新奥能源控股有限公司
ENN Energy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2688)

Interim Results Announcement
For The Six Months Ended 30 June 2017

Results Highlights:

- Natural gas sales volume increased by 41.8% compared to the corresponding period in 2016 to 9,187 million cubic metres;

- Excluding wholesale of gas volume, natural gas sales volume to residential households, commercial/industrial ("**C/I**") customers and vehicles gas refuelling stations increased by 26.8% compared to the corresponding period in 2016 to 6,920 million cubic metres;

- 951,180 natural gas residential households were added while 6,957,575 cubic metres installed designed daily capacity for natural gas C/I customers were added;

- Revenue of the Group increased by 37.0% compared to the corresponding period in 2016 to RMB21,424 million; Profit attributable to shareholders of the Group increased by 3.9% compared to the corresponding period in 2016 to RMB1,649 million; Stripping out the impact of RMB258 million from the items in other gains and losses and amortisation of share option expenses, profit increased by 15.4% compared to the corresponding period in 2016 to RMB1,907 million;

- Basic earnings per share increased by 3.4% compared to the corresponding period in 2016 to RMB1.52; and

- The Board of Directors does not recommend the payment of an interim dividend.

The Board of Directors (the "**Board**") of ENN Energy Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	**2016**
	Notes	*RMB million*	*RMB million*
		(unaudited)	*(unaudited)*
Revenue	3	21,424	15,639
Cost of sales		(17,551)	(11,907)
Gross profit		3,873	3,732
Other income		350	349
Other gains and losses	4	(241)	(37)
Distribution and selling expenses		(294)	(252)
Administrative expenses		(952)	(1,040)
Share of results of associates		66	40
Share of results of joint ventures		270	262
Finance costs		(262)	(303)
Profit before tax		2,810	2,751
Income tax expense	5	(735)	(714)
Profit for the period		2,075	2,037
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		(11)	26
Fair value loss on available-for-sale ("**AFS**") financial assets		(13)	-
Other comprehensive (expense) income for the period		(24)	26
Total comprehensive income for the period		2,051	2,063
Profit for the period attributable to:			
Owners of the Company		1,649	1,587
Non-controlling interests		426	450
		2,075	2,037
Total comprehensive income for the period attributable to:			
Owners of the Company		1,625	1,613
Non-controlling interests		426	450
		2,051	2,063
		RMB	*RMB*
Earnings per share	7		
Basic		1.52	1.47
Diluted		1.52	1.30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 June 2017

	Notes	At 30 June 2017 RMB million (unaudited)	At 31 December 2016 RMB million (audited)
Non-current assets			
Property, plant and equipment		23,122	22,297
Prepaid lease payments		1,242	1,221
Investment properties		208	208
Goodwill		179	188
Intangible assets		1,551	1,487
Interests in associates		1,350	1,350
Interests in joint ventures		3,708	3,704
AFS financial assets		4,569	4,882
Financial assets at fair value through profit and loss (“**FVTPL**”)		5	154
Other receivables		33	32
Amounts due from associates		69	89
Amounts due from joint ventures		397	407
Deferred tax assets		812	745
Deposits paid for investments		70	61
Deposits paid for acquisition of property, plant and equipment, land use rights and operation rights		82	227
Restricted bank deposits		408	489
		37,805	37,541
Current assets			
Inventories		650	515
Trade and other receivables	8	5,239	4,423
Prepaid lease payments		36	30
Financial assets at FVTPL		100	16
AFS financial assets		704	-
Amounts due from customers for contract work		516	303
Amounts due from associates		402	185
Amounts due from joint ventures		1,315	790
Amounts due from related companies		89	63
Restricted bank deposits		147	352
Cash and cash equivalents		6,828	7,163
		16,026	13,840
Current liabilities			
Trade and other payables	9	8,868	8,323
Amounts due to customers for contract work		1,674	2,149
Amounts due to associates		192	218
Amounts due to joint ventures		1,932	1,645
Amounts due to related companies		414	416
Financial liabilities at FVTPL		24	-
Taxation payables		744	732
Dividend payable		775	-
Bank and other loans – due within one year		4,019	3,944
Corporate bonds		499	-
Medium-term notes		700	700
Convertible bonds at FVTPL		3,655	-
Financial guarantee liability		8	22
Deferred income		213	192
		23,717	18,341
Net current liabilities		(7,691)	(4,501)
Total assets less current liabilities		30,114	33,040

Capital and reserves		
Share capital	112	112
Reserves	15,738	14,854
Equity attributable to owners of the Company	15,850	14,966
Non-controlling interests	2,902	2,888
Total equity	18,752	17,854
Non-current liabilities		
Bank and other loans – due after one year	240	197
Corporate bonds	4,986	5,482
Senior notes	2,451	2,507
Convertible bonds at FVTPL	-	3,515
Unsecured bonds	436	446
Deferred tax liabilities	395	397
Deferred income	2,854	2,642
	11,362	15,186
	30,114	33,040

Notes:

1. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In preparing the condensed consolidated financial statements, the directors of the Company (the "**Directors**") have given careful consideration of the Group in light of its net current liabilities of approximately RMB7,691 million as at 30 June 2017. Having considered the secured credit facilities of approximately RMB7,000 million which remain unutilised at the date of approval of the condensed consolidated financial statements and the 3.25% unsecured bonds of approximately RMB4,066 million issued on 24 July 2017, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The above amendments to HKFRSs have been applied retrospectively or prospectively as required by the respective amendments. Except as described below, the application of the above amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions and/or on the disclosures set out in these condensed consolidated financial statements.

Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

3. SEGMENT INFORMATION

Information reported to the chief operating decision makers, being the executive directors of the Company (the "**Executive Directors**"), for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services. Specifically, the Group's operating and reportable segment under HKFRS 8 "Operating Segments" are gas connection, sales of piped gas, vehicle gas refuelling stations, wholesale of gas, sales of other energy, sales of gas appliances and sales of material. Segment profit reviewed by the Executive Directors represents the gross profit earned by each segment.

Segment profit or loss represents the profit earned by/loss from each segment without allocation of central administration costs, distribution and selling expenses, share of results of associates and joint ventures, other income, other gains and losses and finance costs. This is the measure reported to the Executive Directors for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

The following is an analysis of the Group's revenue and results by reportable segments which are also the operating segments for the periods under review:

Six months ended 30 June 2017

	Gas Connection	**Sales of piped gas**	**Vehicle gas refuelling stations**	**Wholesale of gas**	**Sales of other energy**	**Sales of gas appliances**	**Sales of material**	**Consolidation**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment revenue	3,368	14,752	1,578	7,368	98	334	1,624	29,122
Inter-segment sales	(471)	(3,452)	(57)	(2,737)	-	(245)	(736)	(7,698)
Revenue from external customers	2,897	11,300	1,521	4,631	98	89	888	21,424
Segment profit before depreciation and amortisation	1,888	2,170	160	56	(1)	34	27	4,334
Depreciation and amortisation	(86)	(303)	(59)	(2)	(10)	(1)	-	(461)
Segment profit (loss)	1,802	1,867	101	54	(11)	33	27	3,873

Six months ended 30 June 2016

	Gas Connection	**Sales of piped gas**	**Vehicle gas refuelling stations**	**Wholesale of gas**	**Sales of other energy**	**Sales of gas appliances**	**Sales of material**	**Consolidation**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment revenue	3,383	11,077	1,624	3,753	70	246	623	20,776
Inter-segment sales	(483)	(2,405)	(3)	(1,615)	-	(172)	(459)	(5,137)
Revenue from external customers	2,900	8,672	1,621	2,138	70	74	164	15,639
Segment profit before depreciation and amortisation	1,926	1,927	214	45	20	27	9	4,168
Depreciation and amortisation	(76)	(295)	(54)	(3)	(7)	(1)	-	(436)
Segment profit	1,850	1,632	160	42	13	26	9	3,732

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2017	**2016**
	RMB million	*RMB million*
Fair value (loss) gain of:		
- Convertible bonds at FVTPL	(140)	79
- Financial assets/liabilities at FVTPL	(93)	23
Gain (loss) on foreign exchange, net (note)	107	(81)
Impairment loss on trade and other receivables, net	(85)	(38)
(Loss) gain on disposal of:		
- Property, plant and equipment	(22)	(23)
- Prepaid lease payments	5	-
- A subsidiary	(13)	-
- A joint venture	-	3
	(241)	(37)

Note: Included in the amount for the six months ended 30 June 2017 is an exchange gain of approximately RMB69 million (six months ended 30 June 2016: exchange loss of approximately RMB105 million) arising from the translation of senior notes and unsecured bonds denominated in USD to RMB.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	**2016**
	RMB million	*RMB million*
PRC Enterprise Income Tax:		
Current tax	775	744
Withholding tax	29	77
	804	821
Deferred tax:		
Current period	(69)	(107)
	735	714

PRC Enterprise Income Tax mainly comprises income tax of the Group which are recognised based on the applicable statutory tax rate of 25% expected for the full financial year (six months ended 30 June 2016: 25%).

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit arising in Hong Kong for the six months ended 30 June 2017 and 2016.

6. DIVIDEND

The final dividend in respect of fiscal year 2016 of HK$0.83 (equivalent to approximately RMB0.74) per ordinary share (six months ended 30 June 2016: final dividend in respect of fiscal year 2015 of HK$0.76 (equivalent to approximately RMB0.64) per ordinary share) amounting to approximately RMB775 million (six months ended 30 June 2016: RMB693 million) were declared on 21 March 2017 and were not paid as at 30 June 2017.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	**2016**
	RMB million	*RMB million*
Earnings		
Earnings for the purpose of basic earnings per share	1,649	1,587
Effect of dilutive potential ordinary shares:		
- fair value gain of convertible bonds	-	(79)
Earnings for the purpose of diluted earnings per share	1,649	1,508

	Six months ended 30 June	
	2017	**2016**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,081,726	1,082,341
Effect of dilutive potential ordinary shares:		
- share options granted in 2010	121	229
- convertible bonds	-	79,779
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,081,847	1,162,349

Diluted earnings per share for the six months ended 30 June 2017 are calculated without assuming all the conversion of the Company's outstanding convertible bonds since the conversion would result in an increase in earnings per share, and the exercise of share options granted in 2015 since the exercise price of these share options was higher than the average market price of the Company's shares.

Diluted earnings per share for the six months ended 30 June 2016 are calculated without assuming all the exercise of the share options granted in 2015 since the exercise price of these share options was higher than the average market price of the Company's shares.

8. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables are trade receivables amounting to RMB1,942 million (31 December 2016: RMB1,510 million). The following is an aged analysis of trade receivables, net of impairment, presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 30 June 2017 *RMB million*	At 31 December 2016 *RMB million*
Within three months	1,652	1,388
4 to 6 months	207	57
7 to 9 months	65	56
10 to 12 months	18	9
	1,942	1,510

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB2,504 million (31 December 2016: RMB2,237 million). The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	At 30 June 2017 *RMB million*	At 31 December 2016 *RMB million*
Within three months	1,873	1,822
4 to 6 months	244	161
7 to 9 months	153	82
10 to 12 months	56	26
More than one year	178	146
	2,504	2,237

BUSINESS REVIEW

The major results and operational data of the Group for the period together with the comparative figures for the corresponding period last year are as follows:

	Six months ended 30 June 2017 (Unaudited)	Six months ended 30 June 2016 (Unaudited)	Increased/ (Decreased) by
Results			
Revenue *(RMB million)*	**21,424**	15,639	37.0%
Gross profit *(RMB million)*	**3,873**	3,732	3.8%
Profit attributable to owners of the Company *(RMB million)*	**1,649**	1,587	3.9%
Earnings per share – Basic *(RMB)*	**1.52**	1.47	3.4%
Operational data#			
Connectable urban population *(thousand)*	**78,090**	72,136	8.3%
Connectable residential households *(thousand)*	**26,030**	24,045	8.3%
New natural gas connections made during the period:			
– residential households	**951,180**	907,168	4.9%
– C/I customers *(sites)*	**9,650**	4,830	4,820
– installed designed daily capacity for C/I customers *(m^3)*	**6,957,575**	6,059,148	14.8%
Accumulated number of connected piped gas (including natural gas) customers:			
– residential households	**15,098,053**	13,233,204	14.1%
– C/I customers *(sites)*	**78,329**	61,688	16,641
– installed designed daily capacity for C/I customers *(m^3)*	**78,137,551**	64,667,309	20.8%
Piped gas (including natural gas) penetration rate	**58.0%**	55.0%	3.0ppt
Unit of natural gas sold to residential households *(thousand m^3)*	**1,188,473**	954,211	24.6%
Unit of natural gas sold to C/I customers *(thousand m^3)*	**5,037,878**	3,744,428	34.5%
Unit of natural gas sold to vehicles *(thousand m^3)*	**693,478**	758,906	(8.6%)
Wholesale of gas volume *(thousand m^3)*	**2,267,279**	1,021,880	121.9%
Number of CNG refuelling stations	**325**	315	10
Number of LNG refuelling stations	**281**	272	9
Number of natural gas processing stations	**170**	161	9
Combined daily capacity of natural gas processing stations *(thousand m^3)*	**87,635**	84,878	3.2%
Total length of existing intermediate and main pipelines *(km)*	**35,036**	31,204	12.3%

The Group's operational data disclosed in the announcement included the data of its subsidiaries, joint ventures and associates.

Interim Results

In the first half of 2017, China pressed on with its supply-side structural reform and the manufacturing sector continued to develop steadily. Meanwhile, with further optimisation of the economic structure, the overall economy remained a gradual upward trend. Besides economic development, the PRC government also made intensive efforts in building a green and eco-friendly society and reducing air pollution. Spurred by the economic recovery and local initiatives encouraging natural gas consumption through "coal-to-gas" conversion and the designation and expansion of prohibited coal-burning areas, China's apparent natural gas consumption amounted to 114.6 billion cubic metres in the first half of 2017, representing a year-on-year growth of 15%. The growth rate increased substantially by 8 percentage points as compared to the increase of 7% in 2016. During the period, the Group's natural gas sales volume reached 9,187 million cubic metres, representing a significant year-on-year increase of 41.8%. The natural gas sales volume of city-gas business, which comprises residential customers, C/I customers and vehicle gas refuelling stations, recorded a significant year-on-year increase of 26.8% to 6,920 million cubic metres, with a growth rate outperforming the national apparent consumption of natural gas. For the six months ended 30 June 2017, the Group's revenue was RMB21,424 million, representing an increase of 37.0% year-on-year. Profit attributable to shareholders amounted to RMB1,649 million, representing an increase of 3.9% year-on-year. Basic earnings per share increased by 3.4% to RMB1.52. Stripping out the impact of RMB258 million from the items in other gains and losses and amortisation of share option expenses, profit grew by 15.4% to RMB1,907 million.

For the six months ended 30 June 2017, total revenue and profit of the Group together with its associates and joint ventures were RMB31,058 million and RMB2,860 million respectively.

City-gas Business

Piped Gas Sales

During the period, the Group recorded revenue from piped gas sales of RMB11,300 million, representing an increase of 30.3% year-on-year.

The natural gas sales volume of residential customers was 1,188 million cubic metres, up 24.6% over the corresponding period last year, which was attributable to the gas consumption ramp up of newly connected residential customers and the promotion of gas space heaters. According to the National Bureau of Statistics of China, the per capita disposable income of national residents was RMB12,932 in the first half of 2017, representing an actual increase of 7.3% year-on-year. Seizing the demand for individual space heating equipment in winter due to improving living standards, the Group connected 100,000 space heaters during the period. As at the end of June 2017, the Group had an aggregate of 570,000 residential households using gas space heaters. As this is a new growth driver for residential gas consumption, the Group will continue to promote gas space heaters in regions with higher gas demand in winter, such as urban villages, high-end residential communities and villa districts etc. In addition, the Group continued to set up residential tier-pricing mechanism during the period. As at the end of June 2017, a total of 112 projects have already set up their tier-pricing mechanism.

During the period, local governments in Beijing-Tianjin-Hebei, Henan, Shandong, Hunan and Zhejiang promulgated air pollution control policies and encouraged businesses to use clean energy such as natural gas to replace highly polluting fuels including coal, heavy oil and low-quality diesel etc. The Group actively supported the local governments in the introduction and implementation of the coal-to-gas conversion initiatives. It also promoted natural gas consumption to C/I customers with a flexible pricing mechanism and the application of distributed energy business model. Natural gas sales volume of C/I customers increased by 34.5% to 5,038 million cubic metres, of which sales volume to industrial customers increased by 36.6% to 4,056 million cubic metres while sales volume to commercial customers grew by 26.7% to 982 million cubic metres. During the period, the gradual recovery of the metal manufacture, chemicals, glass, ceramic and other cyclical industries also led to the rebound of gas consumption of the Group's existing customers.

New Customers Development

During the period, the Group's connection fee revenue was RMB2,897 million.

The property market where the Group's city-gas projects are located maintained steady development during the period. In the first half of 2017, the Group completed piped natural gas connection for 951,180 residential households with an average connection fee of RMB2,709 per household. As at 30 June 2017, the aggregate number of residential households connected to piped gas (including natural gas) reached 15,098,053. Pursuant to the "Notice on Implementing the Central Government Subsidy for Pilot Programme on Winter Heating Using Clean Energy in Northern China" promulgated by China's Ministry of Finance, pilot cities would receive subsidies for replacing scattered coal with clean energy for heating. In addition, primary focus would be placed on "2+26" cities in Beijing-Tianjin-Hebei and the surrounding areas where air pollution spreads. The Group therefore worked with local governments in accelerating coal-to-gas conversion projects in urban villages, and focused on eliminating the use of scattered coal in certain urban villages in Hebei, Henan and Shandong with higher affordability. As at the end of June 2017, the city-gas projects of the Group covered a connectable population of 78.09 million in China, while the average gas penetration rate increased from 54.8% in the end of 2016 to 58.0%. The Group will continue to step up efforts in new connections to new households while thoroughly exploring the older housing market to achieve steady growth of new residential connections.

During the period, the Group connected natural gas to 9,650 C/I customers (installed gas appliances with designed daily capacity of 6,957,575 cubic metres), representing a year-on-year increase of 14.8% in designed daily capacity, with an average connection fee of RMB93 per cubic metre. This has laid a solid foundation for the growth of C/I gas consumption in the future. As at 30 June 2017, the aggregate number of C/I customers connected to piped gas (including natural gas) reached 78,329 (installed gas appliances with designed daily capacity of 78,137,551 cubic metres). In view of the tightening local policies on environmental protection, the Group stepped up efforts to develop coal-to-gas customers by customising energy-saving renovation proposals for fuel systems and applying distributed energy business model to help customers reduce overall energy consumption. During the period, new connections to coal-to-gas customers reached 2.71 million cubic metres per day, accounting for 39% of the designed daily capacity of newly connected C/I customers. Given that the tertiary industry accounted for 54.1% of the gross domestic product in the first half of the year thereby becoming the new engine of China's economic development, the Group carried on developing mid-and-small sized commercial customers with higher affordability. As a result of enhanced marketing incentives and customising proposals to follow up the implementation of new commercial customers development, designed daily capacity of new connections to commercial customers reached 1.67 million cubic metres during the period.

New Projects

During the first half of 2017, the Group acquired 5 new projects and 14 new concessions nearby its existing projects, with an additional connectable population of 670,000. As at 30 June 2017, the Group had 165 projects in China, covering a connectable population of 78.09 million. Forging ahead, the Group will focus on business opportunities in areas nearby its existing projects. Leveraging its excellent management system, solid track record, ability to secure gas supply and distributed energy business model, it will continue to keep track of and acquire city-gas and industrial park projects.

Projects	The Group's shareholding	Major industry
1. Bozhou Wuhu Modern Industrial Park, Anhui	100%	Equipment manufacturing, energy saving and environmental protection, food and pharmaceutical
2. Heyuan Lianping County, Guangdong	100%	Electrical appliances, green plastics, eco-friendly food
3. Chengde Weichang Economic Development Zone, Hebei	100%	Materials smelting, food, leisure and tourism, cultural industry, modern logistics
4. Zhuzhou Nanzhou New District, Hunan	100%	Clothing, construction materials, machine manufacturing, new materials
5. Xuanwei, Yunnan	35%	Regeneration steel manufacturing, chemical fertilisers

The 14 new concessions nearby existing projects include:

Provinces	Operational areas
Anhui	Niuji Town, Lumiao Town, Yanji Town, Zhangdian Village, Guantang Town and Shatu Town in Qiaocheng District, Bozhou

Guangdong	Hengshan Town, Shijian Town, Hengshan Town Lidong Industrial Park, Hengshan Town Lidong High-tech Industrial Park, Binheng Town Jiangji Industrial Park, Wuhe Town Huanan Industrial Park in Guangning County, Zhaoqing
Guangxi	Dongcheng District in Beihai
Hunan	Chenzhou Yongxing Industrial Park

Vehicle Gas Refuelling Business

During the period, the Group's vehicle natural gas sales volume in China decreased by 8.6% to 693 million cubic metres, out of which sales volume of CNG refuelling stations decreased by 7.1% to 405 million cubic metres and that of LNG refuelling stations decreased by 10.8% to 288 million cubic metres. Accordingly, revenue from vehicle refuelling business recorded a year-on-year decrease of 6.2% to RMB1,521 million. As at 30 June 2017, the Group operated a total of 325 CNG refuelling stations and 281 LNG refuelling stations and promoted 208 alliance refuelling stations respectively, covering 22 provinces, municipalities and autonomous regions across the country.

The continued decline in sales volume of CNG refuelling stations was mainly due to the increasing promotions by oil companies under the prolonged environment of low oil prices, which significantly undermined the cost advantage of CNG over gasoline. In addition, the prevailing mobile car hailing service in China and the favorable policies by local governments for electric vehicles affected gas consumption of existing taxi and bus customers. The decline in sales volume of LNG refuelling stations were mainly affected by repair works of several main roads in northern China during the first half of 2017 and the prohibition of coal transport vehicles to ports nearby Beijing-Tianjin-Hebei, which lowered gas sales to LNG truck customers in northern China. In addition, gas consumption of LNG buses in southern China were dampened by local government initiatives to promote electric buses. Notwithstanding this, the Group attracted customers, boosted sales and enhanced station utilisation through various marketing campaigns, cooperation with car hailing companies and close tracking of new LNG trucks. Furthermore, it pushed forward management system innovation and single station accountability system to enhance profitability of the stations. As a result, sales volume of both CNG and LNG gas refuelling stations recorded a quarter-on-quarter increase in the second quarter of 2017.

Local governments have been introducing the "13th Five-year Plan for Natural Gas Utilisation" for the provinces, one of whose aims is to increase the use of natural gas in the transportation industry. As the plan supports natural gas vehicles and construction of refuelling stations, the trend of replacing gasoline and diesel with natural gas will continue. To address the short-term challenges faced by the refuelling business, the Group will adopt asset-light business models such as forming alliances and providing gas distribution to peers' stations to enhance station profitability and boost operating efficiency. It will also join hands with other industry players to optimise station network and expand the market of gas refuelling business.

Development of New Businesses

Integrated Energy Sales Business

The Group remains committed to its transition from a natural gas distributor to an integrated energy supplier. During the period, revenue from sales of other energy recorded a significant year-on-year increase of 40.0% to RMB98 million.

The recent promulgation of the "Opinions on Implementing Promotion of Integrated Energy Optimisation Demonstration Project" and the "Notice on Trial Implementation of Marketing and Trading of Distributed Power Generation" encourages the use of natural gas in the field of distributed energy. Leveraging the favorable policies, the Group focused its business development on customers with multiple energy demands such as industrial customers, large-scale public infrastructure and urban areas/industrial parks etc. During the period, it invested and operated 10 distributed energy projects, which included Langfang New Chaoyang Distributed Energy Micro-grid, Ruzhou Julong Biological Engineering, Dongguan Zhongsheng Pharmaceutical, Distributed Energy Station of Qingdao Haier Industrial Park, Kaifeng Huiyuan Juice Group, ASE Group (Shanghai), Longyou Chengnan Industrial Park, Wenzhou Jinhai Park, Zhuzhou Tianyi

Independent Industrial and Technology Park and Luoyang Yibin District Distributed Energy Micro-grid. As at 30 June 2017, the Group had a total of 22 projects in operation.

Riding on the "Comprehensive Work Plan for Energy Saving and Emission Reduction in the 13th Five-year Plan", the Group seized opportunities emerging from the government's promotion of clean energy heating and developed distributed heating business for commercial and residential users in Hebei, Henan and Shandong. It also rolled out steam sales business in the city-gas projects in Shandong, Anhui, Henan and Guangdong etc. to expand the revenue streams of integrated energy sales.

Capitalising on the environmental pollution control and opportunities brought by the power industry reform, the Group will make use of the existing networks of its city-gas pipeline and LNG distribution to seek customers with multiple energy demands. The Group will adopt distributed energy technology to acquire the operational rights of integrated energy supply in new towns, industrial parks and functional urban areas. In mature industrial parks, it will take advantage of the coal-to-gas and oil-to-gas conversion of the commercial and industrial sectors and develop C/I customers leveraging tailor-made heat, electricity, steam and other forms of energy supply. With end-user access as its key advantage, the Group centres on customers' demand for energy in selling competitive integrated energy comprising cooling, heating, electricity and steam, to boost gas sales and create additional sources of income. As the market-oriented reform of the natural gas and power industry progresses, the Group believes that it can deliver sustainable returns to shareholders by planning strategically ahead and identifying long-term growth drivers.

Wholesale of Gas Business

During the first half of 2017, LNG supply remained abundant in China and the state has accelerated the promotion of natural gas, which resulted in the rapid growth of LNG demand. Supported by advanced dispatch system and extensive distribution network, the Group's wholesale of gas volume reached 2,267 million cubic metres, representing a significant year-on-year increase of 121.9% while revenue from the wholesale of gas business surged to RMB4,631 million, up 116.6% year-on-year. The Group aims to expand sales, enlarge customer base, create additional sources of income, and establish strategic plans for the full liberalisation of natural gas pricing through numerous measures including investing in Shanghai Petroleum and Natural Gas Exchange as well as Chongqing Petroleum and Natural Gas Exchange and forming strategic cooperation with Sinopec Marketing Co., Ltd.

Sales of Gas Appliance Business

During the period, the Group carried on promoting "GRATLE" branded appliances such as cooking stoves, water boilers, range hoods, space heaters and sterilisers, which generated revenue of RMB89 million from the sales of 80,385 sets of appliances, representing an increase of 20.3% year-on-year. Looking ahead, the Group will step up promotion efforts of the "GRATLE" brand. It will actively expand sales channels and develop value-added products to offer customers an integrated smart home solution.

Global Awards

With steady growth in operating results and enhancement of management capability, the Group received the following honours in the first half of 2017:

- "Best IR Company (ranked no.1 by buy side and sell side)", "Best IR Company (ranked no.1 by buy side)", "Best Website (ranked no.1 by buy side and sell side)", "Best Analyst Days (ranked no.2 by buy side and sell side)", "Best IR Professional (ranked no.2 by sell side)", "Best IR Professional (ranked no.3 by buy side and sell side)" in Power Sector and the title of "Most Honored Company" in 2017 All-Asia Executive Team Rankings by Institutional Investor, an international financial magazine highly recognised by investment professionals;
- "2016 Top 100 Listed Company in Hong Kong" organised by QQ.com and Finet; and
- "Certificate of Excellence" in the "3rd Investor Relations Awards 2017" organised by Hong Kong Investor Relations Association.

FINANCIAL RESOURCES REVIEW

Key Financial Data

During the period, the total revenue of the Group increased by 37.0% year-on-year to RMB21,424 million. Gross profit increased by 3.8% comparing to the corresponding period in 2016 to RMB3,873 million. The Group's overall gross profit margin and net profit margin were 18.1% and 9.7%, representing a decrease of 5.8 percentage points and 3.3 percentage points year-on-year respectively. The decrease in gross profit margin was mainly attributable to revenue mix change caused by faster growth in the revenue of piped gas sales business, wholesale of gas business and sales of material business. The decrease in net profit margin was mainly attributable to the year-on-year decrease in gross profit margin. Profit attributable to shareholders amounted to RMB1,649 million, representing an increase of 3.9% year-on-year. Stripping out the impact of RMB258 million from the items in other gains and losses and amortisation of share option expenses, profit increased by 15.4% year-on-year to RMB1,907 million.

Liquidity and Financial Resources

Currently, the Group's operating and capital expenditures are funded by operating cash flows, current assets, bank loans and issued bonds. The Group has sufficient sources of funds and unutilised banking facilities of approximately RMB7,000 million to meet its future capital expenditure and working capital requirements.

Borrowings Structure

As at 30 June 2017, the Group's total debts amounted to RMB16,986 million (31 December 2016: RMB16,791 million) and bank balances and cash for the purpose of computing net gearing ratio amounted to RMB6,828 million (31 December 2016: RMB7,163 million). The Group's net gearing ratio, i.e., the ratio of net debt to total equity (including non-controlling interests), was 54.2% (31 December 2016: 53.9%). Short-term debts (including the Convertible Bonds due February 2018) amounted to RMB8,873 million while the remaining debts were long-term debts with a term of one year or more.

Except for the loan amount equivalent to RMB347 million that is secured by assets with a carrying value equivalent to RMB330 million, all other loans are unsecured.

As at 30 June 2017 and 31 December 2016, the Group's major bonds were listed below:

Major bonds	Currency	Maturity date	As at 30 June 2017	As at 31 December 2016
Seven-year 6.45% Fixed Rate Bonds	RMB	16 February 2018	500 million	500 million
Five-year Zero-Coupon Convertible Bonds	USD	26 February 2018	500 million	500 million
Five-year 3.25% Fixed Rate Bonds	USD	23 October 2019	65 million	65 million
Three-year 3.55% Fixed Rate Bonds	RMB	2 December 2019	2,500 million	2,500 million
Maximum Five-year 3.68% Fixed Rate Bonds	RMB	17 December 2020	2,500 million	2,500 million
Ten-year 6% Fixed Rate Bonds	USD	13 May 2021	366 million	366 million

On 24 July 2017, the Company announced the issuance of USD600,000,000 3.25% bonds due 2022. The bonds were listed on the Stock Exchange on 25 July 2017. Use of the net proceeds are intended for refinancing certain existing indebtedness and general corporate purposes. Pursuant to the terms of issue, Mr. Wang Yusuo, the Chairman of the Company, shall hold no less than 20% of the shareholdings of the Company throughout the term of the bonds.

The Group sustained a steady financial position. The credit rating agency Moody's granted Baa2 investment-grade rating and a "Stable" outlook on the Group. Meanwhile, Standard & Poor's and Fitch both maintained their BBB investment-grade ratings, of which Standard & Poor's raised the outlook to "Positive" while Fitch maintained a "Stable" outlook.

Foreign Exchange Risk

As the major operations of the Group are in China, revenues and expenses were mainly denominated in Renminbi, therefore, the Group is not exposed to significant foreign exchange risk in its operation. The Company's foreign exchange risk is mainly arisen from various bonds and loans denominated in foreign currencies.

As at 30 June 2017, the principal amount of the Group's foreign currency debt amounted to USD1,032 million (31 December 2016: USD1,115 million) and HK$1,549 million (31 December 2016: HK$388 million). The Company entered into structured foreign currency forward contracts with certain financial institutions to manage its foreign exchange risk. The estimated foreign exchange exposure is approximately RMB4,314 million. The Company will continue to monitor the exchange rate closely and take appropriate actions when necessary.

Financial Guarantee Liability

As at 30 June 2017, the Group had issued guarantees to banks to secure loan facilities granted to associates and joint ventures to the extent of approximately RMB179 million (31 December 2016: RMB230 million). The amounts have been utilised at the end of the reporting period.

Commitments

	At 30 June 2017 *RMB million*	**At 31 December 2016** *RMB million*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	689	251
Commitments in respect of		
- investments in joint ventures	177	177
- investments in associates	53	17
- other equity investments	54	68

STRATEGIES AND PROSPECTS

According to the "13th Five-year Plan for Energy Development", it is estimated that the share of natural gas in primary energy consumption will increase to 10% by 2020. During the first half of the year, the state has published major policies including the "13th Five-year Plan on Natural Gas Development", "Beijing-Tianjin-Hebei Air Pollution Prevention and Control Work Plan for 2017", "Opinions on Deepening the Structure Reform of the Oil and Natural Gas Industry", "Guiding Opinions on Enhancing Supervision on Gas Distribution Tariff" and "Opinions on Accelerating the Promotion of Natural Gas Utilisation". The state has stressed that it would continue supporting development of the natural gas industry, deepening reform and further accelerating its liberalisation, with the aim to optimise the nation's primary energy consumption mix. Despite the downward pressure on China's macro economy in the second half of 2017, the natural gas industry is expected to maintain rapid development supported by the environmental protection policy. The Group will carry on planning ahead of changes in the industry and market conditions, and seize opportunities in the favorable business environment. It will continue the steady development of residential users, actively expand the C/I market, improve operations of vehicle gas refuelling business, and achieve stable growth in its core city-gas business. At the same time, the Group will actively develop sales of integrated energy business, expand the scale of gas wholesale business, and roll out value-added services leveraging its existing large customer base, thereby facilitating rapid development of new synergistic businesses.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, the Company repurchased a total of 7,000 shares on the Stock Exchange at an aggregate consideration of HK$265,750. Details of the repurchase are as follows:

Date	Total number of shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration HK$
16 May 2017	7,000	38.00	37.85	265,750
Total	7,000			265,750

As at the date of this announcement, all the above repurchased shares are cancelled.

The purpose of share repurchase is to increase net asset value per share and earnings per share. The share repurchase complied with the general mandate to the Board to repurchase the Company's shares that passed in the Company's 2016 annual general meeting.

Save as disclosed above, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an Audit Committee in accordance with requirements under the Listing Rules for the purpose of reviewing with management the accounting principles and practices adopted by the Group and discuss auditing, internal control and financial reporting matters. The audit committee also maintains an appropriate relationship with the Company's independent auditor and provides advice and comments to the Board.

The Company's audit committee meeting was held on 23 August 2017 to review the Group's unaudited interim results and interim financial report for the six months ended 30 June 2017. Deloitte Touche Tohmatsu, the Company's independent auditor, has carried out a review of the unaudited interim report for the six months ended 30 June 2017 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as contained in Appendix 10 to the Listing Rules. Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions during the period.

THE CORPORATE GOVERNANCE CODE

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules throughout the period.

By order of the Board
ENN ENERGY HOLDINGS LIMITED
WANG YUSUO
Chairman

Hong Kong, 24 August 2017

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:
Mr. Wang Yusuo (Chairman)
Mr. Cheung Yip Sang (Vice Chairman)
Mr. Sean S J Wang (Chief Executive Officer)
Mr. Han Jishen (President)
Mr. Wang Dongzhi

Non-executive Director:
Mr. Wang Zizheng

Independent Non-executive Directors:
Mr. Ma Zhixiang
Mr. Yuen Po Kwong
Mr. Law Yee Kwan, Quinn

The 2017 Interim Report will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange as soon as practicable.