

2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



ENN 新奥

ENN Energy Holdings Limited
(Stock code: 2688)

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ABOUT THIS REPORT

This report is the first standalone annual environmental, social and governance (“ESG”) report (“Report”) of ENN Energy Holdings Limited since 2016. It mainly elaborates on the practices and performance of the Group in the economic, social and environmental aspects in 2017. This Report has been approved by the board of directors of the Company. It does not contain false information or misleading statements, and guarantees the truthfulness, accuracy and completeness of its content.

Reporting Entity:

The terms “ENN Energy”, “the Group”, “the Company”, “Company”, “we”, “us”, “our” are used in this Report to represent ENN Energy Holdings Limited.

Reporting Period:

From 1 January to 31 December 2017. In order to enhance the comparability and prospectiveness views of this Report, some of its contents had been traced back to previous years as appropriate.

Reporting Cycle:

This Report is published on an annual basis.

Scope of Reporting:

This Report covers ENN Energy Holdings Limited and its subsidiaries.

Sources of Information:

Information is sourced from summaries and statistics of the Company documents, statistical reports as well as the performance reports of its subsidiaries. All information has been reviewed by the Company’s senior management, heads of departments and its subsidiaries. Some of the operational and financial data of this Report are cited from the Group’s 2017 annual report. In the event of any discrepancy between this Report and the annual report, the information in the annual report shall prevail. Unless otherwise specified, the amount disclosed in this report is denoted in RMB.

Basis for Compilation of this Report:

This Report is compiled mainly based on the “Environmental, Social and Governance Reporting Guide” under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. It also refers to the “G4 Sustainability Reporting Guidelines” issued by the Global Reporting Initiative, “Guidelines on Corporate Social Responsibility Reporting in China (CASS-CSR 4.0)” issued by Chinese Academy of Social Sciences, and the “ISO 26000 Social Responsibility Guide” issued by International Organisation for Standardisation.

Availability:

This Report is released in both printed and online versions in Chinese and English. The online version is available on the Company’s website (www.ennenergy.com) and The Hong Kong Exchanges and Clearing Limited website (www.hkexnews.hk). If you wish to obtain the printed version, please call (852) 2528 5666. In the event of any discrepancy between the Chinese and English versions, the English version shall prevail.



CHAIRMAN'S STATEMENT

In 2017, the energy industry in China faced great opportunities and challenges. ENN Energy Holdings Limited never forgets its original aspiration and has always striven to follow its mission of “Building a Modern Energy System, Improving the Quality of Life”. In an effort to fully utilise its own advantages and actively respond to the changing market environment, the Group achieved outstanding operational performance. In 2017, the Group recorded a total natural gas sales volume of 19.62 billion cubic metres, representing a significant increase of 36.9% year-on-year. Revenue of the Group amounted to RMB 48,269 million, representing a significant increase of 41.5% year-on-year. The Board recommended a final dividend of HK\$1.08 per share, representing an increase of 30.1% year-on-year.

We are fully aware that the development of the Company is in deep connections to the sustainable development of the society and the environment. “Uncompromising conscientiousness with a self-driven mentality, a sharing culture and effective use of data” is our value. We look for opportunities while meeting social needs and resolving mutual challenges. We also endeavour to enhance our corporate governance, compliance and risk management and to advance our accountability from the perspectives of ensuring safe operation, improving supply chain management, providing quality services, building green homes, supporting the growth of talent, and enthusiastically giving back to the society. To that end, we sincerely fulfill our obligations of corporate citizenship and create shared value with stakeholders.

Practice of social responsibility and advancement of management

We attach great importance to social responsibility management. By embedding the concept of social responsibility into the Group's decision-making process and business operations, and clarifying the duty of social responsibility, an interactive mechanism has been established to improve our practice of social responsibility in a more professional and precise manner. In 2017, the Group built the ESG information system, so as to realise the systematic collection and analysis of ESG information, which has become a significant tool to improve management.

Risk management and control and compliance with the law

Lawfulness and compliance are the two key elements in our corporate governance and operation that we never compromise. We keep strict compliance with national laws and local polices and regulations. We

continuously standardise our corporate governance and enhance our compliance and risk management system, establish an anti-corruption system and enhance our capability of risk management and control, so as to promote the Group's healthy and steady growth.

All-rounded measures for safe operations

Maintaining safe operations is the basis for the healthy and sustainable development of the Group. At ENN Energy, safety always comes first. We have established a safety mechanism and built a safety culture, which applies a visualised safety system that provides early warning and supervision in order to identify potential risks, standardise our contingency measures, maintain safe operations and create a safe working environment. In 2017, the Group implemented the visualisation system for hazardous cargo transportation, construction and project operations, and indoor works, realising real-time supervision over transportation, engineering and indoor operations, and maintaining safe operations.

Working together with partners for a win-win situation

Supplier is an integral part of the sustainable development of the Group. We adhere to the philosophy of “respect, communication, honesty and cooperation”, constantly optimises the supply chain management system, drives partners to grow together, promotes the healthy development of the business ecosystem, and promotes the continuous progress of the industry and society. In 2017, the Group's supplier screening criteria covered relevant indicators of different dimensions such as business ethics, human rights, quality and safety, environmental influence, social influence and so on.

Quality service casts quality

The Group adheres to the tenet of “Providing Satisfaction with Customer Orientation”, continues to promote service quality, creates diversified services and communication channels, and is committed to providing customers with the highest quality products and services, and building a mutually beneficial relationship between the Company and customers. In 2017, the Group's customer complaint resolution rate was 100%, and customer satisfaction continued to increase.

Committed to environmental protection and green development

Energy is the driving force and an important assurance for the sustainable development of the social economy. The Group adheres

to a new mission of “Building a Modern Energy System, Improving the Quality of Life”, actively plays an industry leading role, continues to promote green and clean energy, creates a complementary, flexible, clean, low-carbon, safe and efficient modern energy system, and strives to maximise the comprehensive value of the economic and social environment. In 2017, the Group's total integrated energy consumption was equivalent to 69,441.13 tons of standard coals, representing a decrease of 16.12% year-on-year.

People-oriented, caring for employees

Employees are the wealth of the Company, and are even more so, the endogenous driving force for the sustainable development of the Company. The Group adheres to the concept of “people-oriented”, promotes an equal and diversified employment, sincerely protects the legitimate rights and interests of employees, motivates employees to realise their values, pays attention to employees' health and safety, cares for employees' lives, enhances employees' happiness, and helps employees to realise their self-worth while creating a sustainable development for the Group.

Devoted to public welfare, giving back to society

The Group believes in “showing gratitude and giving back to the society”, and actively participates in public welfare undertakings to carry out charitable donation activities in the fields of education, poverty alleviation and disaster relief. We encourage employees to participate in volunteer activities, establish awareness of service communities, practise corporate citizenship, demonstrate corporate social values and responsibility, and contribute to building a harmonious society. In 2017, we actively promoted “targeted poverty alleviation” by supporting industry development in poor areas, and donated RMB33.72 million through the ENN Group Charity Foundation to support the development of charitable organisations.

Moving forward, we will continue to strive for our best in the future. We will actively lead the industry and continue to contribute more wisdom and create greater value for the development of the society and the environment while achieving steady growth in the Group's operating performance.

WANG Yusuo

Chairman

22 March 2018

1 ABOUT US

As one of the largest clean energy distributors in China, ENN Energy Holdings Limited adheres to the mission of “Building a Modern Energy System, Improving the Quality of Life”. We has made remarkable achievements in promoting city gas, energy trading, transportation energy, and integrated energy business through decades of endeavour, and continues to increase our contributions to sustainable development of economy, society and environment.

1.1 Company Overview

ENN Energy Holdings Limited (stock code 2688.HK) started its city gas business since 1992. The principal business of the Group are the investment in and construction, as well as operation and management of city gas pipeline infrastructure, vehicle and ship refuelling stations and integrated energy stations, the sales and distribution of piped gas, liquefied natural gas and other multi-energy products. The Group also carries out energy trading business and provides other services in connection with energy supply in the PRC. As of 31 December 2017, the Group had 172 city gas projects in 17 provinces, municipalities and

autonomous regions in China, including Anhui, Beijing, Fujian, Guangdong, Guangxi, Hainan, Hebei, Henan, Hunan, Inner Mongolia, Jiangsu, Jiangxi, Liaoning, Sichuan, Shandong, Yunnan and Zhejiang, covering a connectable urban population of over 84.69 million. Meanwhile, the Group develops integrated energy business in key regions of 25 provinces and municipalities, promoting the overall upgrade of urban energy consumption and leading the establishment of a modern energy system.

Over the years, the Group has incorporated the concept of sustainable development into corporate decision-

making and operation management, and has continued working on improving economic development, operation safety, environmental protection, philanthropy, and has performed the corporate social responsibility to realise “Harmonious Cohabitation of Energy and the Environment”. At the same time, the Group has reestablished the environment of openness, fairness, mutual trust, and sharing through self-driven, intelligent, and data-matching resources, and continuously optimise its operation mechanism, enhance its operational capabilities, and strive to become a well-respected and innovative intelligent company.



The Group had
172
city gas projects
in China



Covering a connectable
urban population of over
84.69
million

1.2 Corporate Philosophy

Mission of ENN

Building a Modern Energy System, Improving the Quality of Life

Vision of ENN

Endeavor to Become a Respected, Innovative and Smart Enterprise

Corporate Philosophy

Customer Oriented, for the Creation of a Mutually Beneficial Environment

Values of ENN

Uncompromising Conscientiousness with a Self-driven Mentality and a Sharing Culture with Effective Use of Data

1.3 Key Performance Indicators



Economic performance indicators

Indicator	Unit	2017
Total assets	million	59,215
Revenue	million	48,269
Profit for the year	million	3,673
Income tax expense	million	1,517
Basic earnings per share	RMB	2.59
Final dividend per share	HK\$/share	1.08
Total natural gas sales volume	billion m ³	19.62



Social performance indicators

Indicator	Unit	2017
Total number of employees	person	30,830
Number of male staff	person	22,325
Number of female staff	person	8,505
Total amount of charitable donations	million	33.72



Environmental performance indicators

Indicator	Unit	2017
Coal consumption volume	tons	33,077.18
Diesel consumption volume	litre	1,088,498.28
Gasoline consumption volume	litre	3,885,027.67
Natural Gas consumption volume	10,000 m ³	1,093.79
Power consumption purchased externally	MWh	209,354.27
Integrated energy consumption volume	tons of standard coal	69,441.13
Integrated energy consumption density	tons of standard coal/million	14,386
Total emission of greenhouse gas	tons CO ₂ e	267,469.44
Greenhouse gas emission density	tons CO ₂ e /million	55,412

1.4 Awards and Honors



Awards	Awarding agency or platform
2017 Best Management Team Ranking in Asia: <ul style="list-style-type: none"> The title of "Most Honored Company" "Best IR Company (ranked No. 1 overall)" in Power Sector "Best Website (ranked No. 1 overall)" in Power Sector "Best Analyst Days (ranked No. 2 overall)" in Power Sector "Best IR Professional (ranked No. 3 overall)" in Power Sector 	Magazine of Institutional Investor
"2nd Place: Best in Sector - Utilities" in the "IR Magazine Awards – Greater China 2017"	IR Magazine
"Certificate of Excellence" in the "3rd Investor Relations Awards 2017"	Hong Kong Investor Relations Association
"China Top 500" 2017	Fortune magazine
"2016 Top 100 Listed Company in Hong Kong" (Top 100 Comprehensive Strength)	QQ.com and Finet

2 CORPORATE GOVERNANCE

Good corporate governance is an important cornerstone for the sustainable development of a company. The Group strictly abides by the “Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited”, “Securities and Futures Ordinance”, “Hong Kong Companies Ordinance”, “Company Law of the People’s Republic of China” and other relevant laws and regulations, and improves corporate governance structure, standardises the main responsibilities of governance, strengthens compliance and risk management and control, and enhances corporate governance and risk management. At the same time, the Group carries out anti-corruption management, prevents commercial bribery, fraud, and corruption in accordance with the requirements of laws and regulations such as the “PRC Criminal Law”, “PRC Anti-Unfair Competition Law” and “PRC Tender and Bidding Law” so as to ensure the healthy development of the Group.

2.1 Governance Structure and Progress

The Group continues to improve its corporate governance structure and promote the diversity of its board members. Based on its own business model and needs, the Group uses a variety of diversity factors, including (but not limited to) backgrounds, skills, industry experience, region, gender and other traits, to make sure that the board members are diversified.

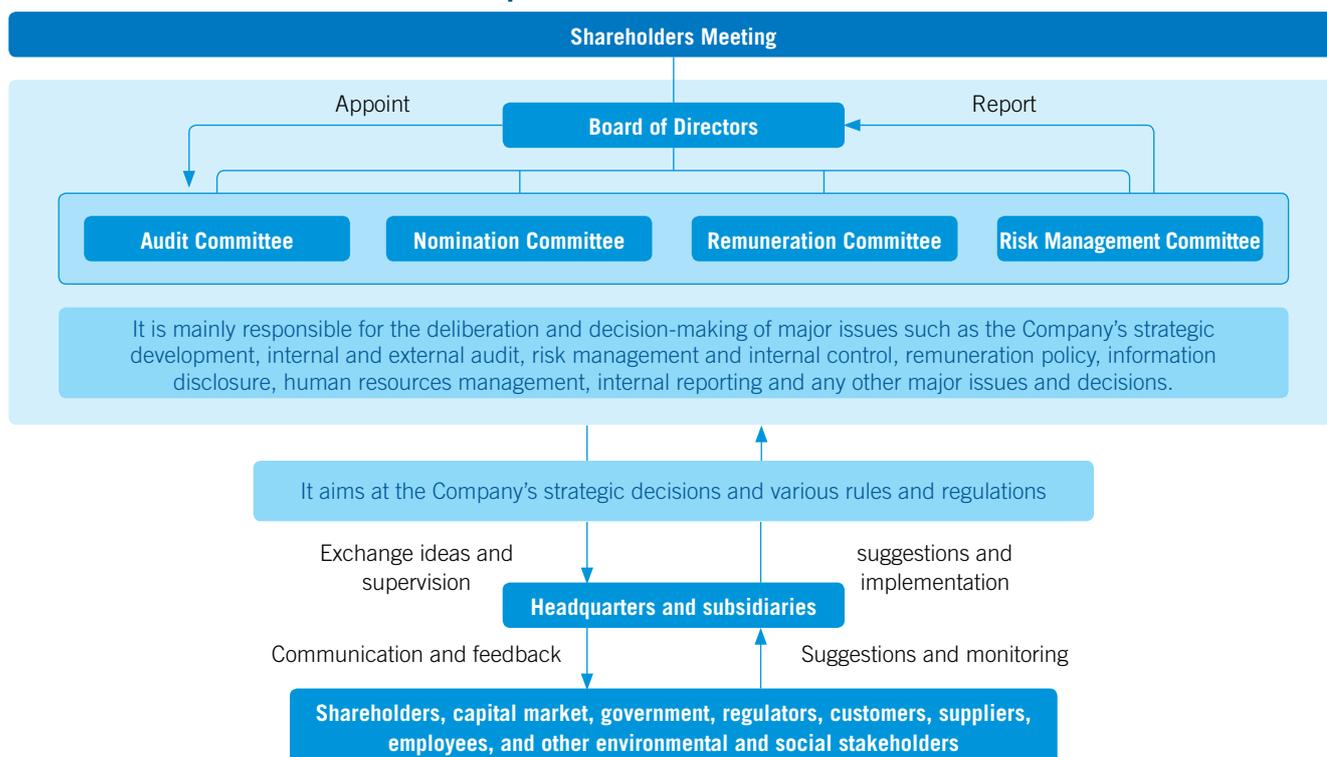
During the reporting period, the Board consisted of 9 members, including 3 independent non-executive directors, 5 executive directors and 1 non-executive director. The independent non-executive directors account for one-third of the Board and can contribute adequate independent opinions to the Board. The Company will consider to increase the number of independent directors from time to time to further enhance the independence of

the Board. Committees under the Board are Audit Committee, Remuneration Committee, Nomination Committee, and Risk Management Committee. Each Committee conduct research on professional issues and contribute opinions and suggestions to improve corporate governance of the Company. For more information about the Board’s composition, operation and the board committees can be found in the Corporate Governance Report of the Group’s 2017 Annual Report.

During the reporting period, the Company performed corresponding legal procedures, protected shareholders interest and ensured directors exercise their rights properly, and convened 1 Annual General Meeting, 7 Board meetings, 4 Audit Committee meetings, 1 Nomination Committee meeting, 2 Remuneration Committee meetings and 1 Risk Management Committee meeting.

During the reporting period, the Company put great effort into investor relationship management, expanded communication channels, and published information such as announcements, circulars, annual and interim reports, and press releases on a regular basis, and organised analysis briefing for interim/annual results to strengthen communication with investors. The Company has established an Investor Relations Department that is responsible for investor relationship affairs. During the reporting period, the Company’s executive directors and senior management participated in more than 34 international investor conferences and 3 international road shows to communicate with stock and bond investors on the latest performance, industry outlook and development strategy. The Company also invited more than 30 batches of investors to have site visit of the main business projects of the Company, so as to achieve close communication with investors and enhance investor confidence.

Corporate Governance Structure





Meetings Convened

- 1 Annual General Meeting
- 7 Board Meetings
- 4 Audit Committee Meetings
- 1 Nomination Committee Meeting
- 2 Remuneration Committee Meetings
- 1 Risk Management Committee Meeting

2.2 Compliance and Risk Management

The Group follows the business philosophy of integrity, implements legal compliance management, strengthens risk management and internal audit systems, proactively identifies economic, social and environmental risks and opportunities in the Group's operations, improves risk management systems, optimises risk

management processes, and continuously uplifts risk management standards.

The Board is responsible for risk management and internal control systems. The Risk Management Committee established by the Board is responsible for assisting the Board in assessing and determining the types of risks and risk tolerance of the Group to achieve its strategic objectives, including risks in

various aspects such as safety, health, society and the environment. The Audit Committee reviews the effectiveness of risk management and internal control systems periodically, and makes recommendations to the Board. During the reporting period, the Board confirmed that the Company's risk management and internal control systems were effective.

2.3 Anti-corruption Management

The Group formulates and strictly implements the "Code of Conduct for Employees", "Regulations on Penalties for Employees Violating Rules and Regulations", and "Administrative Regulations on the Accountability of Cadres" and specifies terms and penalties for preventing bribery, fraud, and corruption. The Group has established the whistle-blowing policy and publicly announced the whistle-blowing hotline and e-mail address for receiving relevant reports and conducting investigations. At the same time, employees and business partners may report to the Audit Committee and the Board the irregularities of the Group in a confidential basis. During the

reporting period, the Group did not receive any significant complaints regarding corruption.

The Group is actively developing training that tackles anti-corruption and related issues, passing on relevant knowledge at each and every level of management and personnel, thus increasing overall compliance and awareness throughout the Group. During the reporting period, the Group organised relevant anti-corruption training for regional management personnel, general managers, department managers, finance managers and risk control directors, with a total of 1,750 staffs participating in the training, including 720 management personnel and 1,030 key staffs.

The Group places great emphasis on the management of anti-corruption in its supply chain, stringently abiding by the requirements of the "Law of the People's Republic of China on Tenders and Bids," the public openness of tenders and bids, and principles of fairness, justice, and good faith, setting up lead departments that keep track of the entire bidding process, preventing any unlawful activity so as to avoid corporate bribery and fraud, achieving fair competition and open bidding.

Before the tender

The Group read aloud the tender disciplines, honesty and anti-corruption statement, as well as the reporting hotline to both the judges and the suppliers, and oversights the procedures in a strict basis.

After the tender

The Group signed the “Good Faith Contract” with suppliers, specifying the prohibition and punishments for bribery and fraud.



Number of staff participated in relevant anti-corruption training activities reached

1,750



3 CORPORATE SOCIAL RESPONSIBILITY

3.1 Principle of Corporate Social Responsibility

The Group will continue to incorporate sustainable development principles into the management and decision making processes, ensure in compliance with laws and regulations, strengthen the management of supply chains, improve the quality of service, implement low-carbon and environmental protection, promote employee development, dedicate to benefiting the society, and endeavour to practice social responsibility. Establishing good communication with governments, shareholders, customers, employees, partners, communities and other stakeholders by ways of innovation, transparent communication and cooperation, the Company constantly received the recognition and support from stakeholders, created a responsible corporate image, increased its economic, social and environmental value, and have become a well-respected and innovative intelligent company.

3.2 Promote Responsibility

The Group put stress on the corporate social responsibility, optimise and constantly improve the social responsibility system, create an interactive approach that involves the participation of the Board, the senior management, the department heads and the other functional departments and subsidiaries, comprehensively establishing the implementation of social responsibility and improving the level of responsibility management and professionalism.

To gradually promote social responsibility management, the Group has established an ESG information system with multiple functions, including reporting, reviewing, investigating, and analysing ESG information, monitoring the implementation and practice of social responsibility carried out by headquarter and subsidiaries in real time. It aims to enhance the capability of fulfilling and managing the practice of social responsibility.

Board of Directors	Senior Management	Lead Department	Headquarters and Subsidiaries
<ul style="list-style-type: none"> Responsible for approving ideas and strategic plans of the corporate sustainable development; and Review the annual ESG reports of the Group and listen to reportings related to ESG issues. 	<ul style="list-style-type: none"> Formulate ideas and strategic plans of the corporate sustainable development; and Review and make decisions for major issues of social responsibility at the corporate level. 	<ul style="list-style-type: none"> Organise and cooperate with all relevant departments and agencies to implement social responsibility works, execute the application of social responsibility in relation to major issues. 	<ul style="list-style-type: none"> Responsible for the execution of one's own work in relation to social responsibility.

3.3 Identify substantive issues

The Group, based on the “Environmental, Social and Governance” under Appendix 27 to the Rules Governing the Listing Securities on the Stock Exchange of Hong Kong Limited and international standards, organises, sorts, filters, and prioritises social responsibility issues, takes international and domestic companies with best practice as the benchmarks, to disclose the Group's significant economic, environmental and social issues, evaluations and decisions in the most accurate manner.



3.4 Stakeholder Communications

The Group consistently improve the social responsibility and information disclosure system, where stakeholders can use “online + offline” channels to obtain corporate social responsibility information that allows for adequate communication with stakeholders and offer transparency for stakeholders to monitor. The Group actively listens to stakeholders expectations and aspirations in a timely manner.

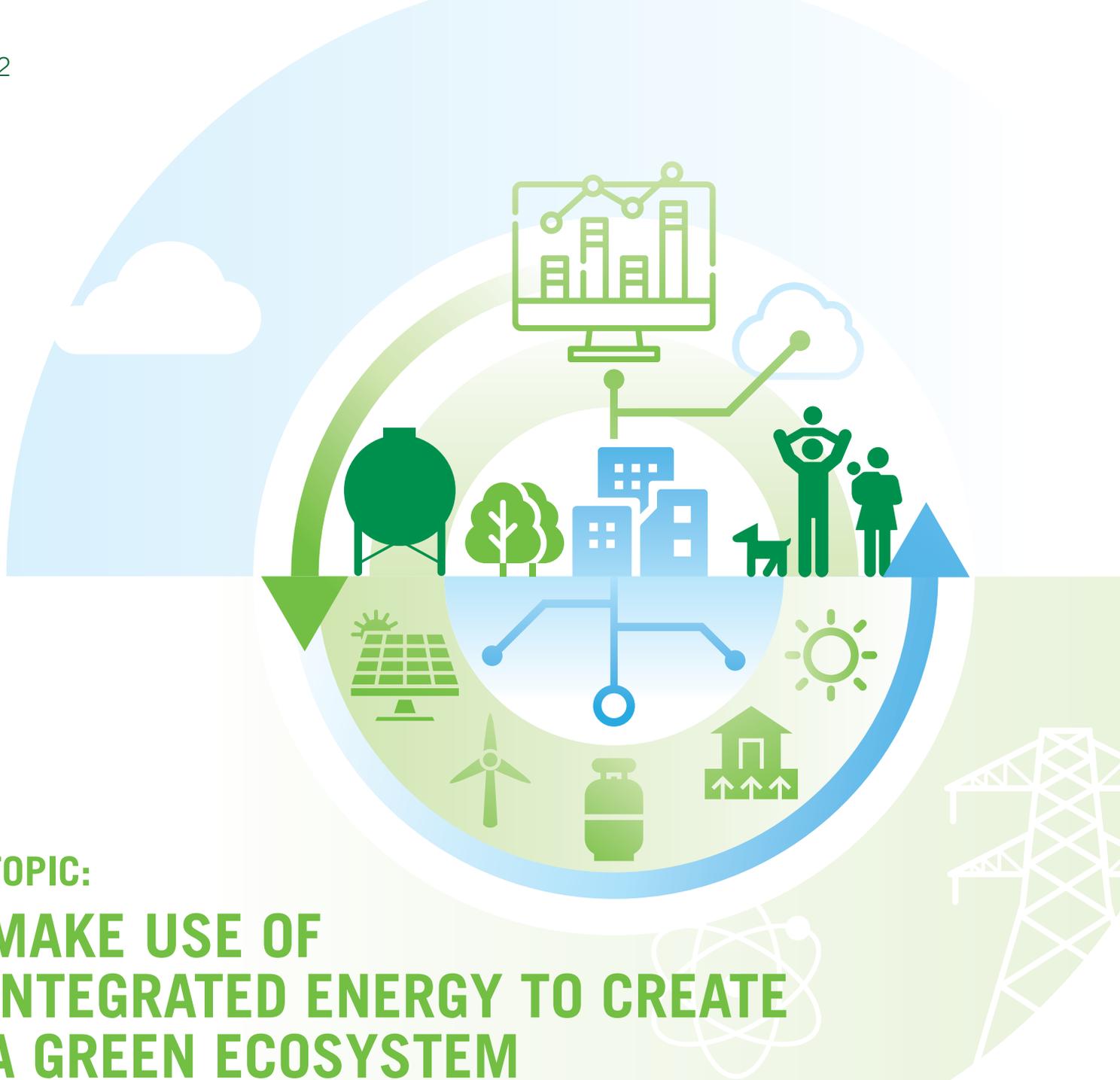
Stakeholders	Expectations and aspirations	Means of communication	Our response
 Shareholders and bond investors	<ul style="list-style-type: none"> • Excellent business performance • Sustainable and stable growth • Clean and transparent operation • Timely disclosure of information 	<ul style="list-style-type: none"> • Shareholders’ meetings • Daily communications through e-mails, phone calls and one-on-one meetings • Announcements and circulars • Interim and annual reports • Company website • Roadshows • Social media 	<ul style="list-style-type: none"> • Prompt disclosure of information • Efforts to improve profitability • Continuous improvement of the governance structure • Responsible investments • Establishment of anti-corruption system
 Government	<ul style="list-style-type: none"> • Safe operations • Lawful operation • Drive industrial and regional economic development • Contributions to people’s livelihood • Contributions to air clean up • Efficient use of energy 	<ul style="list-style-type: none"> • Regular reporting • Daily communication • Information reporting • Participation in the relevant policy-making 	<ul style="list-style-type: none"> • Enhance safety level • Improve risk management • Comply with relevant laws and regulations • Business operation in line with the needs of industrial and regional development • Actively promote clean, low-carbon, safe and efficient energy supply • Actively promote coal-to-gas conventions and use of natural gas for vehicles
 Employees	<ul style="list-style-type: none"> • Equal employment opportunities • Sound career development • Safe and healthy working environment • Education and training opportunities 	<ul style="list-style-type: none"> • Labour unions • Staff meeting • The “Employee Home” Platform • ENN University • Various internal and external training 	<ul style="list-style-type: none"> • Diversified recruitment • Organise team-building activities • Care for employee health • Cultivate “Self-driven and Sharing” culture • Offer training opportunities
 Customers	<ul style="list-style-type: none"> • Safe and stable gas supply • Effective and efficient service • Reasonable prices • Data privacy protection 	<ul style="list-style-type: none"> • National customer service hotline: 95158 • Service quality supervision hotline: 400-86-95158 • Community service stations • Customer satisfaction surveys 	<ul style="list-style-type: none"> • Conduct user safety checks • Timely and effective response to customer demands • Good customer services





Stakeholders	Expectations and aspirations	Means of communication	Our response
Suppliers and business partners	<ul style="list-style-type: none"> • Transparent procurement • Localised procurement 	<ul style="list-style-type: none"> • Suppliers' meeting • Strategic cooperation • Bidding 	<ul style="list-style-type: none"> • Public tendering • Availability of a supply chain management system • Continuous improvement of policies • Promote management efficiency
Environment	<ul style="list-style-type: none"> • Supply clean energy • Reduce greenhouse emissions • Recycling of resources used • Protect natural resources and ecology 	<ul style="list-style-type: none"> • Participate in environmental initiatives and actions • Environmental data disclosure • Periodically publish ESG reports • Cooperate with government for air clean up 	<ul style="list-style-type: none"> • Participate in international environmental protection initiatives • Formulate operation and environmental protection plans • Enhance management of energy conservation and emission reduction • Increase resource efficiency • Promote green and clean energy • Promote environmental friendly solutions • Continuous environmental monitoring • Actively participate in environmental protection
Community	<ul style="list-style-type: none"> • Safe operations • Contributions to community development • Organisation of public welfare activities 	<ul style="list-style-type: none"> • Popular science education • Community publicity events • Voluntary work • Charitable activities 	<ul style="list-style-type: none"> • Charity donation through ENN Group Charity Foundation • Contributions to public welfare • Contributions to community development • Help the poor and those in need, give love • Community voluntary services • Care for the next generation
Media	<ul style="list-style-type: none"> • Transparency of information disclosure • Keep communication channels open • Maintain good relationship with media 	<ul style="list-style-type: none"> • Press conference • Press release 	<ul style="list-style-type: none"> • Organise regular press conference • Send press release to media • Publish news on corporate website • Response to media enquires • Communicate with media





TOPIC:

MAKE USE OF INTEGRATED ENERGY TO CREATE A GREEN ECOSYSTEM

China remains dedicated to making the energy revolution as a national policy on energy development, revolutionising the ways of energy production and consumption, increasing the establishment of smart energy management systems, strengthening the ability to respond demand side, and achieving intelligent interaction with regard to energy production and consumption. As China's effort on pollution prevention has strengthened, energy development will be focused on quality and efficiency, thoroughly changing the extensive consumption patterns in the past. Whereas, the implementation of the trading of rights to use energy, rights to release

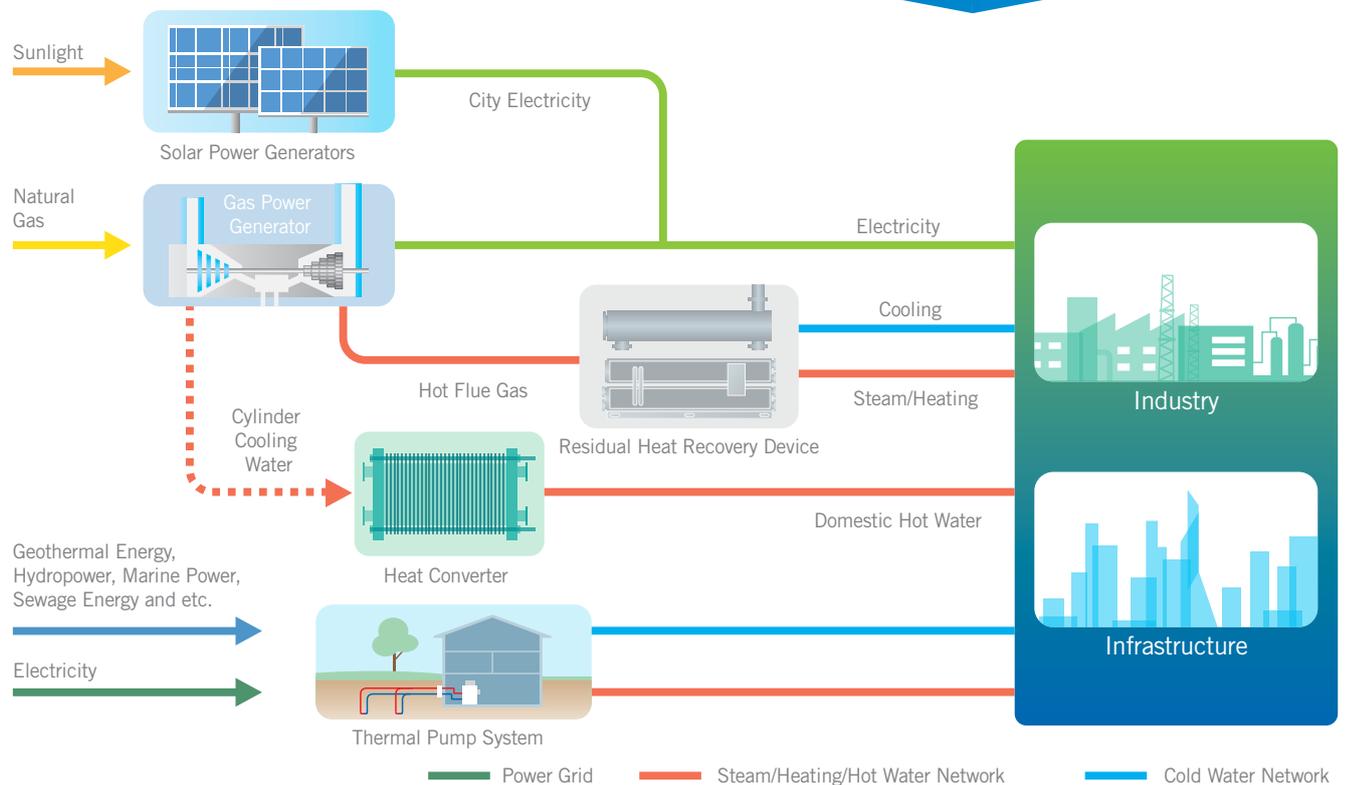
CO₂, quota on renewable energy, will bring opportunities for the rapid development of clean energy.

Integrated energy is a new technological concept that is originated and developed from the Group's distributed energy technology systems, makes use of local natural resources, including natural gas, waste heat, wind power, solar power, and other renewable resources, and base on the different energy requirements of the customers, help customers to develop tailor made integrated energy solutions.

The Group started its integrated energy business in many major cities, leveraging its advantage of being close to the end-

users of city gas projects, boosting the integrated energy sales with a focus on industrial parks, urban complexes, public buildings and industrial customers with multiple energy needs, including gas, electricity, cooling, heating and steam. The Group put into operation 19 integrated energy projects in 2017. With a total of 31 projects that had been put into operation, among which 2 projects were listed on the first batch of multiple complementary integration optimisation demonstration projects, chosen by the National Energy Administration.

INTEGRATED ENERGY EFFICIENCY SYSTEM



The Group's integrated energy business has a strong focus on industrial parks, public buildings, and other areas, adopting the cascade use of primary energy, which increase the overall energy efficiency from 40% to 60% of traditional thermal power generation to more than 85%.



Economic value

The Group had presence in 9 provinces and cities including Hebei, Shandong, Guangdong, Henan, Zhejiang, Shanghai, and has developed integrated energy project markets, such as the Langfang New Chaoyang Pan-energy Micro-net, the Qingdao Haier Industrial Park Pan Energy Station, Dongguan Zhongsheng Pharmaceutical, Kaifeng Huiyuan Juice, Langyou Chengnan Industrial Park and the ASE Group (Shanghai). They have driven effectively the integrated energy sales including gas, electricity, cooling, heating and steam. In 2017, the Group's revenue from the sales of integrated energy and services reached RMB294 million, increased by 92.2% year-on-year.



Social Value

The Group's integrated energy projects have effectively promoted and helped to adjust the national energy structures, driving energy industries toward an open internet, intelligence cooperation and the effective sharing of internet resources in a changing evolution. At such, customers can pay less, while clean-energy industries continue to develop in a sustainable way and this is in line with the national strategic plan.

As a result, strong demand has attracted energy producers as well as a number of equipment providers to join the platform, creating an ecological economy and driving the development of the value chain.



Environmental Value

Promote more efficient and clean use of conventional energy and assist in addressing the issue of environmental protection and air pollution, decreasing PM2.5 emissions in order to achieve energy saving while decreasing emissions at the same time. For example, the complete implementation of the Sino-German Ecological Park project, the rate of integrated energy utilisation was 80.8%, with total system energy conservation rate of 50.7%, building's energy efficiency of 65%, CO₂ emissions reduction of 64.6%, SO₂ emission reduction of 86.1%, NO_x emission reduction of 70.8%, and dust emission reduction of 81.5%.

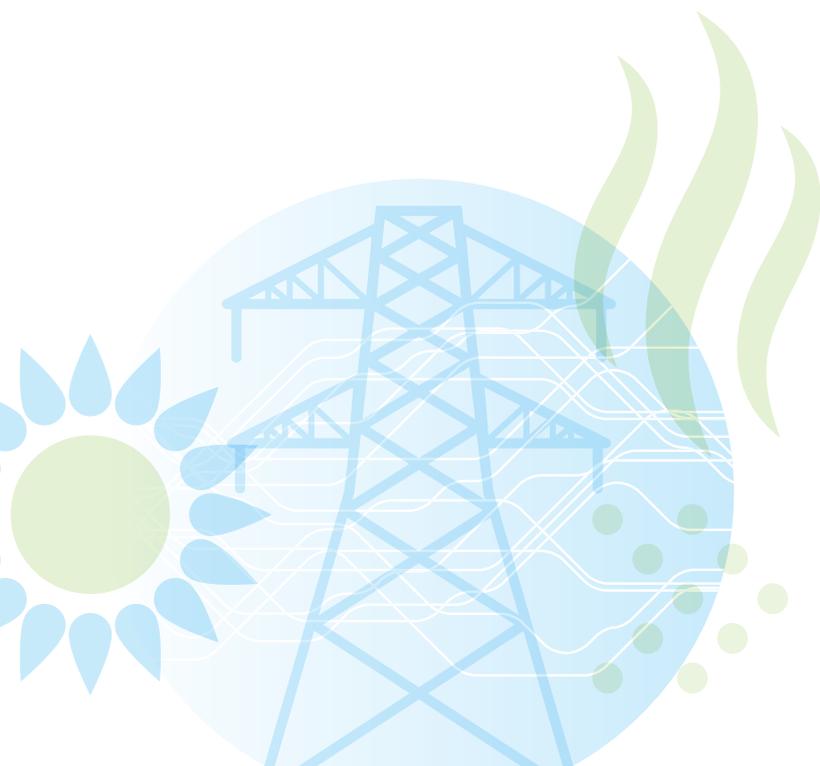
Case 1 ENN Chuzhou Provided Anxing Caixian Limited Company with Integrated Energy Service

Anxing Caixian Limited Company (“Anxing Caixian”) is a textile material manufacturer which mainly consumes electricity, steam and natural gas, with the gas being provided by ENN Chuzhou, the electricity being provided by the state grid and the steam being provided via the network of central heating company. As the company continues to develop, the steam supply from the central heating network no longer satisfy the production needs, hence affect the product quality. Being the gas provider for Anxing Caixian, ENN Chuzhou studied its manufacturing processes. Apart from resolving the problem of substandard quality of steam, ENN Chuzhou noted that Anxing Caixian can further improve its energy

efficiency. Based on ENN Energy’s integrated energy concept, ENN Chuzhou Gas provided the customer with a comprehensive energy solution proposal, which optimised energy use, recycling, storage, and conversion while producing electricity, supplying steam and hot water, fixing the quality of steam, lowering costs, and improving overall energy-consuming efficiency. After the project put into full operation, it can stabilise the provision of high-quality steam at 169,000 tons per year, electricity at 48.38 million kWh/year. Compared with steam being provided via the central heating network, the use of integrated energy solution can reduce carbon dioxide emissions by 26,352.5 tons/year, sulfur dioxide emissions by 399.2 tons/year, nitrogen oxides by 82 tons/year, dust by 166.3 tons/year, and energy saving rate by 17.3%.



Anxing Caixin Integrated Energy Project



4 TAKE COMBINED MEASURES TO ENSURE THE SAFETY IN OPERATION

The Group strictly adheres to the laws and regulations such as the “Production Safety Law of People’s Republic of China” and the “Law of the People’s Republic of China on the Safety of Special Equipment”, as well as relevant provisions and requirements. Upholding the management philosophy where we “put people first to ensure a safe development”, we construct a safety management system, improve warning and monitoring technology, promote safe management, create a safe working environment and achieve stable development.

4.1 Strengthen Safety Management

By regulating safety management systems and mechanisms, optimising safety management systems, implementing safety checks, promoting the construction of safety culture and among other measures, the Group gradually enhanced safety management systems and improved the safety management.

Safety management systems

The Group makes use of internet technology to establish a safe operation management system that includes an information system, a command and dispatch system, safety test equipment

telemetry communication systems, geographic information systems, as well as a management systems, aiming to provide an all-rounded protection on the Groups’ operation.

Safety management policies and mechanisms

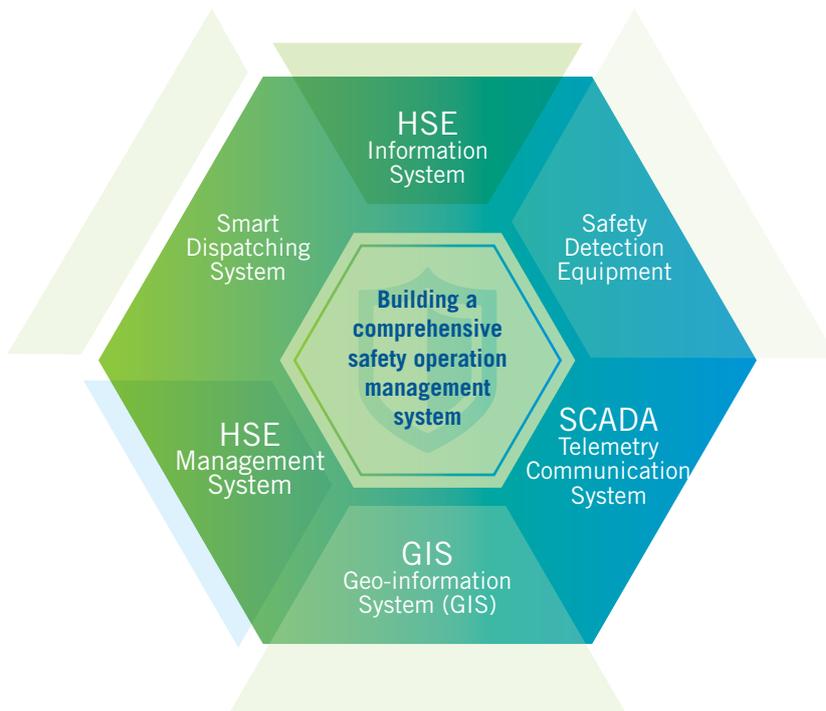
The Group issued and implemented a series of safety management policies such as the “Safety Production Management Regulations” and “Accident Management Regulations”, clarifying the safety measures and management responsibilities and duties of all levels of leaders and personnel, and standardising the management of dangerous operations,

troubleshooting of hidden accidents, handling of related accidents and other procedures. To further promote the safety operation management, the Group has also set up security administrators. During the reporting period, the Group employed a total of 501 security administrators.

The Group is further connecting safety responsibilities with performance, actively promoting the division of responsibilities concerning safety, requiring subsidiaries to sign safety performance and responsibility agreement. During the reporting period, all the subsidiaries signed the safety performance and responsibility agreements.

Safety check

The Group establishes safety check groups, targets the implementation status of key regions and key safety works, conducts seasonal safety checks periodically, submits reports in a timely manner, and completely solve the safety issues. During the reporting period, the Group established 11 investigation teams and 10 supervision teams to perform winter security and special inspections on all subsidiaries; the Group secured a 99% ratification rate on issues discovered during the previous overall safety check. For those unsolved and potential issues, they had already been on watching list to be further monitored and followed up by respective unit.



4 TAKE MEASURES TO ENSURE THE SAFETY OF THE OPERATION

Case 1 ENN Quzhou issued anti-flooding deployment to eliminate security risks

In June 2017, Quzhou Meteorological Observatory issued a red rainstorm alert. ENN Quzhou immediately organised pipeline patrols and safety inspections to fight flooding. Firstly, safety inspections of gas engineering under construction and construction sites should be strengthened, construction should be shut down and safety protection measures should be taken. Secondly, high attention should be paid to safe operations of gas pipeline network and equipment across a bridge, along a river or by a mountain, and strict precautions should be taken against subsidence and landslides in case pavements and river banks are washed off by rainwater. Through safety checks, ENN Quzhou effectively eliminated safety hazard of pressed gas pipeline resulting from continuous rainstorm-caused subsidence.

Cultivate a safety culture

The Group has incorporated a “people-oriented, safe development” philosophy into its operation. The Group has raised employee safety awareness, cultivate a culture of “safety come first”, through activities such as safety training courses, safety education, implementation of on-site inspections against the “three main violations”, and performed risk assessments.

Safety Training

The Group has provided training sessions for all subsidiaries' staff. During the reporting period, the Group held safety training sessions for personnel in 31 subsidiaries at the ranking of team leaders or above, reaching 2,077 staffs in total; all subsidiaries completed the training sessions for all their employees during the year, reaching more than 25,000 staffs in total, with 100% attendance rate.

Safety Education

Utilising modern internet technology, the Group has created an “online + offline” mode for safety education. For online mode, safety publications and promotions have been seen via mobile phone text messages and WeChat client-end platforms. For offline modes, safety knowledge activities have been organised with involvement of communities, campuses, corporations, and so on to aid the spread of safety awareness. All subsidiaries of the Group held “The Safe Production Month” during the reporting period.



Case 1 Equipment Maintenance Team of ENN Xiangtan Gas won the national Ankang Cup competition

Equipment Maintenance Team of the ENN Xiangtan Gas aims at constructing culture of safety, vigorously innovates safety technologies, and explores unique equipment safety management methods to eliminate illegal operations, resist illegal command, and comply with safety disciplines. Due to outstanding performance in safety management and cultural construction, ENN Xiangtan received recognition as an outstanding team in the Ankang Cup event in February 2017, setting as a role model for safety management for other subsidiaries of the Group.

The Ankang Cup is an honorary safe production award established with the aim of promoting safety and health. The Cup event has been held under the auspices of the All-China Federation of Trade Union and the former State Economic and Trade Commission. Its objective is to consistently promote a culture of occupational safety within corporate and state owned enterprises, and to raise the awareness of the importance of safe production in the population at large.

4.2 Improve Safety Technologies

The Group applies advanced and intelligent safety technologies into its production and monitoring of work. This can enhance data transparency and accessibility, achieve smart management, and create a safe and highly efficient production and working environment.

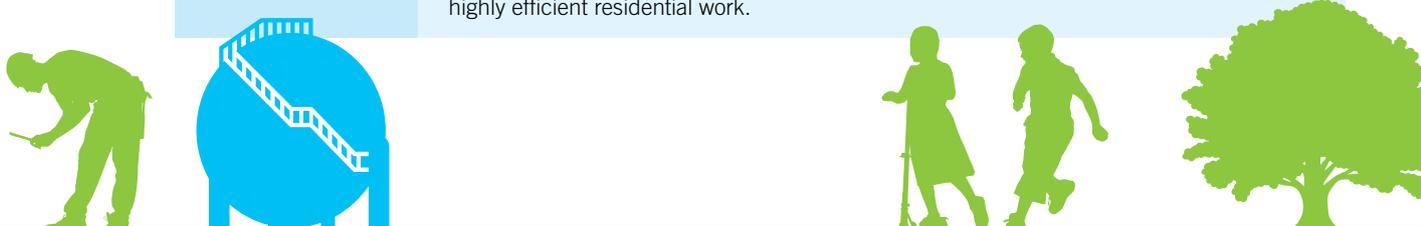
During the reporting period, the Group has committed itself to the development of visualisation systems by comprehensively advancing their utilisation over all services, such as in the transportation of hazardous

materials, construction projects and operations, and on site services. The Group installed visualisation systems for hazardous materials transportation into its own hazardous transportation vehicles, achieving a 100% rate of installation; 69 subsidiary companies installed online visualisation systems across various projects and operations, achieving 50,753 online projects put into operation during the year.



The number of construction projects with visualisation systems reached **50,753**

	<p>Visualisation systems for hazardous materials transportation</p>	<p>The Group has developed a visualisation system for the transportation of hazardous materials. The system provides real-time monitoring of whether the vehicle has deviated from the lane and the status of the vehicles such as driving over the speed limit via Global Positioning System and Beidou Satellite Navigation and Positioning System, undertakes real-time monitoring and provides alerts to any abnormal driving behaviours.</p>
	<p>Visualisation systems for construction projects and operations</p>	<p>The Group uses visualisation systems for construction projects and operations to implement visual, controllable, and traceable management systems over key work processes such as piping excavations, logistics of materials, construction of pipelines, pressure testing, pipe trench backfilling, and construction completion acceptance, as well as other elements to guarantee engineering quality and intrinsic safety.</p>
	<p>On-site visualisation systems</p>	<p>The Group uses on-site visualisation systems to keep track of data in real time and to push for projects conducted on-site, real-time information updates, automatic safety auditing, smart dispatching, smart reminders, task positioning, the management of potential automatic closed-loop system dangers, smart employee work quality evaluations, and pushes of safety gas notifications, among other capabilities. This secures safe and highly efficient residential work.</p>



4 TAKE MEASURES TO ENSURE THE SAFETY OF THE OPERATION

4.3 Promote Safe Operations

The Group has promoted safe management over various operational sectors, such as in the construction of pipeline and stations, logistics transportation, sales and after-sales services, contractor project construction, and so forth to enhance the level of safe management in operations. The Group achieved an excellent safety record over the reporting period.

Operational sectors	Safety management measures
 <p>Pipeline and gas refuelling stations construction</p>	<ul style="list-style-type: none"> Quality of materials and the safety of construction were strictly monitored in the construction of pipeline networks and gas refuelling stations.
 <p>Liquefied natural gas (“LNG”) projects, pipeline networks, and gas refuelling stations operations</p>	<ul style="list-style-type: none"> The “Pipeline Network Protection Measures” have been formulated and promoted via the Group’s smart platform. Its implementation has been monitored and supervised; A grade-based system of management over the piping networks has been implemented with regular pipeline network and station safety inspections to rectify potential problems; Communication has been established among subsidiaries around protecting piping network installations, and a smart sharing platform has been established to guard against risks; and The Pipeline Loss Incident Analysis Report has been formulated to summarise any lessons that may be learnt and to enhance our capabilities in handling pipeline damage incidents.
 <p>Logistics transportation</p>	<ul style="list-style-type: none"> Visualisation technologies via Global Positioning System and Beidou Satellite Navigation and Positioning System have been used in logistics transportation to carry out real-time monitoring throughout the transportation process; and Regular inspections have been conducted on natural gas transportation tankers to eliminate potential risks.
 <p>Energy sales and after-sales services</p>	<ul style="list-style-type: none"> Careful efforts have been made to implement standard specifications or working guidelines over the whole course of design, model selection, installation, promotions, safety inspection etc. processes with regular residential investigations to ensure safety; Gas safety protection devices have been added to guarantee intrinsic safety in gas sales; and A variety of training sessions on safe gas usage have been held for Service Hotline employees to secure excellent after-sales gas safety services.
 <p>Construction safety in contractor projects</p>	<ul style="list-style-type: none"> Visualisation technological methods have been integrated together, to monitor construction processes in real-time to ensure construction safety across construction projects.

4.4 Safety Standardisation and Emergency Management

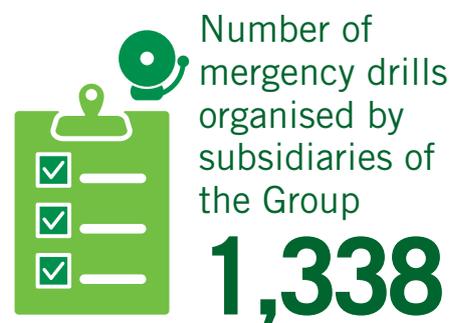
The Group stresses on the standardisation of safety measures and urges subsidiaries to obtain safety assurance. During the reporting period, the Group guided a total of 22 subsidiaries to obtain government safety standard credentials and 5 subsidiaries to obtain through the HSE certification system.

The Group also actively participates in the formulation of industry policy and standard, and shares safety management and technical experience with the industry peers. During the reporting period, the

Group participated in the formulation of “Urban Gas Supply Enterprise Production Safety Standards” (China City Gas Association T/CGAS002-2017). These standards apply to tasks related to safe and standardised construction, assessment, and such other tasks undertaken by gas companies operating city gas in China.

The Group strictly implements the relevant regulations on Measures for the Administration of Contingency Plans for Work Incidents to improve its emergency plans and to promote emergency publications, education, training, drills, assessments and other tasks. The

subsidiaries organised a total of 1,338 emergency drills over the reporting period.



5 WIN-WIN COOPERATION - STRENGTHEN SUPPLY CHAIN MANAGEMENT

The Group strictly follows the “Law of the People’s Republic of China on Tenders and Bids”, “Provisions on the Scope and Threshold of Construction Projects for Bid Invitation”, other such laws and regulations, and any associated local operational regulations. In line with the spirit of respect, communication, honesty, and cooperation, the Group continues to optimise its supply chain management systems, guide partners together toward growth, and promote the development of an excellent business ecosystem.

5.1 Supplier Management

The Group formulates and strictly implements the requirements of “Supplier Access and Management Measures”, “Administrative Measures for Safety Production Violations”, “Regulations on the Supervision of Conventional Gas Engineering”, “Supplier Performance Assessment Scheme”, “Circular

on Regulating the Bidding Work of Construction Units for Gas Engineering” and other relevant rules and regulations. The Group has established the access, evaluation and withdrawal mechanism for gas source suppliers, material suppliers and project contractors. We have integrated such factors as business ethics, respect for human rights, quality and

safety, environmental impact, and social influences into the access and evaluation of suppliers and project contractors. The Group will not cooperate with suppliers and project contractors that do not meet the national standards or have environmental and social risks, so as to enhance supply chain management.



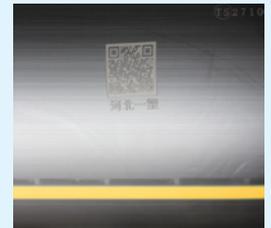
Gas Supplier Management

- Urge gas source suppliers to fulfill environmental responsibility and select suppliers according to environmental standards;
- Implement quality and safety management, and stop the cooperation with those supplier who has one or more serious quality problems or safety incidents during the execution of the contract;
- The establishment of a smart operations platform which achieved two-way monitoring and information sharing; and
- The implementation of hierarchical procurement has guaranteed the supply of gas sources. The Group has invested in the Shanghai Petroleum and Natural Gas Exchange as well as Chongqing Petroleum and Natural Gas Exchange and signed long-term gas supply contracts with overseas suppliers.



Material Supplier Management

- The implementation of a graded system of procurement, the use of QR codes, and product tracing has achieved the real-time updates on supplier product quality and the state of their compliance;
- The supplier performance appraisal and assessment mechanism has been established. If there is delay in delivery or quality issues and the safety of construction and operation of the project is affected, the Group will implement a penalty of 5 points for each complaint. If the circumstances are serious and have significant negative impact, the supplier will be directly removed from the directory; and
- Qualified gas appliance suppliers has been selected and their products have been promoted online with complaint and feedback channel.



Product QR Code



Project Contractor Management

- Vigorously promote bid invitation and early evaluation of qualified contractors to select excellent contractors who cares fo environment, respects human rights, and takes serious responsibility in terms of sensitive issues such as project quality, safety production and environmental protection;
- Make use of the two-way supervision function of the visualisation system, form a mutual supervision mechanism with project contractor, supervise the construction process in real time to ensure engineering quality; and
- Make consistent support for as regular annual projects quality event and the building of a platform for the sharing of contractor experiences.



Use visualisation technologies to monitor the real time progress of supplier projects

5.2 Technological R&D and Intellectual Property Rights Protection

The Group has continued to increase its investment in technological research and development, incentives for employees to inspire the creation of new inventions, and stronger technological development around pipeline network construction, refurbishment and testing. The Group enhanced the operational safety of its pipeline network while improving economic benefit. During the reporting period,

the Group filed more than 300 patents and software copyright applications and supported 20 subsidiaries to be recognised and accepted as high-tech enterprises. The Group received a total of 11 achievement awards for new or company-specific technologies during the reporting period, of which there were 3 technological industrialisation awards, 2 technical invention awards,

and 6 technological innovation awards. At the same time, the Group also places great emphasis on protecting its own intellectual property rights and raised the awareness of technical employees with regards to confidentiality, and protected the Group's intellectual property rights from infringement to safeguard the Group's core technologies.



Innovative technological results

- Refuelling vehicle restraint device
- Compressed natural gas ("CNG") gas recovery and cylinder inspection system
- Multi-slot vehicle-to-ship parallel fuelling device
- The development and application of an information-based, self-serviced recharge terminal system
- The innovative use of LNG power on coastal vessels carrying hazardous materials
- Steel pipeline cathode remote monitoring and inspection system
- The application of QR code in city gas projects
- Upgrading and improving the gas meter detection system for residential users
- Optimise and upgrade project around the overall analysis system for city gas transmission and distribution
- Completely assembled liquefied petroleum gas ("LPG") liquid transfer and filling processing technologies
- Touran, Lavidia LPG dual-fuel taxi refitting technology



The Company filed more than
300
patents and software copyright applications over the reporting period



Achievement awards for new or company-specific technologies
11

6 PROFESSIONALISM - FORGE OUTSTANDING SERVICES

The Group rigorously observes the “Product Quality Law of the Peoples Republic of China”, “Regulation on the Administration of Urban Gas” and other associated laws and regulations as it seeks its key objective of respecting customers and creating customer satisfaction with the creation of a greater variety of service channels. The Group is dedicated to providing outstanding products and services to customers and a mutually beneficial relationship between the Group and its customers.

6.1 Improve Service Quality

The Group guarantees the provision of outstanding gas products and services to customers and the enhanced level of customer satisfaction through fair and transparent pricing, convenient and easily accessible channels, and a professional and highly efficient services team.

The Group has conducted surveys of customers satisfaction on the services provided to residential, industrial and commercial, property, vehicle users, etc., over the reporting period. The surveys covered 64 companies over 9 major regions, of which there were 54

pipeline transportation companies, and 10 independent vehicle-using companies. 10,516 effective samples were collected in total. The overall customer satisfaction rate from the samples was 89.3 points.



Accessibility to gas

- Online: the use of mobile platforms has provided customers with a unified one-stop service which has gathered information and news, pricing, and customer services together so that customers can easily make payments without leaving their homes; and
- Offline: business offices have been set up; payment outlets have been launched in conjunction with postal services, banks, and supermarkets; transfer machines or convenient payment collection points have been established in communities with relatively high population density; and the quantity of gas that may be purchased by customers at one time has been increased to reduce the numbers of payments required.



Safety use of gas

- New inspection technologies have been employed such as infrared and drone technologies, and so forth, which engage in regular safety inspections for residential and industrial users. There was a 99% safety inspection rate for residential users in 2017; and
- The installation of flexible stainless-steel hoses was comprehensively pushed forward to reduce the chance of gas leakages or shedding incidents.



Outstanding services team

- Team management practices have been consistently strengthened as well as service processes to raise customer service efficiency; and
- Various service team training sessions, professional knowledge exchanges and competitive activities were organised to improve the professional service capabilities of the service team.

6.2 Customer Complaints Handling

The Group formulates and diligently implements the requirements contained in the “Customer Complaint Management Measures” and has initiated 95158 24 hours Customer Service Hotlines to resolve customer enquiries and to handle customer complaints. In addition, the Group has developed new capabilities relating to the rapid circulation and approval of information, suggestions, and complaints on the basis of its original IT system. This will help to ensure that

customer enquiries are resolved in time. The Group went further in promoting the use of its customer application and incorporated the rate of positive customer feedback into its service performance assessments, involving the continued tracking and review of customer feedback to ensure that customer problems were promptly received and dealt with. During the period of reporting, the customer complaints handling rate was 100%.



100%
Customer
complaints
handling rate

7 IMPLEMENT ENVIRONMENTAL SUSTAINABILITY - CREATE A GREEN FUTURE TOGETHER

The Group has strictly observed the requirements of the “Environmental Protection Law of the People’s Republic of China”, the “Atmospheric Pollution Prevention and Control Law of the People’s Republic of China”, the “Water Pollution Prevention and Control Law of the People’s Republic of China”, the “Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes”, the “Law of the People’s Republic of China on Prevention and Control of Pollution From Environmental Noise”, other associated laws and regulations and any relevant local regulations in industry. The Group actively promotes the management of emissions and resource consumption, attaches importance to ecological environmental protection, organises green environmental protection activities, and strive to achieve an overall maximisation of economic, social, and environmental value.

7.1 Provide Green and Clean Energy

As one of the largest distributors of clean energy in China, based on its professional and technical advantages, in response to the national air pollution management, “coal-to-gas”, and “coal-to-electricity” strategy, the Group undertakes “coal-to-gas” projects at various locales, advances

coal boiler redesign, provides quality energy solution for demand side according to local conditions, optimises energy use structure, and promotes clean and efficient use of energy. During the reporting period, the total natural gas sales volume of the Group was 19.62 billion cubic meters, and the carbon dioxide emissions was reduced

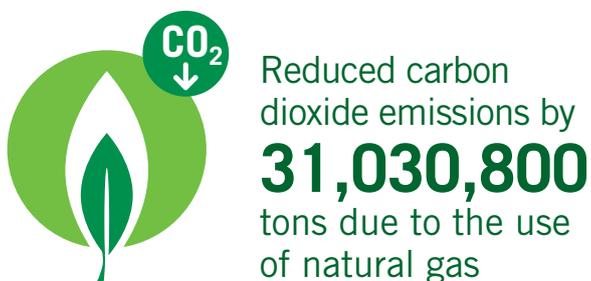
by 31,030,800 tons due to the use of natural gas. In 2017, the Group promoted rural “coal-to-gas” project in rural area, adding 330,000 natural gas users. The annual natural gas usage was about 330 million cubic meters, and the carbon dioxide emissions was reduced by 546,900 tons due to the use of natural gas.

Case 1 ENN Energy fully committed, driving forward Shijiazhuang urban coal-to-gas project

In 2017, the Group and the Shijiazhuang Blue Skies Environmental Management Industrial Transition Fund Co., Ltd. (Blue Skies Fund) signed a joint-venture agreement, to jointly invest, build, and operate the “coal-to-gas” project in Shijiazhuang. This project fully leveraged the Group’s advantages in pipeline network construction and strong operating capability, combined with Blue Skies Fund’s capital and resource advantages, jointly driving the successful construction of Shijiazhuang’s natural gas main pipeline network and liquefied natural gas emergency peaking reserve, and to provide stable, reliable supply of piped natural gas for Shijiazhuang rural “coal-to-gas” projects.

Case 2 ENN Quanzhou development of clean energy

In 2017, ENN Quanzhou upheld the mission of “Develop clean energy, and to enhance welfare of Quanzhou residents”, conscientiously fulfilled economic, social, and environmental corporate responsibility, implemented and responded to government’s “energy conservation and emission reduction” policy, driving the “coal to gas” and “oil to gas” progress in the metallurgy, ceramic, textile, petrochemical, and other industries, cumulatively reduced carbon dioxide by 11,247,200 tons, sulphur dioxide 253,100 tons, dust emissions 472,600 tons, playing an active role in Quanzhou’s low-carbon economy, energy conservation and emission reduction, and environmental protection.



Reduced carbon dioxide emissions by
546,900 tons due to the promotion of rural “coal-to-gas” project

7.2 Reduce Emissions

The Group innovatively applies advanced energy conservation and water conservation technology, lowers greenhouse gas and waste gas, waste water, and solid waste emissions as much as possible, and realises resources recycling.



Waste gas emission management

- Explored LNG storage tank boil-off gas ("BOG") re-liquefaction reclamation technology, and implemented pilot at Shandong Xintai gas station, as of year end, BOG emissions reduced by a total of 21 tons; and
- Through comprehensive urban pipeline network reclamation, compression reclamation BOG, broad promotion and application of compressors to reclaim gas tanker residual gas, the Group reduced BOG emissions by approximately 5,920 tons in total, representing a significant result.



Solid waste processing

- Carried out reclamation and utilisation of waste that meet reclamation re-use criteria, including repurposing of waste pipes into reusable casing or support, etc.;
- Compliance processing of hazardous waste; and
- Established internal idle asset trading platform, so that idle equipment and facilities are repeatedly utilised for maximum usage.

Greenhouse gas emissions by the Group are mainly caused by the use of coal, gasoline, diesel, electricity, natural gas, and other energy sources consumed by production, office, heating, and staff canteens. The hazardous waste mainly includes machinery waste oil, odorant barrels, waste of chemical product packaging, hazardous metal elements of old circuit board in gas meter; non-hazardous waste mainly include office trash, non-hazardous parts generated in the process of gas meter manufacturing and maintenance, scrapped old pipes and cables. The Group implements hazardous waste return or delivery to qualified third-party for compliant disposal, while non-hazardous waste is processed centrally. During the reporting period, emission status of the Group was as below:

Types of emissions	Unit	2017
Total greenhouse gas emission	tons CO ₂ e	267,469.44
Greenhouse gas emission density	tons CO ₂ e/million RMB	55,412
Greenhouse gas direct emission volume (Scope I)	tons CO ₂ e	123,487.62
Greenhouse gas direct emission density	tons CO ₂ e/million RMB	25,583
CO ₂ direct emission volume (Scope I)	tons	122,152.43
Methane direct emission volume (Scope I)	tons	35.95
Nitrous oxide direct emission volume (Scope I)	tons	1.46
Greenhouse gas indirect emission volume (Scope II)	tons CO ₂ e	143,981.82
Greenhouse gas direct emission density	tons CO ₂ e/million RMB	29,829
Total SO ₂ emission	tons	79.05
Total NO _x emission	tons	35.72
Total dust emission	tons	31,873.00
Hazardous waste generation volume	tons	36.14
Hazardous waste generation density	tons/million RMB	7
Non-hazardous waste generation volume	tons	2,045.63
Non-hazardous waste generation density	tons/million RMB	424
Waste water generation volume	tons	1,888,757.79
Waste water generation density	tons/million RMB	391,298

Scope I : Direct GHG emission by the Group are mainly due to the use of coal, gasoline, diesel, natural gas, and other energy sources consumed by facilities in operation.
 Scope II : Indirect GHG emission by the Group are mainly due to purchase of electricity power consumed by facilities in operation.

7 IMPLEMENT ENVIRONMENTAL SUSTAINABILITY - CREATE A GREEN FUTURE TOGETHER

7.3 Optimise Resource Consumption

In production and operation, the Group advocated the use of clean energy, reduced the proportion of coal usage, and improved the efficiency of energy use. At the same time, the Group strives to promote green offices, infuse low carbon environmental protection principles into the daily work of staff, enhance staff energy conservation awareness, and cultivate staff environmental protection habits. During the reporting period, the Group's integrated energy consumption was 69,441.13 tons of standard coal, a decrease of 16.12% year-on-year.

The Group's management measures for reducing office resource consumption:


- Continued to promote energy conservation and emission reduction in offices, with ground source heat pump being used in headquarter buildings to reduce outsourcing heat and power consumption;
- Standardised employees' daily office behavior and developed their habit of energy conservation and environmental protection in the staff code of conduct;
- Promoted the use of iCome electronic office platform, and implemented paperless office;
- Improved the teleconferencing system and encouraged its adoption, so as to boost working efficiency while saving cost;
- Minimised the purchase of disposable items and promoted the use of durable goods;
- Set up the centralised recycling boxes of selenium drum, ink cartridges, waste batteries and others;
- Standardised the management and reduced the use of company vehicles for business purposes to make sure that one vehicle is shared by various parties; and
- Encouraged employees to take the Group's new energy-powered shuttle bus or other environmental friendly vehicles to and from work.

The Group's energy consumption primarily comes from coal for heating boilers; natural gas consumed for heating and staff canteens, as well as natural gas, gasoline, and diesel consumed by the use of vehicles for business purposes; water resource consumption mainly comes from daily office work, production and operation consumption. During the reporting period, energy consumption status of the Group was as below:

Resource type	Unit	2017
Coal consumption volume ²	tons	33,077.18
Diesel consumption volume	litre	1,088,498.28
Gasoline consumption volume	litre	3,885,027.67
Natural gas consumption volume	10,000 m ³	1,093.79
Externally purchase power consumption volume	MW/h	209,354.27
Coal consumption density	tons/million RMB	6,853
Diesel consumption density	litres/million RMB	225,507
Gasoline consumption density	litres/million RMB	804,870
Natural gas consumption density	10,000m ³ /million RMB	227
Externally purchase power consumption density	MWH/million RMB	43,372
Total integrated energy consumption conversion to standard coal	tons standard coal	69,441.13
Integrated energy consumption density	tons standard coal/million RMB	14,386
Water resource consumption volume	tons	2,222,067.98
Water resource consumption density	tons/million RMB	460,351

¹ The integrated energy consumption is calculated based on the basic data such as coal consumption volume, externally purchase power consumption volume, gasoline consumption volume, diesel consumption volume, and natural gas consumption volume consumed by production and daily operation of the Group, in accordance with the uniform standard coal coefficient published in the national general principles for calculation of total production energy consumption (GB/T2589-2008).

² Coal consumption mainly comes from the operation of power facilities.

Case 1 ENN Huaian energy complemented power and water conservation

Natural gas must be depressurised during supply process, which requires the absorption of large amount of heat, at the same time releasing large amount of low temperature energy, resulting in the formation of severe surface frosting on gas pipeline. To solve this problem, ENN Huaian used a fuelling station water tank as the carrier to neutralise the hot water resulted from the compressor cooling and the cold water resulted from the heat exchange process of depressurising in the city gate, with the neutral water temperature usable for natural gas heating, as well as compressor cooling again. This measure has only been deployed for 4 months but has saved more than 100 tons of water, and 30 thousand plus cubic meters of natural gas that could have been consumed by water heater.

Case 2 ENN energy advocated water resource recycling

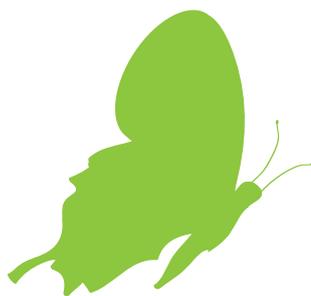
The Group attaches importance to water resource recycling. The Group's subsidiaries are encouraged to establish rain water collection equipment, supplement the water storage for fire protection, and reduce municipal water consumption. The Group's gas processing station in Haining uses the river nearby as firefighting water source, thereby avoid construction of water tanks for fire protection, reducing water usage.

7.4 Protect the Environment and Natural Resources

The natural gas industry in China is roughly divided into upstream, midstream and downstream business segments. The Group focuses on downstream city gas supply businesses. According to the relevant regulations, the Group's business and operating areas are less involved in the key national ecological protection zones, ecologically sensitive areas and vulnerable areas as stipulated in the "Environmental Protection Law of the People's Republic of China", and the risk of ecological protection is relatively low.

The impact of the Group's offerings on the ecological environment is mainly concentrated in the process of city pipeline network layout, maintenance and project construction. The Group performs stringent environmental assessment and approval of each gas construction project in accordance with the "Technical Guidelines for Environmental Risk Assessment of Projects" (HJ/T169-2004) conducts in-depth surveys and interviews at the project sites, so as to reduce the destruction of natural ecological resources such as atmosphere, water, vegetation,

and living creatures and to protect cultural landscapes. In addition, the Group also requires suppliers to reduce interference with local residents during construction and pay attention to ecological environment protection. During the reporting period, the Group did not have any major incidents of lawsuits or corresponding penalties resulting from environmental violations.



Main measures for environmental and biological diversity protection of the Group	
 Reduce air pollution	<ul style="list-style-type: none"> The Group standardised project construction management, requiring earthmoving vehicles to use tarps as cover, to avoid dust pollution of the air and environment.
 Reduce water pollution	<ul style="list-style-type: none"> The Group has built water discharge channels at construction sites, to facilitate sediment on waste water generated from construction. The treated water can be discharged into urban waste water pipeline system only after efficient treatment to meet discharge standards; and In directional ground drilling construction process, mud pond was built to carry out centralised processing of mud generated during construction and avoid seepage into underground water or into rivers.
 Avoid plant damage	<ul style="list-style-type: none"> The Group makes the greatest effort to undertake non-excavating methods for pipeline construction, avoid damage to vegetation and the ecosystem; and In urban construction and pipeway excavation, original plants and trees should be transplanted, and the vegetation and land will be restored after completion.
 Reduce noise pollution	<ul style="list-style-type: none"> The Group requires construction sites to avoid night-time construction if possible. When construction is close to residential areas, construction workers must take effective measures to absorb and block noise from main noise sources, reducing impact on nearby residents as much as possible; and The Group affiliated CNG gas stations and pressure regulation towers build walls or take sound proofing measures, to reduce interference on surrounding residents from noise made by compressor and pressure regulation facility.
 Soil treatment	<ul style="list-style-type: none"> The Group strictly prohibits earth re-filling with toxic hazardous waste generated during the construction process. Toxic hazardous waste is handed over to qualified professional organisation for centralised, standard processing.
 Biological diversity protection	<ul style="list-style-type: none"> The Group places emphasis on biological diversity management and assessment. When construction is carried out in areas with abundant animal and vegetation resources or poor environmentally sensitive areas, the Group will prioritise using high cost but low surface impact “diagonal pipe crossing” construction technique, striving to reduce damage to local animal and plant life habitat.

Case 1 Luoyang Huayou Gas Co., Ltd carried out environmental risk assessment of its construction project

To avoid the negative impact of the construction of gas project on the environment and local residents, Luoyang Xinao Huayou Gas Co., Ltd. was persistent in its efforts to perform an environmental risk assessment prior to project commencement and prepared an assessment report in response to the requirements of the Group's headquarters. The report described the level of environmental risks of the project, source of danger and hazard identified, analysis of the impact of construction dust and its preventive measures, analysis on the impact of construction noise and its preventive measures, analysis of the impact of domestic sewage produced during the construction and its preventive measures, and survey on environmentally sensitive areas, etc. Moreover, the company also took effective measures to prevent environmental risks, and performed its duties of environmental and ecological protection.



7.5 Organise Green and Environment Protection Activities

The Group emphasises on dissemination of environmental protection concepts, increasing investment in environmental protection, conducting environmental protection activities, encouraging staff participation and enhancing staff environmental protection awareness to cultivate staff environmental protection habits. During the reporting period, ENN Zhaoqing Gas donated RMB720,000 to Zhaoqing household hazardous waste treatment plant, for purchasing waste processing equipment, and to promote its daily processing capability.

Case 1 Conducted “ENN Charity Day” environmental protection promotional activity

The Group conducted its eighth “ENN Charity Day” environmental protection promotional activity, consistently focusing on residential related environmental protection issues, encouraging subsidiaries located in Dongguan, Quzhou, Huludao, Qingdao, Chuzhou, Kunming, Lanxi, and other cities to actively participate, with up to 300 ENN volunteers sounding off together, mobilising the people to “act as responsible environmental protection tourists”. The activity was recognised and welcomed by residents, and they agreed to start with themselves, to effectively implement energy conservation and environmental protection.



8 ADVOCATE SELF-DRIVEN MENTALITY AND SUPPORT TALENT GROWTH

The Group strictly adheres to the “People’s Republic of China Labour Law”, “People’s Republic of China Labour Contract Law”, “People’s Republic of China rules prohibiting the use of child labour”, “People’s Republic of China Social Insurance Law”, “People’s Republic of China Women’s Rights Protection Law”, “People’s Republic of China Occupational Disease Prevention Law” and other relevant laws and regulations in the operation area, advocating “self-driven + empowerment” management model, supporting fair and diversified employment, paying attention to staff health and safety, safeguarding staff legal interests, encouraging staff to create value, and boosting staff happiness index.

8.1 Fair and Diversified Employment

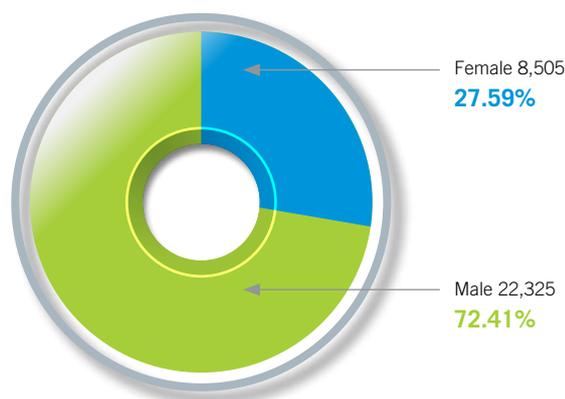
The Group formulated and strictly implemented the “Recruitment Management Rules” and other labour management policies. Based on the three principles of “openness, fairness, justness”, “localisation” and “avoidance”, the Group focused on localised recruitment, actively avoided sensitive relations, and equally treated applicants of different nationalities, regions, ethnicity, race, gender, academic attainment, age, and religious belief. At the same time, we actively provided positions for handicapped persons. During the reporting period, the Group did not have any discriminatory behaviour due to gender, ethnicity, age, health, and other status during hiring process. As of the end of December 2017, the Group had a total of 30,830 employees. The specific distribution is as follows:



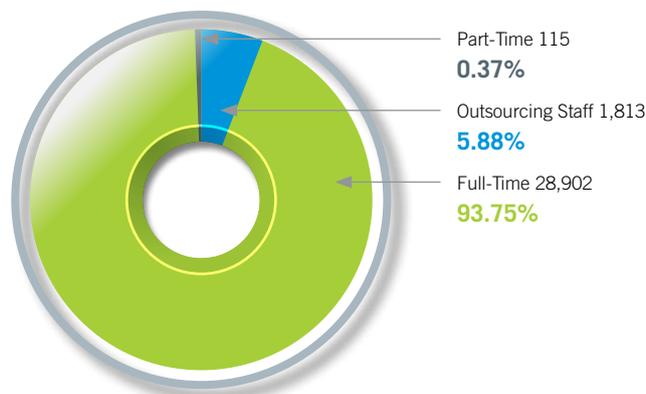
Total number of employees of the Group

30,830

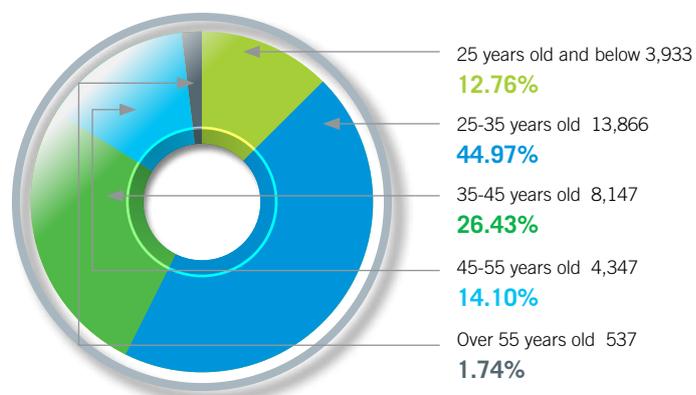
Employee by gender
(Unit: person/percent)



Employee by employment type
(Unit: person/percent)



Employee by age
(Unit: person/percent)



8.2 Protect Staff Rights

The Group is dedicated to standardising the division of labour, signing employment contracts with staff in accordance with law, paying Social Insurance and Housing Fund for employees. We also purchases supplemental employer liability insurance, public transport accidental insurance, and other commercial insurance on behalf of staff. During the reporting period, the Group's employment contract coverage rate was 100%, and social insurance payment ratio was 100%. The Group attaches great importance to communication with employees, listens to staff suggestions, and solves staff's work and life problems. During the reporting period, there were 9 labour issue complaints, handling rate was 100%.

The Group has formulated and strictly implemented the "Remuneration Management System" and "Performance Management Measures", insisted on the principle of giving priority to performance and giving consideration to fairness, provided employees with competitive remuneration, followed capability-oriented approach, and stimulated employees' potential, so as to create shared value between the Group and employees.

The Group formulated and strictly implemented the "Attendance and Leave Application Management Guidelines", ensuring that staff enjoy statutory holidays and marriage leave, maternity leave, paternity leave, breastfeeding leave, and bereavement leave. The Group also has

an overtime and days off policy, so that staff are compensated with overtime pay in accordance with the labour law.

The Group provides free working lunches, dormitories, shuttles, communication, labour protective gear, and other welfare protection; regularly organises employees' physical examination, provides fitness cards in Langfang for employees, installs air purifiers in offices, and cares for employees' health status; provides travelling chances for excellent employees, organises social activities for single employees, and organises dinners and movies gathering, so as to enhance staff happiness and stimulate staff working enthusiasm.

8.3 Promote Staff Development

The Group integrates the concepts of "self-driven" and "empowerment" into the process of employee growth, establishes "self-driven" organisation, refines talent strategy, builds value sharing mechanism, and customises employee training program. Taking the development needs of employees as a guide, we enriches the training content, so as to reserve knowledge and experience for the development of employees, and continue to build a new group of integrated energy experts. The Group sets up a "Wolf Warrior

Special Training Camp" to select backup "Wolf Warrior Team" with the "self-driven" spirit and innovative consciousness. The Group promotes the concept of "self-learning, self-help promotion", builds an expert database and case database to improve personal and corporate management and operation capabilities.

The Group also formulated and strictly implemented the "Administrative Measures for the Recruitment of Cadres", "Administrative Measures for the Promotion of Cadres" and etc., providing employees corporated with standardised,

fair, transparent and open personal development space to help them achieve their professional development goals.

At the same time, the Group, in collaboration with the ENN University, has developed unified corporate cultural courses. With "New Culture" as the theme, we organised trainings and "cultural discussion forum", that enables employees to identify with the Group's new corporate cultural concepts and connotations, form a cultural consensus, and enhance organisational cohesion.

Case 1 The Promotion and Training of the Organisation's "New Culture"

On 30 November 2017, ENN Energy carried out a series of training activities on the new corporate culture succession under the era of Internet of Things. Relevant leaders of the Group detailed the corporate developmental milestones, mission, vision, values and corporate philosophy, and the Group's new position has been lively commented on. During the training, all participants were full of energy and spoke enthusiastically. The old employees warmly recalled their years growing with the Group, and the new employees actively talked about the vitality of the new era under the Group.



Scenes during training

8 ADVOCATE SELF-DRIVEN MENTALITY AND SUPPORT TALENT GROWTH

The Group also promotes the new corporate culture by organising product branding activities. In 2017, the Group organised the “Challenge ENN Guinness” series of activities to accelerate the construction of ENN “Destined Ecosphere” to draw “self-driven” growth for all business

partners in the ENN ecosphere. Through challenging national standards, evaluating by industry experts, simulation of real-world scenarios, the activities was for all those who had the courage to challenge and willingness to share, this is to provide employees a platform for displaying and

playing at a technical level, while promoting employee awareness of the values of “self-driven + empowerment”, at the same time strengthened the employee’s professional skills and enhanced employee passion of their jobs.

Case 2 ENN Energy launched the “Challenge ENN Guinness” Competition

In 2017, the Group organised the “Challenge ENN Guinness” series of activities. It provided a platform for the employees who had the courage to challenge and willingness to share, so as to strengthen the employees’ professional skills and increase their passion for their jobs.



Indoor gas pipeline installation (team) finals

Gas appliance repair finals

Employee training

Relying on education platforms such as the Internet and ENN University, the Group builds an innovative employee training model of “online learning” and “offline practising”, actively carries out new employee recruitment, professional certification, skill level assessment, engineering master’s degrees, successor training and other training for employees in different positions and at different development stages, and continuously improves their theoretical knowledge and professional skills.

Case 1 Mentor Training Program for “Freshmen” Training Camp

In consideration of the “Freshmen” who were overwhelmed when they first entered the workforce and having difficulties to take on tasks, the Group cultivated a group of mentors to help the “Freshmen” to solve the difficulties at the beginning of the work. In 2017, the Group successfully held the “Freshmen” Training Camp mentorship training in Langfang, Chongqing, Changsha, and Guangzhou. Mentors were trained with case sharing, discussion and effective communication on the significance of mentoring work and team construction plan.

Through training, the mentors recognise the importance of the mentoring work for “Freshmen” and understands the basic skills that mentors should have. The training will help strengthen the awareness of induction, optimise the management of the mentors, help “Freshmen” adapt to the working environment, and quickly assume their posts.



A fruitful classroom presentation

Employee incentives

The Group actively carries out employee appraisals activities. Through the selection and recognition of outstanding employees, the Group sets an example for learning, encourages employees to be more enthusiastic and to work hard, inspiring all employees to be positive and contribute to the development of the Group.

During the reporting period, the appraisal and appraisal activities organised or participated by the Group included:

- Launched ENN Energy's "Excellent Employees" selection campaign, completed 229 outstanding employee selections and commendations;
- Launched the "Star of Virtues" campaign to select two stars of virtue and distribute honours and bonuses;
- "The 1st July Celebration Activities" selected and commended 11 advanced party organisations, 49 outstanding Party members, and 9 outstanding Party workers;
- Received honorary titles such as the National Pioneer Workers, Excellent League Members (Trade) in the Development Zone of Langfang City, Outstanding Enterprises (or Teams) in the Development Zone of Langfang City, and Outstanding Women Workers in the City; and
- The ENN Langfang Gas Second Refuelling Station team was named "National Workers Pioneer" by the National Federation of Trade Unions.

Case 1 ENN Kaifeng Gas Appraisal Female Role Models

On Women's Day, ENN Kaifeng Gas selected 10 female role models for their meritorious service, demonstrating the spirit of being focused and dedicated, setting examples for female employees, and improving their enthusiasm.



8.4 Safeguard Employee's Occupational Health and Safety

The Group actively refers to the International OHSAS18001 Occupational Health and Safety Management System Certification Standards, and constantly improves the occupational health and safety management system for employees. Through setting up an independent safety management agency, establishing a safety management system, organising employees' safety training, carrying out occupational health examinations and psychological counseling, we protect the occupational safety of employees and promote the physical and mental health of employees.

A safe working environment

The Group sets up the Management Committee of Work Safety, which is responsible for the management of occupational health and safety across the Group. At the same time, an independent safety management agency is established and qualified work safety management personnel are provided to take charge of supervising and executing the Group's safe operation, thus providing enhanced safe operation and ensuring employees' personal safety.

To create a safe and healthy occupational environment for our employees, the Group has formulated and strictly implemented the Provisions on Work Safety Management, and monitored the

occupational hazard factors. The Group provides employees with special protective equipment and appliances that conform to national and industry standards, according to the type and intensity of their exposure to occupational hazards, and educates employees on appropriate use of equipment. For operational activities such as hot work, operation in confined space, temporary power operation, blasting operation, working at height, lifting operation, and ground-breaking operation, the Group implements operational license management, strictly fulfils the approval procedures for graded licenses, and satisfies the requirements of the Safety Code of Special Work in Chemical Manufactory (GB30871).

Case 1 ENN Chuzhou Gas built a system for overall management of employees' occupational health and safety

Occupational health and safety supervision: Conduct regular monitoring on various occupational hazards in the workplaces; provide occupational health surveillance for employees engaged in occupational hazards; constantly update the record of basic conditions and routine monitoring data of hazardous workplaces as well as employees' individual occupational health data, and report on a regular basis.

Prevention of occupational health and safety risks: Provide pre-evaluation of labour hygiene for construction projects; use occupational health protection facilities; conduct regular maintenance, overhaul and inspection of production equipment; offer effective personal protective equipment for employees; provide training and education on occupational health; develop emergency rescue measures and conduct rehearsals; and report changes of technology, process and raw materials resulting in possible occupational hazards to the Security Department.

Measures for the prevention of occupational diseases: Give medical treatment to suspected occupational patients immediately after diagnosis. Employees shall enjoy compulsory work injury insurance benefits treatment or equivalent during treatment.

Occupational health and safety assessment: Establish a reward and penalty system for occupational health work included in the annual HSE assessment conducted by each department of the Company; organise and select advanced units and advanced individuals for the recognition or rewards; penalise the relevant departments or individuals that have caused increased occupational hazards of employees or property losses.

Employees' safety training

The Group formulated and strictly implemented the "Guidelines for the Construction of a Corporate Safety Culture", "Administrative Measures for Work Safety Training", "Regulations for Safety Training for Production and Business Units", "Regulations for the Administration of Safety Technical Training Assessment for Special Operators", and "Assessment Management Measures for Professional Training for Gas Supply Operators", and provided "three-level" safety education and training for newly recruits. We carried out induction occupational health training and on-the-job occupational health training for

employees with occupational hazards. Special operators obtained corresponding qualifications through special theoretical and on-site practical training according to national regulations and took appointment with certificate. Through graded and diversified training, we aim to raise employees' awareness of occupational health and safety, and defense occupational health and safety risks.

The Group actively carries out safety production education and training for suppliers and project contractors engaged in services and work at the site for business operations to ensure the health and safety of the suppliers and project contractors.

Employees' occupational health

The Group has long been focusing on the physical and mental health of its employees by purchasing personal insurance for employees and regularly arranging medical examinations to ensure that employees are physically sound. At the same time, the Group also attached great importance to employees' mental health, promptly relieved employees' anxiety and negative emotions caused by work stress and difficulties in life, resolved employees' psychological pressure, and encouraged employees to face work and life with a positive attitude.

Case 1 ENN Changsha Gas launched EAP platform to help employees resolve mental stress issues

ENN Changsha Gas launched the EAP volunteer service to provide employees extra help in resolving situations at times of heavy workload and great mental stress. Employees can register to be a part of the volunteer service where they will receive specialist mental health training. Through gathering the existing mental health issues of employees, the service team offers assistance and support to employees who are struggling with pressures in their lives and helps them out of their predicament so they can positively face their work and lives and increase their happiness index.

8.5 Focus on Staff Caring

The Group values human care and is enthusiastic in solving practical problems for our employees, and in helping them out of predicament so they can resume a happy life. At the same time, we advocates work-life balance for employees. Through organising various cultural and sporting activities, the Group creates a pleasant work environment and a sense of belonging and encourages cohesion between employees. This promotes a positive and forward-thinking mentality within employees essential for meeting challenges at work and in their lives.

Care for Employee

The Group uplift the principle of Three Must Care¹, and has established Caring Foundation to help employees through misfortunes and difficulties so that the employees are treated with warmth and

care. During the reporting period, the Group's "Caring Foundation" raised a total of RMB748,500 donations, which was then distributed by labour union to seriously-ill employees in need.

Sports and Entertainment

The Group promotes a healthy lifestyle and happy workforce. Through activities such as commendations for outstanding family members, photo exhibitions, "goddess festivals" and company parties, the Group enriches the employees' spare time, provides a platform for employees to demonstrate their talents and use their creativity, and thus promotes communication between employees and improves employee cohesion.



The Company's
"Mutual Aid Fund"
raised a total of RMB
748,500

Case 1 Families recognition events

In order to express our gratitude to families for supporting the work of the staff, the Group launched the "Excellent Family Members" event and commended them during the "Moon Lantern Festival". The Group's leadership awarded outstanding families and employees gave flowers and warm words to their families to make the event a very positive one.



¹ Three Must Care means the three occasions, namely marriage, condolence and work place injuries, the management of the Company and relevant colleagues of labour union will give employees warmth and care.

Case 2 Cultural and recreational activities

On 10 February 2017, The Group organised the Moon Lantern Festival and invited family members of employees to visit us, to chat, be entertained, and celebrate the holiday together, while we all shared in the achievements of the ENN Group. Representatives of outstanding families visited the headquarter exhibition hall, Qixiu Academy, and the Smart Enterprise Operation Centre to learn about the development of other business units of ENN Group, and experienced the beauty of traditional Chinese culture and the corporate visualisation in the internet era, and the evolution of big data management.



In 2017, the Group arranged the “Beauty in Travel” photo contest, selecting first, second, third, and special mentioned awards. Employees shared joy from the journey through the competition and encouraged employees to discover the beauty of life.



On 8 March, 2017, Langfang ENN Gas and Jinggu ENN Gas co-organised the flower arrangement activity, which encouraged female employees to play a bigger role and devote themselves to work and life with greater enthusiasm.



Case 3 Athletic competitions

The ENN Energy participated in badminton, basketball, as well as football organised by ENN Group and won the top prize in the team contest. During the events, employees enhanced their athletic skills, and developed friendships. This was beneficial to team building and employee collaboration, and further enhancing team cohesion.



ENN Energy organised a fun sports meet-up. Activities include water-diversion, crossing the river, and hula hoop coaster challenge, and so on. The activities were interesting, enriching the lives of employees. They can release pressure and help them to devote themselves to tasks with good mental state.



9 NEVER FORGET TO GIVE BACK

The Group upholds the philosophy of “expressing gratitude and giving back to the society”, and actively participates in public welfare undertakings such as education, poverty alleviation, disaster relief and volunteer activities, and serves local communities, so as to demonstrate corporate social values and responsibility, and contribute to building a harmonious society.

9.1 Safeguard People's Livelihood

The Group actively responds to the requirements of unconditional protection of people's livelihood and gas use and the requirements of coal-to-gas, actively promotes new rural users taking part in the coal-to-gas project, adopts a dynamic optimisation strategy, creates gas supply plans for industrial and commercial users, to ensure domestic gas demand, addresses issue of limited supply of natural gas in winter, and practices corporate social responsibility.

Expand multiple channels for purchase of gas resources	<ul style="list-style-type: none"> • Purchase of gas resources from multiple channels, and actively coordinate management of gas pipe resources with upstream gas source suppliers such as PetroChina, Sinopec, and CNOOC; • Participate in the national gas exchange platform to supplement source of gas; and • Sign long-term contracts with domestic and overseas gas suppliers and lock down gas sources.
Strive to protect the people's livelihood	<ul style="list-style-type: none"> • Integrate with the upstream gas supply plan and work with local governments to formulate and implement a security plan on gas supply; and • Priority is given to ensure the heating needs of residents, and carefully identifying special circumstances for industrial and commercial users so that the gas supply plan can be adjusted accordingly for peak customers, those who may interrupt the business operation of other customers, and those customers with alternative backup energy systems.

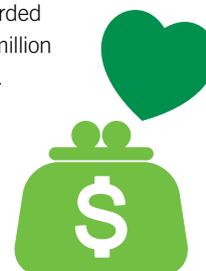
Case 1 ENN Changzhou fought with gas shortage

In October 2017, ENN Changzhou suffered a gas supply shortage that was severe in the past 19 years. In order to ensure the residents' use of gas and ensure the orderly supply of natural gas, ENN Changzhou gas actively responded. The company established an emergency team to manage the issue in 24 hours. They monitored the pressure of the pipe line, adopted various measures such as strategising, linking, supplementing, safeguarding and adjusting. Their work was to solicit assistance in any way possible and strive for the gas supply. They coordinated with the city's burn management network to ensure mutual protection. They purchased high-priced LNG resources, adding 2 new temporary gasification points, increasing the capacity by 500,000 cubic meters/day and a large-calibre high-pressure pipe network storage capacity of up to 150,000 cubic meters. They mobilised business users heavily relied on gas to balance usage, with the aim of maintaining a stable supply of gas.

9.2 Participate in Social Welfare Activities

The Group is enthusiastic in joining charitable activities. We established brand social welfare projects centered on school building projects, inspirational projects and quality projects. Meanwhile, the Group participates in community culture cultivation, implements targeted measures for poverty alleviation, puts its heart into student education and supports earthquake relief work. The Group devoted to contribute its efforts to create a harmonious society

and to build a beautiful country. During the reporting period, the Group recorded charitable donations of RMB33.72 million through the ENN Group Foundation.



The Company
donated RMB
33.72
million through
ENN Group
Foundation

Community Participation

The Group encourages all employees to actively devote themselves to community welfare, and to enriching the spiritual cultural life of the community through charitable donations and supporting community culture cultivation. The actions launched by the Group included:

- The Company donated RMB900,000 through ENN Group Foundation to support the development of charitable work in places like Bengbu, Changzhou and Hebei.
- ENN Changzhou Gas donated RMB650,000 to help Luoyang Town and Jiaze Town to launch the infrastructure construction and community cultural cultivation.
- ENN Zhuzhou Gas donated RMB100,000 to support the 13th City Games and National Fitness Day Challenge Activities, and promoted the citizens' sports boom.

Poverty Alleviation

The Group has actively responded to the country's call for "targeted measures for poverty alleviation". We endeavored to aid the poor with emphasis on several impoverished regions in Hebei, Henan and Hunan, and supported industrial development in poor areas. In addition, we also actively participated in poverty relief contribution activities in Lianzhou County in Guangdong Province, Fu'ning County in Jiangsu Province and Laiyang and Guan Counties in Shandong Province.

Hebei region	The Group contributed RMB2.85 million in the Hebei area, and supported poverty alleviation work in 7 villages in Baoding and Zhangjiakou in Hebei. The Group has focused on supporting the apple orchard industry and solving such prominent problems as the weakness of infrastructure in impoverished villages as the core issues, and has implemented the idea of "one village, one policy", and steadily put in place its targeted measures for poverty alleviation.
Henan region	The Group contributed RMB500,000 to help the industry in growing bagging materials for mushrooms in Lechuan County, Luoyang and thereby raise the income of poor households. The Group also assisted Louxia Village, Kuqu Township, Song County to solve the problem of drinking water and to support poverty alleviation work in Kaifeng City.
Hunan region	The Group has pledged funds for Hunan's "One household one" student aid and employment concentric warmth project, primary school electronic reading room construction project in rural area and impoverished village clinic construction project and is making donations available based on the relevant needs.

Support Education

As for the "Education is to last for generations", the Group has always been unfailingly involved in the education business, and has actively promoted brand projects such as school building projects, inspirational projects and quality projects. This guarantees students' right to be educated, comprehensively raise the quality of teachers and the level of education and teaching.

Ensure students to receive education	<ul style="list-style-type: none"> • The Group has donated RMB1.10 million to rebuild the academic buildings of Dongfeng Village, Linpan Town, Lancheng District, Jieyang City, and to support the improvement of the school environment of Nanshan Primary School of Nan'an City and Yangwei Primary School of Jinjiang City; • The Group has donated RMB250,000 to advance the "ENN College Freshmen Assistance Program" to defray miscellaneous educational costs of the first year of college for minimal assurance households in the Langfang area and to help students smoothly enter the study in college; • The Group has donated RMB5.50 million to aid the middle school students of poor households in the Red River Basin and Beihai and Mashan Counties of Guangxi Province, and to solve student challenges related to studying and daily life; and • The Group has contributed a total of RMB5.50 million. We have established scholarships and grants at Tongji University, Beijing University of Chinese Medicine, Shandong University of Science and Technology and the Harbin Institute of Technology, and assisted and encouraged several thousand students.
Raise the quality of teachers	<ul style="list-style-type: none"> • The Group donated more than RMB8 million to implement the "ENN Gardener Program" in Middle School Nos. 4 and 8 in Bazhou city in Hebei Province, supported the training of teachers outside the local area and study exchanges, improved the structure of teachers' cultural knowledge and raised the level of teaching and education; • The Group continues to implement the "ENN Hope Primary School Principal Training Program" project. We started the second round of training for 800 Hope Primary School principals in Hebei Province, in which lecturing by experts and live demonstrations are combined with academic exchanges, and it is raising the management abilities and educational ideas of the principals who are participating in the training; and • The Group has implemented the "ENN International Chair" program at People's University in order to introduce international high-quality teaching resources into institutions of higher education and steadily raise the level of internationalisation of school education.

Earthquake Relief Work

The Group continues to pay close attention to earthquake relief work, support the local launching of relief and post-disaster reconstruction, and help the disaster-affected citizens get through the difficulties.

Case 1 ENN Changsha Fuel Gas supported the post-disaster reconstruction

In 2017, Hunan experienced heavy rainfall that lasted for the longest time in recent history and covered the largest area ever recorded. The disaster was terrifying. When a flood emergency was reported and at the critical juncture when the flood waters had surrounded the city, the Party members, cadres and employees of ENN Changsha Fuel Gas immediately arrived to provide front line assistance on site to combat the flood, and they struggled and persisted in their efforts day and night to ensure the normal operation of the gas pipelines in the face of the huge disaster. The ENN Changsha Fuel Gas actively organised charitable donation activities, donated a total of RMB3.15 million, and aided the post-disaster reconstruction.



Case 2 ENN Huaihua Fuel Gas helped Huaihua ride out a flood

During the flooding period in Hunan Province in 2017, several townships, towns and villages in Huaihua suffered from flooding. The flooding was most severe in Tuozikou Village, Chenjatan Township, Yuanling County; Matian Village, Tuqiao Township, Zhijiang Dong Autonomous County; Xinjie Village, Wutuan Township, Jingzhou Miao and Dong minority Autonomous County; and Xinjiang Village, Quyang Town, Jingzhou Miao and Dong minority Autonomous County. The ENN Huaihua Fuel Gas contributed RMB500,000 to four villages in poverty that were severely affected by the disaster, and helped the villagers get past this difficult time. This act received positive recognition and response of the Huaihua Municipal Committee government and all fields of the society, and they strongly supported it. This in turn drove society to participate in the post-disaster reconstruction with even more love and charity, and helped the affected areas resume a normal productive life at the earliest possible date.



9.3. Organise Volunteering Activities

The Group promotes and advocates the volunteer spirit. By relying on ENN Group's "Rainbow Flower Volunteers" programme service brand, we organise volunteer activities for branding, routinisation and diversification to jointly create a harmonious and beautiful country. In addition, the Group has also actively participated in such activities as the expressions of sympathy during the local Chongyang Festival, the expressions of sympathy on the August 1st anniversary, the expressions of sympathy for sanitation workers working during hot weather, and the special populations cared for by volunteer services to cultivate an awareness of social participation and nurture a spirit of dedication.

Key volunteering activities organised by the Group's "Rainbow Flower Volunteers" programme included:

- ENN Xiangtan: "Drinking the Water of One River Together and Jointly Protecting the Mother River" Environmental Public Service Activities
- ENN Yongkang: Care Program to Respect the Elderly and Assist Widowers, Widows and Orphans
- ENN Xiaoshan: "Sunflower Trip" volunteer service actions to care for elderly widowers, widows and handicapped orphans
- ENN Quzhou: Care actions by "Assisted Wing Flap Angels" that care for handicapped children
- ENN Changsha: "Blue Flame Network" care volunteer service actions
- ENN Bengbu: "ENN Accompanies You on the Rainbow Road" philanthropic actions
- ENN Jiaocheng's "Assist the Special Education Center, Take Care of Handicapped Children" service activities



FUTURE PROSPECTS



The year 2018 will still be a year full of opportunities and challenges. We will rely on the opportunities brought by the new era of “smart and interconnected”, and seize opportunities to make greater progress.

We will establish the new culture and put forward the process of management restructuring. The Group will continue to propagate and implement the new corporate culture in the smart network age, persist in our vision of “endeavor to become a respected, innovative and smart company”, promote the platform organisation model of “Self-driven + Empowerment”, so as to release the vigour of each ENN employee and promote the continued healthy development of the enterprise.

By deeply promoting the development of our primary industries and continually to creating value. We will continue to capitalise on our brand influence and integrated superiority and to actively create an industry ecosystem. We will realise a sustainable growth by promoting new technologies and new forms of energy, while promote the collaborative

development of the industry and create greater value for the society and the environment.

By ensuring a safe operation and promoting a secure energy supply, we will continue to place “safe operation” on the first priority of our development as what we did in the past. By deepening the construction of the safety management system, and focusing on risk management, we will construct a new framework for the safe management of enterprise operation.

By working on energy saving and emission reduction, we contribute to the green development. The Group will continue to implement green development strategy, to strengthen energy saving, to actively develop energy consumption and carbon emission plans, to make an effort to reduce the impact of the Group’s operations and development on the ecosystem, to reduce wastewater, exhaust gas and solid waste emissions to a minimum level, and to realise the harmonious union of economic growth and environmental protection.

We will continue to place people at the forefront and focus on innovation and talent development. We will continue to

pay attention to the occupational health and safety of our employees. Starting from company development and industry requirements, we will continuously improve health and safety management and reduce the probability of health and safety accidents. We will build a platform for enterprise and employee growth, encourage employees to show value, and to grow with the Company.

By devoting to charity work, and sincerely giving back to the community, we will persist in launching charities like making financial donations to assist education and providing poverty relief and contributing our best efforts towards creating a harmonious society and building a beautiful country.

2018 is a crucial year in which we will enter into our thirties. We will firmly uphold and promote the values of ENN’s “Uncompromising conscientiousness with a self-driven mentality and a sharing culture with effective use of data”. We will ride the wind and waves during high tide of the era and not change our original intentions at each rough intersection.

APPENDICES

“Environmental, Social and Governance Reporting Guide” under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

Level	Contents	Disclosure in this Report
A1 Emissions	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NO _x , SO _x , and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Implement environmental sustainability - create a green future together
	A.1.1 The types of emissions and respective emissions data.	Reduce emissions
	A.1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Reduce emissions
	A.1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Reduce emissions
	A.1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Reduce emissions
	A.1.5 Description of measures to mitigate emissions and results achieved.	Reduce emissions
	A.1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Reduce emissions
A2 Use of Resource	General disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Optimise resources consumption
	A.2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Optimise resources consumption
	A.2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Optimise resources consumption
	A.2.3 Description of energy use efficiency initiatives and results achieved.	Optimise resources consumption
	A.2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Optimise resources consumption
	A.2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable
A3 The Environment and Natural Resources	General disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.	Protect the environment and natural resources
	A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Protect the environment and natural resources

APPENDICES

“Environmental, Social and Governance Reporting Guide” under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited

Level	Contents	Disclosure in this Report
B1 Employment	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Advocate self-driven mentality and support talent growth
	B1.1 Total workforce by gender, employment type, age group and geographical region.	Fair and diversified employment
	B1.2 Employee turnover rate by gender, age group and geographical region.	Fair and diversified employment
B2 Health and Safety	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Safeguard employee's occupational health and safety
	B2.1 Number and rate of work-related fatalities.	Safeguard employee's occupational health and safety
	B2.2 Lost days due to work injury.	Safeguard employee's occupational health and safety
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Safeguard employee's occupational health and safety
B3 Development and Training	General disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Promote staff development
	B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Recommended disclosure item, to be disclosed in the future
	B3.2 The average training hours completed per employee by gender and employee category.	Recommended disclosure item, to be disclosed in the future
B4 Labour Standards	(a) General disclosure (b) Information on: (c) the policies; and (d) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Fair and diversified employment; protect staff rights
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	Fair and diversified employment; protect staff rights
	B4.2 Description of steps taken to eliminate such practices when discovered.	Not applicable
B5 Supply Chain Management	General disclosure Policies on managing environmental and social risks of the supply chain.	Supply chain management
	B5.1 Number of suppliers by geographical region.	Supplier management
	B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supplier management

Level	Contents	Disclosure in this Report
B6 Product Reliability	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Professionalism-forge outstanding services
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable
	B6.2 Number of products and service related complaints received and how they are dealt with.	Customer complaints handling
	B6.3 Description of practices relating to observing and protecting intellectual property rights.	Technological R&D and intellectual property protection
	B6.4 Description of quality assurance process and recall procedures.	Improve service quality
B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Recommended disclosure item, to be disclosed in the future	
B7 Anti-corruption	General disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption management
	B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption management
	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption management
B8 Community Investment	General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Never forget to give back
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Never forget to give back
	B8.2 Resources contributed (e.g. money or time) to the focus area.	Never forget to give back

READER'S FEEDBACK FORM

Thank you for your interest in our "2017 Environmental, Social and Governance Report" ("ESG Report"). To help us enhance our communications with stakeholders and to make continuous improvements in our environmental, social and governance performance and future reporting, we sincerely look forward to your valuable feedback and suggestions. Please contact us through the following:

Telephone : _____

E-mail address : _____

Mailing address : _____

Postal code : _____

Contact person : _____

Please provide us with specific feedback:

1. Your overall comment of this report is:

Good Relatively good Average Below average

2. What do you think about the clarity, accuracy and completeness of the information disclosed in this report?

Good Relatively good Average Below average

3. What do you think of the comprehensiveness of the environmental responsibilities undertaken by the Group that were reflected in this report?

Good Relatively good Average Below average

4. What do you think of the comprehensiveness of the social responsibilities undertaken by the Group that were reflected in this report?

Good Relatively good Average Below average

5. What do you think of the comprehensiveness of the governance responsibilities undertaken by the Group that were reflected in this report?

Good Relatively good Average Below average

6. What do you think of the design and layout of this report?

Good Relatively good Average Below average

7. Which part of this report do you think need improvement?

Governance Safety Services Supply chain Employees Environment Society

8. Contents that you wish to know about but is not disclosed in this report:

9. Your opinions and suggestions in respect of the environmental, social and governance performance and the reporting:



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