

共创事业,共享天伦

发展清洁能源 改善人居环境

2019 Annual Report

March 2020



🎯 Total gas sales volume increased by **21%** to **1.57 billion** m³

🎯 Number of residential customers reached to **3.224million**
YOY growth was **38%**

🎯 Core profit increased by **21%** to **810 million** RMB

🎯 Net operating cash inflow of **0.97 billion** RMB was achieved, YOY growth was **111%**

🎯 The board of directors recommends a dividend increase of **52.5%** to RMB **23.4** cents in 2019

2019

**Operational Results
And Financial
Summary**

Gas

Business Review

Part 1

Financial Review

Company Strategy

Guidelines



1 Connection Business

Number of Customers	2018	2019
	2,354,203	3,247,483

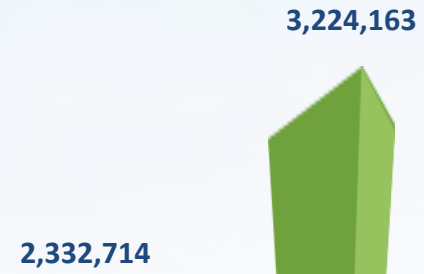
YOY Growth : 38%

YOY Comparison

	2018	2019	YOY Growth
Residential Customers*	2,334,714	3,224,163	38%
C&I Customers	19,489	23,320	20%

*including rural coal to gas residential customers

Residential Customers (Household)



C&I Customers (Household)



Residential Customers

2018 2019

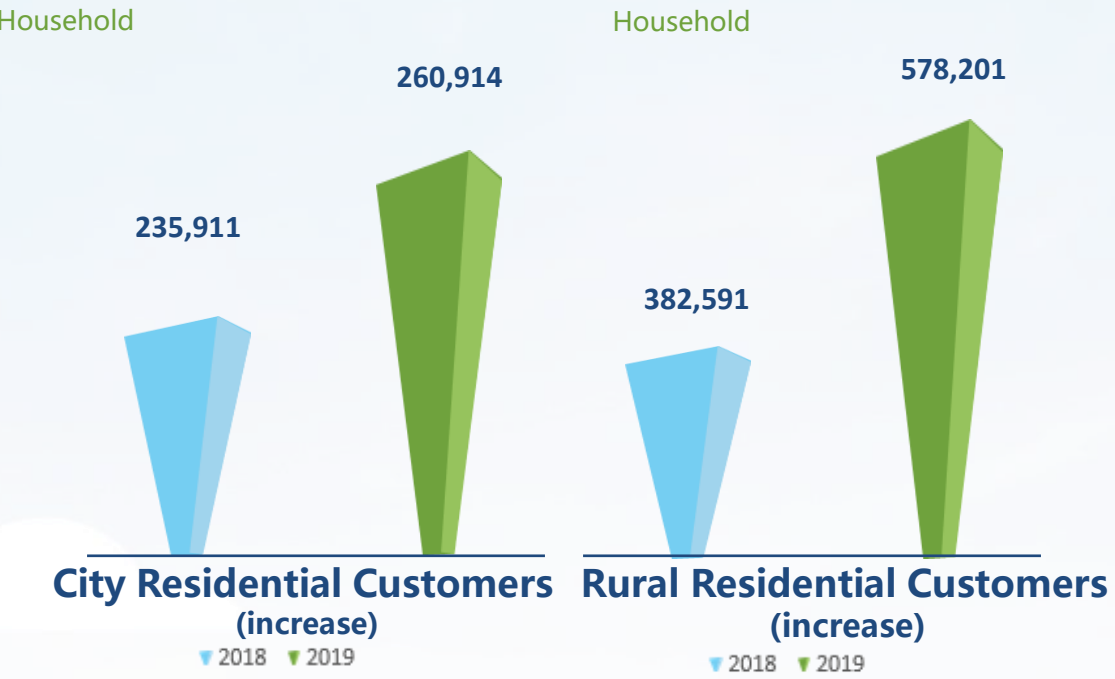
C&I Customers

2018 2019

1 Connection Business

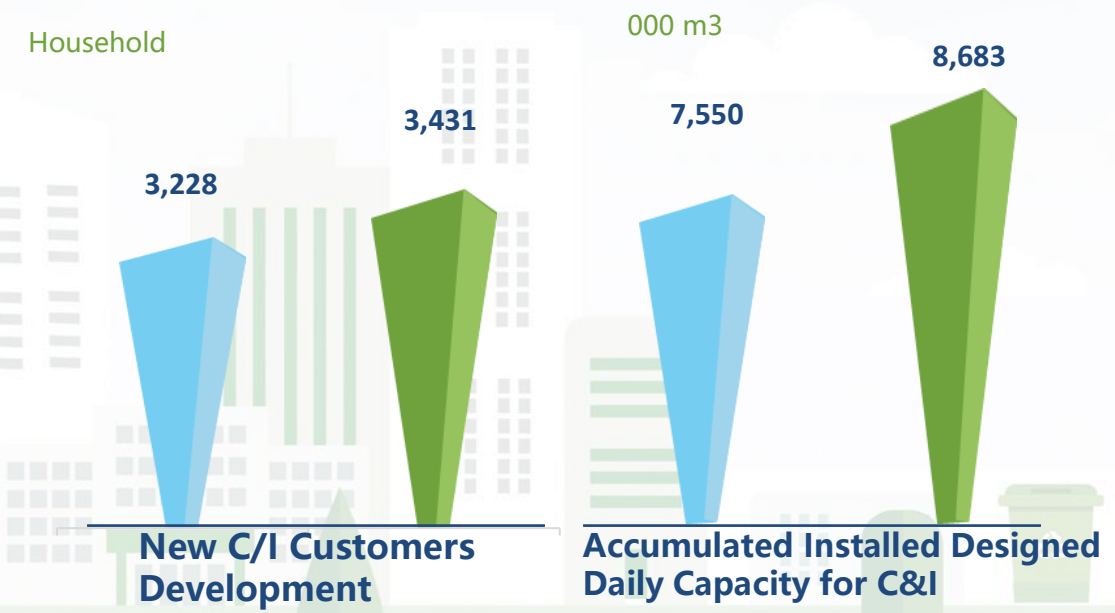
Residential Customers(increase)

Household	2018	2019	Change
City	235,911	260,914	11%
Rural	382,591	578,201	51%



C&I Customers

	2018	2019	Change
New C/I Customers Development (Household)	3,228	3,431	6%
Accumulated Installed Designed Daily Capacity for C&I ('000 m3)	7,550	8,683	15%



2 Gas Sales Business

**Total gas sales volume :
1.57 billion m³**

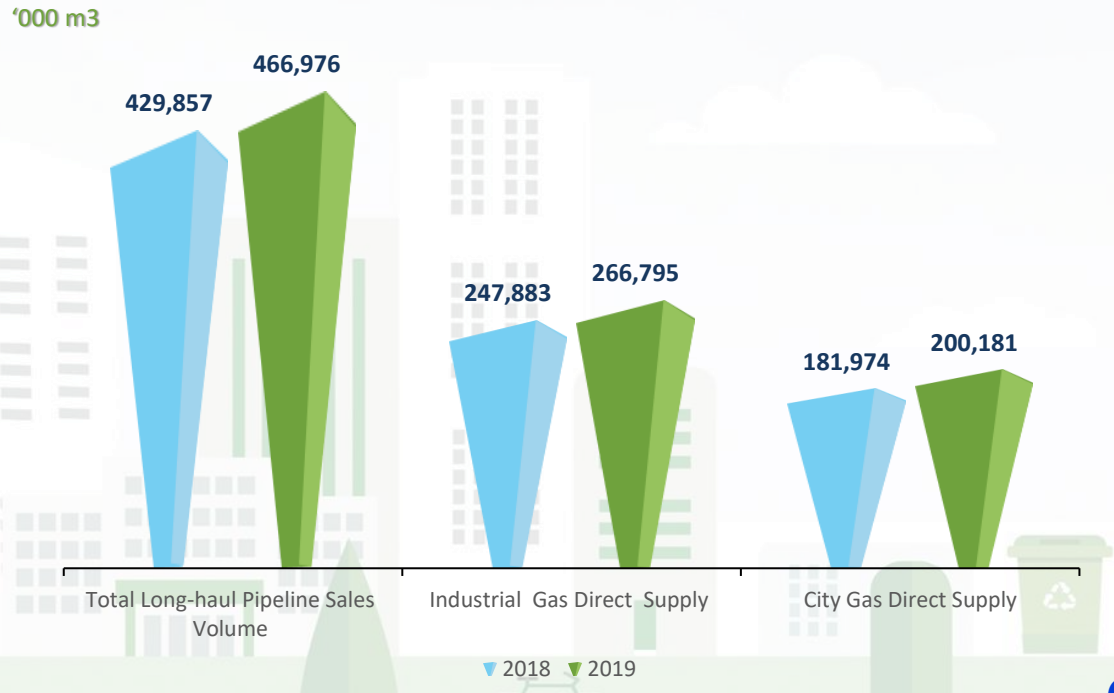
City Gas

'000m ³	2018	2019	Change
Total	862,504	1,099,425	27%
C&I	407,215	515,106	26%
Residential	256,754	312,577	22%
Transportation	141,225	156,395	11%

*In 2019, the company also conducted gas source trade, with a gas sales volume of 115 million m³, YOY growth was 101%

Long-haul Pipeline

'000m ³	2018	2019	Change
Total	429,857	466,976	9%
Industrial Gas Direct Supply	247,883	266,795	8%
City Gas Direct Supply	181,974	200,181	10%



3 Stable Dollar Margin

	2019	2018	2017
Dollar Margin in Gas Sales (RMB/m³)			
	0.55	0.56	0.55
Residential	0.44	0.43	0.44
C&I	0.65	0.67	0.66
Transportation	0.46	0.46	0.36
Average Connection Fee (RMB/household)			
City Residential	2,606	2,654	2,550
Rural Residential	2,752	2,727	

4 Business Layout



○ City Gas Projects

— Long-haul Pipelines

L LNG Liquefaction Plant

63 City Gas Projects

1 LNG Liquefaction Plant

6 Long-haul Pipelines

(including 3 under construction)

51 Refueling Stations

New Projects:

Gas Project in Jia County

Gas Project in Xichuan County

City Gas Project in Shenqiu County

Gas

Business Review

Financial Review

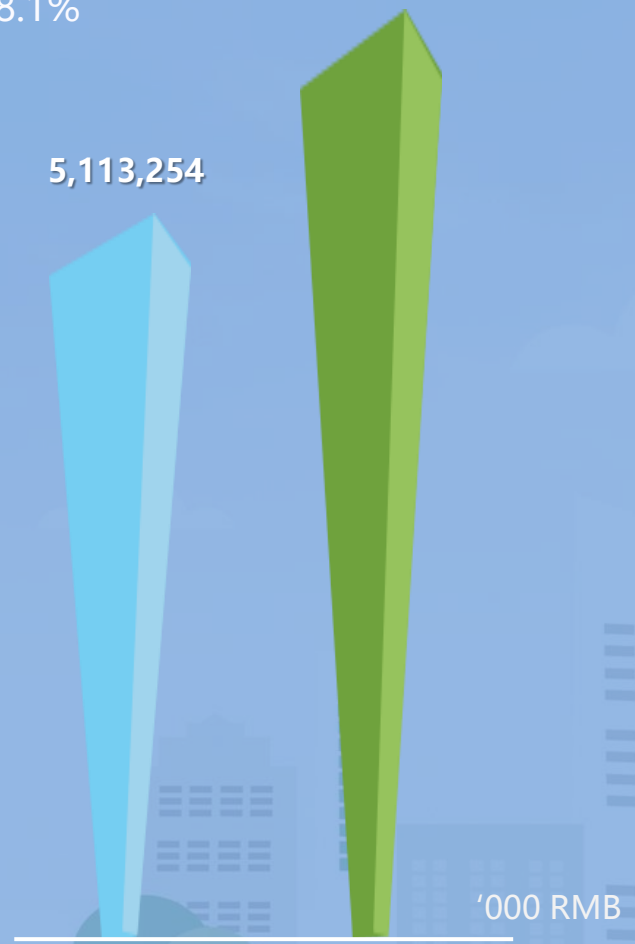
Company Strategy

Guidelines

Part 2

1 Revenue Growth

Revenue
YOY increase 28.1%



Revenue

'000 RMB

'000 RMB ■ 2018 ■ 2019

EBITDA*
Increase 19.0%



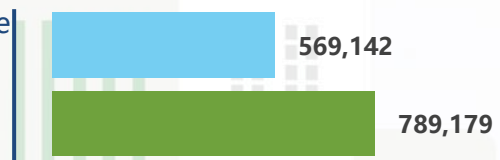
Gross Profit
Increase 19.3%



Core Profit*
Increase 20.6%



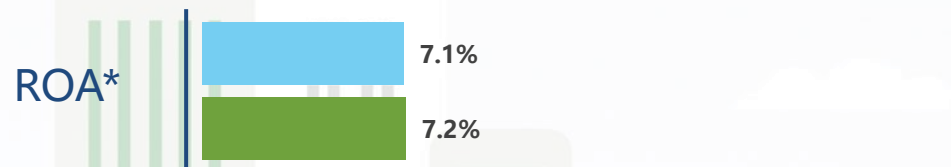
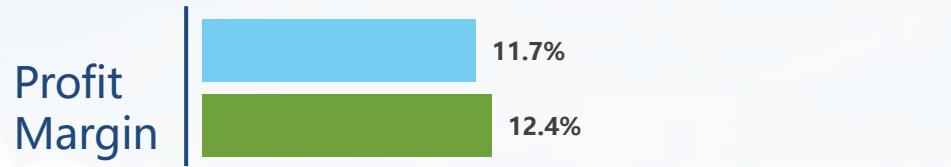
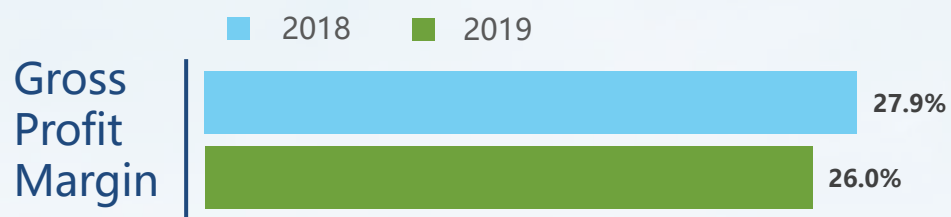
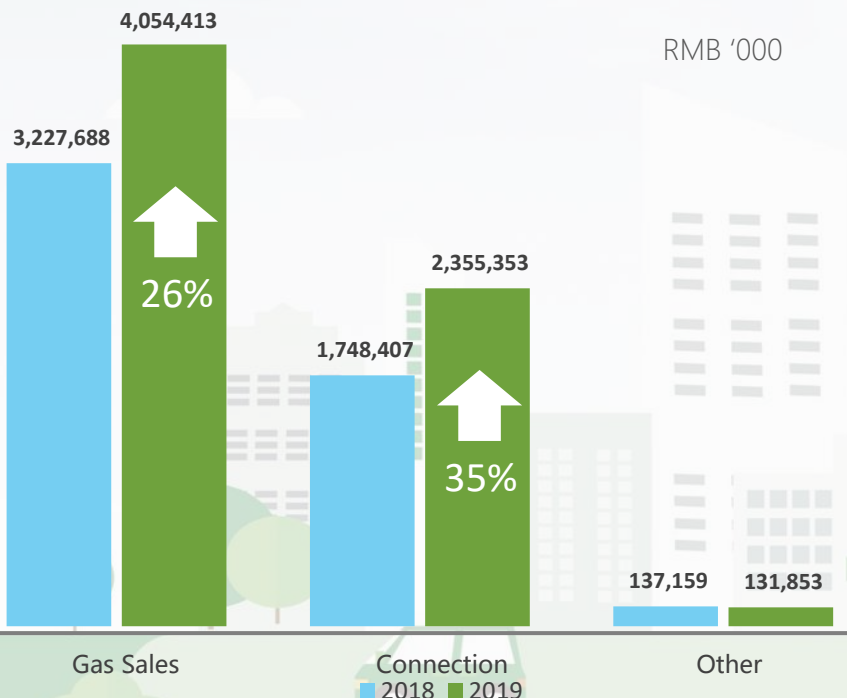
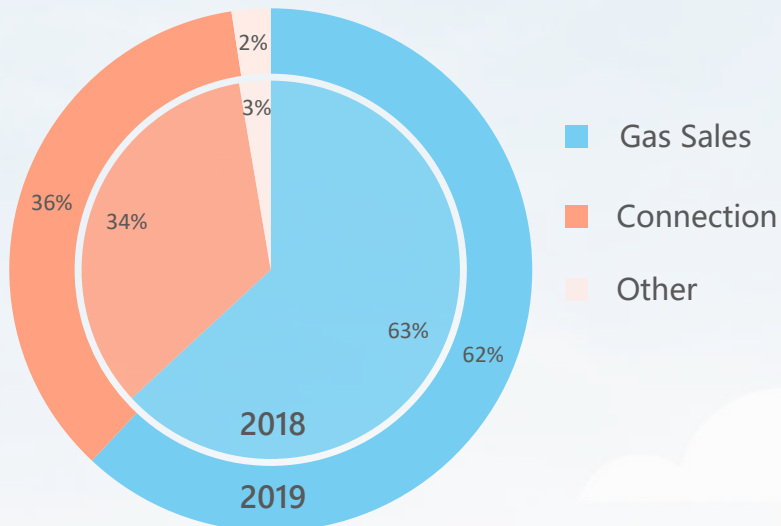
Profit attributable
to owner of the
company
Increase 38.7%



*EBITDA=Gross profit - Operational period costs + Depreciation amortization

*Core profit = Profit attributable to owner of the company - non-recurring gain and loss after tax

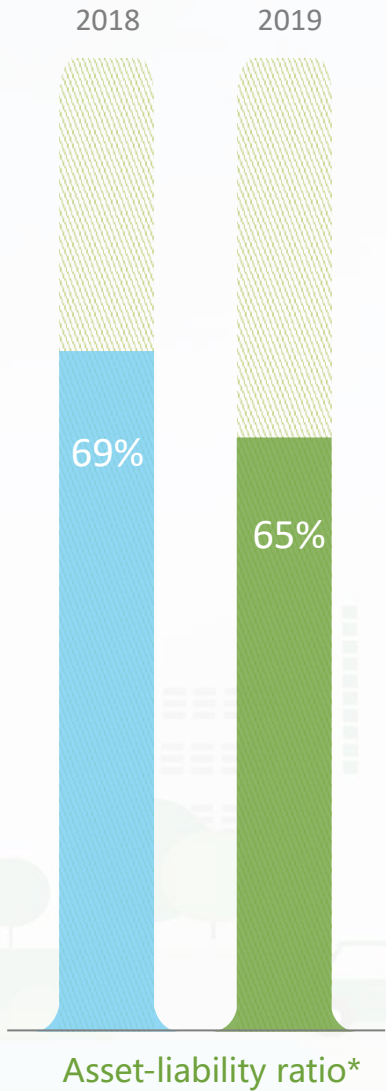
2 Earning Growth



*ROE: Core net profit / average attributable to parent company's equity

*ROA: "Core net profit including non-controlling interests" / average total assets

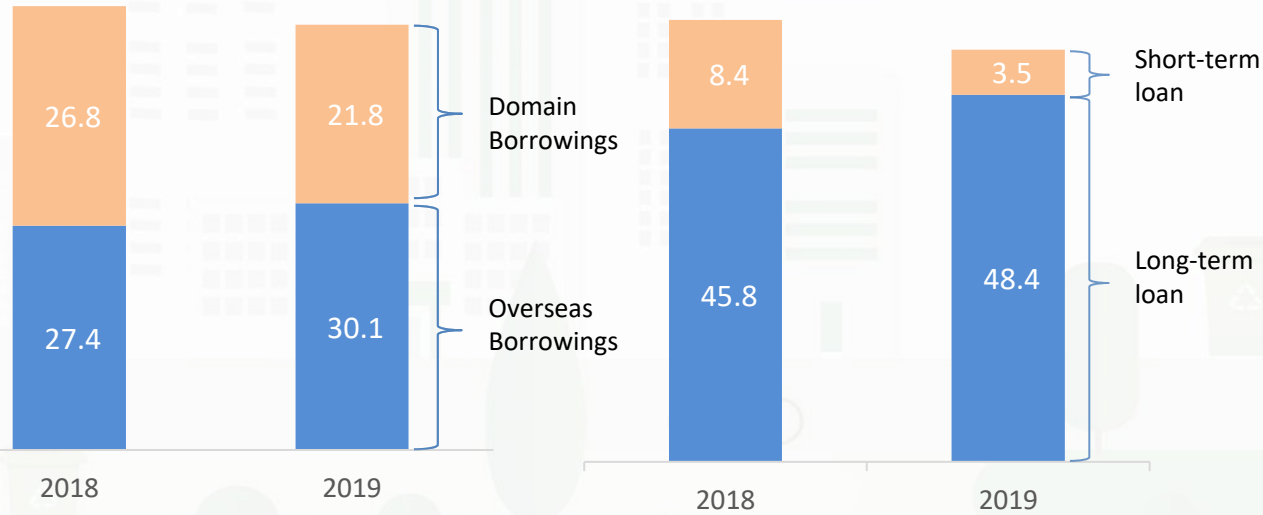
3 Capital Structure & Financial Management



*Calculated based on the percentage of total liabilities over total assets

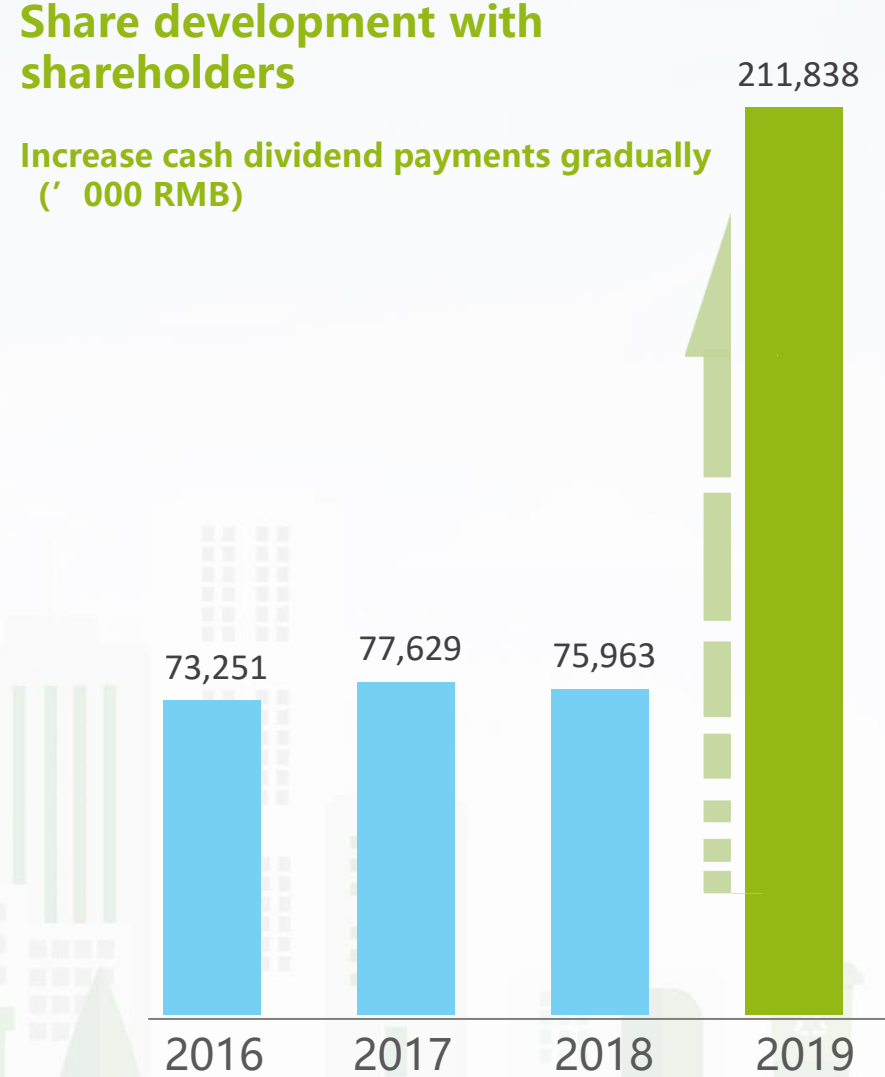
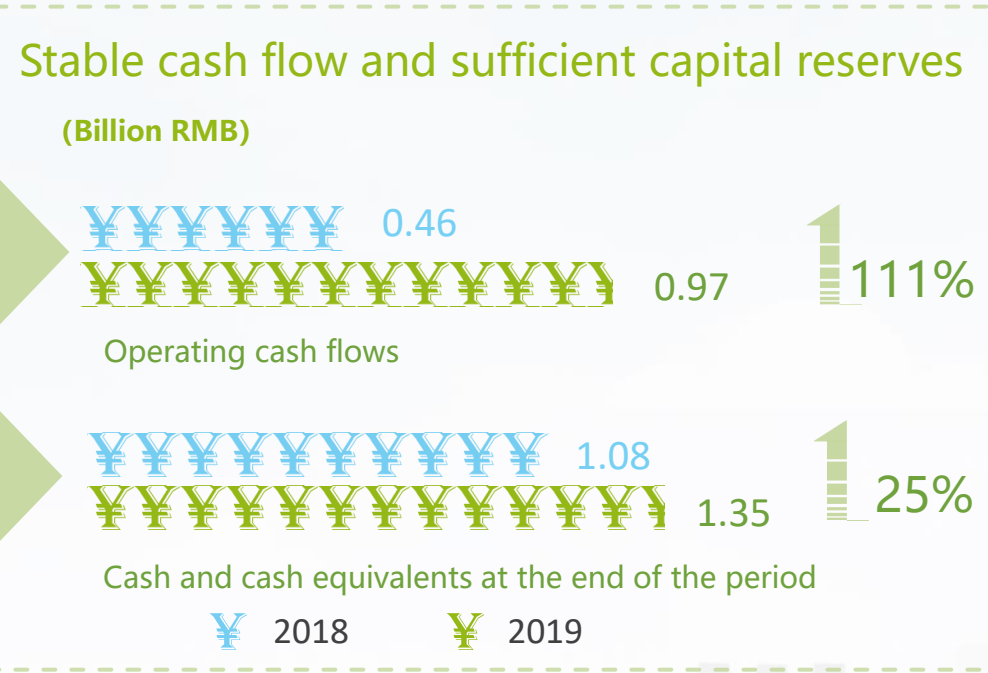
Million RMB	2018	2019	Change
Total borrowings	5,418	5,192	-4%
Net debt	4,342	3,843	-12%
Net debt / EBITDA	3.13X	2.32X	-0.81 Times
Net debt / Equity	123%	92%	-31 percentage points

In 2019, the company's asset-liability ratio decreased by 4%, the total borrowings decreased, and the structural allocation was reasonable. Sufficient cash on hand at the end of the period, debt solvency has been further improved, and borrowing costs have been effectively controlled



100 million RMB

4 Sufficient cash flow and Dividend to shareholders



During the year of 2019, our operating cash flows have improved significantly. A total of 0.97 billion RMB operating cash flows were obtained during the year. At the same time, we increased our dividend payout ratio to return our outstanding performance to shareholders.

Business Review

Financial Review

Company Strategy

Guidelines

Part 3

1 Expand customer scale and improve asset quality

Rapidly increasing the **overall revenue scale** is the focus of our work in the next 5 years

1

City gas projects M&A ” in Advantaged Areas

- 1: Select quality targets to do M&A in our advantageous Areas
- 2: M & A project targets are no less than 1 billion RMB per year
- 3: 5% -10% increase in city residential customer connections for listed companies each year

2

Target to reach 5 million household customers from Henan's “coal to gas” project

- 1:The number of newly developed " coal-to-gas "residential customers will be no less than 600,000 households each year
- 2:Looking for more opportunities in the advantaged areas to replicate our Henan "coal to gas" model
- 3:Expanding the scale effect and increasing opportunities for external cooperation

3

Improve both "Gasification & Utilization rate" in the existing Areas

- 1:Gradually increase the gasification rate in existing areas and increase the overall gasification rate by 2-3 percentage points each year
- 2:Actively guide the usage habits of users in small and medium-sized cities, and gradually improve gas utilization in existing regions

1 Expand customer scale and improve asset quality

During the rapid development in the future, we'll strictly control various risks and **ensure the quality of newly acquired project assets**

1

Improving investment standards and "pre-M&A" requirements

- 1:Expand our M & A team to improve the due diligence standards and enlarge the work scope
- 2:Moderately raise the standards for M&A ROI and project payback period
- 3:Strictly require the effective conditions and payment requirements in the city gas projects M&A agreement

2

Enhance the Henan "coal to gas "project's continuous operations ability

- 1:Strengthen government-enterprise cooperation to make full use of resources
- 2:Reasonably plan development to reduce operating risks
- 3:Innovative operating model to control the cost strictly

3

Control the Debt Ratio and manage cash flow effectively

- 1:Strictly control the debt ratio to ensure the group's financial statues in a good position
- 2:Focus on cash flow management
- 3:"Management + analysis + assessment" to maximize the efficiency of cash flow

2 Optimize business model and enhance profitability

Continue to use the government-enterprise cooperation investment model, and actively strive for various preferential policies in the industry to **reduce financing costs**

1

Focus on the industry characteristics of "people's livelihood and environmental protection" to strive for policy funding

The Group and its joint-stock companies have cooperation with IFC, CDB(China Development Bank), and ADB. Relying on the industry characteristics and encouraging policies, the Group will continue to strive for long-term low-interest policy financing support.

2

Seize the opportunity to develop infrastructure after the epidemic and build up diversified industry integration platforms

The cooperation between the Group and the "Zhongyuan Yuzi" platform has strengthened the influence of both two sides in Henan and achieved a win-win situation. In the future, the Group will continue to cherish the cooperation opportunities in advantageous regions and actively build more industrial and financial platforms to promote the rapid development of the Group.

2 Optimize business model and enhance profitability

Innovate and optimize gas source cooperation models; explore and broaden development project channels, and reduce overall **business costs**

1

Improving gas source support capabilities and continuously optimizing gas source structure

- 1: Get more high-quality gas sources through self-construction and joint-construction
- 2: Actively develop diversified gas source cooperation models with upstream companies
- 3: Actively cooperate with Government and strive more high-quality gas sources for rural projects

2

Actively establish mutual trust and cooperation with small and medium city governments, and strive for win-win cooperation through the solid work

In 2019, we created the "Taiqian model", which is a new cooperation model. The government firstly granted the franchise license effective during a probation period in the target area. Through our work to complete the goals on schedule, the government will issue a long-term franchise license in the target area permanently according to law. The win-win situation of the "Taiqian model" has led to a field investigation by the Research Office from Henan Provincial Government Office and also has won unanimous praise from Taiqian County, Puyang City, and Henan Provincial Government. They've promoted this model to many cities and counties in Henan Province, which laid a great fundamental for the sustainable development of coal-to-gas projects in Henan in 2020.

2 Optimize business model and enhance profitability

Actively develop value-added business and effectively increase the contribution to profit

1

Expand business and products, enlarge the service scope

Category	Products and Services				
Gas stoves	Table stove	Built-in stove			
Water heater	Thermostat	Condenser	Zero chiller	Mechanical button	
Wall-hung stove	Board replacement	Casing machine			
Range Hood	Side suction machine	European style range hood	Tower machine		
Water purification series	Ultrafiltration machine	Reverse osmosis machine			
Fresh air series	Engineering machine	Home machine	Business machine		
Special gas pipe	Cut-to-length products	Non-fixed products	Covered tube		
Alarm system	Alarm system	Shut-off valve	Self-closing valve		
Household appliances	Large machine	Small kitchen appliances	Home devices		
Fresh fruits and vegetables	Fruits	Vegetables			
Kitchenware	Cookware	Tableware	Sanitary ware		
Heating equipment	Heating stove	Heat sink			
Xiaofan service	Refurbishment	Maintenance service	Cleaning services	Housekeeping services	Installation after sales services
Gas equipment	Gas Meter and alarm linkage	Recharge			
Commercial Series	Commercial cooker	Water heater	Disinfection cabinet	Boiler	



2

Achieve rapid growth and increase profit contribution

Add-value services	2018	2019	Change
Revenue	52,537	105,881	102%
Gross profit	33,247	69,478	109%
Gross profit margin	63%	66%	+3 percentage points
Proportion	1.0%	1.6%	+0.6 percentage points

Target: 200 million RMB revenue and 100 million RMB gross profit by 2020, 500 million RMB revenue and 250 million RMB gross profit by 2022

3 Stable and rapid growth, continuous returns to shareholders

“Stable and rapid growth, continuous returns to shareholders” is always the goal of the group

1

The strategy of increasing customer scale and "gasification utilization rate" is the basis for ensuring stable growth

- 1: There is still a large growth potential for gas penetration and number of users in our operating area
- 2: There is still potential for guiding the use of natural gas among the residential and C&I customers in small and medium-sized cities

2

The establishment of the National Oil and Gas Pipeline Network Group and operation of China-Russia east-route natural gas pipeline have created favorable external conditions for the development of us

- 1: The establishment of the National Oil and Gas Pipeline Network Group will create more gas source cooperation opportunities to create conditions for the company's systematic optimization of the gas source structure
- 2: The Russia gas feed on to Jilin is beneficial to 10 city gas project of Tian Lun which will increase the development of projects in this region

3

Control risks in rapid development and optimize innovation in learning

- 1: After the IPO of the group, the gas sales volume increased by 28 times, and the accumulative customers increased by 13 times.
- 2: The company always attaches great importance to risk control and cost control and keeps exploring the more suitable road for Tianlun Gas while keeping up with the times.

3 Stable and rapid growth, continuous returns to shareholders

Continue to strengthen our IR work, maintain a **steady growth dividend policy**

1

Positive evaluation by the capital market and trading volume significantly increased

Year	2016	2017	2018	2019
Average daily turnover	222	488	952	1,309

'0,000 HKD



Continue a steady growth dividend policy

2

Dividend Policy	2017	2018	2019
EPS (RMB:Yuan)	0.41	0.58	0.80
Dividend Per Share (RMB:Cent)	10.18	15.36	23.42
Dividend Payout Ratio	24.8%	26.5%	29.3%

Business Review

Financial Review

Company Strategy

Guidelines

Part 4

Continuously expand our customer scale

- The cumulative residential users target to exceed to 4.1 million with a YOY growth of 26%

Steadily grow our gas sales business

- The total gas sales volume target to maintain a growth of 12-15%, and the dollar margin remain stable

Actively develop value-added services

- Value-added service business income target to exceed 200 million RMB, gross profit exceed 100 million RMB

Gradually increase shareholder returns

- Core profit target to maintain a growth of 12%-15%, and annual dividend payout ratio will be no less than the ratio of 2019

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Our responses to The COVID-19

The COVID-19 swept Wuhan and then the whole China in the beginning of 2020, many provinces activated first-level public health emergency response mechanism

We actively responded to the severe situation

- ▶ We have carried out prevention and control while ensuring the supply and services for all types of gas users
- ▶ We get well-prepared for the back-to-work/produce plan of our C&I customers.
- ▶ We have timely communicated with governments at all levels and upstream gas suppliers to ensure the implementation of the COVID-19-related preferential policies
- ▶ We promoted the application of Tian Lun gas online platform quickly to explore the potential customers of value-added services

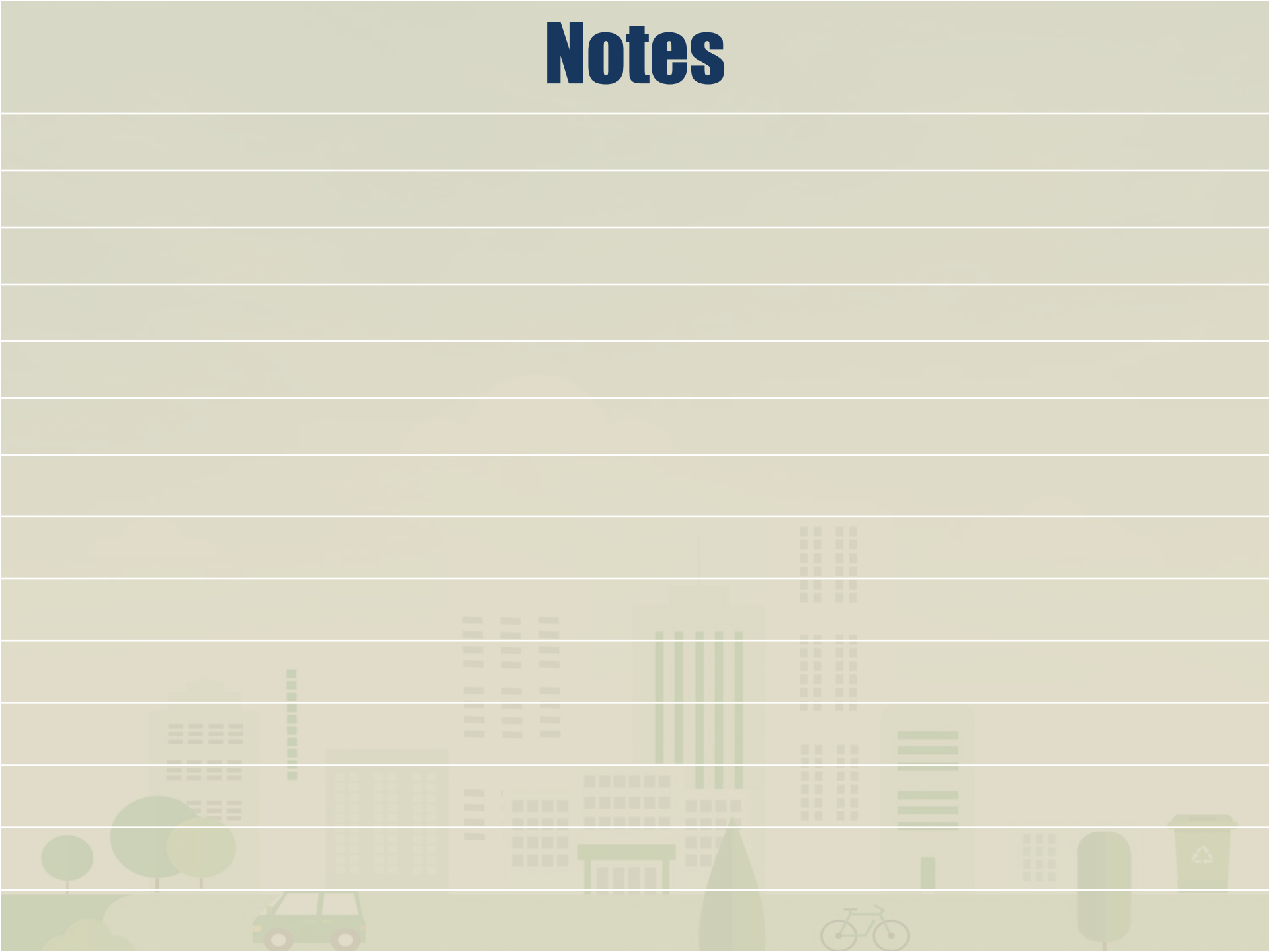


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Notes



谢 谢

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