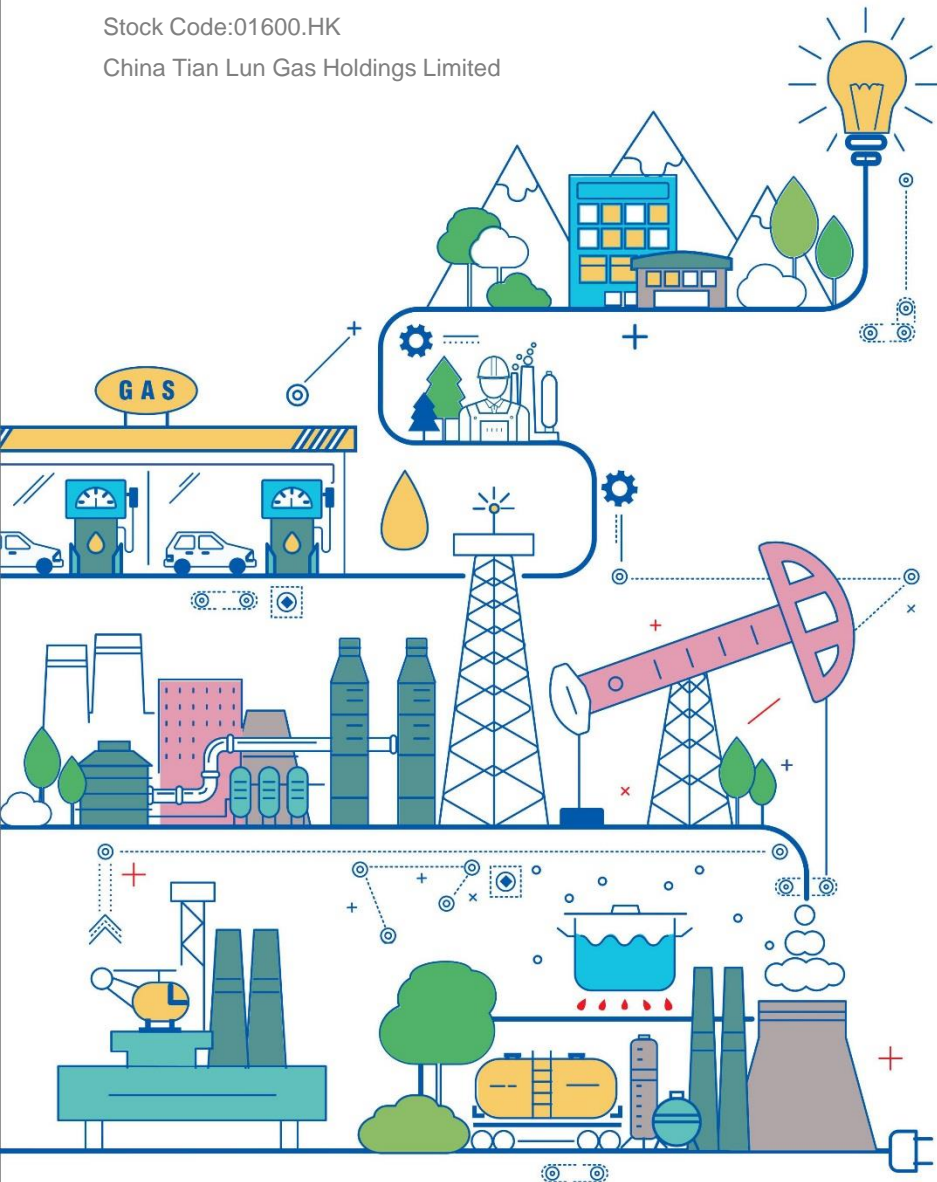




Stock Code:01600.HK

China Tian Lun Gas Holdings Limited



# 2021 Annual Results Investor Presentation

2022.04

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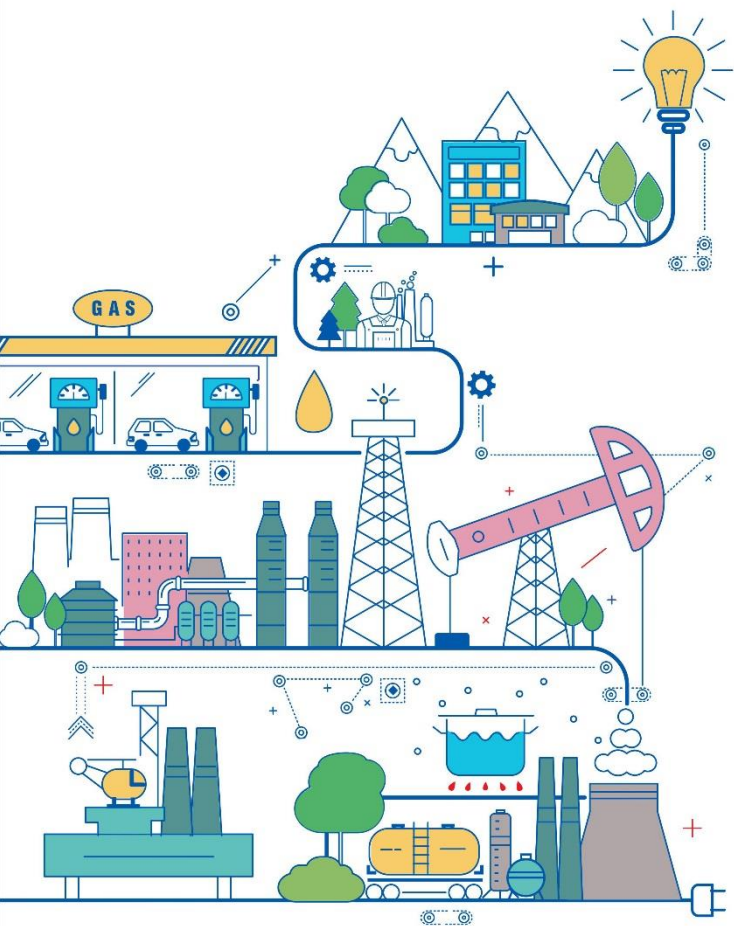
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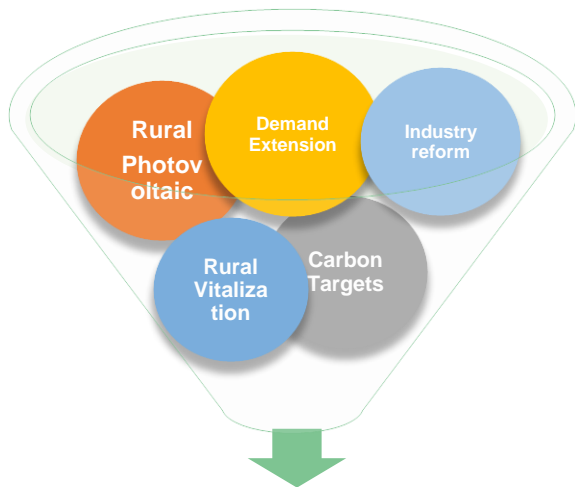
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# Opportunities and challenges of the company



## Opportunities

### Carbon Targets

Natural gas remains crucial as a clean and efficient energy solution. The demand is expected to grow rapidly in next few years.

### Industry reform

The reform of the natural gas industry is steadily, the supply is diversified, and the price has gradually entered the market-oriented stage

### Rural Vitalization

Government's No.1 Document in 2021 promotes gasification in rural area.

### Rural photovoltaic

Government's No.1 Document in 2021 promotes the construction of rural photovoltaic, biomass and other clean energy

### Demand extension

The increasing demand for multi-energy products and services from residents and C&I users provides new extension and growth potential

### Domestic and international LNG price

The upstream price raised many times, and the international LNG price has reached multi-year high due to the shortage of supply

### Energy consumption control

China's energy consumption control has led to the recent slowdown in industry demand

### Industry integration

State-owned enterprises enter and private enterprises exit, the industry integration is strong and full of uncertainty

### Epidemic Recurring

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

### Flood Impact

Henan rural gasification project suffered from rainstorm-triggered flood in 20 July 2021, and the construction progress was delayed



## Challenges

## Establish a low-carbon energy strategic cooperation ecosystem

- Announced the outline of the new development strategy 2022-2024 in Nov 2021, officially lay out the innovative energy business
- Cooperate with numbers of central enterprises to build a low-carbon energy strategic cooperation ecosystem



Strategic shareholder (the 2nd largest shareholder holds 11.96%)



中节能建筑节能有限公司  
CECEP Building Energy Conservation Co., Ltd.



The Board approved the share award scheme to attract and incentive talents

Top 10 employers in Henan of 2020

ADB granted a 50 million USD credit

Jul

Jul

Zhuhai Port became the strategic shareholder, cooperation agreement signed

Aug

Nov

Announced 2022-2024 development strategy

Nov

Strategic cooperation agreement with SPIC Henan

Nov

2021 Boao Forum: Tian Lun Gas "rural gasification helps promote urban-rural integration"

Dec

Strategic cooperation agreement with CECEP

Dec

Feature articles published on rural gasification by Henan Daily and Dahe Fortune Cube



Speaking at Boao forum



Online singing with ABD



2022-2024 development strategy conference



Best ESG award



Best energy & resource Award

- According to the current situation and development trend of the energy industry, the development strategic plan and objectives for the next three years (2022-2024) are formulated

**Enterprise vision** For people's livelihood  
For centenary brand

**Mission** To develop the clean energy  
To improve the living environment

**Strategic positioning**

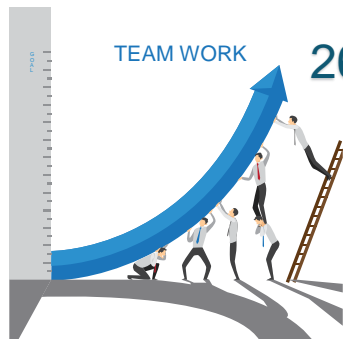
Gas as the core business, through business extension and innovation, Provide users with low-carbon, economic, safe and convenient energy services, and aim to become a first-class green and low-carbon energy supplier and service provider in China

**Quantitative objectives**

It is estimated that by 2024, the proportion of innovative business income will reach the overall income of **10%**  
It is estimated that the compound annual growth rate of overall retail sales volume in the next three years (2022-2024) will not be less than **25%**

**Strategic path**





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's mission, vision and values

## Aim

- 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

- 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**

### Maximum size

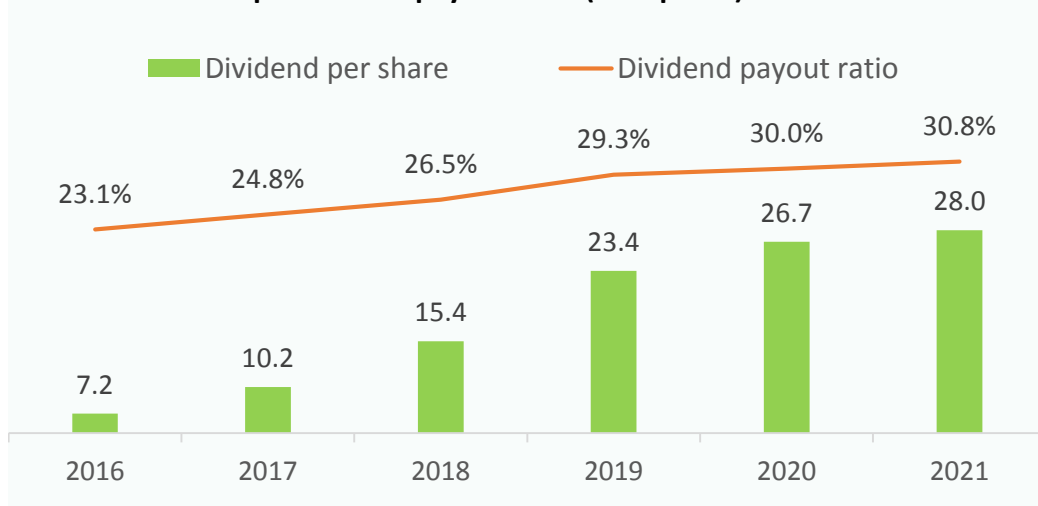
**5%**

### Management

**Plan rules + Trust deed**



Dividend per share & payout ratio (core profit) since 2016



**Focused on create shareholder value**

**Return value to shareholders**

**Improve dividend payout ratio**

Tian Lun Gas attaches importance to giving back to shareholders. Since the dividend distribution began in 2016, the dividend payout ratio has increased from 23% of core profit in 2016 to 30% in 2021.

**2021**

**Won numbers of domestic and foreign ESG ratings and awards**



**Sustainalytics**

**38.8**

Belongs to the same score group as the first echelon of the industry



**Quantdata**

**A**

Selected cases of public utility enterprises



**MioTech**

**BBB**

Total score rose to 73.34



**智通财经**

Zhitong Caijing

Best ESG Award



Retail sales volume increased by 28.6% YoY to 1.57 billion m<sup>3</sup>  
Value added service revenue increased by 94.6% YoY



There are 4.9 million residential users in total, an increase of 17% over the end of 2020; Rural engineering construction was greatly affected by the July 20<sup>th</sup> flood in Henan, the number of new rural residential management users decreased compared with last year



Affected by factors such as the rise of upstream gas price and the delay of cost pass-through, the dollar margin decreased by 0.07 RMB/m<sup>3</sup> to 0.49 RMB/m<sup>3</sup>



The flood of July 20 in Henan and the decline of dollar margin partly offset by the increase in gas sales and value-added service performance, and the core profit increased by 2.2% to RMB 915 million compared with the same period in 2020

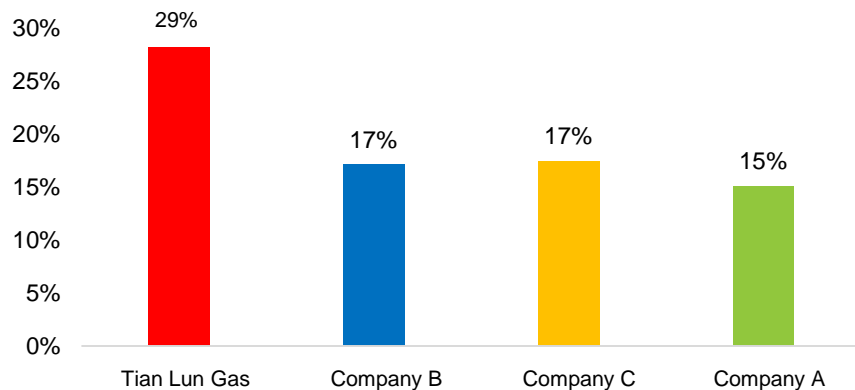


The Board recommends a final dividend of RMB 14.57 cents, the cumulative dividend per share for the full year of 2021 is 28.00 cents, corresponding to 31% of the core profit, which is higher than 30% of the core dividend in 2020

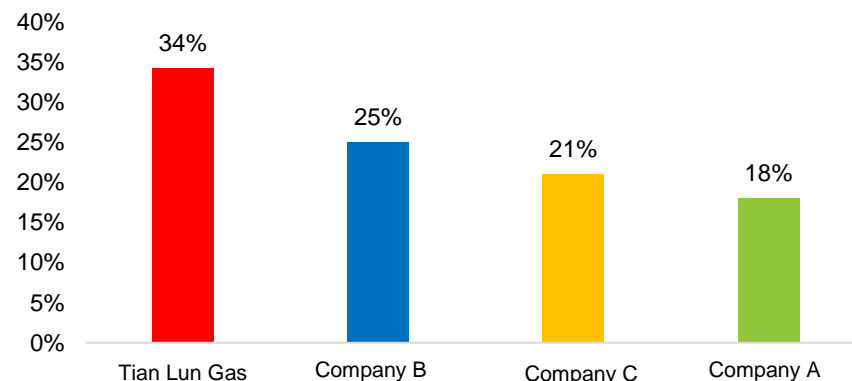


- In 2021, the retail gas volume increased by 29%, better than peer companies; the C&I gas sales volume increased significantly, reaching 34% YoY
- The decline of average retail price margin is in line with the trend of peer companies
- The value added business grow fast, and the growth rate is in the first echelon of the industry

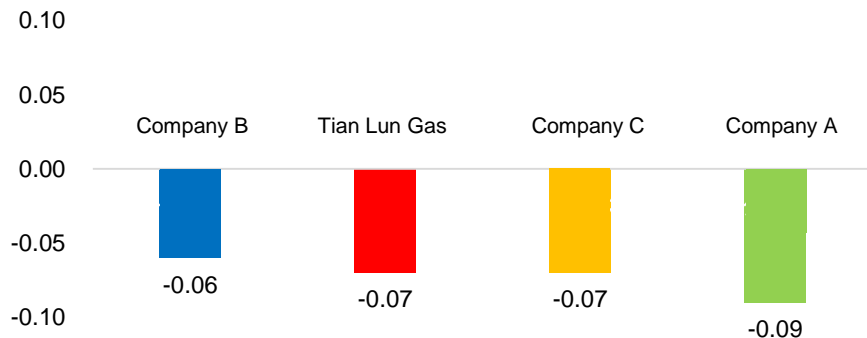
## Retail gas growth (YoY)



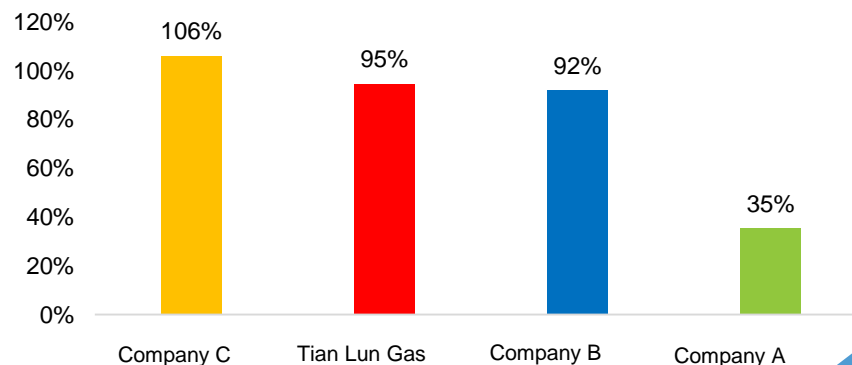
## C&I gas growth (YoY)



## Retail dollar margin decrease YoY (RMB/M<sup>3</sup>)

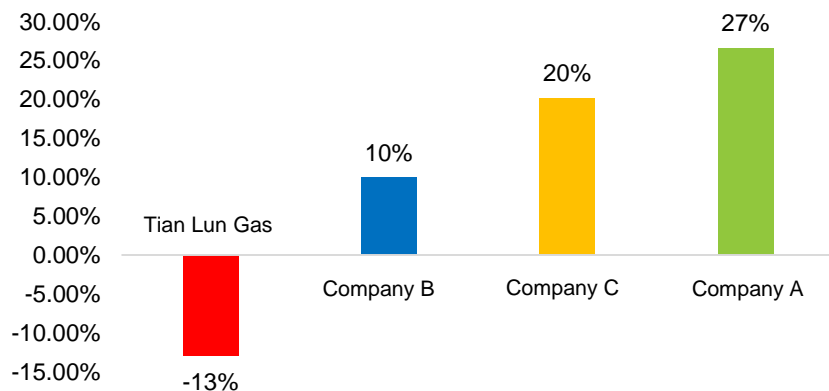


## Value added business revenue growth (YoY)

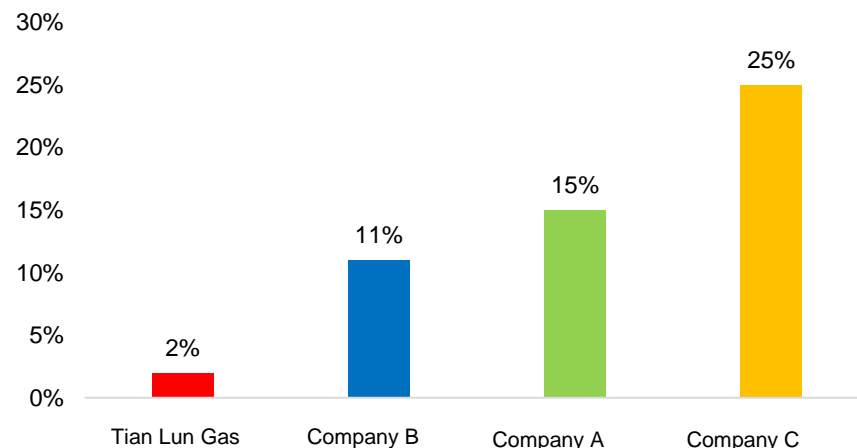


- In 2021, the engineering construction services revenue decreased compared with 2021 (rural engineering construction was greatly affected by the torrential rain triggered floods on 20 July 2021), which was inferior to the performance of peers
- The growth of gas sales and value added business was partially offset by the decline in engineering construction services profits, and the growth of core profit was lower than peers
- ROE and dividend payout ratio remained at a high level

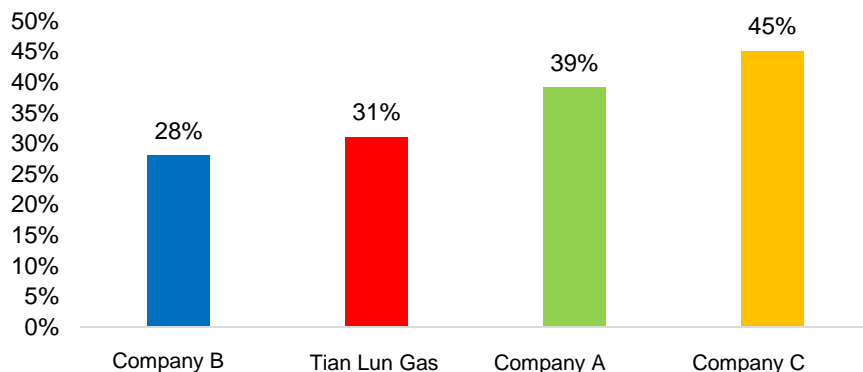
## Engineering construction services revenue growth (YoY)



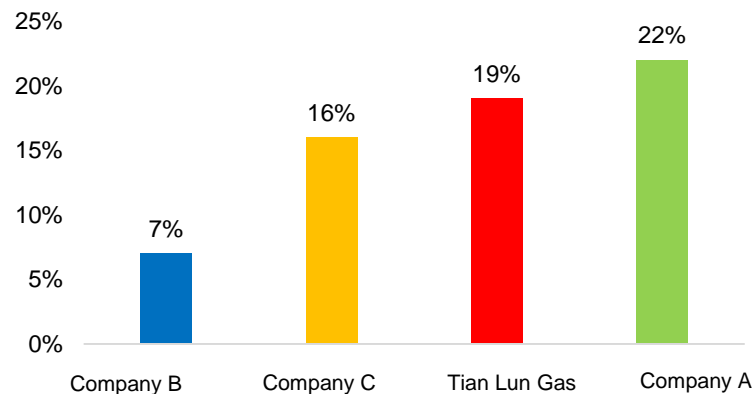
## Core profit growth (YoY)



## Dividend payout ratio of core profit



## ROE



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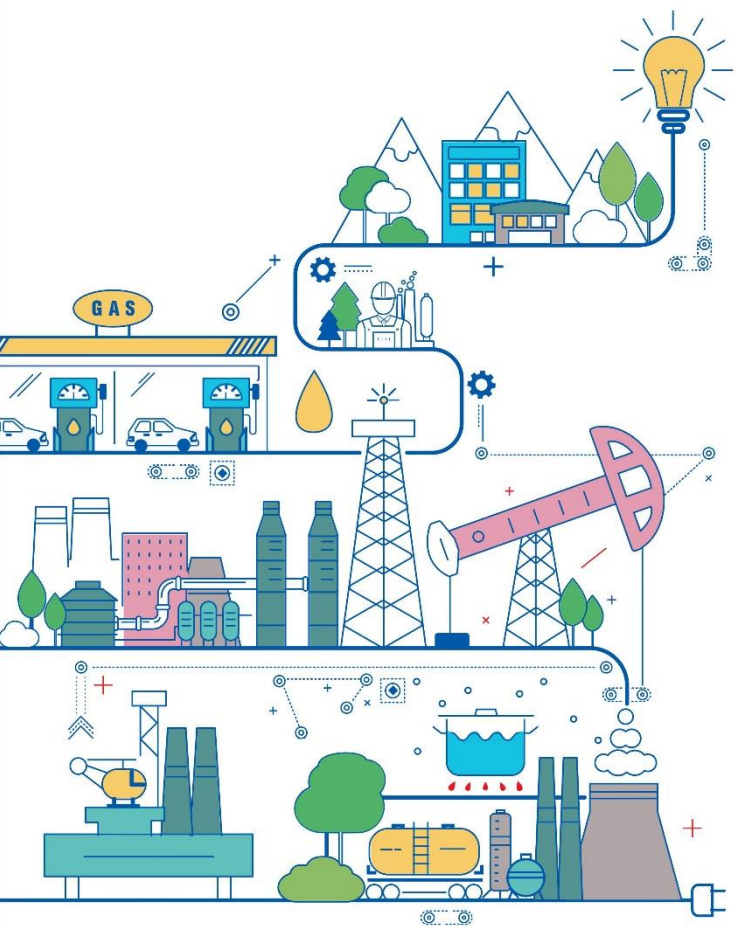
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- In 2021, total gas sales volume increased by 28% YoY, retail and wholesale gas sales increased by 29% and 27% respectively
- Retail C&I gas sales increased significantly to 34% YoY due to the contribution of economic recovery and new consolidated projects in 2021; Residential and transportation gas sales increased steadily
- C&I gas sales accounted for 66% of the total retail gas sales volume, which continued to increase compared with 63% in 2020

Million M <sup>3</sup>	2021	2020	YOY	1H2021	2H2021
<b>Gas sales-Retail</b>	<b>1,566</b>	<b>1,218</b>	<b>28.6%</b>	<b>742</b>	<b>824</b>
Residential	448	375	19.3%	209	239
C&I	1,027	764	34.3%	487	540
Transportation	92	78	17.1%	47	45
<b>Gas Sales-wholesale</b>	<b>376</b>	<b>297</b>	<b>26.7%</b>	<b>187</b>	<b>190</b>
<b>Total Gas Sales Volume</b>	<b>1,942</b>	<b>1,515</b>	<b>28.2%</b>	<b>929</b>	<b>1,013</b>
Long-haul Pipeline transmission	813	766	6.2%	386	426

- The new city residential customers was 291,514 households in 2021 , a 10% YoY increase
- On 20 July 2021, Henan Province was affected by torrential rain triggered floods, which affected the progress of rural gasification projects in recent quarter, and the number of new customers decreased by 38.7% YoY

	2021.12.31	2020.12.31	Amount Change	YoY
<b>Number of Customers ( household )</b>	<b>4,938,642</b>	<b>4,204,256</b>	<b>734,386</b>	<b>17.5%</b>
Residential Customers ( household )	4,901,266	4,175,949	725,317	17.4%
C&I Customers ( household )	37,376	28,307	9,069	32.0%

	2021	2020	YOY	2H21 YoY	1H21 YoY
<b>New Residential Customers ( Household )</b>	<b>638,713</b>	<b>832,213</b>	<b>-23.3%</b>	<b>-22.0%</b>	<b>-24.8%</b>
City ( Household )	291,514	265,648	9.7%	15.4%	4.5%
Rural ( Household )	347,199	566,565	-38.7%	-36.5%	-41.7%
<b>New C&amp;I Customers ( Household )</b>	<b>4,646</b>	<b>3,471</b>	<b>33.8%</b>	<b>38.1%</b>	<b>25.5%</b>

- Retail dollar margin dropped 0.07 RMB/M<sup>3</sup> affected by the upstream price rise and the delay of the cost pass-through
- By the end of 2021, the group has completed the cost pass-through of most C&I users in city gas sector
- Average connection fee of city households maintain stable

Selling price & gas cost ( RMB/m <sup>3</sup> )	2021	2020
Residential	2.26	2.35
C&I	2.67	2.57
Transportation	3.63	2.85
<b>Average selling price</b>	<b>2.61</b>	<b>2.51</b>
<b>Dollar Margin ( ex VAT )</b>	<b>0.49</b>	<b>0.56</b>

Average connection fee ( RMB/household )	2021	2020
City households	2,628	2,601

## Informatization empowers value added business

### Customer service is more intimate

#### IoT network



- IoT meter supporting
- Safety intelligent monitoring

#### Information Platform



- User big data analysis
- Safety system interaction

#### Customer service system



- Quick response
- Meet customer demands

### Safety upgrade

## Promoting the development of value added business in multiple ways

### Diversified marketing

Online + Offline  
Promotional Activities

### Own brand building

Gas accessories mass production soon  
Gas appliances cooperation with big brands

### Potential value mining

ARPU increase↑  
52 to 88 RMB per household

### Customer resources

Residential customer 4.9 million  
C&I customers 37,376



Promotional  
Activity poster



Tian Lun e shopping

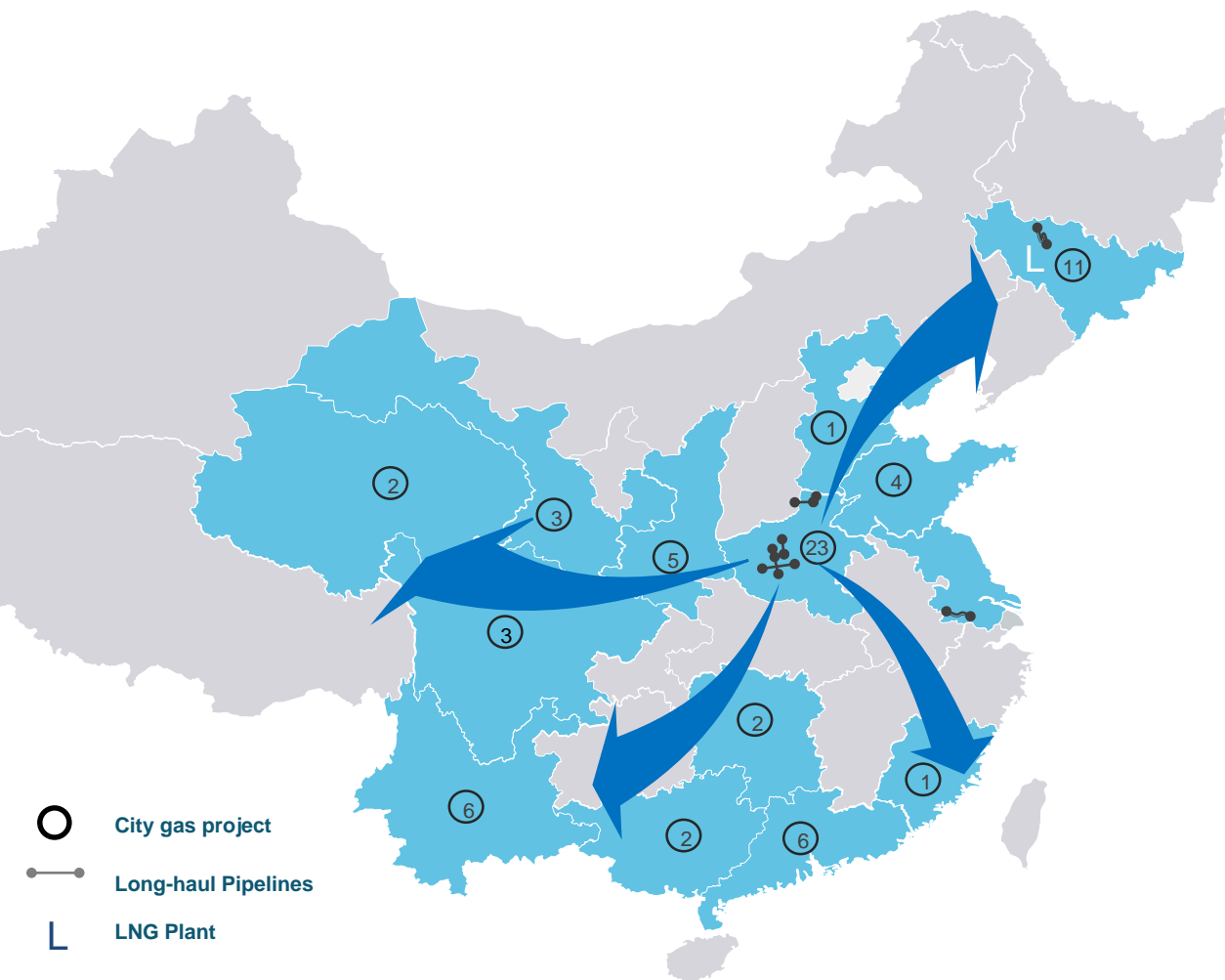


Gas appliance, gas self closing valve



RMB 1,000	2021	2020	YoY
Revenue	268,330	137,871	94.6%
Gross profit	139,109	89,162	56.0%
Gross profit margin	51.8%	64.7%	-12.8PPT





We operates **69** city gas projects

1 LNG plant

6 long-haul transmission pipelines

51 gas refilling station



## 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  
Jilin Wangqing County

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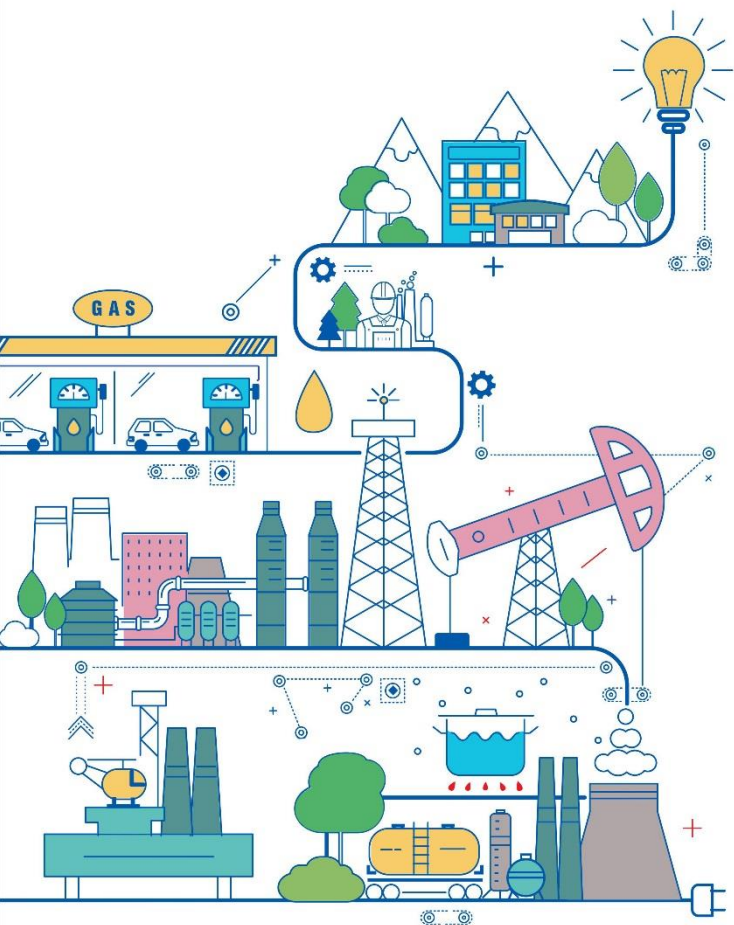
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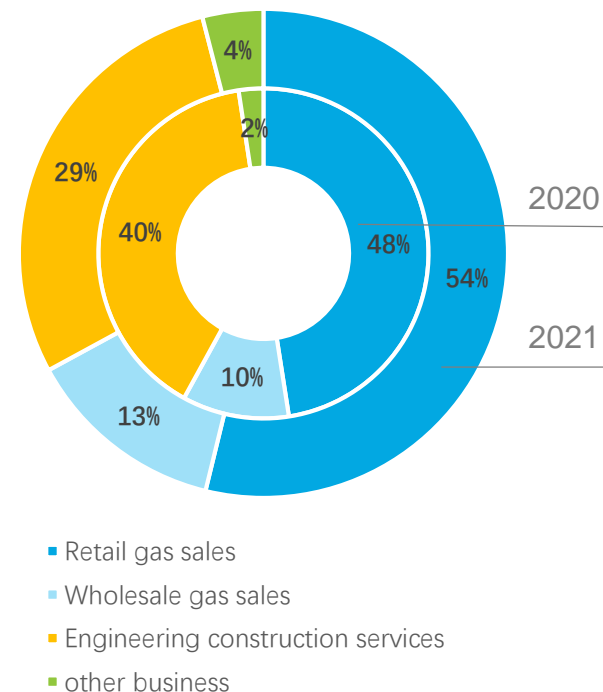


- In 2021, the total revenue increased by 19%, the proportion of retail gas sales increased to 54% (48% in 2020), and the revenue structure continued to be optimized
- The total segment profit slightly decreased in 2021, mainly due to the YoY decline in revenue of engineering construction business

RMB 10,000	2021	2020	YOY
<b>Total Revenue</b>	<b>765,034</b>	<b>643,978</b>	<b>18.8%</b>
Retail gas sales	408,967	306,083	33.6%
Wholesale gas sales	102,727	67,384	52.4%
Engineering Construction Business	222,151	254,968	-12.9%
Other Businesses	31,189	15,542	100.7%

RMB 10,000	2021	2020	YOY
<b>Total segment profit</b>	<b>150,944</b>	<b>154,623</b>	<b>-2.4%</b>
Retail gas sales	41,561	38,514	7.9%
Wholesale gas sales	8,109	4,999	62.2%
Engineering Construction Business	88,134	102,855	-14.3%
Other Businesses	13,140	8,255	59.2%

## Revenue



- In 2021, the total revenue increased by 19% YoY and core profit increased by 2% YoY
- The annual dividend per share is 28.0 cents, a YoY increase of 4.9% over 2020
- ROE and ROA remained at a good level

	2021	2020	YOY
Total Revenue ( RMB thousand )	7,650,345	6,439,777	18.8%
Gross Profit ( RMB thousand )	1,779,119	1,786,125	-0.4%
EBITDA ( RMB thousand )	1,803,936	1,763,147	2.3%
Core Profit* ( RMB thousand )	915,343	895,213	2.2%
Dividend per share ( RMB cent )	28.0	26.7	4.9%
Dividend payout of core earnings	18.5%	20.8%	-2.3PPT
ROE*	6.7%	7.4%	-0.7PPT

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

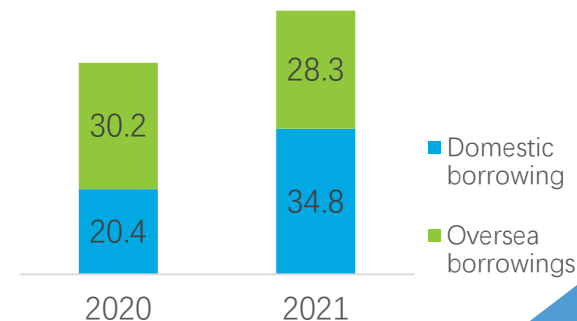
\*ROE : Core profit/net assets attributable to the parent company (annualized)

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

- The group's debt level increased in 2021
- The financing cost in 2021 was RMB 243 million, a 6.9% YoY decrease
- In 2021, the comprehensive capital cost rate was 4.6% ( 5.1% in 2020) the financial cost further reduced

RMB million	2021.12.31	2020.12.31	Change
Total asset	15,104.8	12,918.1	16.9%
Total liability	9,576.5	7,937.9	20.6%
Total equity	5,528.4	4,980.3	11.0%
Equity attributable to owners of the company	5,218.2	4,699.2	11.0%
Cash and cash equivalents	1,015.0	1,640.1	-38.1%
Asset Liability ratio	63.4%	61.4%	+2.0PPT

Borrowings	2021.12.31	2020.12.31	Change
Total borrowings ( RMB 100 million )	63.1	50.6	24.6%
Net debt ( RMB 100 million )	52.9	34.2	54.5%



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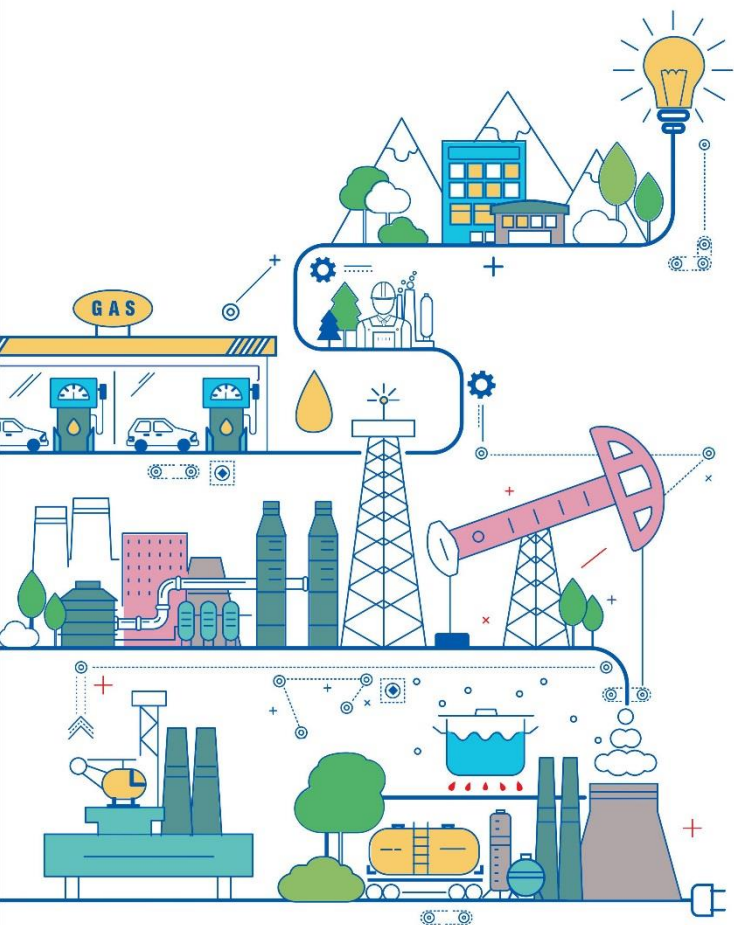
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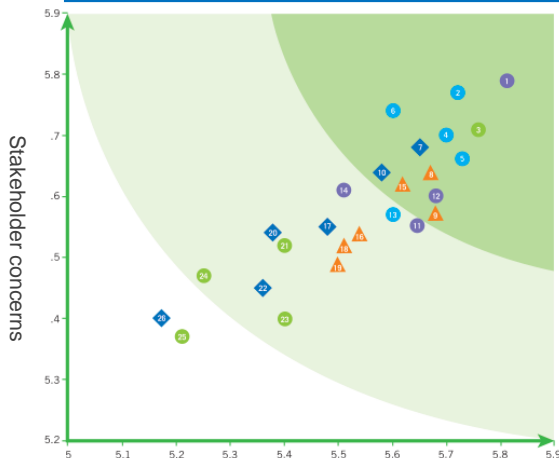
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# Build ESG sustainable development system

## ESG Stakeholder engagement

- ◆ Environmental issues
- Products and services
- ▲ Corporate governance
- Employee responsibilities
- Social responsibilities



Impacts on sustainable development of the company

- 26 ESG issues collected
- 11 major stakeholder
- 1,222 valid questionnaires
- ESG strategic goal setting
- Important reference**
- Major issues matrix
- Valid for 2 years**

## Tian Lun Gas ESG disclosure

Materiality

Quantitative

Consistency

## Environmental protection



Recorded sales of natural gas  
**2.76 billion m<sup>3</sup>**



Energy substitution  
Reduce carbon emissions



Equivalent to replacement  
of standard coal  
**4.59 million tons**

## Social responsibility - torrential rain in Henan

**460**

Dispatch emergency  
mission times

**190**

Gas supply urgent  
support times

**0**

Safety accident

**8 million**

Donation for floods RMB

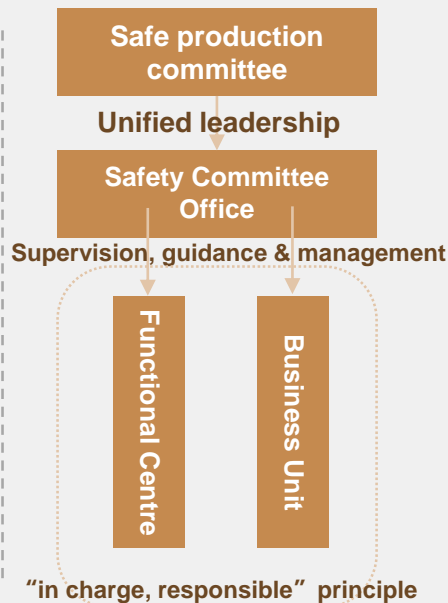
## Three level gradient ESG governance structure



ESG Management: led by CSO (Chief Strategic Officer), with the participation of heads of functional departments / business units

ESG working group: led by the investor relations department and participated by the staff of all functional departments / business units

## Safety management structure



"in charge, responsible" principle



## Government regulation accelerates the integration of city gas industry

- The newly revised production safety law of the PRC defines safety management measures; The work plan for national special rectification of city gas safety issued by the office of the safety committee of the State Council deploys the work of city gas safety
- Promote industrial safety standards with policy guidance and accelerate the "survival of the fittest" of urban gas industry

## Safety management policy of Tian Lun Gas

- ✓ Safety production policy of "safety first, prevention first, full participation and continuous improvement"
- ✓ Strictly implement the safety production responsibility system at all levels of the group

## Key measures of safety management

- I. Optimize the safety management system: clarify the safety management organization structure, timely revise the safety management, and cover all aspects of safe production and operation
- II. Construction and training of safety management team: establish a safety standardization internal audit team, encourage employees to obtain CSE qualification and improve the safety awareness of all employees
- III. Effectively ensure safety: increase safety investment, carry out special production actions, detect and transform old pipelines, dismantle illegal occupation and pressure, strengthen safety publicity and improve users' awareness of gas safety



Safety inspection of front-line



Safety inspection before the Labor Day vacation



Investigation of potential safety hazards in old residential areas



Gas accident emergency rescue drill



Special Pep rally and training for gas safety



Receive pennant from the user for safely ventilation



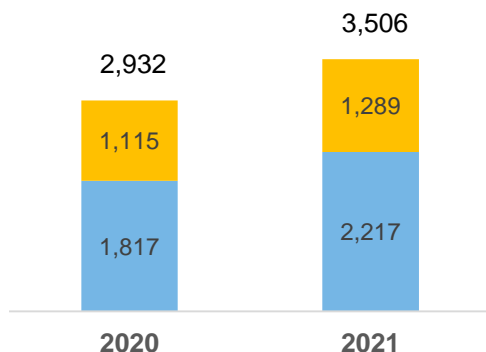
## Employment management and employee development

Create an equal, diversified and anti discrimination employment environment

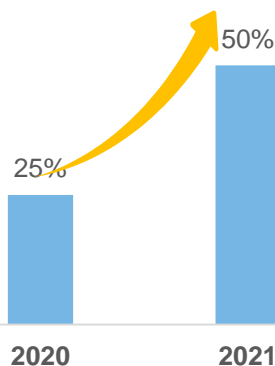
### ➤ Focused on female's workplace equality and protect the interests of female employees

Proportion of employee gender

Male Female



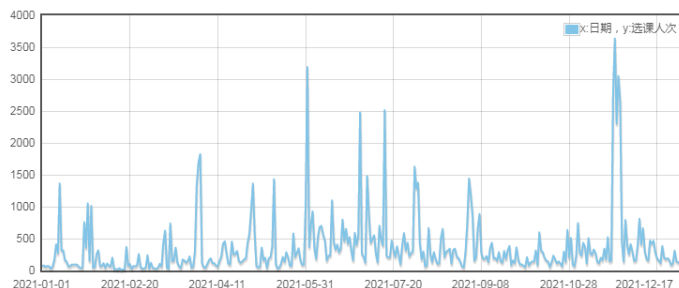
Proportion of female directors in the board



### ➤ Build own online learning platform to ensure the activity of training people for the year

#### Training Categories

- Competency
- Professional skills
- Occupational Adaptability
- Labor risk prevention



➤ Carry out the internal selection of the "hundred talents plan" with "talent inventory as the main and competition as the supplement"

➤ Carry out the "Tianjiao graduates plan" to accelerate the development of talents tailored for excellent graduates



## Execution of social responsibilities Demonstrate corporate responsibility

Enhance the sense of mission of the new era and build a better homeland



Support the construction of Hushu high-speed railway



Gas insurance service is affirmed by our users



Actively participate in social public welfare activities, donate money and materials for children in disaster areas and mountainous areas



Organize and participate in volunteer work for epidemic prevention



7.20 The rescue team inspected the high-pressure pipeline

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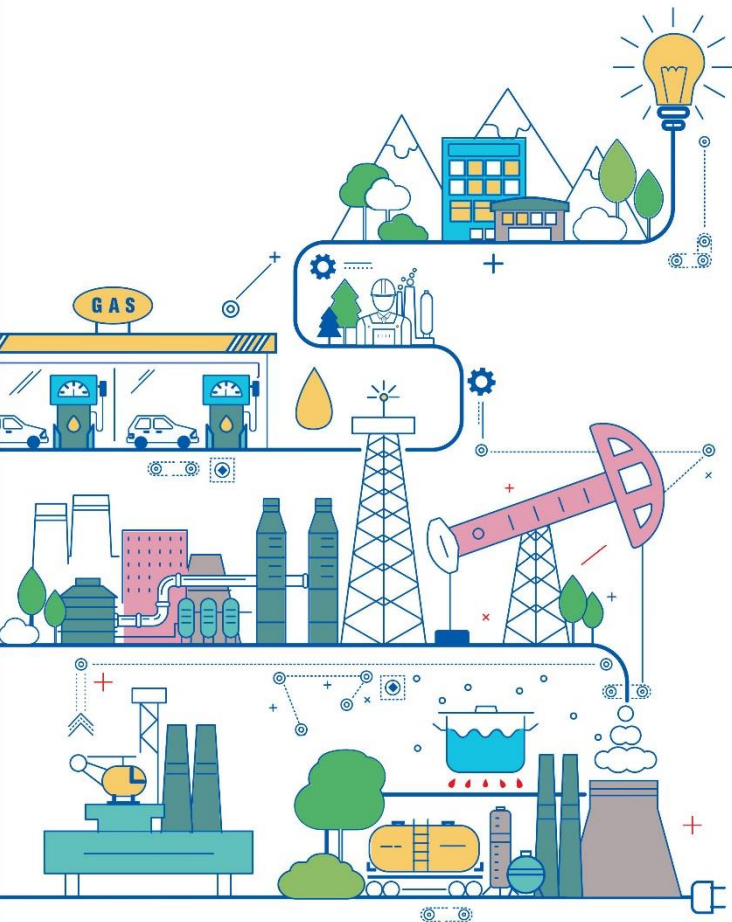
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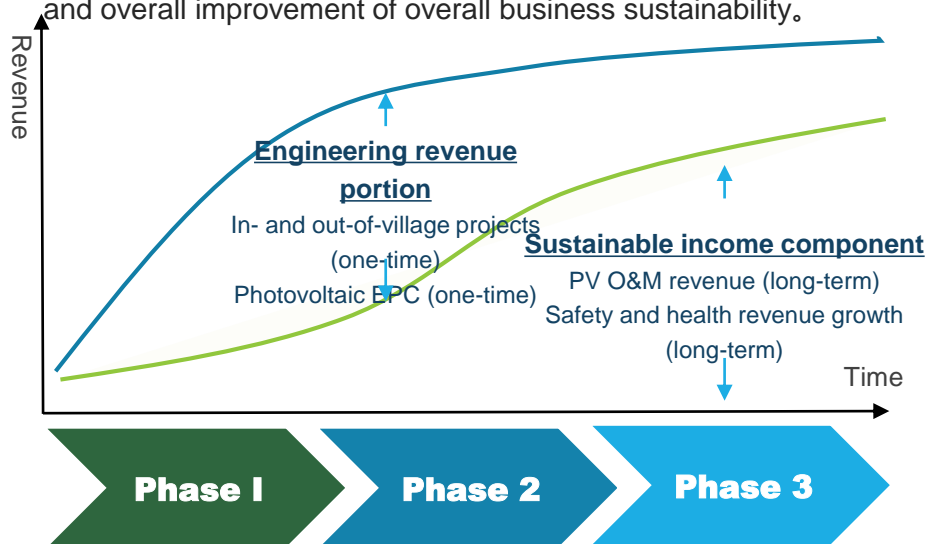
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In 2018, Tian Lun cooperate with Henan Yuzi to implement the rural gasification project in Henan countryside. After three and a half years of development, the first stage goal has been basically completed, and it has become the largest development, operation and maintenance provider of the county energy strategy in the Henan Province. In 2022, it will officially enter the second stage of resource value exploration. This stage is characterized by multi-energy complementarity, combination of importance and weight, enhanced cash flow recovery speed, and overall improvement of overall business sustainability.



## ➤ Phase 2 Resource value discovery stage

2022-2025



### Development Goals

#### Specific Indicators

- Continued development of natural gas installation customers
- Development of country photovoltaic energy about 1GW
- Development of rural healthy living specialty services
- Building an energy ecosystem + low-carbon energy construction in rural Henan
- Preliminary establishment of rural healthy living network to help rural revitalization

## ➤ Phase I User Resource Development Phase

2018.7-2021.12 (Completed)



Become the largest country gas market service provider in Henan Province

- Accumulated and installed 1.87 million rural household
- Completed development of 5,000 villages
- Laying of medium pressure pipeline network 6,800 km

## ➤ Phase 3 Resource Value Enhancement Phase

2026-2030

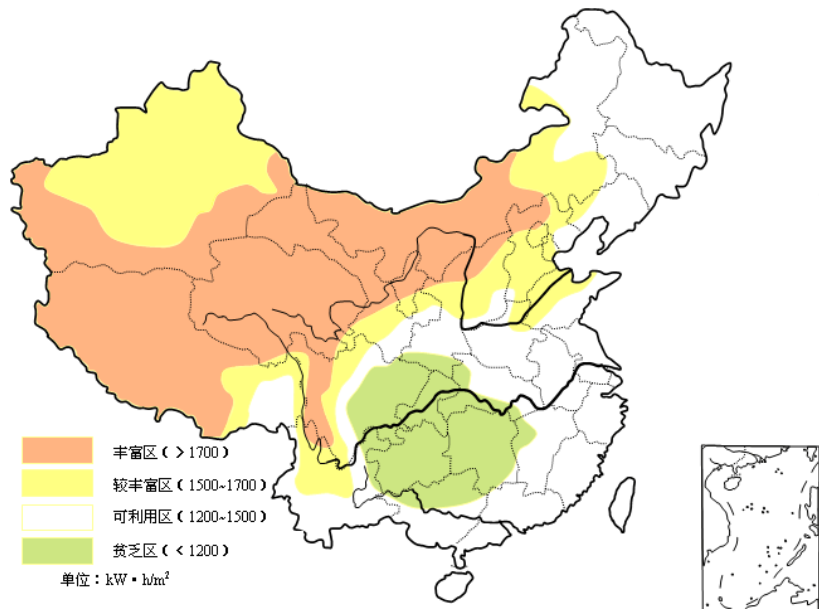
#### Specific Indicators

- Continued development of natural gas installation users
- Development of country PV energy 3-5GW
- Rural household with ARPU  $\geq$  100 RMB

#### Development Goals

- Gas and electricity integrated rural energy model + mature rural low-carbon energy construction in Henan
- Build a mature rural healthy living service network in Henan

# The Second Phase Focuses on Rural Rooftop Photovoltaics



Distribution of total annual solar radiation in China

## Market conditions

- Sufficient light resources in China
- The top three newly installed provinces, Shandong Hebei, Henan
- Henan whole county PV continues to promote

## Tian Lun layout

- More than 90% of the projects are located in the light available area
- Leading enterprises in Henan region with concentrated project layout
- Gasification rural project has taken scale, more than 1.8 million rural household

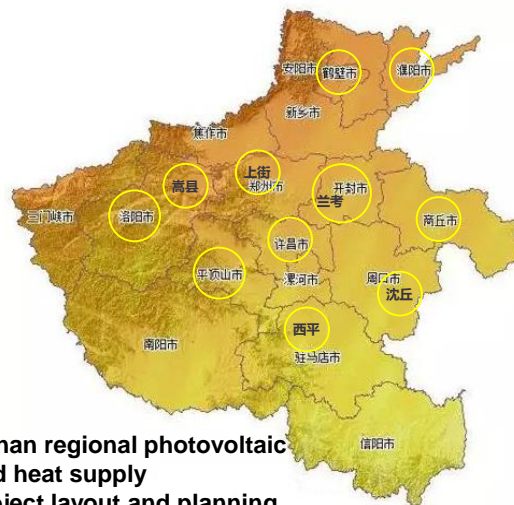
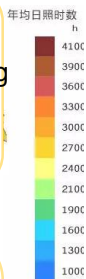
## Top three provinces with new installed capacity

Shandong  
7,632,200 KW

Hebei  
5,340,700 KW

Henan  
3,432,300 kW

The new household installed capacity in 2021 of Shandong, Hebei, Henan, Anhui has **More than 16 million kilowatts**



Henan regional photovoltaic and heat supply project layout and planning

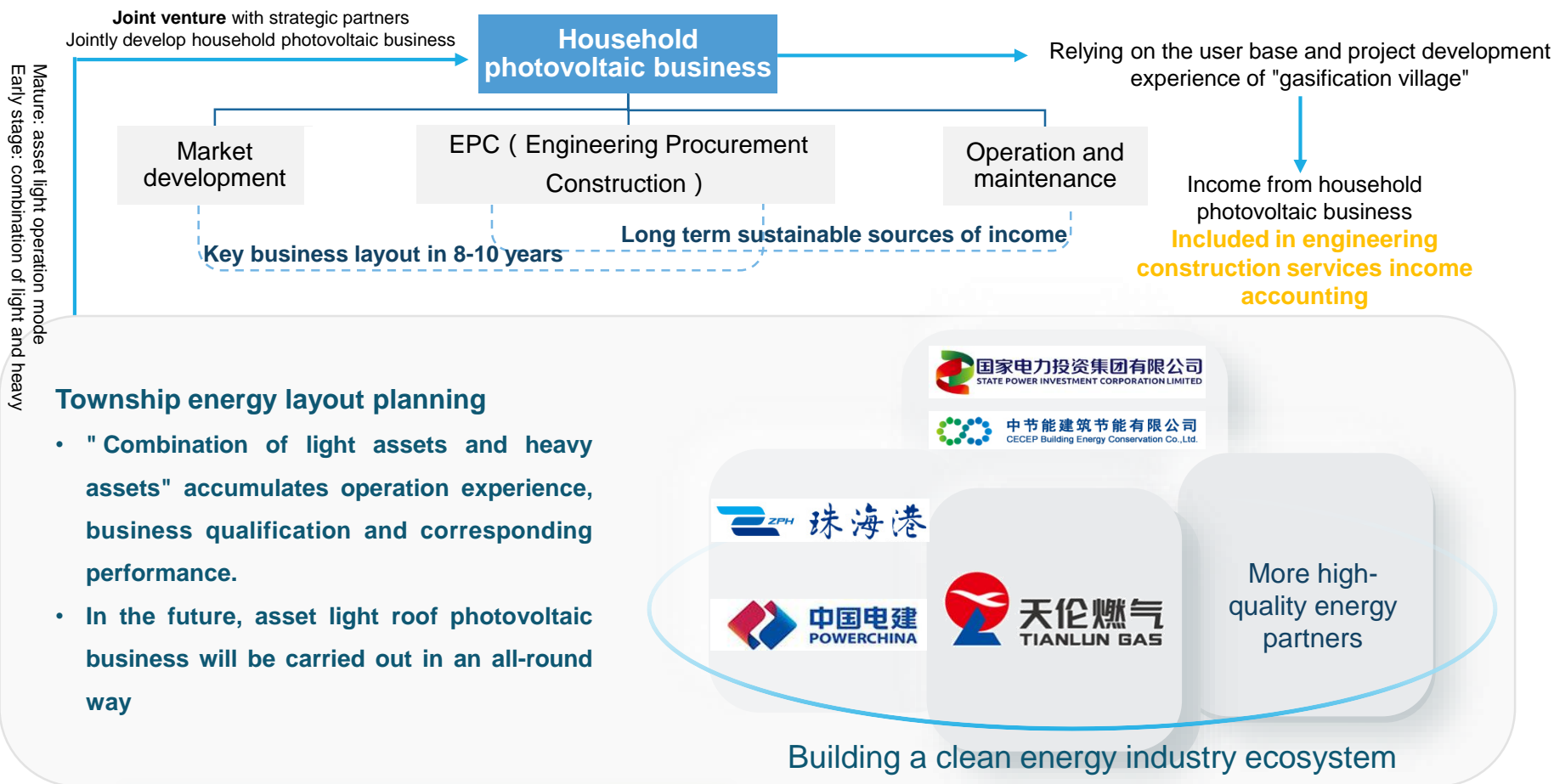
## Sufficient PV conditions

- Annual effective utilization hours 1100h~1350h

## Strong user base

- The third national agricultural census of Henan Province shows that there are 19,627,500 rural residential users in the province
- According to the whole county promotion requirements, based on 10% conversion rate, the potential household PV market size of 29GW

Annual average sunshine hours in Henan Province



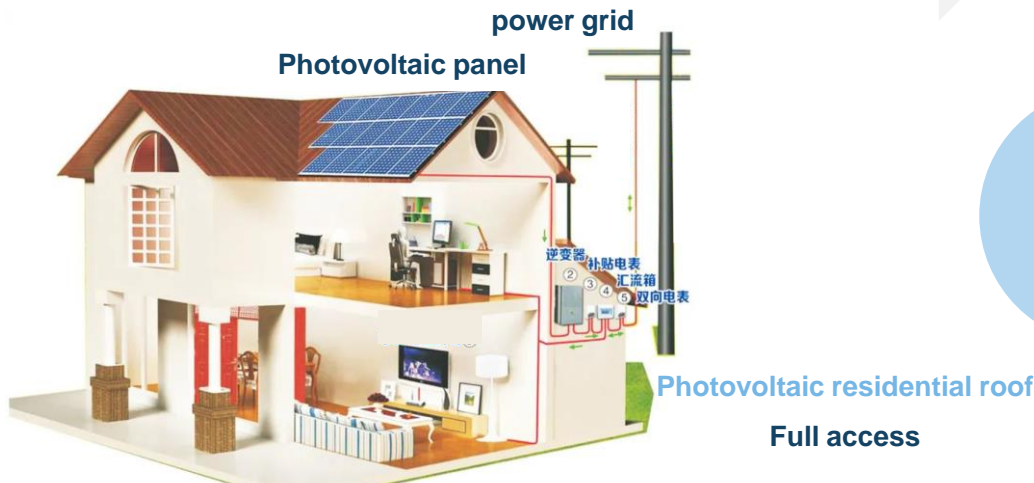
## Recently launched photovoltaic pilot construction



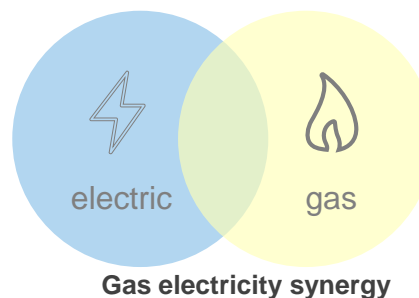
- Pilot project: Shilin Town, Hebi
- Installation form: rural family roof top
- Grid connection mode: full access
- Project process: the whole process of development / filing / grid connection / construction

## Energy synergy

Photovoltaic grid connection form



Existing urban gas source supply advantage +  
gasification rural market development foundation



Responding to the national strategy of Rural Revitalization.

Benefit users and enjoy gas and power services at low cost.

Combination of household distributed photovoltaic revenue and gas business.

## Advantages of Tian Lun Gas

### Market advantage

- Long term and stable regional advantages
- Scale advantages of 1.87 million users in gasification villages
- Familiar with the market development advantages of township market
- Good corporate reputation and public credibility

### Service advantage

- Localized service station management mode, 100% coverage
- 1 + 2 + n staff configuration, 24-hour operation and maintenance service

### Engineering advantages

- Accumulated for 20 years - perfect engineering control standards and engineering management team
- First line/class A equipment and materials shall be selected, which shall comply with national standards
- The photovoltaic module is fixed by counterweight, and the construction is safe and standard
- Introduce advanced engineering experience from powerful central enterprises



High quality construction scheme to ensure the safety of users and houses



# CONTENTS

**01** Performance Summary

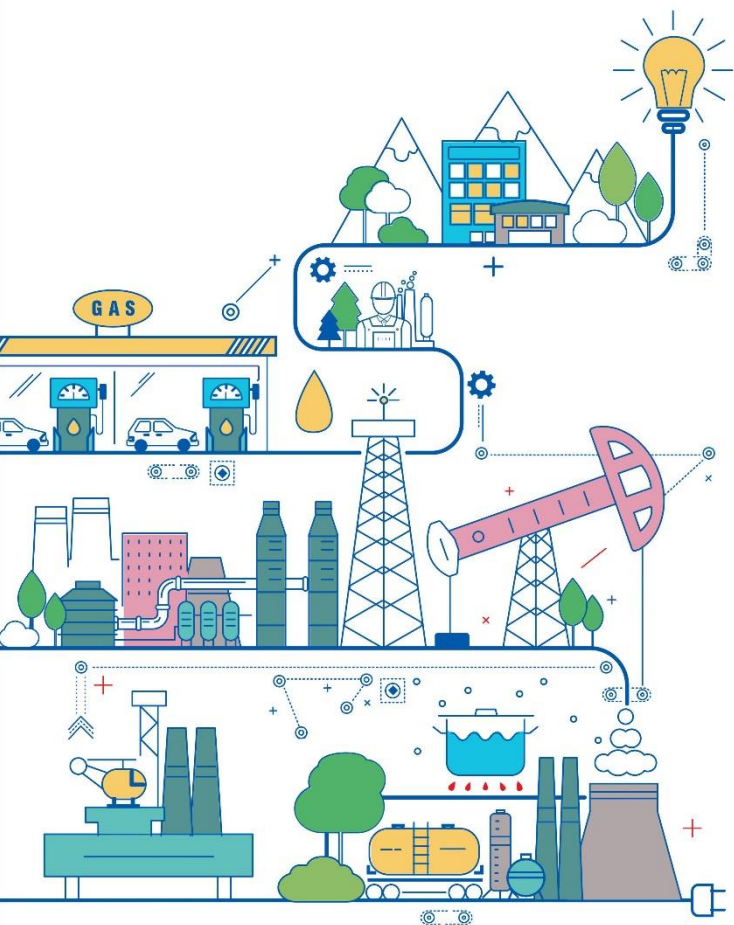
**02** Business Review

**03** Financial Review

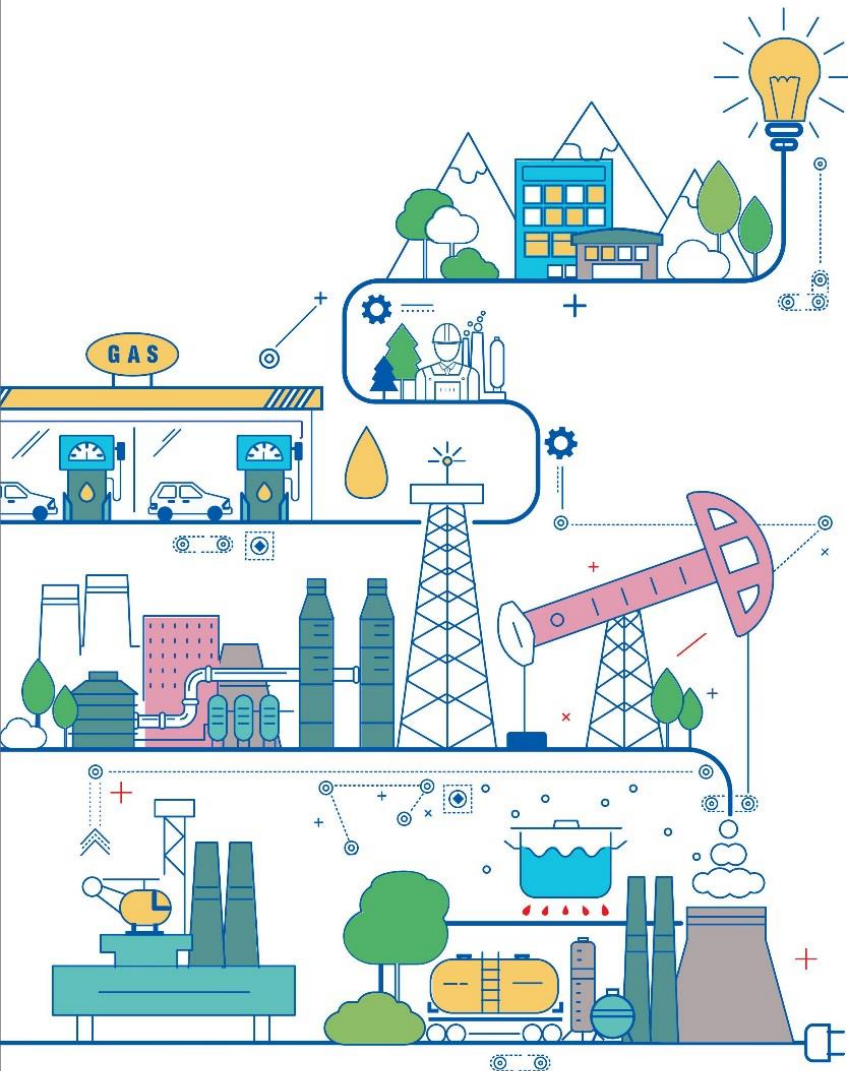
**04** ESG Management

**05** County Energy Strategy

**➔ 06** Outlook



Variables	2022 Guidance	Implementation path
Retail gas sales volume	Increase by 20% - 25%	Explore existing and M&A
Dollar margin	Slightly decline	Optimize the gas source, actively complete the cost pass-through. And complete the cost pass-through for C&I users
Number of customers	To 5.6million households	Steadily improve the penetration rate of existing residential users
Gross profit of value added business	Increase by 30%	Steadily improve user coverage and ARPU value
Core profit	Increase 10%	Profit from gas sales and value-added services is the main driving force
Annual dividend payout ratio	Slightly increase	Steadily improve the dividend payout ratio and create long-term value for shareholders



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