



ENN 新奥

ENN Energy Holdings Limited

(Stock code: 2688)

2017 Interim Results

Company Presentation

August 2017





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Results Highlights

	1H2017	1H2016	Change
Key Financials			
Revenue (RMB million)	21,424	15,639	37.0%
Gross Profit (RMB million)	3,873	3,732	3.8%
Profit attributable to Owners of the Company (RMB million)	1,649	1,587	3.9%
Recurring Profit (RMB million) ¹	1,907	1,652	15.4%
EPS – Basic (RMB)	1.52	1.47	3.4%
EPS – Recurring (RMB)	1.76	1.53	15.0%
Gas Sales Volume			
Total Natural Gas Sales Volume ('000 m ³)	9,187,107	6,479,425	41.8%
Natural Gas Sales Volume Excluding Wholesale of Gas Business ('000 m ³)	6,919,828	5,457,545	26.8%

Notes:

1. Stripping off one-off items of RMB258 million in 1H2017 and RMB65 million in 1H2016 in other gains and losses and share option amortisation expenses

Results Highlights

	1H2017	1H2016	Change
Gas Customers			
New Natural Gas Connection - Residential Households	951,180	907,168	4.9%
New Natural Gas Connection - C/I Customers (sites)	9,650	4,830	4,820
Newly Installed Designed Daily Capacity for C/I Customers (m ³)	6,957,575	6,059,148	14.8%
Accumulated Piped Gas (Incl. Natural Gas) Residential Households	15,098,053	13,233,204	14.1%
Accumulated Piped Gas (Incl. Natural Gas) C/I Customers (sites)	78,329	61,688	16,641
Accumulated Installed Designed Daily Capacity for C/I Customers (m ³)	78,137,551	64,667,309	20.8%
Gas Infrastructure			
No. of City-gas Projects in China	165	158	7
No. of CNG Refueling Stations	325	315	10
No. of LNG Refueling Stations	281	272	9

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Strong Volume Growth

Natural Gas Sales Volume (million m³)

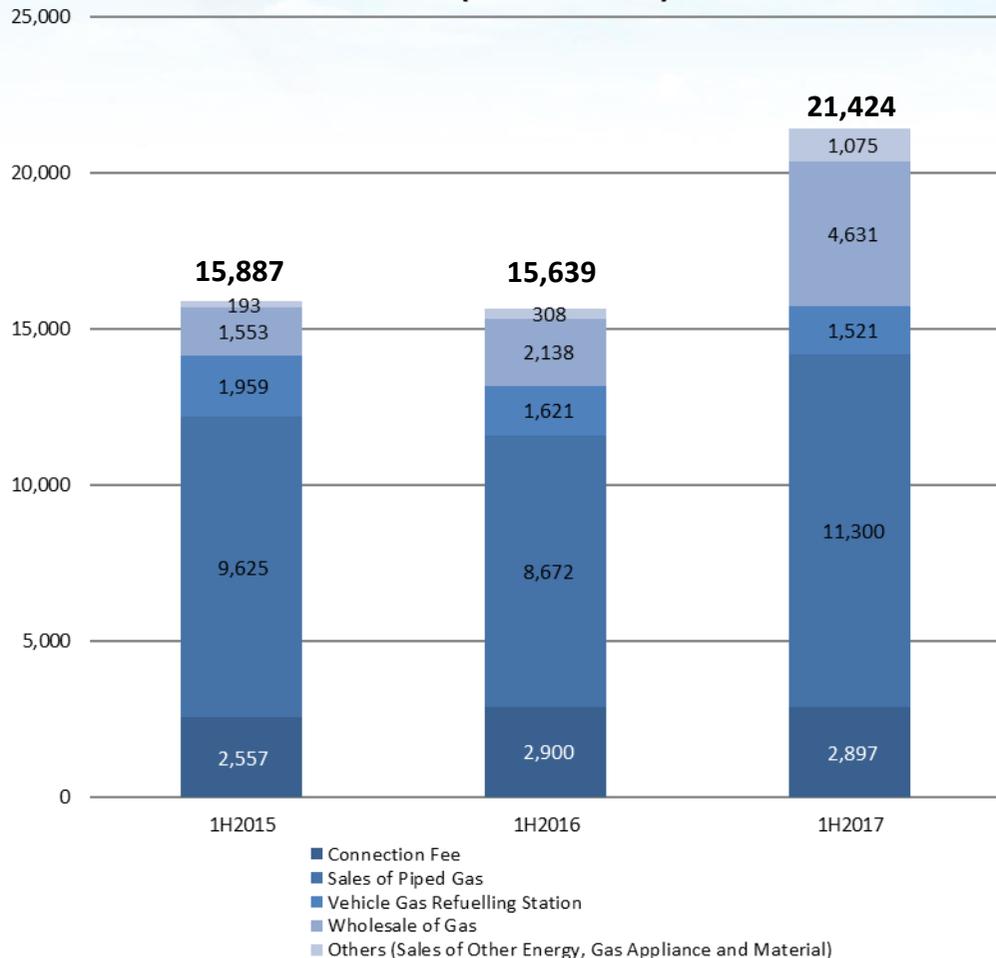


Natural Gas Sales Volume Breakdown			
('000 m ³)	1H2017	1H2016	Yoy change
Residential	1,188,473	954,211	24.6%
Commercial & Industrial	5,037,878	3,744,428	34.5%
Vehicle	693,478	758,906	-8.6%
Wholesale of Gas	2,267,279	1,021,880	121.9%

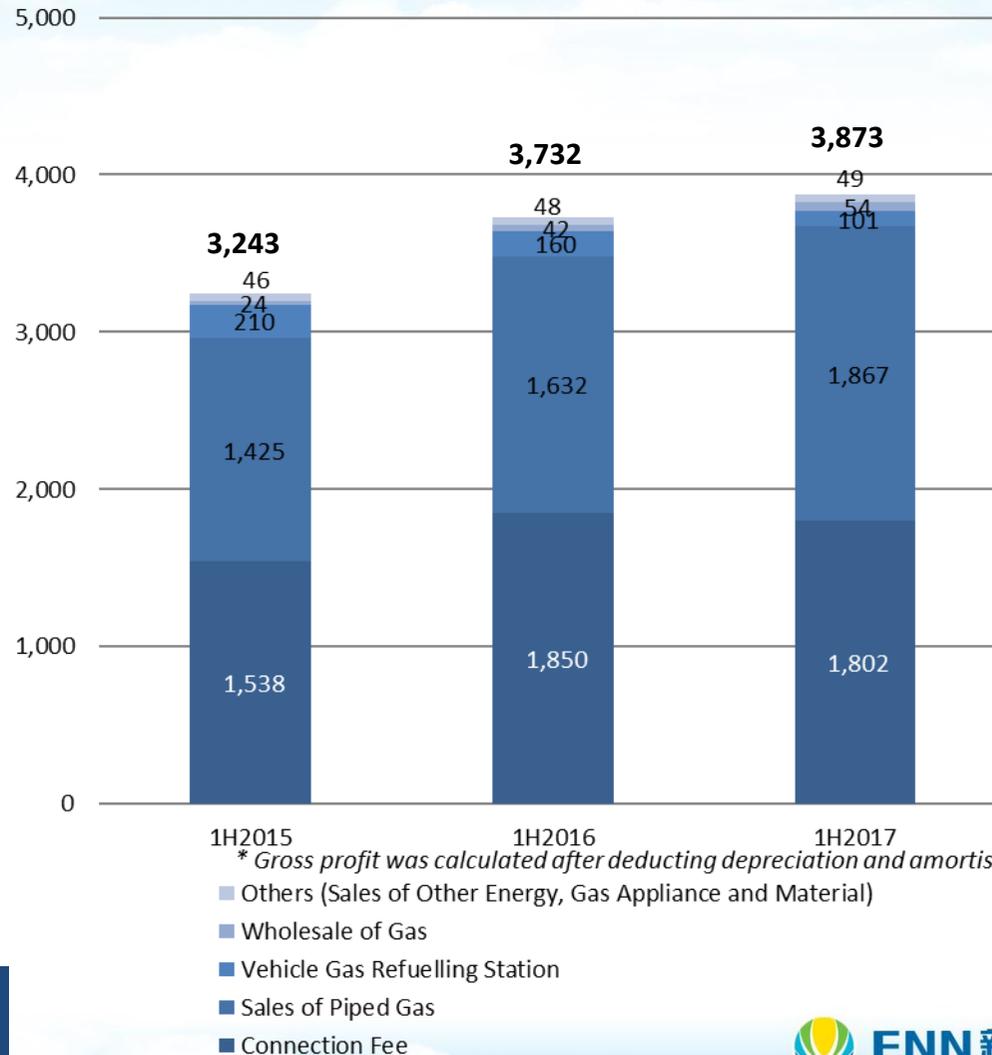
ASP & Procurement Cost Breakdown			
(RMB/m ³)	1H2017	1H2016	Change
Residential	2.64	2.63	0.01
Commercial & Industrial	2.95	3.05	-0.10
CNG Station	3.68	3.68	-
LNG Station	3.14	3.19	-0.05
ASP (tax inclusive)	2.95	3.03	-0.08
Average Cost (tax inclusive)	2.20	2.20	-
Dollar Margin (after tax)	0.66	0.74	-0.08

Healthy Segment Contribution

Revenue (RMB million)



Gross Profit Contribution* (RMB million)



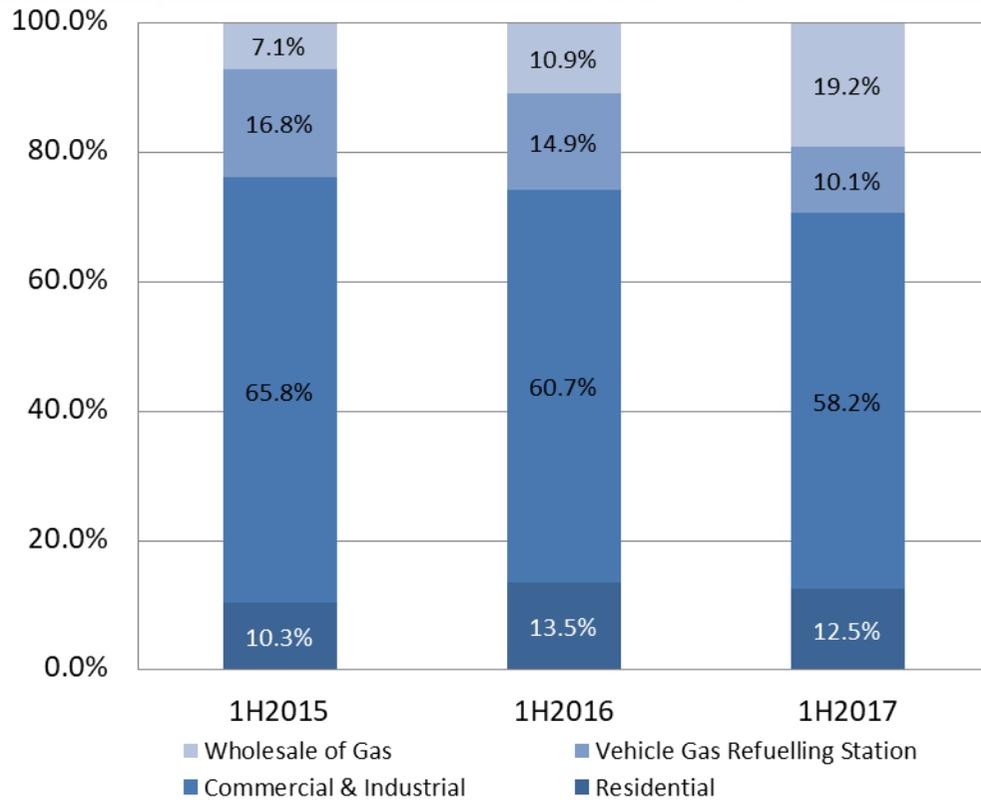
Total revenue including joint ventures and associates amounted to RMB31,058 million

High-Quality Customer Mix

Primary Focus on C/I customers with Higher Profitability

Diversified C/I Customer Base to Sustain Volume Growth

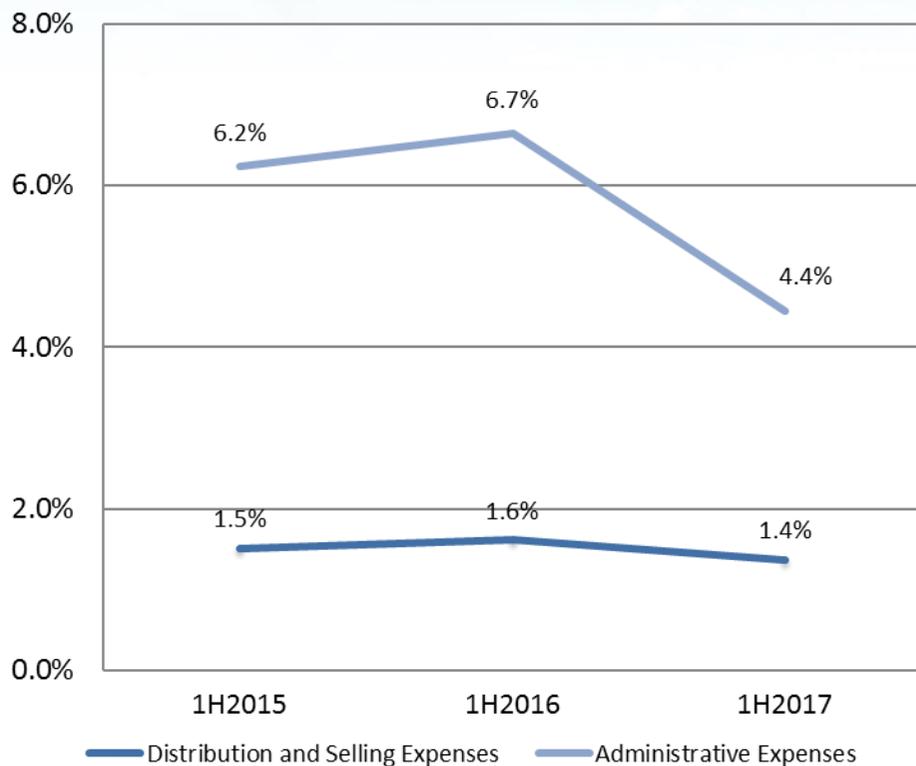
Gas Sales Revenue Structure*



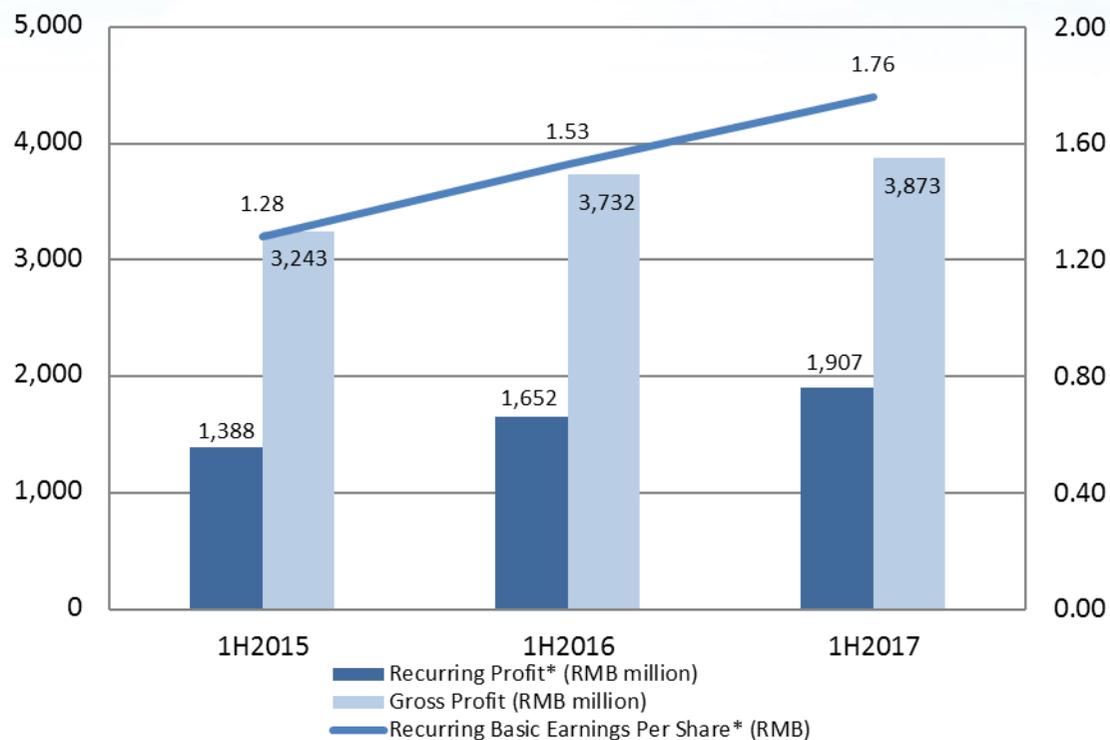
*Including gas sales revenue of subsidiaries, joint ventures and associates

Improving Cost Control and Profitability

SG&A as a Percentage of Revenue



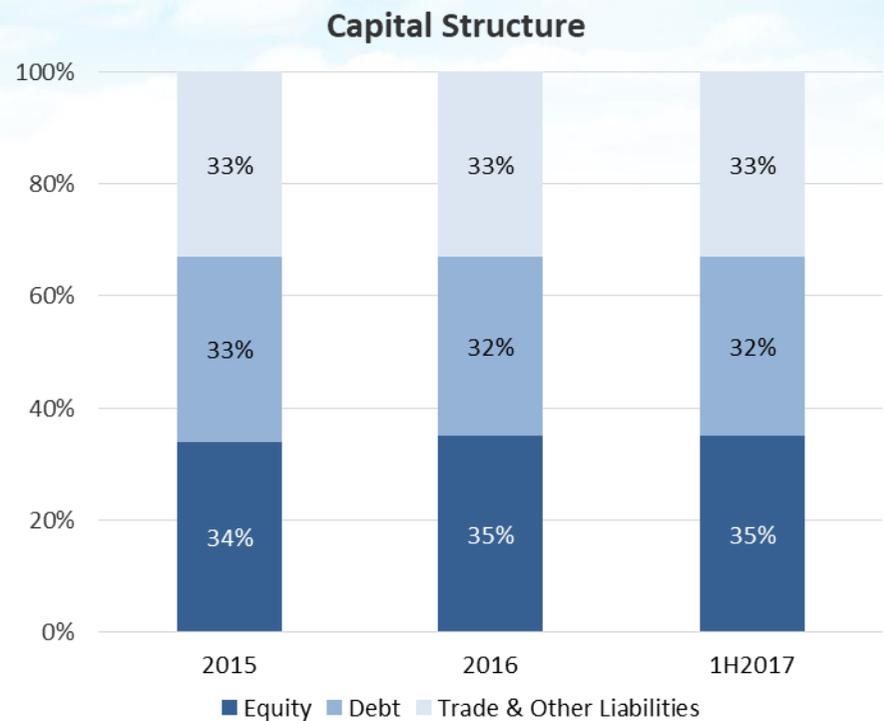
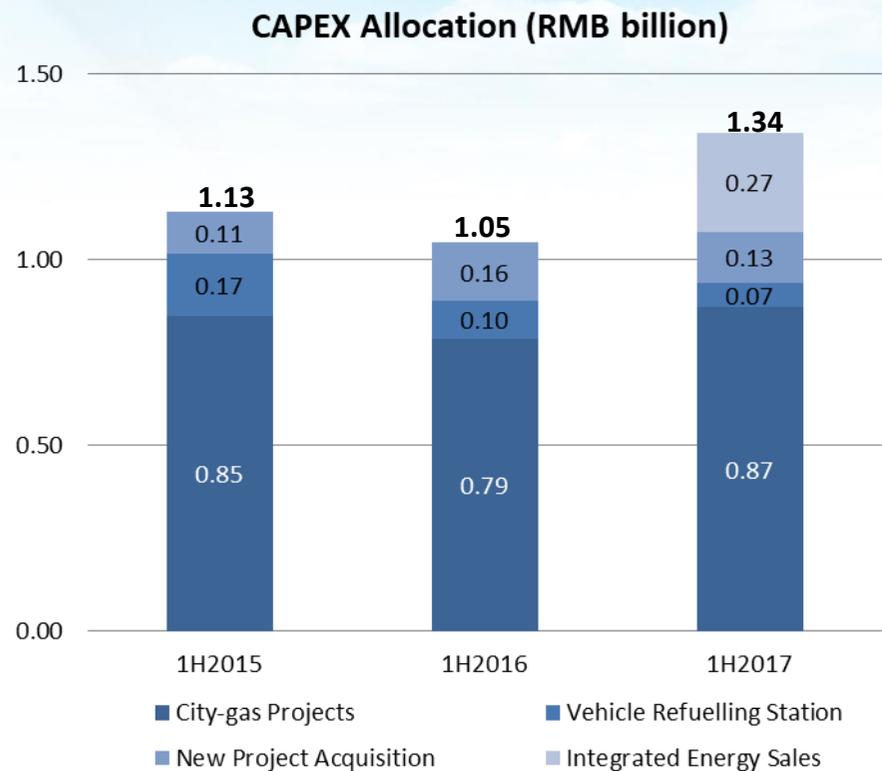
Gross Profit & Recurring Profit*



*After stripping off one-off items in other gains and losses and amortisation of share option expenses of RMB258 million, RMB65 million and RMB161 million in 1H2017, 1H2016 and 1H2015 respectively

Total profit including joint ventures and associates amounted to RMB2,860 million

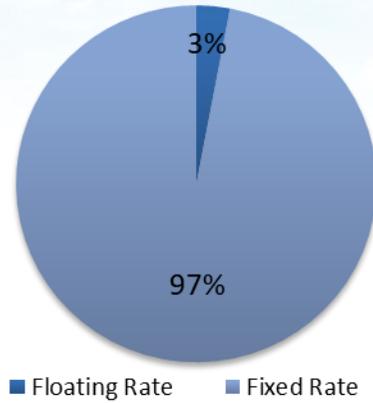
Disciplined CAPEX and Healthy Capital Structure



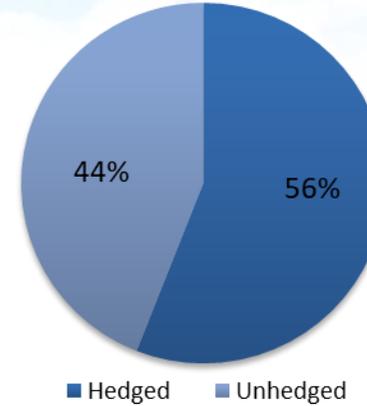
Rating agency	S&P	Moody's	Fitch
Credit Rating	BBB (Positive)	Baa2 (Stable)	BBB (Stable)

Prudent Debt Structure

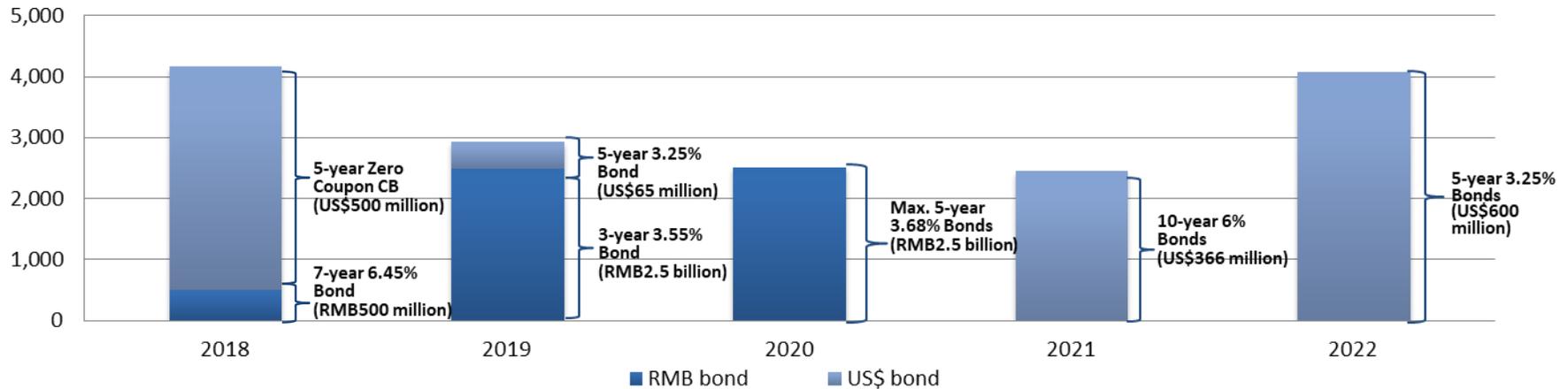
**Fixed Interest Rate Structure
(as of August 2017)***



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



Diversified Bond Maturity* (RMB million)



*The Company announced the issuance of 5-year US\$600 million 3.25% bonds due 2022 on 24 July 2017. It intended to use net proceeds for refinancing certain existing indebtedness and general corporate purposes.

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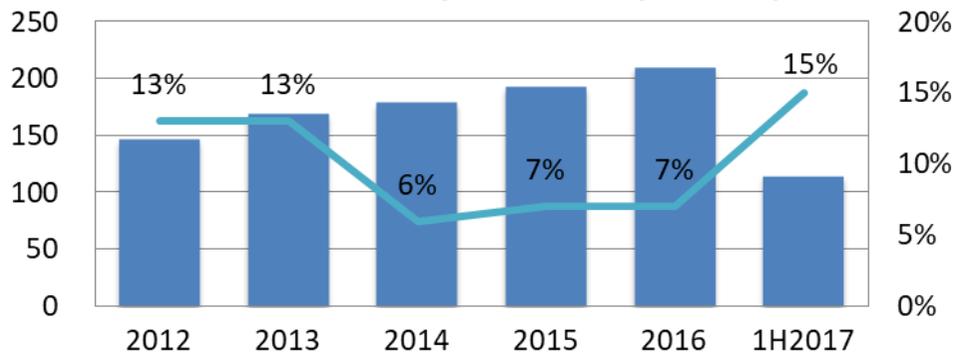
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Key Beneficiary of Natural Gas Growth in China

Government Initiatives to Optimise Primary Energy Mix

- Central government reiterated the aim that natural gas will account for 10% and 15% of total primary energy mix by 2020 and 2030
- Natural gas industry reform accelerated to promote third party access of midstream facilities and regulate long distance pipeline & distribution tariff
- Natural gas consumption in China experienced structural recovery due to city-gate price cut, coal-to-gas conversion, oil price rally and stabilised macro-economy

Natural Gas Consumption in China (billion m³)



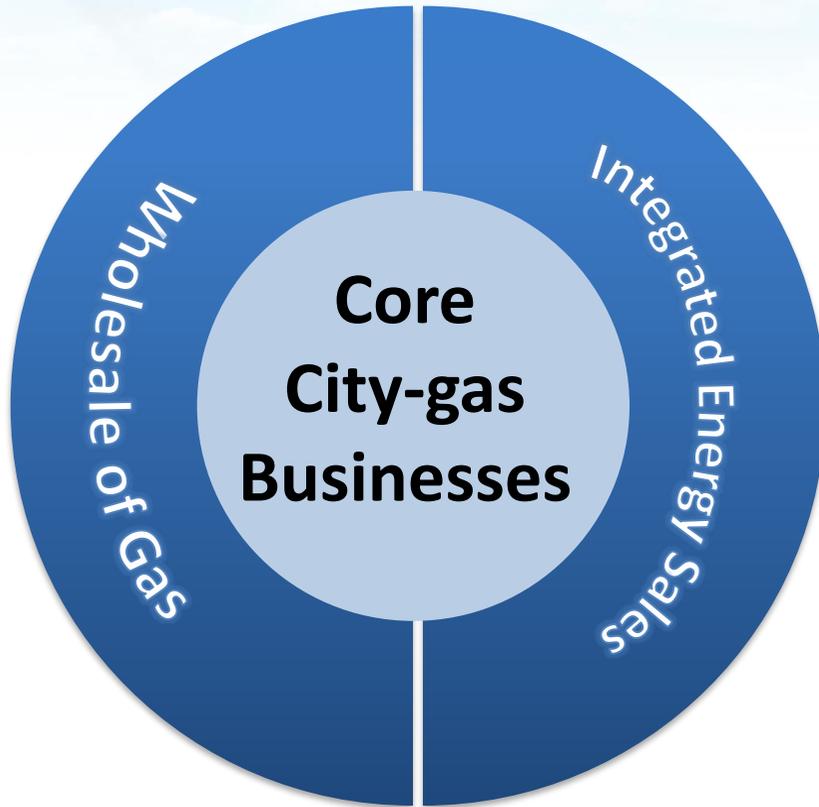
Source: NDRC

ENN Energy's Strategic Project Locations

- ✓ Areas with robust C/I activities, stable property market or urbanisation prospect
- ✓ Mainly in eastern coastal cities with more stringent environmental protection measures
- ✓ Easy access to multiple gas sources with competitive pricing



Clear Development Strategies



Steadily Develop Core City-gas Businesses

- Increase residential penetration rate
- Promote C/I coal-to-gas conversion
- Adopt asset-light business model to enhance profitability of vehicle gas refuelling business
- Utilise large customer base for value-added services

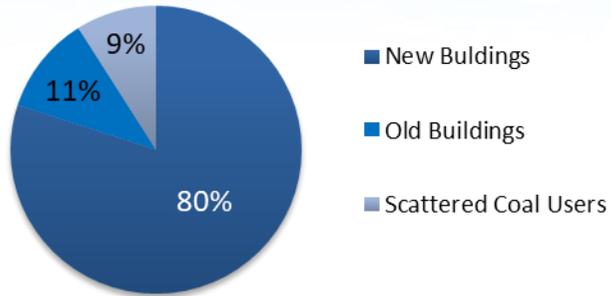
Actively Develop Synergistic Businesses

- Vigorously develop integrated energy sales businesses riding on existing/new customer base
- Conduct wholesale of gas business to support core city-gas business

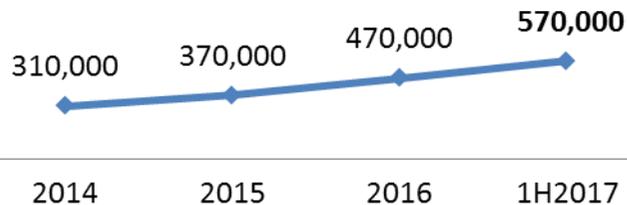
Become a reputable integrated energy supplier

Steadily Develop Core City-gas Businesses

Residential New Connections Breakdown



No. of Space Heaters



Space Heaters

- **Increase residential new connections steadily**
 - Stable new property market provided sufficient backlog for new buildings connections in the future
 - Average gas penetration rate reached 58.0%, demonstrating large room for old buildings connections in the cities
 - Worked with local government and conducted coal to gas conversion in rural areas
- **Promote space heaters to boost residential gas consumption**
 - Capitalised on opportunities brought by “clean fuels for winter heating” in Beijing-Tianjin-Hebei area, Shandong and Henan for space heaters in urban villages
 - Provided space heaters to new & old neighborhoods with individual heating demand in Anhui, Zhejiang, Jiangsu and Hunan

Steadily Develop Core City-gas Businesses

Favorable Policies by Local Government

“2+26” Cities in Beijing-Hebei-Tianjin, Henan & Shandong:

Eliminate coal-fired boilers <10 steam tons/hr by Oct 2017

Hunan:

Eliminate coal-fired boilers by set deadlines

Zhejiang:

Eliminate most coal-fired boilers <10 steam tons/hr by the end of 2017

Jiangsu:

Eliminate all coal-fired boilers <10 steam tons/hr by the end of 2017



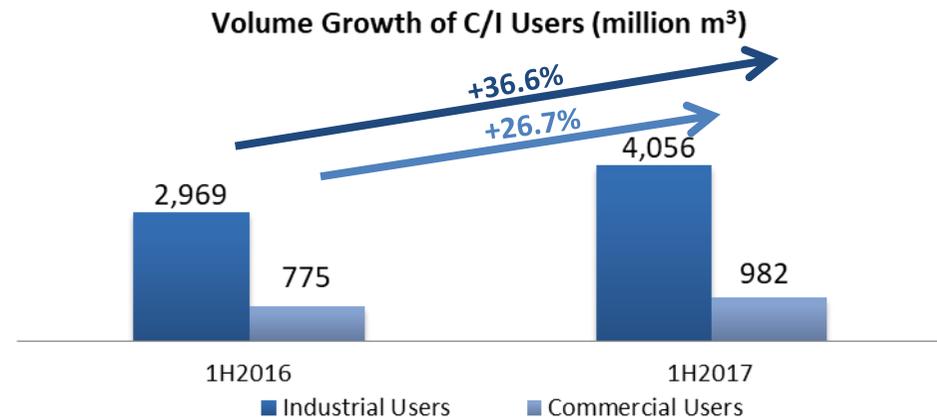
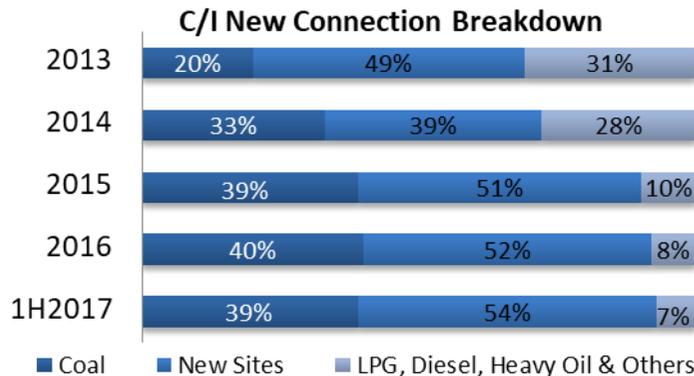
Actively develop coal-to-gas users

- Newly connected coal-to-gas users amounted to 2.71 million m³/day
- Worked with local government to formulate coal-to-gas conversion policies
- Implemented coal-to-gas conversion plans leveraging flexible pricing strategies and distributed energy business model



Vigorously connect commercial users

- Newly connected commercial users amounted to 1.67 million m³/day
- Tertiary industry’s GDP accounted for 54.1% of the total GDP
- Enhanced incentive mechanism and launched specified projects for commercial users development



Steadily Develop Core City-gas Businesses

New Project Acquisition On Track

- The Group acquired **5** new projects and **14** new concessions nearby existing projects in 1H2017.
- The Group managed **165** city-gas projects in China with total connectable population of **78.09** million and connectable households of **26.03** million.
- Average gas penetration rate increased by 3 ppt to **58.0%**. Mature projects can reach gas penetration rate of 80-90%.

Province	New Projects	Connectable Population
Anhui	Bozhou Wuhu Modern Industrial Park (亳州蕪湖現代產業園)	N/A
Guangdong	Heyuan Lianping County(河源連平縣)	250,000
Hebei	Chengde Weichang Economic Development Zone (承德圍場經濟開發區)	N/A
Hunan	Zhuzhou Nanzhou New District(株洲南洲新區)	N/A
Yunnan	Xuanwei(宣威市)	420,000
Additional population coverage:		670,000

Province	New Concessions Nearby Existing Projects
Anhui	Niuji Town, Lumiao Town, Yanji Town, Zhangdian Village, Guantang Town and Shatu Town in Qiaocheng District, Bozhou
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
Hunan	Chenzhou Yongxing Industrial Park

Actively Develop Synergistic Businesses



Exhaust heat boiler of Shijiazhuang Junlebao distributed energy project



Gas-fired boiler of Langfang steam sales project



Working space of Qingdao distributed heating project



Seawater heat pump of Qingdao Wanda Yacht Industrial Park

Evolving into an Integrated Energy Supplier

- **Actively develop distributed energy projects**
 - 22 distributed energy projects in operation
 - Provided integrated energy solutions with cost advantage to C/I customers, public infrastructure, industrial parks and economic development zones
- **Vigorously develop integrated energy sales**
 - Utilised existing city-gas pipelines for distributed heating services to residential and commercial users in Hebei, Henan and Shandong
 - Rolled out steam sales business to C/I customers in Shandong, Anhui, Henan and Guangdong
- **Revenue of sales of other energy amounted to RMB98 million, up significantly 40.0% yoy**

Actively Develop Synergistic Businesses

Strategically Develop Wholesale of Gas Business

High Growth of China's LNG Demand

- LNG consumption is expected to reach 23.46 million tons by 2021 (equivalent of 32.8 billion m³), around 10% of annual natural gas consumption
- Growth will mainly be driven by C/I users in eastern coastal areas

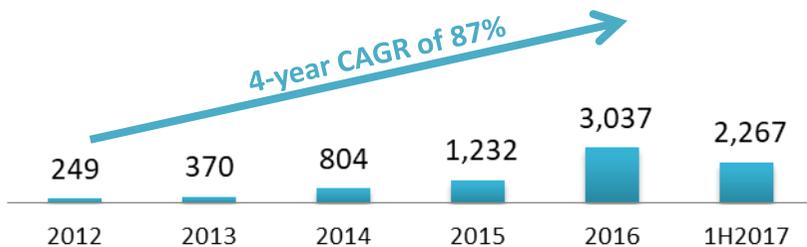
LNG Consumption in China (million m³)



Source: SCI China LNG Market Annual Report 2016

- ENN recorded higher than industry average growth leveraging its strong gas procurement and market development capabilities

ENN's Wholesale of Gas Volume (million m³)

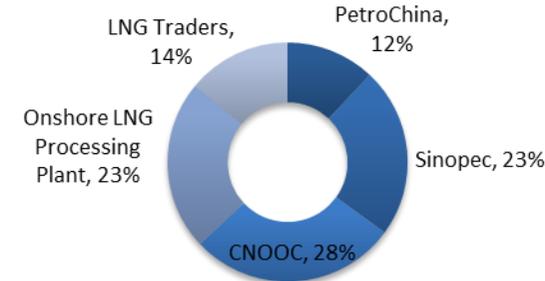


Strived to Maintain the Leadership in LNG Trading Market

Strengthened Gas Procurement Capabilities

- Strong relations with three oil majors and LNG processing plants
- 3 LNG import contracts to commence in 2H2018
- LNG truck fleets & national dispatch center
- Stakes in Shanghai and Chongqing Petroleum and Natural Gas Exchanges

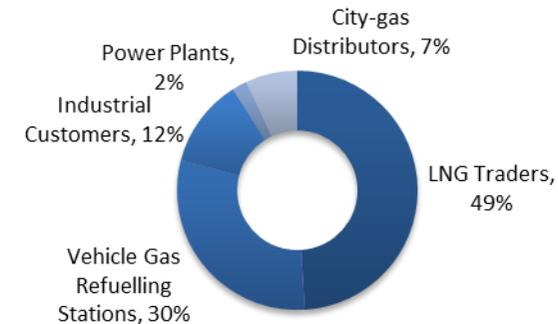
Wholesale of Gas Procurement Breakdown



Diversified Customer Base and Contracts to Mitigate Risk

- Long-term customers accounted for 65% of total volume
- Set pricing terms according to market and customer demand

Wholesale of Gas Sales Volume Breakdown



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

Company Overview

- Established in 1993, ENN is one of the leading privately owned gas operators in the PRC
- ENN's principal business includes sale and distribution of piped gas, investment in, and the operation and management of gas pipeline infrastructure, vehicle/ship gas refuelling stations, wholesale of gas, sales of other energy, etc
- ENN was listed on the GEM in 2001 and transferred to the Main Board of HKEX (stock code: 2688) in 2002

2013/2014/2015

"Top 250 Global Energy Companies"

— Platts

2014/2015

"Best Company in Clean and Renewable Energy Industry"

— Yazhou Zhoukan

2017

"The Fortune China Top 500 Companies in 2017"

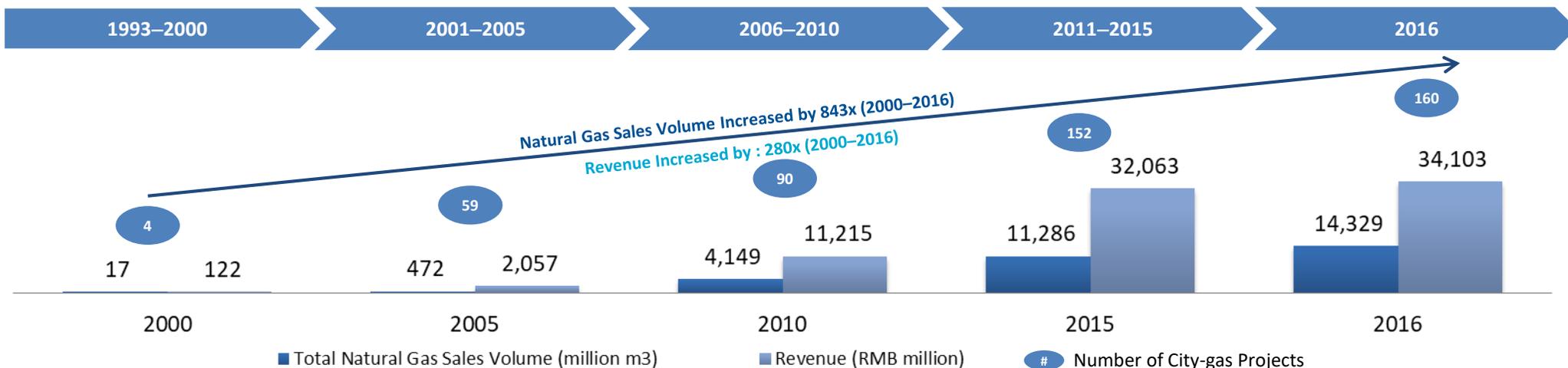
— Fortune Magazine



Improved Investment Grade Ratings

	2014	2015	2016	Latest
STANDARD & POOR'S RATINGS SERVICES	BBB (Stable)	BBB (Stable)	BBB (Stable)	BBB (Positive)
MOODY'S	Baa3 (Stable)	Baa3 (Positive)	Baa3 (Positive)	Baa2 (Stable)
FitchRatings	BBB (Stable)	BBB (Stable)	BBB (Stable)	BBB (Stable)

Strong and Sustainable Development Track Record



Overview of Key Business Segments

Revenue related with gas sales, as the bulk of the total revenue, provides long-term and recurring sources of income to ENN.

Sales of Piped Gas



- Sell piped gas to residential households and commercial/industrial (C/I) customers

Gas Connection



- Collect gas connection fees via connecting gas pipelines to residential households and C/I customers

Wholesale of Gas



- Conduct the natural gas wholesale business to fully utilize its advanced dispatch system, logistics fleet and upstream resources

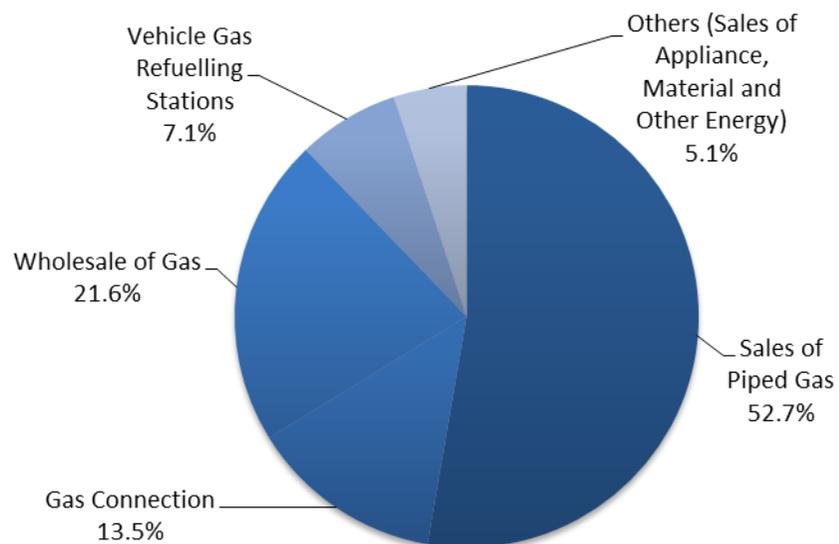
Vehicle Gas Refuelling Stations



- Construct and operate vehicle gas refuelling stations (LNG / CNG) and sell natural gas to vehicle users

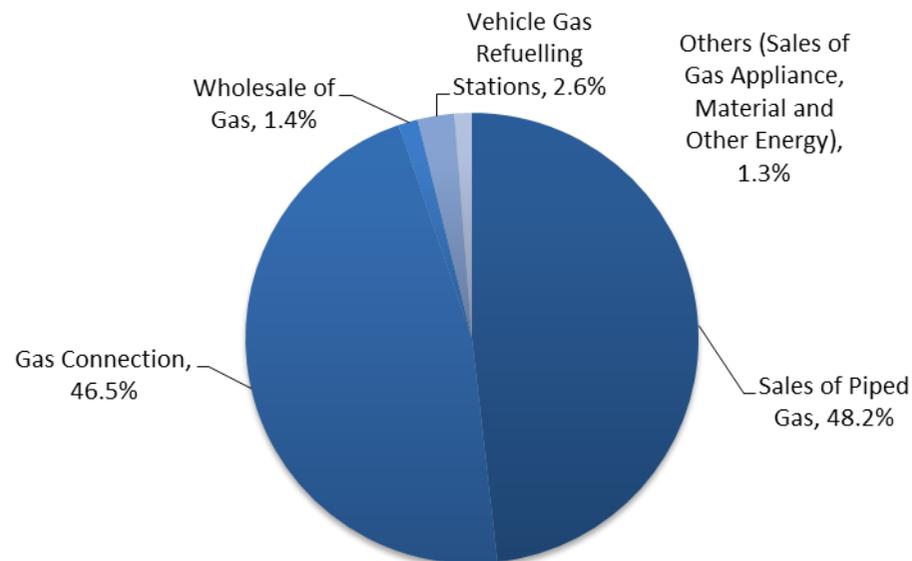
Revenue Related with Gas Sales as the Key Source

Revenue Breakdown for 1H2017

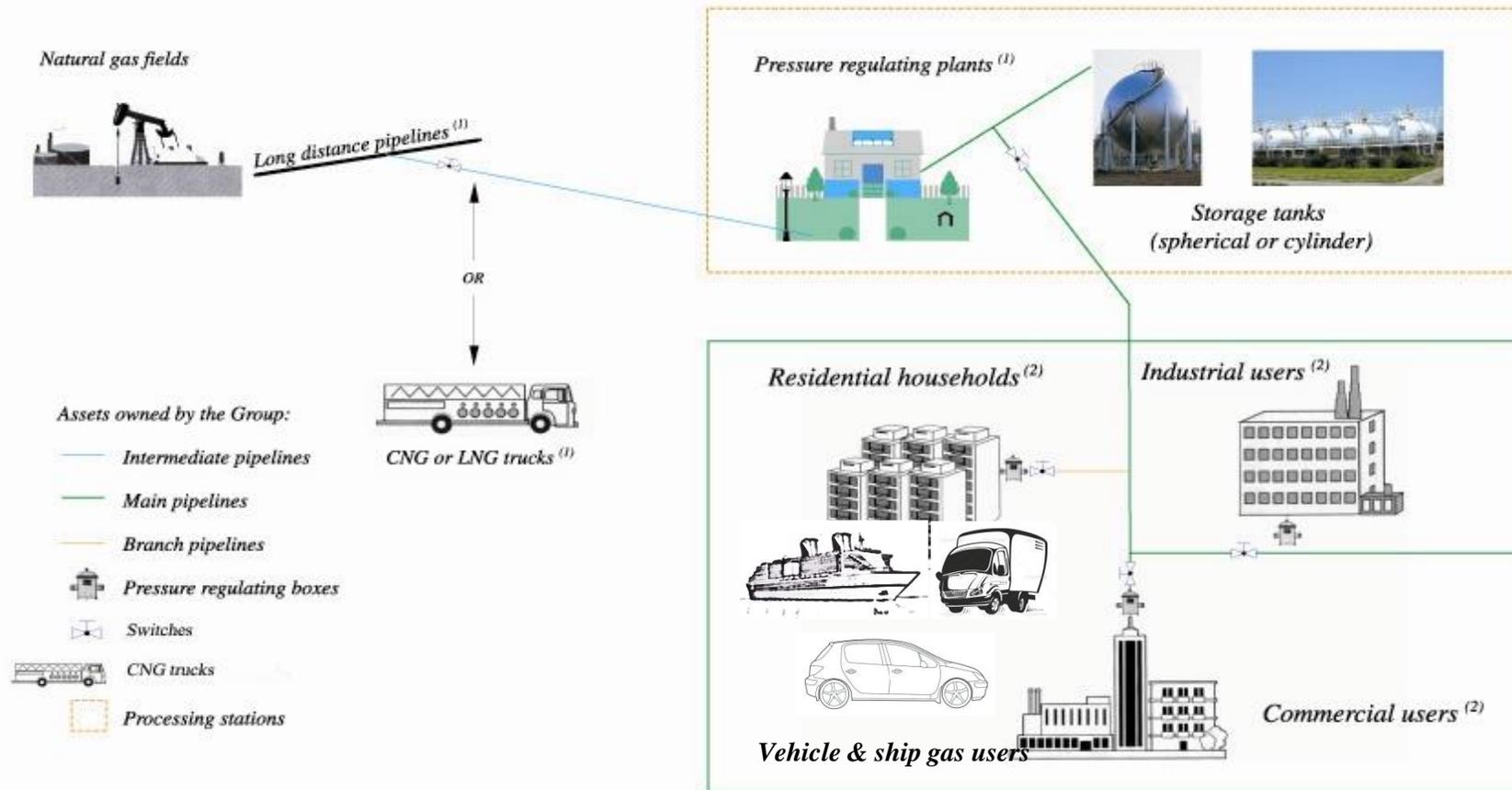


Profit Related with Gas Sales as the Key Source

Segment Profit Breakdown for 1H2017



Gas Delivery Process



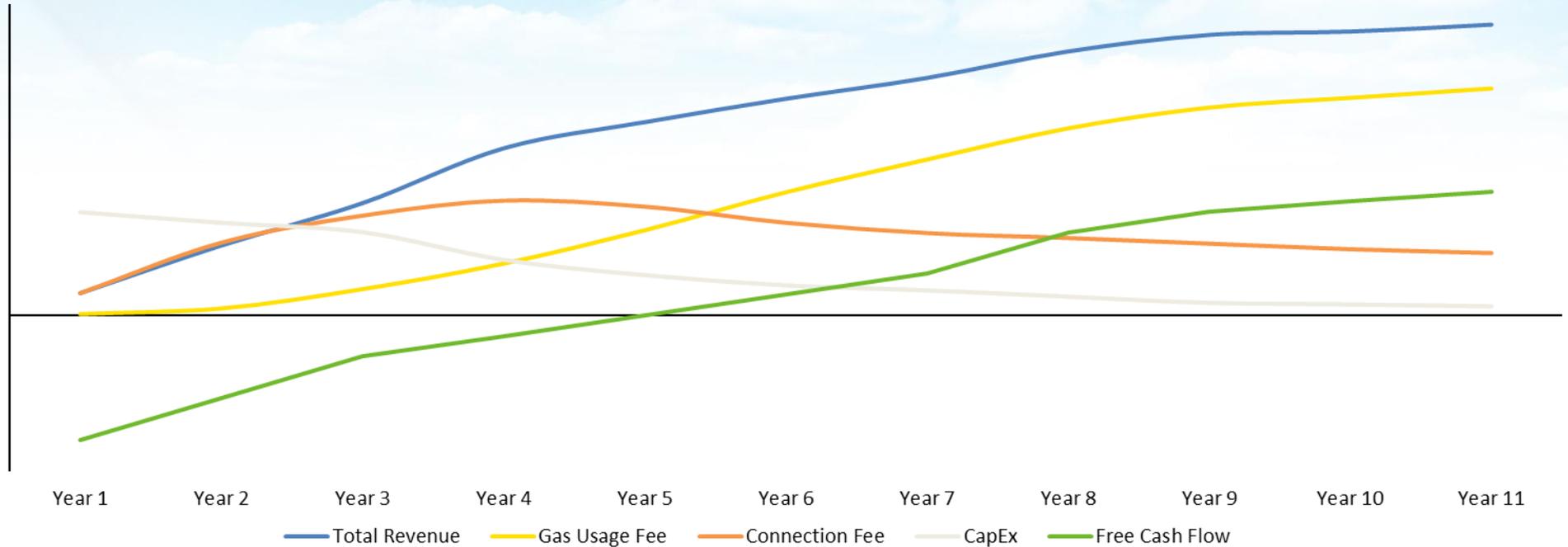
Notes:

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

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

Simplified Model for a Typical City-gas Project

Revenue/Cost



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

Latest Benchmark City-gate Price

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

Source: NDRC



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