ENN 新奧

新奧能源控股有限公司
ENN Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2688)

Annual Results Announcement
For The Year Ended 31 December 2017

Results Highlights:

- The Company, its subsidiaries, joint ventures and associates, capitalised on the strong business development and management support capability, recorded a total natural gas sales volume of 19.62 billion cubic metres, significantly increased by 36.9% year-on-year; total revenue increased by 36.9% to RMB68,853 million, and profit amounted to RMB4,500 million, increased by 25.2% year-on-year;
- Revenue of the Group amounted to RMB48,269 million, representing a significant increase of 41.5% year-on-year; profit attributable to shareholders of the Group increased by 30.3% year-on-year to RMB2,802 million;
- Basic earnings per share amounted to RMB2.59, increased by 30.2% year-on-year; and
- The Board of Directors recommends a final dividend of HK$1.08 per share.

The Board of Directors (the "**Board**") of ENN Energy Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2017 together with the comparative audited figures for the corresponding period in 2016. The audited consolidated financial statements have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	**2017** *RMB million*	**2016** *RMB million*
Revenue	3	48,269	34,103
Cost of sales		(39,930)	(26,753)
Gross profit		8,339	7,350
Other income		676	650
Other gains and losses	4	(895)	(1,010)
Distribution and selling expenses		(635)	(534)
Administrative expenses		(2,377)	(2,223)
Share of results of associates		129	73
Share of results of joint ventures		505	498
Finance costs		(552)	(609)
Profit before tax		5,190	4,195
Income tax expense	5	(1,517)	(1,307)
Profit for the year		3,673	2,888
Other comprehensive income			
Item that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of properties arising from the transfer to investment properties		4	14
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		(88)	69
Fair value (loss) gain on available-for-sale ("**AFS**") financial assets		(46)	2
		(134)	71
Other comprehensive (expense) income for the year		(130)	85
Total comprehensive income for the year		3,543	2,973
Profit for the year attributable to:			
Owners of the Company		2,802	2,151
Non-controlling interests		871	737
		3,673	2,888
Total comprehensive income for the year attributable to:			
Owners of the Company		2,672	2,233
Non-controlling interests		871	740
		3,543	2,973
		RMB	*RMB*
Earnings per share	7		
Basic		2.59	1.99
Diluted		2.59	1.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Notes	2017 RMB million	2016 RMB million
Non-current Assets			
Property, plant and equipment		25,490	22,297
Prepaid lease payments		1,262	1,221
Investment properties		246	208
Goodwill		192	188
Intangible assets		1,681	1,487
Interests in associates		1,505	1,350
Interests in joint ventures		3,929	3,704
AFS financial assets		4,578	4,882
Financial assets at fair value through profit or loss ("**FVTPL**")		5	154
Other receivables		183	32
Amounts due from associates		278	89
Amounts due from joint ventures		674	407
Deferred tax assets		941	745
Deposits paid for investments		35	61
Deposits paid for acquisition of property, plant and equipment, land use rights and operation rights		104	227
Restricted bank deposits		486	489
		41,589	37,541
Current Assets			
Inventories		744	515
Trade and other receivables	8	6,068	4,423
Prepaid lease payments		37	30
Financial assets at FVTPL		4	16
Amounts due from customers for contract work		553	303
Amounts due from associates		367	185
Amounts due from joint ventures		943	790
Amounts due from related companies		112	63
AFS financial assets		528	-
Restricted bank deposits		241	352
Cash and cash equivalents		7,972	7,163
		17,569	13,840
Assets classified as held for sale		57	-
		17,626	13,840
Current Liabilities			
Trade and other payables	9	11,217	8,323
Amounts due to customers for contract work		2,134	2,149
Amounts due to associates		282	218
Amounts due to joint ventures		1,677	1,645
Amounts due to related companies		642	416
Taxation payables		982	732
Bank and other loans – due within one year		1,737	3,944
Corporate bonds		2,996	-
Medium-term notes		-	700
Convertible bonds at FVTPL		3,635	-
Financial guarantee liability		5	22
Financial liabilities at FVTPL		17	-
Deferred income		243	192
		25,567	18,341
Liabilities associated with assets classified as held for sale		38	-
		25,605	18,341
Net Current Liabilities		(7,979)	(4,501)
Total Assets less Current Liabilities		33,610	33,040

Capital and Reserves		
Share capital	112	112
Reserves	16,840	14,854
Equity attributable to owners of the Company	16,952	14,966
Non-controlling interests	3,265	2,888
Total Equity	20,217	17,854
Non-current Liabilities		
Bank and other loans – due after one year	523	197
Corporate bonds	2,494	5,482
Senior notes	2,366	2,507
Convertible bonds at FVTPL	-	3,515
Unsecured bonds	4,316	446
Financial liabilities at FVTPL	81	-
Deferred tax liabilities	428	397
Deferred income	3,185	2,642
	13,393	15,186
	33,610	33,040

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration of the Group in light of its net current liabilities of approximately RMB7,979 million as at 31 December 2017. The Group has unutilised credit facilities of approximately RMB8,851 million as at 31 December 2017. After settling all of the outstanding convertible bonds, of which the carrying amount was RMB3,635 million as at 31 December 2017, the Group has unutilised credit facilities of approximately RMB6,509 million at the date of approval of the consolidated financial statements, among which approximately RMB5,500 million are subject to renewal within twelve months from the end of the reporting period. So the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements for the year ended 31 December 2017 have been prepared on a going concern basis.

2. APPLICATION OF REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except for the effect of Amendments to HKAS 7 on the disclosure of consolidated financial statements, the application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the chief operating decision makers, being the chief executive officer of the Company (the "**CEO**"), for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services. Specifically, the Group's operating and reportable segment under HKFRS 8 are gas connection, sales of piped gas, vehicle gas refuelling stations, wholesale of gas, sales of integrated energy and services, sales of gas appliances and sales of material. Segment profit reviewed by the CEO represents the gross profit earned by each segment.

Segment profit represents the profit earned by each segment without allocation of central administration costs, distribution and selling expenses, share of results of associates and joint ventures, other income, other gains and losses and finance costs. This is the measure reported to the CEO for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

The following is an analysis of the Group's revenue and results by reportable segments which are also the operating segments for the year:

2017

	Gas connection *RMB million*	Sales of piped gas *RMB million*	Vehicle gas refuelling stations *RMB million*	Wholesale of gas *RMB million*	Sales of integrated energy and services *RMB million*	Sales of gas appliances *RMB million*	Sales of material *RMB million*	Consolidation *RMB million*
Segment revenue	7,133	31,540	3,187	18,153	308	882	4,744	65,947
Inter-segment sales	(1,179)	(7,592)	(85)	(6,275)	(14)	(562)	(1,971)	(17,678)
Revenue from external customers	5,954	23,948	3,102	11,878	294	320	2,773	48,269
Segment profit before depreciation and amortisation	3,931	4,628	301	221	31	124	35	9,271
Depreciation and amortisation	(196)	(590)	(124)	(4)	(16)	(2)	-	(932)
Segment profit	3,735	4,038	177	217	15	122	35	8,339

2016

	Gas connection *RMB million*	Sales of piped gas *RMB million*	Vehicle gas refuelling stations *RMB million*	Wholesale of gas *RMB million*	Sales of integrated energy and services *RMB million*	Sales of gas appliances *RMB million*	Sales of material *RMB million*	Consolidation *RMB million*
Segment revenue	6,663	23,133	3,181	10,081	153	616	2,059	45,886
Inter-segment sales	(1,052)	(5,233)	(12)	(3,928)	-	(378)	(1,180)	(11,783)
Revenue from external customers	5,611	17,900	3,169	6,153	153	238	879	34,103
Segment profit before depreciation and amortisation	3,769	3,805	398	99	31	102	26	8,230
Depreciation and amortisation	(176)	(562)	(124)	(2)	(14)	(2)	-	(880)
Segment profit	3,593	3,243	274	97	17	100	26	7,350

4. OTHER GAINS AND LOSSES

	2017 *RMB million*	2016 *RMB million*
Impairment loss on trade and other receivables, net	(145)	(35)
(Loss) gain on disposal of:		
- Property, plant and equipment	(55)	(37)
- Prepaid lease payments	14	2
- Subsidiaries/a business	(13)	46
- An associate	18	-
- An AFS investment	1	-
Increase in fair value of investment properties	10	4
Loss on repurchase and redemption of convertible bonds	(4)	-
Loss on repurchase of senior notes	-	(308)
Fair value (loss) gain of:		
- Convertible bonds at FVTPL	(278)	41
- Financial assets/liabilities at FVTPL	(314)	170
Impairment loss on goodwill	-	(601)
Impairment loss on property, plant and equipment	(478)	-
Gain (loss) on foreign exchange, net (note)	349	(292)
	(895)	(1,010)

Note: Included in the amount for the year ended 31 December 2017 is an exchange gain of approximately RMB316 million (2016: exchange loss of approximately RMB327 million) arising from the translation of senior notes and unsecured bonds denominated in USD to RMB.

5. INCOME TAX EXPENSE

	2017 *RMB million*	2016 *RMB million*
Current tax	1,576	1,370
Underprovision in prior years	44	19
Withholding tax	101	90
	1,721	1,479
Deferred tax	(204)	(172)
	1,517	1,307

The charge represents People's Republic of China ("**PRC**") Enterprise Income Tax for both years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25%.

Certain subsidiaries of the Company are qualified as "High and New Tech Enterprise", which are subject to PRC Enterprise Income Tax at the preferential rate of 15% of the estimated assessable profit as determined in accordance with relevant tax rules and regulations in the PRC. This preferential rate could be applied for three years and subsidiaries are eligible to apply the tax concession again upon expiry of the three-year period.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong for both financial years.

Income tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 *RMB million*	**2016** *RMB million*
Profit before tax	5,190	4,195
Tax at the PRC Enterprise Income Tax rate of 25% (2016: 25%)	1,298	1,049
Tax effects of share of results of associates	(32)	(18)
Tax effects of share of results of joint ventures	(126)	(124)
Tax effects of income not taxable for tax purpose	(217)	(191)
Tax effects of expenses not deductible for tax purpose	417	577
Tax effects of tax losses not recognised	78	64
Utilisation of tax losses previously not recognised	(119)	(140)
Tax effects of deductible temporary differences not recognised	132	11
Tax concession and exemption granted to certain PRC subsidiaries	(62)	(37)
Underprovision in respect of prior years	44	19
Withholding tax on undistributed profit of PRC entities	104	97
Income tax charge for the year	1,517	1,307

6. DIVIDEND

	2017 *RMB million*	**2016** *RMB million*
Final dividend paid in respect of previous financial year	775	705

Notes:

a. 2016 final dividend of HK$0.83 (equivalent to approximately RMB0.74) per ordinary share or approximately RMB775 million in aggregate was paid during the year ended 31 December 2017.

b. The final dividend in respect of 2017 of HK$1.08 (equivalent to approximately RMB0.90) per ordinary share with total amount of HK$1,177 million (2016: HK$898 million) has been proposed by the Board and is subject to approval by the shareholders in the forthcoming Annual General Meeting ("**AGM**").

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

(a) Basic earnings per share

Basic earnings per share for the years ended 31 December 2017 and 2016 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2017	**2016**
Profit attributable to the owners of the Company (RMB million)	2,802	2,151
Weighted average number of ordinary shares	1,081,956,725	1,082,384,883
Basic earnings per share (RMB)	2.59	1.99

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2017 is calculated assuming all dilutive potential ordinary shares were converted, except for the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

Diluted earnings per share for the year ended 31 December 2016 was calculated through dividing the profit attributable to the owners of the Company after eliminating the fair value gain of the convertible bonds by the weighted average number of ordinary shares outstanding which assumes all dilutive potential ordinary shares were converted.

	2017 *RMB million*	**2016** *RMB million*
Earnings		
Earnings for the purpose of basic earnings per share	2,802	2,151
Effect of dilutive potential ordinary shares:		
- fair value gain of convertible bonds	-	(41)
Earnings for the purpose of diluted earnings per share	2,802	2,110

	2017	**2016**
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,081,956,725	1,082,384,883
Effect of dilutive potential ordinary shares:		
- share options granted	878,186	188,083
- convertible bonds	-	79,778,897
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,082,834,911	1,162,351,863
Diluted earnings per share (RMB)	2.59	1.82

8. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables are trade receivables of RMB2,450 million (2016: RMB1,510 million). The following is an aged analysis of trade receivables, net of impairment, presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2017	**2016**
	RMB million	*RMB million*
Within three months	2,120	1,388
4 to 6 months	140	57
7 to 9 months	167	56
10 to 12 months	23	9
	2,450	1,510

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB3,182 million (2016: RMB2,237 million). The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	2017	**2016**
	RMB million	*RMB million*
Within three months	2,678	1,822
4 to 6 months	174	161
7 to 9 months	72	82
10 to 12 months	38	26
More than one year	220	146
	3,182	2,237

BUSINESS REVIEW

The major results and operational data of the Group for the year together with the comparative figures for last year are as follows:

	For the year ended 31 December 2017	2016	Increased/ (Decreased) by
Results			
Revenue *(RMB million)*	**48,269**	34,103	41.5%
Gross profit *(RMB million)*	**8,339**	7,350	13.5%
Profit attributable to owners of the Company *(RMB million)*	**2,802**	2,151	30.3%
Earnings per share – Basic *(RMB)*	**2.59**	1.99	30.2%
Operational data#			
Number of city-gas projects in China	**172**	160	12
Connectable urban population *(thousand)*	**84,693**	77,420	9.4%
Connectable residential households *(thousand)*	**28,231**	25,807	9.4%
New natural gas connections made during the year:			
– residential households	**2,074,270**	1,820,837	13.9%
– C/I customers *(sites)*	**23,200**	11,821	11,379
– installed designed daily capacity for C/I customers *(m^3)*	**16,718,347**	12,574,005	33.0%
Accumulated number of connected piped gas (including natural gas) customers:			
– residential households	**16,221,143**	14,146,873	14.7%
– C/I customers *(sites)*	**91,879**	68,679	23,200
– installed designed daily capacity for C/I customers *(m^3)*	**87,900,513**	71,182,166	23.5%
Piped gas (including natural gas) penetration rate	**57.5%**	54.8%	2.7ppt
Unit of natural gas sold to residential households *(million m^3)*	**2,148**	1,816	18.3%
Unit of natural gas sold to C/I customers *(million m^3)*	**10,931**	7,963	37.3%
Unit of natural gas sold to vehicles *(million m^3)*	**1,396**	1,514	(7.8%)
Wholesale of gas volume *(million m^3)*	**5,141**	3,037	69.3%
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 existing intermediate and main pipelines *(km)*	**39,146**	32,921	18.9%
Accumulated number of integrated energy projects in operation	**31**	12	19

The Group's operational data disclosed in the announcement included the data of its subsidiaries, joint ventures and associates.

Results of the Year

Benefiting from the improving macro-economy and the government's determination to control air pollution, the apparent natural gas consumption in China recorded a rapid growth of 15.3% in 2017, higher than that in the past two years. Capitalised on the strong business development and management support capability, the Company, its subsidiaries, joint ventures and associates seized opportunities brought by the favourable external environment, proactively developed more customers to increase natural gas sales volume. During the year, 19.62 billion cubic metres of natural gas sales volume was recorded, representing a significant year-on-year growth of 36.9% which was a much higher growth rate compared with the industry's average. Total revenue increased 36.9% to RMB68,853 million driven by the robust growth of natural gas sales volume, while profit increased 25.2% to RMB4,500 million compared to last year.

The Group's revenue significantly increased by 41.5% to RMB48,269 million. Despite the gas shortage in winter 2017 in China, the Group was able to ensure steady gas supply to customers, thanks to its powerful gas sources dispatching and allocating capabilities. The Group's expanding scale of natural gas sales, coupled with the early-entry into synergistic business segments including energy trading and integrated energy business, successfully created larger return for the Group and its shareholders. During the year, profit attributable to shareholders amounted to RMB2,802 million, represented a significant increase of 30.3%. Basic earnings per share increased 30.2% to RMB2.59. The Board recommended a final dividend of HKD1.08 per share, increased by 30.1% year-on-year.

City-gas Business

Commercial and Industrial Customers

In 2017, China issued "Opinions on Accelerating the Promotion of Natural Gas Utilisation", reiterating that it would gradually develop natural gas as one of the dominant energy sources for China's modern clean energy system. It also proposed that by 2020, the share of natural gas in primary energy mix would rise to around 10%. In the "Clean Heating Plan for Winter in Northern China (2017-2021)" jointly issued by ten ministries and commissions, including the National Development and Reform Commission and the National Energy Administration, clearly stated that by 2021, coal-fired boilers with a capacity below 35 steam tons/hour in the "2+26" key cities, and those with a capacity below 20 steam tons/hour in counties would be demolished. Coal-fired boilers with a capacity below 10 steam tons/hour would be demolished in other areas of northern China by 2021 as well. Following the implementation of tightened environmental policies carried out by the PRC government, local governments in Beijing-Tianjin-Hebei, Henan, Shandong, Hunan and Zhejiang promulgated air pollution control policies and encouraged businesses to adopt cleaner energy to replace highly polluting fuels, including coal, heavy oil and low-quality diesel.

In response to the above policies, the Group made great effort to conduct "coal-to-gas" conversion so as to develop more customers with large gas consumption, and offered customised integrated energy solutions to customers to improve their energy efficiency and reduce the overall cost of energy consumption. During the year, the Group completed natural gas connection for 23,200 new C/I customers (installed gas appliances with designed daily capacity of 16,718,347 cubic metres), and the aggregate number of C/I customers connected to piped gas (including natural gas) reached 91,879 (installed gas appliances with designed daily capacity of 87,900,513 cubic metres), and the average connection fee was RMB102 per cubic metre. During the year, new connections to customers from "coal-to-gas" conversion reached 6.02 million cubic metres/day, accounting for 36% of newly connected C/I customers. The tertiary industry accounted for 51.6% of the gross domestic product in 2017, thereby becoming the new engine of China's economic development. In addition to expanding the scale of natural gas sales, the Group also focused on the development of high-quality commercial customers with higher affordability, so as to enrich and optimise its customer portfolio. During the year, new connections to commercial customers reached 6.47 million cubic metres/day, accounting for 38.7% of newly connected C/I customers. The Group's growing customer base has laid a solid foundation for the growth of natural gas sales. During the year, natural gas sales volume attributable to C/I customers significantly rose 37.3% to 10,931 million cubic metres, among which natural gas sold to industrial customers reached 9,043 million cubic metres and that to commercial customers reached 1,888 million cubic metres, representing a growth of 41.4% and 20.5% respectively year-on-year.

Residential Customers

In 2017, the PRC government clearly stated that it would accelerate the increase in gas penetration rate for urban residents and promote clean heating in rural areas depending upon local conditions. The Group actively co-operated with the governments to speed up households connection in new and existing buildings, while making efforts to carry out "coal-to-gas" conversion projects and eliminate scattered coal focusing on selective urban villages in more affordable areas including Hebei, Henan, Jiangsu and Shandong. Capitalising on its strong customer development, safety operation, and exceptional customer service capabilities, the Group completed natural gas connection for 2,074,270 residential households, with the aggregate number of residential households connected to piped gas (including natural gas) reached 16,221,143, and the average connection fee was RMB2,775 per household. As of the end of 2017, the average gas penetration rate of the Group's city-gas projects increased from 54.8% at the end of 2016 to 57.5%.

The Group's sales of natural gas to residential customers reached 2,148 million cubic metres, up 18.3% over last year. Such rapid growth was mainly due to the ramping up of gas consumption by newly connected residential customers, as well as the increase in the residential use of natural gas space heaters in rural areas of northern China during winter. During the year, the Group continued to promote gas space heaters in regions with higher gas demand in the winter season, such as urban villages, villages on the outskirts, high-end residential communities and villa districts, successfully developed 350,000 residential users of natural gas space heaters in 2017, with the aggregate users of natural gas space heaters amounted to 820,000, which will continue to drive the Group's residential gas sales volume.

New Projects Development

During the year, the Group acquired 12 new projects and 22 new concessions around its existing projects, with an additional connectable population of 1,270,000. As at 31 December 2017, the Group had 172 projects in China, covering a connectable population of 84.69 million. Looking forward, the Group will focus on business opportunities in areas in proximity to its existing city-gas projects, so as to expand its coverage employing its economies of scale and synergies. It will also continue to keep track of and acquire city-gas and industrial park projects capitalising on the integrated energy business model.

Projects	The Group's shareholding	Major industries in concessions
1. Dingxing County, Hebei	100%	Foundry, mechanical processing, chemical industry, construction materials, printing, food processing, embroidery
2. Yutian County, Hebei	55%	Rubber industry, metal processing, coir mattress industry
3. Chengde Weichang Economic Development Zone, Hebei	100%	Materials smelting, food, leisure and tourism, cultural industry, modern logistics
4. Yongxing County, Hunan	70%	New energy, new materials
5. Xiangdong District, Pingxiang, Jiangxi	60%	Industrial ceramics, colour printing and packaging, fine chemicals
6. Jiujiang Economic and Technological Development Zone, Jiangxi	100%	High-end equipment manufacturing, new materials and new energy, intelligent home appliances, electronic information and communication, environmental protection and energy saving, new energy vehicles manufacturing
7. Changle Economic Development Zone, Shandong	60%	Plate, chemical industry, plastics
8. Dongtai Coastal Economic Development Zone, Jiangsu	100%	Green bio-pharmaceuticals, biological feed, meat slaughtering and deep processing, cultivation, eco-tourism

9. Bozhou Wuhu Modern Industrial Park, Anhui	100%	Equipment manufacturing, energy saving and environmental protection, food and pharmaceutical
10. Heyuan Lianping County, Guangdong	100%	Electronic appliances, green plastics, eco-friendly food
11. Zhuzhou Nanzhou New District, Hunan	100%	Clothing, construction materials, machine manufacturing, new material
12. Xuanwei, Yunnan	35%	Tobacco, Regeneration steel manufacturing, chemical fertilizer

The 22 new concessions around existing projects include:

Provinces	Operational areas
Anhui	Guzhen Industrial Cluster, Shunhe Town in Liuan, Dongqiao Town in Liuan, Niuji Town in Qiaocheng District, Bozhou, Lumiao Town, Yanji Town, Zhangdian Village, Guantang Town, Shatu Town
Hebei	Dahe Town in Luquan, Handan Fuxing Economic Development Zone
Henan	Luoyang Circular Economic Industrial Park, Luoyang Lugang Industrial Park
Hunan	Jiahe Economic Development Zone, Chenzhou Yongxing Industrial Park
Guangdong	Hengshan Town, Shijian Town, Hengshan Town Lidong Industrial Park, Hengshan Town Lidong High-tech Industrial Park, Binheng Town Jiangji Industrial Park, Wuhe Town Huanan Industrial Park in Guangning County, Zhaoqing
Guangxi	Dongcheng District in Beihai

Vehicle Gas Refuelling Business

PRC Vehicle Gas Refuelling Business

The price of crude oil has been at a relatively low level over the years after a dramatic drop in 2015, reducing the economic advantages of natural gas over gasoline and diesel. Meanwhile, gas demand from CNG and LNG vehicles was under pressure due to external factors such as the prevailing mobile car hailing services, the promotion of electric buses by local governments and the prohibition of gas-powered coal transporting vehicles at the ports around Beijing-Tianjin-Hebei. During the year, sales volume of gas refuelling stations decreased by 7.8% to 1,396 million cubic metres, of which gas sales volume of CNG refuelling stations was 800 million cubic metres while that of LNG refuelling stations was 596 million cubic metres.

In response to the challenging market environment, the Group proactively adjusted its market development strategy by cooperating with mobile car hailing service providers, and increased efforts to promote natural gas usage to light and medium-duty trucks, delivery trucks and sanitation vehicles, with a view to expanding the customer base of CNG vehicles. Moreover, the Group also rolled out promotional campaigns to attract new customers while retaining the existing ones, such as offering rebates for top ups and gifts with bonus points. As for LNG refuelling business, the Group expanded its franchising business through the “Smart Card” program and established refuelling corridors for major customers from the logistic industry, thereby expanding the LNG refuelling network, it also deepened the progress of management restructuring and single station accountability system, so as to enhance profitability of individual stations. Following the increase in sales growth of LNG heavy-duty trucks in 2017, the Group will proactively follow up with customers who have invested in these new trucks. The Group believes that gas sales volume of LNG refuelling stations will be improved after deploying the above-mentioned marketing strategies.

As at the end of 2017, the Group operated a total of 325 CNG refuelling stations, 281 LNG refuelling stations and franchised 266 refuelling stations, spanning across 23 provinces, municipalities and autonomous regions across the country. The "13th Five-year Plans for Natural Gas Utilisation" introduced by the PRC government and local governments in Hebei, Shandong and Henan proposed to accelerate natural gas consumption in the transportation industry and strongly supported the promotion of natural gas vehicles and construction of natural gas refuelling stations. As of the end of 2017, there were around 4.6 million natural gas vehicles and 7,500 natural gas refuelling stations in China. There is still a large gap between the goal set in the "13th Five-Year Plan", which targets to introduce or convert 10 million vehicles into natural gas-powered in 2020 and construct more than 12,000 natural gas refuelling stations in China. Therefore, the progress of introducing more natural gas vehicles and refuelling stations has to be speeded up. The Group will continue to develop vehicle gas refuelling station business leveraging on its first-mover advantage, rich operational experience and established high-quality refuelling network.

North America Vehicle Gas Refuelling Business

As the price difference between oil and gas remained small in North America in 2017, it was challenging for the Group to develop new customers and maintain the existing ones. Given the business in North America was still unprofitable, upon prudent assessment, the Group considered that it would be difficult to forecast the break-even time under the challenging business environment. Thereby, the Group disposed of the North America company on 31 January 2018 to mitigate any ongoing impact on the Group's financial performance.

Integrated Energy Business

China insists on advancing the energy revolution as a national policy for energy development, achieving a fundamental shift in forms of energy production and consumption, strengthening the construction of a smart energy management system, enhancing demand-side responding capability, and realising the smart interaction between energy production and consumption. Riding on the deepening actions to control air pollution in China, the development of energy consumption will shift from merely volume expansion to the focus on enhancing quality and efficiency, completely changing the previous way of energy consumption which was extensive and inefficient. The implementation of the trading of energy usage quota, carbon emission quota, renewable energy for power generation quota, etc. will bring opportunities for the rapid development of clean energy. On the other hand, energy supply will gradually shift to demand-side driven as the liberalisation process releases consumers' options. Embracing the changes of the energy system, the Group planned ahead strategically. Through the integration of various energy sources (such as natural gas, industrial waste heat and renewable energy including solar energy, geothermal energy, wind energy, photovoltaics) available locally, the Group can customise integrated energy solutions to satisfy the diverse energy needs of customers, which was a modification on the foundation of distributed energy technology, thus, improving their energy efficiency and reducing energy cost.

Leveraging on its vast experience in operating distributed energy projects in the past, and its key advantage of direct access to end users, the Group pushed forward the development of integrated energy business in key cities by targeting customers with multiple energy needs, such as industrial parks, urban complexes, public infrastructures, and industrial customers, expediting its energy sales including gas, electricity, cooling, heating and steam. During the year, revenue from the sales of integrated energy and services recorded a significant increase of 92.2% to RMB294 million, and 19 projects were put into operation, with an aggregated number of projects in operation reached 31, among which 2 projects were selected to be on the first listing of "Multi-energy Complementary Integration and Optimisation Demonstrative Projects" of the National Energy Administration. The Group furthered its transformation from a pure natural gas distributor to an industry-leading integrated energy service provider, driving the growth of its gas sales volumes while pushing ahead the development of integrated energy sales and services.

The newly invested and operated projects during the year include:

Provinces	Projects
Hebei	Langfang New Chaoyang Pan-energy Micro-grid, Luan County Hospital
Shandong	Pan-energy Station of Qingdao Haier Industrial Park, Qingdao Oriental Movie Metropolis
Guangdong	Dongguan Zhongsheng Pharmaceutical
Henan	Ruzhou Julong Biological Engineering, Kaifeng Huiyuan Juice Group, Luoyang Yibin District Pan-energy Micro-grid, Luoyang Guangmao Food Trading (洛陽廣貿食品), Luoyang Rongtuo Coking (洛陽榕拓焦化)
Zhejiang	Wenzhou Jinhai Industrial Park, Longyou Chengnan Industrial Park, Jinhua New Energy Vehicle Industrial Park, Xiaoshan Jiande Datong Industrial Park
Hunan	Zhuzhou Tianyi Independent Industrial and Technology Park
Shanghai	ASE Group (Shanghai)
Jiangsu	Xuzhou Guanyin Airport, Yancheng JINHDA Technology
Guangxi	Hechi Daren Industrial Park

Energy Trading Business

During the year, benefiting from the tremendous natural gas demand from the downstream users, the Group leveraged on its growing resources allocation capabilities, intelligent dispatching and logistics system, and the extensive distribution network, achieved 5,141 million cubic metres of natural gas sales from energy trading business, representing a significant year-on-year increase of 69.3%. Revenue achieved a notable year-on-year growth of 93.0% to RMB11,878 million. The Group's market share further increased, and became a leading LNG distributor in China. The Group continued to secure key resources through deepening the collaboration with upstream suppliers including the three oil majors and LNG processing plants, investing in Shanghai Petroleum and Natural Gas Exchange as well as Chongqing Petroleum and Natural Gas Exchange, and securing long term gas supply contracts with overseas suppliers. It also actively established the logistics and gas storage systems, thereby building a highly efficient, cost-effective and safe integrated storage and transportation system to ensure stable gas supply in winters. The Group will reinforce the industry of downstream market development and further expand the scale of energy trading, so as to broaden its revenue sources, while strategically prepare for the full liberalisation of natural gas prices.

Awards

With steady growth in operating results and continuous enhancement of management capability, the Group received the following honours in 2017:

- "Best Investor Relations Company (Rank No. 1 overall)", "Best Website (Rank No. 1 overall)", "Best Analyst Days (Rank No. 2 overall)", "Best IR Professional (Rank No. 3 overall)" in the Power Sector and "Most Honored Company" in the Year 2017 - All-Asia Executive Team Ranking by Institutional Investor Magazine, an international financial magazine highly recognised by investment professionals;
- "2nd Place: Best in Sector – Utilities" in the Year 2017 "Best Investor Relations in Greater China" organised by IR Magazine;
- "Certificate of Excellence" in the "3rd Investor Relations Awards 2017" organised by Hong Kong Investor Relations Association;
- Year 2017 "China Top 500" by Fortune magazine; and
- Year 2016 "Top 100 Listed Company in Hong Kong" (Top 100 Comprehensive Strength) organised by QQ.com and Finet.

FINANCIAL RESOURCES REVIEW

Key Financial Data

During the year, the Group's total revenue amounted to RMB48,269 million, representing an increase of 41.5% over last year. Gross profit margin of the Group was 17.3%, down 4.3 percentage points over last year, while net profit margin was 7.6%, down 0.9 percentage point over last year. The decrease in gross profit margin was mainly due to the increasing share of revenue from natural gas sales which was a recurring revenue stream, and the increase in its average procuring cost. The Group's improving economy of scale and effective cost control offset part of the gross margin decline, thus, net profit margin decreased slightly. Profit attributable to shareholders was RMB2,802 million, representing an increase of 30.3% year-on-year.

Liquidity and Financial Resources

The Group maintained a stable capital structure, whose net gearing ratio was 49.9% (2016: 53.9%). Currently, the Group's operating and capital expenditures are funded by operating cash flows, current assets, bank loans and issued bonds. The Group has sufficient sources of funds and unutilised banking facilities to meet its working capital requirements and future capital expenditure.

During the year, the Group maintained a stable financial position. The credit rating agency Moody's upgraded the Group's investment-grade credit rating to Baa2 and issued a "Stable" outlook. Standard & Poor's maintained BBB investment-grade credit rating and raised the outlook to "Positive". Meanwhile, Fitch maintained BBB investment-grade credit rating and "Stable" outlook.

Borrowings Structure

As at 31 December 2017, the Group's total debts amounted to RMB18,067 million (2016: RMB16,791 million). Short-term loans (including convertible bonds and corporate bonds) amounted to RMB8,368 million while the remaining loans were long term loans with a term of one year or more. Bank balances and cash of the Group, excluding restricted bank deposits, amounted to RMB7,972 million (2016: RMB7,163 million).

The principal amount of the Group's debts denominated in foreign currencies amounted to USD1,550 million (2016: USD1,115 million and HK$388 million), while the remaining debts were denominated in Renminbi.

Except for the loans equivalent to RMB405 million that are secured by assets with a carrying value equivalent to RMB335 million, all other loans are unsecured.

As at 31 December 2017 and 2016, the Group's major bonds were listed below:

Major bonds	Currency	Maturity date	As at 31 December 2017	As at 31 December 2016
Seven-year 6.45% Fixed Rate Bonds	RMB	16 February 2018	500 million	500 million
Five-year Zero-Coupon Convertible Bonds (note a)	USD	26 February 2018	479 million	500 million
Five-year 3.25% Fixed Rate Bonds	USD	23 October 2019	65 million	65 million
Three-year 3.55% Fixed Rate Bonds	RMB	2 December 2019	2,500 million	2,500 million
Maximum Five-year 3.68% Fixed Rate Bonds	RMB	17 December 2020	2,500 million	2,500 million
Ten-year 6% Fixed Rate Bonds	USD	13 May 2021	366 million	366 million
Five-year 3.25% Fixed Rate Bonds (note b)	USD	24 July 2022	600 million	-

Notes:

a) During the year, the Company repurchased the convertible bonds with principal amount of USD20 million in the open market at a consideration of approximately USD24 million (equivalent to approximately RMB156 million) and settled the convertible bonds with principal amount of USD750,000 at a consideration of approximately USD875,000 (equivalent to approximately RMB6 million). These convertible bonds have been cancelled pursuant to the terms and conditions governing the convertibles bonds. As at 31 December 2017, the principal amount of the convertible bonds outstanding was USD479,250,000.

   Subsequent to the end of the reporting period, the Company settled all of the outstanding convertible bonds by cash and by delivery of 1,625,327 new ordinary shares of the Company. All of the convertible bonds were delisted on the Singapore Exchange Securities Trading Limited on 20 February 2018.

b) On 24 July 2017, the Company announced the issuance of USD600,000,000 3.25% fixed rate bonds due 2022. The bonds were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 25 July 2017.

Foreign Exchange Risk Management

As the major operations of the Group are in China, revenues and expenses are mainly denominated in Renminbi. Therefore, the Group is not exposed to significant foreign exchange risk in its operation. The Company's foreign exchange risk mainly arises from various bonds and loans denominated in foreign currencies.

As at 31 December 2017, the principal amount of the Group's debts in foreign currencies amounted to USD1,550 million (2016: USD1,115 million and HK$388 million). The Company entered into foreign currency derivative contracts with certain financial institutions to manage its foreign exchange risk. The Company will continue to monitor the exchange rate closely and take appropriate actions when necessary.

Financial Guarantee Liability

As at 31 December 2017, the Group had issued guarantees to banks to secure loan facilities granted to associates and joint ventures to the extent of approximately RMB126 million (2016: RMB230 million). The amounts have been utilised at the end of the reporting period.

Commitments

(a) Capital commitments

	2017 *RMB million*	**2016** *RMB million*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	643	251
Capital commitments in respect of		
- investments in joint ventures	207	177
- investments in associates	86	17
- other equity investments	86	68

(b) Other commitments

As at 31 December 2017, the Group has commitments to acquire liquefied natural gas ("LNG") from certain suppliers. The delivery of LNG under such arrangements will start from 2018 or 2019 and last for 5 to 10 years. The Group will be obliged to make "take-or-pay" payment to suppliers for the quantity contracted but not delivered.

In the opinion of the Directors, these LNG will be utilised to satisfy the demand of domestic natural gas consumption from both the Group's piped gas customers and wholesale customers. The Directors determined that such LNG purchase arrangements are entered into and continued to be held for the purpose of the receipt of a non-financial instrument in accordance with the Group's expected purchase, sale and usage. Accordingly, the LNG purchase arrangements are not considered as derivatives financial instruments within the scope of HKAS 39.

The relevant purchase prices of these arrangements will be determined by reference to certain variables, such as petroleum price indexes prevailing at the market, and are denominated in USD. The Directors assessed the economic characteristics and risks of the embedded derivatives and concluded that they are closely related to the economic risks and characteristics of the relevant host contracts. Accordingly, the embedded derivatives are not separated from the LNG purchase arrangements as derivative financial instruments recognised in the consolidated financial statements.

OUTLOOK

In 2017, the Chinese government launched various important policies, including: "The 13th Five-year Plan on Natural Gas Development", "Beijing-Tianjin-Hebei Air Pollution Prevention and Control Work Plan for 2017", "Opinions on Deepening the Structural Reform of the Oil and Natural Gas Industry", "Guiding Opinions on Enhancing Supervision on Gas Distribution Tariff", "Opinions on Accelerating the Promotion of Natural Gas Utilisation", and "Plan on Winter Heating Using Clean Energy in Northern China (2017-2021)". During the "Two Sessions" in 2018, Chinese Premier Li Keqiang clearly addressed that energy consumption per unit of GDP should be reduced by more than 3% in his government work report. The National Energy Administration also issued the "Guidelines for Energy Work in 2018" which pointed out the necessity to strengthen the mechanism of producing, supplying, storing and distributing natural gas, as well as the establishment of peak shaving capacity, and natural gas should account for 7.5% of primary energy consumption by 2018. It also stated to improve the efficiency of energy systems, and actively promote "Internet+" smart energy (Energy Internet) demonstrative projects and multi-energy complementary optimisation demonstrative projects, to encourage the exploration of new energy models and the active development of new energy industry trends. These favorable policies provide a strong regulatory support and development opportunity for the sustainable and rapid development of the company's natural gas business and the comprehensive development of the integrated energy business.

Looking ahead in 2018, China will continue the supply-side structural reform while promoting the construction of an eco-logical civilisation and implementing the green and low-carbon energy strategy. The natural gas industry is expected to maintain its pace of rapid developments, driven by the environmental policies carried out by local governments. The Group will continue to plan ahead to cope with changes in the industry and market conditions, seize opportunities under the favourable business environment and actively develop the C/I market. It will also continue to develop residential users and expand the scale of energy trading steadily, pushing forward the continuous growth of gas sales business. Understanding and proactively responding to customers' needs, the Group will actively develop the integrated energy business to drive its energy sales and services including gas, electricity, cooling, heating and steam, etc. rapidly, so as to upgrade and transform from a natural gas distributor to an integrated energy service provider that leads the development of the industry. The Group is confident that, through innovation of its business model and enhancement of its outstanding operational capability, it will be able to continuously enhance its corporate value and create better returns for shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased a total of 7,000 shares on the Stock Exchange at an aggregate consideration of HK$265,750. Details of the repurchase are as follows:

Date	Total number of shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration HK$
16 May 2017	7,000	38.00	37.85	265,750

7,000 ordinary shares repurchased during the year were cancelled on 8 August 2017.

The purpose of share repurchase is to increase net asset value per share and earnings per share. The share repurchase complied with the general mandate to the Board to repurchase the Company's shares that passed in the Company's 2016 annual general meeting.

Save as above, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an Audit Committee under The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, risk management and internal control systems (including financial control, operational control, compliance control, risk management function and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, as well as their training programmes and budget) and financial reporting matters.

During the year, the Audit Committee consists of three members, being Mr. Law Yee Kwan, Quinn (Chairman of the committee), Mr. Ma Zhixiang and Mr. Yuen Po Kwong, who are all Independent Non-executive Directors. A meeting of the Audit Committee was held on 21 March 2018 to review the Group's annual results and the consolidated financial statements for the year ended 31 December 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Company's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as contained in Appendix 10 to the Listing Rules. Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board now recommends a final dividend of HK$1.08 (2016: HK$0.83 (equivalent to approximately RMB0.90 (2016: RMB0.74)) per share payable to shareholders of the Company whose names are on the register of members on Tuesday, 29 May 2018. The resolution on the final dividend is subject to approval by the shareholders in the forthcoming AGM and will be paid to shareholders of the Company on or before Friday, 27 July 2018.

For the purpose of ascertaining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 14 May 2018 to Friday, 18 May 2018, both days inclusive. In order to qualify for the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 11 May 2018.

For the determination of entitlement to the final dividend to be approved at the AGM, the register of members of the Company will be closed from Monday, 28 May 2018 to Tuesday, 29 May 2018, both days inclusive. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates should be lodged with Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Friday, 25 May 2018.

The address of Computershare Hong Kong Investor Services Limited is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

By order of the Board
ENN ENERGY HOLDINGS LIMITED
WANG YUSUO
Chairman

Hong Kong, 22 March 2018

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:
Mr. Wang Yusuo (Chairman)
Mr. Cheung Yip Sang (Vice Chairman)
Mr. Han Jishen (Chief Executive Officer)
Mr. Liu Min (President)
Mr. Wang Dongzhi

Non-executive Director:
Mr. Wang Zizheng

Independent Non-executive Directors:
Mr. Ma Zhixiang
Mr. Yuen Po Kwong
Mr. Law Yee Kwan, Quinn

The 2017 Annual Report will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange as soon as practicable.