



ENN 新奥

新奥能源控股有限公司

(股份代号: 2688)

2017 Annual Results

Company Presentation

March 2018

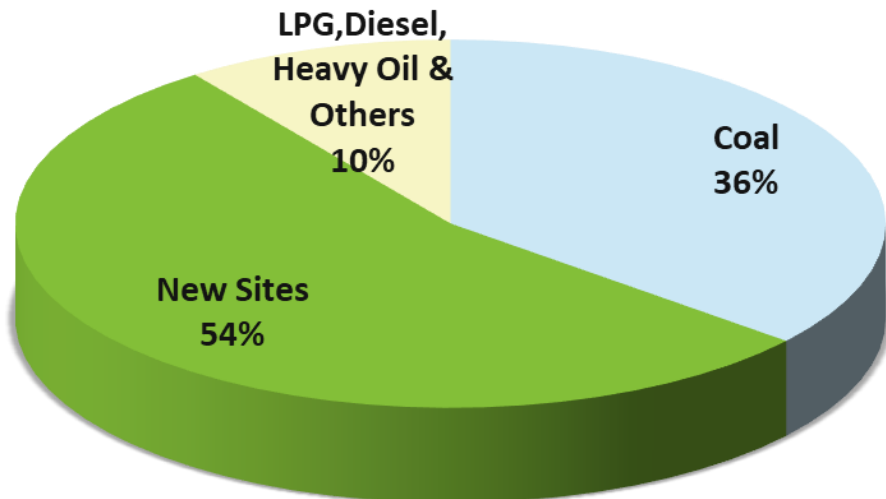
CONTENTS

- **1. Operation Review**
- 2. Financial Review**
- 3. Development Strategies**
- 4. Appendix**

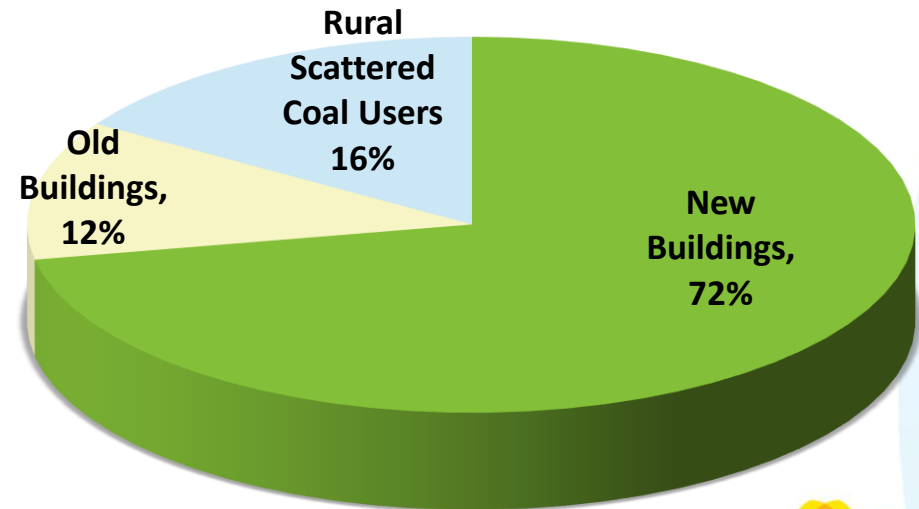
Growing Natural Gas Customer Base

	2017	2016	Change
Number of Gas Customers			
New Natural Gas Connections – C/I Customers (sites)	23,200	11,821	11,379
Accumulated Piped Gas (Incl. Natural Gas) C/I Customers (sites)	91,879	68,679	23,200
Newly Installed Designed Daily Capacity for C/I Customers (m ³)	16,718,347	12,574,005	33.0%
Accumulated Installed Designed Daily Capacity for C/I Customers (m ³)	87,900,513	71,182,166	23.5%
New Natural Gas Connections – Residential Households	2,074,270	1,820,837	13.9%
Accumulated Piped Gas (Incl. Natural Gas) Residential Households	16,221,143	14,146,873	14.7%

C/I New Connections Breakdown



Residential New Connections Breakdown



Strong Gas Sales Volume Growth

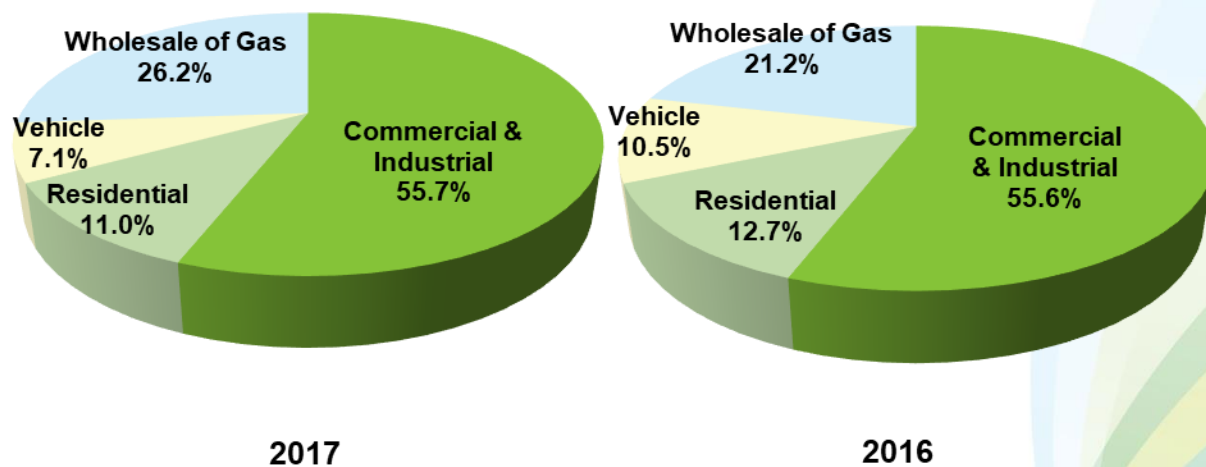
Total Natural Gas Sales Volume



Natural Gas Sales Volume Breakdown – By Customer Type

(million m ³)	2017	2016	Change
Commercial & Industrial	10,931	7,963	37.3%
Residential	2,148	1,816	18.3%
Vehicle Refuelling Stations	1,396	1,514	-7.8%
Wholesale of Gas	5,141	3,037	69.3%

Natural Gas Sales Volume Structure – By Customer Type



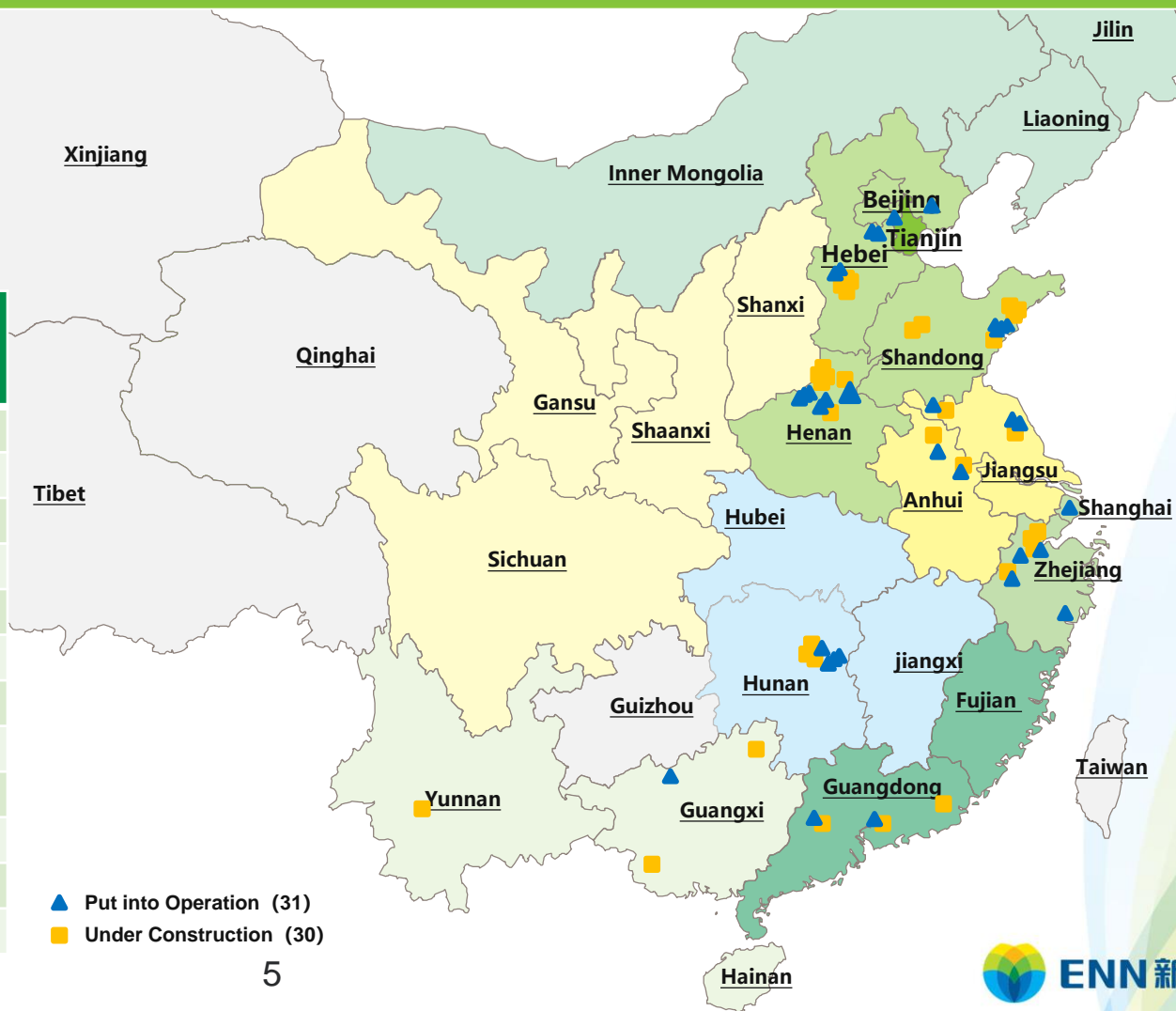
ASP & Procurement Cost Analysis

ASP & Procurement Cost (RMB/m ³)	2017	2016	Change
Residential	2.66	2.64	0.02
Commercial & Industrial	2.92	2.99	-0.07
CNG Station	3.68	3.70	-0.02
LNG Station	3.35	3.10	0.25
ASP	2.94	2.99	-0.05
Average Cost	2.24	2.17	0.07
Dollar Margin (ex VAT)	0.63	0.73	-0.10

Actively Develop Integrated Energy Business

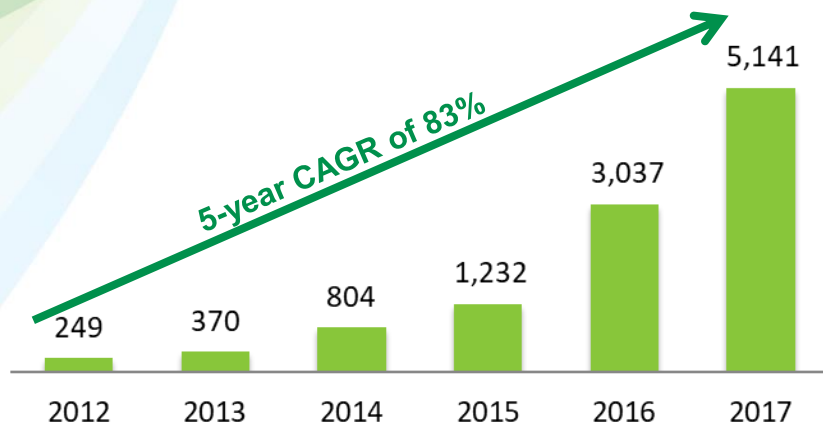
- Developed integrated energy business in multiple cities including Shanghai, Changsha, Qingdao, Shijiazhuang, Langfang, Dongguan, Zhaoqing, Yancheng and Hangzhou. As of the end of 2017, projects with Pan-energy stations that were put into operation amounted to 31. Another 30 were under construction with up to 625 business opportunities.
- Revenue from integrated energy business amounted to RMB294 million, significantly up 92.2% y-o-y.

Province	Projects that were put into operation	Projects that were under construction
Anhui	1	3
Guangdong	2	4
Guangxi	1	2
Hebei	5	3
Henan	5	4
Hunan	4	3
Jiangsu	3	2
Shandong	4	6
Shanghai	1	-
Tianjin	1	-
Zhejiang	4	3
Total	31	30

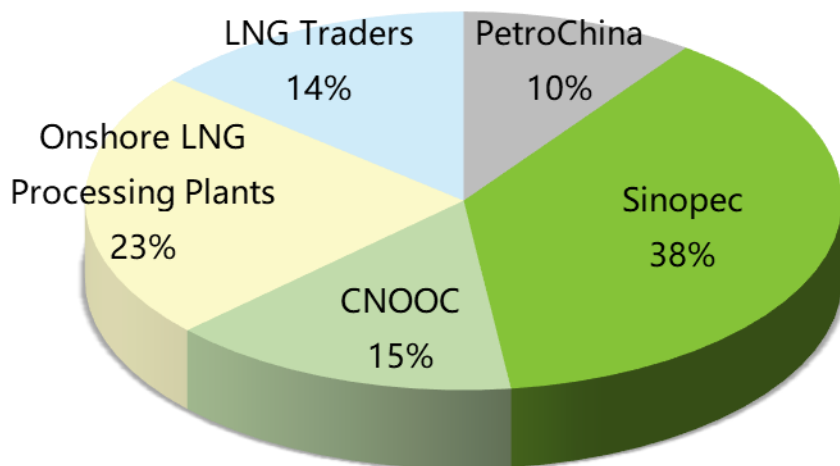


Rapid Growth of Energy Trading Business

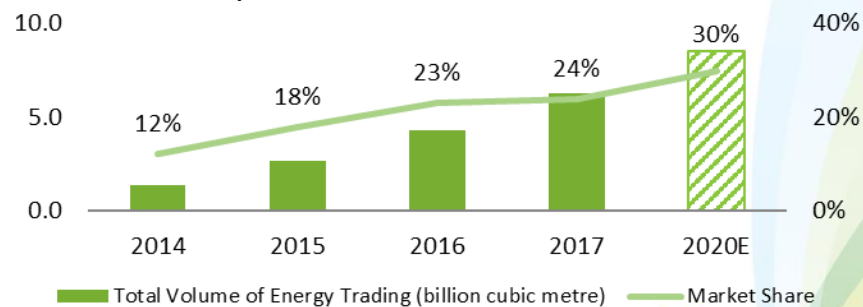
Wholesale of Gas Volume (million m³)



Diversified Sources of Natural Gas Supply



- Driven by “coal-to-gas conversion”, LNG demand in China recorded exponential growth. The Company supplied LNG to users who were lack of piped natural gas and insufficient gas supply, which drove the rapid growth of energy trading business;
- Key clients were city-gas distributors, LNG traders, vehicle refuelling stations and power plants. Among them, most are long-term customers;
- Through deepening the upstream alliance with three oil majors, LNG processing plants, investing in Shanghai Petroleum and Natural Gas Exchange as well as Chongqing Petroleum and Natural Gas, the Company secured upstream resources and thus reinforced its resources deployment and allocation capability;
- With the smart dispatching system, logistics fleet and powerful distribution network, CAGR of the Company’s gas sales volume from energy trading business amounted to 83% in the last 5 years.



Enhancing the Infrastructure of Clean Energy Distribution

	2017	2016	Change
Infrastructure			
Number of Pan-energy Stations	31	12	19
Number of CNG Refuelling Stations	325	320	5
Number of LNG Refuelling Stations	281	277	4
Number of Natural Gas Processing Stations	173	166	7
Combined Daily Capacity of Natural Gas Processing Stations (million m ³)	104	85	22.4%
Total Length of Intermediate and Main Pipelines (km)	39,146	32,921	18.9%
Capacity of Gas Storage Facilities (million m ³)	46	42	10%

Continuous Enhancement on Winter Gas Supply Assurance Ability

Changes in Supply and Demand

- Demand side: Government initiatives such as “coal-to-gas conversion”, “coal-free zones”, “financial subsidies in 2+26 cities” and “optimizing production capacity structure”, encouraged gas consumption from city-gas and industrial users, winter heating and power generation
- Supply side: Decline in incremental onshore gas production, reduction in pipeline utilization from Central Asia, etc. triggered the winter gas shortage

Pro-actively communicated with upstream suppliers to gain incremental piped gas resources

Communicated with local governments to establish supply ensuring measures

Secured low-priced LNG gas sources in advance leveraging its energy trading business

Established contingency LNG reserve & stepped up construction of gas storage facilities



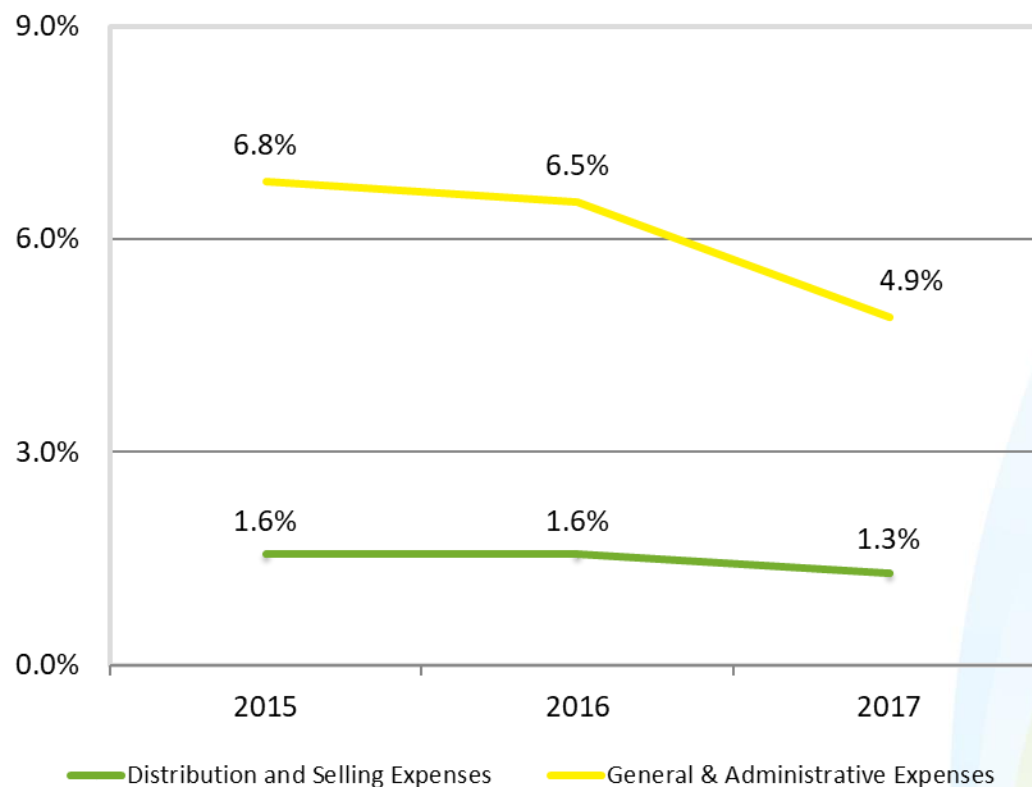
Innovative Management Model and Economies of Scale

Setting up challenging goals on self-management, self-innovation, self-motivation and independent growth, maximizing the vitality and creativity of individual



With the smart enterprise operation platform **Icome**, it is capable of carrying various empowerment demands. **Icome** can ensure the organization equipped with a variety of resources to support self-driven development, while those resources can be obtained in a timely manner.

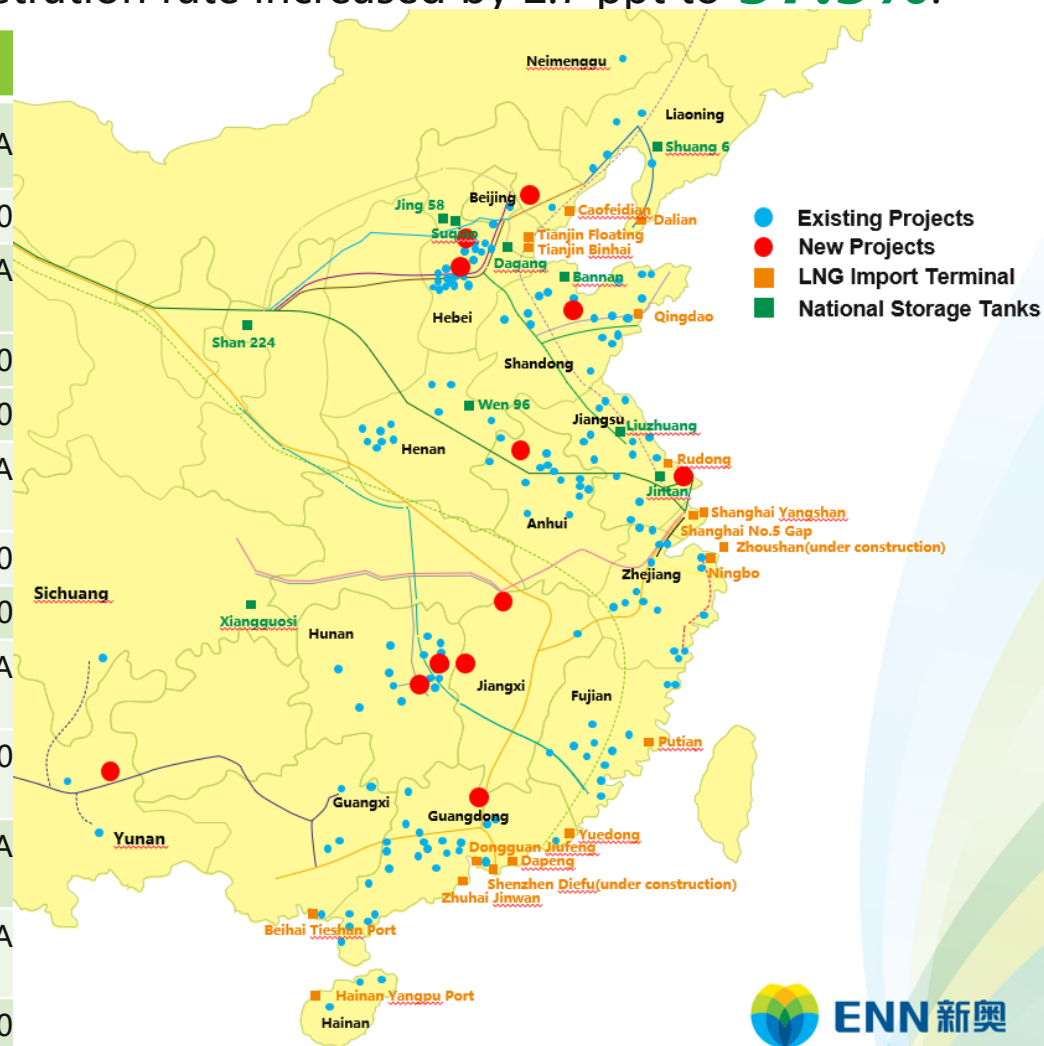
Decreasing SG&A as a percentage of Revenue



Continuous Expansion on Our Geographic Coverage

- The Group acquired **12** new projects and **22** new concessions nearby existing projects in 2017. As the end of 2017, the Group managed **172** city-gas projects in China with total connectable population of **84.69** million. Average gas penetration rate increased by 2.7 ppt to **57.5%**.

Province	New Projects	Connectable Population
Anhui	Bozhou Wuhu Modern Industrial Park (亳州蕪湖現代產業園)	N/A
Guangdong	Heyuan Lianping County(河源連平縣)	250,000
Hebei	Chengde Weichang Economic Development Zone (承德圍場經濟開發區)	N/A
	Dingxing County (定興縣)	270,000
	Yutian County (玉田縣)	150,000
Hunan	Zhuzhou Nanzhou New District (株洲南洲新區)	N/A
	Yongxing (永興縣)	30,000
Yunnan	Xuanwei(宣威市)	420,000
Jiangxi	Jiujiang Economic Development Zone (九江經濟技術開發區)	N/A
	Pingxiang Xiangdong District (萍鄉湘東區)	150,000
Shandong	Changle Economic Development Zone (昌樂經濟開發區)	N/A
Jiangsu	Dongtai Coastal Economic Zone (東台沿海經濟區)	N/A
Additional Connectable Population		1,270,000



CONTENTS

- 1. Operation Review
- 2. Financial Review
- 3. Development Strategies
- 4. Appendix

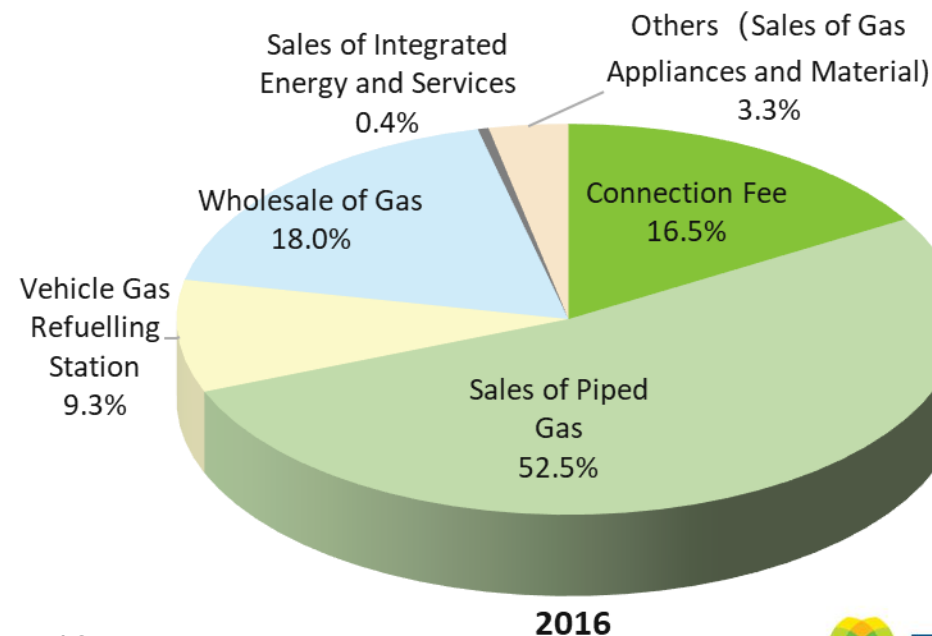
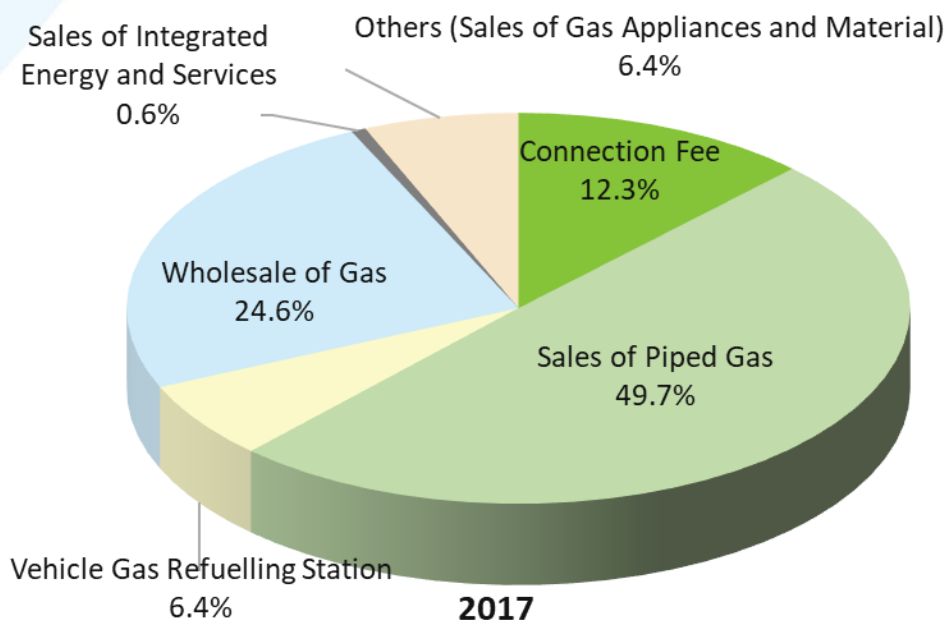
Financial Review

	2017	2016	Change
Key Financial Highlights			
Revenue (RMB million)	48,269	34,103	41.5%
Gross Profit (RMB million)	8,339	7,350	13.5%
EBITDA (RMB million)	7,827	6,965	12.4%
EBIT (RMB million)	6,671	5,865	13.7%
Profit of the Year (RMB million)	3,673	2,888	27.2%
Profit attributable to Shareholders of the Group (RMB million)	2,802	2,151	30.3%
Basic EPS (RMB)	2.59	1.99	30.2%

Robust Revenue Structure

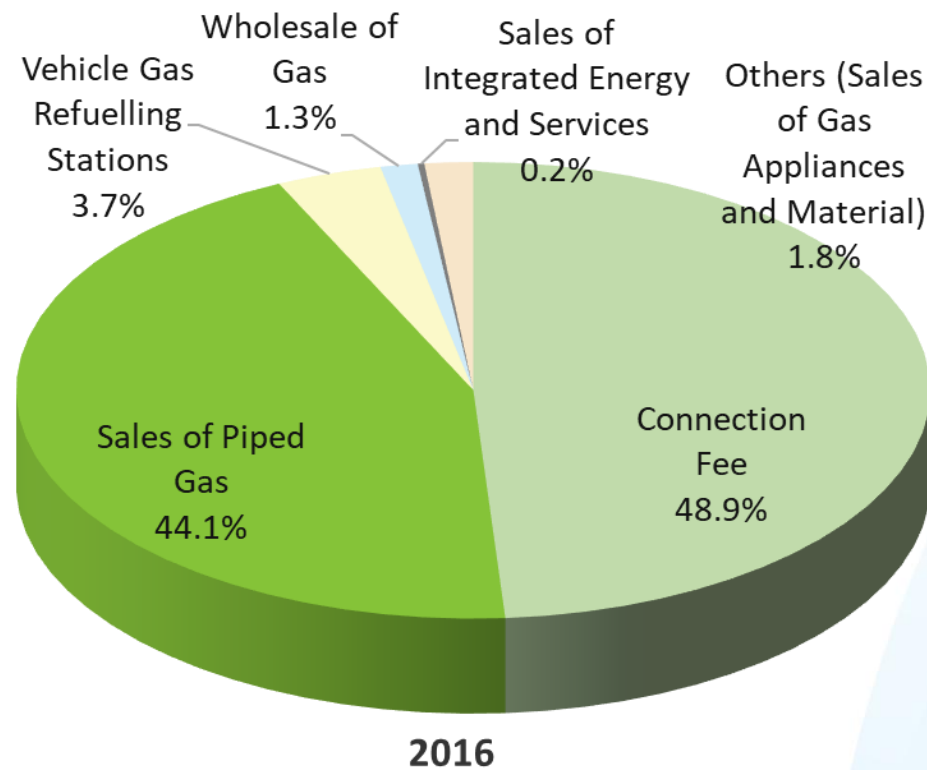
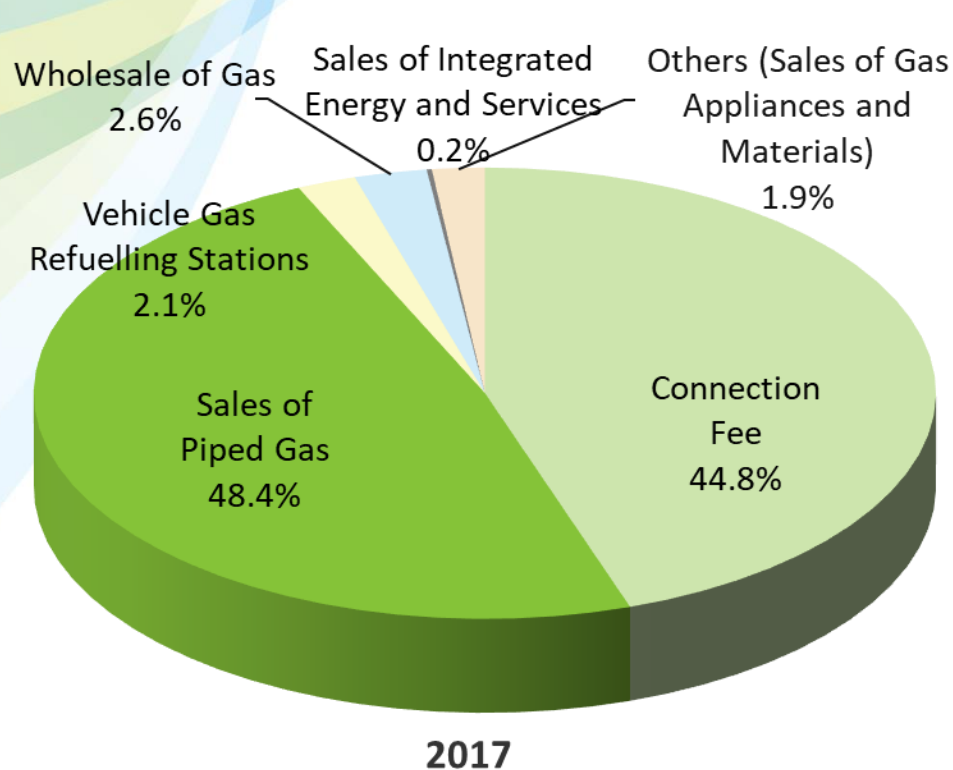
(RMB million)	2017	2016	Change
Connection Fee	5,954	5,611	6.1%
Sales of Piped Gas	23,948	17,900	33.8%
Vehicle Gas Refuelling Stations	3,102	3,169	-2.1%
Wholesale of Gas	11,878	6,153	93.0%
Sales of Integrated Energy and Services	294	153	92.2%
Others (Sales of Gas Appliances and Material)	3,093	1,117	176.9%

Revenue Mix – By Segment



Sound Profitability

Gross Profit Breakdown



	2017	2016	Change
Gross Profit Margin	17.3%	21.6%	-4.3 ppt
Net Profit Margin	7.6%	8.5%	-0.9 ppt
ROE*	22.0%	21.5%	0.5 ppt

* Stripping off one-off items

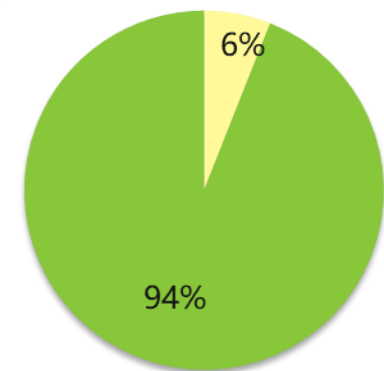
Financial Resources and Liquidity

(RMB million)	As of 31 December 2017	As of 31 December 2016	Change
Cash	7,972	7,163	11.3%
Total Liability	18,067	16,791	7.6%
- Current Liability	8,368	4,644	80.2%
- Non-current Liability	9,699	12,147	-20.2%
Net Gearing Ratio	49.9%	53.9%	-4.0ppt
Net Debt/EBITDA	1.3x	1.4x	-0.1x

Rating Agency	2017	2016	2015
S&P	↑ BBB (Positive)	BBB (Stable)	BBB (Stable)
Moody's	↑ Baa2 (Stable)	Baa3 (Positive)	Baa3 (Positive)
Fitch	BBB (Stable)	BBB (Stable)	BBB (Stable)

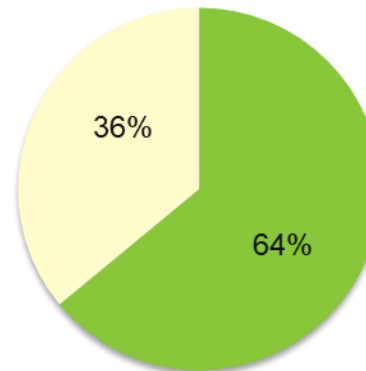
Prudent Debt Structure

**Fixed Rate Dominant Debt Structure
(as of December 2017)**



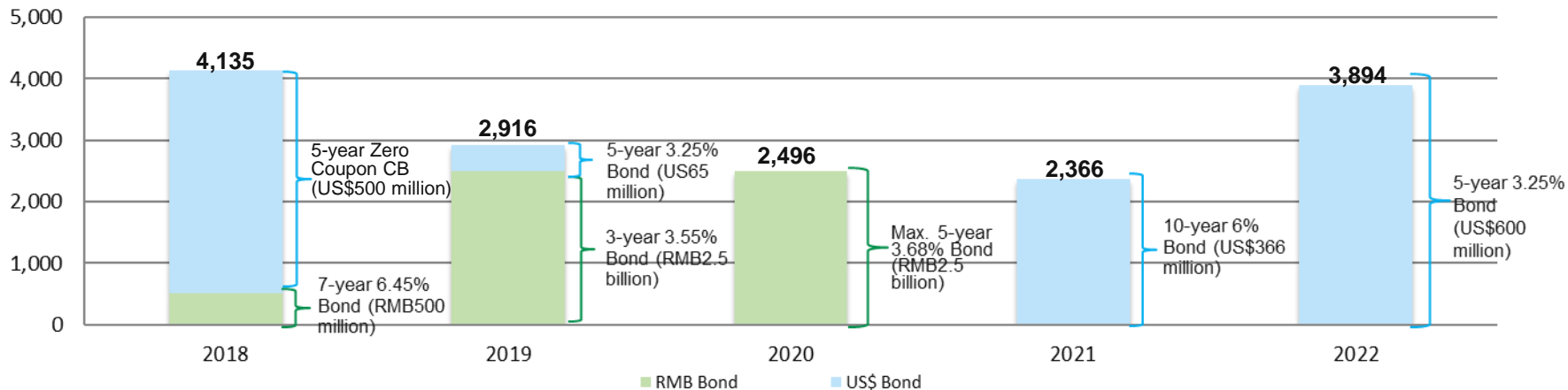
■ Floating Rate ■ Fixed Rate

**Effective FX Exposure Management
(as of December 2017)**



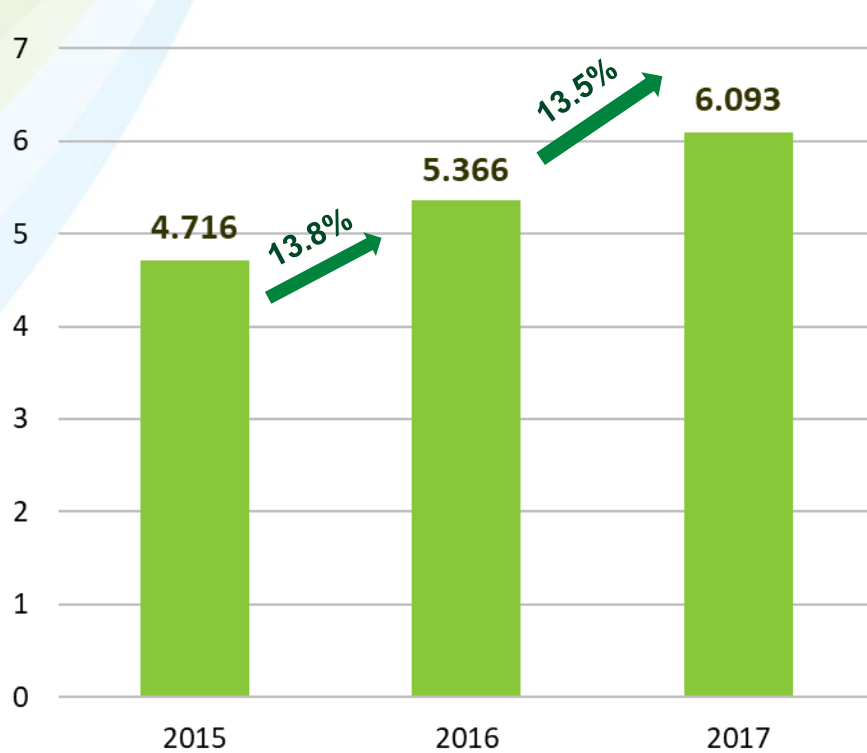
■ Hedged ■ Unhedged

Diversified Bond Maturity (RMB million)

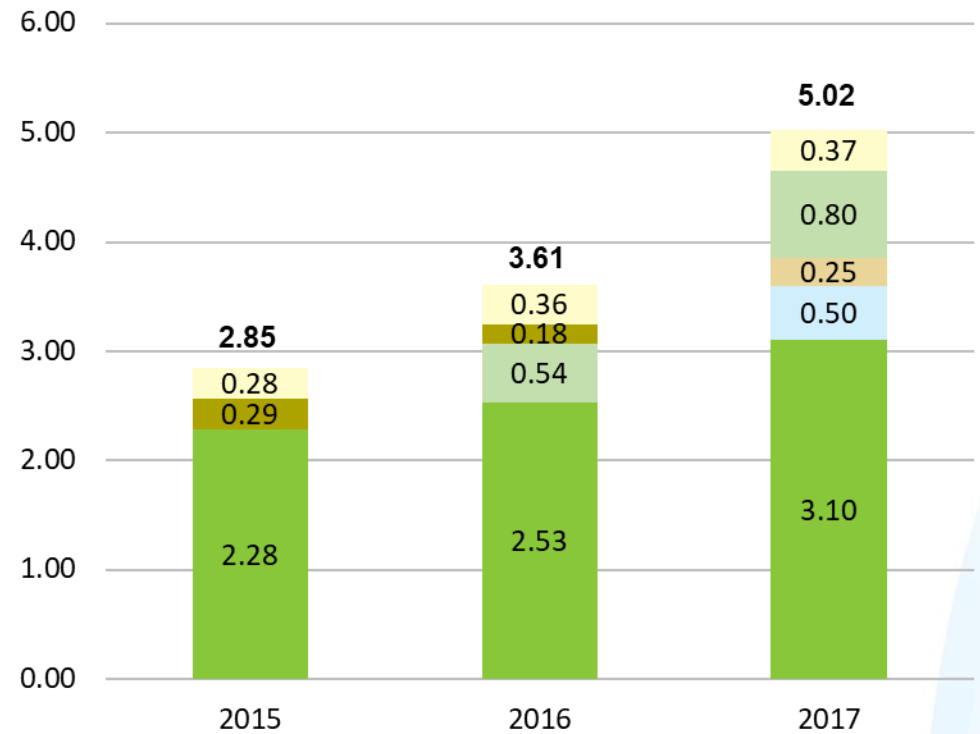


Healthy Operational Cash Flow and Prudent CAPEX

Operational Cash Flow (RMB billion)



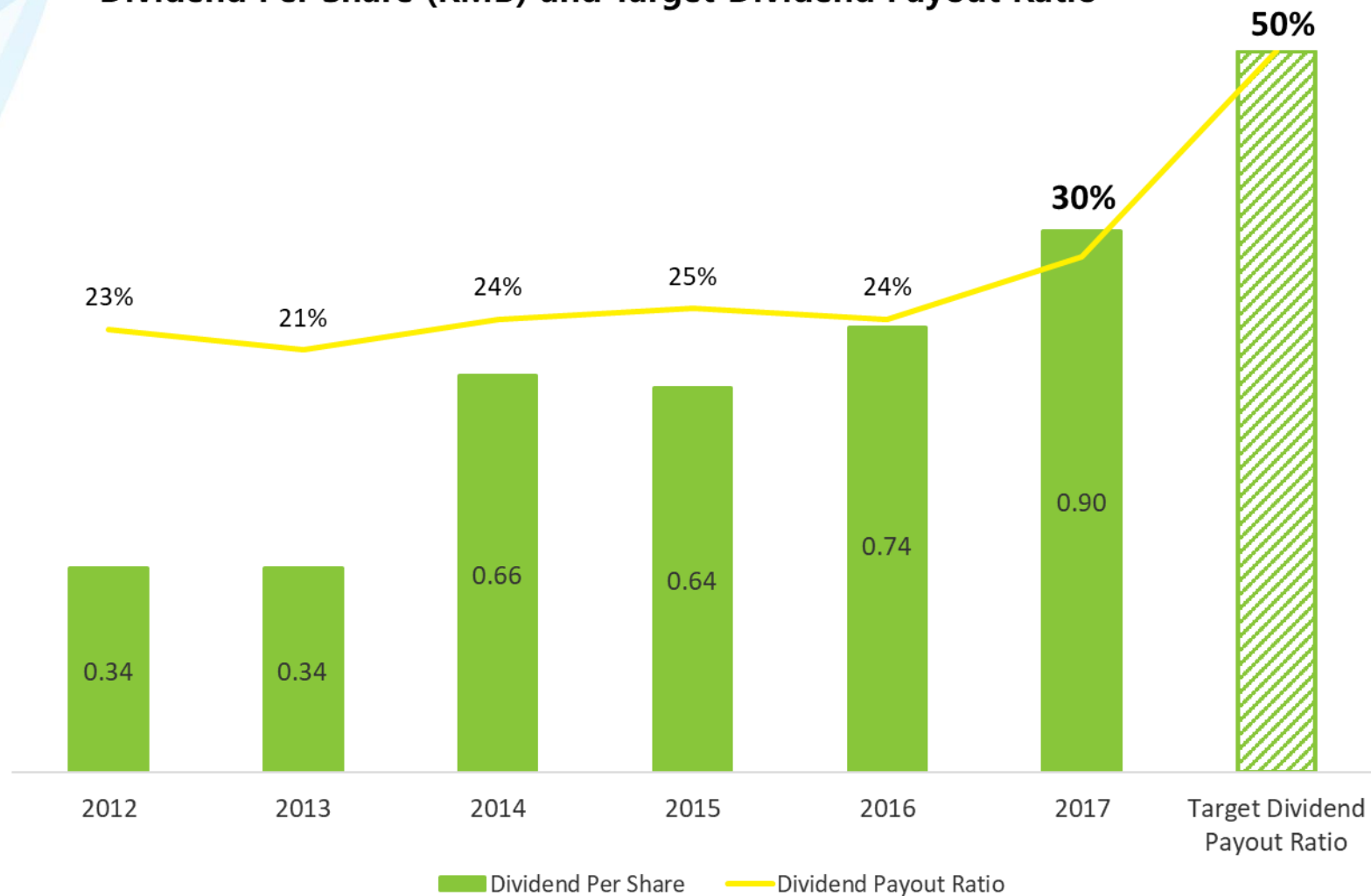
CAPEX Allocation (RMB billion)



- City-gas Projects
- Rural Coal-to-gas Projects
- Storage Facilities
- Integrated Energy Business
- Vehicle Refuelling Station
- New Project Acquisition

Growing Dividend Payout Ratio

Dividend Per Share (RMB) and Target Dividend Payout Ratio



CONTENTS

1. Operation Review
2. Financial Review
- 3. Development Strategies
4. Appendix

Transformation into an Integrated Energy Service Provider Driven by the Evolution of Energy Industry

The energy consumption reform and supply-side reform expand users' rights to choose, flipping over the previous supply-driven mode, bringing the use of integrated energy into the mainstream.

Energy structure speeds up its transformation to achieve clean and low-carbon emission

- Natural gas will account for 10% and 15% of primary energy consumption in 2020 and 2030 respectively;
- Energy development transforms from total volume expansion to higher quality and enhanced efficiency. Implementation of national carbon trading, renewable energy power quota system and environmental taxation provide huge opportunities for the development of natural gas and renewable energy.

Energy system reform gives users the right to choose and encourages participation of diversified stakeholders

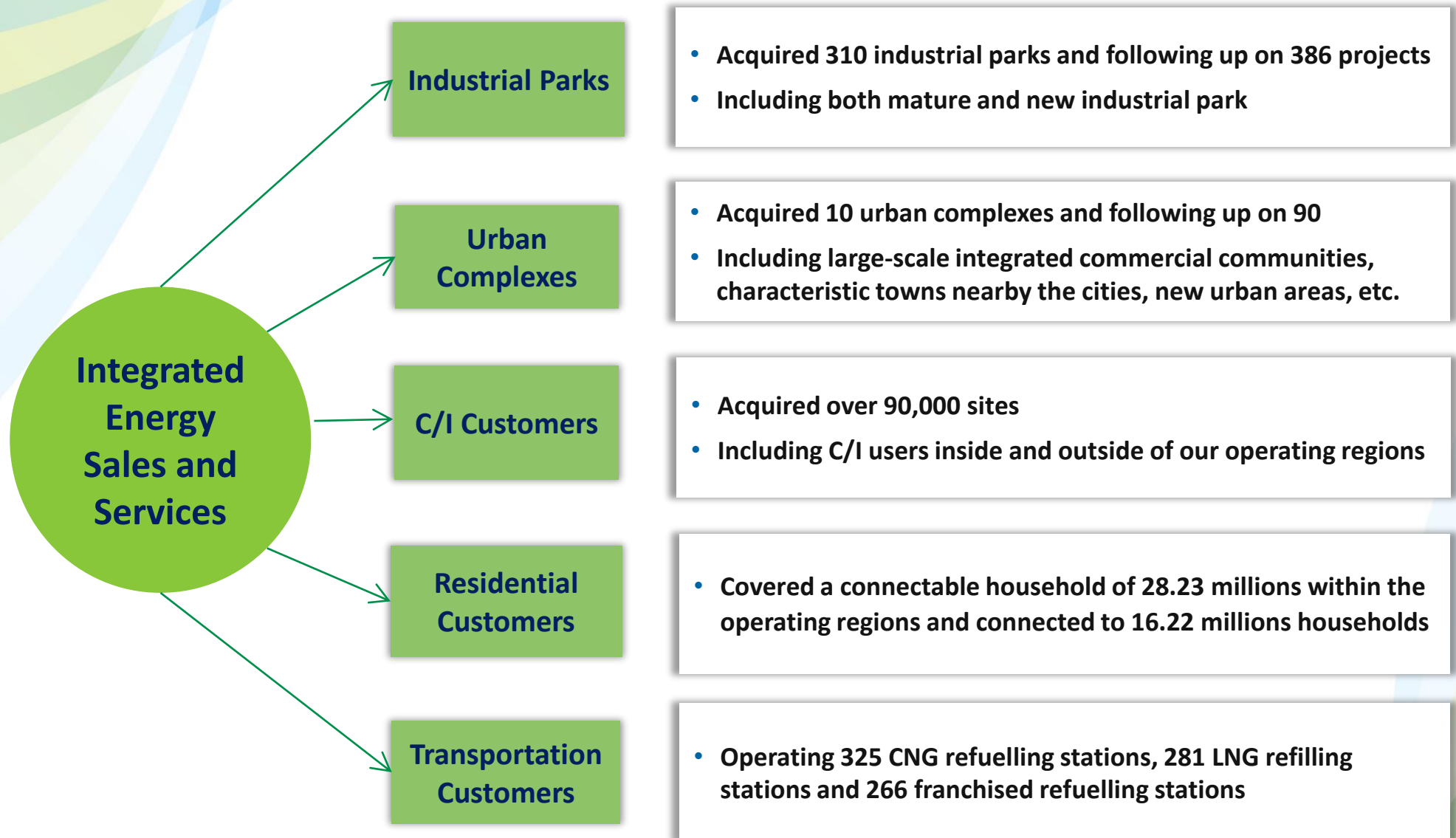
- Natural gas industry continues its liberalisation process, expanding users' rights to choose, forming the new demand-driven industry landscape;
- Domination of the grid has been broken down gradually, pilot projects of distributed power generation trading have been started.

Advancement on technology provides new opportunities

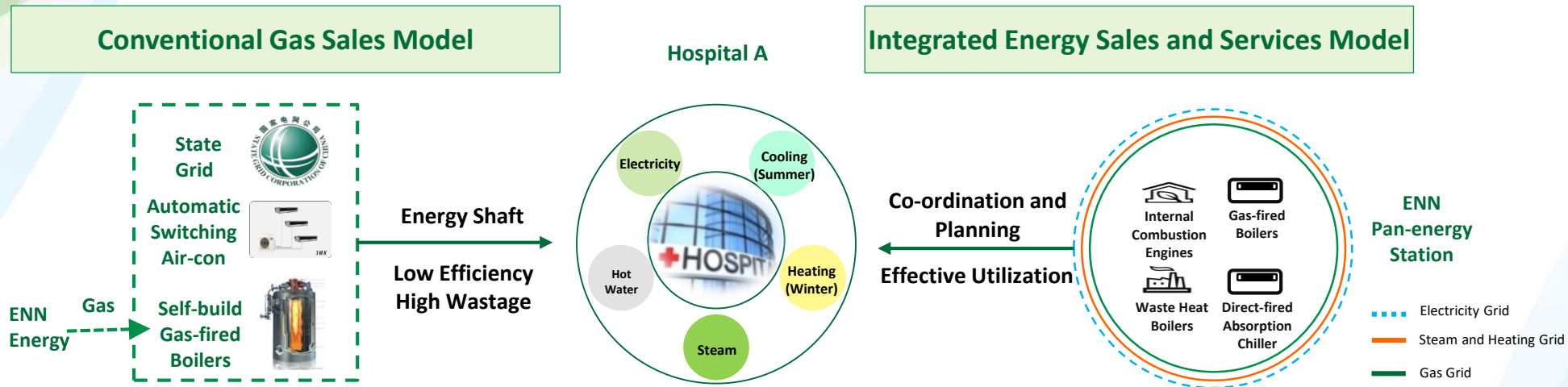
- Breakthrough in distributed energy and energy storage technology increases energy efficiency
- Regional operation of integrated energy becomes the mainstream

Capitalising on the opportunities from energy system transformation, continuing to expand the natural gas business, developing integrated energy business comprehensively, achieving the smart interaction between energy production and consumption, fulfilling end-users' demand of clean, efficient, economic and safe energy

Extensive User Base Supports the Transformation



Integrated Energy Business Creates All-Win Situation



Aim to cut down user's overall energy bill while enhancing the Company's total return through multi-energy integration and cascade utilization

Total Energy Consumption Costs Decreased by 20%

**Sales Volume Increased by 40%
Profitability Increased by 300%**

**Emission Reduction:
CO₂ 2,630 tons, SO₂ 80 tons,
NO₂ 40 tons**

Continue to Develop Integrated Energy Business Rapidly

Industrial Parks

- Pro-actively engages regions with “coal-free” and “electricity reform” policies
- Constructs integrated energy supply infrastructure

Urban Complexes

- Flexible business model
- Provides integrated energy solutions
- Flexible integration of gas, electricity, cooling and heating. Organic combination of resources outside the cities with users’ current energy system

C/I Customers

- Focuses on “coal-to-gas” conversion, projected new connections of 20 million m³/day or more in 3 years
- Pro-actively promotes integrated energy use to existing natural gas users
- Complementary and cascade energy utilization amongst customers

Residential Customers

- Promotes the use of natural gas space heating
- Steps up efforts to connect new and old households and expands the sales of gas appliances

Energy Trading

- Continues to strengthen the competitive advantages of the integration of LNG resources, distribution and storage, expands the trading scale, enhances profitability and aims to become the leader of LNG trading in China

CONTENTS

1. Operation Review
2. Financial Review
3. Development Strategies
- 4. Appendix

ENN - One of the First Privately Owned Clean Energy Distributors in China

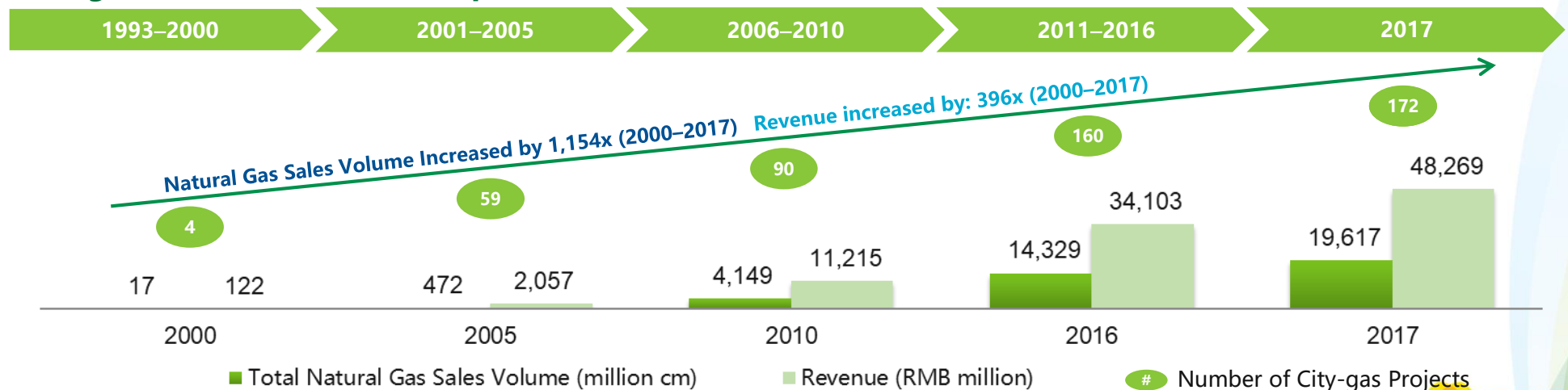
Company Overview

- 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, Pan-energy stations, 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 as, while providing other energy-related services
- ENN was listed on the GEM in 2001 and transferred to the Main Board of HKEX (stock code: 2688) in 2002

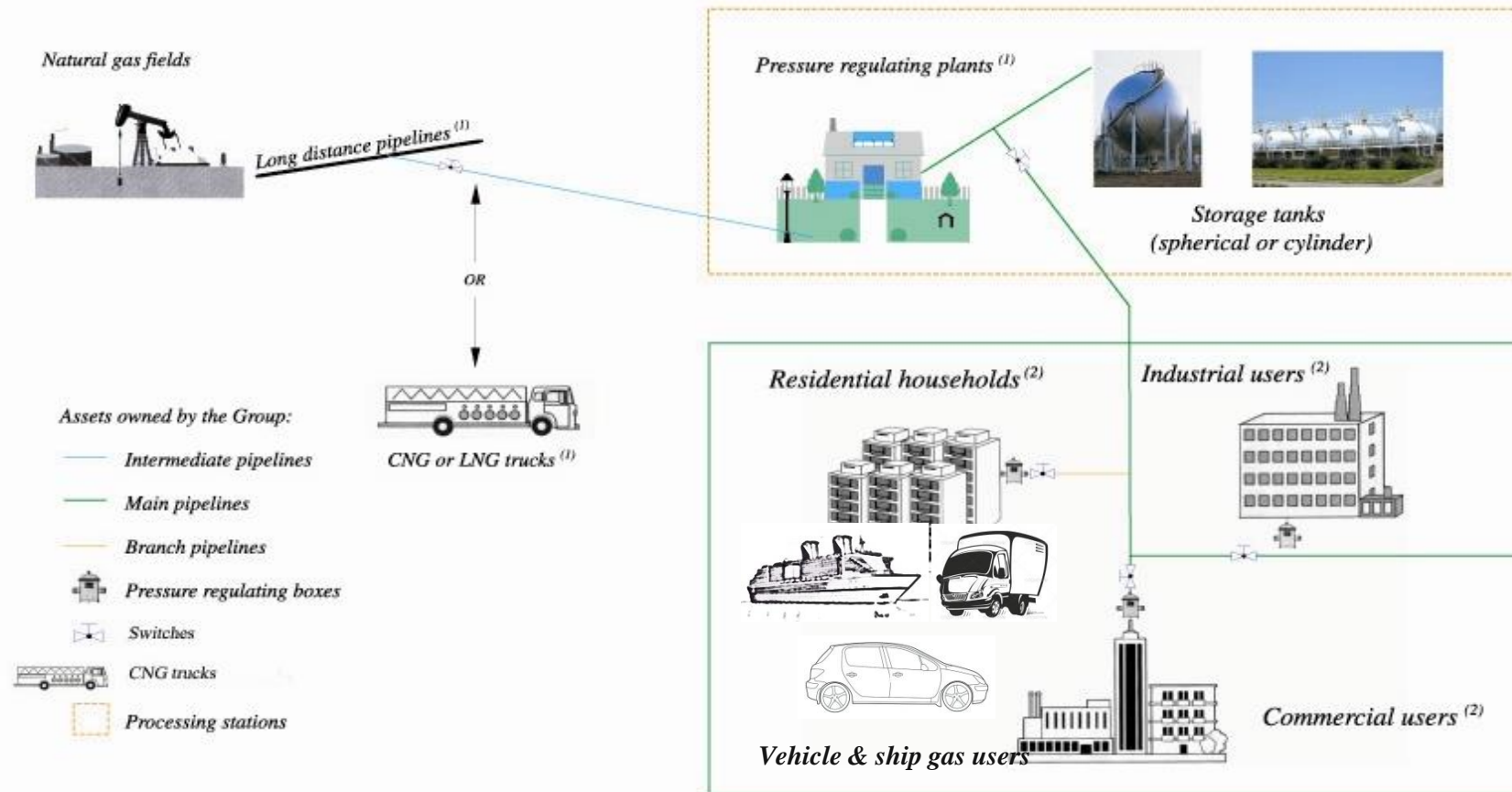
Key Business Segments

Sales of Piped Gas	Gas Connection	Energy Trading	Integrated Energy Business	Vehicle Gas Refuelling Stations
				
<ul style="list-style-type: none"> Sell piped gas to residential households and commercial/industrial (C/I) customers 	<ul style="list-style-type: none"> Collect gas connection fees via connecting gas pipelines to residential households and C/I customers 	<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"> Customise integrated energy solutions for users to enhance energy efficiency and lower energy costs 	<ul style="list-style-type: none"> Construct and operate vehicle gas refuelling stations (LNG / CNG) and sell natural gas to vehicle users

Strong and Sustainable Development



Gas Delivery Process



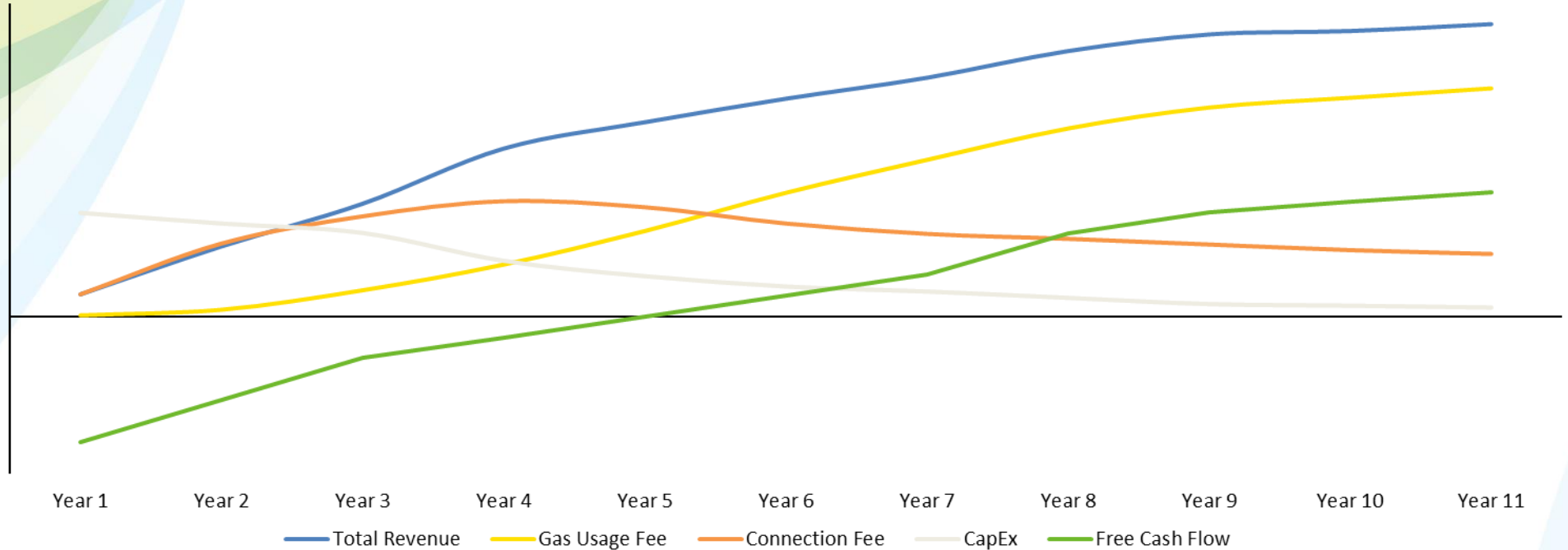
Notes:

(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

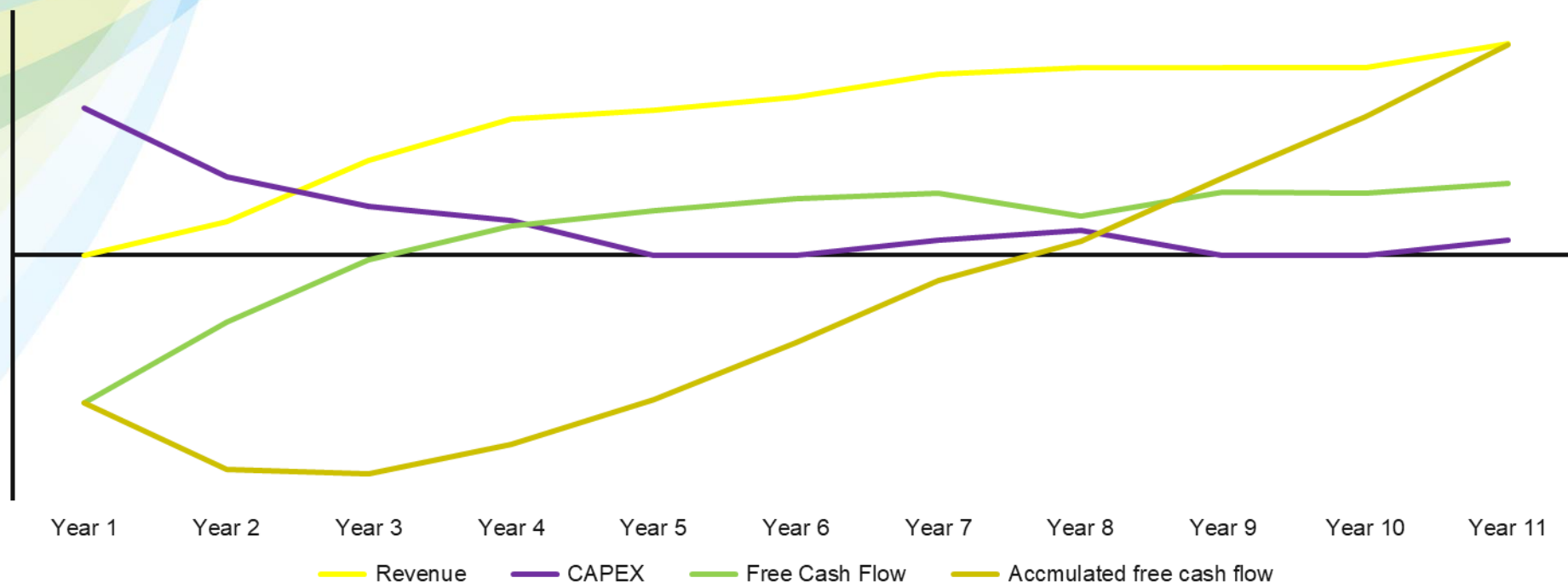
Revenue/Cost



- 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

Simplified Model for a Typical Pan-energy Station

Revenue/Cost



- CAPEX is incurred mainly in early years of the project. In general, the investment and construction period for single plant is one year. Industrial park projects will be invested by phases, according to the number of customers and the scale of energy usage. The amount of investment depends on the scale of energy usage.
- The sales of integrated energy is the major source of revenue, which will go up with the increase in customers numbers and their energy usage.
- In general, the project would generate positive free cash flow after 3 years 'operation. The payback period would be 7-9 years.
- IRR with financial leverage would be at least 12%. Gross margin of integrated energy sales would vary according to the energy sales structure, normally between 10% to 15%.

Latest Benchmark City-gate Price

Province	From 20 November 2015	From 1 September 2017	Province	From 20 November 2015	From 1 September 2017
Unit: RMB/m ³ (Incl. VAT)			Henan	2.01	1.91
Beijing	2.00	1.90	Hubei	1.96	1.86
Tianjin	2.00	1.90	Hunan	1.96	1.86
Hebei	1.98	1.88	Guangdong	2.18	2.08
Shanxi	1.91	1.81	Guangxi	2.01	1.91
Inner Mongolia	1.34	1.24	Hainan	1.64	1.54
Liaoning	1.98	1.88	Chongqing	1.64	1.54
Jilin	1.76	1.66	Sichuan	1.65	1.55
Heilongjiang	1.76	1.66	Guizhou	1.71	1.61
Shanghai	2.18	2.08	Yunnan	1.71	1.61
Jiangsu	2.16	2.06	Shaanxi	1.34	1.24
Zhejiang	2.17	2.07	Gansu	1.43	1.33
Anhui	2.09	1.99	Ningxia	1.51	1.41
Jiangxi	1.96	1.86	Qinghai	1.27	1.17
Shandong	1.98	1.88	Xinjiang	1.15	1.05

Source: NDRC

Disclaimer

The information provided to you in this presentation does not constitute or form part of any offer for subscription or sale of, or solicitation of any offer to subscribe for or sale of any securities of ENN Energy Holdings Limited (the "Company") nor shall it form the basis of, nor can it be relied on in connection with, any contract or commitment whatsoever.

Investor Relations Contact:

Ms. Shirley Kwok / Ms. Grace Wei / Ms. Evonne Zhang / Ms. Olivia Xia

Tel: +852 2528 5666 / +86 316 2599928 Fax: +852 2865 7204

Email: wm.kwok@ennenergy.com / weiliping@enn.cn /

evonne.zhang@ennenergy.com / oliviaxia@ennenergy.com

Website: www.ennenergy.com