



ENN 新奥

ENN Energy Holdings Limited

2020 Interim Results Company Presentation

20 August 2020



Interim Results Highlights



Retail Gas Sales Volume Up **4.0%** to **10.16** bil m³



Added C/I Customers with **6.56** mil m³ Installed Designed Daily Capacity & **1,025,000** New Residential Customers



Added **12** City-gas & **10** IE projects
Expanded Operational Areas



Core Energy Sales Business Grew Steadily
Gross Profit of Retail Gas Sales, Integrated Energy and Wholesale of Gas Increased by **9.4%**, **99.5%** and **257.9%** respectively



Core Profit Up **13.8%** to RMB **3.11** bil

Dedicated to Corporate Social Responsibility

Made every effort to fight against COVID-19 and ensured normal livelihood of people

All-rounded protection for employees

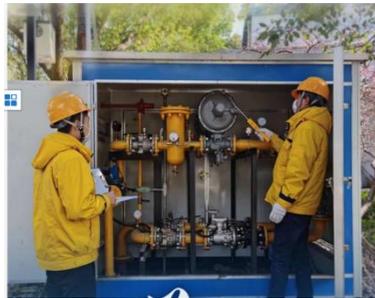


Provided employees with workplace disinfection, nucleic acid testing, protective equipment, etc. None of the staff was infected with COVID-19.

Guaranteed stable supply of nature gas and supported customers' production resumption



Remote management



Checking customer's facilities

Donated and transported rescue medical materials



Rescue materials arrived in Wuhan



Donated
RMB16 million
to front-line
medical workers

2

Facing of flood, stuck to the position and won the trust of customers and local communities



Quickly responded to the flood warning, eliminated hidden danger and prepared emergency protection



Conducted social responsibilities to fight floods in front-line, which has won great praise from the government and local communities



After the flood, we provided customers with overnight maintenance and inspection, so as to help them resume production safely and in time, and won their trust by providing high quality services

Continuously Improving ESG Performance and Management, Reducing Energy Consumption & Carbon Footprint for Society

Proactively communicated ESG performance with capital markets, disclosure gradually align with international standard



Hang Seng ESG50 Index*
Hang Seng Corporate Sustainability Benchmark Index*

** Effective from 7 September 2020*



BB



Dow Jones Sustainability Indexes

Proactively responded to the Dow Jones Sustainability Index questionnaire



Started climate change disclosure, target to align with TCFD progressively

Carried out ESG online training and strengthened compliance operation to improve ESG management and corporate governance



- Covering ESG working group, core management of provincial companies and member companies, and employees related to ESG practice
- Incorporated training participation and examinations as part of the criteria in employees' value assessment



- Required all employees to study "ENN Integrity and Compliance Guideline" and signed the "Compliance Commitment"

Proactively improved the management of carbon emission, environment and safety operation



Six member companies have obtained ISO14001, ISO45001/OHSAS18001 certifications

Target to obtain international certifications for at least 10 more member companies this year

Helped the society and customers save energy & reduced carbon emission

Performance of Energy Conservation and Emission Reduction in 1H20			
Gas Sales Business	Coal replacement	mil tce	17.85
	Gasoline replacement	mil tons	0.37
	CO ₂ emission reduction	mil tons	17.62
"Coal-to-Gas" Business for C/I users	Coal replacement	ktce/day	2.62
	CO ₂ emission reduction	kt/day	2.55
Integrated Energy Business	Energy conservation	mil tce	0.15
	CO ₂ emission reduction	mil tons	0.61



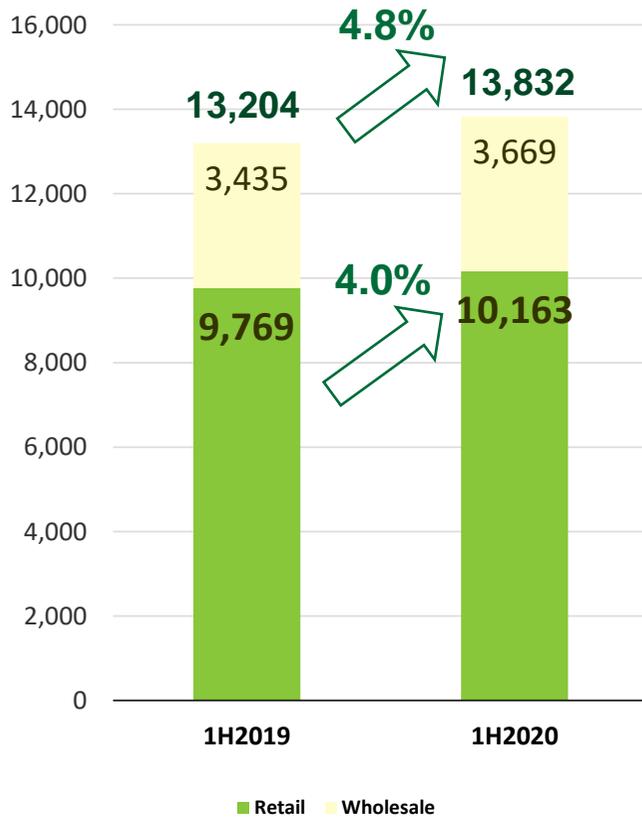
Contents

- 1. Operational & Financial Review**
- 2. Outlook & Strategy**
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Stable Volume Growth

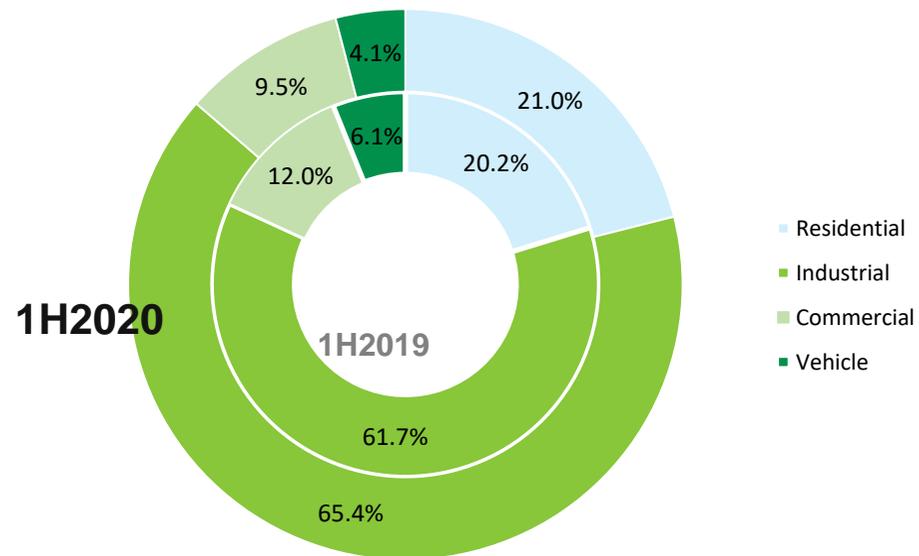
Total Natural Gas Sales Volume
(million m³)



Retail Gas Sales Volume Breakdown

(million m ³)	1H2020	1H2019	Change
Commercial & Industrial	7,613	7,200	5.7%
Residential	2,139	1,976	8.2%
Vehicle Refuelling Stations	411	593	-30.7%

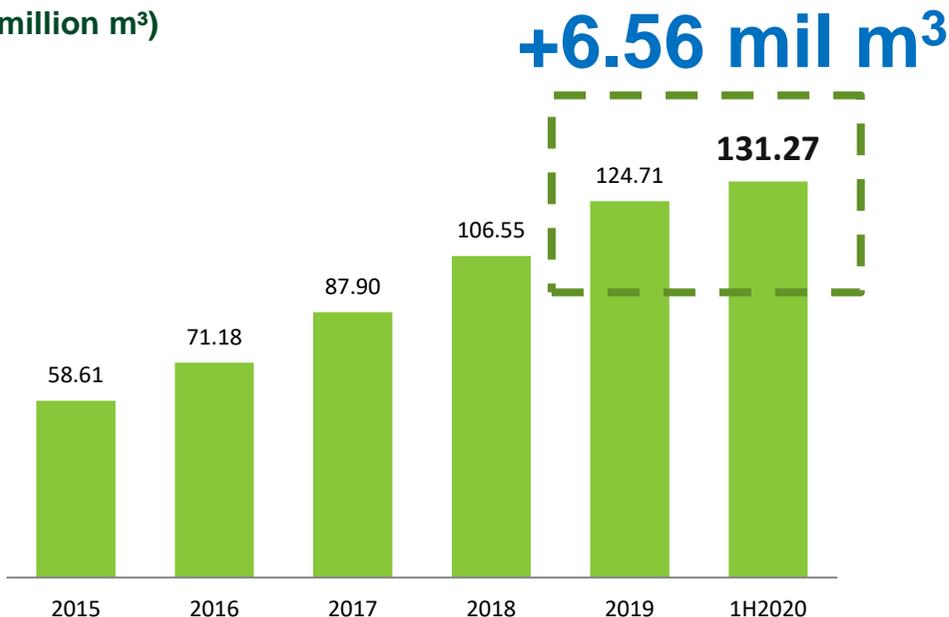
C/I Gas Sales Accounted for 75%



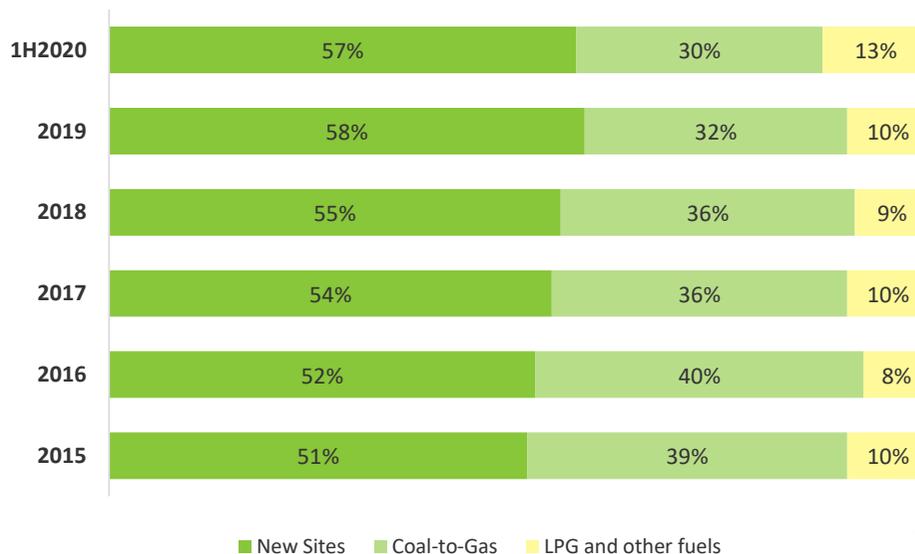
Growing C/I Customer Base

- Promoted “**Bottled LPG to Piped Gas**”, actively communicated with local governments to obtain relevant policies and subsidies, the proportion of those new customers increased
- Leveraging on low-cost gas resources and interconnecting surrounding pipeline networks, actively expanded downstream customers outside our concessions, including small and medium sized gas companies and C/I customers
- Leveraging on local policies and technological advantages, the company developed **1.97 million m³** installed designed daily capacity for coal-to-gas customers

Accumulated Installed Designed Daily Capacity for C/I Customers (million m³)



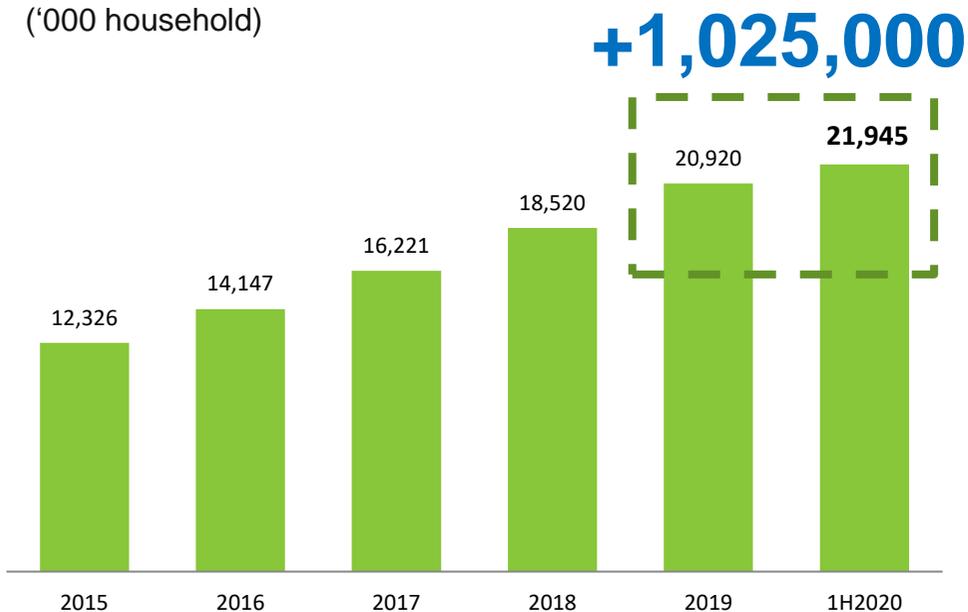
New C/I Customers Breakdown



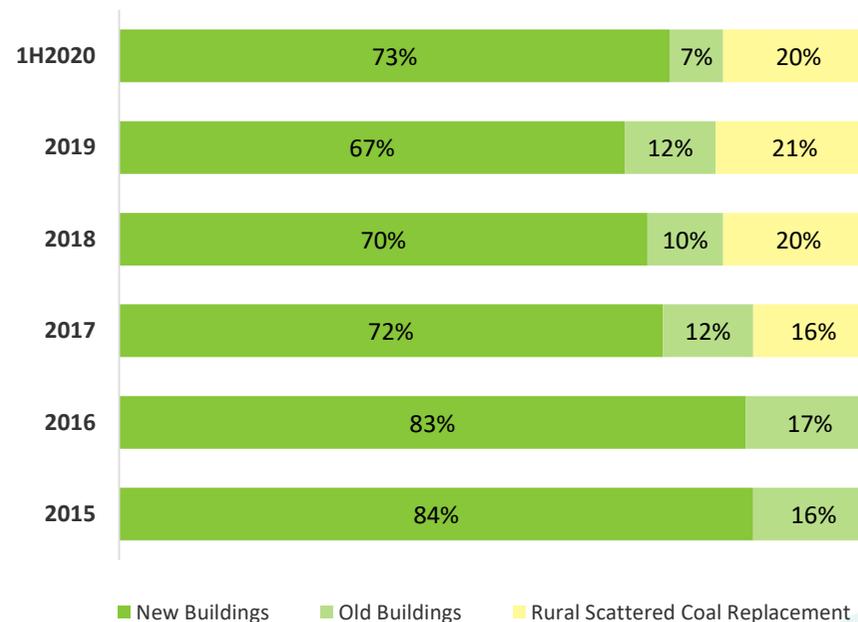
Growing Residential Customer Base

- Accelerated new customers development and construction
- Took advantage of the opportunities brought about by the government's initiatives to transform old urban residential areas, mitigate impact from communities lockdown during the epidemic
- The urbanisation rate in China will increase from **60% to 70%** by 2030, and large-scale urbanisation shall continue to provide enormous opportunities for developing urban residential market

Accumulated Residential Customers
(‘000 household)



New Residential Customers Breakdown



Continuous Expansion of City-gas Concessions

- Acquired **12** new projects with an incremental population coverage of **2.17 million**
- The Group managed **229** city-gas projects in China with a total population coverage of **108 million**
- Average gas penetration rate of **61.2%**

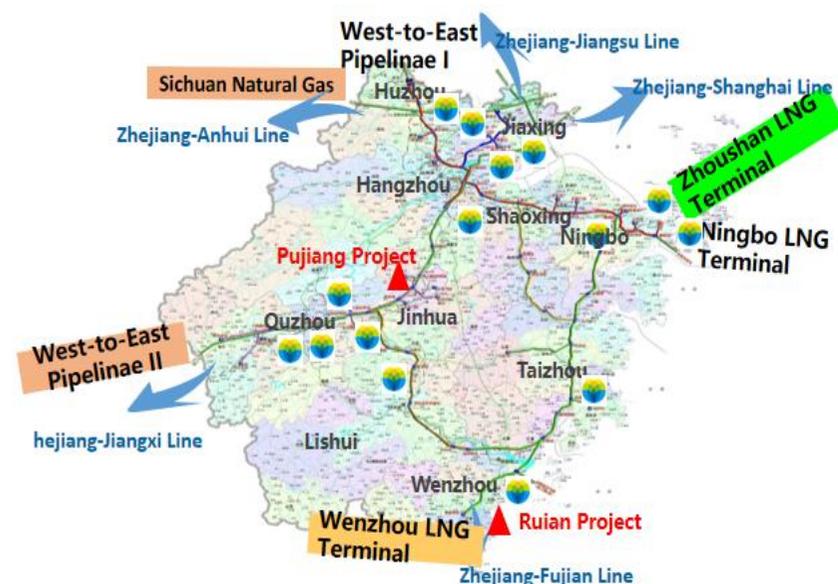
Provinces	Projects	Population
Zhejiang	Pujiang County	160,000
	Rui'an County	850,000
Jiangsu	Ganyu District, Lianyungang	200,000
	Ninghuai Special Cooperation Zone	-
	Xinghua Town	550,000
Anhui	Guzhen Town	40,000
Hebei	Dingzhou Town	120,000
Henan	New District of Yima Coal Chemical Industry Cluster	-
	Linying Town	40,000
Hunan	Quyuan Administrative District	100,000
Inner Mongolia	Tumd Right Banner, Baotou	110,000
Shandong	Luoxi Jinshan Low Carbon Industrial Park, Linyi	-

Ganyu, Pujiang and Rui'an projects have realized pipeline network interconnection, forming a "one network" gas sourcing advantage

Pujiang project located in the north of Jinhua city in central Zhejiang, has 11 industrial parks, among which crystal and padlock account for more than 70% of the market share, making it the largest manufacturing base in China.

Rui'an project has a GDP of more than RMB100 billion, ranking 25th among the top 100 counties in the country. Currently, automobile and motorcycle parts, metal products, chemical products and the light industry with local characteristics are the four leading industries.

Ganyu district located at the eastern intersection of Jiangsu coastal economic belt and East Longhai industrial belt, has four industrial parks, covering all the coastal areas of Ganyu from north to south



The new projects will boost gas sales volume of **over 2 bcm** in the next three years

Expanded Dollar Margin

ASP & Gas Cost (RMB/m ³)	1H2020	1H2019	2019
Residential	2.83	2.76	2.83
Commercial & Industrial	2.77	3.29	3.14
Vehicle Refuelling Stations	3.51	4.08	3.93
ASP	2.81	3.24	3.14
Average Cost	2.14	2.60	2.50
Dollar Margin (ex VAT)	0.61	0.58	0.59

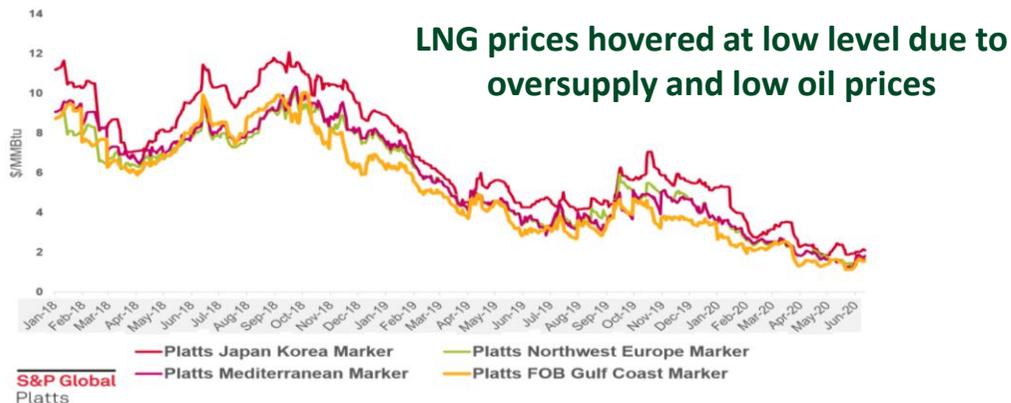
1. ASP ↓RMB 0.43/m³ due to cost pass through
2. Reduced customers' energy consumption cost

1. International LNG import reduced overall procurement cost of gas source
2. Preferential incremental gas price

Diversified Resources Planning Enhanced Competitiveness & Boosted Gas Sales

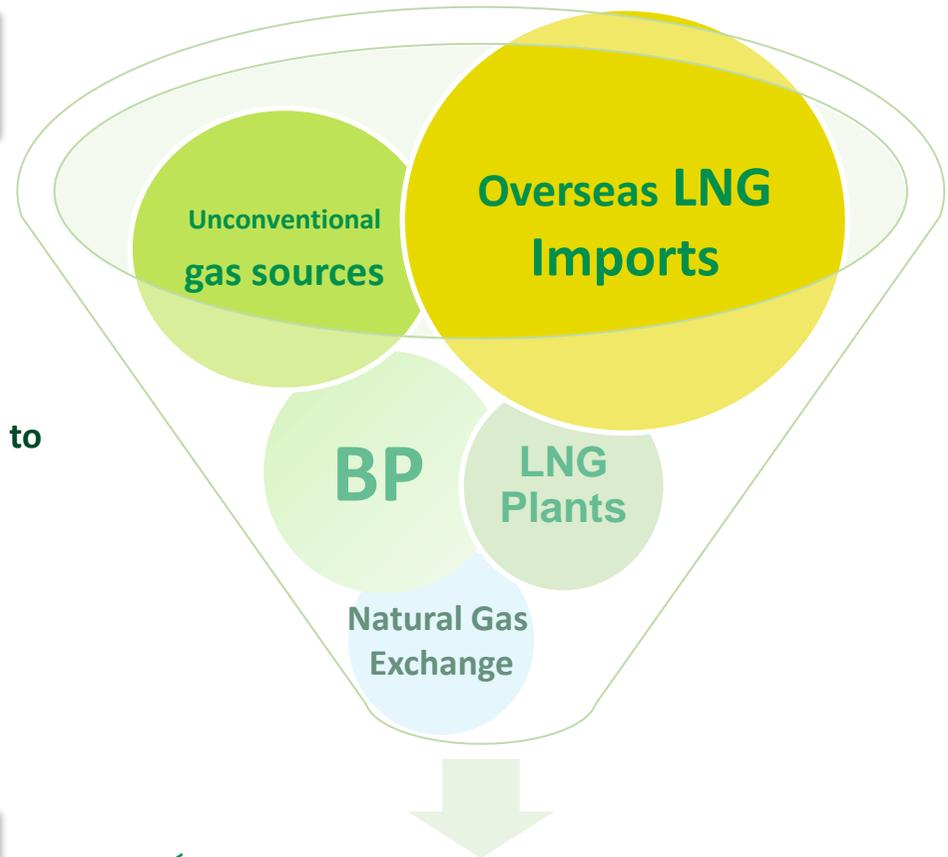
1. Took advantage of low international LNG prices and increased imports

- A total of **1.08 million tons** of LNG imported in 1H2020, significantly reduced the average gas procurement cost
- Zhoushan Terminal with 8 bill m³ of annual transmission capacity is operational, greatly enhanced send-out capacity
- Secured other LNG terminals' available slots



2. Seized opportunities of market reform and expanded resource alliances

- Procurement and sales of unconventional gas sources such as CBM
- Signed capacity agreement with provincial pipe network company to increase resources control capability
- Signed a gas purchase contract with BP, bringing 300,000 tons of natural gas supply per year to Guangdong province



- ✓ Reduced gas procurement cost
- ✓ Improved natural gas competitiveness
- ✓ Stimulated customers' gas consumption
- ✓ Developed new customers

IE Business

(RMB million)	1H2019		1H2020	
Revenue	1,019	x2.06	2,101	<ul style="list-style-type: none"> ➢ Including JV & Asso Total revenue was RMB3.17 bil ➢ Energy sales volume significantly increased
Gross Profit	206	x2.00	411	<ul style="list-style-type: none"> ➢ Utilisation rate improved ➢ Gross profit margin improved due to lower gas price
Projects in Operation	82	x1.32	108	<ul style="list-style-type: none"> ➢ More quality projects were put into operation <ul style="list-style-type: none"> - 17 national/provincial-level industrial parks ➢ Breaking through boundary of gas concessions <ul style="list-style-type: none"> - 13 located outside of ENN's city-gas concessions
IE Sales Vol (mil kWh)	1,952	x2.46	4,806	<ul style="list-style-type: none"> ➢ Steady growth of IE Sales volume <ul style="list-style-type: none"> - 83% Steam - 10% Cooling & Heating - 7% Electricity
Installed Capacity (MW)	1,561	x1.32	2,055	<ul style="list-style-type: none"> ➢ Enhanced energy supply capability

Value Added Business

(RMB million)	1H2019	1H2020
Revenue	1,037	663
Gross Profit	659	566

- COVID-19 reduced home services
- “Gratle” gas appliances sales dropped due to COVID-19
- In-house energy experts provided energy saving services, reduced costs
- The proportion of revenue generated by provision of services increased by 3.4ppts
- Sales were mainly conducted online which reduced expenses

VAS for C/I customers

We analyze the needs of C/I customers, provide technical solutions for energy conservation and emission reduction, and offer kitchen support to catering business



VAS for residents

Our front-line staff provide customers with door-to-door services related to security check, gas appliance maintenance, safety education, and other daily issues, and promote value-added services



Online promotion

We actively promoted the use of “ENN Smart Energy” APP and e-commerce services, with more than 8 million online users. We also promoted our business through a variety of digital channels



Personalized value added product package



Solid Results Achieved

(RMB million)	1H2020	1H2019	Change
Key Financial Highlights			
Revenue	31,543	35,344	-10.8%
Gross Profit	5,602	5,598	0.1%
EBITDA	5,407	5,152	4.9%
Profit Attributable to Shareholders	2,693	3,362	-19.9%
Core Profit*	3,112	2,734	13.8%
Basic Core EPS (RMB)	2.77	2.43	14.0%

*Core profit = Profit attributable to shareholders of the Company – Other Gains & Losses (excluding net settlement amount realised from commodity derivative contracts) and amortization of share option expenses

Solid Results Achieved

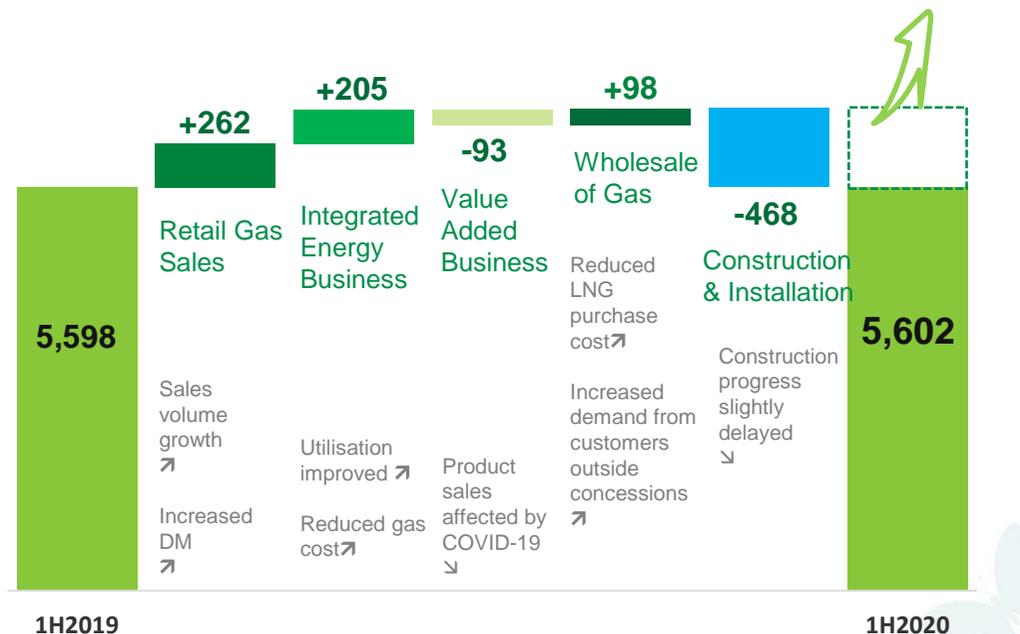
- The decrease of natural gas price led to lower sale price which affected the revenue of retail gas sales and wholesale of gas, but gross profit rose **9.4%** and **257.9%** yoy, respectively
- Benefited from the utilization rate increase in existing projects and the incremental energy demand from new projects, revenue of integrated energy business increased by **106.2%** and gross profit rose **99.5%**

Revenue Breakdown

Revenue (RMB million)	1H2020	1H2019	Change	%
Retail Gas Sales	18,191	20,332	-10.5%	57.7%
Integrated Energy Business	2,101	1,019	106.2%	6.7%
Value Added Business	663	1,037	-36.1%	2.1%
Wholesale of Gas	7,919	9,330	-15.1%	25.0%
Construction and Installation	2,669	3,626	-26.4%	8.5%
Total	31,543	35,344	-10.8%	

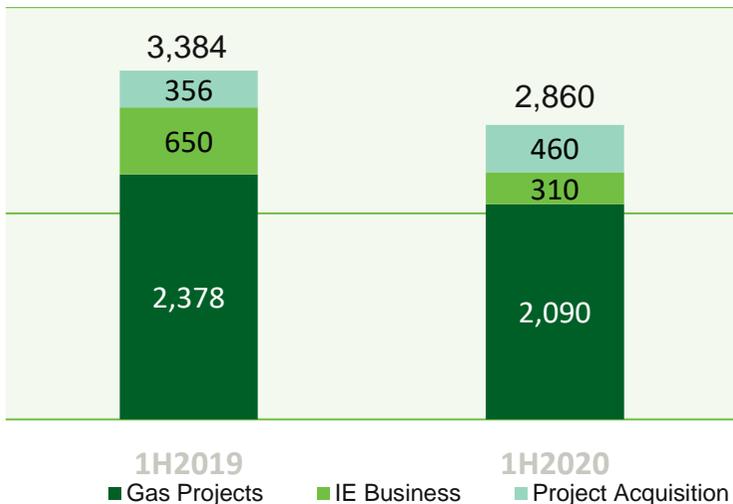
Gross Profit Analysis

(RMB million)



Superior Financial Management

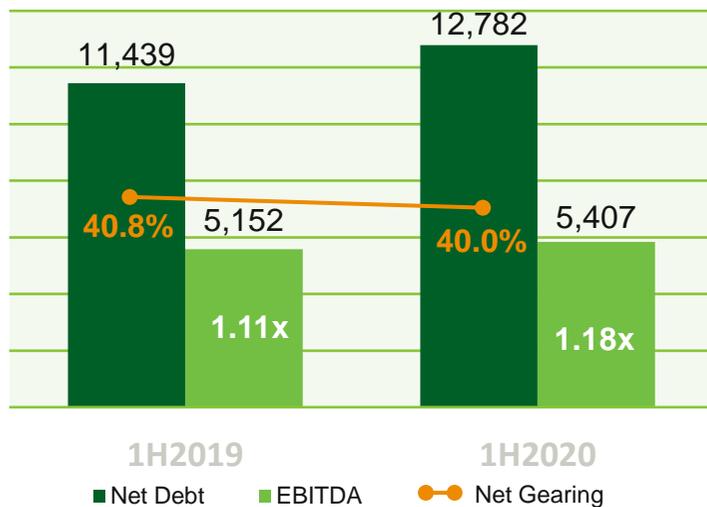
CAPEX (RMB mil)



AR & Turnover Day (RMB mil)



Net Gearing & Net Debt/EBITDA (RMB mil)



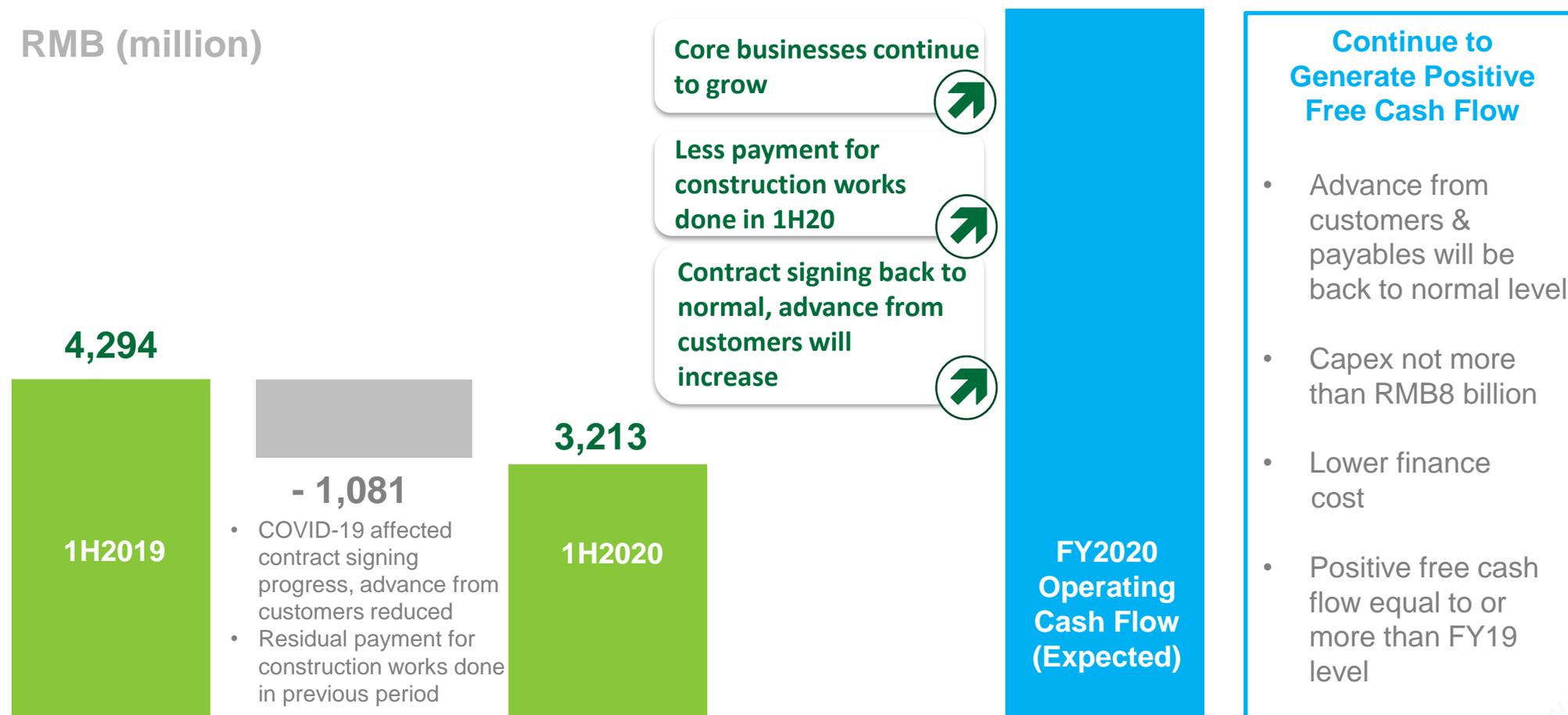
Total Debt & Cash on Hand (RMB mil)



Cash Flow Analysis

➤ As business activities resume normal, OCF & FCF in 2H20 will continue to show strong growth

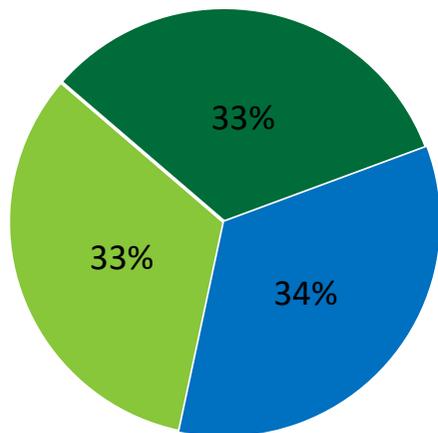
RMB (million)



*Positive free cash flow in 1H19, FY19 and 1H20 were RMB858mil, RMB2,694mil and RMB89mil respectively

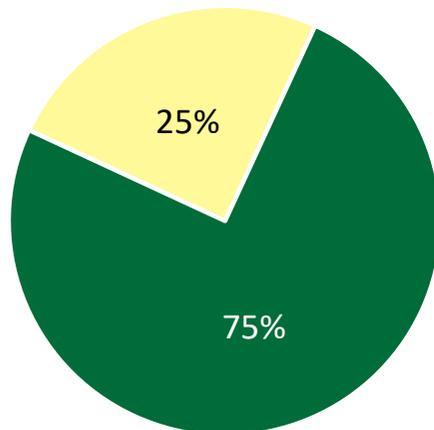
Ample Financial Resources & Liquidity

Debt Structure by Currency



■ USD Bonds ■ USD Bank Loans ■ RMB Bonds Loans

Foreign Currency Risk Exposure Management – Long-term USD Debt



■ Unhedged ■ Hedged

➤ Interest rate of bank loans was lowered in 1H20, some project companies obtained loans with preferential rates

	1H2020	2019	2018	Change
Avg. effective interest rate	3.42%	3.90%	4.05%	↓ 48bps

Credit Rating

Rating Agency	1H2020
S&P Global Ratings	BBB+
MOODY'S INVESTORS SERVICE	Baa2
FitchRatings	BBB

Sufficient Financial Resources

RMB million	Available Financing Quota
Unutilised credit facilities	10,379
Green bond quota approved by NDRC	5,000
Remaining RMB bond issuance quota approved by China Securities Regulatory Commission	2,900



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Outlook

Macroeconomic Recovery

- GDP rebounded from 6.8% contraction in 1Q to 3.2% growth in 2Q. It is expected to continue to grow in 2H20 and return to the level before the pandemic;
- Exports rose 10.4% year on year in July;
- The Chinese government has determined a new pattern of development driven by “dual circulation” in which “domestic circulation” plays the major role. Meanwhile, China will strengthen consumption as the driving force of economy, increase investment in new infrastructure, and boost domestic demand and industrial upgrading.

Supporting Industry Policies

- During the 14th Five-Year period, China will continue to adhere to environmental governance and promote the optimisation of energy structure;
- 2020 is the critical year to winning the battle for Blue Sky, and local governments will continue to enhance environmental protection efforts to achieve the scheduled milestone;
- The progress of national pipelines liberalisation is accelerating, which will incentivise upstream and downstream players, and facilitate the optimisation of resources structure.

Further Digitalisation

- The integration between “Cloud IoT Chain” and the energy industry shall stimulate the demand for digitalised and smart energy from customers;
- Since 2020, the NDRC and other relevant departments have announced a series of policies to accelerate the development of Internet for industries. The energy industry, as an important field, will enter a new stage of digitalisation.

Continue to Drive Business Growth

- ✓ Grasp the opportunity of industry development, tap the potential of customers, focus on market opportunities in high energy consumption industries, and expand business scale
- ✓ Optimise gas source mix and reduce cost
- ✓ Innovate M&A models, reap synergy with existing projects, to rapidly expand into new markets

Natural Gas Sales



Business Development Strategy

- ✓ Seize the opportunity of national energy conservation and emission reduction, industrial transfer and energy utilization upgrading, and speed up business development
- ✓ Deepen customer knowledge, optimize technology and business solutions based on local conditions, and fully unlock the value of integrated energy
- ✓ Actively promote asset-light business model, including demand-side services, supply-side and power trading coordination

Integrated Energy Service



Pipeline Transmission Service



- ✓ Strategic pipeline network layout and interconnection
- ✓ Smart pipeline operation, enhance transmission and distribution efficiency

Value Added Service

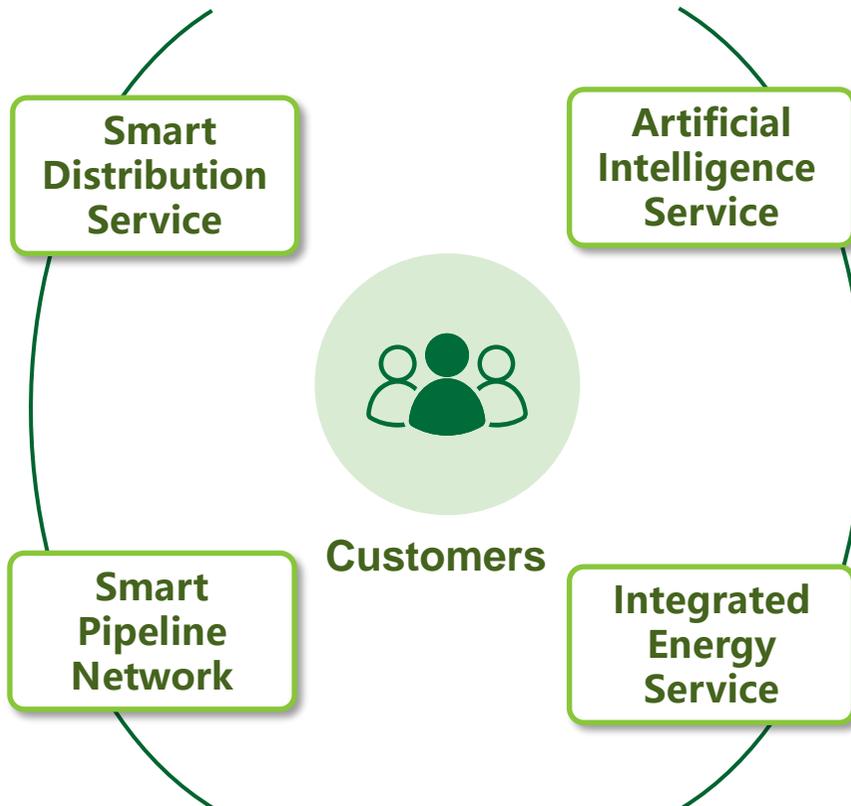


- ✓ Consolidate resources of ecosystem partners, promote innovative products, satisfy customers' diversified demands
- ✓ Integrate online and offline sales, improve customer penetration rate, and drive business growth

Enhance Digital Capabilities

- ✓ Utilise big data to recognize resource changes in real time, flexibly adjust resources procurement strategy to reduce cost
- ✓ Utilise data for accurate customer requirements mapping
- ✓ Utilise digital tools for the smart matching of resources and customers

- ✓ Enhance intelligent adjustment capability based on IoT and imitation pipeline network to drive operation efficiency
- ✓ Ensure the safety, stability, streamline structure and intelligence of pipeline transmission services through lifecycle management products which integrates planning-design-construction-operation-maintenance



- ✓ Expand online services accessibility, diversify interaction channels with customers
- ✓ Provide tailor-made services to customers through digitalised service processes and AI-assisted customer preference analysis

- ✓ Upgrade digital products that cover the lifecycle of integrated energy projects, from designing solutions, delivery to operations, to improve quality and efficiency
- ✓ Create digital tools covering energy facilities, processes, and billing optimization to reduce costs and increase efficiency
- ✓ Establish smart power trading products to enhance purchase and sales

2020 Guidance

Proactive New Customers Development

- ✓ New C/I development of at least 18mil m³ daily installed capacity
- ✓ New residential development of at least 2.3mil households
- ✓ 20-30 new city-gas projects acquisition

Accelerate New Businesses Development

- ✓ IE business revenue at least RMB 6 bil
- ✓ VAB revenue to reach RMB 2 bil



Ensure Volume and Quality of NG business Growth

- ✓ Volume growth at least 10%
- ✓ Dollar margin up 2 cents

Create Higher Returns for Shareholders

- ✓ Core earnings growth of 15%
- ✓ Dividend payout at least 32%



Q&A



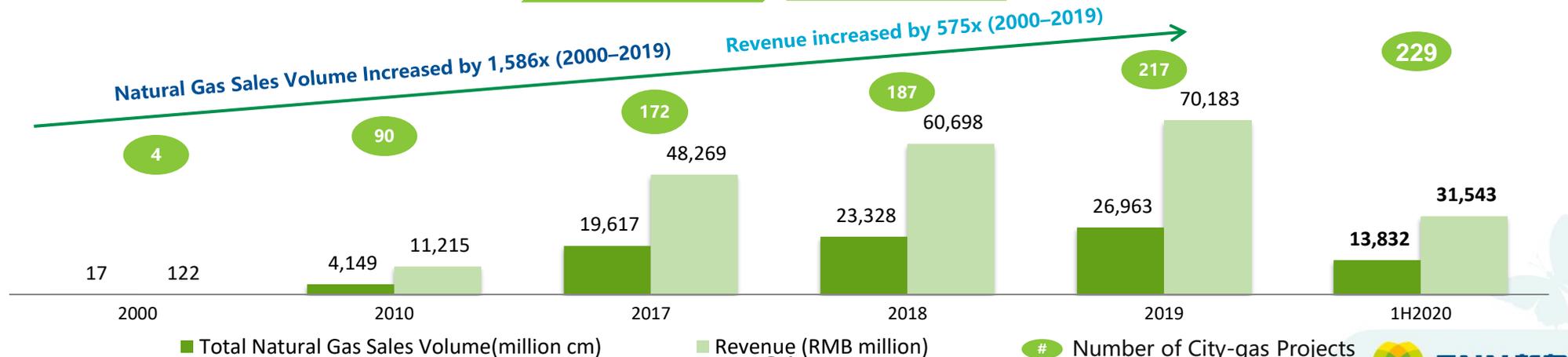
ENN – To Build an Industry-leading Integrated Energy Service Provider

Company Overview

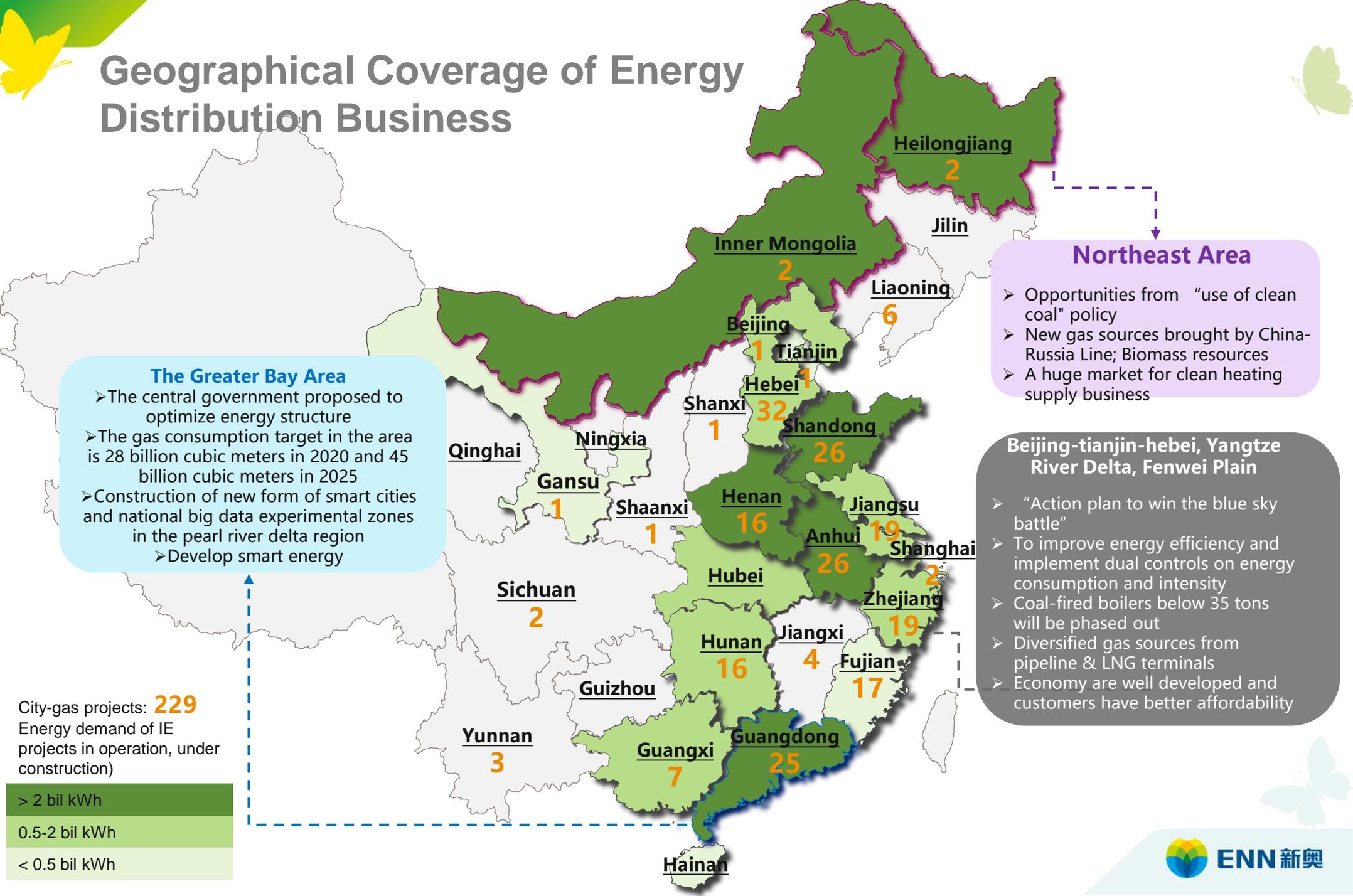
- Established in 1993, ENN is one of the leading privately-owned clean energy distributors in the PRC
- ENN’s principal business includes sale and distribution of piped gas, investment in, and the operation and management of gas pipeline infrastructure, vehicle/ship gas refuelling stations, integrated energy business, sales and wholesale of piped gas, as well as sales of LNG and multiple energy forms. It also develops integrated energy business and wholesale of gas business, while providing other energy-related value added business
- ENN was listed on the GEM in 2001 and transferred to the Main Board of HKEX (stock code: 2688) in 2002

Key Business Segments

Retail Gas Sales Business	Sales of Integrated Energy and Services	Value Added Business	Wholesale of Gas	Construction & Installation
				
<ul style="list-style-type: none"> • Sell piped gas to residential households and C/I customers • Construct and operate CNG/LNG gas refuelling stations 	<ul style="list-style-type: none"> • Based on customers’ need, provide multi-energy products according to energy sources available locally, and customise integrated energy solutions for users 	<ul style="list-style-type: none"> • Provide energy-saving technologies, retrofitting services, and facilities inspection and maintenance services • Provide gas-related products and material sales 	<ul style="list-style-type: none"> • Conduct natural gas wholesale business to fully utilize its advanced dispatch system, logistics fleet and upstream resources 	<ul style="list-style-type: none"> • Conduct gas pipeline construction and installation for residential and C/I customers



Geographical Coverage of Energy Distribution Business



The Greater Bay Area

- The central government proposed to optimize energy structure
- The gas consumption target in the area is 28 billion cubic meters in 2020 and 45 billion cubic meters in 2025
- Construction of new form of smart cities and national big data experimental zones in the pearl river delta region
 - Develop smart energy

Northeast Area

- Opportunities from “use of clean coal” policy
- New gas sources brought by China-Russia Line; Biomass resources
- A huge market for clean heating supply business

Beijing-tianjin-hebei, Yangtze River Delta, Fenwei Plain

- “Action plan to win the blue sky battle”
- To improve energy efficiency and implement dual controls on energy consumption and intensity
- Coal-fired boilers below 35 tons will be phased out
- Diversified gas sources from pipeline & LNG terminals
- Economy are well developed and customers have better affordability

City-gas projects: **229**
 Energy demand of IE projects in operation, under construction)

- > 2 bil kWh
- 0.5-2 bil kWh
- < 0.5 bil kWh

Develop IE Business Adapting to Local Conditions

Obtained more integrated energy distribution rights
(incl projects in operation & under construction)

Total Energy Demand
~34.4 bil kWh



Adapting to local conditions, utilize the most competitive clean energy sources to provide customers with integrated energy solutions
(incl projects in operation & under construction)

Energy conservation and emission reduction for customers in 1H2020



Value Added Services Focusing on Customer Demand

Focus on customer demands through the innovation of one-stop energy butler and housekeeper service model, to enhance customer loyalty, while exploring potential customer value, and promote the development of new business on top of the success of our traditional business

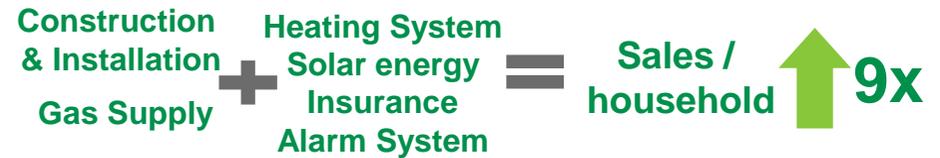
Re-invent the mutual understanding with C/I customers for business expansion and extension

- ① Energy butler project in Qingdao, Shandong
 - The all-inclusive entrusted operation model is adopted to ensure users' energy consumption throughout the year
 - From simple gas supply to energy facilities operation, cooling in summer, heating in winter and hot water supply throughout the year
 - Responsible for the operation and equipment maintenance service within the scope of the agreement



Customised service offerings to meet various needs of residential users

- ② A residential project in Jiangsu
 - A scale of 1,792 residential households
 - Leveraged on integrated solutions to maximise project value



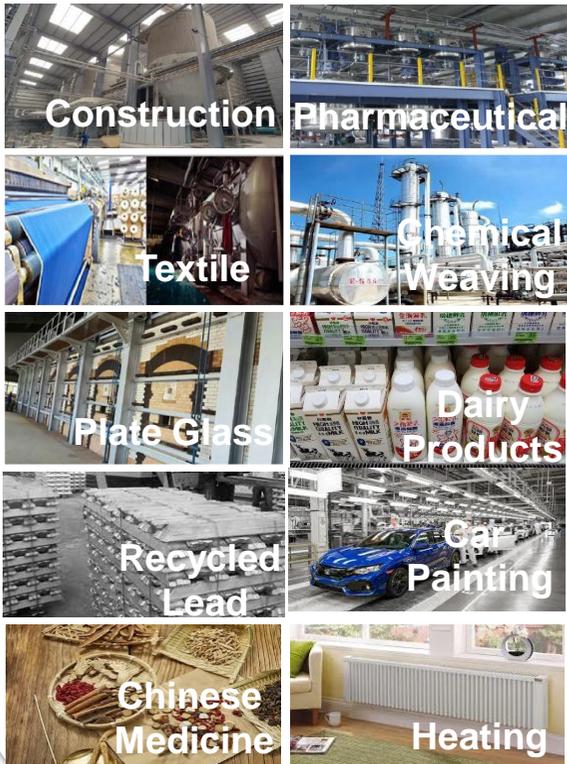
- ③ Liaocheng Project
 - Provide integrated services including gas, facilities maintenance, installation, etc.
 - Extend service value chain, optimise personnel and encourage proactivity in employees, narrow service radius and improve efficiency
 - Target monthly value creation per employee increased by **3 times**



Technical Innovation to Meet Customer Needs and Strengthen Customer Energy Utilisation Resilience

Carry out in-depth research and exploration of the energy consumption characteristics of C/I customers that accounts for a high proportion of energy cost, combining ecosystem resources and focus on optimization of terminal energy utilisation to reduce customers' total energy costs

10 industry solutions
have been formed



Solve customer concerns with
technology

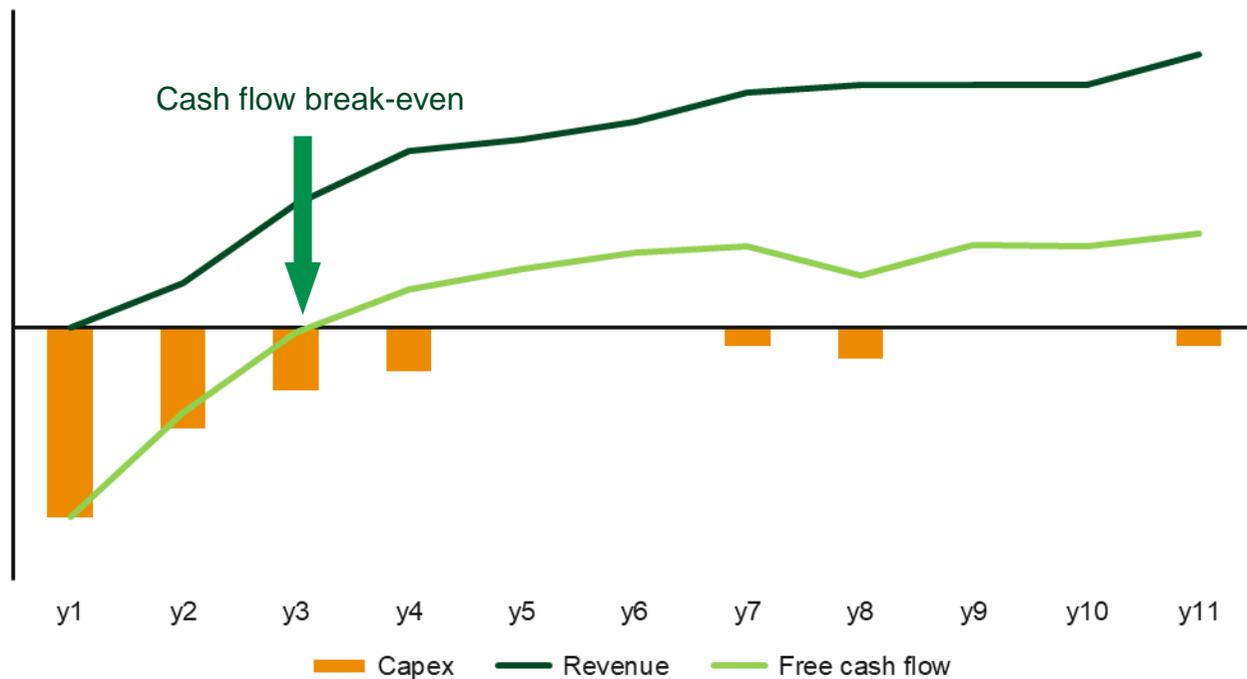
Through production process optimization, energy cascade utilization, surplus energy recycling, intelligent control and other technologies

- Energy saving
- Product quality improvement
- Direct emission reduction

Create value for the
company

- Promote green and sustainable development
- Improve customer's affordability for energy price
- Improve customer satisfaction, increase customer loyalty
- Share cost savings
- Energy technology services with high added value

Typical Industrial Park IE Project - Cash Flow Projection



1. Stable & Recurring Income

- Integrated energy solutions reduce customers' overall energy bills **↓10%**
- Selling the types of energy customer need increases their stickiness

2. Rapid Cash Flow Generation

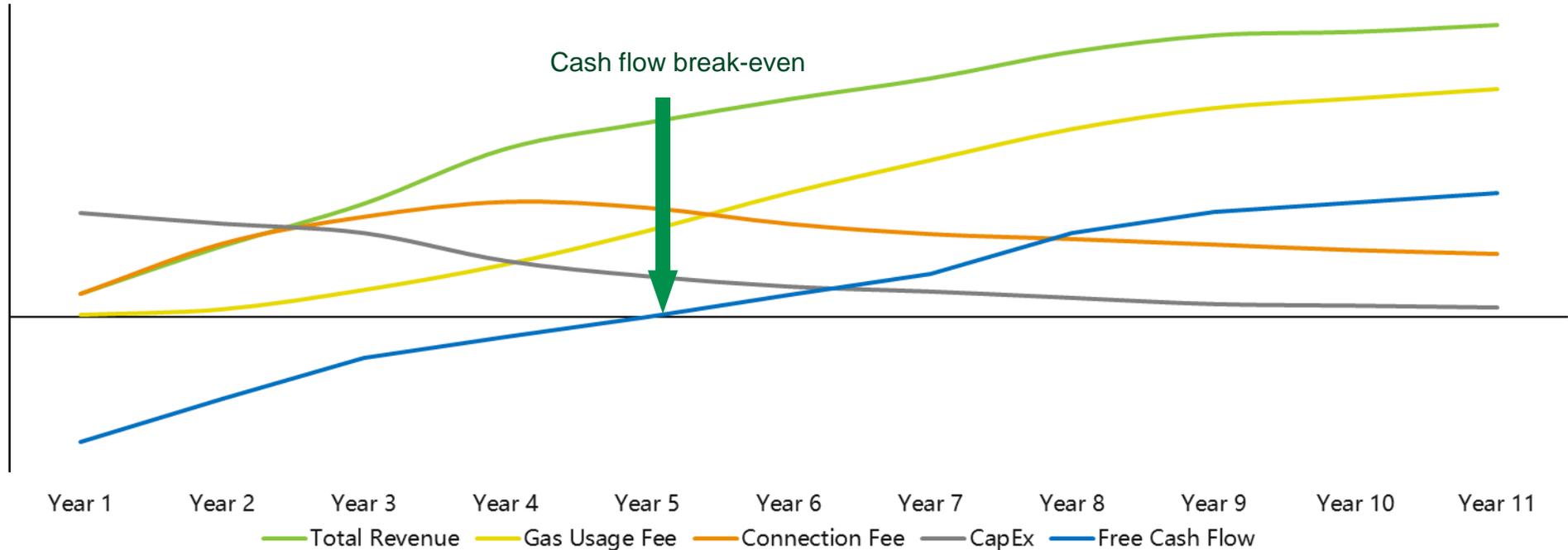
- Capex are invested by stages depending on the number of customers and their energy consumption scale
- Our projects are mostly industrial parks with existing customers, once the energy stations completed, energy sales can be generated
- Payback period: **7-8** years

3. Low Risk

- Diversified customer base in industrial parks helps reduce cyclical risks of certain industry
- Sign minimum energy offtake volume and establish automatic passthrough mechanism with customers
- Market-oriented business model with low regulatory risk

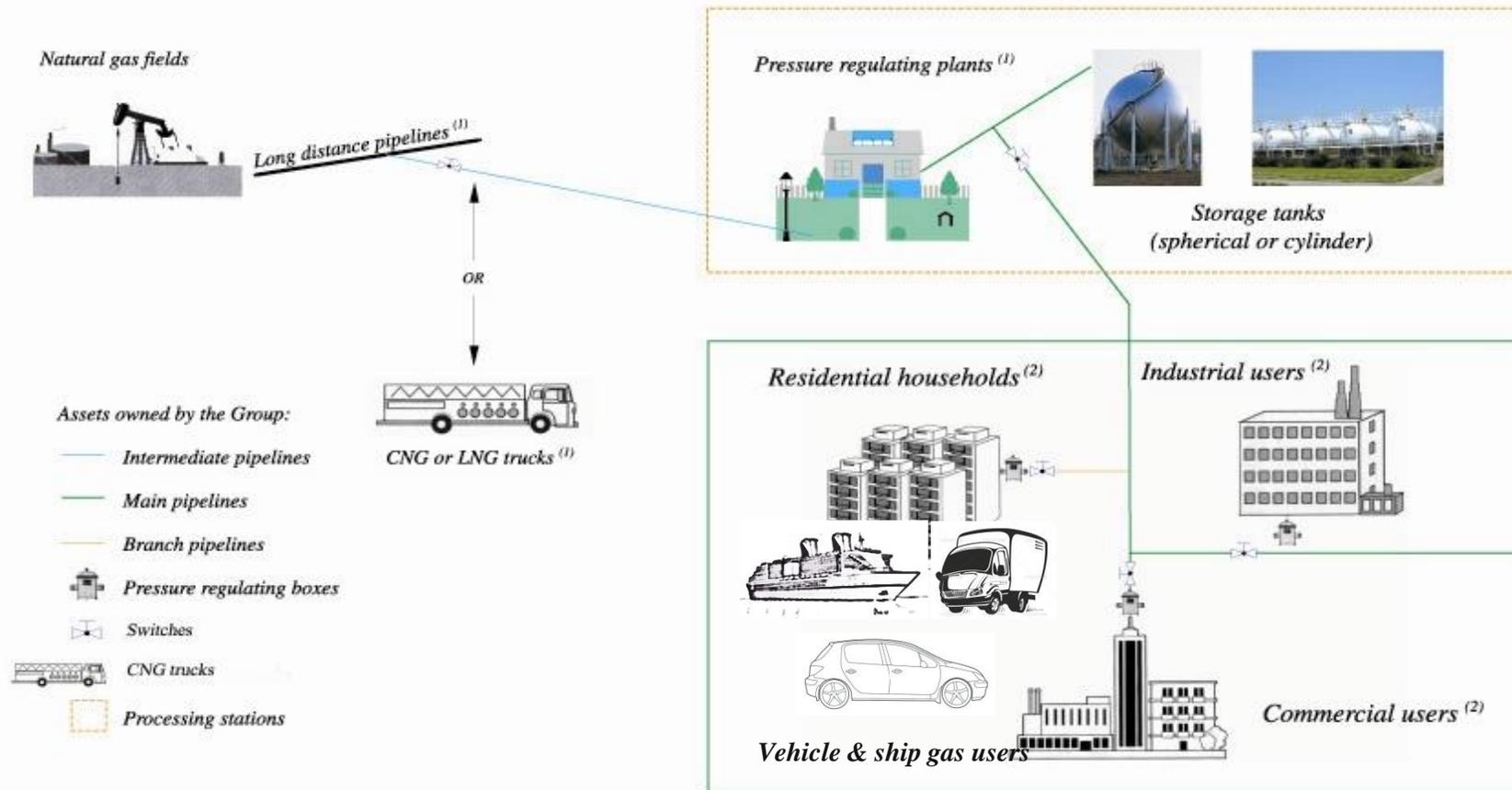
Simplified Model for a Typical City-gas Project

Revenue/Cost



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

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.

Latest Benchmark City-gate Price

Province	From 25 May 2018	From 1 April 2019	Province	From 25 May 2018	From 1 April 2019
Unit: RMB/m ³ (Incl. VAT)			Henan	1.89	1.87
Beijing	1.88	1.86	Hubei	1.84	1.82
Tianjin	1.88	1.86	Hunan	1.84	1.82
Hebei	1.86	1.84	Guangdong	2.06	2.04
Shanxi	1.79	1.77	Guangxi	1.89	1.87
Inner Mongolia	1.23	1.22	Hainan	1.53	1.52
Liaoning	1.86	1.84	Chongqing	1.53	1.52
Jilin	1.65	1.64	Sichuan	1.54	1.53
Heilongjiang	1.65	1.64	Guizhou	1.60	1.59
Shanghai	2.06	2.04	Yunnan	1.60	1.59
Jiangsu	2.04	2.02	Shaanxi	1.23	1.22
Zhejiang	2.05	2.03	Gansu	1.32	1.31
Anhui	1.97	1.95	Ningxia	1.40	1.39
Jiangxi	1.84	1.82	Qinghai	1.16	1.15
Shandong	1.86	1.84	Xinjiang	1.04	1.03

Source: NDRC



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