



**ENN 新奥**

ENN Energy Holdings Limited

(Stock code: 2688)

**2011**

# Annual Results

**Analyst Presentation**

**28<sup>th</sup> March 2012**



**EXPANDING  
OUR HORIZONS  
ON SOLID  
FOUNDATION**





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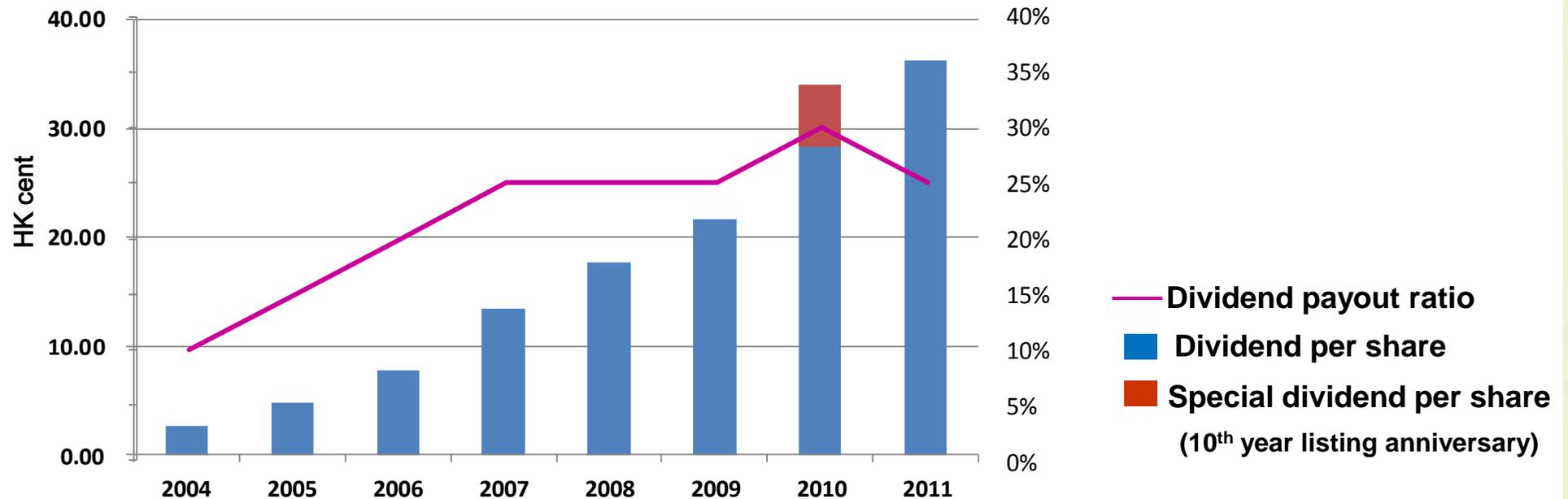
## 4. Appendix

# Financial Highlights

<b>(RMB million)</b>	<b>2011</b>	<b>2010</b>	<b>Change</b>
<b>Revenue</b>	<b>15,068</b>	<b>11,215</b>	<b>34.4%</b>
<b>Gross Profit</b>	<b>3,902</b>	<b>3,012</b>	<b>29.5%</b>
<b>EBITDA</b>	<b>3,130</b>	<b>2,374</b>	<b>31.8%</b>
<b>EBIT</b>	<b>2,595</b>	<b>1,920</b>	<b>35.2%</b>
<b>Profit attributable to owners of the Company</b>	<b>1,253</b>	<b>1,013</b>	<b>23.7%</b>
<b>EPS - Basic (RMB)</b>	<b>1.19</b>	<b>0.97</b>	<b>22.7%</b>
<b>EPS - Diluted (RMB)</b>	<b>1.18</b>	<b>0.95</b>	<b>24.2%</b>

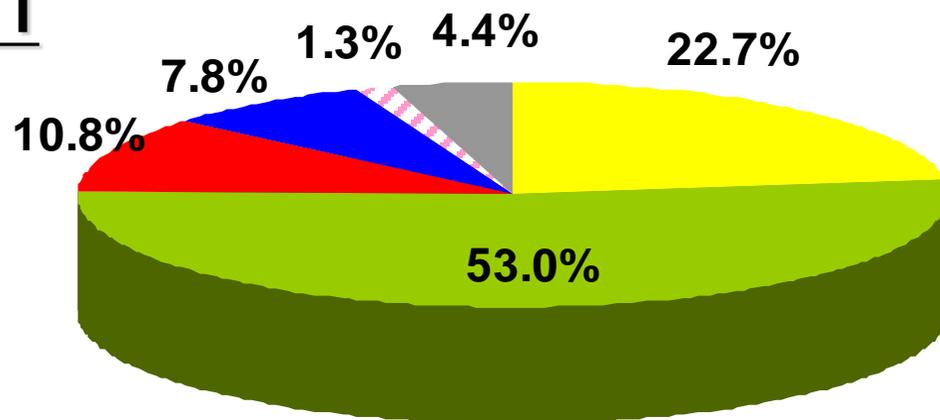
# Dividend Policy

- ◆ The Board of Directors has resolved to recommend payment of a final dividend of HKD36.23 cents (RMB29.37 cents) per share for FY2011.
- ◆ **Our dividend policy:**
  - More subsidiaries have stepped into the mature stage.
  - The Group will balance the development of business and financial position to decide the dividend payout ratio.

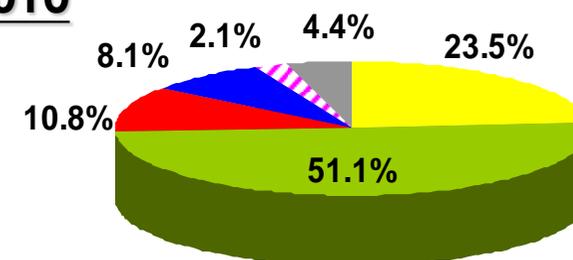


# Revenue Breakdown

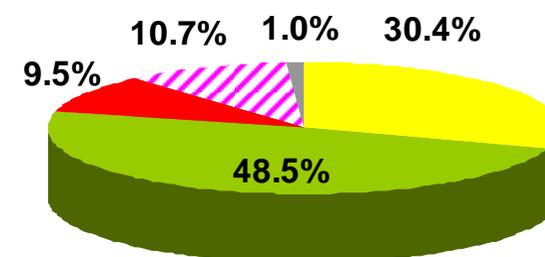
**2011**



**2010**



**2009**



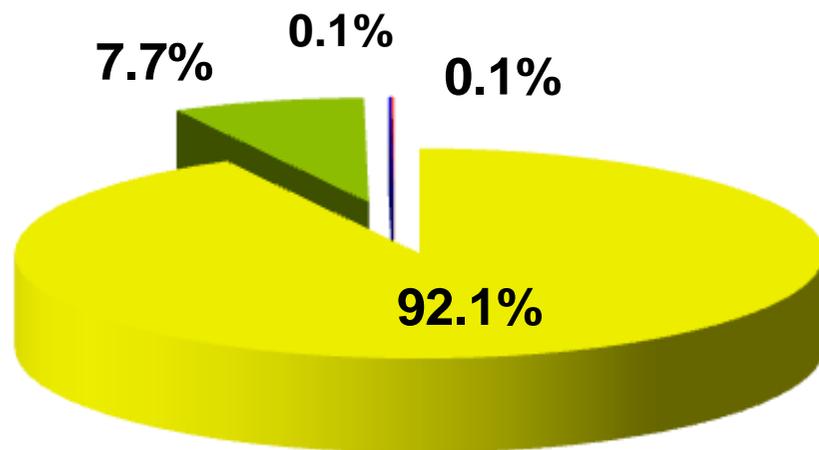
Operating Segment	2011 (RMB mil)	2010 (RMB mil)	Change %
Gas connection	3,415	2,635	29.6%
Sales of piped gas	7,980	5,728	39.3%
Vehicle gas refuelling stations	1,620	1,209	34.0%
Wholesale of gas	1,172	905	29.5%
Distribution of bottled LPG	192	240	(20.0%)
Sales of materials	592	414	43.0%
Sales of gas appliances	97	84	15.5%

- Gas connection
- Sales of piped gas
- Vehicle gas refuelling stations
- Wholesale of gas
- Distribution of bottled LPG
- Others (Sales of gas appliances and materials)

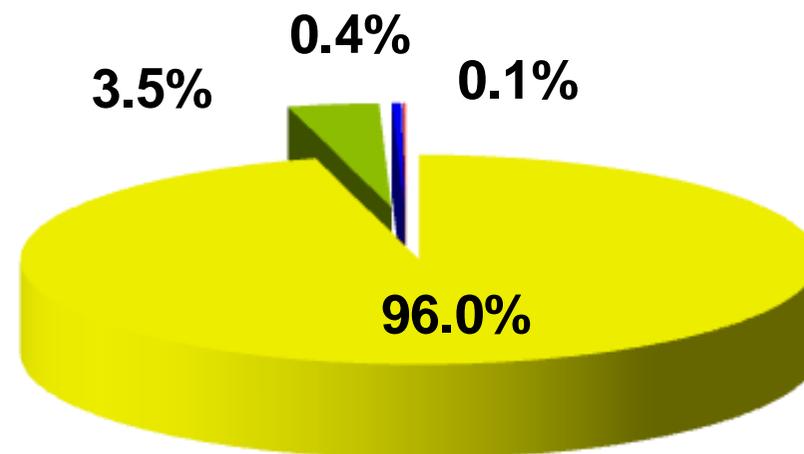
# Analysis of Piped Gas Sales

- ◆ Natural gas is our primary gas sales.
- ◆ The sales revenue of natural gas accounted for 96.0% of the total sales of piped gas.
- ◆ We expect all other piped gas users will be converted to piped natural gas users.

## Volume

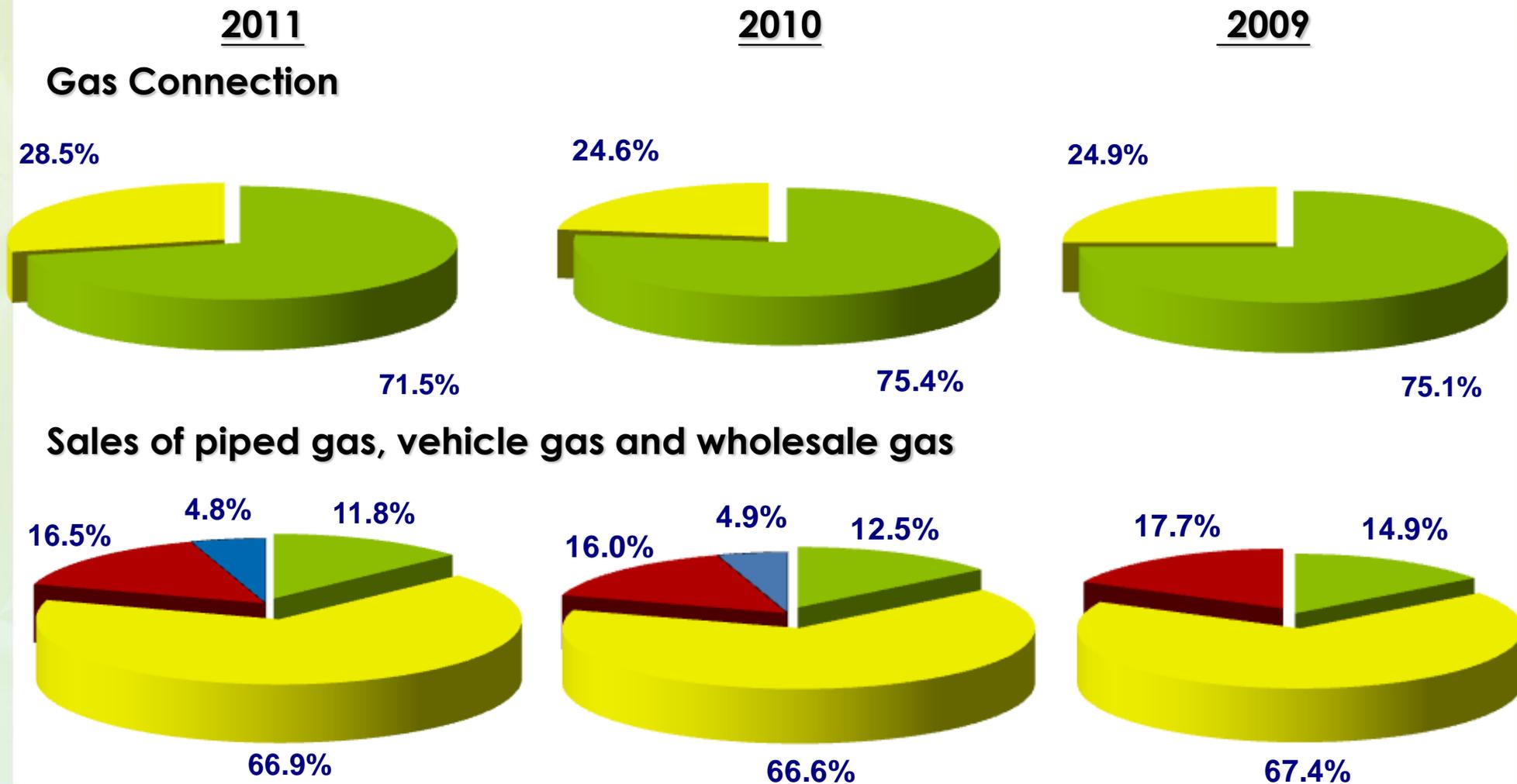


## Revenue



# A Balanced Portfolio of Customers (by revenue)

- Residential customers
- Commercial / Industrial "C/I" customers
- Gas refuelling stations
- Wholesale of gas



# Margins Analysis

- ◆ During the Year, the overall gross profit margin and net profit margin declined compared with 2010.

Gross profit margin	Net profit margin
<b>25.9%</b> (2010: 26.9%)	<b>11.1%</b> (2010: 12.5%)
Reasons for change	
<u>Gross profit margin:</u>	
<ol style="list-style-type: none"><li>1. The continuous improvement in the Group's revenue structure due to increasing share of long-term gas sales compared with the share of one-off connection fee of higher profit margin</li><li>2. Increased wellhead price of natural gas of over 10% since June 2010</li></ol>	
<u>Net profit margin:</u>	
<ol style="list-style-type: none"><li>1. One-off expense of RMB95 million arising from the early redemption of the USD200 million 7-year high-yield bond issued in 2005</li><li>2. Finance cost of RMB187 million from the issuance of USD750 million 10-year bond during the Year</li><li>3. Arrangement fee of the bridging loan facility for acquisition, which was RMB57 million</li></ol>	

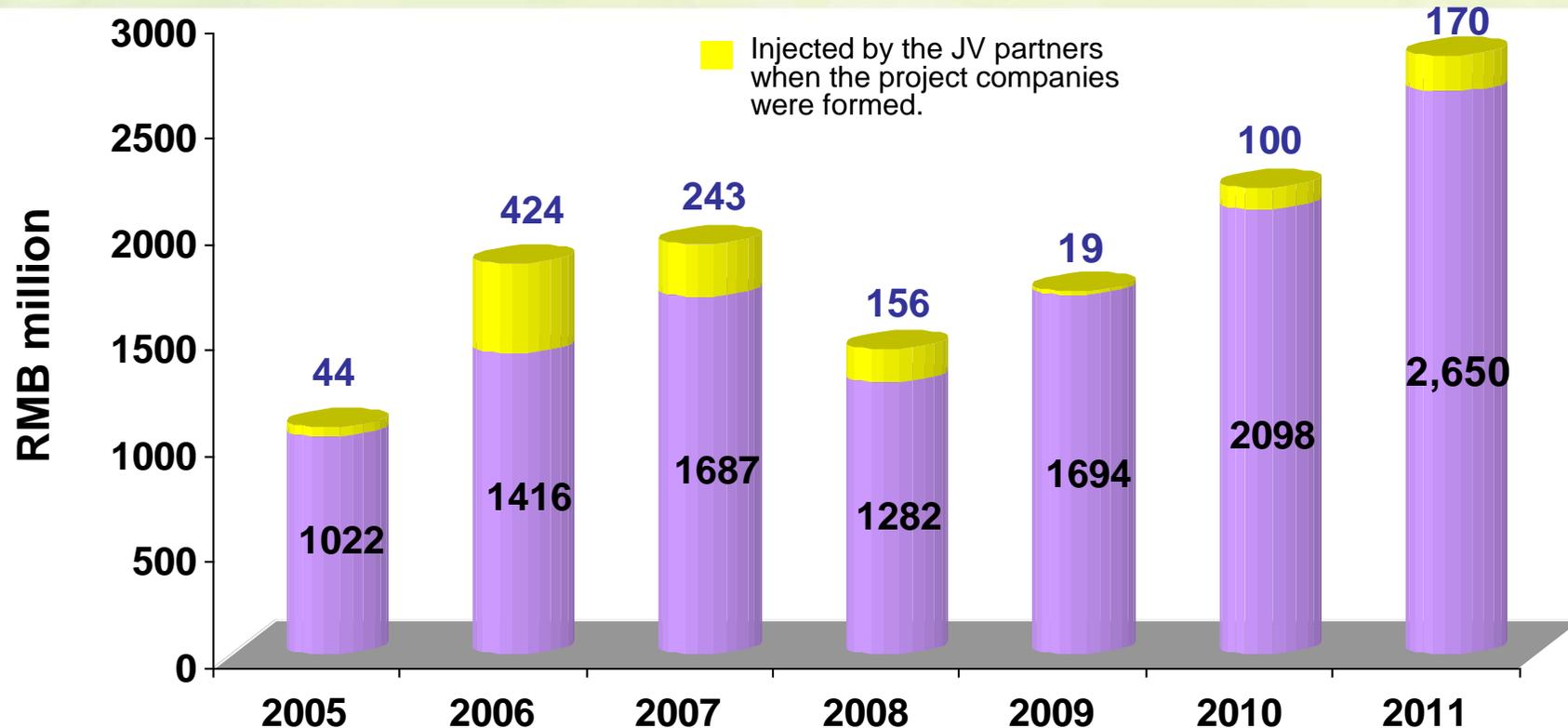
# Financial Resources and Liquidity

(RMB million)	<u>2011</u>	<u>2010</u>	<u>Change</u>
Cash on hand	5,869	2,851	105.9%
A/R Days	16	18	(2 days)
Total Debts	10,672	6,263	70.4%
- Short-term loans	3,213	2,379	35.1%
- Long-term loans	2,823	2,568	9.9%
- 7- year bonds	0	1,316	-100.0%
- 10-year bonds	4,636	0	N/A
Net Gearing Ratio	54.3%	45.3%	9.0%
ROE	17.8%	16.8%	1.0%

- ◆ Only 13 gas projects with project financing among 104 projects, and the remaining 91 projects are clean, without loan, so the debt will not affect our dividend payment ability.
- ◆ Apart from adding new projects in China, we keep an eye on the opportunities of securing overseas projects.
- ◆ We do not have any swap and derivative contracts.
- ◆ The income from gas sales (C/I and vehicle gas sales) attributable to the total revenue of the Group will further increase and such development will deliver long-term and stable cash flow to the Group.

# Refinancing Plan

As of 31 Dec 2011 (RMB million)		Refinancing Plan
<b>Total Debt</b>	<b>10,672</b>	
<b>Short-term loans: Subsidiary level loans</b>	<b>1,913</b>	<ul style="list-style-type: none"> <li>We have RMB5,869 million cash on hand while our working capital demands RMB600-700 million cash only, leading to a surplus cash of RMB5,169 million.</li> <li>We have RMB5,594 million committed undrawn banking facilities in local PRC banks.</li> <li>So we have RMB10,763 million liquidity in total, which is enough to refinance the short-term loans.</li> <li>It is easy for utility company to roll-over short term loans in PRC banks because of stable cash flow and business model.</li> </ul>
<b>Short-term debenture</b>	<b>1,300</b>	<ul style="list-style-type: none"> <li>1 year short-term debenture which is approved by National Association of Financial Market Institutional Investors (NAFMII) with an interest rate per annum of 5.9%.</li> <li>Part of it will be refinanced by another RMB1,200 million short-term debenture which has been approved by NAFMII when expired.</li> </ul>
<b>Long-term loans</b>	<b>2,823</b>	<ul style="list-style-type: none"> <li>15-year loan from China National Development Bank which will be expired in 2020, at PBOC rate</li> <li>A 4-year loan of RMB878 million from BOC has been repaid in February 2012</li> <li>7-year corporate bond which will be expired in 2018, at 6.45% per annum</li> </ul>
<b>10-year bonds</b>	<b>4,636</b>	<ul style="list-style-type: none"> <li>Will be expired in 2021, with a fixed coupon of 6.0%</li> <li>1 of the only 2 Chinese private enterprises assigned with an investment grade credit rating on corporate and bonds:                             <ul style="list-style-type: none"> <li>- S&amp;P 'BBB-', Moody's 'Baa3' and Fitch 'BBB'</li> </ul> </li> </ul>



- ◆ CAPEX for 2012 is estimated at RMB2,500 million, and the proportion injected by JV partners will depend on the scales of the JV partners
- ◆ More CAPEX may be required depending on the progress of developing LNG refuelling stations
- ◆ The current source of capital mainly comes from operating cash flow, current assets, bank loans and issued bonds. We have sufficient capital and banking facilities to finance the future CAPEX and operational needs



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# Key Operational Data

	2011	2010	Change
<b>Coverage &amp; Gas Penetration Rates of PRC projects</b>			
Connectable urban population coverage ('000)	53,142	46,868	13.4%
Connectable households coverage ('000)	17,714	15,623	13.4%
Natural gas penetration rate	37.6%	34.7%	2.9%
Piped gas (including natural gas) penetration rate (%)	38.5%	36.0%	2.5%
<b>Coverage of International project</b>			
Connectable urban population coverage ('000)	8,920	8,920	0.0%
Connectable households coverage ('000)	2,973	2,973	0.0%
<b>Gas sales Volume</b>			
Piped natural gas ('000 m <sup>3</sup> )	4,066,304	3,075,672	32.2%
Vehicle natural gas ('000 m <sup>3</sup> )	683,785	509,100	34.3%
Wholesale natural gas ('000 m <sup>3</sup> )	260,928	222,833	17.1%
<b>Total natural gas sales ('000 m<sup>3</sup>)</b>	<b>5,011,017</b>	<b>3,807,605</b>	<b>31.6%</b>
Other piped gas ('000 m <sup>3</sup> )	349,870	330,413	5.9%
Other vehicle gas ('000 m <sup>3</sup> )	12,656	11,338	11.6%
<b>Total sales of piped and vehicle gas ('000 m<sup>3</sup>)</b>	<b>5,373,544</b>	<b>4,149,356</b>	<b>29.5%</b>

# Key Operational Data

	2011	2010	Change
<b>Pipelines &amp; Stations</b>			
Length of intermediate & main pipelines (km)	18,854	16,340	15.4%
Natural gas processing stations	115	100	15
Combined daily capacity of natural gas processing stations ('000 m <sup>3</sup> )	32,003	23,970	33.5%
Vehicle gas refuelling stations	238	192	46
<b>Accumulated Connection of Piped Gas</b>			
Residential (households)	6,815,165	5,618,583	21.3%
C/I customers (sites)	23,969	18,424	5,545
Installed designed daily capacity for C/I customers (m <sup>3</sup> )	25,767,276	18,175,160	41.8%
<b>Connection of Piped Natural Gas</b>			
Acc. connected / converted households	6,658,272	5,419,826	22.9%
Increase in the Period (ex. acq & conversion)	1,029,727	875,744	17.6%
Acc. connected / converted C/I customers (sites)	23,501	17,767	5,734
Increase in the Period (ex. acq & conversion)	5,178	4,178	1,000
Acc. connected / converted C/I customers (m <sup>3</sup> )	25,273,724	17,649,198	43.2%
Increase in the Period (ex. acq & conversion)	6,823,476	4,619,944	47.7%

To accommodate the anticipated fast-growing demand for natural gas, the Group has several ways to secure gas sources:

## 1. Take-or-pay contracts

- ◆ Signed 15-25 years take-or-pay contracts with various pipelines, secured supply of 4,155 million m<sup>3</sup> of natural gas for 2012

## 2. Other piped natural gas supply

- ◆ The Group also secured guaranteed gas supply contracts for other project cities, e.g. Shaanxi-Beijing Pipeline II and offshore natural gas in China

## 3. Non-pipeline transmission system

- ◆ Able to dispatch a fleet of 526 LNG/CNG trucks with total maximum one-time transmission capacity of over 14 million m<sup>3</sup>, which help securing important gas projects without piped natural gas source in near term as well as serving as our piped gas backup source

### Take-or-pay Contracts

Pipelines	Annual Supply in 2012 ( mil m <sup>3</sup> )
West-East Pipelines I	741
West-East Pipelines II	1,452
Zhong-Wu Pipeline	583
Sichuan-East Pipeline	100
LNG Import Terminal (Guangdong)	475
LNG Import Terminal (Fujian)	700
CNOOC (Yantai & Laiyang)	104
<b>Total</b>	<b>4,155</b>

◆ The phase-by-phase completion and commencement of operation of pipelines

Pipelines	Designed capacity (mil m <sup>3</sup> /yr)	Operation schedule
West-East Pipeline II	30,000	In operation since 2011
Qinshen Pipeline	8,000	In operation since 2011

◆ More LNG receiving terminals will be put into operation in the coming years

Location	Capacity (mil tons/yr)	Operation schedule	Gas source	Operator
Jiangsu, Rudong	3.5	In operation since 2011	Qatar	PetroChina
Liaoning, Dalian	3	In operation since 2011	Australia	PetroChina
Zhejiang, Ningbo	3	To be put into operation in 2012	Qatar	CNOOC
Shandong, Qingdao	3	To be put into operation in 2013	Papua New Guinea	Sinopec
Hebei, Caofeidian	3.5	To be put into operation in 2013	Australia, Qatar	PetroChina
Guangdong, Zhuhai	3.5	To be put into operation in 2013	Middle East, Australia	CNOOC
Guangdong, Jieyang	2	To be put into operation in 2013	Middle East, Australia	CNOOC

◆ More than 10 national natural gas pipeline projects including West-East Pipeline III & IV, China-Myanmar Pipeline and Shaanxi-Beijing Pipeline III will be completed and launched one by one by the end of 2015

◆ Sufficient gas sources ensure piped gas projects of the Group will be able to enjoy stable supply of piped natural gas in the long run

# Gas sources – Upstream projects

- ◆ The Group has invested in various upstream projects to ensure secured gas sources in long run and to provide clean energy variety to ensure continuous business growth
  - Import and export rights of LNG and other kinds of energy
  - LNG plants
    - The group has 5 LNG plants in China, and 3 of them have been put into operation

LNG plants		
Location	Daily capacity (m <sup>3</sup> )	Status
Weizhou Island, Beihai, Guangxi	150,000	In operation (since Feb 2006)
Jincheng, Shanxi	300,000	In operation (since Dec 2008)
Yinchuan, Ningxia	600,000	In operation (since Aug 2009)
Pingdingshan, Henan	260,000	To be put into operation in 1H12
Guye, Tangshan, Hebei	300,000	To be put into operation in 2H12

- The Group will continue seeking for other good upstream opportunities

# Vehicle Gas Refuelling Stations

## CNG refuelling stations

CNG refuelling stations since 2002	
Number of approval obtained (including 28 refuelling stations through acquisition)	435
Aggregated no. of CNG refuelling stations	219
Potential no. of CNG refuelling stations to be built	216

Example: Payback calculation of a CNG taxi	
Average gasoline price (RMB/litre)	7.5
Average CNG price (RMB/m <sup>3</sup> )	3.5
Gasoline consumption per km (litre)	0.05
CNG consumption per km (m <sup>3</sup> )	0.06
Cost saved per km (RMB)	0.165
Average driving distance (km/day)	400
Daily average savings (RMB)	66
Monthly average savings (RMB)	1,980
Conversion fee (RMB)	3,500
Monthly maintenance cost (RMB)	175
<b>Payback period (months)</b>	<b>2</b>

## LNG refuelling stations

LNG refuelling stations since 2011	
Number of approval obtained	87
Aggregated no. of LNG refuelling stations	19
Potential no. of LNG refuelling stations to be built	68

Example: Payback calculation of a New LNG truck	
Average diesel price (RMB/litre)	7.1
Average LNG price (RMB/m <sup>3</sup> )	4.3
Diesel consumption per km (litre)	0.4
LNG consumption per km (m <sup>3</sup> )	0.5
Cost saved per km (RMB)	0.69
Average driving distance (km/day)	400
Daily average savings (RMB)	276
Monthly average savings (RMB)	8,280
Price difference of LNG truck & diesel truck (RMB)	80,000
Monthly maintenance cost (RMB)	150
<b>Payback period (months)</b>	<b>10</b>



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# Project Development

◆ In FY2011, the Group has secured 15 new projects in China, spanning across Hunan, Hebei, Jiangsu, Liaoning, Shandong, Guangdong, Fujian, Yunnan provinces and Guangxi autonomous region, the additional connectable population is 4,530,000

◆ We have one overseas project in Vietnam covering cities of Hanoi, Hochiminh and Danang, total connectable urban population amounts to 8,920,000

Total coverage increased to  
**62,062,000**  
 connectable urban population

◆ The Group will continue seeking for good investment opportunity both in China and overseas. Recent example is the VGO to potentially acquire at least 51% stake of China Gas Holdings

Province	City/County	Connectable Population
<i>Acquired in 1H2011</i>		
Hunan	Yongzhou City (永州市)	600,000
	Wangcheng County (望城縣)	150,000
	Ningxiang County Dev. Zone, Jinzhou Hi-tech Zone (寧鄉縣開發區, 金洲新區)	300,000
Hebei	Rongcheng County (容城縣)	70,000
Jiangsu	Hongze County (洪澤縣)	381,000
	Yancheng Environmental Protection Industrial Park (鹽城市環保產業園)	N/A
Liaoning	Dayou Linhai Economic Zone, Linghai City (凌海市大有臨海經濟區)	20,000
Guangxi	Guiping Industrial Park (桂平工業園)	N/A
Fujian	Anxi County (安溪縣)	120,000
Yunnan	Kuming City Hi-tech Zone (昆明市高新區)	40,000
<i>Acquired in 2H2011</i>		
Hebei	Jingxing County (井陘縣)	330,000
	Zhengdingxin District (正定新區)	50,000
Guangdong	Panyu, Guangzhou (廣州番禺)	1,764,000
	Yunan County (郁南縣)	75,000
Shandong	Changqing zone, Jinan City (濟南市長清區)	630,000
<b>Additional Coverage :</b>		<b>4,530,000</b>

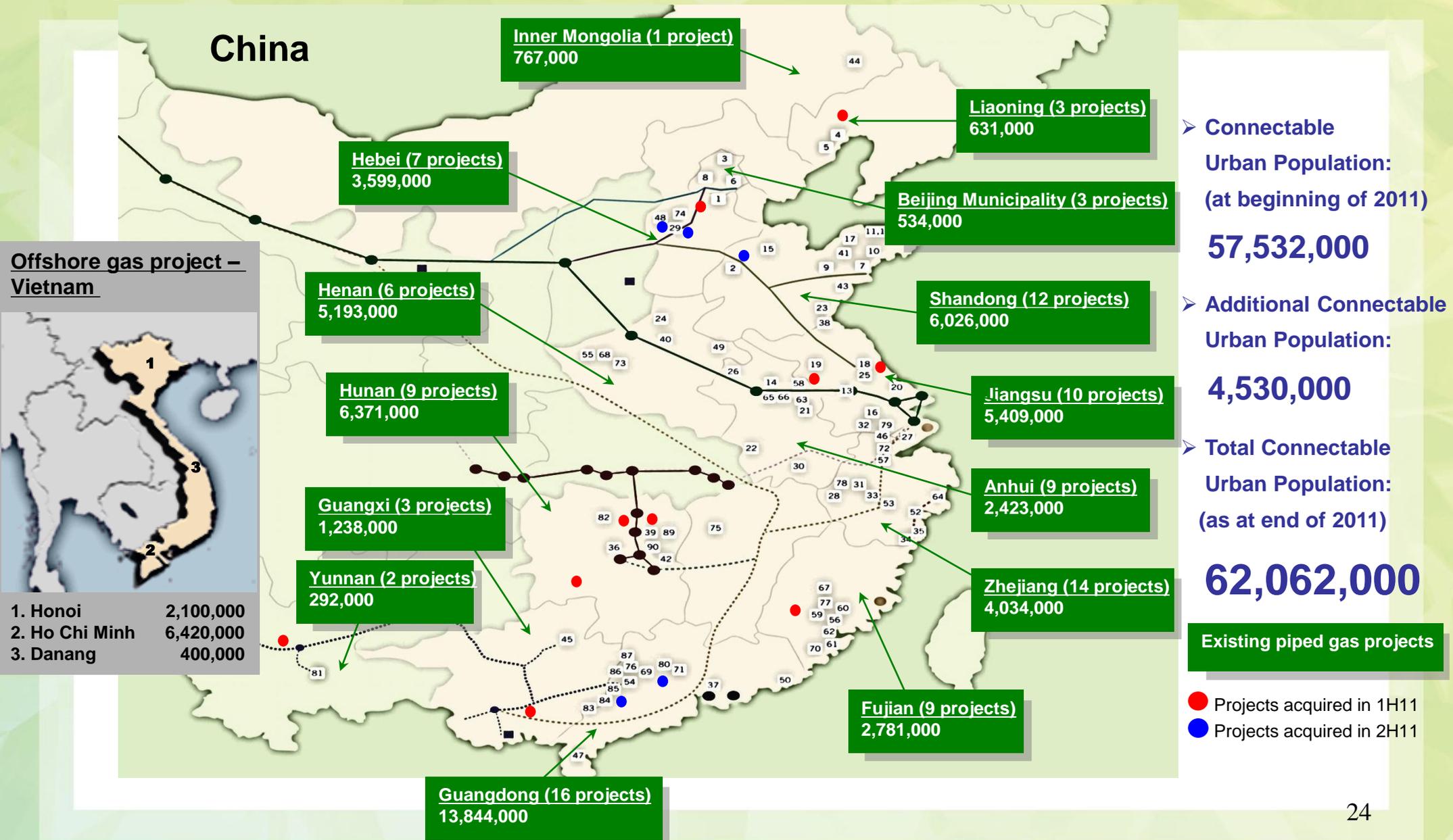
Project	Yongzhou City (永州市)	Wangcheng County (望城縣)	Ningxiang County Development Zone, Jinzhou Hi-tech Zone (寧鄉縣開發區,金洲新區)	Rongcheng County (容城縣)
Province	Hunan	Hunan	Hunan	Hebei
Connectable Population	600,000	150,000	300,000	70,000
Stakeholding	100%	55%	55%	100%
Operational Location	Administrative Region	Dingzi Town, Qiaoyi Town, Dongcheng Town, Chating Town	Development Zone	Administrative Region
Registered Capital	RMB100 mil	Branch company of Changsha project	RMB30 mil	RMB5.35 mil
<b><u>Estimated Connection Fees &amp; Gas Tariff</u></b>				
- Residential (RMB/household)	2,200	1,800	1,800	2,400
- C/I customer (RMB/m <sup>3</sup> /day)	260	200—340	200-340	500
Gas sales price (RMB/m <sup>3</sup> )	4 (Res) / 5.5 (C/I)	2.45 (Res) / 3 (C/I)	2.45 (Res) / 3 (C/I)	2.6 (Res) / 3.45-3.75 (C/I)
Gas Source	West-East II	West-East II / Zhong-Wu Pipeline	West-East II / Zhong-Wu Pipeline	Shaanxi-Beijing Pipeline II

Project	Hongze County (洪澤縣)	Yancheng Environmental Protection Industrial Park (鹽城市環保產業園)	Dayou Linhai Economic Zone, Linghai City (凌海市大有臨海經濟區)	Guiping Industrial Park (桂平工業園)
Province	Jiangsu	Jiangsu	Liaoning	Guangxi
Connectable Population	381,000	N/A	20,000	N/A
Stakeholding	90%	100%	80%	100%
Operational Location	Administrative Region	Industrial Park	Dayou Linhai Economic Zone	Industrial Park
Registered Capital	RMB10 mil	HKD20 mil	RMB5 mil	USD3.5 mil
<b><u>Estimated Connection Fees &amp; Gas Tariff</u></b>				
- Residential (RMB/household)	2,500-2,600	N/A	TBC	N/A
- C/I customer (RMB/m <sup>3</sup> /day)	500-600	50	TBC	TBC
Gas sales price (RMB/m <sup>3</sup> )	3.85 (Res) / 4.6 (C/I)	3.73 (C/I)	3.5 (C/I)	TBC
Gas Source	West-East II	Jiangsu Oilfield	Jilin Oilfield	West-East II

Project	Anxi County (安溪縣)	Kuming City Hi-tech Zone (昆明市高新區)	Jingxing County (井陘縣)	Zhengdingxin District (正定新區)
Province	Fujian	Yunnan	Hebei	Hebei
Connectable Population	120,000	40,000	330,000	50,000
Stakeholding	60%	50%	55.8%	60%
Operational Location	Administrative Region	Development Zone	Administrative Region	Administrative Region
Registered Capital	RMB10 mil	RMB480 mil	Branch company of Shijiazhuang Kunlun Xinao Energy Co Ltd	N/A (Operated by Shijiazhuang Xinao Gas Co Ltd)
<b><u>Estimated Connection Fees &amp; Gas Tariff</u></b>				
- Residential (RMB/household)	3,000	3,200	2,800	3,200
- C/I customer (RMB/m <sup>3</sup> /day)	350	TBC	200	200
Gas sales price (RMB/m <sup>3</sup> )	3.8 (Res) / 4-4.2 (C/I)	4.2 (Res) / 4.5 (C/I)	2.45 (Res) / 2.8 (C/I)	2.4 (Res) / 2.95 (C/I)
Gas Source	Fujian LNG Terminal	China-Myanmar Pipeline	Shaanxi-Beijing Pipeline III	Shaanxi-Beijing Pipeline II

<b>Project</b>	<b>Panyu, Guangzhou (廣州番禺)</b>	<b>Yunan County (郁南縣)</b>	<b>Changqing Zone, Jinan City (濟南市長清區)</b>
<b>Province</b>	<b>Guangdong</b>	<b>Guangdong</b>	<b>Shandong</b>
<b>Connectable Population</b>	1,764,000	75,000	630,000
<b>Stakeholding</b>	60%	100%	100%
<b>Operational Location</b>	Panyu Zone	Administrative Region	Changqing Zone
<b>Registered Capital</b>	RMB18 mil	HKD18 mil	RMB30 mil
<b><u>Estimated Connection Fees &amp; Gas Tariff</u></b>			
<b>- Residential (RMB/household)</b>	3,300	2,000	3,400
<b>- C/I customer (RMB/m<sup>3</sup>/day)</b>	TBC	TBC	600
<b>Gas sales price (RMB/m<sup>3</sup>)</b>	3.45-4.35 (Res) / 4.85 (C/I)	4.6 (Res) / 4.8 (C/I)	2.7 (Res) / 3.61 (C/I)
<b>Gas Source</b>	Guangdong LNG Terminal / West-East II	West-East II	West-East I

# Operational Locations



## Anhui (9 projects)

14. Bengbu	926,000
21. Chuzhou	300,000
22. Luan	338,000
26. Bozhou	224,000
30. Chaohu	237,000
58. Fengyang	109,000
63. Laian	84,000
65. Quanjiao	114,000
68. Guzhen	91,000

## Beijing Municipality (3 projects)

3. Miyun	173,000
6. Pinggu	116,000
8. Changping	245,000

## Fujian (9 projects)

56. Quanzhou	1,085,000
59. Nanan	376,000
60. Huian	138,000
61. Shishi	98,000
62. Jinjiang	397,000
67. Dehua	100,000
70. Quangang	314,000
77. Yongchun	153,000
● Anxi County	120,000

## Guangdong (16 projects)

37. Dongguan	6,950,000
47. Zhanjiang	652,000
50. Shantou	1,478,000

## Guangdong (cont'd)

54. Zhaoqing	71,000
Development Zone	
69. Zhaoqing	508,000
71. Zengcheng,	
Guangzhou	229,000
76. Sihui	472,000
80. Huadu	662,000
83. Xinyi	252,000
84. Luoding	291,000
85. Fengkai	81,000
86. Guangning	81,000
87. Huaiji	124,000
88. Lianzhou	154,000
● Yunan county	75,000
● Panyu, Guangzhou	1,764,000

## Guangxi (3 projects)

45. Guilin	850,000
51. Guigang	388,000
● Guiping Industrial Park	

## Hebei (7 projects)

1. Langfang	549,000
29. Shijiazhuang	2,428,000
48. Luquan	91,000
74. Luanxian	81,000
● Rongcheng County	70,000
● Zhengdingxin District	50,000
● Jingxi county	330,000

## Henan (6 projects)

24. Xinxiang	1,013,000
40. Kaifeng	856,000
49. Shangqiu	1,490,000
55. Luoyang	1,632,000
66. Xinan	102,000
73. Yichuan	100,000

## Hunan (9 projects)

36. Xiangtan	886,000
39. Changsha	2,422,000
42. Zhuzhou	1,009,000
82. Huaihua	437,000
89. Changsha county	297,000
90. Zhuzhou County	270,000
● Yongzhou City	600,000
● Wangcheng County	150,000
● Ningxiang County Dev. Zone,	300,000
Jinzhou Hi-tech Zone	

## Jiangsu (10 projects)

13. Gaoyou	150,000
16. Taixing	240,000
18. Yancheng	899,000
19. Huaian	1,175,000
20. Haian	193,000

## Jiangsu (cont'd)

25. Xinghua	438,000
32. Wujin	978,000
38. Lianyungang	955,000
● Hongze County	381,000
● Yancheng Environmental Protection Industrial Park	

## Inner Mongolia (1 project)

44. Tongliao	767,000
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## Liaoning (3 projects)

4. Huludao	477,000
5. Xingcheng	134,000
● Dayou Linhai Econ. Zone,	
Linghai City	20,000

## Shandong (12 projects)

2. Liaocheng	569,000
7. Huangdao	524,000
9. Zhucheng	470,000
10. Chengyang	481,000
11. Yantai Development Zone	
12. Yantai	1,796,000
15. Zouping	194,000
17. Laiyang	255,000
23. Rizhao	311,000
41. Jiaozhou	405,000
43. Jiaonan	391,000
● Changqing Zone,	
Jinan City	630,000

## Yunnan (2 projects)

81. Wenshan	252,000
● Kunming City Hi-tech Zone	40,000

## Zhejiang (14 projects)

27. Haining	227,000
28. Quzhou	269,000
31. Lanxi	130,000
33. Jinhua	139,000
34. Wenzhou	-
35. Longwan	334,000
46. Huzhou	224,000
52. Taizhou	599,000
53. Yongkang	227,000
57. Xiaoshan	681,000
64. Ningbo (Yinzhou)	482,000
72. Haiyan	101,000
78. Longyou	124,000
79. Nanxun	497,000

## Vietnam (3 projects)

● Hanoi	2,100,000
● Ho Chi Minh	6,420,000
● Danang	400,000



# Contents

**1. Financial Highlights**

**2. Business Review**

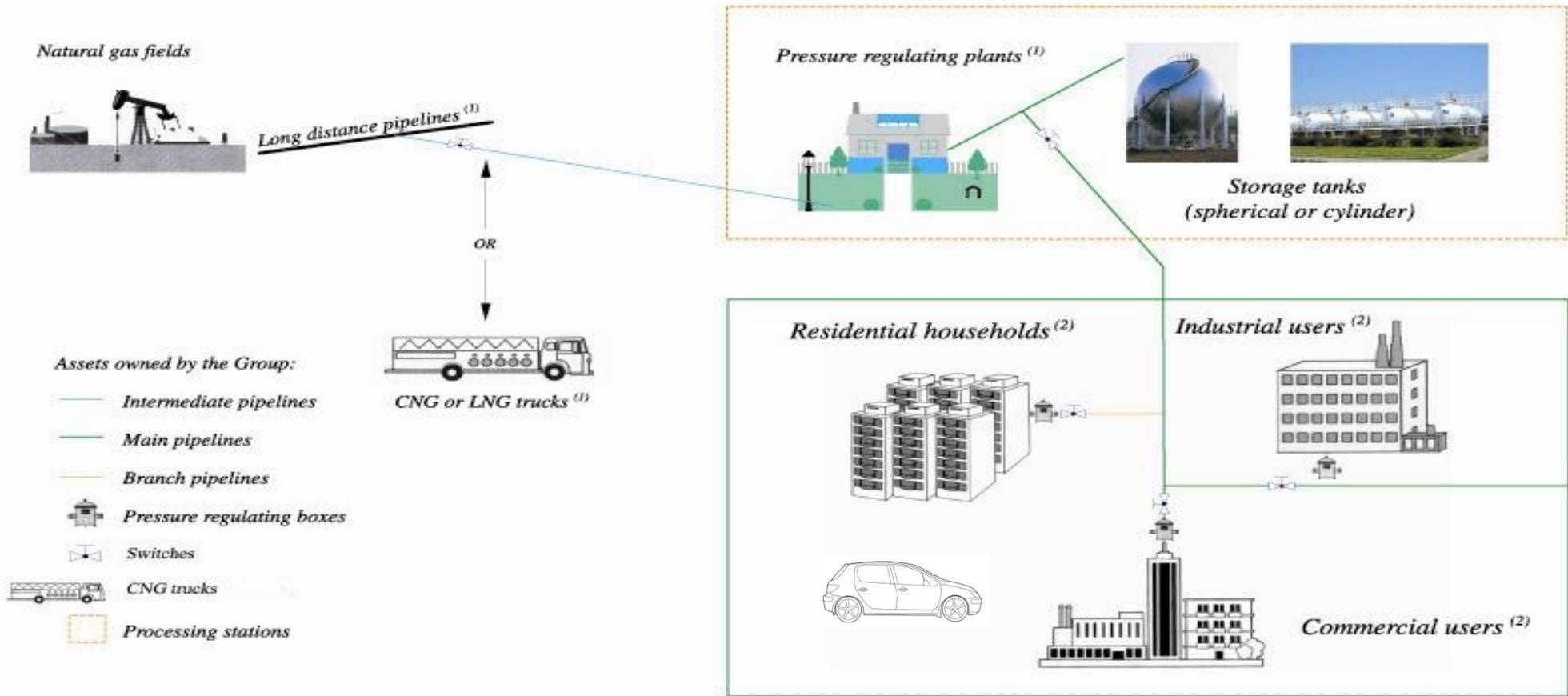
**3. New Projects**

**4. Appendix**

## A Leader in the Industry

- ◆ ENN Energy (formerly known as Xinao Gas) is one of the first privately-owned clean energy distributor in the PRC. It was founded by Mr. Wang Yusuo and Ms. Zhao Baoju in 1993.
- ◆ In 1998, the Chinese government promoted the use of natural gas and encouraged privately-owned enterprises to invest in city infrastructures.
- ◆ ENN Energy seized the opportunity and obtained the exclusive rights for operating piped gas in other cities.
- ◆ ENN Energy was listed on GEM in May 2001 and transferred to the main board (stock code: 2688) in June 2002.
- ◆ ENN Energy is a leading privately-owned gas operator in China
  - 4 cities when IPO launched in May 2001
  - 104 cities in 14 provinces, and 1 international project as of Dec 2011, covering a connectable urban population of approximately 62,062,000.

# Gas Delivery Process

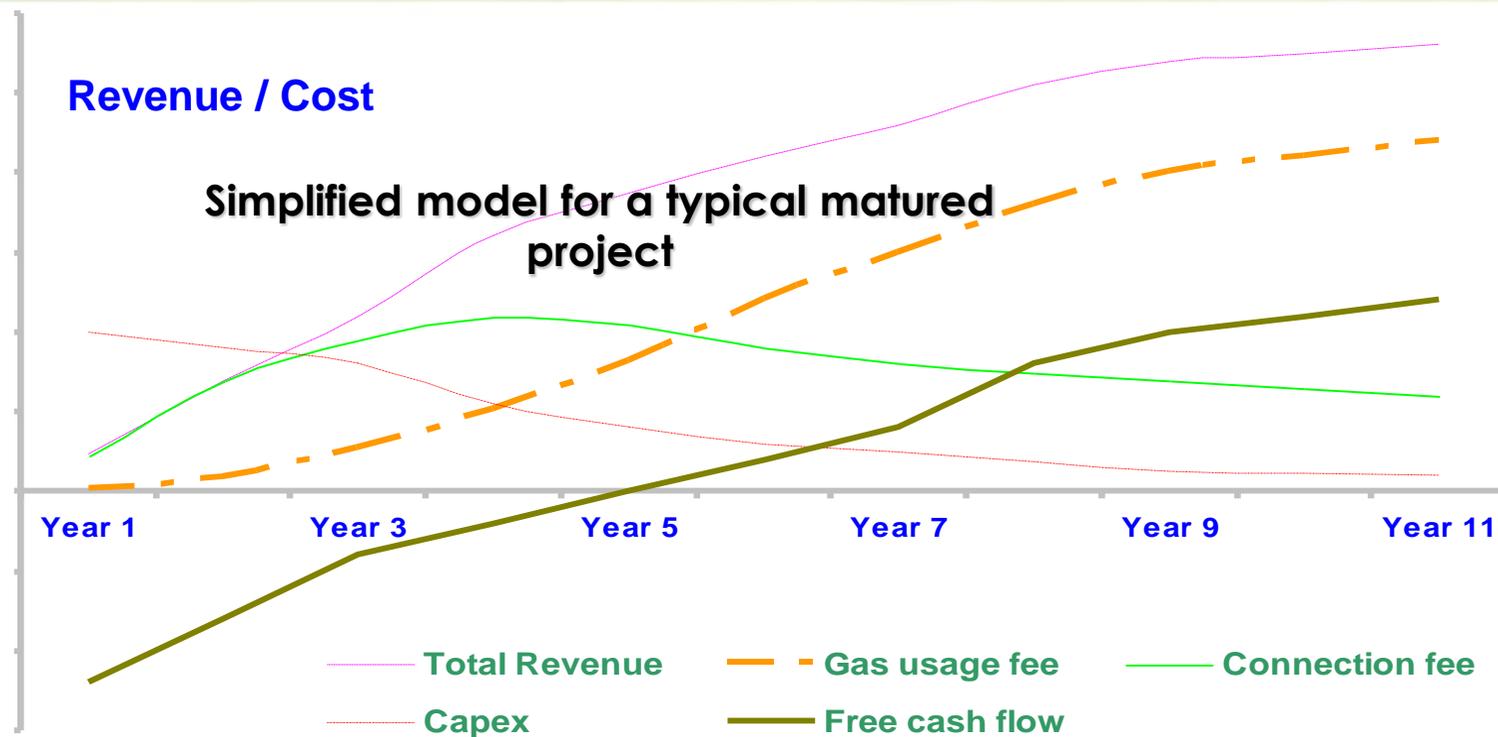


**Notes:**

(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.

# Immediate Revenue Inflow upon Connection



- ◆ 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 recurrent 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 operation

# Connection Fee Amortisation (8 projects)

- ◆ As of December, 2010, 8 projects have adopted amortisation method. (Xiangtan, Changsha, Zhuzhou, Rizhao, Huaian, Lianyungang, Xinxiang, Fengyang)
- ◆ Part of the connection fee income will now be amortised over the concession period instead of one-off recognition.
- ◆ The average connection fees for residential households and C/I customers were RMB 2,796/household and RMB 173/day/m<sup>3</sup> respectively.

# Natural gas Price Reform in 2010

## Objectives

- ◆ Further liberalise the natural gas market
- ◆ Narrow down the difference between gas tariff in the PRC and the international market
- ◆ Enhance the ability of importing LNG from overseas to further promote the utilisation of natural gas

## Content

- ◆ Raise the onshore benchmark wellhead price of natural gas by RMB 230 per thousand m<sup>3</sup> since 1 June 2010.

## Policy

- ◆ On 22 July 2010, the NDRC has promulgated the Notice on Accelerating the Finalisation of Proposal on Natural Gas Price Adjustment

## Result

- ◆ Tariff adjustment can be successfully implemented to all projects with cost increment

## Latest progress on tariff pass-through

Total number of PRC projects (as of Dec 2011)	104
No. of project with upstream tariff adjustments	26
Average upstream cost increment (RMB/m <sup>3</sup> )	0.29
No. of project with downstream tariff adjustments for C/I customers	26
No. of project with downstream tariff adjustments for residential customers	12
Average tariff increment (RMB/m <sup>3</sup> )	0.36
No. of project with automatic pass-through	22

# New Natural gas Pricing Policy in 2011

## Content

- ◆ A pilot reform on the pricing policy of natural gas was launched on 26 Dec 2011 in Guangdong Province and Guangxi Autonomous Region, with unified ceiling city-gate prices set at RMB2.74/m<sup>3</sup> and RMB2.57/m<sup>3</sup> respectively
- ◆ The price ceilings apply to both domestic-produced gas (including unconventional gas, eg. Shale gas, CBM, coal gas etc.) and imported gas transmitted through pipelines
- ◆ Retail prices remain at the control of the local government, and it is suggested to establish an auto pass-through pricing system

## Pricing Mechanism

- ◆ City-gate prices are based on a reference price of imported LPG and fuel oil prices in Shanghai times a factor of 0.9, and take into account a province specific discount/premium based pipeline fees, economic development and other factors
- ◆ The government will adjust the price level once a year at the beginning and then gradually increase the frequency to once half a year or quarterly

## Objectives

- ◆ To loosen the grip of the ex-factory prices which failed to factor in consuming demands
- ◆ The prices of natural gas will be pegged to prices of substitute energies that are formed through market forces, price competitiveness remains to encourage the usage of natural gas

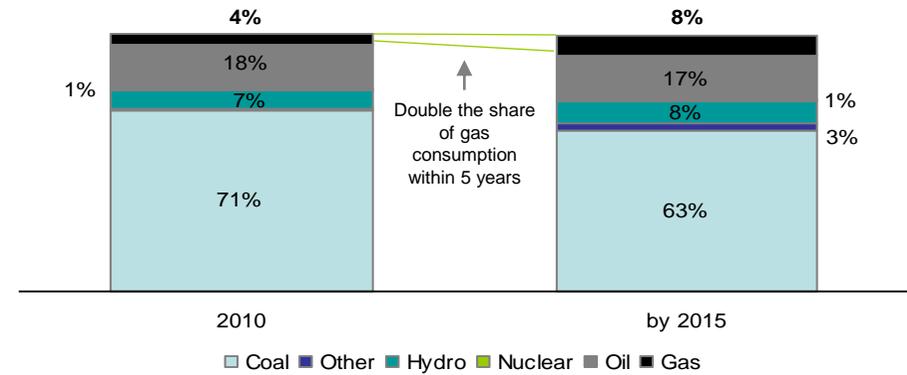
## Impact

- ◆ Currently, our major gas sources for Guangdong and Guangxi projects are the imported LNG and trucked CNG/LNG, which costs are higher than the new city-gate prices
- ◆ Cost is expected to be lowered upon ramping up of gas supply from West-East II and other pipelines in the regions, thus, greater demand is expected
- ◆ Cost pass-through process is expected to be shortened as the auto pass-through pricing system is encouraged by the NDRC

# China Natural Gas Industry Overview

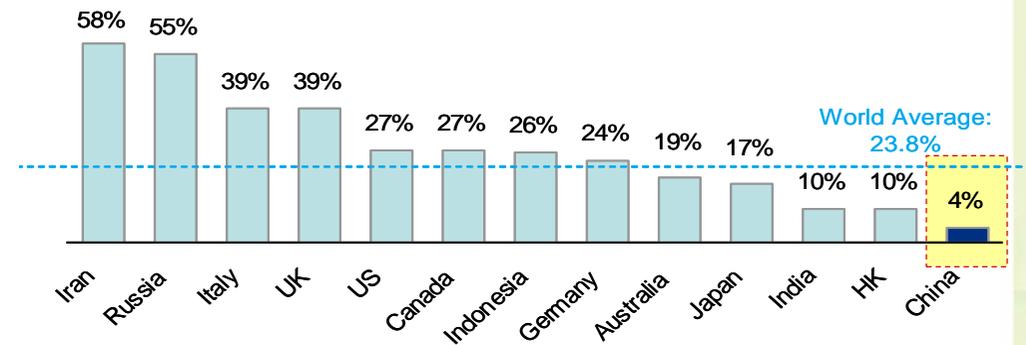
## PRC Government's Commitment to Developing Clean Energy

- ◆ China's plan to achieve 40–45% reduction in carbon dioxide emission per unit of GDP by 2020 is driving national energy consumption towards cleaner fuels such as natural gas
- ◆ In connection with the 12th Five-year Plan, the PRC government targets to increase the natural gas portion of total energy consumption from 3.7% (100 bcm) in 2010 to 8.3% (260 bcm) by 2015, with continuous expansion of natural gas infrastructure
- ◆ The PRC government has also been focused on the development of a nationwide gas distribution and delivery system and several cross-border pipelines to mitigate the geographical mismatch between gas demand and supply. As a result, domestic natural gas supply and consumption will increase significantly



## Low Natural Gas Penetration Rate <sup>(1)</sup> in China

- ◆ Currently, the natural gas consumption in total energy consumption of China is merely 3.7%, substantially lower than the world average penetration rate of 23.8%
- ◆ The low penetration rate provides sufficient room for China to increase its national gas consumption going forward, given the country's continuous shift in energy structure. This will further drive the need for piped natural gas infrastructure investment



Source: Company filings, BP Statistical Review of World Energy June 2010.

(1) Note: "Natural Gas Penetration Rate" is defined as natural gas consumption volume as a percentage of total energy consumption.

# China Natural Gas Industry Overview (Cont'd)

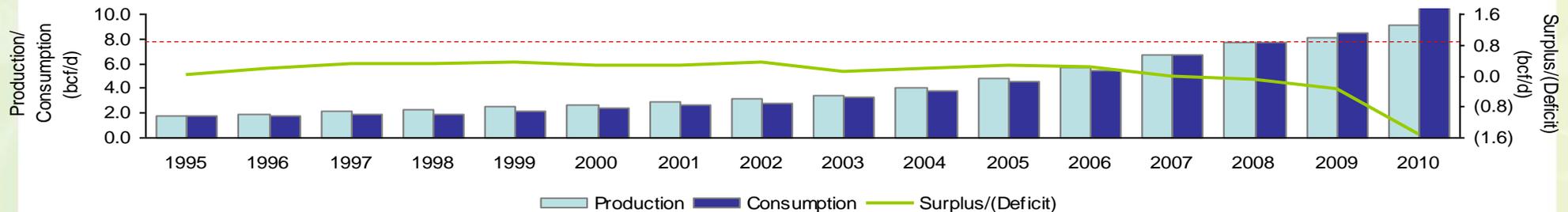
## Natural Gas Consumption

- ◆ Natural gas consumption in China has grown from 2.4 bcf/d in 2000 to 10.6 bcf/d in 2010, representing a CAGR of 16.0%
- ◆ The main driver behind the growth in natural gas consumption is the growth in China's GDP since 2000
  - The continuing growth of China's GDP and increasing portion of natural gas in the total energy consumption will drive the increasing demand for natural gas in China in the future

## Natural Gas Production

- ◆ Natural gas production in China has increased from 2.6 bcf/d in 2000 to 9.1 bcf/d in 2010, representing a CAGR of 13.3%
- ◆ To meet the growing demand for natural gas, apart from increasing domestic gas production, China is aggressively importing long-distance piped gas from nearby gas-rich areas such as central Asia and Myanmar, as well as LNG from Qatar, Australia, and Malaysia

## China Natural Gas Supply and Demand



- ◆ According to the 12th Five-year Plan, natural gas consumption in China is expected to reach 25.1 bcf/d in 2015, representing a CAGR of 18.9% from 2010
- ◆ On the supply side, natural gas production is expected to reach 14.5 bcf/d in 2015, representing a CAGR of 9.1% from 2010
- ◆ The gap between supply and demand will be satisfied through imported natural gas
- ◆ The NDRC has taken efforts to bring domestic gas prices more in line with international prices by resorting to price increases

- ◆ China has invested substantially in developing a nationwide natural gas network to facilitate the bridging between consumption and production, with total installed pipeline capacity growing at a double-digit rate nearly each year since 2003
- ◆ Trunk line construction in China has also ramped up rapidly in recent years
- ◆ It is expected that pipeline construction in China will continue to be driven by natural gas going forward
  - Currently, around 10 natural gas pipeline network projects are under construction (including the West-East Pipelines Project) or in the planning stage

Source: Company filings, BP Statistical Review of World Energy.

\* Note: "bcf/d" denotes billion cubic feet per day.

# Approximate conversion factors

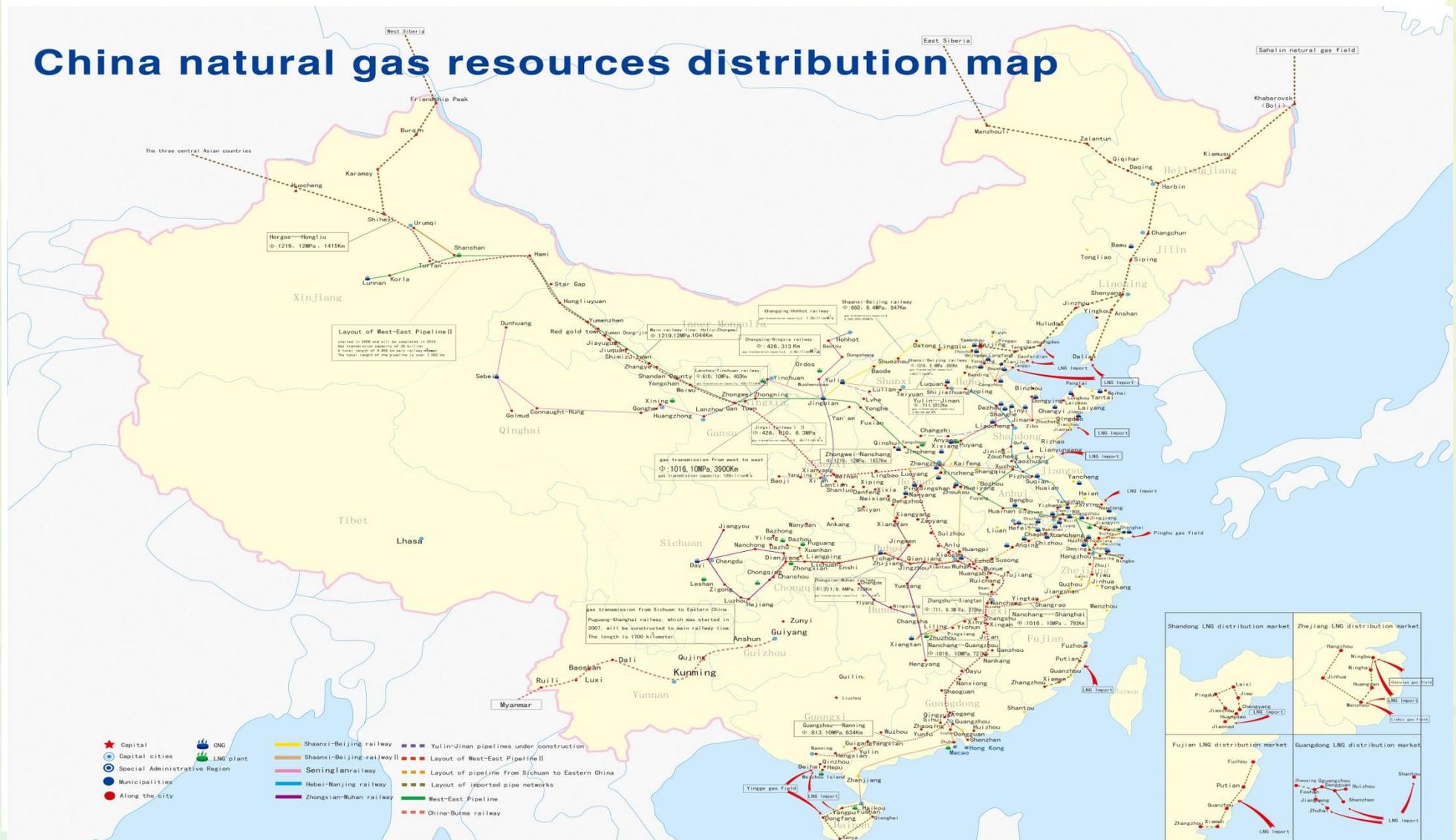
Natural gas and LNG	To					
	billion cubic meters NG	billion cubic feet NG	million tonnes oil equivalent	million tonnes LNG	trillion British thermal units	million barrels oil equivalent
From	Multiply by					
1 billion cubic meters NG	1	35.30	0.90	0.73	36.00	6.29
1 billion cubic feet NG	0.028	1	0.026	0.021	1.03	0.18
1 million tonnes oil equivalent	1.111	39.20	1	0.805	40.40	7.33
1 million tonnes LNG	1.38	48.70	1.23	1	52.00	8.68
1 trillion British thermal units	0.028	0.98	0.025	0.02	1	0.17
1 million barrels oil equivalent	0.16	5.61	0.14	0.12	5.80	1

Source: BP Global Statistics

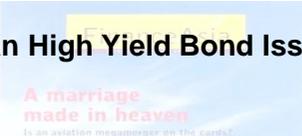
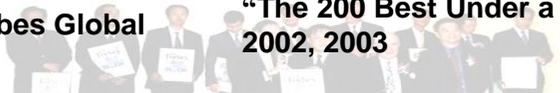
\*\*  $28 \text{ m}^3 = 1 \text{ mmbtu}$

# Major Long Distance Pipelines in China

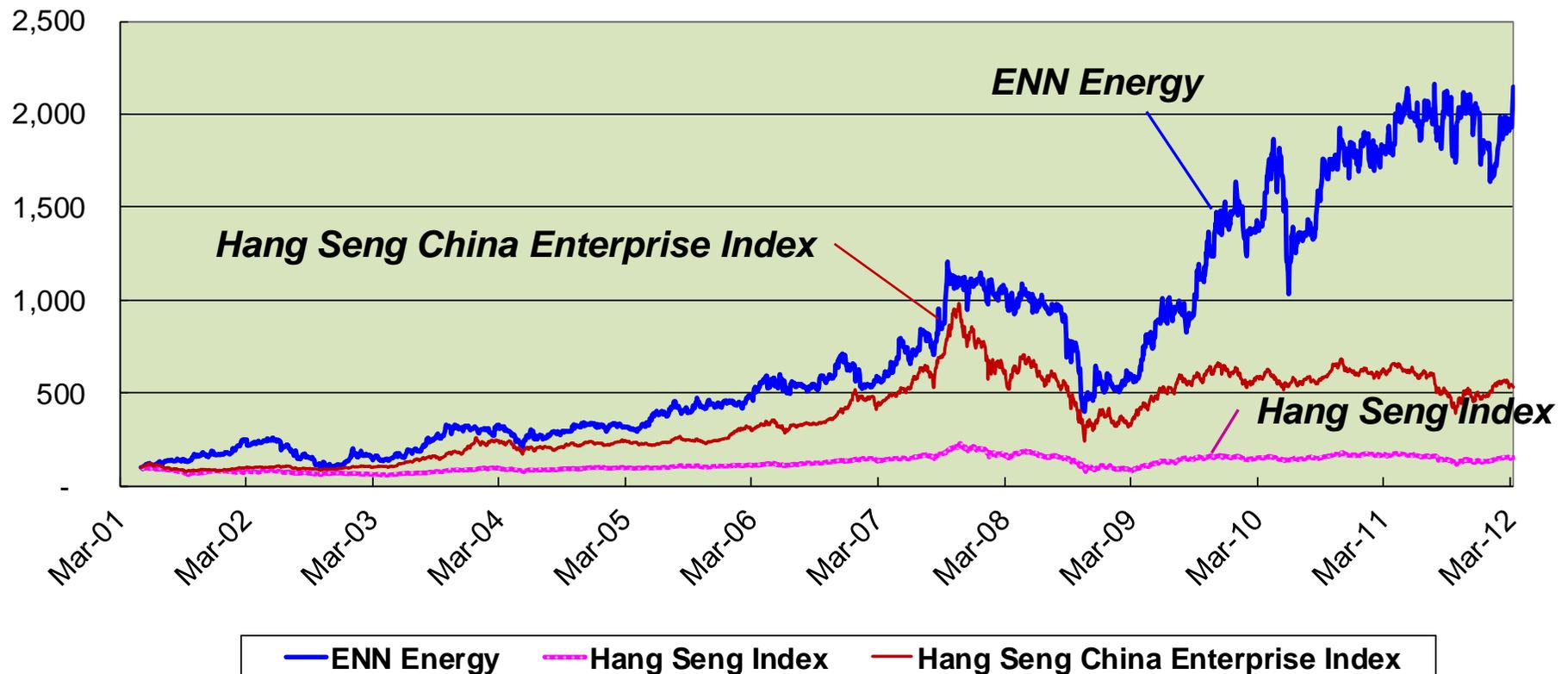
## China natural gas resources distribution map



# Awards from International Media and Organisations

 <p><b>AsiaMoney</b></p> <p>“Best Small Cap Company (China)” for 2001, 2002, 2003</p> <p>“Overall Best Managed Company (China)” for 2001, 2003</p> <p>“Overall Best Medium-Cap Company (China)” for 2004</p> <p>“Asia’s Best Managed Company (Medium Cap in China)” for 2005</p>	<p><b>Yazhou Zhoukan</b></p> <p>“1000 Global Chinese Enterprise” for 2007</p>  <p>“Chinese Business 500” for 2001, 2002, 2003, 2004, 2005, 2006</p> <p>“Top 20 Chinese Enterprises of Revenue Growth” for 2002, 2003</p> <p>“Top 20 Chinese Enterprises of Assets Growth” for 2003, 2004, 2005</p>
<p><b>EuroWeek</b></p> <p>“Best Asian High Yield Bond Issue of 2005”</p> 	<p><b>Annual International ARC Awards</b></p> <p>“Honor, Cover Design, Oil and Gas Production Services” for 2011</p> <p>“Gold, Overall Annual Report: Gas Distribution, Transport &amp; Transmission” for 2008</p>
<p><b>FinanceAsia</b></p> <p>“The Best Small Cap IPO” for 2001</p> <p>“Best Financial Management” for 2002</p> <p>“The Best Small Cap in China” for 2005</p>	 <p><b>Annual International Galaxy Awards</b></p> <p>“Honor, Overall Annual Report: Gas Distribution, Transport &amp; Transmission” for 2004, 2006, 2007</p> <p>“Silver, Annual Reports: Energy” for 2004, 2006, 2008</p> <p>“Gold, Annual Reports: Energy” for 2009</p>
<p><b>LACP</b></p> <p>“Gold, 2010 Vision Awards Annual Report, Energy: Oil, Gas &amp; Consumable Fuels”</p>	<p><b>Mercury Excellence Awards</b></p> <p>“Silver, Annual Report” for 2004</p>
<p><b>Forbes Global</b></p> <p>“The 200 Best Under a Billion” for 2001, 2002, 2003</p> 	<p><b>The Hong Kong Management Association</b></p> <p>“Honourable Mention, The Best Annual Reports Awards ” for 2006</p> <p>“Citation for Design, The Best Annual Reports Awards” for 2009”</p>
<p><b>China Affiliate of the Balanced Scorecard Institute</b></p> <p>“Star Organisation of Strategy Execution in China” for 2008</p>	<p><b>The Asset</b></p> <p>“China’s Most Promising Companies 2009: The Power and Public Utilities sector”</p> 

# ENN Energy – Share Price Performance



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