



**ENN 新奥**

ENN Energy Holdings Limited

(Stock code: 2688)

# 2013 Annual Results Analyst Presentation

May 2014





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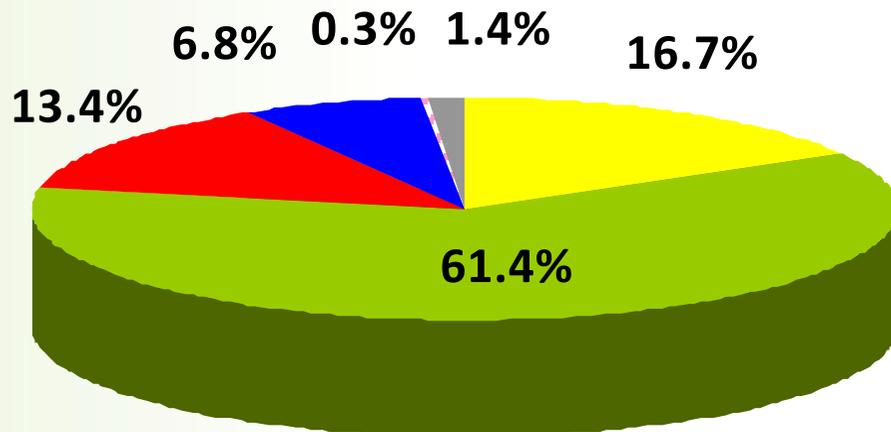
# Financial Highlights

(RMB million)	2013	2012	Change
Revenue	22,966	18,027	27.4%
Gross Profit	5,464	4,844	12.8%
EBITDA	4,298	3,706	16.0%
EBIT	3,569	3,065	16.4%
Profit attributable to owners of the Company	1,252	1,482	-15.5%
EPS - Basic (RMB)	1.16	1.39	-16.5%
Final dividend proposed (HK cents)	48.00	42.20	13.7%

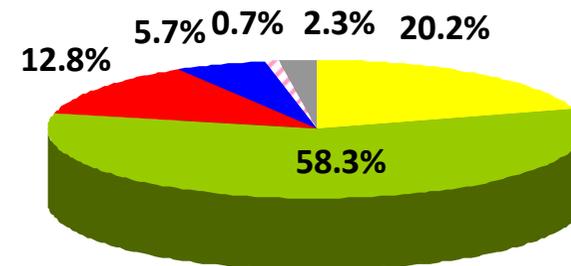


# Revenue Breakdown

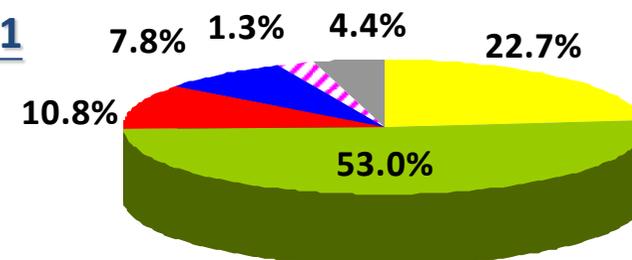
2013



2012



2011



Core Operating Segments	2013 (RMB mil)	2012 (RMB mil)	Change %
Gas connection	3,843	3,633	5.8%
Sales of piped gas	14,102	10,516	34.1%
Vehicle gas refuelling stations	3,085	2,307	33.7%
Wholesale of gas	1,551	1,031	50.4%

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

- ◆ Revenue attributable to gas sales accounted for over 80%, which maintained steady growth year-on-year, ensuring the Group a long term and recurring revenue structure
- ◆ Contribution from connection fee income to the Group's total revenue will be reduced progressively

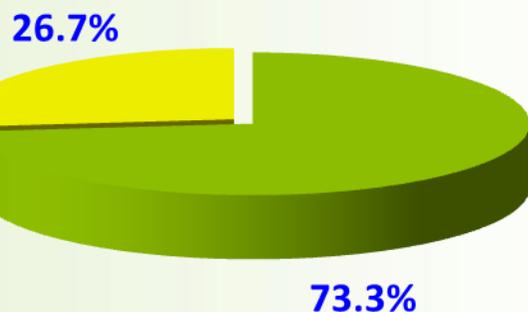


# High-Quality Customer Mix (By Revenue)

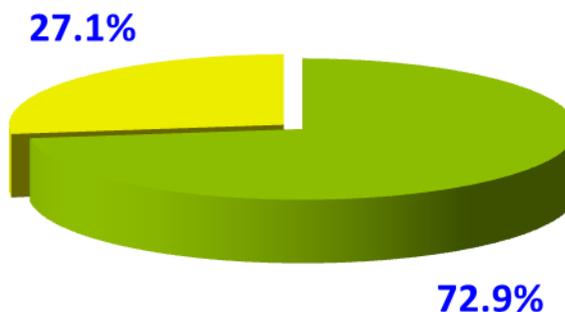
- Residential customers
- Commercial / Industrial "C/I" customers
- Vehicle gas refuelling stations
- Wholesale of gas

2013

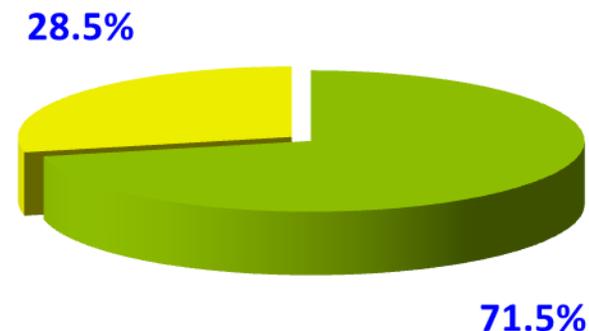
Gas connection



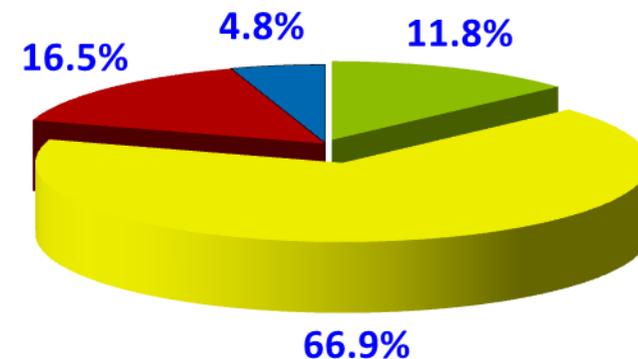
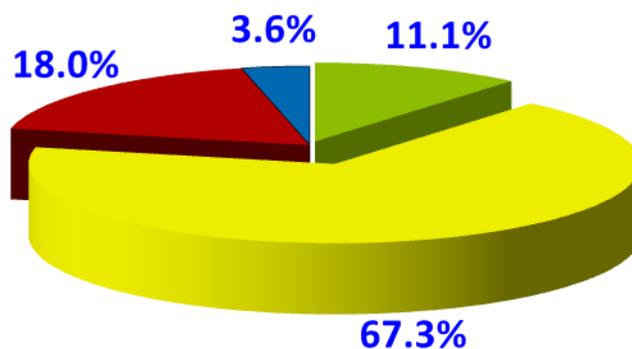
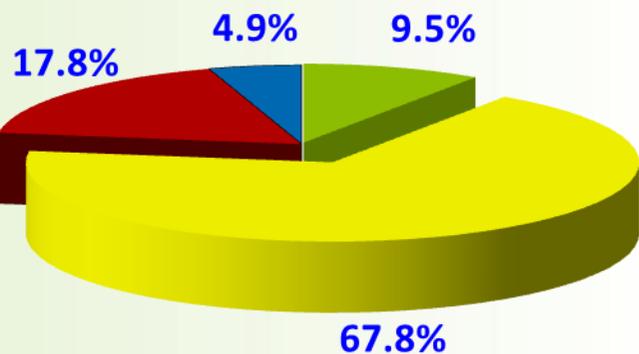
2012



2011



Gas sales





# Margins Analysis

- ◆ During the year, the gross profit margin dropped by 3.1ppts and net profit margin dropped by 3.3ppts compared with last year

Gross profit margin	Net profit margin
23.8% (2012: 26.9%)	7.8% (2012: 11.1%)
Margins analysis	
<u>Gross profit margin:</u> <ol style="list-style-type: none"><li>1. Continuous improvement in the Group's revenue structure due to more contribution from gas sales instead of connection fee</li><li>2. Natural gas price hike in 2013 increased overall gas purchasing cost, we managed to pass through incremental costs to most of the affected customers, and maintained stable dollar margin per cubic metre of gas sold</li><li>3. Increasing contribution from LNG refuelling business, which has a lower margin than CNG refuelling business at initial stage, dragged down the segmental margin of vehicle gas sales</li></ol>	
<u>Net profit margin:</u> <ol style="list-style-type: none"><li>1. Non-cash loss of RMB784 million due to fair value change of the convertible bonds issued in Jan 2013</li></ol>	



# Financial Resources and Liquidity

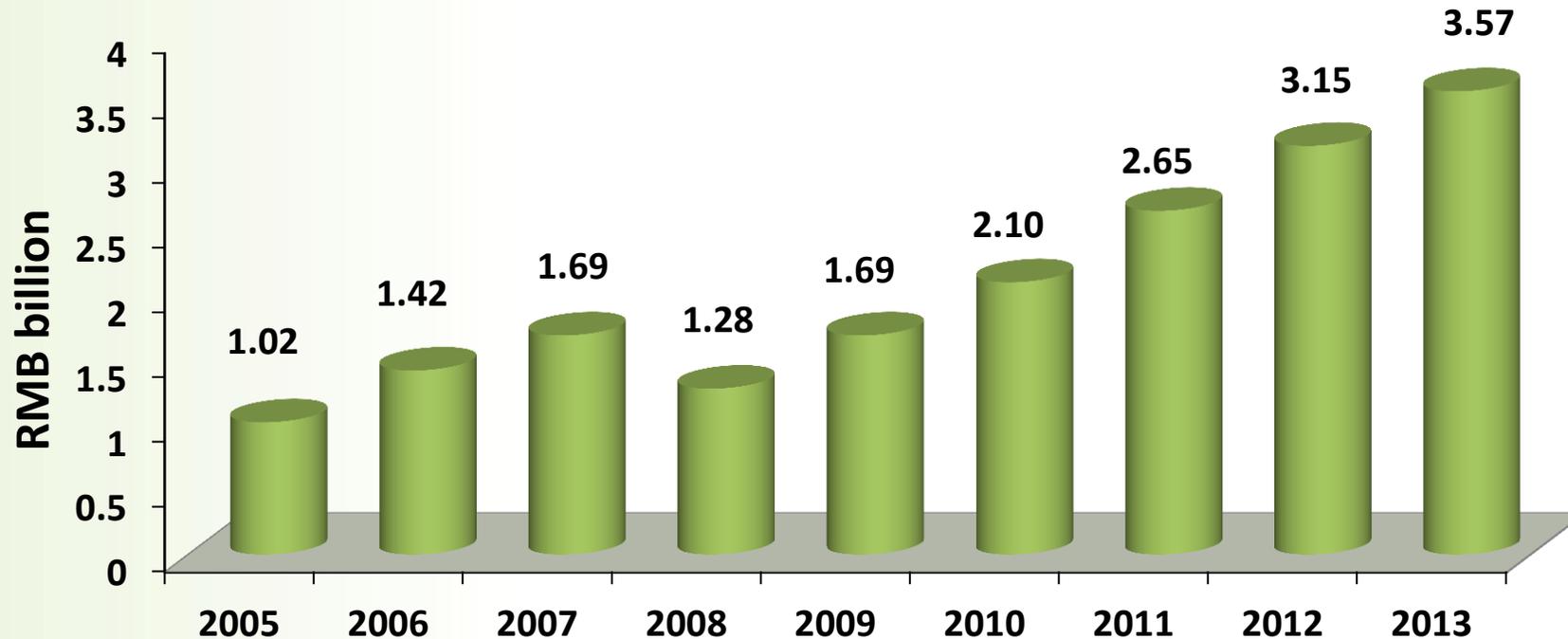
<b>(RMB billion)</b>	<b><u>At 31 Dec 2013</u></b>	<b><u>At 31 Dec 2012</u></b>	<b><u>Change</u></b>
Cash on hand	6.82	6.16	10.8%
A/R Days	18	17	1
Total Debts	12.44	11.24	10.7%
- Short-term loans	0.92	3.95	(76.7)%
- Long-term loans	3.10	2.67	16.2%
- 10-year bonds	4.50	4.63	(2.8)%
- Convertible bonds	3.93	—	—
Net Gearing Ratio	47.3%	47.7%	(0.4)ppt
ROE	21.3%*	17.1%	4.2%

*\*stripping out impact from the fair value change of CB*

- ◆ Only 9 city-gas projects with project financing, and the remaining projects are clean, without loan, so the debt will not affect our dividend payment ability
- ◆ We keep acquiring numbers of new projects in China
- ◆ We do not have any swap and derivative contracts
- ◆ Revenue attributable to gas sales will further increase and such development will deliver long-term and stable cash flow to the Group

# Refinancing Plan

As of 31 Dec 2013 (RMB billion)		Refinancing Plan
<b>Total Debt</b>	<b>12.44</b>	
<b>Short-term loans: Subsidiary level loans</b>	<b>0.92</b>	<ul style="list-style-type: none"> <li>We have RMB6.82 billion cash on hand while our working capital demands RMB2.5-3 billion cash only, leading to a surplus cash of RMB3.82 billion, 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>Long-term loans</b>	<b>3.10</b>	<ul style="list-style-type: none"> <li>5-year medium term notes which will be expired in 2017 at 5.55% per annum</li> <li>7-year corporate bond which will be expired in 2018, at 6.45% per annum</li> <li>15-year loan from China National Development Bank which will be expired in 2020, at PBOC rate</li> <li>7-year long term loans from IFC which will be expired in 2020 at LIBOR + 2.75% per annum</li> </ul>
<b>10-year bonds</b>	<b>4.50</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 few 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>
<b>Convertible bonds</b>	<b>3.93</b>	<ul style="list-style-type: none"> <li>Will be expired in 2018, zero coupon</li> <li>Bondholders can convert their bonds into new shares anytime until 16 Feb 2018 at the conversion price of HK\$48.62/share</li> <li>Assuming full conversion, approximately 80 million shares will be issued, representing around 6.9% of the enlarged issued share capital</li> </ul>



- ◆ The Group had positive free cash flow of RMB235 million in 2013 (2012: positive free cash flow of RMB97 million)
- ◆ More CAPEX may be required depending on the progress of developing vehicle/ship LNG refuelling business
- ◆ 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

	2013	2012	Change
<b>Coverage &amp; Gas Penetration Rates of PRC Projects</b>			
Number of project cities	134	117	17
Connectable urban population coverage ('000)	61,015	55,521	9.9%
Connectable households coverage ('000)	20,338	18,507	9.9%
Natural gas penetration rate	45.2%	41.7%	3.5%
Piped gas (including natural gas) penetration rate (%)	45.6%	42.1%	3.5%
<b>Accumulated Connection of Piped Gas</b>			
Residential (households)	9,274,794	7,785,098	19.1%
C/I customers (sites)	38,939	30,741	8,198
Installed designed daily capacity for C/I customers (m <sup>3</sup> )	41,864,127	33,422,696	25.3%
<b>Connection of Piped Natural Gas</b>			
Acc. connected / converted households	9,200,671	7,720,152	19.2%
<b>Increase in the Period (ex. acq &amp; conversion)</b>	<b>1,220,411</b>	<b>1,122,407</b>	<b>8.7%</b>
Acc. connected / converted C/I customers (sites)	38,787	30,597	8,190
<b>Increase in the Period (ex. acq &amp; conversion)</b>	<b>7,700</b>	<b>7,300</b>	<b>400</b>
Acc. connected / converted C/I customers (m <sup>3</sup> )	41,820,125	33,382,200	25.3%
<b>Increase in the Period (ex. acq &amp; conversion)</b>	<b>8,045,922</b>	<b>7,826,433</b>	<b>2.8%</b>

# Key Operational Data

	2013	2012 Change	
<b>Gas Infrastructure</b>			
Length of intermediate & main pipelines (km)	23,907	21,312	12.2%
Natural gas processing stations	137	126	11
Combined daily capacity of natural gas processing stations ('000 m <sup>3</sup> )	58,088	46,176	25.8%
Vehicle gas refuelling stations	448	330	118
<b>Gas Sales Volume</b>			
Piped natural gas ('000 m <sup>3</sup> )	6,494,513	5,052,065	28.6%
Vehicle natural gas ('000 m <sup>3</sup> )	1,172,493	924,452	26.8%
Wholesale natural gas ('000 m <sup>3</sup> )	370,019	248,536	48.9%
<b>Total natural gas sales ('000 m<sup>3</sup>)</b>	<b>8,037,025</b>	<b>6,225,053</b>	<b>29.1%</b>
Other piped gas ('000 m <sup>3</sup> )	73,705	223,539	-67.0%
Other vehicle gas ('000 m <sup>3</sup> )	14,204	11,474	23.8%
<b>Total gas sales ('000 m<sup>3</sup>)</b>	<b>8,124,934</b>	<b>6,460,066</b>	<b>25.8%</b>

# Natural Gas Pricing Reform in 2013

- ◆ On 28 June 2013, the NDRC published the Notice on Natural Gas Price Adjustment for non-residential natural gas consumption. The new pricing mechanism took effect on 10 July 2013
- ◆ The new ceiling city-gate prices are set based on two-tier pricing mechanism, (i) existing volume (with price hike of not more than RMB0.4/m<sup>3</sup>) and (ii) incremental volume (to be priced at 85% of the weighted average prices of fuel oil and LPG with weighting of 60% and 40% respectively)
- ◆ PRC government aims at moving natural gas pricing towards a market-based mechanism, with a direct linkage to substitute energies so as to encourage more upstream gas supply from both domestic and overseas imported sources
- ◆ The Group proactively communicated with customers and local pricing bureaus to pass on the cost increase from upstream, maintained stable dollar margin during the year

## Pass-through Progress as of May 2014

No. of projects affected	55
Average upstream cost adjustment (RMB/m <sup>3</sup> )	0.49
No. of projects with tariff adjustment for C/I customers	55
Average tariff adjustment for C/I customers (RMB/m <sup>3</sup> )	0.49
No. of projects with tariff adjustment for CNG stations	50
Average tariff adjustment for CNG stations (RMB/m <sup>3</sup> )	0.42

## 1. Take-or-pay contracts

- ◆ Signed 15-25 years take-or-pay contracts with various pipelines, secured supply of 7,068 million m<sup>3</sup> of natural gas for 2014

## 2. Other piped natural gas supply

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

## 3. LNG processing plants

- ◆ The Group has 5 LNG processing plants in China with a maximum combined daily capacity of about 1.6 million m<sup>3</sup>

## 4. Non-pipeline transmission system

- ◆ Able to dispatch a fleet of 656 LNG/CNG trucks with a total maximum one-time transmission capacity of over 14 million m<sup>3</sup>, which help secure important gas projects without piped natural gas source in near term as well as serve as our backup gas source

Take-or-pay Contracts		
Gas Source	Contracted Supply in 2014 (mil m <sup>3</sup> )	Contracted Supply in 2013 (mil m <sup>3</sup> )
West-East Pipeline I	1,410	1,111
West-East Pipeline II	3,683	2,643
Zhong-Wu Pipeline	583	583
Sichuan-East Pipeline	198	198
LNG Import Terminal (Guangdong)	309	421
LNG Import Terminal (Fujian)	700	700
CNOOC (Yantai & Laiyang)	185	185
<b>Total</b>	<b>7,068</b>	<b>5,841</b>

- ◆ There are over 60,000km of natural gas pipelines with a combined annual transmission capacity of over 150 billion m<sup>3</sup>, and 10 LNG import terminals with total annual receiving capacity of over 57 million tonnes in China currently
- ◆ There are approximately 80 LNG processing plants in China with a combined daily capacity of over 35 million m<sup>3</sup>
- ◆ China continues to expand its natural gas supplying infrastructure, more pipelines and LNG import terminals are being constructed and will be put into operation in the coming years:

Pipeline Name	Capacity(mil m <sup>3</sup> /yr)	Commencement Date	Gas source	Operator
West-East III	30,000	2015	Central Asia	PetroChina
Shaanxi-Beijing IV	25,000	2016	Shaanxi Changqing, Central Asia	PetroChina
West-East IV	30,000	2017	Central Asia, Xinjiang	PetroChina
Russia-China East Pipeline	38,000	2018	Russia	PetroChina
Location of LNG Terminal	Capacity (mil m <sup>3</sup> /yr)	Commencement Date	Gas source	Operator
Hainan	4,140 (3 mil tons)	2014	Australia, Qatar	CNOOC
Shandong, Qingdao	4,140 (3 mil tons)	2014	Papua New Guinea	Sinopec
Shandong, Yantai	2,070 (1.5 mil tons)	2014	CNOOC's int'l gas portfolio/spot market	CNOOC
Shenzhen, Diefu	4,140 (3 mil tons)	2015	Australia	CNOOC
Guangxi, Beihai Tieshan Port	4,140 (3 mil tons)	2015	Australia	Sinopec
Tianjin, Binhai	4,140 (3 mil tons)	2015	Australia	Sinopec
Guangdong, Jieyang	2,760 (2 mil tons)	2015	Middle East, Australia	CNOOC

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



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Develop our core businesses riding on favorable government policies and promising growth potential of the industry



## City-gas projects

- ◆ **134** city-gas projects with over 61 million connectable urban population
- ◆ Average gas penetration rate of **45.6%**
- ◆ Continue organic growth in existing projects and acquire more new projects



## Industrial parks

- ◆ We acquired numbers of industrial parks nearby existing projects, enhancing operating leverage
- ◆ Tremendous volume growth potential from **C/I users** with **limited CAPEX** requirement
- ◆ Provide solutions to enhance energy consumption efficiency



## Vehicle/Ship refuelling business

- ◆ **268 CNG** and **180 LNG** refuelling stations in operation
- ◆ Leverage on our first mover advantage and downstream operational experience to capture market growth in both CNG and LNG refuelling markets
- ◆ Started to tap into ship LNG refuelling market with a few trial projects

# Our Strategies – New Projects

- ◆ In 2013, the Group has secured 17 new projects in China, including 9 city-gas projects and 8 industrial park projects, spanning across Anhui, Fujian, Guangdong, Hebei, Henan, Hunan, Jiangsu, Sichuan and Shandong providing an additional connectable population of 3,076,000.

**Total coverage increased to  
61,015,000  
connectable urban population in China**

Province	Project	Connectable Population
<u>Acquired in 1H2013</u>		
Hebei	Baoding (保定)	1,200,000
Guangdong	Heyuan (河源)	300,000
Anhui	Dingyuan County (定遠縣)	TBC
Guangdong	Leizhou (雷州)	350,000
Guangdong	Dongyuan County (東源縣)	96,000
Jiangsu	Suining Suburban Project (睢寧城郊項目)	NA
Anhui	Suchu Modern Industry Park (蘇滁現代產業園區)	NA
Shandong	Binzhou Zhanhua Economic Development Zone (濱州沾化經濟開發區)	NA
Shandong	Xintai City Development Zone (新泰市開發區)	NA

Province	Project	Connectable Population
<u>Acquired in 2H2013</u>		
Sichuan	Liangshan Prefecture (涼山州)	600,000
Guangdong	Lianjiang (廉江)	300,000
Henan	Ruyang County (汝陽縣)	130,000
Hunan	North-western Liuyang (瀏陽西北片區)	100,000
Fujian	Ningde Xiapu Yacheng Dongyang Industrial Park (寧德霞浦牙城東洋工業園)	NA
Hunan	Liuyang Industrial Park (瀏陽工業園)	NA
Hunan	Chenzhou Suxian Industrial Zone (郴州蘇仙工業集中區)	NA
Jiangsu	Lianyungang Xuyu New Zone (連雲港徐圩新區)	NA

**Additional Coverage: 3,076,000**

# Our Strategies – New Projects

Project	Baoding (保定)	Heyuan (河源)	Dingyuan County (定遠縣)	Leizhou (雷州)	Dongyuan County (東源縣)
Province	Hebei	Guangdong	Anhui	Guangdong	Guangdong
Connectable Population	1,200,000	300,000	TBC	350,000	96,000
Stakeholding	49%	100%	100%	70%	100%
Operational Location	Administrative Region	Administrative Region	Administrative Region	Administrative Region	Administrative Region
Registered Capital	RMB300 mil	RMB111 mil	RMB20 mil	RMB10 mil	RMB20 mil
<b>Estimated Connection Fees &amp; Gas Tariff</b>					
- Residential (RMB/household)	3,075-3,675	3,480	1,600	2,500-2,900	3,480
- C/I customer (RMB/m <sup>3</sup> /day)	TBC	TBC	TBC	1,200	TBC
Gas sales price (RMB/m <sup>3</sup> )	2.40 (Res) / 3.65 (C/I)	TBC	2.41 (Res) / 3.05 (C/I)	4.50 (Res) / 5.60 (C/I)	TBC
Gas Source	Shaanxi-Beijing Pipeline I, II & III, Yong-Tang-Qin Pipeline	West-East Pipeline III	West-East Pipeline I	Guangdong Dapeng LNG Terminal	West-East Pipeline III
Major Industry	Automobile, textiles, pharmaceuticals & power equipment industry	Ceramic, metal processing & automobile industry	Machinery and electronics, food processing & photoelectric industry	Steel, pharmaceuticals, electronics & construction material industry	Food processing, machinery & electronics industry

# Our Strategies – New Projects

Project	Suining Suburban Project (睢寧城郊項目)	Suchu Modern Industry Park (蘇滁現代產業園區)	Binzhou Zhanhua Economic Development Zone (濱州沾化經濟開發區)	Xintai City Development Zone (新泰市開發區)
Province	Jiangsu	Anhui	Shandong	Shandong
Connectable Population	NA	NA	NA	NA
Stakeholding	70%	88%	85%	100%
Operational Location	Industrial Park	Industrial Park	Development Zone	Development Zone
Registered Capital	RMB20 mil	RMB30 mil	RMB30 mil	US\$13.3 mil
<b>Estimated Connection Fees &amp; Gas Tariff</b>				
- Residential (RMB/household)	2,600	1,600	1,200-1,580	2,200
- C/I customer (RMB/m <sup>3</sup> /day)	400	TBC	TBC	TBC
Gas sales price (RMB/m <sup>3</sup> )	3.00 (Res) / 3.60-4.14 (C/I)	2.84 (C/I)	2.60 (Res) / 2.95-3.06 (C/I)	2.60(Res) / 3.0 (C/I)
Gas Source	Hebei-Nanjing Pipeline	West-East Pipeline I	Tai-Qing-Wei Pipeline	Tai-Qing-Wei Pipeline
Major Industry	Machinery, food processing & textiles industry	Electronics, new materials & pharmaceuticals industry	Oil & salt chemicals, new materials & electronics industry	Machinery, textiles, pharmaceuticals & fine chemicals industry

# Our Strategies – New Projects

Project	Liangshan Prefecture (涼山州)	Lianjiang (廉江)	Ruyang County (汝陽縣)	North-western Liuyang (瀏陽西北片區)
Province	Sichuan	Guangdong	Henan	Hunan
Connectable Population	600,000	300,000	130,000	100,000
Stakeholding	90%	100%	90%	100%
Operational Location	Administrative Region	Administrative Region	Administrative Region	Surrounding towns and industrial parks
Registered Capital	RMB180 mil	RMB20 mil	RMB30 mil	RMB30 mil
<b>Estimated Connection Fees &amp; Gas Tariff</b>				
- Residential (RMB/household)	3,500	2,700-2,900	2,850	TBC
- C/I customer (RMB/m <sup>3</sup> /day)	200	1,200	500	TBC
Gas sales price (RMB/m <sup>3</sup> )	3.60 (Res) / 4.00 (C/I)	4.50 (Res) / 5.60 (C/I)	2.30 (Res) / 3.30 (C/I)	TBC
Gas Source	China-Myanmar Pipeline	West-East Pipeline II	West-East Pipeline II	Zhongwu Pipeline
Major Industry	Metal and resources processing & ceramic industry	Home electrical appliance, furniture, ceramic & food processing industry	Mining, construction materials, chemicals, machinery & ceramic industry	Construction materials, plastic packaging, textiles, food processing & machinery industry

# Our Strategies – New Projects

Project	Ningde Xiapu Yacheng Dongyang Industrial Park (寧德霞浦牙城東陽工業園)	Liuyang Industrial Park (瀏陽工業園)	Chenzhou Suxian Industrial Zone (郴州蘇仙工業集中區)	Lianyungang Xuyu New Zone (連雲港徐圩新區)
Province	Fujian	Hunan	Hunan	Jiangsu
Connectable Population	NA	NA	NA	NA
Stakeholding	100%	80%	70%	70%
Operational Location	Industrial Park	Industrial Park	Suxian District and surrounding towns	Development Zone
Registered Capital	RMB10 mil	RMB11 mil	RMB10 mil	US\$14.3 mil
<b>Estimated Connection Fees &amp; Gas Tariff</b>				
- Residential (RMB/household)	NA	2,100	1,800	2,500
- C/I customer (RMB/m <sup>3</sup> /day)	TBC	180-380	200	100
Gas sales price (RMB/m <sup>3</sup> )	4.20-4.50 (C/I)	3.80 (Res) / 3.90 (C/I)	4.80 (C/I)	2.40 (Res) / 4.10 (C/I)
Gas Source	Fujian LNG Terminal	Zhongwu Pipeline	West-East Pipeline III	West-East Pipeline I
Major Industry	Stainless steel, food and agricultural products processing, textiles & chemicals industry	Pharmaceutical, machinery & food processing	Mining, electronics & agricultural and forest products processing	Steel, petrochemical & advanced equipment manufacturing

# Operational Locations



➤ Additional connectable urban population from new projects:

**3,076,000**

➤ Total connectable urban population in China (as at the end of December 2013)

**61,015,000**

Existing city-gas projects

- Projects acquired in 1H13
- Projects acquired in 2H13

# Operational Locations

## Anhui (12 projects)

Bengbu	927,000
Bozhou	225,000
Chaohu	370,000
Chuzhou	543,000
Fengyang	110,000
Guzhen	92,000
Jieshou Industrial Zone	-
Laian	85,000
Luan	400,000
Quanjiao	114,000
● Dingyuan County TBC	
● Suchu Modern Industrial Park	-

## Beijing Municipality (1 project)

Pinggu	116,000
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## Fujian (11 projects)

Anxi	121,000
Dehua	101,000
Huian	139,000
Jinjiang	402,000
Longyuan Dev Zone	171,000
Nanan	382,000
Quangang	316,000
Quanzhou	1,101,000
Shishi	99,000
Yongchun	154,000
● Ningde Xiapu	-
Yacheng Dongyang Industrial Park	

## Guangdong (20 projects)

Dongguan	7,050,000
Fengkai	81,000
Guangning	81,000
Huadu	675,000
Huaiji	126,000
Jiangmen	-
Hecheng Town Zone	
Lianzhou	155,000
Luoding	295,000
Panyu,	1,779,000
Guangzhou	
Shantou	1,489,000
Sihui	472,000
Xinyi	254,000
Yunan	75,000
Zhanjiang	658,000
Zhaoqing Dev	72,000
Dev	
Zhaoqing	640,000
● Heyuan	300,000
● Dongyuan County	96,000
● Leizhou	350,000
● Lianjiang	300,000
Guangxi (3 projects)	
Guigang	394,000
Guilin	976,000
Guiping	-
Industrial Park	
Hebei (16 projects)	
Gaocheng	180,000
Jingxing	330,000
Langfang	710,000
Luanxian	82,000

## Hebei (cont'd)

Luquan	92,000
Lingshou	90,000
Luquan Green Island Dev Zone	-
Rongcheng	70,000
Shenze	40,000
Shijiazhuang	2,766,000
Wenan	-
Industrial Park	
Wuji	80,000
Xinji	200,000
Xingtang Dev Zone	-
Zhengding New Zone	50,000
● Baoding	1,200,000

## Henan (8 projects)

Kaifeng	867,000
Luoyang	1,650,000
Weihui City Industrial Zone	30,000
Shangqiu	1,504,000
Xinxiang	1,024,000
Xinan	103,000
Yichuan	100,000
● Ruyang County	130,000

## Hunan (13 projects)

Changsha	3,661,000
Changsha County	301,000
Huaihua	420,000
Liling	222,000
Ningxiang	312,000
Wangcheng	151,000
Xiangtan	879,000

## Hunan (cont'd)

Yongzhou	608,000
Zhuzhou	1,280,000
Zhuzhou County	274,000
● North-western Liuyang	100,000
● Liuyang Industrial Park	-
● Chenzhou City and Surrounding Towns	-
Inner Mongolia (1 project)	
Tongliao	767,000

## Jiangsu (12 projects)

Gaoyou	213,000
Haian	193,000
Hongze	382,000
Huaian	1,186,000
Lianyungang	955,000
Taixing	240,000
Wujin	1,026,000
Xinghua	440,000
Yancheng	904,000
Yancheng Evn Protection Industrial Park	-
● Suining Suburban Project	-
● Lianyungang Xuyu New Zone	-

## Liaoning (4 projects)

Dayou Linhai	20,000
Econ. Zone, Linghai City	
Huludao	990,000
Panjing Chemical Enterprise Zone	-
Xingcheng	134,000

## Shandong (15 projects)

Changqing	640,000
Chengyang	646,000
Huangdao	529,000
Jiaonan	394,000
Jiaozhou	408,000
Laiyang	300,000
Liaocheng	575,000
Qingdao	-
Sino-German Ecopark	
Rizhao	395,000
Yantai	1,800,000
Yantai Dev Zone	-
Zhucheng	472,000
Zouping	195,000
Zone, Jinan City	
● Binzhou Zhanhua Economic Dev Park	-
● Xintai Dev Zone	-
Sichuan (1 project)	
● Liangshan Prefecture	600,000
Yunnan (2 projects)	
Kunming City	40,000
Hi-tech Zone	
Wenshan	444,000

## Zhejiang (15 projects)

Haining	227,000
Haiyan	101,000
Huangyan	604,000
Huzhou	490,000
Jinhua	148,000
Lanxi	130,000
Longwan	350,000

## Zhejiang (cont'd)

Longyou	125,000
Nanxun	491,000
Ningbo	484,000
(Yinzhou)	
Quzhou	270,000
Wenzhou	-
Wenzhou Wanquan Light Industrial Base	-
Xiaoshan	686,000
Yongkang	229,000

## Overseas Projects:

### Vietnam (3 projects)

Hanoi	2,129,700
Ho Chi Minh	6,449,700
Danang	429,800

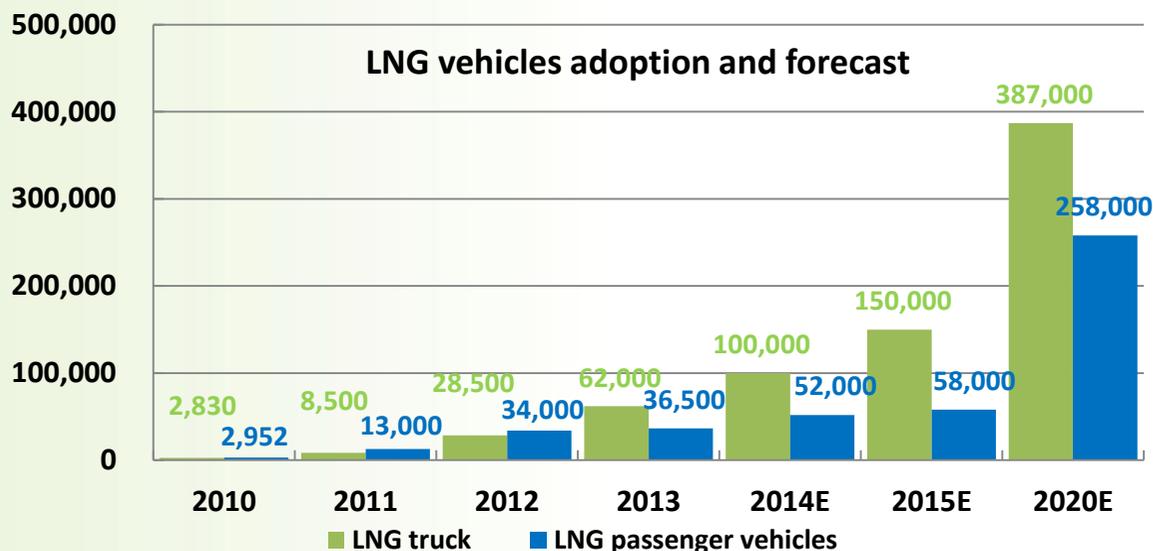
● Projects acquired in 1H13

● Projects acquired in 2H13



# Our Strategies – LNG Refuelling Stations

Riding on supportive government policies and its economic benefits, market potential for LNG refuelling stations is huge



- ◆ **Favourable government policy** – More provincial governments are expected to implement policies to push forward the adoption of NGVs and gas refuelling stations construction, so as to achieve carbon emission reduction targets
- ◆ **Competitive pricing** – LNG pricing is market-driven, increasing supply of LNG through import and onshore liquefaction facilities sustain its price competitiveness, LNG can be sold at a discount to substitute energies
- ◆ **Shorter payback period** – Increasing production of NGVs and related equipment by manufacturers will further reduce cost difference against diesel vehicles
- ◆ **Well-established refuelling network propels adoption of LNG vehicles** – 4,000 LNG refuelling stations are expected to be built-out by ENN and peers by 2020

## Forecast on LNG consumption through displacement of diesel by 2020

LNG vehicles on road	645,000
Average distance travelled/vehicle/year	100,000km
Average LNG consumption/vehicle/year	50,000 m <sup>3</sup>
Potential LNG consumption on road	32 bil m <sup>3</sup>

\*Source: SCI, ENN internal research



# Our Strategies - Vehicle Refuelling Stations

## CNG Refuelling Stations

CNG refuelling stations since 2002	
No. of new stations in operation	24
Aggregated no. of CNG refuelling stations in operation	268

Example: Payback calculation of a CNG taxi	
Average gasoline price (RMB/litre)	7.7
Average CNG price (RMB/m <sup>3</sup> )	4.1
Gasoline consumption per km (litre)	0.05
CNG consumption per km (m <sup>3</sup> )	0.06
Cost saved per km (RMB)	0.14
Average driving distance (km/day)	400
Daily average savings (RMB)	56
Monthly average savings (RMB)	1,668
Conversion fee (RMB)	3,500
<b>Payback period (months)</b>	<b>2</b>

## LNG Refuelling Stations

LNG refuelling stations since 2011	
No. of new stations in operation	94
Aggregated no. of LNG refuelling stations in operation	180

Example: Payback calculation of a New LNG truck	
Average diesel price (RMB/litre)	7.3
Average LNG price (RMB/m <sup>3</sup> )	4.7
Diesel consumption per km (litre)	0.4
LNG consumption per km (m <sup>3</sup> )	0.5
Cost saved per km (RMB)	0.57
Average driving distance (km/day)	400
Daily average savings (RMB)	228
Monthly average savings (RMB)	6,840
Price difference of LNG truck & diesel truck (RMB)	80,000
<b>Payback period (months)</b>	<b>12</b>

# Q&A Session



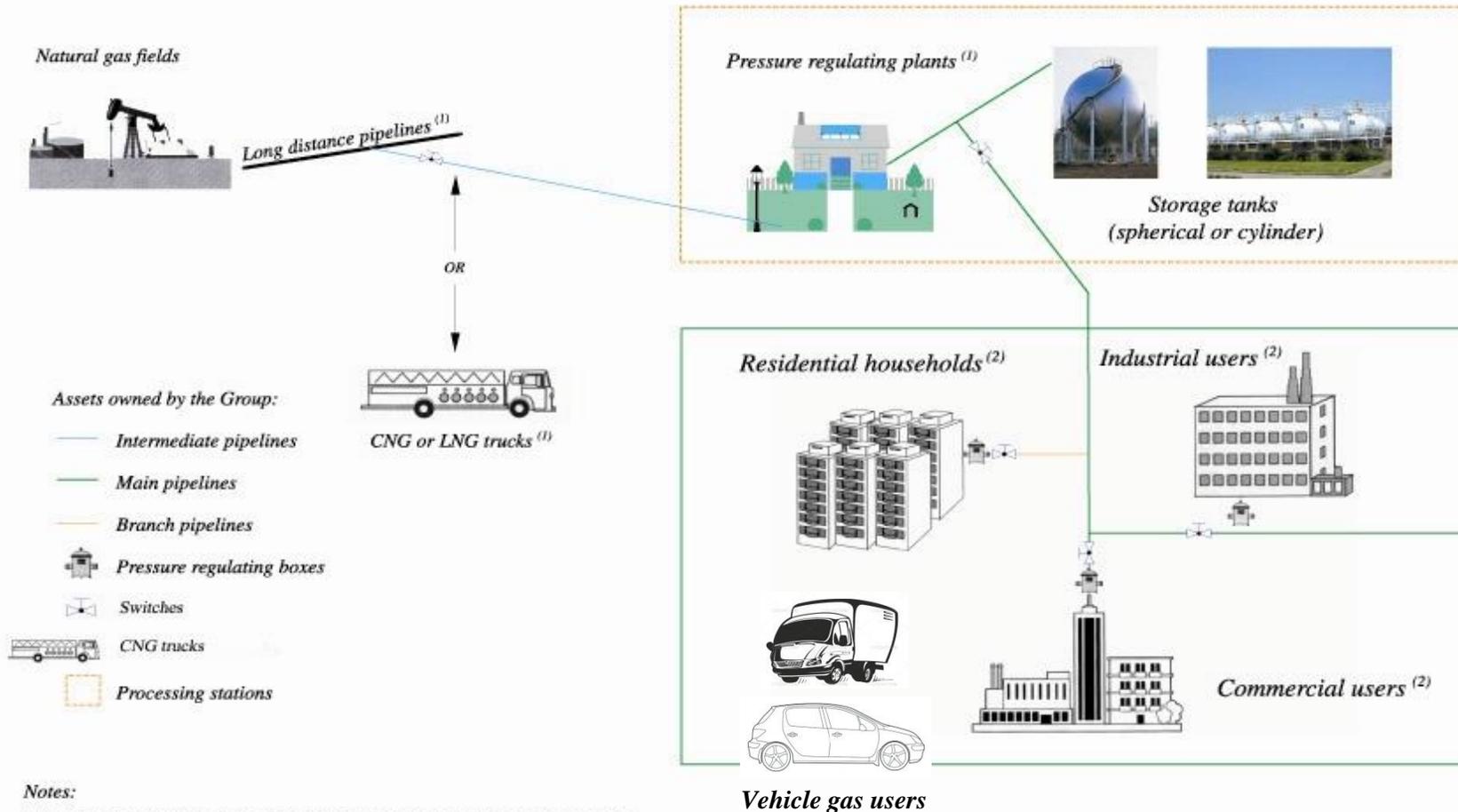
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1. Financial Highlights
2. Business Review
3. Our Strategies
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## A Leader in the Industry

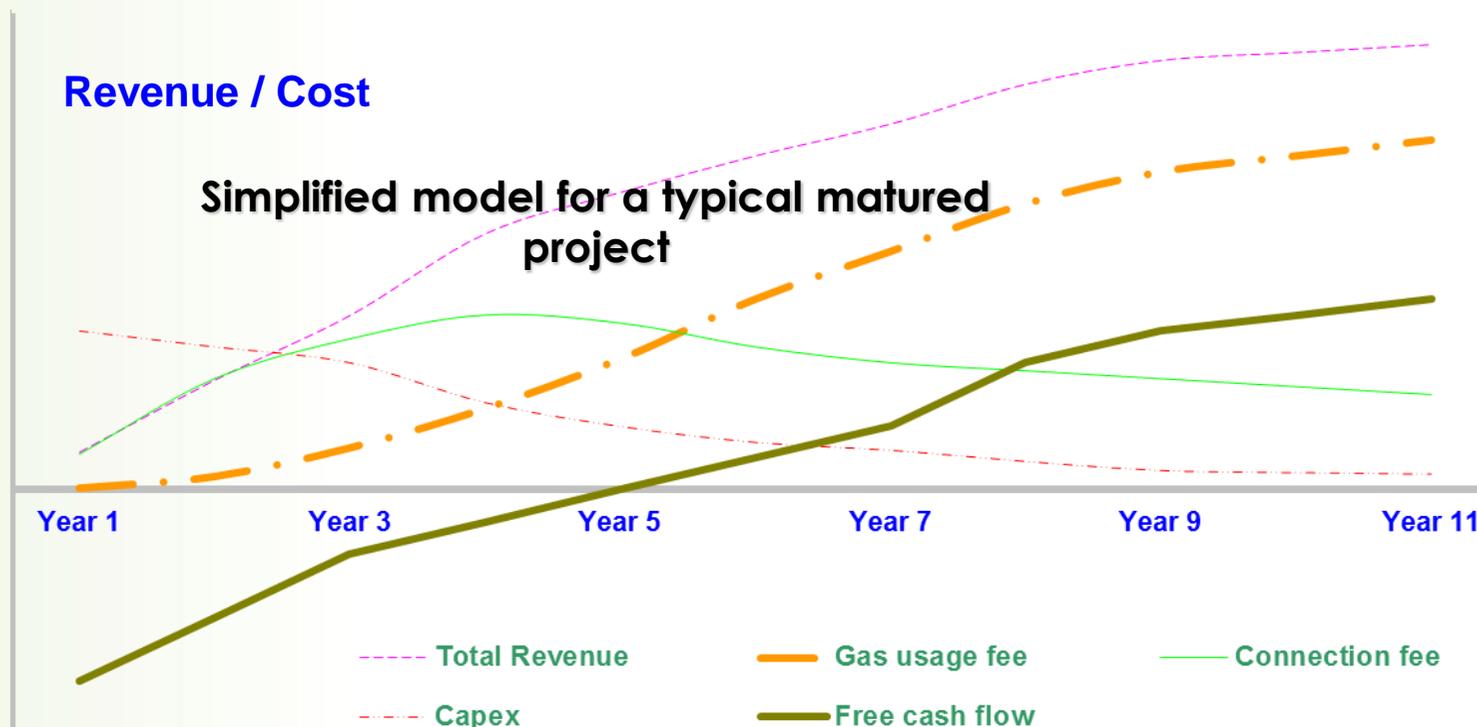
- ◆ ENN Energy (formerly known as Xinao Gas) is one of the first privately-owned clean energy distributor in the PRC. It was founded by Mr. Wang Yusuo and Ms. Zhao Baoju in 1993.
- ◆ In 1998, the Chinese government promoted the use of natural gas and encouraged privately-owned enterprises to invest in 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
  - 134 cities in 15 provinces, and 1 international project as of Dec 2013, covering a connectable urban population of approximately 70,024,200.
  - 1 of the few Chinese private enterprises assigned with an investment grade credit rating on corporate and bonds:
    - S&P ‘BBB-’, Moody’s ‘Baa3’ and Fitch ‘BBB’

# Gas Delivery Process





# 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 & Tariff Policy

## Connection Fee Amortisation:

- ◆ As of 31 December 2013, 9 projects have adopted amortisation method:
  - Anhui Province - Fengyang
  - Jiangsu Province - Huaian, Lianyungang
  - Henan Province - Xinxiang
  - Hunan Province - Xiangtan, Changsha, Zhuzhou, Ningxiang
  - Shandong Province - Rizhao
- ◆ Connection fee income will be amortised over the concession period instead of one-off recognition in the above projects. As for other projects, connection fee policy remain stable
- ◆ The average connection fees for residential households and C/I customers were RMB 2,792/household and RMB 157/day/m<sup>3</sup> respectively

## Downstream Tariff Policies:

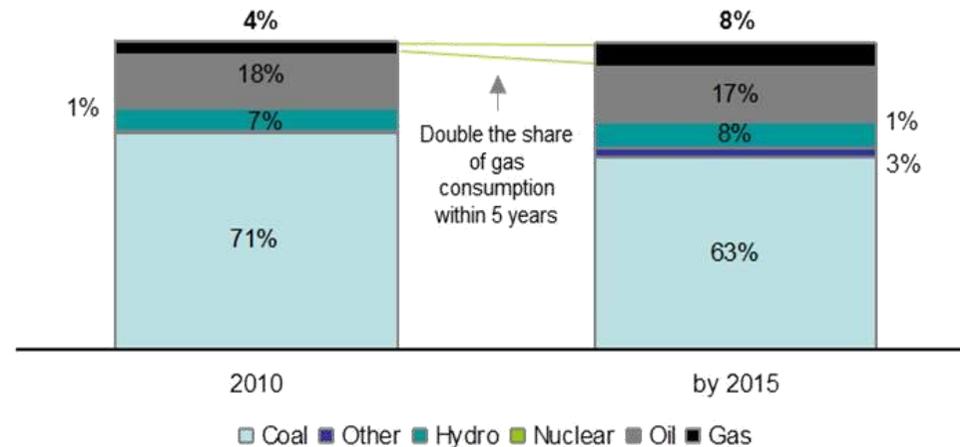
- ◆ As of 31 Dec 2013, we have 33 projects established automatic pass through mechanism and 11 projects established residential tier-pricing mechanism, which ensure the Group's ability to pass through upstream cost increase to most of the end users in a timely manner, and encourage efficient use of natural gas in the downstream market



# China Natural Gas Industry Overview

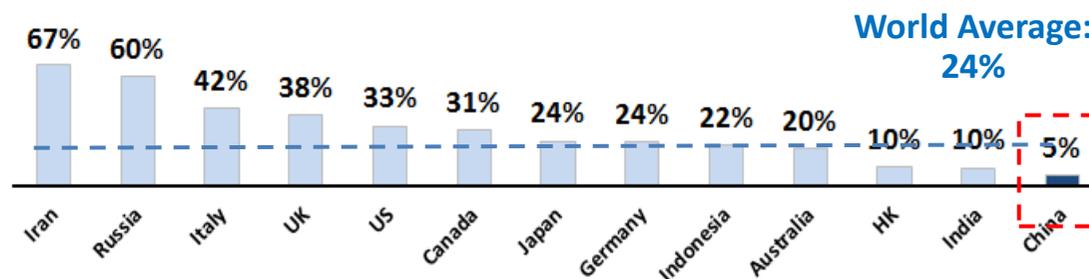
## PRC Government's Commitment to Developing Clean Energy

- ◆ 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 7.5% (230 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 5%, substantially lower than the world average penetration rate of 24%
- ◆ 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 2013.

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



# Approximate conversion factors

	To					
Natural gas and LNG	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

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

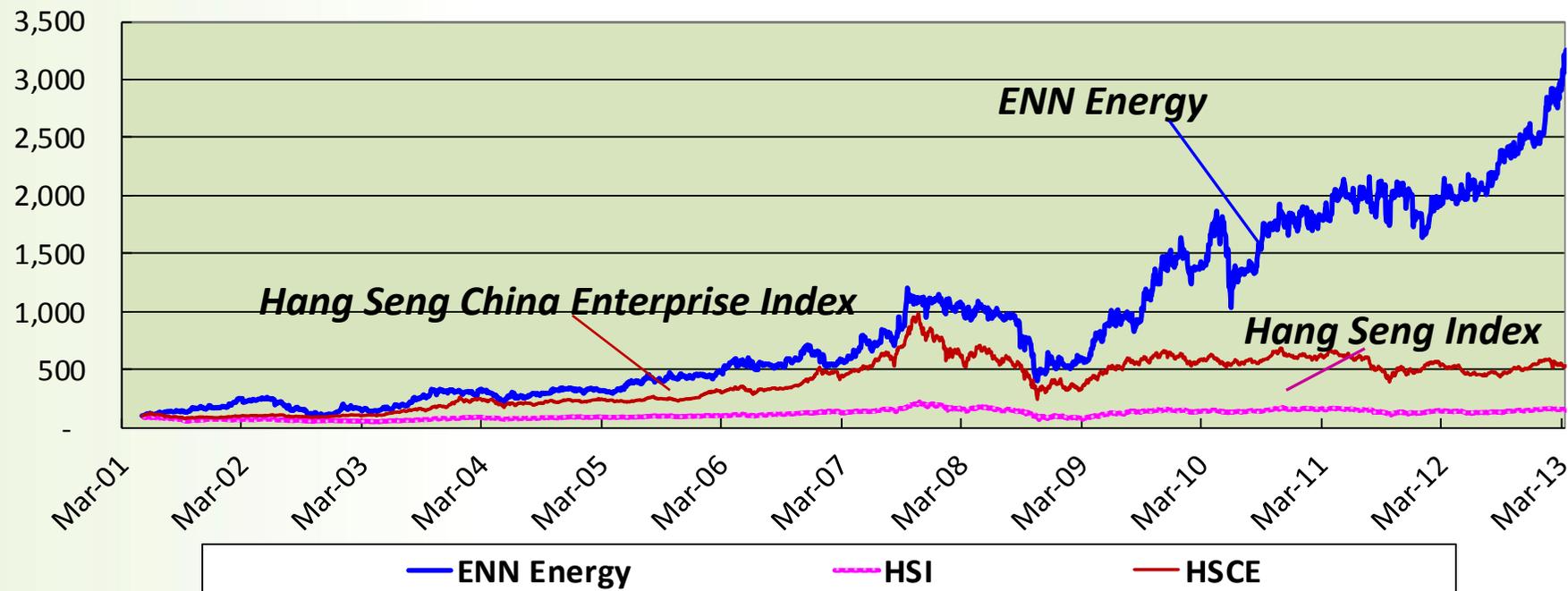
# Awards & Honors

<p><b>Institutional Investor magazine</b></p> <p><b>2013 All-Asia Executive Team Ranking:</b>          Best Companies in China, Rank no. 1 (Power Sector)          Best CEO, Rank no.2 (Power Sector)          Best CFO, Rank no.3 (Power Sector)          Best IR Company, Ranked no. 3 (Power Sector)          Best IR Professional, Ranked no. 3 (Power Sector)</p> <p><b>2012 All-Asia Executive Team Ranking:</b>          Best CEO, Rank no.1 (Power Sector)          Best CFO, Rank no.1 (Power Sector)          Best IR Company, Ranked no. 2 (Power Sector)</p>	<p><b>Forbes</b></p> <p>2013 China's Best CEO          2012 Asia's Fab 50</p>
<p><b>HK Polytechnic University</b></p> <p>Bauhinia Cup Outstanding Entrepreneur Awards 2012</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>IR Magazine</b></p> <p>"Top 100 for Investor Relations in Greater China" for 2013/14</p> <p><b>Yazhou Zhoukan</b></p> <p>"1000 Global Chinese Enterprise" for 2007          "Chinese Business 500" for 2001, 2002, 2003, 2004, 2005, 2006          "Top 20 Chinese Enterprises of Assets Growth" for 2003, 2004, 2005          "Top 20 Chinese Enterprises of Revenue Growth" for 2002, 2003</p>
<p><b>The Asset</b></p> <p>"2012 China's Most Promising Companies – Hidden Dragon"          "China's Most Promising Companies 2009: The Power and Public Utilities sector"</p>	<p><b>Annual International ARC Awards</b></p> <p>"Honor, Cover Design, Oil and Gas Production Services" for 2011          "Gold, Overall Annual Report: Gas Distribution, Transport &amp; Transmission" for 2008          "Honor, Overall Annual Report: Gas Distribution, Transport &amp; Transmission" for 2004, 2006, 2007</p>
<p><b>EuroWeek</b></p> <p>"Best Asian High Yield Bond Issue of 2005"</p>	<p><b>Annual International Galaxy Awards</b></p> <p>"Gold, Annual Reports: Energy" for 2009          "Silver, Annual Reports: Energy" for 2004, 2006, 2008</p>
<p><b>Platts</b></p> <p>"Platts Top 250 Global Energy Companies" for 2013</p> <p><b>FinanceAsia</b></p> <p>"The Best Small Cap in China" for 2005          "Best Financial Management" for 2002          "The Best Small Cap IPO" for 2001</p>	<p><b>Mercury Excellence Awards</b></p> <p>"Silver, Annual Report" for 2004</p>
<p><b>LACP</b></p> <p>"Gold, 2010 Vision Awards Annual Report, Energy: Oil, Gas &amp; Consumable Fuels"</p>	<p><b>The Hong Kong Management Association</b></p> <p>"Citation for Design, The Best Annual Reports Awards" for 2009"          Honourable Mention, "The Best Annual Reports Awards" for 2006</p>



# ENN Energy – Share Price Performance

Market Capitalization (as at 21 Mar 2014):  
**HK\$54.4 billion**



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