ENN 新奥

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 2018

Results Highlights:

- Natural gas sales volume of the Company, together with its subsidiaries, joint ventures and associates increased by 20.4% compared to the corresponding period in 2017 to 11,062 million cubic metres; total revenue increased by 28.1% to RMB39,799 million, and profit amounted to RMB2,778 million, increased by 10.1% year-on-year;

- Revenue of the Group increased by 23.8% year-on-year to RMB26,530 million;

- Profit attributable to shareholders of the Company increased by 8.1% year-on-year to RMB1,782 million; stripping out the impact of a loss of RMB607 million from other gains and losses and amortisation of share option expenses, profit attributable to shareholders of the Company increased by 25.3% compared to the corresponding period in 2017;

- Basic earnings per share increased by 7.9% year-on-year to RMB1.64; 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 2018 together with the comparative unaudited figures for the corresponding period in 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	**2017**
	Notes	*RMB million (unaudited)*	*RMB million (unaudited)*
Revenue	3	26,530	21,424
Cost of sales		(21,868)	(17,551)
Gross profit		4,662	3,873
Other income		608	350
Other gains and losses	4	(598)	(241)
Distribution and selling expenses		(384)	(294)
Administrative expenses		(1,189)	(952)
Share of results of associates		109	66
Share of results of joint ventures		261	270
Finance costs		(267)	(262)
Profit before tax		3,202	2,810
Income tax expense	5	(893)	(735)
Profit for the period		2,309	2,075
Other comprehensive income			
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		1	(11)
Fair value loss on available-for-sale (“**AFS**”) financial assets		-	(13)
Release of exchange reserve to profit or loss upon disposal of subsidiaries		(40)	-
Other comprehensive expense for the period		(39)	(24)
Total comprehensive income for the period		2,270	2,051
Profit for the period attributable to:			
Owners of the Company		1,782	1,649
Non-controlling interests		527	426
		2,309	2,075
Total comprehensive income for the period attributable to:			
Owners of the Company		1,743	1,625
Non-controlling interests		527	426
		2,270	2,051
		RMB	*RMB*
Earnings per share	7		
Basic		1.64	1.52
Diluted		1.64	1.52

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	Notes	At 30 June 2018 RMB million (unaudited)	At 31 December 2017 RMB million (audited)
Non-current Assets			
Property, plant and equipment		27,759	25,490
Prepaid lease payments		1,288	1,262
Investment properties		246	246
Goodwill		250	192
Intangible assets		2,200	1,681
Interests in associates		2,102	1,505
Interests in joint ventures		3,865	3,929
Other receivables		162	183
AFS financial assets		-	4,578
Financial assets at fair value through profit or loss ("**FVTPL**")		4,488	5
Equity instruments at fair value through other comprehensive income ("**FVTOCI**")		111	-
Amounts due from associates		146	278
Amounts due from joint ventures		131	674
Deferred tax assets		1,025	941
Deposits paid for investments		8	35
Deposits paid for acquisition of property, plant and equipment, land use rights and right of operation		56	104
Restricted bank deposits		442	486
		44,279	41,589
Current Assets			
Inventories		1,105	744
Trade and other receivables	8	6,167	6,068
Contract assets		679	-
Amounts due from customers for contract work		-	553
Prepaid lease payments		35	37
AFS financial assets		-	528
Financial assets at FVTPL		122	4
Amounts due from associates		548	367
Amounts due from joint ventures		1,747	943
Amounts due from related companies		119	112
Restricted bank deposits		103	241
Cash and cash equivalents		6,266	7,972
		16,891	17,569
Assets classified as held for sale		-	57
		16,891	17,626

	Notes	At 30 June 2018 *RMB million (unaudited)*	At 31 December 2017 *RMB million (audited)*
Current Liabilities			
Trade and other payables	9	4,294	11,217
Contract liabilities		8,918	-
Deferred income		17	243
Amounts due to customers for contract work		-	2,134
Amounts due to associates		190	282
Amounts due to joint ventures		2,110	1,677
Amounts due to related companies		876	642
Taxation payables		907	982
Dividend payable		952	-
Bank and other loans – due within one year		5,030	1,737
Corporate bonds		2,498	2,996
Convertible bonds at FVTPL		-	3,635
Financial guarantee liability		1	5
Financial liabilities at FVTPL		3	17
		25,796	25,567
Liabilities associated with assets classified as held for sale		-	38
		25,796	25,605
Net Current Liabilities		(8,905)	(7,979)
Total Assets less Current Liabilities		35,374	33,610
Capital and Reserves			
Share capital		112	112
Reserves		17,799	16,840
Equity attributable to owners of the Company		17,911	16,952
Non-controlling interests		3,579	3,265
Total Equity		21,490	20,217
Non-current Liabilities			
Contract liabilities		3,152	-
Deferred income		361	3,185
Bank and other loans – due after one year		390	523
Corporate bonds		2,495	2,494
Senior notes		2,399	2,366
Unsecured bonds		4,374	4,316
Financial liabilities at FVTPL		170	81
Deferred tax liabilities		543	428
		13,884	13,393
		35,374	33,610

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 RMB8,905 million as at 30 June 2018. Having considered the secured credit facilities of approximately RMB9,070 million which remain unutilised at the date of approval of the condensed consolidated financial statements, 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 2018 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.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("**HKFRSs**"), 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 2017.

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

<u>Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"</u>

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provision in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2017** *RMB million*	**Reclassification** *RMB million*	**Carrying amounts under HKFRS 15 at 1 January 2018*** *RMB million*
Current Assets				
Contract assets	a & c	-	683	683
Amount due from customers for contract work	a	553	(553)	-
Trade and other receivables	c	6,068	(130)	5,938
Current Liabilities				
Contract liabilities	a, b & d	-	8,931	8,931
Amount due to customers for contract work	a	2,134	(2,134)	-
Trade and other payables	d	11,217	(6,569)	4,648
Deferred income	b	243	(228)	15
Non-current Liabilities				
Contract liabilities	b	-	2,867	2,867
Deferred income	b	3,185	(2,867)	318

** The amounts in this column are before the adjustments from the application of HKFRS 9.*

Notes:

a. For construction and installation contracts, the Group continues to recognise revenue over time and apply output method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. Amounts due from/to customers for contract work of RMB553 million and RMB2,134 million were reclassified to contract assets and contract liabilities respectively.

b. At the date of initial application, included in the deferred income was RMB3,095 million which represents fees charged to certain customers for the construction of main gas pipelines or provision of ongoing access to gas supply, and hence such balance was reclassified to contract liabilities.

c. At the date of initial application, unbilled revenue of RMB130 million arising from construction and installation contracts are conditional on the confirmation of acceptance by customers on construction service, and hence such balance was reclassified from trade and other receivables to contract assets.

d. At the date of initial application, considerations received from customers of RMB6,569 million in respect of the sales of goods or the construction and installation contracts previously included in trade and other payables were reclassified to contract liabilities.

<u>Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"</u>

In the current period, the Group has applied HKFRS 9 "Financial Instruments", and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and 3) general hedge accounting.

In accordance with the transition provisions set out in HKFRS 9, the Group has applied HKFRS 9 by applying the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and not applying the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at the date of initial application (1 January 2018).

	AFS financial assets	**Financial assets at FVTPL required by HKAS 39/ HKFRS 9**	**Equity instruments at FVTOCI**	**Receivables***	**Contract assets**	**Revaluation reserve**	**Retained earnings**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Closing balance at 31 December 2017 – HKAS 39	5,106	9	-	8,625	-	29	(14,637)
Effect arising from initial application of HKFRS 15	-	-	-	(130)	683	-	-
Effect arising from initial application of HKFRS 9:							
Reclassification							
From AFS financial assets (note a)	(5,106)	4,998	108	-	-	(44)	44
From trade and other receivables (note b)	-	275	-	(275)	-	-	-
Remeasurement							
Impairment under ECL model (note c)	-	-	-	(2)	(1)	-	3
From cost less impairment to fair value (note a)	-	59	1	-	-	(1)	(59)
Opening balance at 1 January 2018	-	5,341	109	8,218	682	(16)	(14,649)

** The amounts in this column included trade and other receivables and amounts due from joint ventures, associates and related companies.*

Notes:

a. Reclassification from AFS financial assets

From AFS financial assets to FVTPL

At the date of initial application of HKFRS 9, the Group's equity investments of RMB4,998 million were reclassified from AFS financial assets to financial assets at FVTPL. The fair value gains of RMB59 million relating to those equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and retained earnings as at 1 January 2018. The fair value losses of RMB44 million relating to those investments previously carried at fair value were transferred from revaluation reserve to retained earnings as at 1 January 2018.

From AFS financial assets to FVTOCI

Except for the equity investments reclassified as financial assets at FVTPL, the Group elected to present in other comprehensive income for the fair value changes of all other equity investments previously classified as AFS financial assets, of RMB108 million relating to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB108 million were reclassified from AFS financial assets to equity instruments at FVTOCI. The fair value gains of RMB1 million relating to those unquoted equity investments previously carried at cost less impairment were adjusted to revaluation reserve as at 1 January 2018.

b. Reclassification from trade and other receivables

From trade and other receivables to FVTPL

At the date of initial application of HKFRS 9, the Group's investments in wealth management products of RMB275 million were reclassified from other receivables to financial assets at FVTPL because their cash flows do not represent solely payments of principal and interest on the principal amount outstanding.

c. Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets, trade receivables and amounts due from joint ventures, associates and related companies arising from contracts with customers. To measure the ECL, contract assets, trade receivables and amounts due from joint ventures, associates and related companies arising from contracts with customers have been grouped based on shared credit risk characteristic. The contract assets relate to unbilled work in progress and have substantially the same risk characteristic as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the expected loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of restricted bank deposits, bank balances, and non-trade nature of amounts due from joint ventures, associates and related companies are measured on 12-month ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB3 million has been recognised in retained earnings.

All loss allowances of financial assets including contract assets, trade receivables and amounts due from joint ventures, associates and related companies arising from contracts with customers at amortised cost as at 31 December 2017 reconcile to the opening loss allowances as at 1 January 2018 is as follows:

	Contract assets *RMB million*	**Receivables** *RMB million*
At 31 December 2017 – HKAS 39	-	201
Amounts remeasured through opening retained earnings	1	2
At 1 January 2018	1	203

3. SEGMENT INFORMATION

Information reported to the chief operating decision makers, being the chief executive officer of the Company (the "**CEO**"), 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 construction and installation, sales of piped gas, vehicle gas refuelling stations, wholesale of gas, sales of integrated energy and services, sales of gas appliances and sales of material. Segment profit reviewed by the CEO 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 CEO 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 2018

	Construction and installation	Sales of piped gas	Vehicle gas refuelling stations	Wholesale of gas	Sales of integrated energy and services	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	3,573	19,656	1,434	10,181	376	413	1,283	36,916
Inter segment sales	(585)	(4,755)	(34)	(3,586)	(7)	(253)	(1,166)	(10,386)
Revenue from external customers	2,988	14,901	1,400	6,595	369	160	117	26,530
Segment profit before depreciation and amortisation	1,997	2,730	149	194	42	59	9	5,180
Depreciation and amortisation	(80)	(367)	(54)	(2)	(14)	(1)	-	(518)
Segment profit	1,917	2,363	95	192	28	58	9	4,662

Six months ended 30 June 2017

	Construction and installation	Sales of piped gas	Vehicle gas refuelling stations	Wholesale of gas	Sales of integrated energy and services	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

4. OTHER GAINS AND LOSSES

	Six months ended 30 June 2018	2017
	RMB million	*RMB million*
Fair value loss of:		
- Convertible bonds at FVTPL	(249)	(140)
- Financial assets/liabilities at FVTPL	(179)	(93)
(Loss) gain on foreign exchange, net (note a)	(312)	107
Impairment losses, net of reversal	(59)	(85)
Gain (loss) on disposal of:		
- Property, plant and equipment	4	(22)
- Prepaid lease payments	2	5
- Subsidiaries	3	(13)
Release of exchange reserve to profit or loss upon disposal of subsidiaries	40	-
Gain on redemption of convertible bonds at FVTPL	34	-
Gain on remeasurement of an interest in joint ventures previously held (note b)	118	-
	(598)	(241)

Notes:

a. Included in the amount for the six months ended 30 June 2018 is an exchange loss of approximately RMB268 million (six months ended 30 June 2017: exchange gain of approximately RMB89 million) arising from the translation of senior notes, unsecured bonds and bank loans denominated in USD to RMB.

b. The amount was derived from the acquisition of further 50% of the registered capital of two joint ventures previously held by the Group during the six months ended 30 June 2018.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	**2017**
	RMB million	*RMB million*
PRC Enterprise Income Tax:		
Current tax	940	775
Withholding tax	50	29
	990	804
Deferred tax:		
Current period	(97)	(69)
	893	735

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25%.

Certain subsidiaries of the Company are qualified as "High and New Tech Enterprises", which are subject to PRC enterprise income tax at the preferential rate of 15% of the estimated assessable profit as determined in accordance with relevant tax rules and regulations in the PRC. This preferential rate could be applied for three years and the subsidiaries are eligible to apply the tax concession again upon expiry of the three-year period.

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 2018 and 2017.

6. DIVIDEND

The final dividend in respect of fiscal year 2017 of HK$1.08 (equivalent to approximately RMB0.90) per ordinary share (six months ended 30 June 2017: final dividend in respect of fiscal year 2016 of HK$0.83 (equivalent to approximately RMB0.74) per ordinary share) amounting to approximately RMB952 million (six months ended 30 June 2017: RMB775 million) were declared on 22 March 2018 and were not paid as at 30 June 2018.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: 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	
	2018	**2017**
	RMB million	*RMB million*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	1,782	1,649

	Six months ended 30 June	
	2018	**2017**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,084,291	1,081,726
Effect of dilutive potential ordinary shares:		
- share options	2,914	121
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,087,205	1,081,847

Diluted earnings per share for the six months ended 30 June 2018 and 2017 are calculated assuming all dilutive potential ordinary shares were converted, except for the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

8. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables are trade receivables amounting to RMB2,454 million (31 December 2017: RMB2,450 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 2018	**At 31 December 2017**
	RMB million	*RMB million*
Within three months	1,845	2,120
4 to 6 months	286	140
7 to 9 months	118	167
10 to 12 months	47	23
More than one year	158	-
	2,454	2,450

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB3,019 million (31 December 2017: RMB3,182 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 2018 *RMB million*	**At 31 December 2017** *RMB million*
Within three months	2,165	2,678
4 to 6 months	391	174
7 to 9 months	162	72
10 to 12 months	46	38
More than one year	255	220
	3,019	3,182

10. EVENT AFTER THE REPORTING PERIOD

On 25 June 2018, the Company entered into a sale and purchase agreement (the "**SPA**") with Essential Investment Holding Company Limited (the "**Vendor**"), a company controlled by Mr. Wang Yusuo, pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase the entire issued share capital of Excellence Award Holding Company Limited (the "**Target Company**"), a wholly-owned subsidiary of the Vendor. Pursuant to the SPA, the consideration is RMB2,606,595,755 (equivalent to approximately HK$3,194,122,681) and the share issue price is determined by the Company and the Vendor to be HK$80.00 per share after fair negotiation, which hence shall be fully settled by the allotment and issue, credit as fully paid, of 39,926,534 ordinary shares of the Company (the "**Consideration Shares**") to the Vendor at completion. Conditions precedent on completion include but not limited to the approvals from the Company's independent shareholders, the Stock Exchange for the listing of and permission to deal in the Consideration Shares, and the Securities and Futures Commission on the application of whitewash waiver. The Target Company and its subsidiaries are engaged in the business of providing technology solutions of multiple forms of energy in the PRC.

Subsequent to the end of the reporting period, the transaction was completed on 16 August 2018 (the "**Completion Date**"). The Consideration Shares were then allotted and issued to the Vendor. Details of the acquisition are set out in the Company's circular dated 16 July 2018.

The fair value of the Consideration Shares was approximately RMB2,502 million which was calculated with reference to the closing stock price of the Company as quoted in the Stock Exchange on the Completion Date.

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 2018 (Unaudited)	2017 (Unaudited)	Increased/ (Decreased) by
Results			
Revenue *(RMB million)*	**26,530**	21,424	23.8%
Gross profit *(RMB million)*	**4,662**	3,873	20.4%
Profit attributable to owners of the Company *(RMB million)*	**1,782**	1,649	8.1%
Earnings per share – Basic *(RMB)*	**1.64**	1.52	7.9%
Operational data#			
Number of city-gas projects in China	**178**	165	13
Urban population coverage *(thousand)*	**88,609**	78,090	13.5%
Residential households coverage *(thousand)*	**29,536**	26,030	13.5%
New natural gas customers developed during the period:			
– residential households *(thousand)*	**1,078**	951	13.4%
– C/I customers *(sites)*	**10,764**	9,650	1,114
– installed designed daily capacity for C/I customers *(thousand m^3)*	**8,228**	6,957	18.3%
Accumulated number of piped gas customers:			
– residential households *(thousand)*	**17,300**	15,098	14.6%
– C/I customers *(sites)*	**102,643**	78,329	24,314
– installed designed daily capacity for C/I customers *(thousand m^3)*	**96,129**	78,138	23.0%
Piped gas penetration rate	**58.6%**	58.0%	0.6ppt
Unit of natural gas sold to residential households *(thousand m^3)*	**1,614,262**	1,188,473	35.8%
Unit of natural gas sold to C/I customers *(thousand m^3)*	**6,263,730**	5,037,878	24.3%
Unit of natural gas sold to vehicles *(thousand m^3)*	**612,674**	693,478	(11.7%)
Wholesale of gas volume *(thousand m^3)*	**2,570,857**	2,267,279	13.4%
Number of CNG refuelling stations	**325**	325	-
Number of LNG refuelling stations	**281**	281	-
Number of natural gas processing stations	**176**	170	6
Combined daily capacity of natural gas processing stations *(thousand m^3)*	**118,500**	87,635	35.2%
Total length of existing intermediate and main pipelines *(km)*	**42,032**	35,036	20.0%
Accumulated number of integrated energy projects in operation	**46**	22	24

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 2018, China's economic growth remained stable, with a modifying and upgrading economic structure, the improvement in quality and return drove gross domestic product (GDP) to grow by 6.8% year-on-year. Following the introduction of "Work Plan for Air Pollution Prevention and Control in Beijing-Tianjin-Hebei and Surrounding Areas in 2017" which aimed at improving the air quality in Beijing-Tianjin-Hebei and surrounding areas ("2+26" cities) last year, the State Council this year further released the "Three-year Action Plan to Win the Blue Sky Defense War", aiming to lower the proportion of coal in the country's total energy consumption to below 58% by 2020, and expand the coverage of key areas from "2+26" cities to a wider region such as the Yangtze River Delta region and the Fen-Wei Plain. The government will continue to strictly control the consumption of coal, and the total emission of air pollutants and greenhouse gas in key areas, setting a goal to reduce the number of days with heavy pollution by more than 25% compared with 2015 by 2020. In addition to the above key areas, Henan, Anhui, Hebei and Guangdong have also issued corresponding action plans, demonstrating a growing effort to promote clean energy across the nation. Benefiting from the steady growth of macro-economy, the government's determination to control air pollution and the tightening environmental protection policies from the local governments, the downstream demand for natural gas remained strong during the period, driving the apparent natural gas consumption in China to record a growth of 17.5% year-on-year, 2.3 ppts higher than that for the same period of last year.

During the period, leveraging on its strong foothold in the industry and execution competency, the Group's natural gas distribution business continued to outperform national average and achieved all business goals set at the beginning of the year. The total natural gas sales volume reached 11,062 million cubic metres, representing an increase of 20.4% year-on-year, in which retail gas sales including gas sold to residential users, C/I users and vehicle gas refuelling stations reached 8,491 million cubic metres, representing a significant increase of 22.7% year-on-year. Meanwhile, the strong downstream demand for natural gas, coupled with the Group's powerful gas sources acquisition and dispatching capabilities, driving sales volume of energy trading business to reach 2,571 million cubic metres, representing a year-on-year increase of 13.4% and maintaining a leading market share of 23%.

China is building a clean, low-carbon, efficient and economical energy system which aims at raising the quality and efficiency of energy use, coupled with the government's successive introduction of energy reform policies, as well as the ongoing advancement of energy efficiency technology, the integrated energy industry in China is experiencing an explosive growth. The Group actively grasped this growth opportunity and accelerated the expansion of integrated energy business. During the period, the Group signed 131 new integrated energy projects with potential energy sales of 36,424 million kWh per year. 15 integrated energy projects were put into operation during the period, accumulative number of projects in operation amounted to 46, laying down a solid foundation for the Group's strategic transformation.

New Customers Development

From the end of last year, the central and local governments have successively issued a series of environmental protection policies, including "Plan on Winter Heating Using Clean Energy in Northern China (2017–2021)", "Three-year Action Plan to Win the Blue Sky Defense War", "Implementation Plan for the Prevention and Control of Air Pollution in 2018" in Henan Province, "Work Plan for Prevention and Control of Air Pollution in 2018" in Anhui Province and "Work Plan on Winter Heating Using Clean Energy in 2018" in Hebei Province, to push forward "coal-to-gas" conversion, eliminate coal-fired boilers with a capacity below 35 steam tons/hour in key cities and those with a capacity below 10 steam tons/hour in the built-up areas at or above county level, and thereby encouraging businesses to adopt cleaner energies to replace highly polluting fuels, including coal, heavy oil and low-quality diesel.

The Group actively co-operated with local governments to accelerate the promotion of industrial "coal-to-gas" conversion, and the development of high-quality commercial customers with higher affordability. It also offered integrated energy supply and services by customising integrated energy solutions for customers to improve their energy efficiency and reduce energy bills. During the period, the Group developed 10,764 new C/I customers (installed gas appliances with designed daily capacity of 8,228,222 cubic metres), with an average installation fee of RMB100 per cubic meter. In which, new connections to customers from "coal-to-gas" conversion reached 2,902,400 cubic metres/day, accounting for 35.3% of newly developed C/I customers. The installed gas appliances with designed daily capacity for commercial users was 1,398,800 cubic metres, accounting for 17% of newly developed C/I customers. As of 30 June, the Group had a total of 102,643 C/I customers (installed gas appliances with designed daily capacity of 96,128,735 cubic metres).

According to the "13th Five-year Plans on Natural Gas Development", the percentage of population living in urban areas will increase from currently 58.52% to 60% by 2020. The increase of each percentage point in urbanisation rate will bring about 14 million's urban population as well as an energy consumption equivalent to 80 million tons of standard coal, thus, the advancement of urbanisation progress will continue to drive new residential customers development and their gas consumption volume.

Capitalising on the rapid urbanisation, the Group sped up development of new and existing buildings, meanwhile carried out "coal-to-gas" conversion projects in rural areas with higher affordability such as Hebei, Henan and Shandong. During the period, the Group developed 1,078,407 residential households, among which new buildings, existing buildings and rural areas were 749,050, 208,242 and 121,115, representing 69.5%, 19.3% and 11.2% of new residential households respectively. The average construction and installation fee of RMB 2,706 per household. As of 30 June 2018, the number of household coverage of the Group's city-gas projects in China reached 29,536,000, the aggregate number of developed piped gas residential customers reached 17,299,550. The average penetration rate increased from 57.5% at the end of 2017 to 58.6%.

Natural Gas Sales

Benefiting from the continuous growth of newly developed industrial and commercial customers and the increasing gas consumption by existing customers, during the period, natural gas sold to C/I customers amounted to 6,264 million cubic metres, representing an increase of 24.3% year-on-year. In which, gas sales to industrial and commercial customers recorded 5,012 million cubic metres and 1,252 million cubic metres respectively, representing an increase of 23.6% and 27.5% year-on-year respectively.

With the ramping up of gas consumption by newly developed residential customers as well as natural gas space heaters users, during the period, natural gas sold to residential users recorded 1,614 million cubic metres, up 35.8% year-on-year. As of 30 June 2018, the Group together with its associates and joint ventures cumulatively developed 950,000 natural gas space heaters users, representing an increase of 380,000 users year-on-year.

The National Development and Reform Commission issued the "Notice on Unification of Residential City-gate Price" in May this year. The Group's projects in Guangdong, Guangxi, Yunnan, Fujian, Guizhou and Zhejiang were not affected while projects with residential automatic pass through mechanism had simultaneously adjusted retail gas prices already, the Group expects most of the remaining projects to complete price adjustment soon. The unification of residential city-gate price will encourage upstream suppliers to increase gas supply, enabling the growing demand for natural gas to be satisfied and facilitate a healthy development of the natural gas industry.

New Projects

Leveraging on its strong business development, excellent safety operation capability and good corporate image, the Group actively expanded its gas concessions and customer base. In the first half of 2018, the Group successfully acquired 6 new projects and 19 new concessions around its existing projects, with an additional population coverage of 1.99 million. As of 30 June 2018, the Group had 178 projects in China, covering a population of 88.61 million. Along with the execution of return on asset regulation for natural gas distribution, it's believed that a number of small and medium-sized gas companies with low operational efficiency and single business model may face greater challenges. The Group will actively explore merger and acquisition opportunities which will bring synergy to the Group's existing projects and strive to expand the operational areas of city gas business.

Projects	The Group's shareholding	Major industries
1. Zhoushan City, Zhejiang	46%	Hotel, catering, food processing, machinery manufacturing
2. Feidong County, Anhui	60%	Pharmaceutical and food, mechanical processing, logistics and industrial parks, hotel
3. Tianchang, Anhui	90%	Food, chemical, pharmaceutical, electronics, foundry
4. Zhaoyuan County, Shandong	60%	Gold production and processing, machinery manufacturing, chemicals, food processing
5. Industrial Cluster, Yanling County, Xuchang, Henan	80%	Textile, luggage and leather, machinery manufacturing
6. Industrial Cluster, Ye County, Henan	80%	Salt-based chemical, machinery manufacturing

The 19 new concessions nearby existing projects include:

Provinces	Operational areas
Hunan	Jinjing Town, Kaihui Town, Lukou Town, Guoyuan Town, Fulin Town, Qingshanpu Town, Gaoqiao Town, Jiangbei Town, Chunhua Town, and Beishan Town in Changsha County
Shandong	Zhangxing Town, Jinling Town, and Canzhuang Town in Zhaoyuan
Zhejiang	Toutuo Town, and Beiyang Town in Taizhou
Henna	Dayu Town, Lingtou Town, Xiadian Town, and Jiaocun Town in Ruzhou

Among which, the Zhoushan project in Zhejiang Province is the first national strategic level new district, aiming to become a pilot area and experimental zone for the comprehensive development of a maritime economy in Zhejiang, and a key economic growth driver in the Yangtze River Delta region. By the end of 2017, local population reached 1.17 million.

The major industries in Zhoushan city include shipbuilding and marine products processing, which create a huge demand for natural gas. While on the commercial side, large-scale starred hotels, restaurants, schools and hospitals bring the Group with more quality commercial customers with higher affordability.

According to the statistics from Zhoushan Energy Department, there are a total of 519 highly polluting industrial boilers in Zhoushan city currently, as the local government is actively carrying out the action plan on preventing and controlling air pollution, the Group believes natural gas demand from Zhoushan project will experience a rapid growth.

Integrated Energy Business

According to the "Implementation Opinions on the Integration and Optimisation of Demonstrative Project Construction" by National Development and Reform Commission and the National Energy Administration, by 2020, the proportion of existing industrial parks adopting integrated energy solutions will reach 30%, and the proportion of newly-established industrial parks adopting integrated energy solutions will reach 50%. Currently there are more than 1,500 national and provincial-level industrial parks nationwide, and more than 5,000 other industrial parks of various scales, these industrial parks are the key market for integrated energy business, demonstrating a huge market potential.

In the context of a rapidly growing integrated energy market, capitalising on its huge customer base and first-mover advantage, the Group actively adjusted strategy and accelerated the development of integrated energy business, aiming to foster a new driver for profit growth and stimulate the development of natural gas distribution business. The acquisition of ENN Ubiquitous Energy Network Technology Co., Ltd., one of the leading integrated energy service providers in China, was approved by independent shareholders in the extraordinary general meeting held on 8 August 2018. Through the acquisition, the Group successfully obtained the core technological know-hows on planning, designing and operating integrated energy projects, and thereby strengthening its competitive advantages in integrated energy business. The establishment of core technological barrier also facilitates the Group to grab opportunities arisen in the industry and expand its market share quickly by developing high-quality projects and customers.

During the period, the Group signed 131 new integrated energy projects, with potential energy sales of 36,424 million kWh per year; 15 integrated energy projects were put into operation, including 4 industrial parks and 11 stand-alone C/I sites. Among which, Zhejiang Yuhang Economic and Technological Development Zone is a national-level and established industrial park with more than 200 large-scale enterprises, whose industries spanning from equipment manufacturing, protective clothing to food and pharmaceutical, creating a strong demand for steam and electricity. Although this project is not located in the Group's gas concession, along with the vigorous promotion of coal-to-gas conversion and clean energy initiatives in Zhejiang province, the Group broke through the barriers of gas concession to construct a clean energy ecosystem for Yuhang Development Zone with its leading integrated energy technology and development concept, as well as its strong market development capabilities, so as to satisfy both the customers and the government in terms of the need for multiple energy and environmental quality.

As of 30 June 2018, the Group operated 46 integrated energy projects with 38 projects under construction. The sales volume of integrated energy including cooling, heating, electricity and steam reached 1,016 million kWh and generated a revenue of RMB369 million, representing a significant growth of 276.5% year-on-year.

Among the 46 projects that were put into operation, some of the major national and provincial-level industrial parks are presented as follow:

Provinces	Projects	The Group's shareholding	Major industries
Hebei	Jingbin Industrial Park	100%	High technology, education, hotel, commercial, finance, urban facilities
Shandong	China-Germany Industrial Park, Qingdao	100%	High-end manufacturing and supporting services such as Electric vehicles, marine equipment, new energy equipment manufacturing, green real estate, international business, modern life services
Guangdong	Haofeng Industrial Park, Machong Town, Dongguan	49%	Electroplating, bleaching, washing, printing
Zhejiang	Chengnan Industrial Zone, Longyou Industrial Park	45%	Special paper, advanced equipment manufacturing, textile and apparel
	Jinhai Industrial Park, Wenzhou Economic and Technological Development Zone	100%	Electrical machinery, communication equipment, clothing, shoe leather, plastic products
	New Energy Automobile Industrial Park, Jinhua Economic and Technological Development Zone	100%	Automotive and accessories, biomedicine, electronic information, mechatronics and new materials
	Datong Industrial Park, Jiande, Xiaoshan	100%	Processing, green agriculture

	Yuhang Economic and Technological Development Zone	100%	Equipment manufacturing, textile and apparel, electronic communication, food and pharmaceutical
Anhui	Tongling Industrial Park, Guzhen County	100%	Modern agriculture, machine manufacturing

The Group will continue to expand the potential energy consumption scale of its integrated energy business through signing more quality projects, and seizing the development window strategically, aiming to "get quality projects" and "execute well". The Group will focus on exploring national and provincial-level industrial parks with enterprises from various industries, and those with stable energy consumption, diversified customer base and multiple energy demand. For newly-signed projects, the Group will expedite the planning and designing of integrated energy systems to improve their operation efficiency and increase return, creating a comprehensive sales package of steam, electricity and heat, bringing a rapid growth on revenue.

Winter Gas Supply Assurance

In response to the gas shortage in certain areas of northern China last winter, the government and upstream gas suppliers actively plan ahead to secure winter gas supply and sped up the construction of storage facilities. Meanwhile, with the accelerating construction of China-Russia East-Route Natural Gas Pipeline, the Line D of Central Asia-China Gas Pipeline as well as an increasing number of LNG terminals coming on stream, the transmission capacity of imported gas pipeline and the import volume of LNG will be further increased. The PRC government also encouraged natural gas trading on the in Shanghai Petroleum and Natural Gas Exchange as well as Chongqing Petroleum and Natural Gas Exchange, along with the liberalisation of natural gas price and the accelerating progress to open up onshore midstream infrastructure, it is believed that more upstream participants will enter the domestic market, making natural gas supply more adequate and diversified.

To cope with tightening gas supply in winter time, the Group has taken various measures to ensure stable gas supply. Firstly, as one of the largest LNG traders in China, the Group's energy trading team capitalised on its well-established upstream resources network and dispatching capability, cooperated to lock in onshore LNG supplies with major LNG suppliers and manufacturers for the coming winter, so as to ensure adequate gas sources to satisfy surging gas demand.

Secondly, along with the commencement of the LNG terminal invested by ENN Group in Zhoushan, the Group will take advantage of the priority access to terminal facilities to commence the long-term LNG import contracts entered into with Chevron, Total and Origin. The Group will also procure spot LNG depending on the spot market price as well as the downstream demand, so as to increase its own gas supply. The Group believes that the diversified international procurement sources could effectively alleviate the supply pressure in heating season and help maintain a stable procurement cost for city-gas projects in winter.

Lastly, the Group will continue to enhance its gas storage capacity by co-constructing large scale gas storage facilities with other gas distributors, leasing capacity from third parties and purchasing gas storage services. The Group has an existing gas storage capacity of approximately 58 million cubic meters, which could satisfy the demand from city-gas projects for approximately 1.5 days. The Group will focus on investing in and constructing gas storage facilities in regions with high natural gas demand in winter such as Henan, Shandong and Hebei.

Global Awards

With steady growth in operating results and enhancement of management capability, the Group received the following honours in the first half of 2018:

- The title of "Most Honored Company", "Best IR Project (ranked No.2 overall)", "Best Corporate Governance (ranked No.2 overall)", "Best Analyst Days (ranked No. 2 overall)" and "Best IR Professional (ranked No. 3 overall)" in Power Sector in 2018 All-Asia Executive Team Rankings by Institutional Investor, an international financial magazine highly recognised by investment professionals; and
- "Certificate of Excellence" in the "4th Investor Relations Awards 2018" organised by Hong Kong Investor Relations Association; and
- Ranked 166th in "China Top 500" 2018 by Fortune magazine, up twenty places from last year.

These honours signify the industry appreciation of the Group's performance in investor relations and transparency enhancement in the past six months, and fully demonstrate the recognition of the Group's business performance, corporate governance and social responsibility by investors, shareholders and industry analysts. The Group will continue to work hard and make persistent efforts, so as to share its development results with investors and shareholders.

FINANCIAL RESOURCES REVIEW

Key Financial Data

During the period, the Group's revenue amounted to RMB26,530 million, representing an increase of 23.8% comparing to the corresponding period in 2017. Gross profit margin of the Group was 17.6%, down 0.5 percentage point year-on-year, while net profit margin was 8.7%, down 1.0 percentage point year-on year. The slight decrease in gross profit margin was mainly due to the increasing share of revenue from natural gas sales which was a recurring revenue stream, and the increase in its average procuring cost. The decrease in net profit margin was mainly due to the decline in gross profit margin, foreign exchange loss and fair value loss of convertible bonds. Profit attributable to shareholders was RMB1,782 million, representing an increase of 8.1% year-on-year. Basic earnings per share was RMB1.64, representing an increase of 7.9% year-on-year.

Liquidity and Financial Resources

Currently, the Group's operating and capital expenditures are funded by operating cash flows, current assets, bank loans, bonds and share capital. The Group has sufficient sources of funds and unutilised banking facilities to meet its working capital requirements and future capital expenditure. An analysis of the Group's cash, current and non-current debts is as follows:

	30 June 2018 ***RMB million***	31 December 2017 *RMB million*	Increased/ (Decreased) by *RMB million*
Bank balances and cash (excluding restricted bank deposits)	**6,266**	7,972	(1,706)
Long-term debts (including bonds)	**9,658**	9,699	(41)
Short-term debts (including bonds)	**7,528**	8,368	(840)
Total debts	**17,186**	18,067	(881)
Net debts[1]	**10,920**	10,095	825
Total equity	**21,490**	20,217	1,273
Net gearing ratio[2]	**50.8%**	49.9%	0.9ppt
Net current liabilities	**8,905**	7,979	926
Unutilised banking facilities	**9,370**	8,851	519

[1]Net debts = Total debts - Bank balances and cash (excluding restricted bank deposits)
[2]Net gearing ratio = Net debts / Total equity

Borrowings Structure

The Group has been adopting a prudent management policy on financial resources to ensure the stability of the Group's capital structure. As at 30 June 2018, the Group's total debts amounted to RMB17,186 million (31 December 2017: RMB18,067 million). Short-term debts (including bonds) amounted to RMB7,528 million (31 December 2017: RMB8,368 million) while the remaining debts were long-term debts with terms more than one year. Except for the bank loans amount to RMB464 million that are secured by assets with a carrying value of RMB346 million, all other debts are unsecured. The Group's bank balances and cash (excluding restricted bank deposits) amounted to RMB6,266 million (31 December 2017: RMB7,972 million). As at 30 June 2018, the Group's net gearing ratio was 50.8% (31 December 2017: 49.9%), and the fixed-rate debts to total debts ratio was 96.0% (31 December 2017: 94.3%).

As at 30 June 2018, the Group's major bonds were listed below:

Major bonds	Currency	Maturity date	Interest rate	Principal amount
Five-year Unsecured Bonds	USD	23 October 2019	3.25%	65 million
Three-year Corporate Bonds	RMB	2 December 2019	3.55%	2,500 million
Maximum Five-year Corporate Bonds	RMB	17 December 2020	3.68%	2,500 million
Ten-year Senior Notes	USD	13 May 2021	6.00%	366 million
Five-year Unsecured Bonds	USD	24 July 2022	3.25%	600 million

The Group seeks to maintain strict control over the debt level and strike a balance between duration of loan and cost. In managing long-term borrowings, the Group will seek and spread the maturity dates evenly over different years as possible in order to reduce the time pressure and cost of refinancing.

Foreign Exchange Risk Management

As the major operations of the Group are in China, revenues and expenses are mainly denominated in RMB, therefore, the Group is not exposed to significant foreign exchange risk in its operation. The Group's foreign exchange risk mainly arises from bonds and loans denominated in foreign currencies and international LNG procurement business conducted in USD.

The Group has established corresponding foreign exchange risk management policies so as to prudently manage and mitigate the impact of exchange rate fluctuation on the Group's operation and cash flows.

The Group will monitor market interest rates, exchange rates, international oil prices, trend of natural gas price indices and macroeconomies on an ongoing basis, so as to refine the Group's strategy on foreign debt financing (including financing manner, currency, interest rate, terms, etc.) as appropriate and to use appropriate foreign currency derivative instruments for hedging under favorable market conditions.

Foreign exchange risk arising from bonds and loans denominated in foreign currencies

As at 30 June 2018, the principal amount of the Group's borrowings denominated in foreign currencies amounted to USD1,621 million (31 December 2017: USD1,550 million), in which the carrying value was approximately RMB10,677 million (31 December 2017: RMB10,579 million), and among which 58.2% (31 December 2017: 66.2%) of long-term foreign debts has been hedged against the foreign exchange risk. The Company entered into foreign currency derivative contracts, mainly cross currency swaps, with various financial institutions. The terms and clauses of which are in line with that of the USD600 million bonds due in 2022. Such foreign currency derivative contracts effectively eliminate the foreign exchange risk arising from the interest and principal payments of the USD600 million bonds due in 2022. The Group will continue to monitor the foreign exchange market and proceed to hedge the remaining unhedged foreign debts in due course and raise the hedged ratio on long-term debts to approximately 70% so as to reduce the uncertainty arising from foreign currency exposure.

Foreign exchange risk arising from international LNG procurement business

In addition, the international LNG procurement contracts with a term of five to ten years entered into by the Group will be enforced starting from the second half of 2018. The settlement of these LNG procurement contracts is in USD. In order to mitigate the foreign exchange risk arising from the settlement of LNG procurement contracts in the future, the Group is tracking and monitoring the trends of international oil prices, natural gas price indices, exchange rates and interest rates based on the future shipping and delivery schedule, so as to make reasonable assessment on the hedging ratio and manner. Meanwhile, the Group will adopt, when appropriate, suitable foreign exchange risk management measures and use foreign exchange derivatives to reduce the level of foreign exchange exposure arising from LNG procurement business to reasonable range.

Credit Rating

Benefiting from the government's encouragement of the use of clean energy (including natural gas) and the Company's enhancing ability in operational management and control as well as the stable capital structure, Standard & Poor's believes that the Company will maintain positive growth in the next two or three years. Standard & Poor's therefore upgraded its credit rating on the Company from BBB to BBB+ in June 2018 and issued a "stable" outlook. Moody's maintained Baa2 investment-grade credit rating on the Company and "stable" outlook; and Fitch maintained BBB investment-grade credit rating and "stable" outlook. Such ratings reflect the wide recognition of the Group's development strategy and its sound financial performance by the market. Following the upgrade by Standard & Poor's, it is believed that the finance cost of the Group's potential financing will be further reduced, and thereby providing sufficient financial resources for the Group's long-term healthy development.

As of the date of this announcement, the credit ratings of the Company are summarised below:

	Standard & Poor's	**Moody's**	**Fitch Ratings**
Long-term credit rating	⬆ BBB+	Baa2	BBB
Outlook	Stable	Stable	Stable

Contingent liabilities

As at 30 June 2018, the Group has no significant contingent liabilities.

Financial Guarantee Liability

As at 30 June 2018, the Group had issued guarantees to banks to secure loan facilities granted to joint ventures to the extent of approximately RMB36 million (31 December 2017: RMB126 million). The amounts have been utilised at the end of the reporting period.

Commitments

	At 30 June 2018 *RMB million*	**At 31 December 2017** *RMB million*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	716	643
Commitments in respect of		
- investments in joint ventures	217	207
- investments in associates	91	86
- other equity investments	-	86

SIGNIFICANT INVESTMENT

The Company through its wholly-owned subsidiary subscribed in 2014 for an approximately 1.13% unlisted equity interest in Sinopec Marketing Co., Ltd ("**Sinopec Marketing**"), being a subsidiary of China Petroleum & Chemical Corporation ("**Sinopec**") with its shares listed on the Main Board of the Hong Kong Stock Exchange (stock code: 386.HK) and the Shanghai Stock Exchange (stock code: SH600028) and with its American depository receipts listed on the New York Stock Exchange and the London Stock Exchange (stock code: SNP), at approximately RMB4 billion. Sinopec Marketing is engaged in storage and logistics, sales and distribution of petroleum products and operation of non-fuel business (such as convenience stores and car services). The investment in Sinopec Marketing was made and has been held by the Group for strategic reasons. The Group did not acquire further or dispose of any equity interest in Sinopec Marketing during the six months ended 30 June 2018.

The equity interest in Sinopec Marketing is unlisted and Sinopec has announced a plan for the spin-off and separate listing of Sinopec Marketing. The Group's investment in Sinopec Marketing was accounted for in its financial statements at cost less impairment according to HKFRSs. As disclosed in 2017 Annual Report, HKFRS 9 "Financial Instruments" becomes effective for annual periods beginning on or after 1 January 2018, transitional provisions have been adopted by the Group. For the six months ended 30 June 2018, a fair value loss of approximately RMB55 million for such investment was recognised in profit or loss and the Group received dividend income of approximately RMB249 million (2017: RMB70 million) from Sinopec Marketing.

Such investment in Sinopec Marketing generates recurring dividend income to the Group and has maintained its fair value of approximately RMB4 billion as at 30 June 2018, and it suits the Group's objective of maintaining business relationship and developing cooperation with Sinopec. The Group thus considers such investment has been properly made and has no intention to realise such investment in the near future. The Group will from time to time to review such investment having regard to market conditions, the Group's working capital needs and professional advice as appropriate.

STRATEGIES AND PROSPECTS

China is pushing an energy reform to make a clean and low-carbon society, by shifting the development of energy industry from extensive consumption to improving the quality and efficiency of energy usage.

The government is committed to reducing unit energy consumption and optimising the primary energy mix. According to the "13th Five-Year Plan on Energy Conservation and Emission Reduction" and the "13th Five-year Plan on Energy Development", by 2020, the energy consumption per unit of GDP will be 15% lower than that in 2015, and the proportion of natural gas in primary energy consumption will rise to 10%.

In a context of energy reform, natural gas gradually becomes a dominant energy source. In addition, the National Development and Reform Commission issued the consultation paper on "Comment on the Regulation Measures on the Fairness and Openness of Oil and Gas Pipeline Network Facilities" on 3 August this year, proposing the opening up of oil and gas pipelines network (excluding city-gas network), which is conducive to the reform of natural gas industry and the full implementation of a market-oriented pricing mechanism. The accelerated construction of facilities for upstream exploration, midstream pipeline transportation, LNG receiving terminals and gas storage, is becoming a strong support for the long-term growth of downstream natural gas consumption.

The Group has been rooted in city-gas business for over 20 years, and will continue to promote the steady growth of traditional gas business, exploit the market potential of city-gas business, and expand the gas consumption scale of industrial and commercial customers by cooperating with local governments in eliminating coal-fired boilers. The Group will also expand its development of urban residential customers and strategically promote coal-to-gas conversion in rural areas, so as to drive the growth of both gas volume and profit of the Group. Meanwhile, leveraging on the technological advantages of ENN Ubiquitous Energy Network Technology Co., Ltd., the Group will focus on acquiring high-quality industrial park projects, based on customers' energy demand and the Group's deep understanding of customers. The Group will continue to develop integrated energy business with the sales of electricity, heating and cooling, so as to bring in new growth engines and profit growth drivers beyond the traditional gas sales business. The Group will continue to promote management restructuring to improve its corporate governance and speed up the business transformation and strategic upgrade, so as to realise its transformation from a pure natural gas distributor into an industry-leading integrated energy service provider.

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

During the six months ended 30 June 2018, 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 22 August 2018 to review the Group's unaudited interim results and interim financial report for the six months ended 30 June 2018. 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 2018 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 six months ended 30 June 2018.

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 except a deviation from Code Provision E.1.2 that Mr. Wang Yusuo (Chairman of the Board) was unable to attend the annual general meeting of the Company held on 18 May 2018 due to business trips. Alternatively, Mr. Wang Dongzhi, the Executive Director of the Company, attended and acted as the chairman of the said annual general meeting.

DISCLOSURE OF INFORMATION AND PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The announcement of interim results containing all the information required by paragraphs 46(1) to 46(10) of Appendix 16 to the Listing Rules have been published on the Stock Exchange's website at www.hkexnews.hk and on the Company's website at www.ennenergy.com.

The Company’s Interim Report 2018 is printed in English and Chinese Languages, and will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange as soon as practicable.

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

Hong Kong, 23 August 2018

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. Wang Zizheng (Executive Chairman)
Mr. Han Jishen (Chief Executive Officer)
Mr. Liu Min (President)
Mr. Wang Dongzhi

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