



ENN 新奥

ENN Energy Holdings Limited

2019 Annual Results Company Presentation

16 March 2020



All Operational and Financial Guidance Achieved



Retail Gas Sales Volume Up **14.7%** to **19.92 bil m³**



Added C/I Customers with **18.2 mil m³** Installed Designed Daily Capacity & **2.4 mil** New Residential Customers



Added **30** City-gas & **36** IE projects
Operational Areas Expansion Accelerated



Core Profit up **18.0%** to RMB **5.28 bil**



Operating Cash Flow up **40.9%** to RMB**11.69 bil**
Free Cash Flow RMB**2.69 bil**

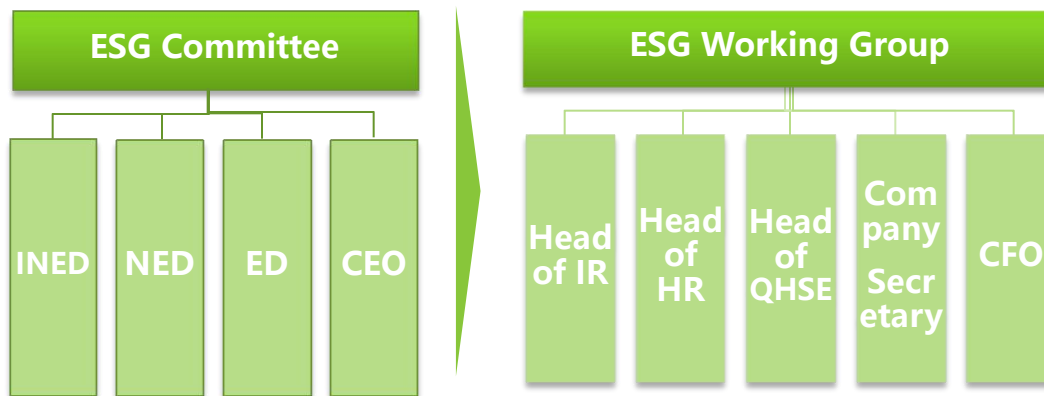


Dividend per Share **HK\$1.67**, up **40.3%**

Commitment to Sustainable Development

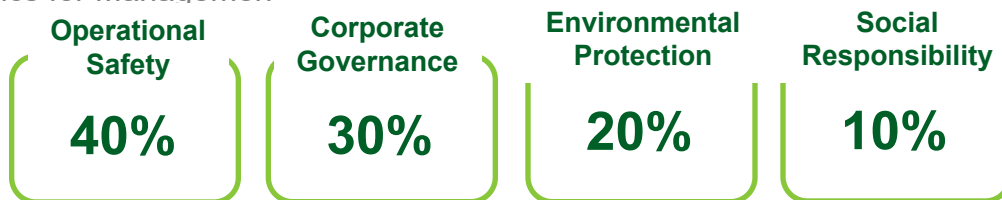


Established **ESG Committee** chaired by CEO and ESG Working Group, escalate ESG management to Board level and engage all departments



Management compensation linked with **ESG metrics** ensuring sustainable development of the Group

ESG metrics for Management:



ESG Ranking and Awards in 2019



Institutional Investor
Best ESG/SRI Metrics
(Power Sector)



Growth · Value Creation

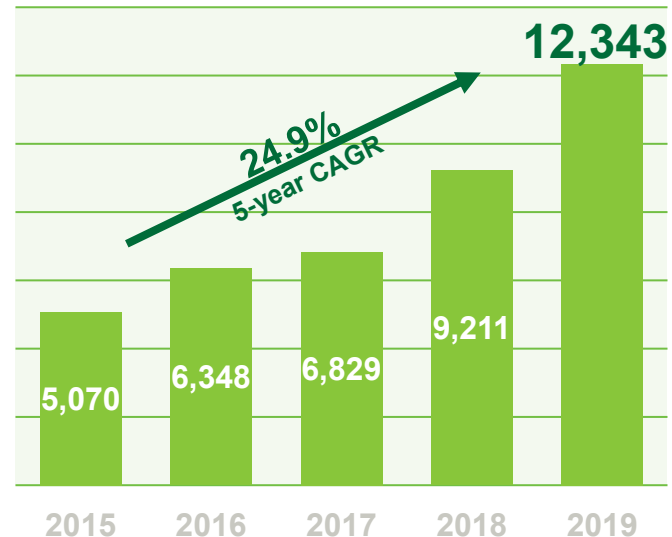
Effective development strategies delivered higher return for shareholders

- ✓ Managed to tap the potential needs of customers and create value for the Company with a customer-centric business strategy
- ✓ Gas distribution business grew steadily thanks to the continuous organic growth and active M&A strategy
- ✓ Fast-growing Integrated Energy and Value Added Business became new engines of growth
- ✓ Continuously generated positive free cash flow for years indicated the Group's high-quality profitability and strong capability to increase dividend

Core Profit (RMB mil)



Cash Flow (RMB mil)



Dividend per Share (HK\$)





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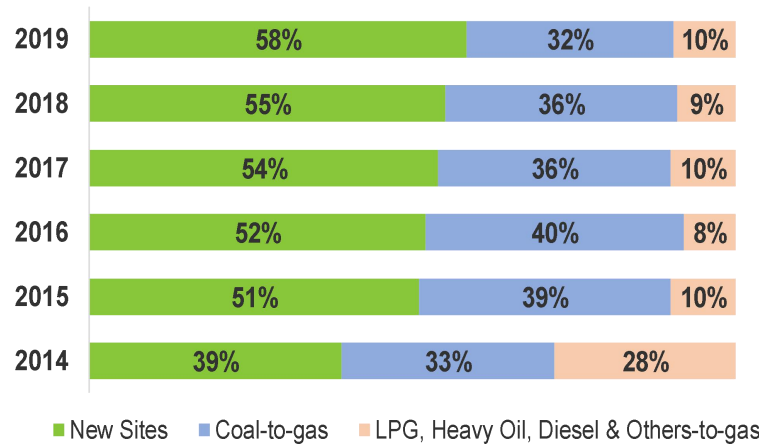
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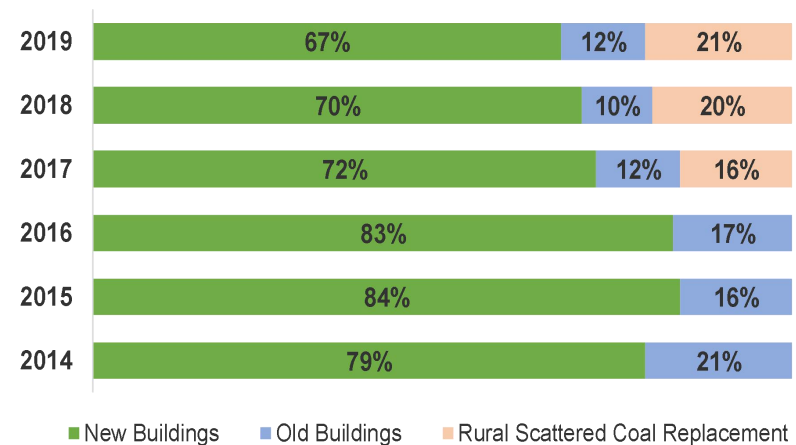
Growing Customer Base

	2019	2018	Change
New Natural Gas C/I Customers (site)	27,656	29,226	-5.4%
Accumulated C/I Customers (site)	148,761	121,105	+22.8%
Newly Installed Designed Daily Capacity (m ³)	18,156,199	18,652,070	-2.7%
Accumulated Installed Designed Daily Capacity (m³)	124,708,782	106,552,583	+17.0%
New Natural Gas Residential Customers (household)	2,397,202	2,301,590	+4.2%
Accumulated Residential Customers (household)	20,919,935	18,522,733	+12.9%

New C/I Customers Breakdown



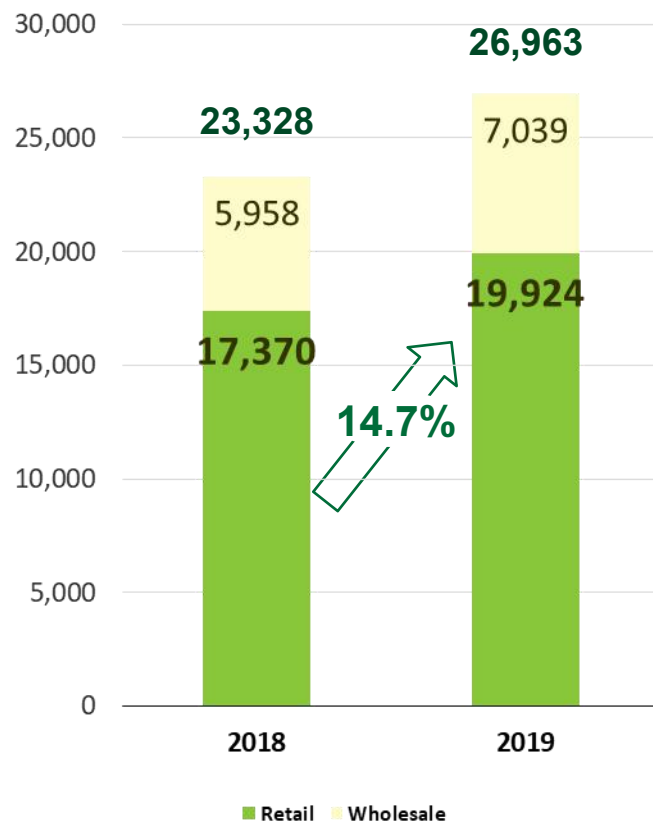
New Residential Customers Breakdown



Robust Volume Growth

Total Natural Gas Sales Volume

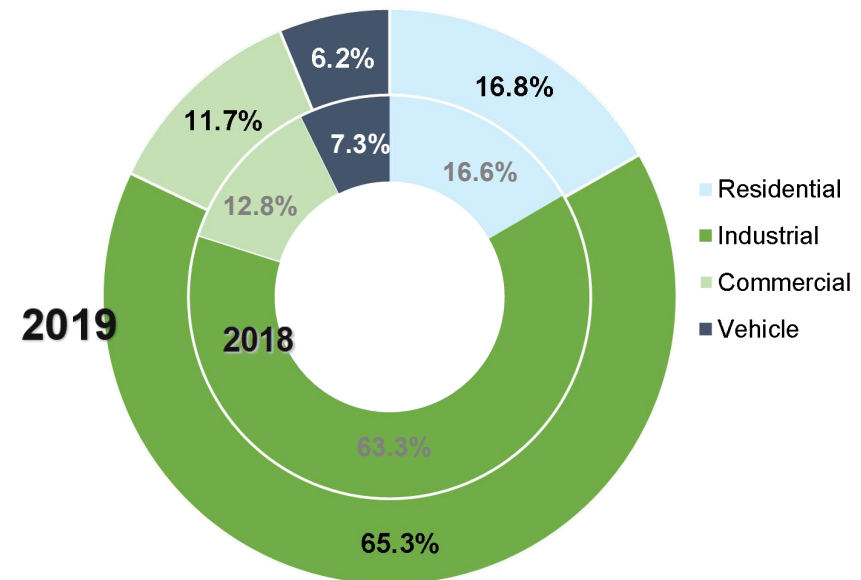
(million m³)



Retail Gas Sales Volume Breakdown

(million m ³)	2019	2018	Change
Industrial & Commercial	15,334	13,225	15.9%
Residential	3,345	2,885	15.9%
Vehicle Refuelling Stations	1,245	1,260	(1.2%)

C/I Gas Sales Accounted For 77%



Dollar Margin Analysis

ASP & Gas Cost (RMB/m ³)	2019	1H2019	2018
Residential	2.83	2.76	2.67
Commercial & Industrial	3.14	3.29	3.08
Vehicle Refuelling Stations	3.93	4.08	3.95
ASP	3.14	3.24	3.08
Average Cost	2.50	2.60	2.41
Dollar Margin (ex VAT)	0.59	0.58	0.61

1. Effectively reduced average cost by optimising gas source structure
2. Mild gas price hike in winter, passed through to downstream industrial users simultaneously
3. Stable dollar margin

Continuous Expansion of City-gas Concessions

- Acquired **30** new projects & **3** new concessions nearby existing projects in 2019
- Managing **217** city-gas projects in China with a total population coverage of **104 mil**
- Average gas penetration rate is **60.4%**

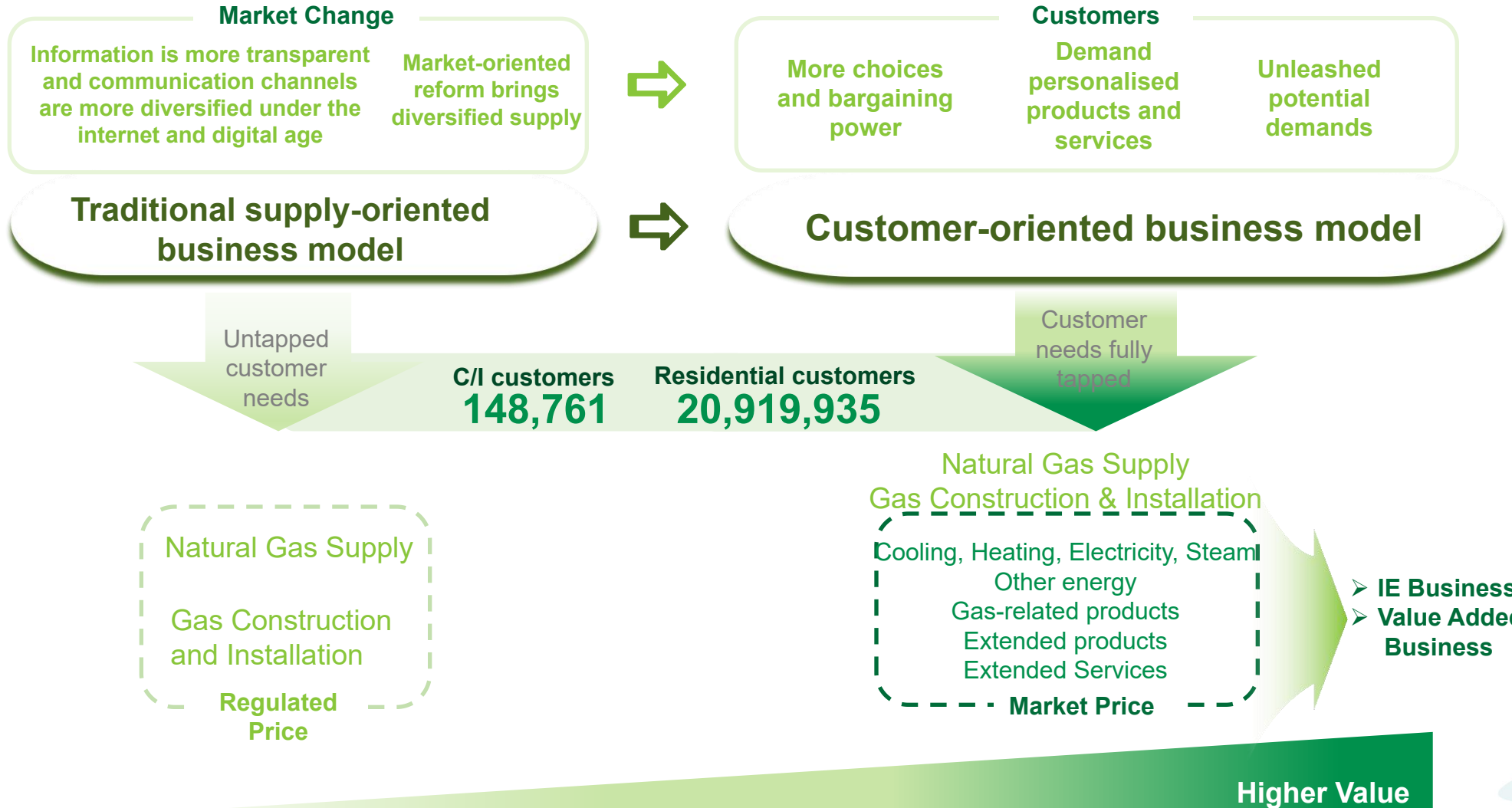
Province	New Project	Population	Province	New Project	Population
Anhui	Xuanzhou City	650,000	Heilongjiang	Suihua	500,000
	Xuancheng Economic & Technological Development Zone	-		Daqing High-tech Zone	-
	Jing County	70,000	Shandong	Shouguang	230,000
	Langxi County	210,000		Ningyang County, Tai'an	350,000
	Xinhang Town and Shijie Town, Guangde County	30,000		Laiwu District, Jinan	330,000
	Ningguo (Port) Ecological Industrial Park	-		5 towns in Dongming County, Heze (Liulou Town, Changxingji County, Sanchunji Town, Shawo Town, Jiaoyuan County)	300,000
	Bengbu Mohekou Industrial Park	-		Luozhuang District, Linyi	45,000
Hebei	5 towns in Fengnan District, Tangshan (Xige Town, Xiaoji Town, Daxinzhuang Town, Daqigezhuang Town and Qianying Town)	170,000		Military-civilian Integration Industrial Park, Rizhao	-
	Mengcun County, Cangzhou	230,000	Shanghai	Gaoqing Chemical Industrial Park, Zibo	-
	Xian County, Cangzhou	180,000		Fengjing Town, Jinshan District	20,000
	Nandagang Administration Area, Cangzhou	-	Yueyang Industrial Park, Baoshan District	-	
	Lincheng County, Xingtai	230,000	Jiangsu	Southern Area of Sheyang County	270,000
Fujian	3 towns in Jia County (Zhayuan County, Xuedian Town, Ciba Town)	110,000	Sichuan	Industrial Pipeline Project in Shiyangqiao Town, Longchang County	-
	Nanjing High-tech Industrial Park, Zhangzhou	-	Shaanxi	Chengcheng County	90,000
Guangxi	China-ASEAN Fusui Forestry Circular Economy Park	-	Gansu	Shuping Industrial Park, Lanzhou	-

Accumulated incremental vol. of over **2.5 bil m³** in the next few years

Additional Population Coverage

4,015,000

New Businesses Driven by Customers Needs



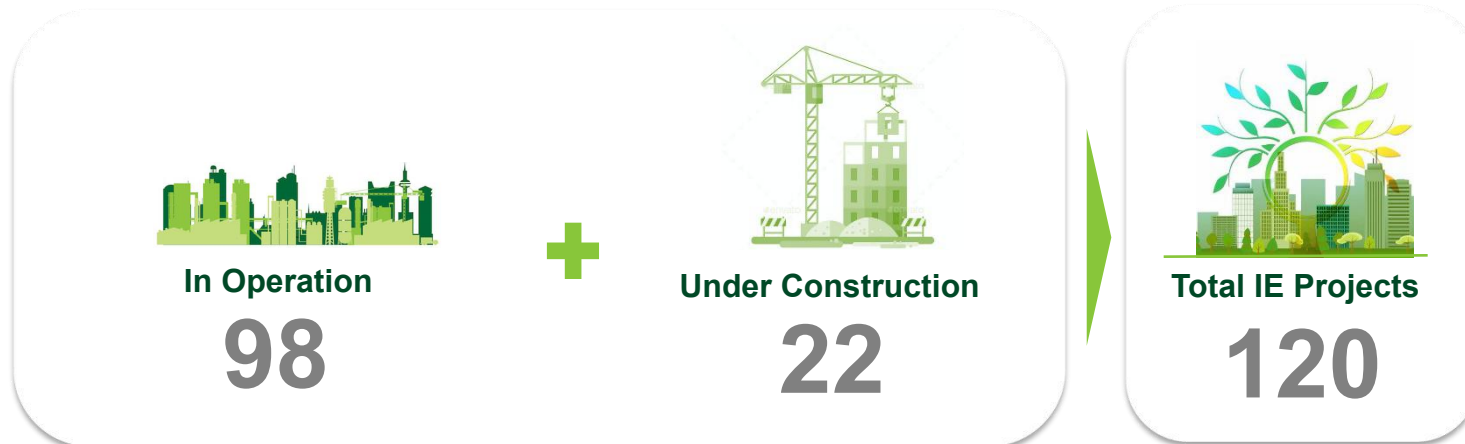
IE Business

(RMB million)	2018	2019	
Revenue	1,005	2,749	<ul style="list-style-type: none"> ➤ Including JV & Asso Total revenue was RMB3.7 bil ➤ Energy sales volume significantly increased
Gross Profit	143	473	<ul style="list-style-type: none"> ➤ Utilisation rate improved ➤ Selectively put high-quality projects into operation to improve profitability
Projects in Operation	62	98	<ul style="list-style-type: none"> ➤ More quality projects were put into operation - 17 national/provincial-level industrial parks ➤ Breaking through boundary of gas concessions - 13 located outside of ENN's city-gas concessions
IE Sales Vol (mil kWh)	2,886	6,847	<ul style="list-style-type: none"> ➤ Steady growth of IE Sales volume - 86% Steam - 9% Cooling & Heating - 5% Electricity
Installed Capacity (MW)	1,289	1,847	<ul style="list-style-type: none"> ➤ Enhanced energy supply capability

Develop IE Business Adapting to Local Conditions

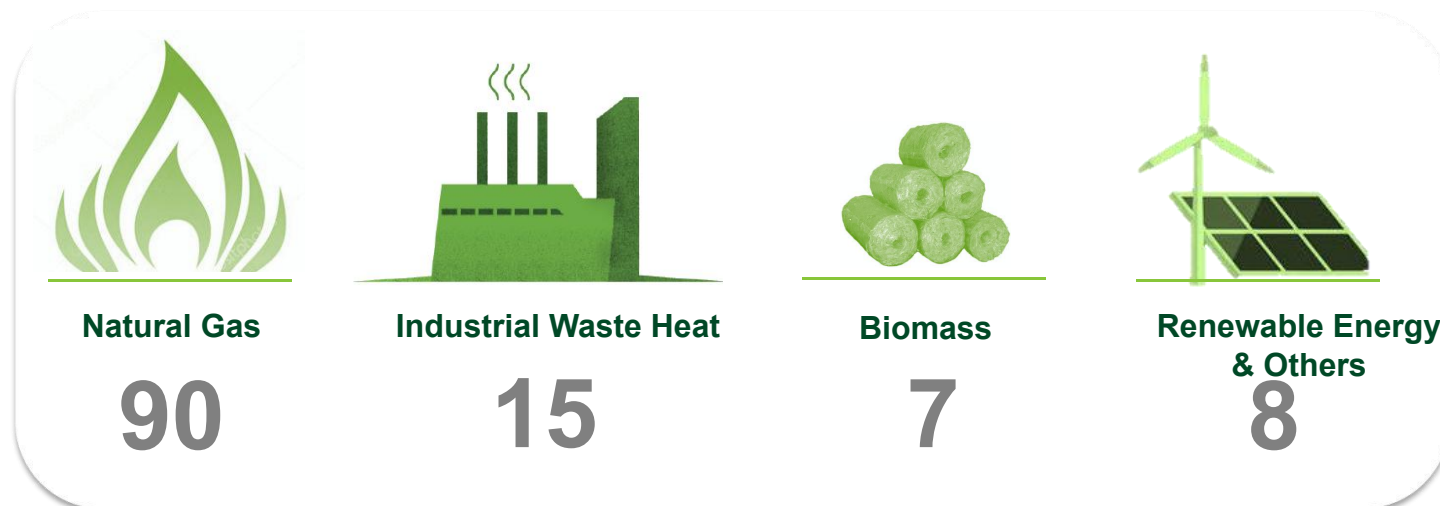
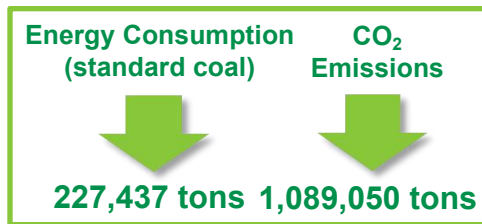
Obtained more integrated energy distribution rights
(incl projects in operation & under construction)

Total Energy Demand
~30 bil kWh



Adapting to local conditions, utilize the most competitive clean energy sources to provide customers with integrated energy solutions
(incl projects in operation & under construction)

Energy conservation and emission reduction for customers in 2019:



Value Added Business

(RMB million)	2018	2019	
Revenue	1,432	1,988	x1.39
Gross Profit	548	1,236	x2.26
“Gratle” Products Sales (Unit)	245,479	431,268	x1.76
Commercial Gas Appliances Sales (Unit)	1,595	13,561	x8.50
Penetration Rate	Overall 6%	New Customers 15%	

- Self-driven organisation actively addressed customer needs
- Increased demand for value-added service and products
 - **20%** Provision of services
 - **80%** Sales of products
- Provided **high value-added services** for C/I and residential customers
- Inhouse brand awareness increased
- Developed diversified product portfolios based on customer needs
- Expanded kitchen solutions business for commercial customers
- Tapped customer needs
- Huge market potential due to low penetrate rate

Value Added Business – Unleash Customers Value

Natural Gas-related products

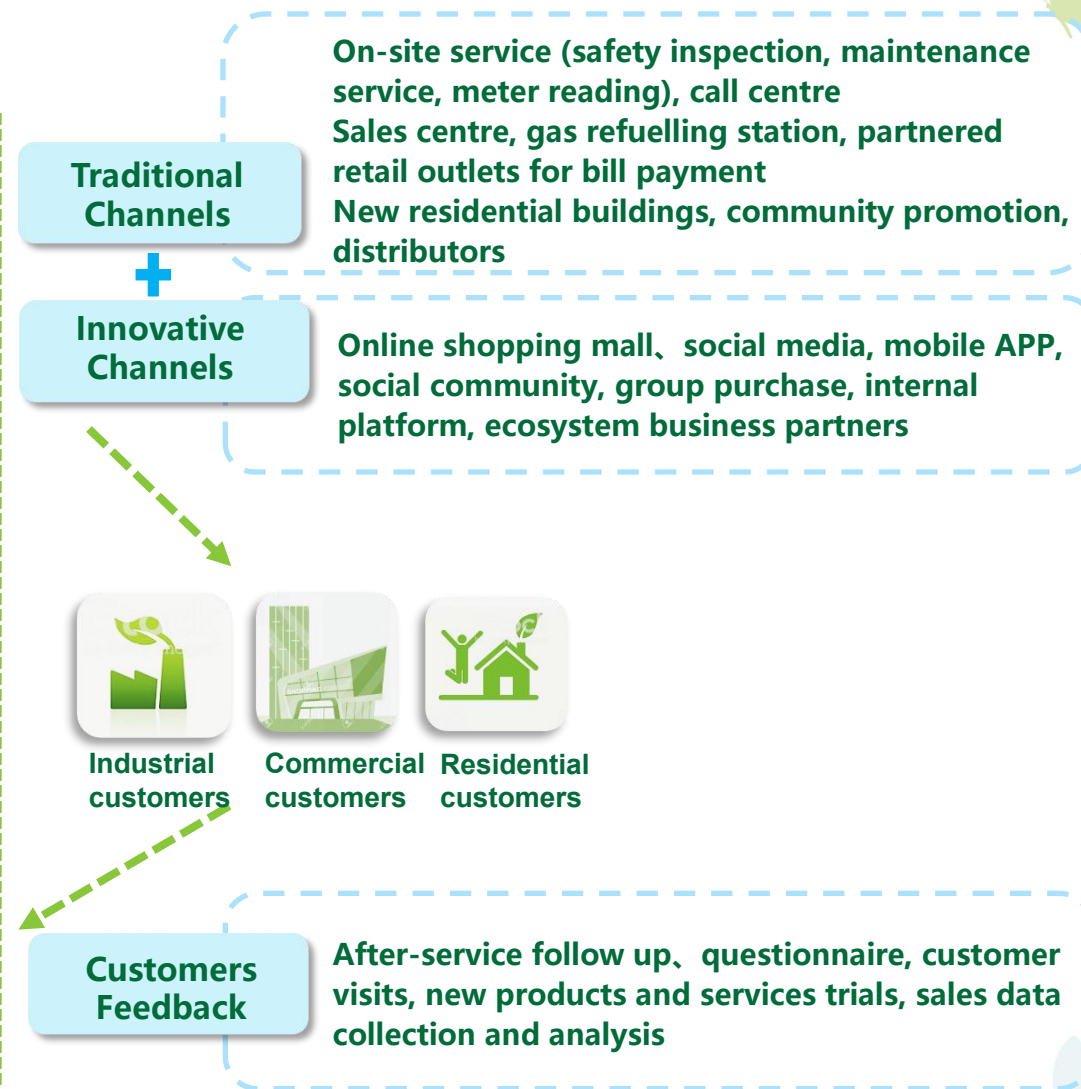
- Gas stove, gas water heater, gas space heater, gas-boiler
- Gas alarm, self-closing valve, bellows, radiator, equipment installation auxiliary materials
- Commercial kitchen equipment (cooking stoves, mechanical equipment, refrigeration equipment, conditioning equipment, smoke extraction equipment)

Extended products

- Kitchen products (cabinet, kitchen electric appliances, disinfection cabinet, building materials)
- Household products (water purification, air purification, sanitary, smart home appliances)

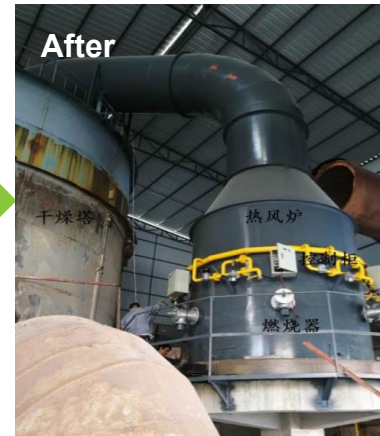
Extended Services

- Energy expert, energy-saving technologies and retrofitting services
- Maintenance service for gas-related product, insurance agency services
- C/I equipment maintenance and repairing



Value Added Business – C/I Case Study

Our energy experts provide various energy solutions for C/I customers



Product Yield \uparrow 2 ppt
 Energy Consumption \downarrow 40%

Value

Cost-saving sharing

Sales of Value added products

High value added energy services

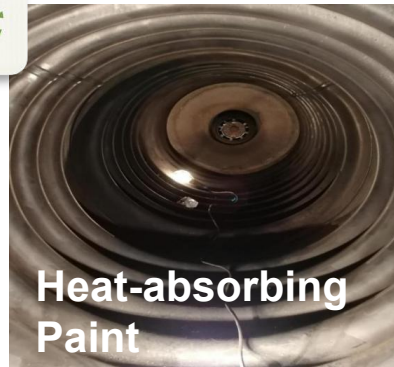
Improves customer's energy affordability

Enhance customer loyalty by increasing satisfaction

Create value for customers with energy saving equipment and new technologies



Natural Gas Consumption \downarrow 3.5%



Energy Consumption \downarrow 3-5%



Burning Efficiency \uparrow Energy Consumption \downarrow 17%



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Solid Results Achieved

(RMB million)	2019	2018	Change
Key Financial Highlights			
Revenue	70,183	60,698	15.6%
Gross Profit	11,265	9,510	18.5%
EBITDA	10,960	9,223	18.8%
Profit Attributable to Shareholders	5,670	2,818	101.2%
Core Profit*	5,278	4,474	18.0%
Basic Core EPS (RMB)	4.70	4.07	15.5%
Dividend per Share (HK\$)	1.67	1.19	40.3%

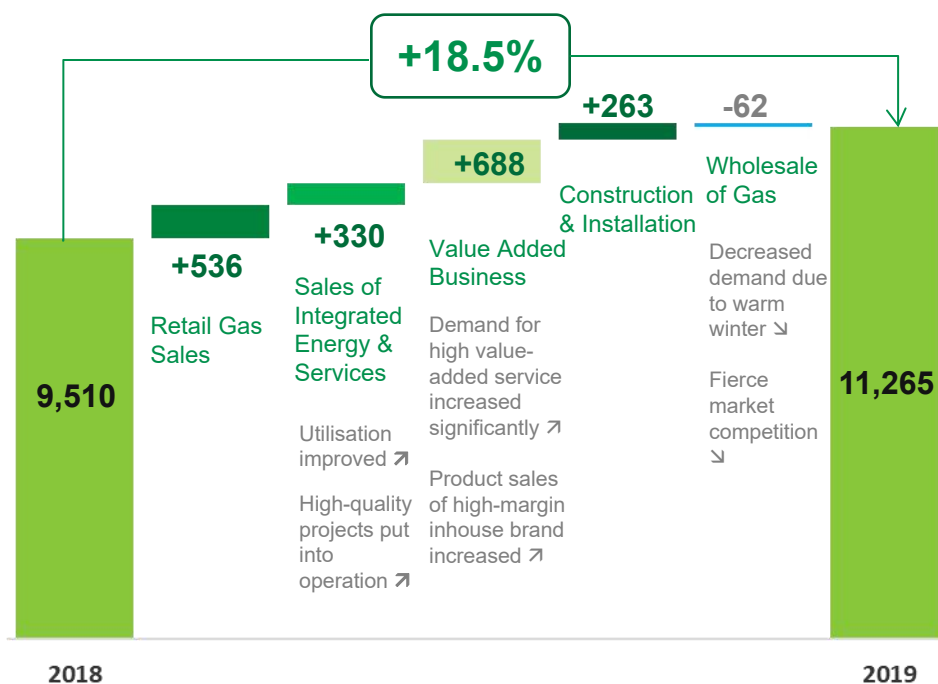
*Core profit = Profit attributable to shareholders of the Company – Other Gains & Losses (excluding net settlement amount realised from commodity derivative contracts) and amortization of share option expenses

Solid Results Achieved

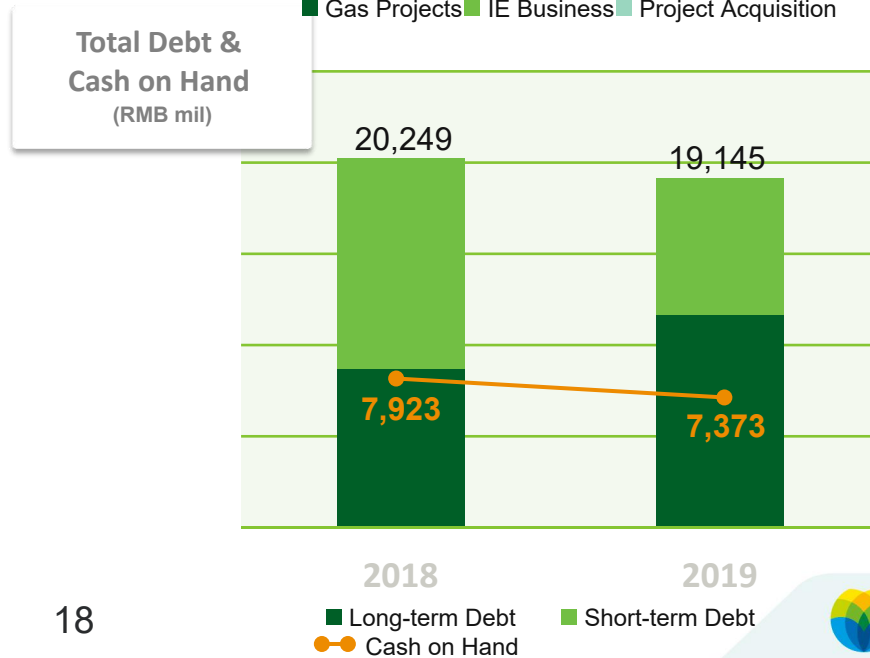
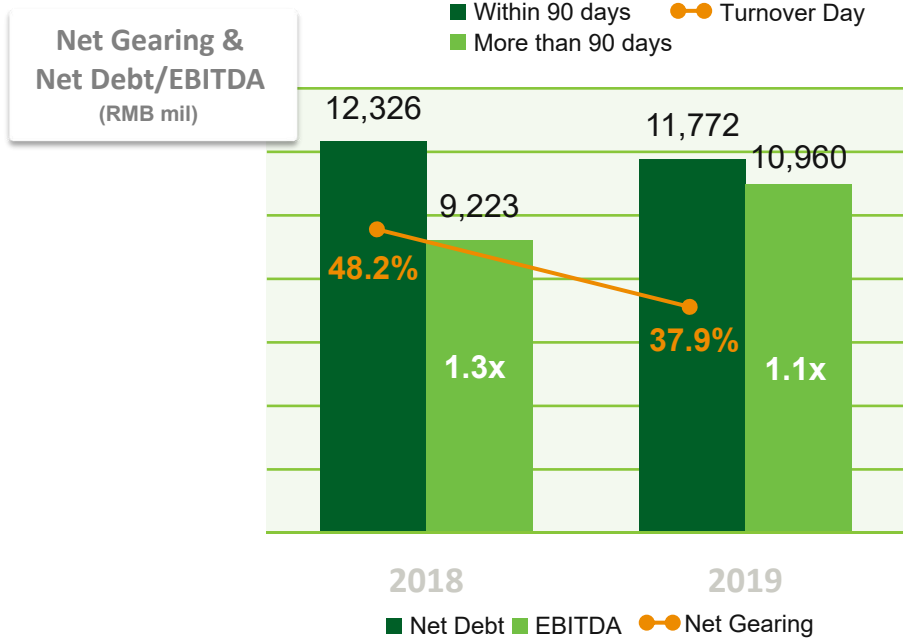
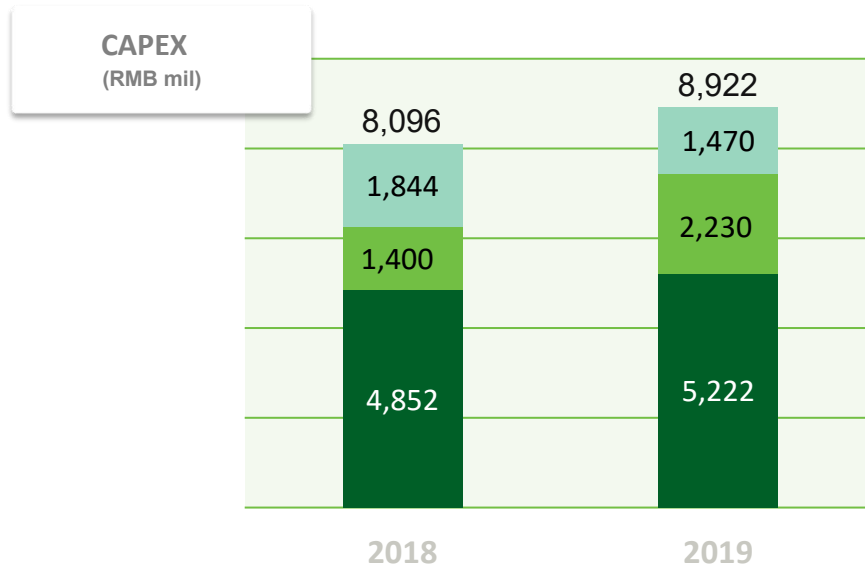
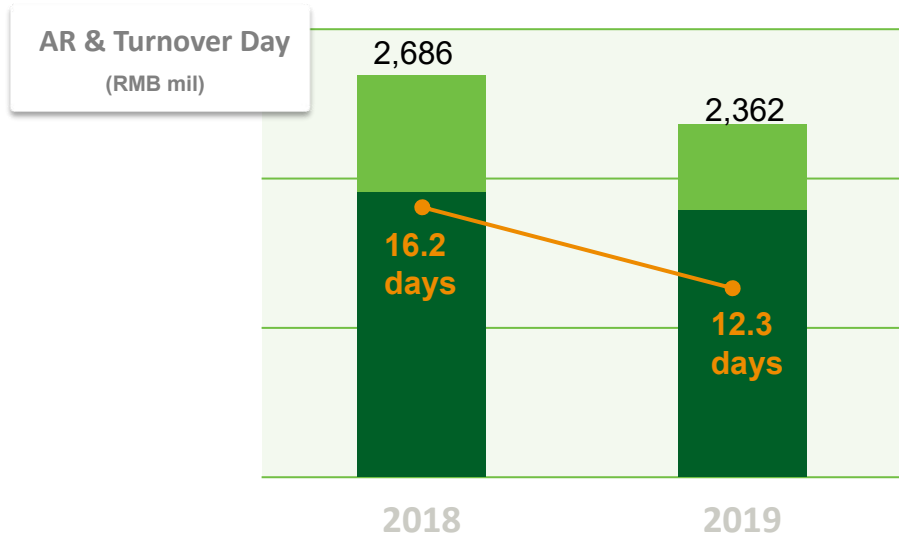
➤ Expanded business scale with all business segments growing steadily

Revenue (RMB million)	2019	2018	Change
Retail Gas Sales	40,049	34,272	16.9%
Sales of Integrated Energy and Services	2,749	1,005	173.5%
Value Added Business	1,988	1,432	38.8%
Construction and Installation	6,932	5,882	17.9%
Wholesale of Gas	18,465	18,107	2.0%

➤ Strong Gross Profit Growth and Modified Business Mix

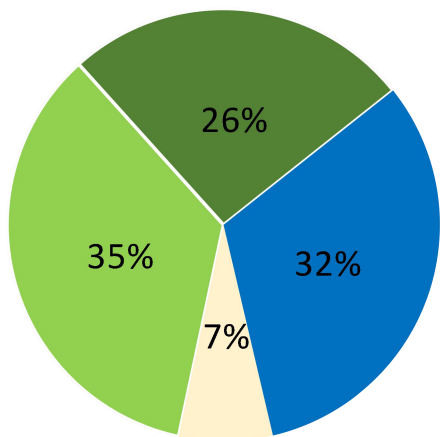


Superior Financial Management



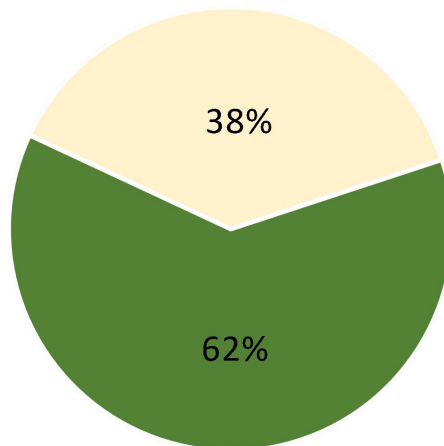
Ample Financial Resources & Liquidity

Debt Structure by Currency



■ USD Bonds ■ USD Bank Loans
■ RMB Bonds & Loans ■ HKD Bank Loans

Foreign Currency Risk Exposure Management – Long-term USD Debt



■ Unhedged ■ Hedged

	2019	2018	Change
Avg. Effective Interest Rate	3.90%	4.05%	↓15bps

Credit Rating

Rating Agency	2019
S&P Global Ratings	BBB+
Moody's Investors Service	Baa2
Fitch Ratings	BBB

Sufficient Financial Resources

RMB million	Available Financing Quota
Unutilised credit facilities	13,448
Green bond quota approved by NDRC	5,000
Remaining RMB bond issuance quota approved by China Securities Regulatory Commission	2,900



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Challenges & Opportunities – near term

Challenges from COVID-19

Short term volume impact, expected to recover soon

- Vol in Feb was affected
- Residential gas sales vol increased significantly, offsetting the impact on vehicle gas and small-sized C/I vol
- C/I user started to resume operation since late Feb, vol is expected to accelerate in following months

No impact on full year connection vol

- Historically, connection vol in Jan-Feb accounted for a smaller portion of full year vol
- Some construction works were delayed due to the outbreak, but can easily catch up in Q2-Q3

Some IE projects constructions were delayed but manageable

- Some IE projects construction works were delayed due to the outbreak, can catch up in following months
- Existing projects are mainly quality industrial parks or public buildings like hospitals, thus, consumption is resilient

Opportunities

Improved Business Environment

Central and local governments' strong support to enterprises, business environment is improving, making it possible for us to turn crisis into opportunity

Increasing Industry Investment

Total amount of infrastructure investment announced by all provinces exceeds RMB40 trillion, which will lead to rapid development in sectors such as manufacturing, data centres, transportation hubs, hospitals, and power facilities

Financial Stimulation Policy

The government adopts expansionary fiscal and monetary policies to increase financial liquidity to boost economic growth, to further reduce companies' financing cost and tax expenditure

Challenges & Opportunities – longer term

Opportunities

Energy Reform
Deepens

Market Reform

- As industry reform deepens, the establishment of national pipeline network company has changed the upstream market landscape, enabling us to optimize gas source structure and reduce procurement costs
- The power system reform opens up the market potential for distributed energy, power distribution, and electricity sales market

Air Pollution Control
Strengthens

Clean Energy

- NG market continues to grow as NG will account for 15% of primary energy consumption in 2030
- Coal replacement and the relocation of industrial parks creates incremental demand
- The control of air pollution encourages energy saving and efficiency improvement which IE business may benefit

Customer Value
Unleashed

Diversified Service

- As the quality of life improves, the increasing demand from residential customers brings opportunities to develop value added business
- The value of professional service emerges, as C/I customers' demand for safe, clean, economic, efficient energy gets higher

Integration of Energy &
Digitalisation

Competitive Advantage

- The rapid development in technologies such as photovoltaics, energy storage, and microturbines has enhanced the competitiveness of user-side energy systems
- The integration of data intelligence and energy industry enhances business competitiveness

Drive the Rapid Growth of NG Business

Expand Customer Base

- Focus on quality projects acquisition, and acquire large customers with our advantages of upstream resources access, IE solutions and related services. Leverage on our business scale and professional service, to build an ecosystem comprising small-mid gas distributors to create synergies
- Accelerate residential & small-mid C/I customers development to expand customer base, leverage on the opportunities arising from coal replacement, continue to provide diversified services based on customer needs

Optimise Gas Supply Structure

- Leverage on the opportunities arising from the establishment of national pipeline network, we will strengthen the cooperation with upstream suppliers, to enhance piped gas supply capacity, flexible procurement of unconventional gas sources, and reduce procurement cost

Enhance Distribution Capability

- Deepen cooperation with the national pipe network company, actively obtain pipeline capacity to facilitate connection of both gas resources and customers
- Based on the various upstream supply and diversified customer needs, we will innovate distribution model to better matching supply and demand, better serve our customers and make full use of resources

Capitalise the Value of Pipeline Assets

Improve Pipelines Operating Efficiency

- Carry out assessment and management by asset class to ensure safe operation and extend service life
- Optimize measurement system, improve facility quality standards, operation and maintenance standards, to effectively reduce transmission loss
- Benchmark internal and external operating levels, improve asset utilization and maximise returns

Innovate Pipeline Operation Model

- Leverage on data intelligence technology to operate pipelines, enhancing the economics and efficiency of gas distribution
- Leverage on the NG market reform, innovate pipeline operation model to better serve customer needs

Enhance Infrastructure Interconnection

- Optimize city-gas pipeline network to improve layout and dispatching efficiency
- Through internal collaboration and external alliances, facilitate interconnection of infrastructure and enhance the stability of gas supply

Quality Development of IE Business

Develop IE business with high quality

- Proactively develop **industrial parks IE projects**, targeting those with high load density, better load matching and huge development potential
- Actively develop **public infrastructure IE projects**, targeting those with diversified energy demand, higher consumption volume and duration
- Focus on industries such as textile and chemicals, establish **industry-specific IE solutions**, which can be applied to other customers efficiently



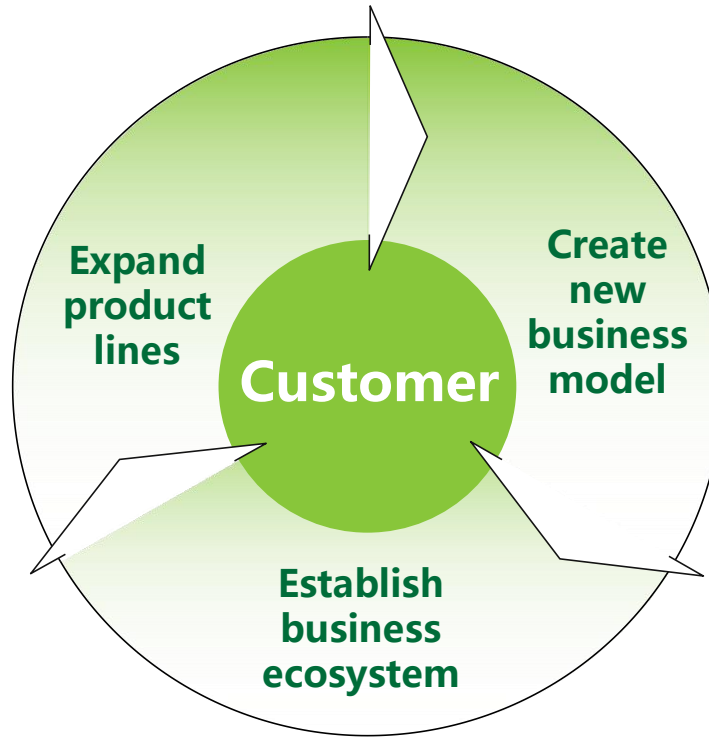
Actively explore extended services

“Online+offline, internal+ecosystem”

- Provide power users with **power management services** such as power facility operation and maintenance, power quality control, energy efficiency optimization, to improve energy stability and reduce costs
- Provide **user-end energy facility operation and maintenance service** for energy users, to enhance efficiency and reduce overall cost
- Provide photovoltaic project investors with **one-stop service**, such as project development, operation and maintenance, as well as transaction to help increase return and reduce costs

Proactively Develop VAB

- Focusing on the needs of residential and C/I customers, we provide a variety of products and services such as safe home, smart kitchen, one-stop heating, safety and security system



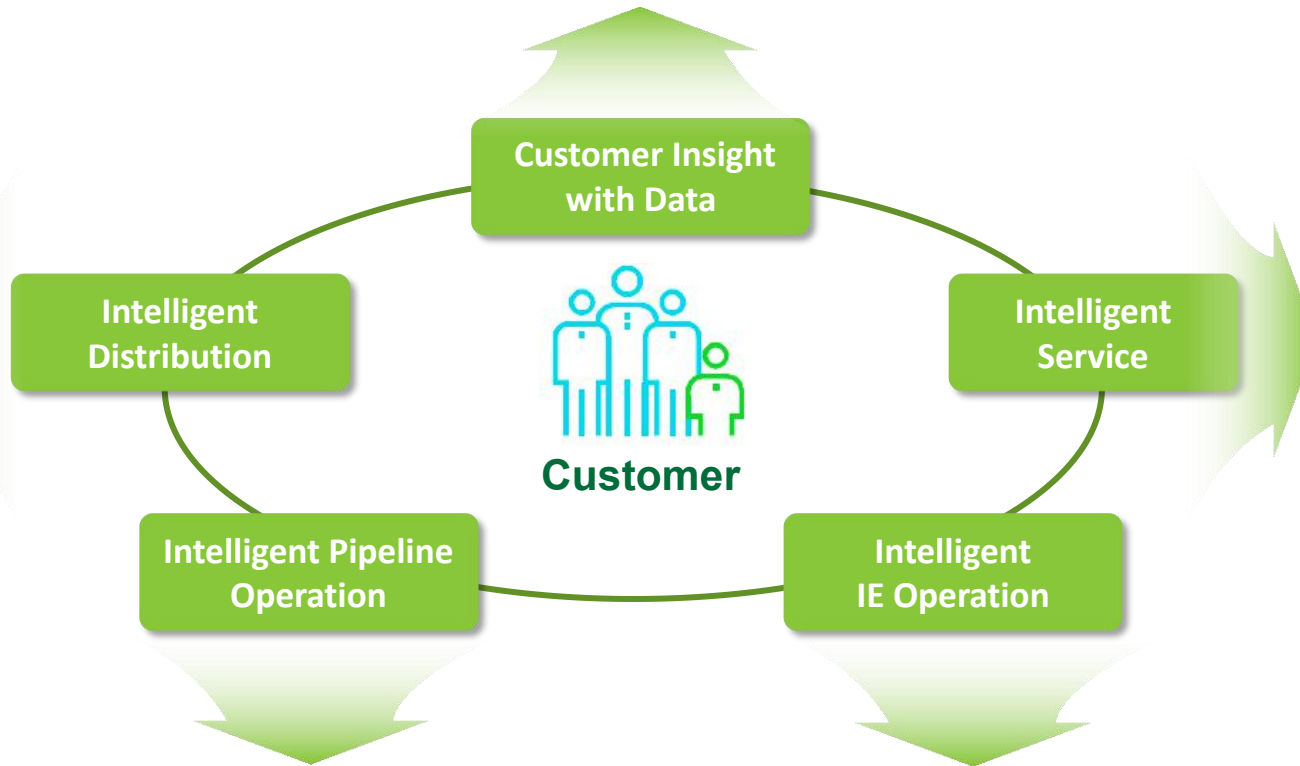
- Produce modular products and services and sell to customers in package based on their needs

- Internally, establish a market-based incentive mechanism to incentivise employees so as to continuously stimulate products and services upgrade
- Externally, create new business alliances to engage more business partners within the ecosystem, and strengthen the cooperation with third-party service teams

Strengthen Core Competitiveness with Data

Recognise customer needs from all aspects accurately and quickly to create value

Match inventory with actual demand to reduce procurement costs, optimize resources to create more value



Meet customers' personalized needs by offering convenient interaction, timely response, and quality experience

Support the entire life cycle of pipeline operation, to ensure safe operation, reduce cost and maximise assets value

Digitize the whole value chain of IE business, promote high quality business development through modified load-resource-network-storage interaction

2020 Guidance

Proactive New Customers Development

- ✓ New C/I development of at least 18mil m³ daily installed capacity
- ✓ New residential development of 2.5mil households
- ✓ 20-30 new citygas projects acquisition

Accelerate New Businesses Development

- ✓ IE business revenue to reach RMB6-8bil
- ✓ VAB revenue to reach RMB3bil



Ensure Volume and Quality of NG business Growth

- ✓ Volume growth of 12-15%
- ✓ Stable dollar margin

Create Higher Returns for Shareholders

- ✓ Core earnings growth of 15%
- ✓ Dividend payout not less than 32%



Q&A



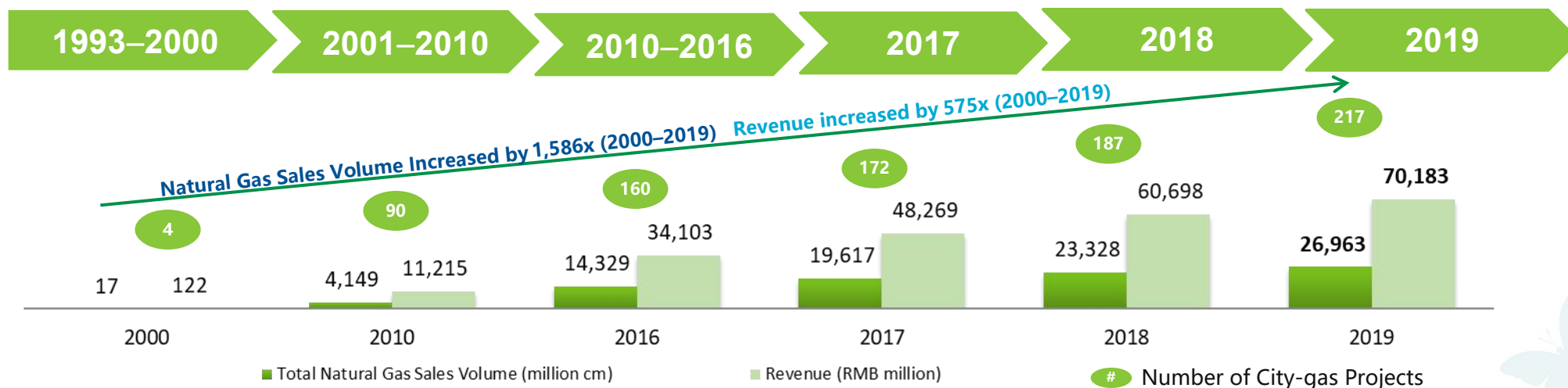
ENN – To Build an Industry-leading Integrated Energy Service Provider

Company Overview

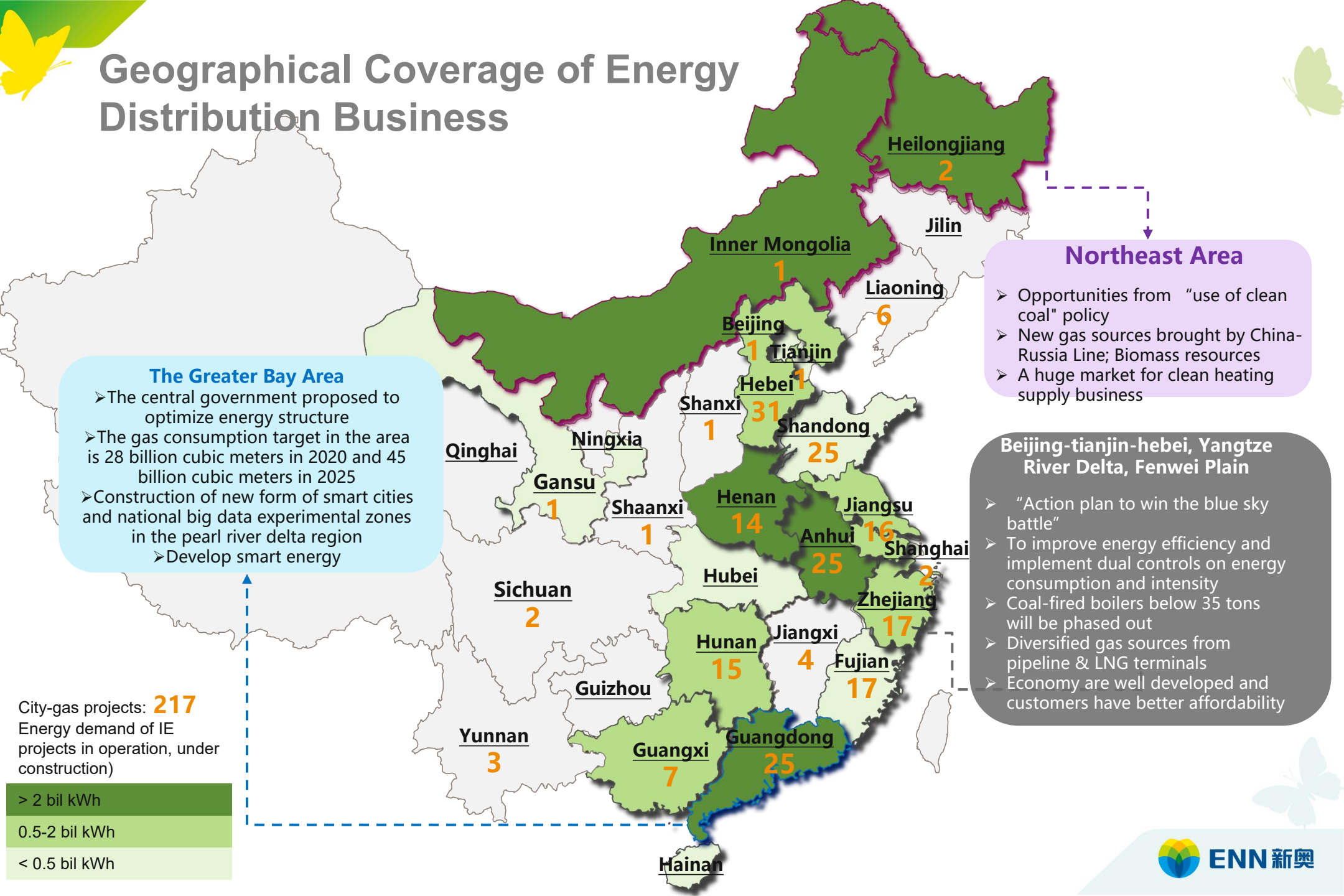
- Established in 1993, ENN is one of the leading privately-owned clean energy distributors in the PRC
- ENN’s principal business includes sale and distribution of piped gas, investment in, and the operation and management of gas pipeline infrastructure, vehicle/ship gas refuelling stations, integrated energy business, sales and wholesale of piped gas, as well as sales of LNG and multiple energy forms. It also develops integrated energy business and wholesale of gas business, while providing other energy-related value-added business
- ENN was listed on the GEM in 2001 and transferred to the Main Board of HKEX (stock code: 2688) in 2002

Key Business Segments

Retail Gas Sales Business	Sales of Integrated Energy and Services	Wholesale of Gas	Construction & Installation	Value Added Business
 <ul style="list-style-type: none"> • Sell piped gas to residential households and C/I customers • Construct and operate CNG/LNG gas refuelling stations 	 <ul style="list-style-type: none"> • Based on customers’ need, provide multi-energy products according to energy sources available locally, and customise integrated energy solutions for users 	 <ul style="list-style-type: none"> • Conduct natural gas wholesale business to fully utilize its advanced dispatch system, logistics fleet and upstream resources 	 <ul style="list-style-type: none"> • Conduct gas pipeline construction and installation for residential and C/I customers 	 <ul style="list-style-type: none"> • Provide energy-saving technologies, retrofitting services, and facilities inspection and maintenance services • Provide gas-related products and material sales



Geographical Coverage of Energy Distribution Business



The Greater Bay Area

- The central government proposed to optimize energy structure
- The gas consumption target in the area is 28 billion cubic meters in 2020 and 45 billion cubic meters in 2025
- Construction of new form of smart cities and national big data experimental zones in the pearl river delta region
 - Develop smart energy

Northeast Area

- Opportunities from “use of clean coal” policy
- New gas sources brought by China-Russia Line; Biomass resources
- A huge market for clean heating supply business

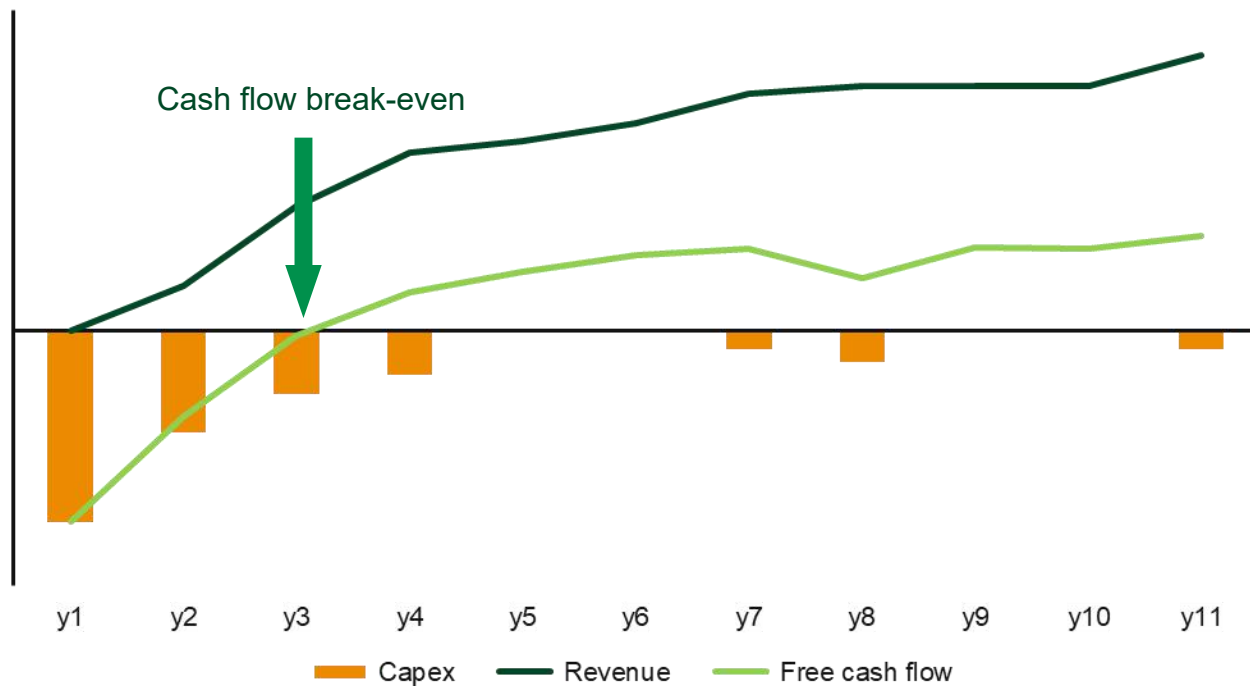
Beijing-tianjin-hebei, Yangtze River Delta, Fenwei Plain

- “Action plan to win the blue sky battle”
- To improve energy efficiency and implement dual controls on energy consumption and intensity
- Coal-fired boilers below 35 tons will be phased out
- Diversified gas sources from pipeline & LNG terminals
- Economy are well developed and customers have better affordability

City-gas projects: **217**
 Energy demand of IE projects in operation, under construction)

- > 2 bil kWh
- 0.5-2 bil kWh
- < 0.5 bil kWh

Typical Industrial Park IE Project - Cash Flow Projection



1. Stable & Recurring Income

- Integrated energy solutions reduce customers' overall energy bills **↓10%**
- Selling the types of energy customer need increases their stickiness

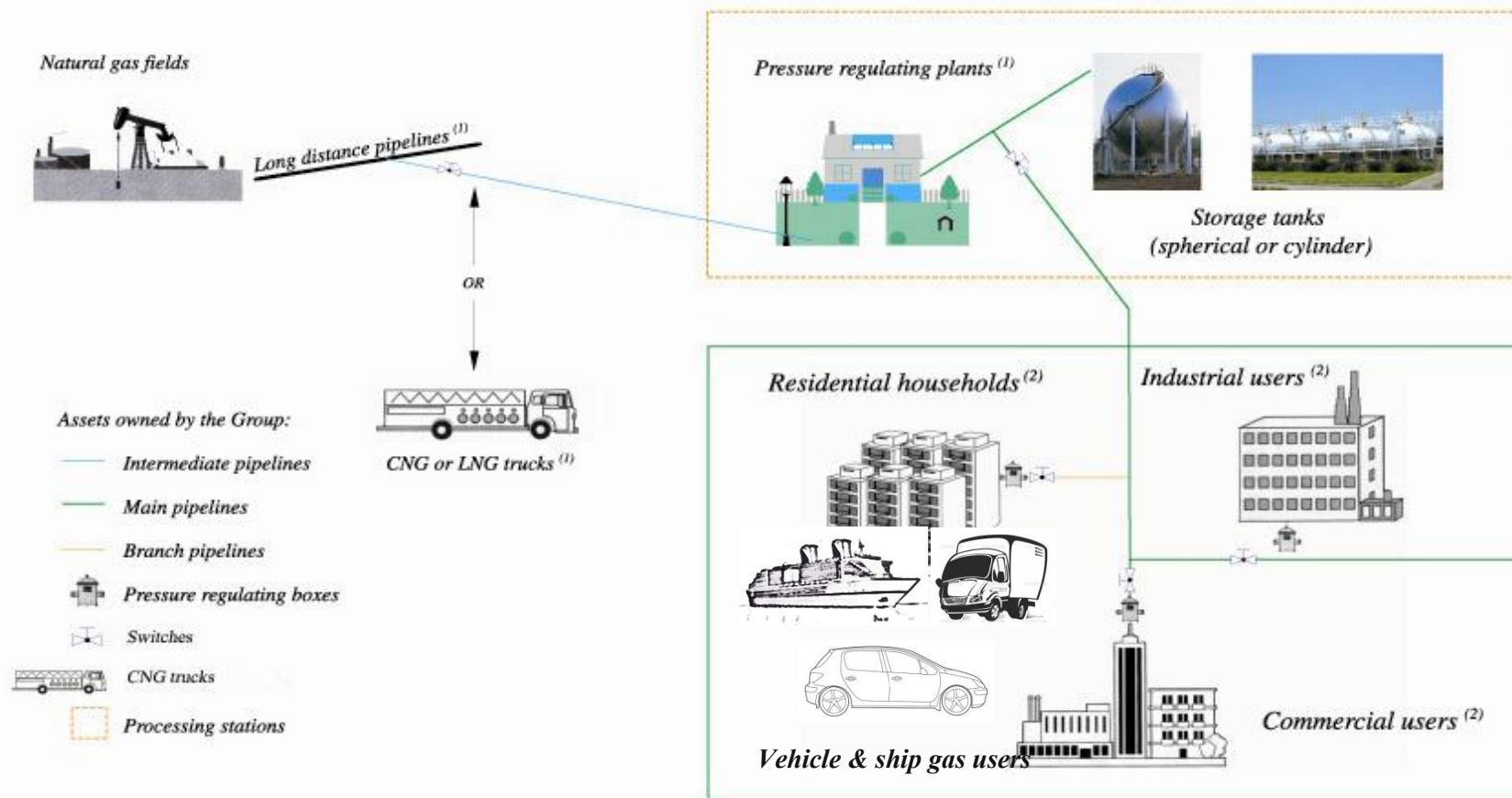
2. Rapid Cash Flow Generation

- Capex are invested by stages depending on the number of customers and their energy consumption scale
- Our projects are mostly industrial parks with existing customers, once the energy stations completed, energy sales can be generated
- Payback period: **7-8** years

3. Low Risk

- Diversified customer base in industrial parks helps reduce cyclical risks of certain industry
- Sign minimum energy offtake volume and establish automatic passthrough mechanism with customers
- Market-oriented business model with low regulatory risk

Gas Delivery Process



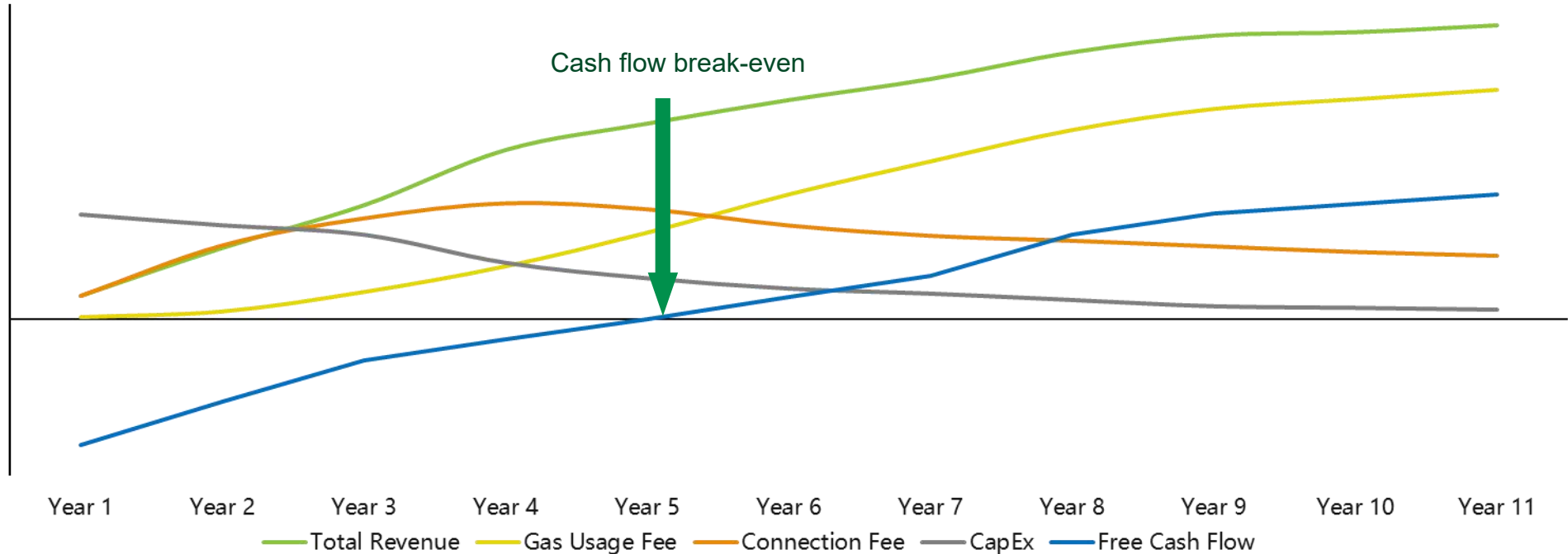
Notes:

(1) Gas delivery using either intermediate pipelines or CNG or LNG trucks.

(2) Customers' pipelines and metres which are not owned by the Group are within the customers' premises and are not highlighted in this diagram.

Simplified Model for a Typical City-gas Project

Revenue/Cost



- Connection fee dominates in early years when the project companies are signing up new customers
- Gas usage increases as projects mature, becoming the major source of recurring income
- Prior to the completion of the whole pipeline network in cities, revenue will be generated as soon as gas supply becomes available in certain districts. Each connection contract normally takes 6–12 months to complete
- In general, gas projects would generate positive free cash flow after 5 years of operation

Latest Benchmark City-gate Price

Province	From 25 May 2018	From 1 April 2019	Province	From 25 May 2018	From 1 April 2019
Unit: RMB/m ³ (Incl. VAT)			Henan	1.89	1.87
Beijing	1.88	1.86	Hubei	1.84	1.82
Tianjin	1.88	1.86	Hunan	1.84	1.82
Hebei	1.86	1.84	Guangdong	2.06	2.04
Shanxi	1.79	1.77	Guangxi	1.89	1.87
Inner Mongolia	1.23	1.22	Hainan	1.53	1.52
Liaoning	1.86	1.84	Chongqing	1.53	1.52
Jilin	1.65	1.64	Sichuan	1.54	1.53
Heilongjiang	1.65	1.64	Guizhou	1.60	1.59
Shanghai	2.06	2.04	Yunnan	1.60	1.59
Jiangsu	2.04	2.02	Shaanxi	1.23	1.22
Zhejiang	2.05	2.03	Gansu	1.32	1.31
Anhui	1.97	1.95	Ningxia	1.40	1.39
Jiangxi	1.84	1.82	Qinghai	1.16	1.15
Shandong	1.86	1.84	Xinjiang	1.04	1.03

Source: NDRC



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