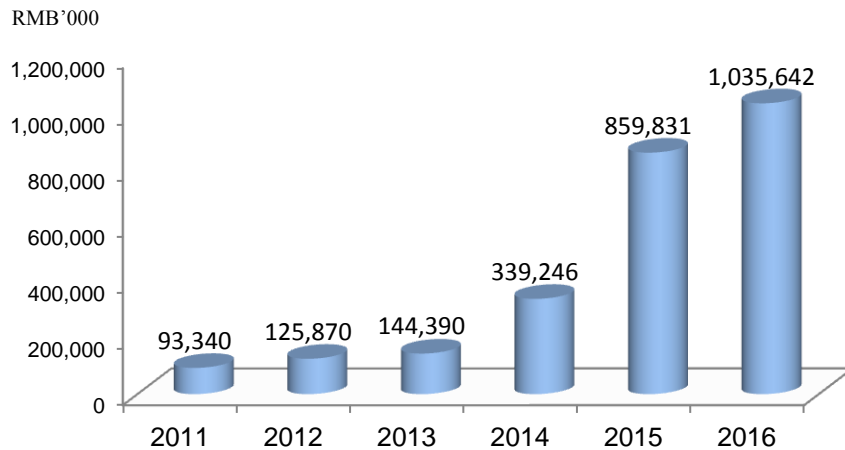
Customer Mix

Gas Sale Structure

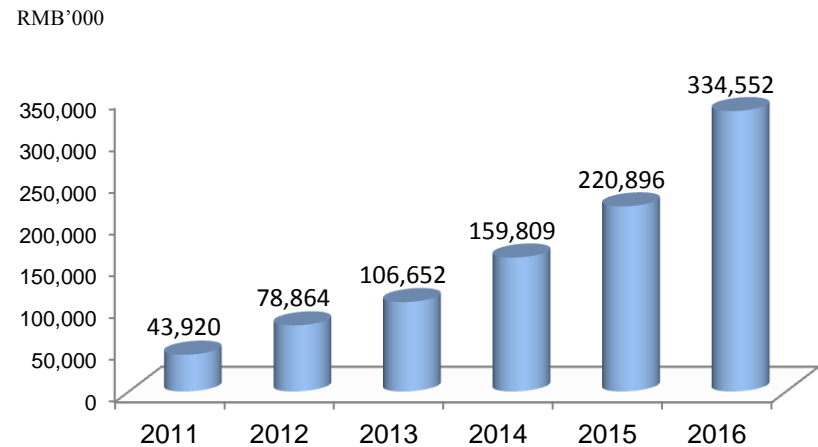


◆ Revenue from C&I gas sales in recent years accounted for over 50% of total revenue. Tian Lun is effective in developing C&I users.

C&I Gas Sales



Residential Gas Revenue





1. Financial Performance

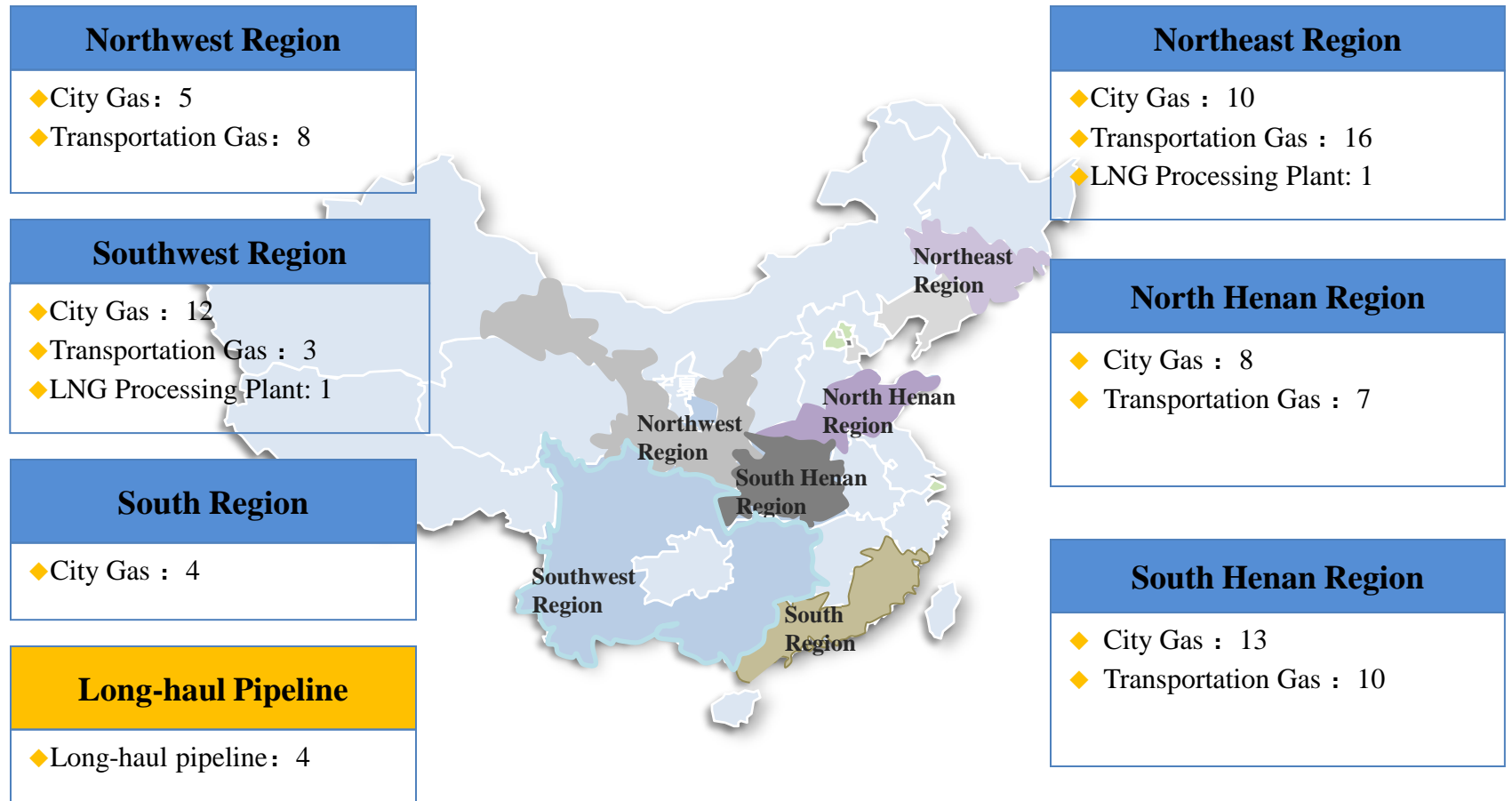
2. Operational Overview

3. Performance Highlights

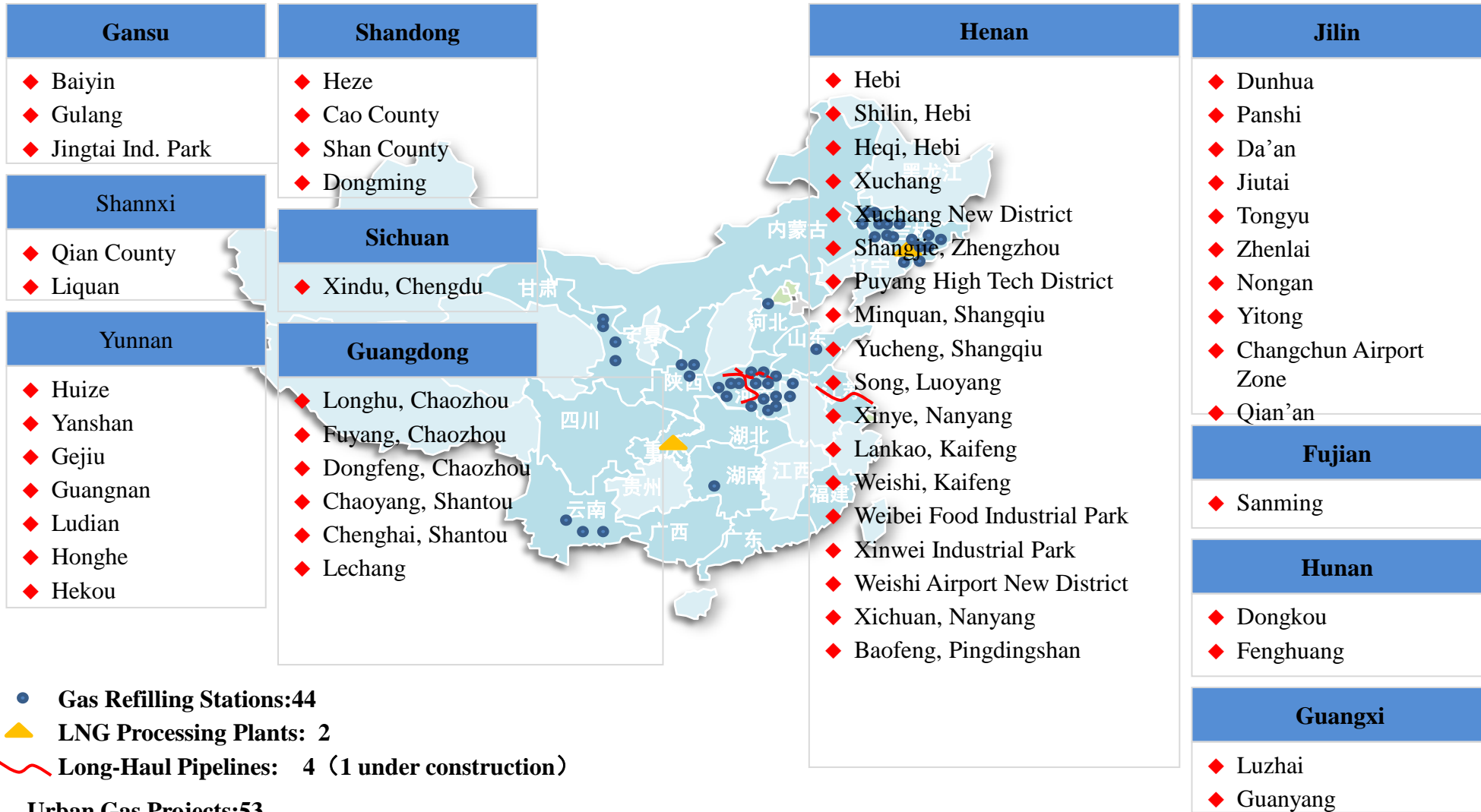
4. Development Focus

Project Summary

Currently, the Group has **53** urban gas projects, **44** CNG/LNG stations in operation, **2** LNG processing plants under construction, and **4** long-haul pipelines.



Operational Locations



Operating Data

Ended 31 December	2016	2015	Change
Total Gas Sales Volume ('000 m³)	917,523	620,552	47.86%
<i>Residential</i>	150,802	100,830	49.56%
<i>C&I</i>	452,662	309,418	46.29%
<i>Transportation Gas</i>	122,461	113,070	8.31%
<i>Urban Gas</i>	191,598	97,234	97.05%
Number of Newly Increased Connected Users (Household)	205,619	203,667	0.96%
<i>Residential</i>	204,393	202,270	1.05%
<i>C&I*</i>	1,226	1,397	-12.26%
Average Connection Fee of Residential User (RMB Yuan)	2,551	2,546	0.20%
Total number of users (Household)	1,334,299	1,022,122	30.54%
<i>Total Number of Residential Users</i>	1,325,382	1,016,385	30.40%
<i>Total Number of C&I Users</i>	8,917	5,737	55.43%

- ◆ Newly increased commercial connected users has slight decrease, increased 163 industrial connected users, which increased 163% compared with corresponding period of last year;
- ◆ residential users, industrial and commercial users, transportation users (including retail and wholesale) and urban gas company users (exclusive of tax) were approximately RMB2.22/ m³, RMB2.48/ m³, RMB2.51/ m³ and RMB1.79/ m³, respectively.

New Projects in 2016

Guangdong Lechang Project

- ◆ Invest 56 million to Guangdong Lechang Project for 85% equity on 20 May,2016;
- ◆ Gas penetration rate is less than 10% indicates strong potential for the development of local civil gas market; well-developed industrial economy and operational industrial park increase in use of natural gas.



Acquire Additional 36% Equity Interest in Zhongji Dadi

- ◆ Acquire additional 36% equity interest in Zhongji Dadi on 22 May,2016;
- ◆ The location of Zhongji Dadi has become one of the most important core areas for the operation. Upon completion of the acquisition, the company equity interest in Zhongji Dadi is further increased to 87%, which will be beneficial to investment income of the Group in the north-eastern region, enhance synergies .



Acquisition of Baofeng County, Pingdingshan

- ◆ Acquire the exclusive right to invest in, construct and operate gas pipelines in 8 towns, 4 townships and 2 industrial parks in Baofeng County on 9 October,2016;
- ◆ Number of potential resident users will continue to grow due to the urbanization progress speeds up. It has a large number of potential industrial and commercial users based on the modern industry system.



New Projects in 2016

Long-haul Pipelines

- ◆ Lushan-Ruzhou Pipeline Branch of the West-East Pipeline II of the Group is under construction, the site re-selection and planning for the new site has been completed. The first phase of the project has already started.
- ◆ Long-haul pipelines between Yuzhou and Changege has obtained government approval. The pipeline will serve the supply of gas to Xuchang Subsidiary ,lower the gas purchase cost and support expansion of its neighboring market.



Gas Refilling Stations

- ◆ The Group added 3 new operating gas refilling stations and had a total of 44 operating gas refilling stations and 15 gas refilling stations under construction.



Development of Information Platform

Establish Information Platform, Enhance Efficient Control Management

◆ Operation management

◆ Centralized financial management, human resources management and control, supply chain management and control, and capital management and control modules

◆ SCADA remote monitoring system

◆ Real-time remote monitoring and data transmission at major stations of members, including the information on large industrial and commercial users of the Group

Information Platform

◆ Service terminal“Internet +”

◆ Scan codes payment, online search service, self-payment machines, established diversified services channels

◆ Marketing service system

◆ Meter reading, charge, work order, security check, inspection and reporting, transmission error management, ensure the accuracy of data management



1. Financial Performance

2. Operational Overview

3. Performance Highlights

4. Development Focus

Performance Highlight in 2016

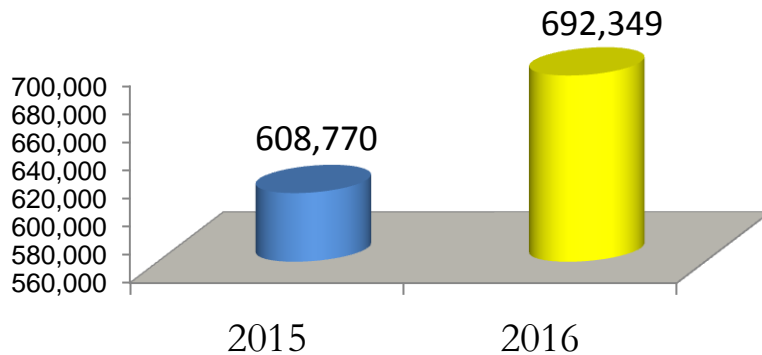
	2016	2015	Change
Gross Profit (RMB'000)	692,349	608,770	13.73%
Profit Attributable to Owner (RMB'000)	378,103	314,889	20.08%
Gas Sales Volume ('000 m³)	917,523	620,552	47.86%
Gas Sales Volume - C&I Users ('000 m³)	452,662	309,417	46.29%
Total C&I Users (Household)	8,917	5,737	55.43%



Strong Profitability

Gross Profit

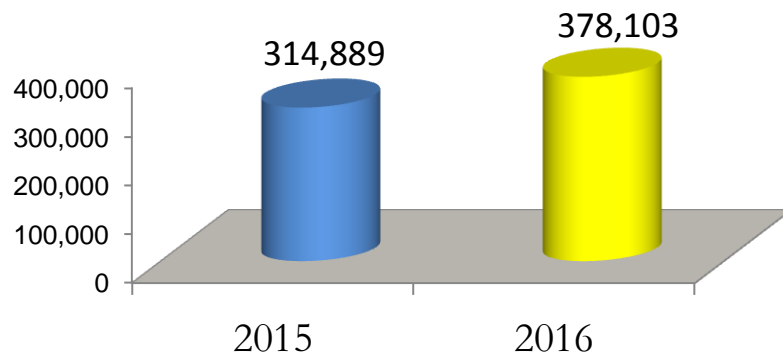
RMB' 000



- ◆ Gross profit increases 83.58 million and rises 13.7% as compared with 2015. Gross margin for gas sale is 63.41 million and contribute 76% to the total gross profit growth. Rapid growth of gross margin for gas sale and the continuous improvement of total gross margin ratio indicates that group's profit structure is more robust.

Profit Attributable to Owner

RMB' 000

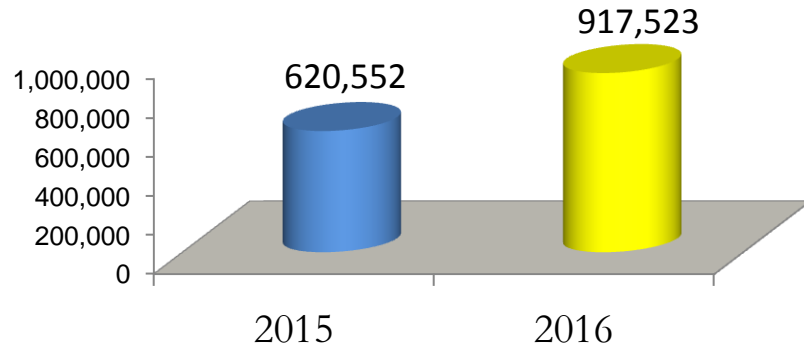


- ◆ Excluding the effect of exchange rate fluctuations, profit attributable to owners increases 63.21 million yuan and a rise of 20% compared with 2015 supported by main business growth. ROE is 14% in 2016 and come out in front in the peers.

Rapid Growth in Business

Gas Sales Volume

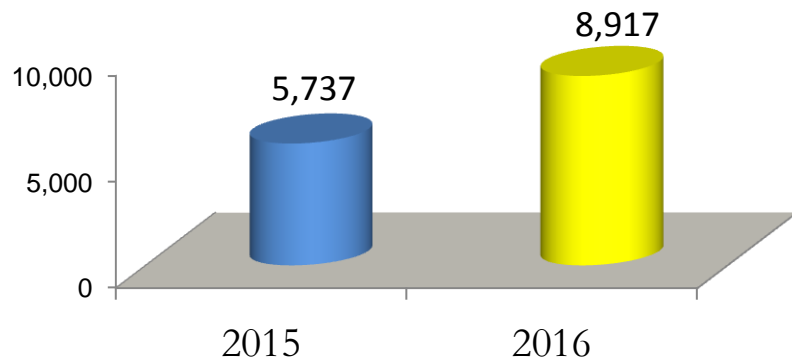
m³' 000



- ◆ Gas sale volume rises 48% compared with 2015 and the total gas distribution is 1.7 billion m³ including pipeline gas distribution volume.

Total C&I Users

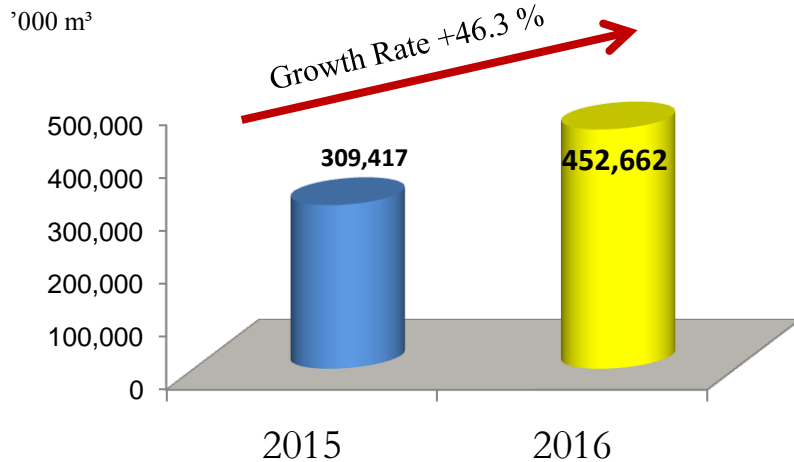
Number' 000



- ◆ The growth of C&I gas sale volume is based on the largely growth of C&I users. The total number of C&I users rises 55% in 2016 as compared with that in 2015.

Sustained Growth in Gas for Industrial Use

Robust Growth in C&I Gas Segment in 2016



Great Potential of Growth in Industrial Gas Sales

- ◆ Excluding the natural gas sales volume from Beijing Tian Lun Investment Group (Hui Ji's projects), C&I consumption of natural gas for Tian Lun still rose by around **40%** yoy.
- ◆ Industrial natural gas sales volume increased by 130 million m³ and its contribution to the growth of C&I gas sales volume is 86%.
- ◆ The sustained and rapid growth in industrial gas sales volume benefited from Tian Lun's strategy that kept developing coal to gas users and industrial users migration with strong demand.

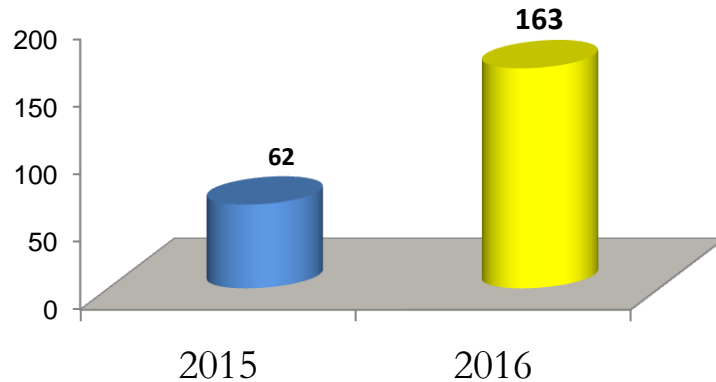
Accelerated Development of Gas Sales Promoted by Implement of Coal to Gas Subsidy Policy

- ◆ Henan: subsidies on gas and device selling price to residential coal to gas users of Zhengzhou, Hebi, Xuchang, Xinxiang, Pingdingshan, Sanmenxia, Luohe, etc.
- ◆ Shandong: 100 thousand yuan subsidy to 1 ton coal-fired boiler; 50 thousand yuan subsidy to 1 ton coal-fired boiler that completed conversion ahead of time.
- ◆ Jilin: prohibition of building new 20 ton vapor/h coal-fired boiler and elimination of 10 ton vapor/h coal-fired boiler in city built-up areas; prohibition of building new 10 ton vapor/h coal-fired boiler in county built-up areas.
- ◆ Guangdong: 500 thousand yuan cash bonuses on company's each production line.
- ◆ Hubei: 80 thousand yuan/ton vapor subsidy to each boiler, and 15 thousand yuan/ton vapor opening fee.

Sustained Growth in Industrial Users

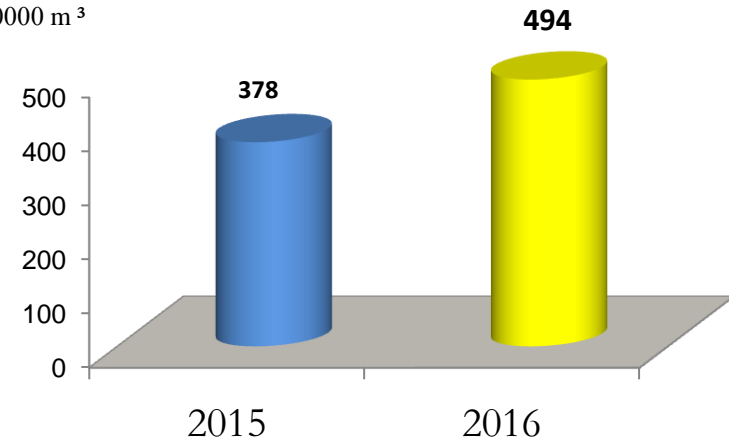
Robust Growth in Industrial Newly Connected Users in 2016

Household



Robust Growth in Designed Capacity of Industrial Users in 2016

'0000 m³



Newly Developed Industrial Users above Designated Size in 2016

Project Company	User Name
Hebi Company	Hebi Coal Electricity
	Zhongtai Mining
	Luda Machinery Construction
	Hengyun Food
Xuchang Company	Ezhong Chemical Fertilizer
	Liwei Heat

Project Company	User Name
Baiyin Company	Baiyin Nonferrous Metals
	Hengcheng Machinery Construction
Shan County Company	Liuhe Feed
Shangjie Company	Xueshan Industry
Jilin Company	Kailaiying Pharmaceutical Chemistry
Shannxi Company	Jianmin Pharmacy



1. Financial Performance

2. Operational Overview

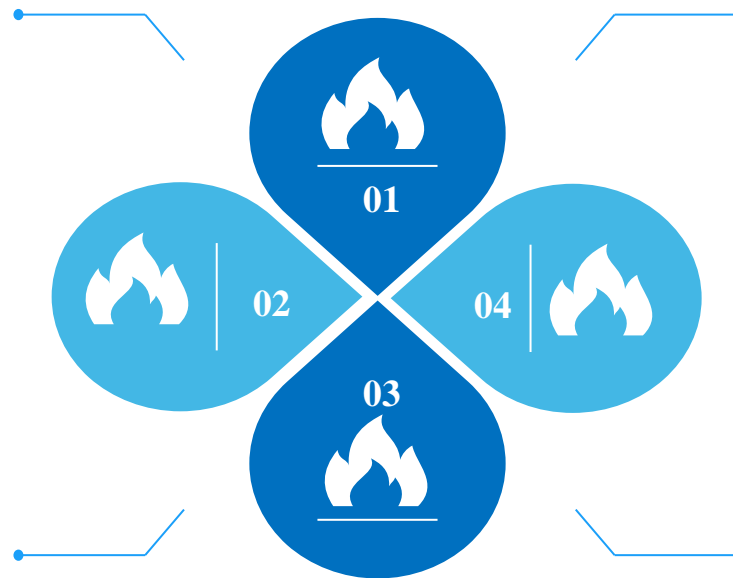
3. Performance Highlights

4. Development Focus

The Advance of Natural Gas Market Reform

Opportunity 1: By 2020, China's total natural gas supply capacity shall reach 360 billion m³; the development of natural gas main pipe network and supporting pipeline shall be accelerated and the total length shall reach 14,000 kilometers; natural gas penetration rate for urban residents shall reach 60%.

Opportunity 3: NDRC will promote the "coal-to-gas" conversion progress, improve the percentage of power generation by natural gas, and encourage the development of gas utilization projects such as natural gas distributed energy. It will facilitate the separation of natural gas pipeline transportation from natural gas sales and allow third party's access to pipelines.



Opportunity 2: NDRC will support the development of natural gas vehicles and that the number of natural gas vehicles shall reach 10 million and 12,000 supporting gas refilling stations shall be constructed.

Opportunity 4: China's accelerated supply side reform and the successive introduction of natural gas-related favorable policies have brought unprecedented development opportunities for private enterprises in the natural gas industry, and the Group will seize the good opportunity to vigorously expand natural gas business presence.

Acquisition of Urban Gas Projects

Acquisition of Urban Gas Projects

- ◆ Focused on a certain scale and stable profit projects to further enhance the company's ROE;
- ◆ Strengthen integration in the surrounding areas of existing operation areas and seek economies of scale;
- ◆ Further expand project layout around the provincial capital cities and seize industrial migration opportunities.



Expansion of Long-haul Pipelines

- ◆ Establish interactive cooperation between long-haul pipelines and core urban gas projects, seek synergies ;
- ◆ Obtain construction management rights of provincial high quality long-haul pipelines construction ;
- ◆ Focus on expansion opportunities of gas transmission business for gas power plants in developed areas.



Single Point Direct Supply of LNG

Single Point Direct Supply of LNG

- ◆ Innovative concept of extension development by developing single point direct supply of LNG and township gas market as new business in Henan and Hebei provinces based on coal to gas policy;
- ◆ Prepare LNG trade and related business in overseas market by following the national policy trends.



Optimize Shareholder Structure

Optimize Shareholder Structure

- ◆ Enhance attention and investment in capital market;
- ◆ "Optimal shareholder structure" as the first priority and also gradually improve trading activity and steadily improve shareholder cash rewards.





中國天倫燃氣控股有限公司
CHINA TIANLUN GAS HOLDINGS LIMITED

(HKEx Stock Code:1600)

Focusing on Gas Utilization Entering Rapid Growth Phase