

# 2021 Interim Results

## Investor Presentation



2021

Interim Report  
中期報告

2021/08



- I. Performance summary
- II. Business Review
- III. Financial Review
- IV. ESG Governance
- V. Outlook
- VI. Appendix

# Fulfill Corporate Mission and Create Shareholder Value

## 2021 January

- Henan government work report emphasized rural gasification
- The construction of Tian Lun Gas rural gasification accelerated
- Best Employer Award of China in 2020



Rural Gasification

Best Employer

## 2021 March

- Interviewed by Henan Daily and Dahe Fortune Cube
- Feature Articles published on rural gasification



Featured Articles

## 2021 July

- Zhuhai Port became the 2<sup>nd</sup> largest shareholder with 11.96% of Tian Lun Gas Equity
- A 5-year strategic cooperation agreement in the field of new energy
- ADB granted a 50 million USD credit
- Highly recognized the corporate mission and social responsibility
- 2020 ESG report; MioTech rating: BBB



Zhuhai Port Became Shareholder



ABD Credit-granting

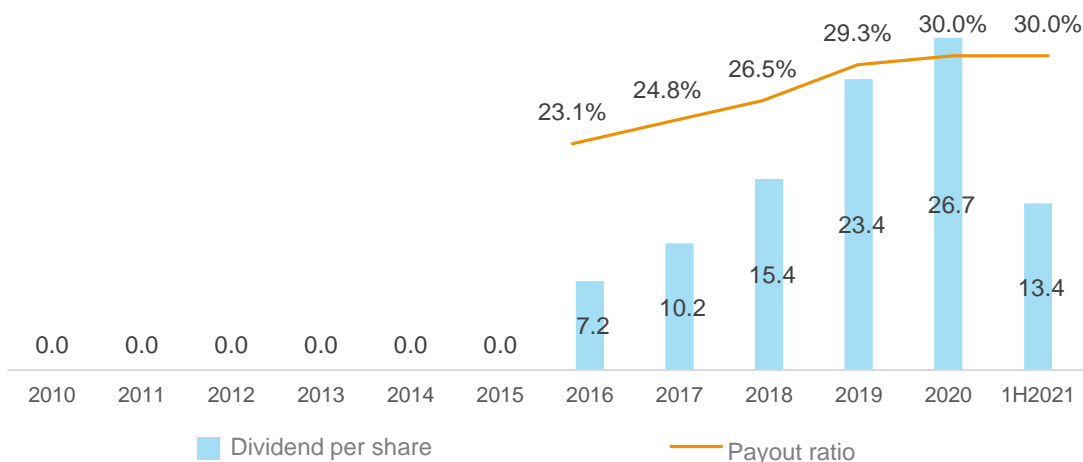


ESG Report

## 2021 August

- The Board approved the launch of the Share Award Scheme
- Planned to buy back no more than 5% of the outstanding shares within 10 years

## Dividend per share & Payout ratio (core profit)



## Focused on create shareholder value

Return value to shareholders

Improve dividend payout ratio

Dividend payout ratio close to leading peers

Since the dividend distribution began in 2016, our dividend payout ratio of core profit has increased from 23% to 30%, and the dividend per share has increased by 18% YoY in 1H2021

# Challenges and Opportunities of the Natural Gas Industry



<b>Carbon Targets</b>	Natural gas remains crucial as a clean and efficient energy solution.
<b>Rural Vitalization</b>	Government's No.1 Document in 2021 promotes gasification in rural area.
<b>Pipe-China</b>	Pipeline reform has steadily progressed enabling diversified supply and market-based prices.
<b>Demand Recovery</b>	Apparent natural gas consumption increased by 17.4% in 1H2021 due to the economic recovery.
<b>Supply Boost</b>	In 1H2021, gas production increased by 10.9%, and imported gas increased by 23.8%.

## Winter Shortage

During Jan-March, the industry faced LNG price rise and dollar margin pressure.

## Price Rise

Base piped gas price rose by 5% and cost pass-through required more time.

## External Factors

With the global economic recovery, international crude oil and LNG price rallied.

## Fierce Competition

Capital continued to enter the industry under favorable policies, bringing fierce competition.

## Epidemic Recurring

The recurring Covid-19 may impact household installation and other services.





Retail gas sales volume grew by **30%** to **742 million m<sup>3</sup>** or by **35%** compare with 1H2019 (before the epidemic). The revenue structure improved with the rising contribution of retail gas sales.



Average retail gas dollar margin dropped to **0.51** RMB/m<sup>3</sup> due to LNG price rises in the winter and cost pass-through lag in the second quarter.



Cumulative residential customers exceeded **4.50 million** household, an extra **370 thousand** users compared with the end of 2020.

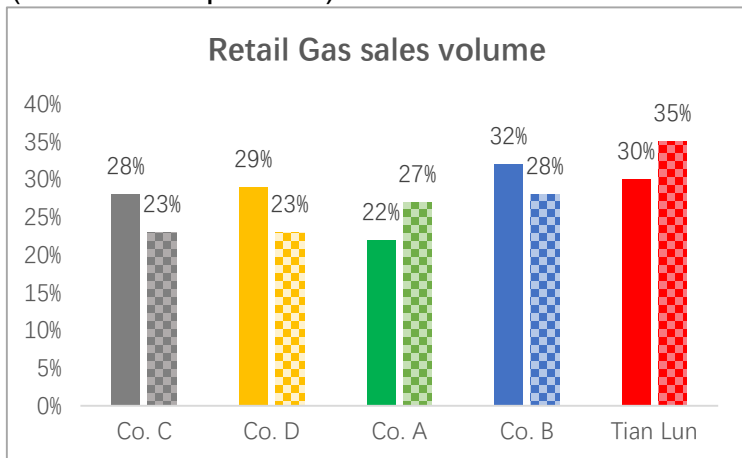


Core profit increased by **6%** to **RMB 449 million**, or **10%** cumulative growth compare with 1H2019.

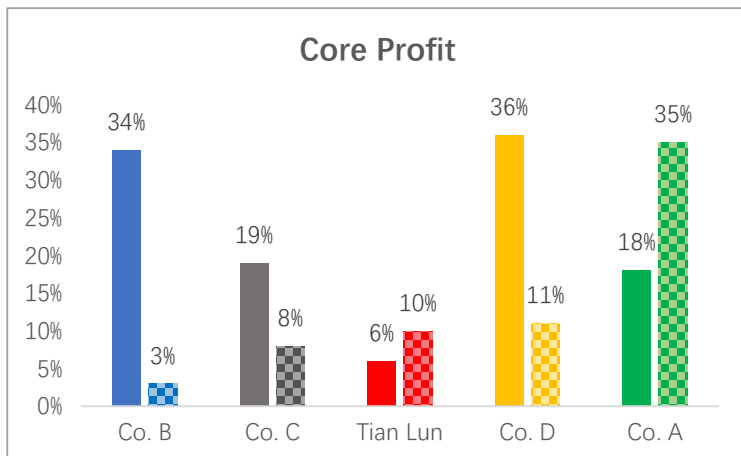


The Board recommends interim dividend of RMB **13.4** cents per share, an increase of **18%** compared with 1H2020. The dividend payout ratio of core profit is **30%**.

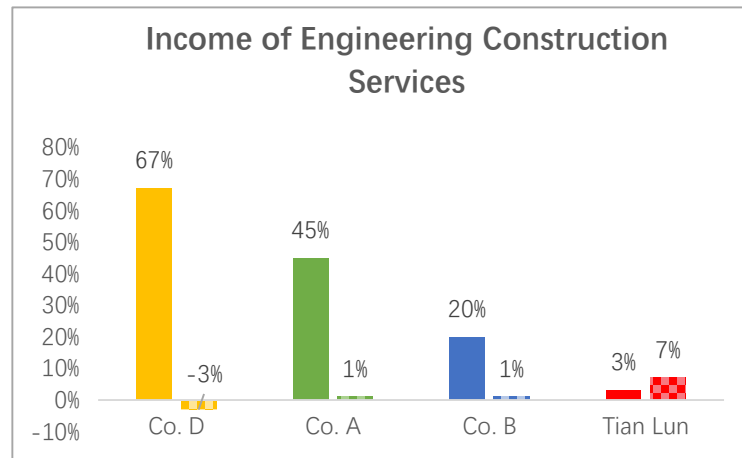
- Retail gas sales volume increased 30% in 1H2021, at the forefront of the industry.
- A cumulative increase of 35% over 1H2019 (before the epidemic).



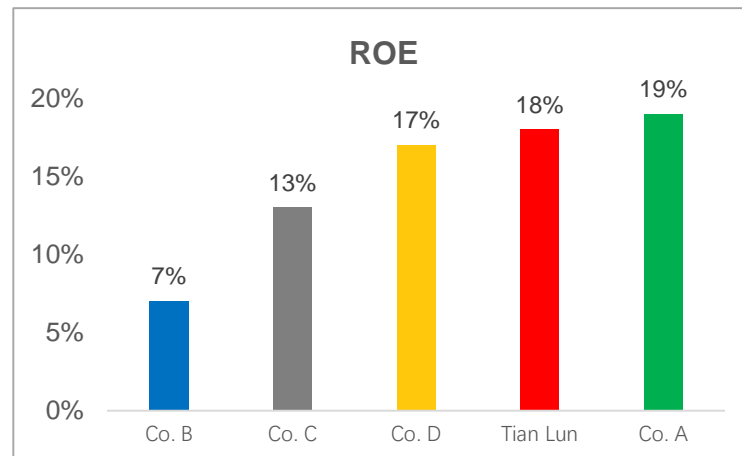
- The core earnings increased by 6% in 1H2021.
- A cumulative increase of 10% over 1H2019.



- Engineering and construction revenue increased by 3% in 1H2021.
- Exclude the base number during the epidemic, a cumulative increased of 7% over 1H2019.



- ROE achieved 18%.
- One of the highest among peers.



\*The left shows a YoY increase, and the right shows an increase compared with 1H2019



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- With the diminishing impact of the epidemic and economic recovery, retail and wholesale gas sales volume increased significantly in 1H2021. The retail gas sales increased 35.4% compared with 1H2019.
- The growth rate of C&I gas sales exceeded the overall growth due to the economic recovery, gas sales contributed by the newly consolidated projects and the low based number in 1H2020.

Unit: Million m <sup>3</sup>	1H2021	1H2020	YOY	1H2019	1H2021 /1H2019
<b>Gas sales-Retail</b>	<b>742</b>	<b>571</b>	<b>30.1%</b>	<b>548</b>	35.4%
Residential	209	177	18.2%	152	37.5%
C&I	487	358	36.1%	361	34.9%
Transportation	47	36	28.6%	35	34.3%
<b>Gas Sales-wholesale</b>	<b>187</b>	<b>144</b>	<b>29.7%</b>	<b>193</b>	-3.1%
<b>Total Gas Sales Volume</b>	<b>929</b>	<b>715</b>	<b>30.0%</b>	<b>741</b>	25.4%
Long-haul Pipeline transmission	386	323	19.5%	352	9.7%



- Retail dollar margin decreased by 5 cents compared with 1H2020, due to: 1) certain projects rely non-piped gas supplies and exposed to rise of LNG prices during winter shortage; 2) city-gate base price increased in Q2 with time lags of cost pass-through.
- By the end of July, 65% of the cost pass-through has been completed.

<b>Selling price &amp; gas cost (RMB/m<sup>3</sup>)</b>	<b>1 H 2 0 2 1</b>	<b>1 H 2 0 2 0</b>
Residential	2.28	2.40
C&I	2.57	2.59
Transportation	3.16	3.09
<b>Average selling price</b>	<b>2.53</b>	<b>2.56</b>
<b>Dollar Margin (ex VAT)</b>	<b>0.51</b>	<b>0.56</b>

<b>Average connection fee (RMB/household)</b>	<b>1 H 2 0 2 1</b>	<b>1 H 2 0 2 0</b>
City households	2,590	2,592

- The newly connected city customers was 145,130 household in 1H2021, a 5% YoY rise, on track with the annual plans.
- The newly added rural residential customer decreased, as the group focused on construction of medium pressure supporting facilities outside the villages and counties.

	2021.6.30	2020.12.31	Amount Change	Changes
<b>Number of Customers (household)</b>	<b>4,581,971</b>	<b>4,204,256</b>	<b>377,715</b>	<b>9.0%</b>
Residential Customers (household)	4,547,764	4,175,949	371,815	8.9%
C&I Customers (household)	34,207	28,307	5,900	20.8%

	1H2021	1H2020	YoY	1H2019	1H21/1H19
<b>New Residential Customers (Household)</b>	<b>285,211</b>	<b>379,263</b>	<b>-24.8%</b>	<b>390,604</b>	<b>-27.0%</b>
City (Household)	145,130	138,824	4.5%	140,577	3.2%
Rural (Household)	140,081	240,439	-41.7%	250,027	-44.0%
<b>New C&amp;I Customers (Household)</b>	<b>1,477</b>	<b>1,177</b>	<b>25.5%</b>	<b>1,152</b>	<b>28.2%</b>
Total Engineering construction* service(Million RMB)	1,172	1,142	2.7%	1,099	6.6%

\*Including income from city engineering construction services, installation inside villages and counties as well as medium pressure supporting facilities outside the villages and counties.



## Newly consolidated city gas projects

Gansu Jingyuan County  
Qinghai Huzhu County  
Qinghai Datong County  
Sichuan Mianzhu City



## Newly acquired city gas project

### Sichuan Mianzhu City

#### Location advantages

- Core area of Chengdu Chongqing Urban Agglomeration
- Traffic arteries connecting the Northwest and Tibet

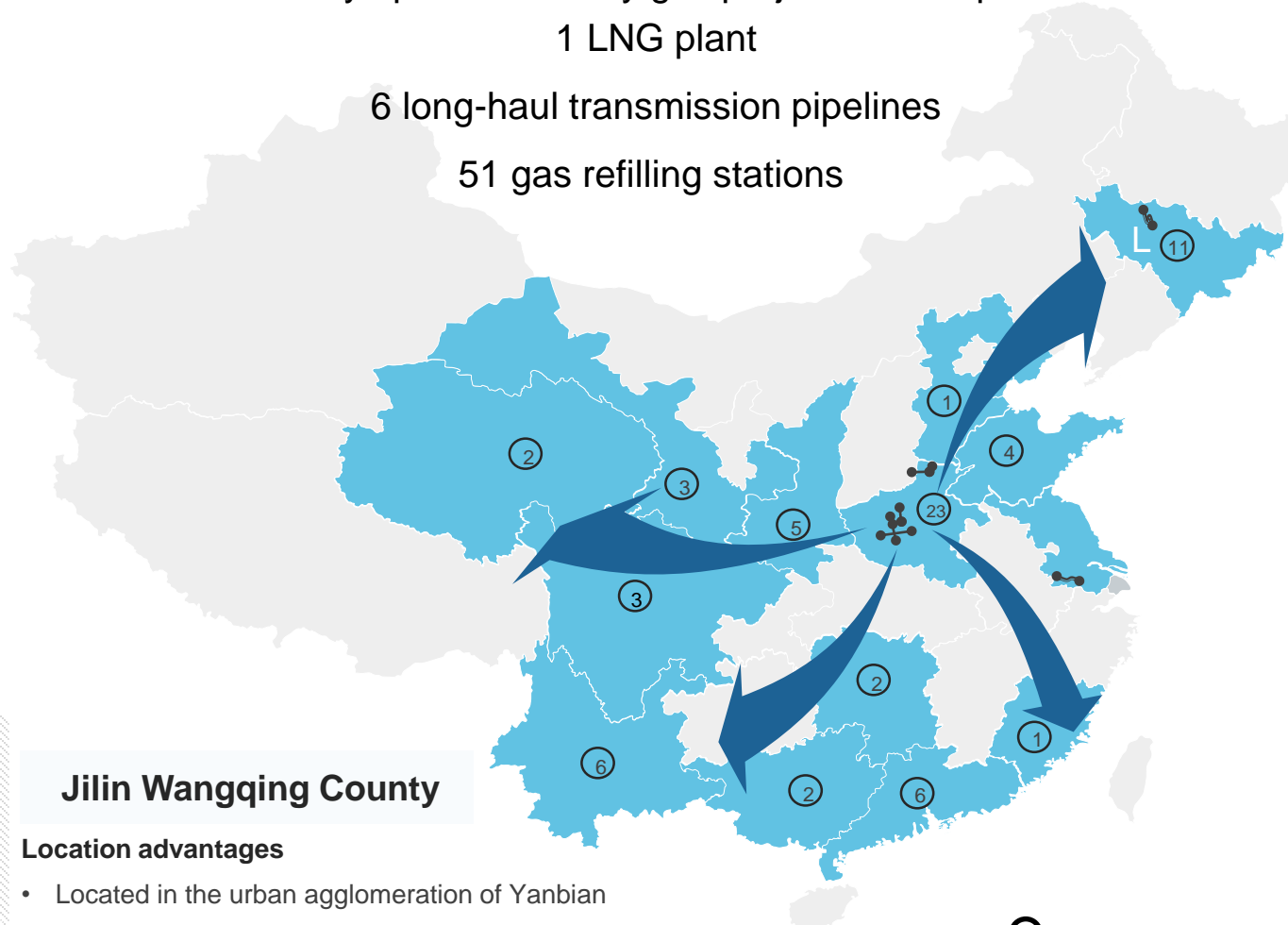
#### Project advantages

- 3 Matured industrial parks
- The only lithium battery leading industrial park in Sichuan
- Form synergy with existing projects in Sichuan

We currently operate **69** city gas projects in **16** provinces  
1 LNG plant

6 long-haul transmission pipelines

51 gas refilling stations



### Jilin Wangqing County

#### Location advantages

- Located in the urban agglomeration of Yanbian
- Central of opening up pilot zone of Changchun-Jilin-Tumen region

#### Project advantaged

- Enhance business volume and influence in Jilin
- Great potential for promotion of natural gas in the region
- Form synergy with existing projects in Jilin

○ City gas project

— Long-haul Pipelines

L LNG Plant

- We have participated in the rural gasification business with co-operated with Zhongyuan Yuzi since 2H2018.
- By the end of June 2021, we have provided engineering services for 1.67million households and have collected accumulated payment of RMB 3.47 billion or 62% collection rate
- The payment pace in 1H2021 was affected by the required audit of ADB and state-owned capital, which has been already completed.

Unit: 10 thousand households, RMB Million	Cumulative household completion	Cumulative project revenue (inch VAT)	Accumulated Payment collection	Cumulative payment collection rate
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	62%
2020.12.31	153	4,794	3,369	70%
2021.06.30	167	5,612	3,465	62%

**Value added business grow rapidly**

Accounted for 6% of group's total gross profit

Practical achievements

**Implementation of strategy and innovation**

Mid-term planning

## Realize comprehensive service value

### New customer service system

Users+Services

Analyze and understand users needs

Grid and IOT promotion

Built and enforce overall after-sales system

Family services + City services

### Information system integration

Marketing+Sales+Promoting

Data sharing and system integration

Tian Lun e- shopping platform

Online customer service

Online + Offline publicity platform

Unit: RMB thousand	1H2021	1H2020	YoY
Revenue	73,126	58,726	24.5%
Gross Profit	53,723	38,420	39.8%
Gross Profit margin	73.5%	65.4%	8.1PPT

## Abundant product line

- Cooperation with famous brands
- Gas appliance brand shortlisted
- All brands and product are covered

## Improve Marketing ability

- Marketing activities to improve sales
- Promotion: RMB 47.93 million in 41 days
- Internal purchase festival and "China brand day" exhibition activities
- Carry out marketing activities for rural users



## Innovation sales Pattern

- Special sales for wall mounted furnace
- Transformation from gas insurance to home property insurance
- Household appliances packaging
- New business development: IOT + Heating

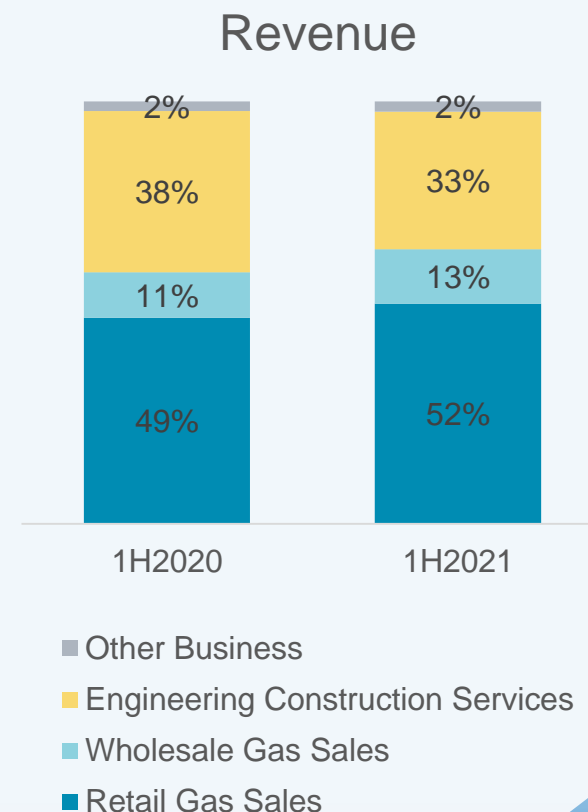


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- Total revenue increased by 20% during 1H2021 and retail gas revenue contribution rose to 52%, supporting improvement of revenue structure and quality.
- Total segment profit rose by 3%, lower than revenue growth due to: 1) gas sales segment profit growth lower than the respective revenue growth as a result of cost rise and delayed pass-through; 2) segment profit of engineering construction business declined due to the change of business mix.

Unit: RMB thousand	1H2021	1H2020	YoY
<b>Total revenue</b>	<b>3,599,400</b>	<b>2,995,535</b>	<b>20.2%</b>
Retail gas sales	1,874,943	1,462,099	28.2%
Wholesale gas sales	465,577	322,540	44.3%
Engineering Construction Business	1,172,361	1,142,010	2.7%
Other businesses	86,519	68,886	25.6%

Unit: RMB thousand	1H2021	1H2020	YoY
<b>Total segment profit</b>	<b>756,830</b>	<b>734,137</b>	<b>3.1%</b>
Retail gas sales	197,842	171,722	15.2%
Wholesale gas sales	23,266	20,202	15.2%
Engineering Construction Business	489,913	506,195	-3.2%
Other businesses	45,809	36,018	27.2%





- Our total revenue, EBITDA and core profit expanded by 20.2%, 4.8% and 5.9% in 1H2021.
- The gross profit margin decreased slightly while both ROE and ROA remained robust.
- Dividend per share increased by 17.8%, and the dividend payout ratio of core profit rose to 30%.

	1 H 2 0 2 1	1 H 2 0 2 0	Y o Y
Total Revenue (RMB thousand)	3,599,400	2,995,535	20.2%
Gross Profit (RMB thousand)	868,728	836,494	3.9%
EBITDA (RMB thousand)	888,076	847,167	4.8%
Core Profit* (RMB thousand)	449,404	424,345	5.9%
Dividend per share (RMB cent)	13.4	11.4	17.8%
Dividend payout of core earnings	30.0%	26.5%	3.5PPT
ROE*	18.4%	21.1%	-2.7PPT
ROA*	6.5%	6.9%	-0.4PPT

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

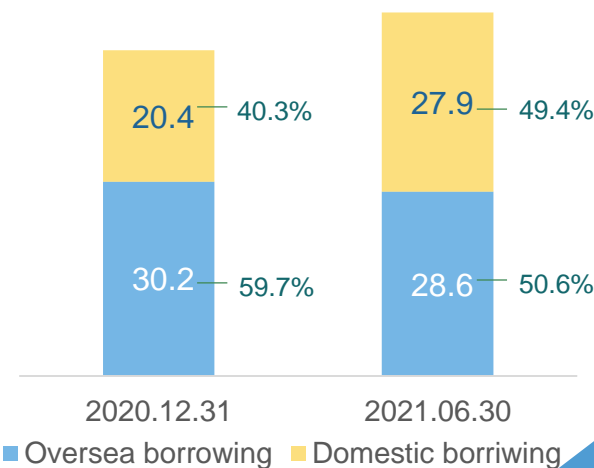
\*ROE: Core profit/net assets attributable to the parent company (annualized)

\*ROA: Core profit /total assets (annualized)

- Due to the payment of project acquisitions, total debt level increased compared with the end of 2020, but the medium to long-term asset liability ratio target remains lower than current level
- In 1H2021, the comprehensive borrowing cost was 4.6% (5.1% at the end of 2020), down 50 BP

RMB million	2021/6/30	2020/12/31	Change
Total asset	14,555.3	12,918.1	12.7%
Total liability	9,197.9	7,937.9	15.9%
Total equity	5,357.4	4,980.3	7.6%
Equity attributable to owners of the company	5,059.8	4,699.2	7.7%
Cash and cash equivalents	1,130.5	1,640.1	-31.1%
Asset Liability ratio	63.2%	61.4%	1.8PPT

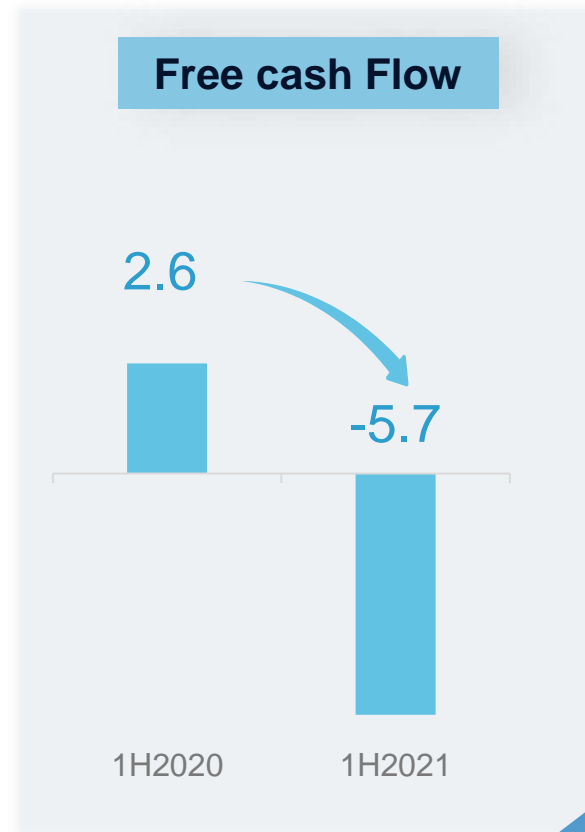
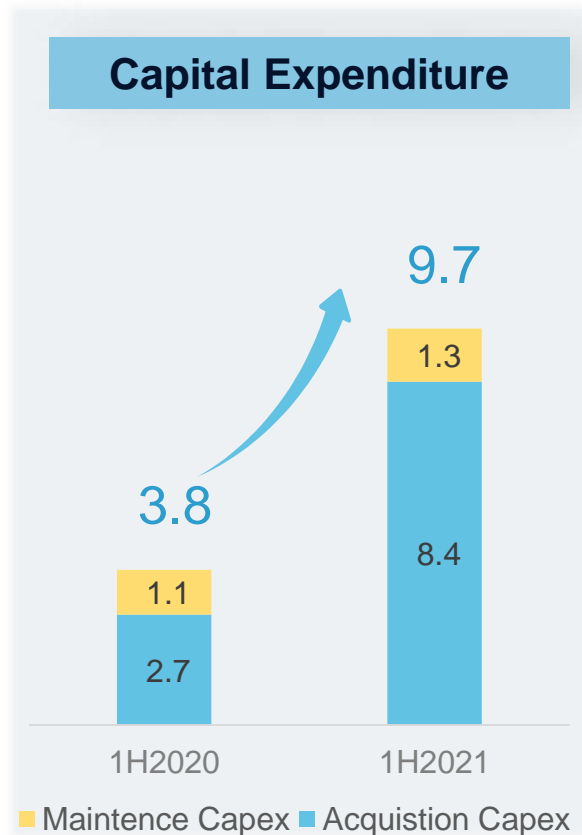
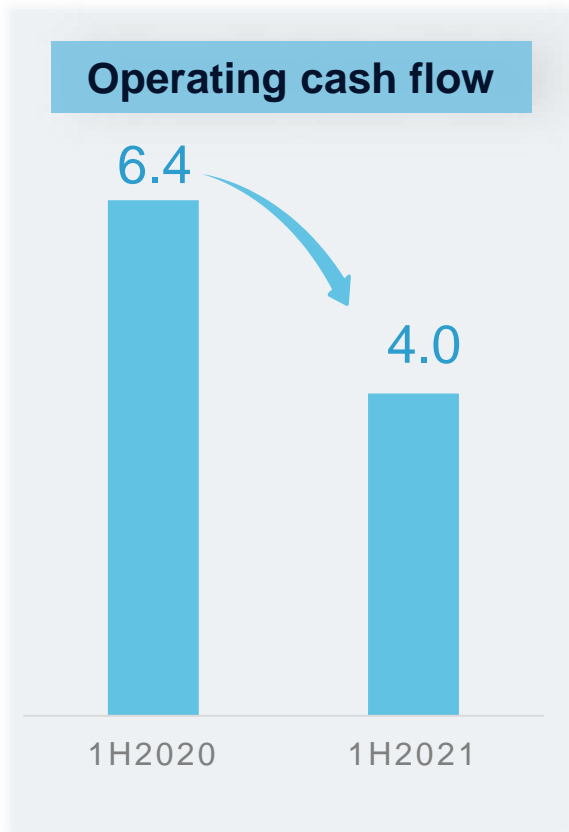
Borrowings	2021/6/30	2020/12/31	Change
Total borrowings (RMB 100 million)	56.5	50.6	11.5%
Net debt (RMB 100 million)	45.2	34.2	32.2%
Net debt/Equity ratio	84.4%	68.7%	15.7PPT



## Cash Flow Changes

RMB 100 million

- The operating cash flow decreased about RMB 200 million due to impact of slower collection pace for the rural gasification business. Large payment was made to the acquisition of Datong and Huzhu project, resulting in larger capex and lower free cash flow.
- In 2H2021, we will strengthen cash flow management and strive to restore positive free cash flow.





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## Optimize ESG management Strengthen management system

- ✓ Board of directors+ Management + IR Department +ESG working group
- ✓ Strategy + Risk control + Daily operations

## Response to SDGs



## Communication with interested parties

- ✓ Enhance public transparency
- Diversified communication methods
- ✓ 1,222 valid questionnaire responses



\*This data is after the joining of new indicators in July



**BBB**

MioTech ESG rating in early 2021

Latest score of Tian Lun Gas: 70.37

Average score of peers: 69.70

## 2020 ESG Key Indicators ★

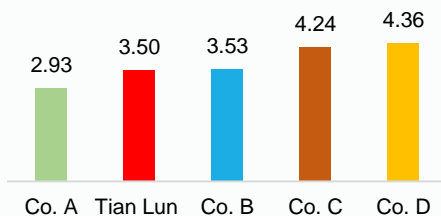
**43,548**  
Total Energy Consumption  
mWh

**22,534**  
Total Emission of GHG  
Tons of CO<sub>2</sub> equivalent

**0.002**  
Discharge Intensity of Hazardous Waste  
tons/million revenue

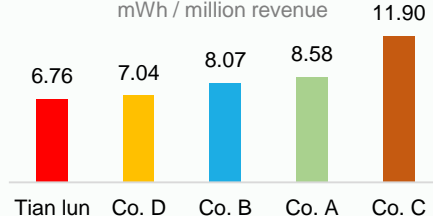
### Intensity of GHG emissions

Tons of CO<sub>2</sub>/million revenue



### Intensity of Energy consumption

mWh / million revenue



**10**

Million  
Donation

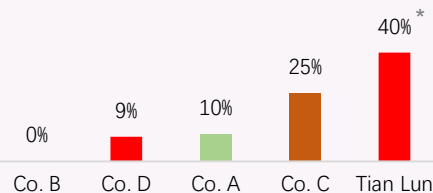
**11,017**

Hours  
Training Duration

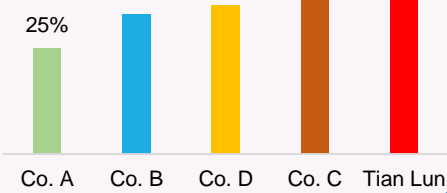
## Eagles project

Incentive Plan

### proportion of female in the board of directors



### proportion of female employees



## Addressing climate change and promoting green energy

- Persist in green development, respond to the national energy development strategy and carbon targets
- Strengthen the management of wastewater, waste gas and solid waste, promote green transformation of regional energy structure



In 2020, the group recorded sales of natural gas of **2.28** billion m<sup>3</sup>, equivalent to replacement of **3.03** million tons of standard coal

## Save energy and build green office

- Explore various energy conservation and emission reduction management measures
- Implement energy consumption indicators, environmental protection concept in daily operation

In 2020, power and energy conservation expenses about RMB **1.3** million; refitted over **50** gasoline cars into green vehicles



## Diversified board structure

### Effective communication with investors

- **50%** independent non-executive directors
- 40%** female directors
- Information disclosure: true, accurate, complete and timely

## Supply chain management

- ✓ Fair and just procurement
- ✓ **78%** of suppliers are ISO certified
- ✓ Supply Chain: quality + environment + safety



## Anti-corruption

- ✓ Vice president of national Anti Fraud Alliance
- ✓ Incorrupt education **23** times during 2020
- ✓ Sign integrity commitment with employees and suppliers



Incorrupt education

## Standardize employment management

- Proportion of **female** employees higher than peers
- Pay attention to training, staff incentive and promotion
- Protect and respect rights and interests of employees

## Caring for employees

- Create a good working atmosphere
- Welfare for work life balance

## Social responsibility

- Donate RMB **10** million to fight against COVID-19
- Publicize gas safety and improve people's awareness
- In July 2020, many places in Henan suffers from rainfall disaster, subsidiaries in Henan region rush into rescue to ensure gas supplies



Festival Activities

## A trinity safety management mechanism of Tian Lun Gas



## Respected laws improve safety management

- **observance of laws**: Strictly abide by relevant laws and regulations, building a standardized and scientific safety management system
- **Safety costs**: In 2020, RMB 13.9 million was invested to improve safety management

## Safety management measures

- **Improve the safety system**: Over 10 safety management standards have been newly compiled and revised
- **management of subsidiary**: Set monthly safety goals, Clear reward and punishment
- **rectification of hidden dangers**: rectification rate of hidden dangers reaches 100%

## Pay attention to safety organize safety education and training

- **Employee safety**: From 2018 to 1H2021 the number of deceased due to work is 0
- **Safety Training**: 12,839 hours, 18,738 participants

## Learn from Industrial accident

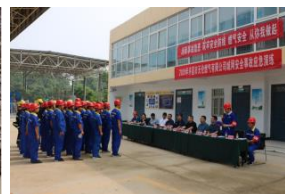
- **Rapid response**: After the 6-13 Shiyuan accident, our safety committee held an emergency meeting and arranged safety inspection
- **Troubleshooting and rectification**: Our subsidiaries act fast and comprehensively eliminate potential safety hazards

## The principle of “4 do not allow” in accident management

- Do not allow that the cause of the accident was not found
- Do not allow that the responsible person was not seriously dealt with
- Do not allow that the responsible person of the accident and the employees were not deeply educated
- Do not allow that the preventive measures for accidents were not implemented



Emergency Relief



Emergency Drill



Security Check



Safety Training

## Content of Safety inspection

- Conduct of operator
- Status of materials
- Equipment
- Working environment
- Management





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- Improve current business strength and capture new policy directions, strengthen governance and ensure sustainable development
- Expand enterprise scale and explore new business opportunities
- Adhere to green and sustainable development, improve ESG level and enhance brand influence
- Optimize and improve profitability, create higher returns for shareholders

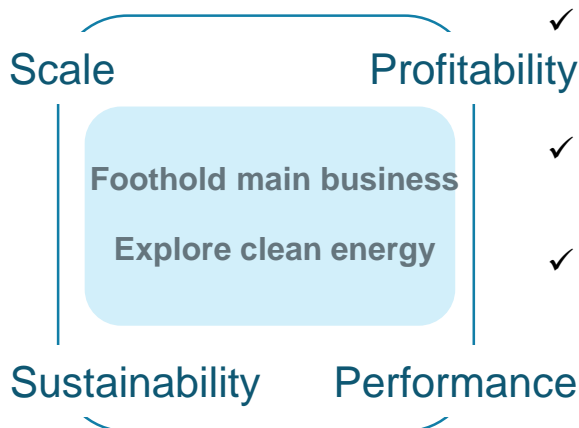
✓ Optimize existing projects , persist in **“Selective M&A”**

✓ Practice in **“rural gasification”** , Boost rural development

✓ Respond to the carbon targets and actively explore **clean energy**

✓ Ensure safe and stable gas supply, care about the environment and humanities. improves **ESG standards**

✓ Use digital platforms to promote **management efficiency** and sustain the development of enterprises



✓ Optimize gas storage and supply , improve **profitability of gas sales**

✓ Develop value-added business based on customer-centric & service-oriented

✓ Progressive advantage business , **improve asset efficiency**

✓ Enhance **dividends payment** , create higher returns for shareholders

✓ Reduce level of interest-bearing liabilities, **strengthen free cash flow management**

✓ Key indicators remain at the forefront in the industry

- **Pipeline:** coordinate the national and state-owned pipelines, realize regional interconnection
- **Resources:** establish a resource liaison system for gas source coordination and cooperation
- **Contract increment:** the contract increment of primary users is 112.03 million m<sup>3</sup>

## Gas source coordination

## Administration

- **Volume and price efficiency:** preferential locking in advance for centralized LNG procurement
- **Resource guarantee:** sign contracts and reserve resources
- **Interaction:** Interaction with partners' leasers and promote gas source cooperation
- **Policy:** collect and subservient to relevant policies

Coordina-  
-tion

Organized

Optimi-  
-zation

Planning

Expand

## Engineering construction

## Market Expand

- **Scheme optimization:** more than 10 key projects of medium and high pressure pipe network have been completed
- **Multi-line connection:** completion of opening —pipeline network—off load station connection

- **Principle:** construction is consistent with the optimization of gas source
- **Research:** Completed 12 pipeline network reserve projects
- **Follow up:** follow up the construction and strengthen the regional links

Gas source  
Planning  
In 2H2020

- Find gas supply gaps and accelerate optimization
- Strengthen cooperation and diversify gas sources
- Connect the upstream gas source, maintain public relations
- Strengthen regional interaction, obtain the supplement of extraterritorial projects
- LNG procurement locks the gas source in advance to expand the profit

Long-term  
Development  
direction

- Diversified cooperation and development
- Ideas in cooperation with state-owned and private owned enterprises
- Ensure user's life by gas storage and supply
- Strengthen industry standardization in safety management

## Zhuhai Port became the new shareholder with potential cooperation in the new energy field



- On July 15, Zhuhai Port completed acquisition of 11.96% equity of Tian Lun Gas, became the 2<sup>nd</sup> largest shareholder
- A five-year strategic cooperation agreement on new energy was signed
- Exploring cooperation in photovoltaic, wind power, energy storage, hydrogen energy, carbon emission reduction and other energy fields
- Searching the application scenarios of green hydrogen production by photovoltaic and wind power plants and its combination with natural gas
- Probing the development of roof distributed photovoltaic and its combined application with natural gas in rural area

## Policy guidance

### Promote distributed photovoltaic industry in whole counties

- Fit the environmental and energy strategic development**

Path to achieve the goal of "carbon peak and carbon neutralization"

Improve the consumption capacity of renewable energy in the society

#### Photovoltaic policy was officially launched nationwide

Notice on submitting the pilot scheme for roof distributed photovoltaic development in the whole county (city, district) by national energy administration on 20 June

- 66 counties in Henan Province adopt the "1 + 1 + X" construction mode to promote distributed photovoltaic**

1 Energy enterprise + 1 policy bank + x territorial platform company

Promote project construction in order, help improve the quality of towns and rural revitalization

## Extended business of Tian Lun Gas

Rooftop photovoltaic + City/rural customer resources

**New energy development plan is being formulated**

- National goal of promoting rooftop photovoltaic in whole counties**

**30%**

% of C&I usable roof for distributed photovoltaic

**20%**

% of rural usable roof for distributed photovoltaic

- The distributed photovoltaic market in Henan Province has incredible potential**

**200 million m<sup>2</sup>**

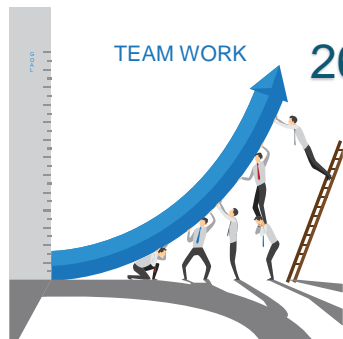
Total roof area of industrial clusters in Henan province

**1,300 million m<sup>2</sup>**

Total rural roof area in Henan province

Market size of distributed photovoltaic in Henan

**Exceeding RMB 200 billion**



26 August 2021, first ever share award scheme was adopted since listing

Share award scheme : Encourage talent to enhance business vitality

Incentive object: any qualified employee

Requirements: capable with high-potential; approving Tian Lun' mission, vision and values

## Aim

**Improve the incentive system  
Attract and motivate talents**

- Participants' benefit are highly bound to company interests
- Motivate employees to create long-term value for shareholders
- Promote the sustainable development of the company

## Attribution

**Consider the long-term benefits  
of the group and shareholders**

- Including but not limited to: revenue, retail gas sales volume and core profit growth
- Indicators in line with the development of the group and the interests of shareholders
- Other evaluation indicators determined by the board of directors

### Plan term

**10 Years**

The plan is initially valid and effective for 10 years from the date of adoption

### Maximum size

**5%**

The total par value of the shares granted under the plan shall not exceed 5% of the issued share capital

### Management

**Plan rules + Trust deed**

The plan shall be managed by the Board and the trustee in accordance with the plan rules and the trust deed

Variables	FY2021
Number of customers	Over 5 million
Retail gas sales volume	25% YoY growth
Dollar margin	Slight decrease
Value-added business profit	40% YoY growth
Core earnings	10-12% YoY growth
Annual dividend payout ratio	No less than 30% of core profit

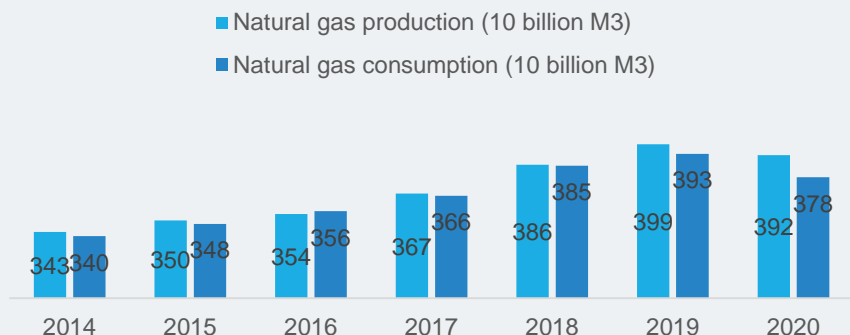


- I. Performance summary
- II. Business Review
- III. Financial Review
- IV. ESG Governance
- V. Outlook
- VI. Appendix



## Optimistic prospects for world natural gas growth

2014-2020 Global natural gas production and consumption



### • Supply

The improvement of global LNG capacity will promote the continuous growth of global LNG trade.

The natural gas market demand recovered significantly and the output increased.

The impact of epidemic spread on gas price fluctuation is becoming more obvious, aggravating the risk of price fluctuation

### Demand

The industry pays more attention to environmental protection and climate issues. Before the large-scale development of renewable energy, the demand for natural gas will continue to increase.

### Outlook

In the next 5 years, the supply and demand of the global natural gas market will be generally loose, but the LNG spot price in Northeast Asia will maintain medium and high regional operation.

With the advancement of the whole carbon neutralization process, the life cycle of traditional petrochemical energy may be shortened, and the growth of natural gas demand may be accelerated.

## China's natural gas maintains rapid growth

2015-1H2021 domestic natural gas consumption increased YoY



### • Supply

Domestic dependence on foreign natural gas is high, In 1H2021 the CIF price of imported LNG generally showed an upward trend

Promote the construction of gas storage and peak shaving facilities

In the first half of the year, the total domestic natural gas resources totaled 103.8 billion cubic meters, an increase of 9.5%

### Demand

With economic and the epidemic recovery, the demand for natural gas increased rapidly, natural gas consumption in 1H2021 increased by 11.7% YoY.

### Outlook

The central government of China improve the energy supply and marketing system, strengthen domestic oil and gas exploration and development, and speed up the construction of oil and gas reserve facilities promotes green and low-carbon development. Implement rural construction and support and guide the popularization of natural gas to villages and towns.

According to the natural gas consumption trend in the 14th five year plan, the national natural gas demand is expected to achieve an average annual growth of 5.8% in the benchmark scenario. The regions with the fastest growth rate are mainly northeast, central China, North China and southwest. From the perspective of consumption structure, there is still a large space for residents' consumption in city gas, especially the rapid growth of residents' heating in the south, "coal to gas" is still the direction of energy conversion of industrial fuel, and the decline of gas price factors and equipment costs is good for natural gas power generation. Under the goal of "carbon peak and carbon neutralization", natural gas will continue to serve as a bridge for energy transformation.

Region	Avg. gas demand growth	No. of Tian Lun Gas Projects
Northeast	8.8%	11
Central China	7.8%	25
North China	6.8%	5
Southwest	6.7%	9
South China	6.2%	9
East China	4.9%	0
Northwest	4.7%	10
<b>China</b>	<b>5.8%</b>	<b>69</b>

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

## 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"> <li>Promote the use of natural gas, electricity and renewable energy to replace inefficient and highly polluting coal;</li> <li>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;</li> <li>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;</li> <li>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</li> </ul>	<b>Rural revitalization:</b> 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
	<b>New township:</b> Implement urban renewal actions, promote urban ecological restoration, and strengthen the transformation of old communities in cities and towns and community construction	
	<b>Encourage M&amp;A:</b> 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.
	<b>Market reform:</b> 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	
	<b>Expanding domestic demand:</b> 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
	<b>Promote consumption:</b> Promote the integrated development of online and offline consumption and develop urban and rural consumer markets	
	<b>Regional coordination:</b> 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.
	<b>ECO development:</b> 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"> <li>Cost reduction and efficiency enhancement can be achieved while maintaining profitability with improved safety operation standards and ESG standards.;</li> <li>The management standard system will be strengthened and digital platform management will be promoted to boost sustainable development capabilities.</li> </ul>
	<b>Cooperation:</b> 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"> <li>Win-win cooperation could be achieved with further construction of joint venture cooperation platforms and improvement of dividends payment.;</li> <li>To maintain healthy and rapid development, the Company will strengthen free cash flow management and reduce level of interest-bearing liabilities</li> </ul>

## 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

## Industry policy trends

- **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.
- **2021.5** The Ministry of ecology and environment promulgated the measures for the administration of Carbon Emission Trading (for Trial Implementation), which will come into force on February 1, 2021, marking a new stage in the construction and development of the national carbon market.
- **2021.6** The national development and Reform Commission issued the draft of the measures for the administration of natural gas pipeline transportation prices (Interim) and the measures for the supervision and examination of natural gas pipeline transportation pricing costs (Interim), further improved the price management system of natural gas pipeline transportation, and promoted the flow of resources and the formation of a diversified competitive market.



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