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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 2019

Results Highlights:

	For the six months ended 2019	2018	Increase
Revenue *(RMB million)*	35,344	26,530	33.2%
Profit attributable to owners of the Company *(RMB million)*	3,362	1,782	88.7%
Operating cash inflow *(RMB million)*	4,294	1,909	124.9%
Basic earnings per share *(RMB)*	2.99	1.64	82.3%
Retail gas sales volume# *(million m^3)*	9,769	8,491	15.1%
Sales volume of integrated energy# *(million kWh)*	1,952	1,016	92.1%

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 2019 together with the comparative unaudited figures for the corresponding period in 2018. The interim results and the unaudited condensed consolidated financial statements have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June 2019 RMB million (unaudited)	2018 RMB million (unaudited)
Revenue	3	35,344	26,530
Cost of sales		(29,746)	(21,868)
Gross profit		5,598	4,662
Other income		373	608
Other gains and losses	4	793	(598)
Distribution and selling expenses		(421)	(384)
Administrative expenses		(1,397)	(1,189)
Share of results of associates		190	109
Share of results of joint ventures		242	261
Finance costs		(375)	(267)
Profit before tax		5,003	3,202
Income tax expense	5	(1,058)	(893)
Profit for the period		3,945	2,309
Other comprehensive income (expense)			
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		-	1
Release of exchange reserve to profit or loss upon deregistration / disposal of subsidiaries		3	(40)
Other comprehensive income (expense) for the period		3	(39)
Total comprehensive income for the period		3,948	2,270
Profit for the period attributable to:			
Owners of the Company		3,362	1,782
Non-controlling interests		583	527
		3,945	2,309
Total comprehensive income for the period attributable to:			
Owners of the Company		3,365	1,743
Non-controlling interests		583	527
		3,948	2,270
		RMB	*RMB*
Earnings per share	7		
Basic		2.99	1.64
Diluted		2.99	1.64

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	Notes	**At 30 June 2019** *RMB million (unaudited)*	**At 31 December 2018** *RMB million (audited)*
Non-current Assets			
Property, plant and equipment		33,958	31,073
Right-of-use assets		2,146	-
Prepaid lease payments		-	1,401
Investment properties		267	265
Goodwill		2,270	2,248
Intangible assets		3,301	3,037
Interests in associates		3,191	3,049
Interests in joint ventures		3,585	3,620
Other receivables		31	145
Financial assets at fair value through profit or loss (“**FVTPL**”)		5,146	4,845
Equity instruments at fair value through other comprehensive income (“**FVTOCI**”)		119	112
Amounts due from associates		289	353
Amounts due from joint ventures		4	68
Deferred tax assets		1,204	1,159
Deposits paid for investments		62	190
Deposits paid for acquisition of property, plant and equipment, land use rights and right of operation		79	171
Restricted bank deposits		365	639
		56,017	52,375
Current Assets			
Inventories		1,348	1,331
Trade and other receivables	8	7,614	8,560
Contract assets		795	612
Prepaid lease payments		-	39
Financial assets at FVTPL		239	735
Amounts due from associates		460	523
Amounts due from joint ventures		865	1,523
Amounts due from related companies		177	231
Restricted bank deposits		94	62
Cash and cash equivalents		7,742	7,923
		19,334	21,539
Current Liabilities			
Trade and other payables	9	7,000	7,103
Contract liabilities		10,029	10,490
Deferred income		29	25
Amounts due to associates		146	351
Amounts due to joint ventures		891	1,693
Amounts due to related companies		871	793
Taxation payables		991	782
Dividend payable		1,176	-
Lease liabilities		102	-
Bank and other loans – due within one year		5,359	8,621
Corporate bonds		2,499	2,497
Unsecured bonds		445	443
Financial liabilities at FVTPL		245	219
		29,783	33,017
Net Current Liabilities		(10,449)	(11,478)
Total Assets less Current Liabilities		45,568	40,897

Capital and Reserves		
Share capital	116	116
Reserves	23,354	21,269
Equity attributable to owners of the Company	23,470	21,385
Non-controlling interests	4,541	4,169
Total Equity	28,011	25,554
Non-current Liabilities		
Contract liabilities	3,277	3,240
Deferred income	560	520
Amounts due to joint ventures	600	970
Lease liabilities	501	-
Bank and other loans – due after one year	2,779	2,101
Corporate bonds	1,494	-
Senior notes	2,499	2,491
Unsecured bonds	4,106	4,096
Financial liabilities at FVTPL	454	924
Deferred tax liabilities	1,287	1,001
	17,557	15,343
	45,568	40,897

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's net current liabilities of approximately RMB10,449 million as at 30 June 2019. A wholly-owned subsidiary of the Company has been approved by China Securities Regulatory Commission on 10 December 2018 to issue corporate bonds amounting to RMB5,000 million and issued corporate bonds of RMB1,500 million in the current period. Except for the unutilised issuance quota of the corporate bonds, the Group has unutilised credit facilities of approximately RMB10,374 million at the date of approval of the condensed consolidated financial statements, of which approximately RMB7,228 million are subject to renewal within twelve months from the end of the reporting period. 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 2019 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 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK (IFRIC)-Int 23	Uncertainty over Income Tax Treatments

Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and / or on the disclosures set out in these condensed consolidated financial statements.

Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases", and the related interpretations. The lessor accounting requirements brought forward from HKAS 17 are substantially unchanged.

As a lessee

The Group has applied HKFRS 16 using the modified retrospective approach with the cumulative effect recognised at the date of initial application, 1 January 2019. The comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
iii. applied a single discount rate to a portfolio of leases with similar remaining terms for similar class of underlying assets in the People's Republic of China (the "**PRC**"). Specifically, discount rate for certain leases of machinery and equipment in the PRC was determined on a portfolio basis; and
iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon initial application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8 (b) (ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied by the relevant group entities range from 5.03% to 5.22%.

	At 1 January 2019 *RMB million*
Operating lease commitments disclosed as at 31 December 2018	839
Lease liabilities discounted at relevant incremental borrowing rates	646
Less: Recognition exemption - short-term leases	(14)
Lease liabilities as at 1 January 2019	632
Analysed as:	
Current portion	96
Non-current portion	536

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *RMB million*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	632
Reclassified from prepaid lease payments (note a)	1,440
	2,072
By class:	
Prepaid lease payments	1,440
Leasehold lands and buildings	580
Motor vehicles	48
Equipment	4

Note:

a. Upon initial application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB39 million and RMB1,401 million respectively were reclassified to right-of-use assets.

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.

During the reporting period, the segment information presented to CEO was regrouped. The "sales of piped gas" and "vehicle gas refuelling stations" were combined into "retail gas sales business", while the sales of gas appliances and material previously stated in segment "sales of gas appliances" and "sales of material", are now combined into a new segment named "valued added services and sales of products". Accordingly, the Group's operating and reportable segment under HKFRS 8 "Operating Segments" are retail gas sales business, sales of integrated energy and services, wholesale of gas, construction and installation, and value added services and sales of products. Segment profit reviewed by the CEO represents the gross profit earned by each segment. The Group restated the corresponding segment information for the six months ended 30 June 2018.

Segment profit represents the profit earned by 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 2019

	Retail gas sales business *RMB million*	Sales of integrated energy and services *RMB million*	Wholesale of gas *RMB million*	Construction and installation *RMB million*	Value added services and sales of products *RMB million*	Consolidation *RMB million*
Segment revenue	26,787	1,148	15,523	4,341	3,397	51,196
Inter segment sales	(6,455)	(129)	(6,193)	(715)	(2,360)	(15,852)
Revenue from external customers	20,332	1,019	9,330	3,626	1,037	35,344
Segment profit before depreciation and amortisation	3,262	264	41	2,039	660	6,266
Depreciation and amortisation	(488)	(58)	(3)	(118)	(1)	(668)
Segment profit	2,774	206	38	1,921	659	5,598

Six months ended 30 June 2018 (restated)

	Retail gas sales business *RMB million*	Sales of integrated energy and services *RMB million*	Wholesale of gas *RMB million*	Construction and installation *RMB million*	Value added services and sales of products *RMB million*	Consolidation *RMB million*
Segment revenue	21,090	376	10,181	3,390	1,879	36,916
Inter segment sales	(4,789)	(7)	(3,586)	(585)	(1,419)	(10,386)
Revenue from external customers	16,301	369	6,595	2,805	460	26,530
Segment profit before depreciation and amortisation	2,879	42	194	1,841	224	5,180
Depreciation and amortisation	(421)	(14)	(2)	(80)	(1)	(518)
Segment profit	2,458	28	192	1,761	223	4,662

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2019 *RMB million*	**2018** *RMB million*
Net gain (loss) of:		
- Convertible bonds at FVTPL	-	(249)
- Financial assets / liabilities at FVTPL (note a)	827	(179)
Loss on foreign exchange, net (note b)	(23)	(312)
Release of exchange reserve to profit or loss upon deregistration / disposal of subsidiaries	(3)	40
Gain on redemption of convertible bonds at FVTPL	-	34
Gain on remeasurement of interests in joint ventures previously held (note c)	11	118
Others	(19)	(50)
	793	(598)

Notes:

a. Included in the amount for the six months ended 30 June 2019 is a realised gain of RMB139 million arising from the settlement of commodity derivative contracts.

b. Included in the amount for the six months ended 30 June 2019 is an exchange loss of approximately RMB1 million (six months ended 30 June 2018: approximately RMB268 million) arising from the translation of senior notes, unsecured bonds and bank loans denominated in USD and HK$ to RMB.

c. Included in the amount for the six months ended 30 June 2019 is a gain on remeasurement of an interest in joint ventures previously held upon acquisition of further 55% of the registered capital, and for the same period last year is a gain on remeasurement of interests in two joint ventures previously held upon acquisition of further 50% of their registered capital.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	**2018**
	RMB million	*RMB million*
Current tax	853	940
Withholding tax	40	50
	893	990
Deferred tax	165	(97)
	1,058	893

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.

6. DIVIDEND

The final dividend in respect of fiscal year 2018 of HK$1.19 (equivalent to approximately RMB1.04) per ordinary share (six months ended 30 June 2018: final dividend in respect of fiscal year 2017 of HK$1.08 (equivalent to approximately RMB0.90) per ordinary share) amounting to approximately RMB1,176 million (six months ended 30 June 2018: RMB952 million) were declared on 21 March 2019 and paid on 19 July 2019.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: 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	
	2019	**2018**
	RMB million	*RMB million*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	3,362	1,782

	Six months ended 30 June	
	2019	**2018**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,123,248	1,084,291
Effect of dilutive potential ordinary shares:		
- share options	2,741	2,914
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,125,989	1,087,205

Diluted earnings per share for the six months ended 30 June 2019 and 2018 are calculated assuming all dilutive potential ordinary shares were converted.

8. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables are trade receivables amounting to RMB2,695 million (31 December 2018: RMB2,686 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 2019	**At 31 December 2018**
	RMB million	*RMB million*
Within three months	1,817	1,905
4 to 6 months	252	164
7 to 9 months	201	230
10 to 12 months	69	171
More than one year	356	216
	2,695	2,686

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB5,466 million (31 December 2018: RMB5,095 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 2019	**At 31 December 2018**
	RMB million	*RMB million*
Within three months	3,807	3,253
4 to 6 months	610	930
7 to 9 months	251	121
10 to 12 months	82	86
More than one year	716	705
	5,466	5,095

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 2019 *(Unaudited)*	2018 *(Unaudited)*	Increased/ (Decreased) by
Results			
Revenue *(RMB million)*	35,344	26,530	33.2%
Gross profit *(RMB million)*	5,598	4,662	20.1%
Profit attributable to owners of the Company *(RMB million)*	3,362	1,782	88.7%
Basic earnings per share *(RMB)*	2.99	1.64	82.3%
Operational data#			
Number of city-gas projects in China	201	178	23
Urban population coverage *(thousand)*	99,950	88,609	12.8%
New natural gas customers developed during the period:			
– residential households *(thousand)*	1,287	1,078	19.4%
– C/I customers *(sites)*	12,110	10,764	1,346
– installed designed daily capacity for C/I customers *(thousand m^3)*	8,638	8,228	5.0%
Accumulated number of piped gas customers:			
– residential households *(thousand)*	19,787	17,300	14.4%
– C/I customers *(sites)*	133,209	102,643	30,566
– installed designed daily capacity for C/I customers *(thousand m^3)*	115,178	96,129	19.8%
Piped gas penetration rate	59.4%	58.6%	0.8ppt
Unit of natural gas sold to residential households *(million m^3)*	1,887	1,614	16.9%
Unit of natural gas sold to C/I customers *(million m^3)*	7,289	6,264	16.4%
Unit of natural gas sold to vehicles *(million m^3)*	593	613	(3.3%)
Wholesale of gas volume *(million m^3)*	3,435	2,571	33.6%
Number of natural gas processing stations	191	176	15
Combined daily capacity of natural gas processing stations *(thousand m^3)*	139,360	118,500	17.6%
Total length of existing intermediate and main pipelines *(km)*	49,444	42,032	17.6%
Accumulated number of integrated energy projects in operation	82	46	36
Integrated energy projects under construction	37	38	(1)
Sales volume of integrated energy *(million kWh)*	1,952	1,016	92.1%

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

INTERIM RESULTS

For the six months ended 30 June 2019, revenue of the Group increased by 33.2% to RMB35,344 million compared to the same period last year. The increase was mainly driven by the steady growth of natural gas sales business, as well as the contribution from integrated energy business and the new projects acquired last year. Gross profit margin was 15.8%, down 1.8 percentage points compared to the same period last year. The decline was mainly due to the change of revenue mix and the increase in average procurement cost of natural gas. Profit attributable to owners of the Company amounted to RMB3,362 million, representing an increase of 88.7%, and basic earnings per shares increased by 82.3% to RMB2.99 compared to the same period last year. Net profit margin was 11.2%, up 2.5 percentage points, compared to the same period last year. The improvement was attributable to the growth of core businesses and better operational efficiency. Meanwhile, the oil prices fluctuation within the two reporting periods resulted in significant fair value changes on the Group's derivative contracts, which were used to hedge against the price fluctuation of its long-term LNG contracts. Thus, stripping out the impact of non-operating items, including acquisitions and disposals, fair value changes, provisions and exchange rate, and amortisation of share option expenses which amounted to RMB628 million, core profit driven by operating activities increased by 14.4% to RMB2,734 million.

For the six months ended 30 June 2019, total volume of natural gas sales of the Company, together with its subsidiaries, joint ventures and associates, increased by 19.4% compared to the same period last year to 13,204 million cubic metres. The revenue of joint ventures and associates was RMB9,910 million and RMB6,171 million respectively. If the revenue of the joint ventures and the associates are consolidated, the total revenue for the six months ended 30 June 2019 will be approximately RMB51,425 million.

BUSINESS REVIEW

The unstable global political and economic situation, alongside the ongoing trade dispute between the United States and China in the first half of 2019, led to a downward pressure on China's economy, the impact was particularly significant on the export-oriented manufacturing sector. At the backdrop of unfavourable international business environment, gas consumption volume by some of the manufacturers was affected due to reducing number of manufacturing orders. Nevertheless, the government's determination to promote environmental protection and pollution control appears to remain firm. Continuous efforts were paid to promote natural gas as one of the main energy sources, including the promotion of "coal-to-gas" conversion, integrated utilisation of multiple energy sources, and a quality and efficiency-oriented energy supply model, bringing huge business opportunities to the Group. Through proactive new customers development which brought to the Group incremental gas sales volume, the impact from reducing gas consumption by some of the customers was offset. Moreover, the Group's diversified C/I customers portfolio also mitigated cyclical risks.

Even though the upstream gas suppliers continued to increase prices after winter season, the Group managed to achieve its internal target through focusing on gas source coordination, incremental cost pass-through, new customers development and gas sales volume expansion. During the period, total natural gas sales volume increased by 19.4% to 13,204 million cubic metres compared to the same period last year, stripping out wholesale gas volume, retail gas sales volume grew significantly by 15.1% to 9,769 million cubic metres. Integrated energy business developed rapidly, with the sales of energy including steam, cooling, heating and electricity significantly increased by 92.1% to 1,952 million kWh. The Group developed 12,110 new C/I customers and 1,286,500 new residential customers. Driven by its solid business performance, revenue and profit of the Group grew significantly, coupled with better working capital management, the Group's operating cash flow grew strongly by 124.9% to RMB4,294 million. The continuous generation of free cash flow, will strengthen the Group's ability to withstand economic downturn and the risk of deteriorating market environment, as well as enhancing its dividend payout capability in the future.

With years of steady growth in operating results and an innovative business model that keeps up with market trends, the Group was officially included as a constituent of the Hang Seng China Enterprises Index in June this year, and was included in four influential rankings in capital market, including No. 29 in The World's 50 Most Valuable Public Utility Brands (No. 2 among Chinese shortlisted companies) reported by Brand Finance, a UK brand valuation consultancy; No. 147 in "China's Top 500 List" ranked by Fortune Magazine, an international financial magazine highly recognised by investment professionals; No. 1434 in Forbes' annual Global 2000 list (No. 11 in Natural Gas sector); and No. 82 in Top 100 Comprehensive

Strength List of "Top 100 Listed Company in Hong Kong" co-organised by a number of authoritative financial media and financial institutions. These awards indicated the Group's powerful influence in energy sector and capital market.

Retail Gas Sales Business

With a customer-oriented strategy, the Group digs deep into existing customers and explore new customers with natural gas demand. During the period, natural gas sold to commercial and industrial customers, residential customers and gas refuelling stations increased by 15.1% to 9,769 million cubic metres compared to the same period last year, driving the revenue up 24.7% to RMB20,332 million.

Commercial and Industrial Market

Most of the Group's projects are located in key areas of air pollution prevention and control such as Beijing-Tianjin-Hebei, Henan, Shandong, Jiangsu, Zhejiang, Guangdong, where local governments strictly implement environmental protection policies. Taking advantage of the opportunities arising from air pollution prevention and control battle, the Group tapped the potential of the industrial and commercial market and actively promoted the replacement of coal-fired boilers for C/I users. At the same time, the Group leveraged on its advantage of owning 320 industrial park concessions, and opportunities arisen from the relocation of industrial facilities to industrial parks, successfully developed a large number of new customers. During the period, the Group developed a total number of 12,110 C/I customers (installed gas appliances with designed daily capacity of 8,637,801 cubic metres), among which, incremental designed daily capacity from newly developed "coal-to-gas" customers was approximately 2.88 million cubic metres, accounting for 33.3% of newly developed C/I customers. The Group implements market pricing for C/I construction and installation fees, the average fee remained stable during the period. As of 30 June 2019, the total number of C/I customers served by the Group was 133,209 (installed gas appliances with designed daily capacity of 115,177,890 cubic metres).

To cope with the challenges of upstream gas price hike and the slowdown in economic growth, the Group collected and analysed customer energy consumption data through the established intelligent operation platform, and worked out solutions to address their issues in managing energy consumption, such as providing customers with energy-saving services to improve the economies of using natural gas, and tailoring different sales package for customers with different affordability. The Group also provided discount to customers with stable and large gas consumption volume, and those with peak-shaving or interruptible gas needs, in an attempt to continue expanding gas sales volume while supplying gas steadily and safely. Dollar margin of gas sales was relatively stable thanks to the Group's excellent gas source coordination and deployment capabilities and its good relationship with customers. During the period, total volume of natural gas sold to C/I customers reached 7,289 million cubic metres, representing an increase of 16.4% compared to the same period last year, and accounted for 74.6% of the retail natural gas sales volume.

Residential Market

China is sprinting toward a "moderately well-off society". In this context, the large-scale urbanisation has been carried out with the utilisation of clean energy so as to improve the environment as well as to meet the demand arising from people's pursuit of quality life. This provides the Group with enormous opportunities for developing urban residential market. On the other side, the Group continued to work with local governments on implementing their development initiatives, such as "every township-level unit has access to natural gas", "every village has access to natural gas" and "building beautiful villages", and prudently carry out "rural coal-to-gas" conversion in areas with higher affordability such as Tianjin, Hebei, Shandong and Henan as part of its efforts to assist the local governments in achieving the replacement of scattered coals for the prevention and control of air pollution. The Group developed 1,286,500 residential households, in which new buildings, existing buildings and "rural coal-to-gas" conversion accounted for 66%, 15%, and 19% respectively. The average construction and installation fee was RMB2,510 per household, maintaining at a stable level over the past years. As of 30 June 2019, the Group has developed 19.79 million residential customers cumulatively, raising the average piped gas penetration rate from 58.8% at the end of December 2018 to 59.4%.

According to National Bureau of Statistics, the disposable income of national residents in the first half of the year grew faster than the national economic growth rate, while the average per capita disposable income for urban residents was 2.74 times of that for rural residents. The Group continued to focus on natural gas sales for urban residents, and established tier-pricing mechanism to further increase the gas sales profits of urban residential users. As of 30 June 2019, the Group cumulatively developed 1,470,000 natural gas space heating users, and established residential gas tier-pricing mechanism for 181 city-gas projects. Benefiting from the ramping up of gas consumption by newly developed residential customers and natural gas space heating users, the volume of natural gas sold to residential users increased by 16.9% to 1,887 million cubic metres.

Integrated Energy Business

Premier Li Keqiang clearly stated in the 2019 Government Work Report that the energy consumption per unit of GDP must be further reduced by 3% during the year. It means that China is stepping up plans to develop a clean, low-carbon and highly efficient energy systems. The integrated energy business actively developed by the Group is in line with China's energy reform strategy. The operation of integrated energy business is mainly based on customers' demand, which requires a deep understanding of customers' business conditions, characteristics of their energy loads, and manufacturing processes, then the Group evaluates the competitiveness of different kinds of primary energy sources available locally, such as biomass, industrial waste heat, photovoltaics, geothermal heat and seawater heat sources, and finally compares different technical routes to tailor the best integrated energy solutions for customers. The value of this business was highly recognised by customers and local governments. During the period, the integrated energy solutions provided by the Group so far successfully helped customers reduce energy consumption of more than 100,000 tons of standard coal and reduce carbon dioxide emissions of 460,000 tons.

Leveraging on its industry-leading technology and business model, the Group signed 106 new projects during the period, with a potential integrated energy demand of up to 63 billion kWh, and 20 new projects were put into operation spanning over 8 provinces including Guangdong, Guangxi, Hunan, Anhui, Henan, Zhejiang, Jiangsu and Hebei, providing an incremental energy demand of 3,364 million kWh annually. As of 30 June 2019, the aggregate number of integrated energy projects in operation rose to 82, with a potential energy demand of 7,897 million kWh per year and a total installed capacity of 1,561 MW. The Group also seized upon the opportunities arising from incremental power distribution reform by taking part in pilot projects. The two incremental power distribution network projects in which the Group has controlling stakes, namely Tongling Modern Industrial Park in Bengbu of Anhui Province and Beihewan Circular Industrial Park in Jinta County of Gansu Province, have obtained power company business permits (power supply) and are qualified to supply power to users in the industrial park. The Group expects the above projects to generate more than 1.3 billion kWh of electricity sales in the future.

Thanks to the improving utilisation of projects in operation over the past two years, and the new projects which were put into operation during the period, the sales of integrated energy including cooling, heating, electricity and steam amounted to 1,952 million kWh, generating a revenue of RMB1,019 million, up 176.2% compared to the same period last year. Given the improving utilisation of energy facilities and optimised business portfolio, gross profit of integrated energy business significantly increased by 635.7% to RMB206 million compared to the same period last year. The Group strategically develops integrated energy business through expanding the distribution networks of gas, heat, steam and incremental power grid. With a prudent attitude in mind, the Group invests in and takes part in the construction of high-quality integrated energy projects under the premise that the expected project return meets the Group's requirement.

Value-added Services Driving the Growth of Energy Sales

The Group is serving up to 19.92 million residential and C/I customers in its concession areas, and customer scale keeps growing as gas penetration rate increases. Taking advantage of its brand influence and an online offline service platform that connects with end customers, the Group actively promoted gas appliances such as cookers, space heaters, water heaters, kitchen ventilators, and disinfection cabinets under its own brand "Gratle", and launched a variety of smart products such as smart gas metres, alarms, automatic shut-off valves, etc. It also provided residential users with synergistic services such as gas insurance agency and floor heating installation, making efforts to dig deeper into the value of its large customer network. Since the Group announced its "customer-centricity" business philosophy, employees started to focus on customers' needs and managed to explore various business opportunities. In addition to stimulating the sales volume of gas-related products, the Group also provided its member companies with energy experts to provide C/I customers with energy-saving technologies and retrofitting services, so as to maintain customers' market competitiveness by enhancing their energy consumption and production efficiency, thereby driving the continuous growth of customers' energy needs. During the period, revenue from value-added services and products amounted to RMB1,037 million, up 125.4% compared to the same period last year. Benefiting from the Group's continuous efforts to promote high-end and smart products, together with the diversified value-added services provided to customers, gross profit significantly increased by 195.5% compared to the same period last year to RMB659 million.

Energy Trading Business

Leveraging on its well-established upstream resources network, smart dispatching system, and large-capacity LNG transportation fleets, the Group distributed LNG to downstream customers such as small-scale gas distributors, C/I customers outside its city-gas concessions, LNG refuelling stations and power plants. During the period, gas sales volume increased by 33.6% compared to the same period last year to 3,435 million cubic metres, driving revenue from energy trading business significantly up 41.5% to RMB9,330 million. The Group maintained a leading share in domestic LNG trading market. However, downstream LNG market price had been going downwards due to the increasingly fierce competition in the first half of the year, gross profit in energy trading business was down by 80.2% compared to the same period last year to RMB38 million.

Intelligent Operation to Reduce Cost and Improve Efficiency

Embracing a digital and information era and the opportunities arising from customers' growing demand of energy supply and related services, the Group provides customers with various convenient gas services with online and offline channels such as mobile applications, Near Field Communication signs, social communication tools and intelligent robots, in an attempt to improve customers' satisfaction. The Group also keeps abreast of latest technological advancement in daily operation and management, gaining insight into customers' energy use pattern through energy consumption data collection, and making use of big data analysis to provide accurate information for decision-making and resources allocation. The Group has been gradually replacing metric gas metres with smart meters measuring based on monetary values for end users, in an attempt to improve its operation and management efficiency, and to realise automatic cost pass-through to cope with the increasingly frequent pricing adjustment by upstream suppliers. The intelligent management improved the Group's operating efficiency. During the period, sales and administrative expense was 5.1% of revenue, decreased by 0.8 percentage points compared to the same period last year.

New Gas Projects Development

The Group seized the opportunity arising from industry consolidation. Leveraging on its keen market insight, excellent safety and operational management, flexible project development strategies and leading integrated energy service philosophy, the Group acquired the exclusive operating rights of 14 city-gas projects during the period, together with 3 new concessions around its existing projects, with an incremental population of 2.45 million and expected gas sales volume of 800 million cubic metres in the next three years. As of 30 June 2019, the Group had a total of 201 city-gas projects in China, spanning over 19 provinces, municipalities and autonomous regions including Anhui, Beijing, Fujian, Guangdong, Guangxi, Hebei, Henan, Hunan, Inner Mongolia, Heilongjiang, Gansu, Jiangsu, Jiangxi, Liaoning, Sichuan, Shandong, Yunnan, Zhejiang, and Shanxi, with a population of 99.95 million.

Employee Incentive Scheme

The Group is committed to transforming from a pure natural gas distributor to a leading integrated energy service provider. In this context, the cultivation and retention of talents is the key to the Group's transformation. Apart from the existing share option schemes, the Group also adopted a share award scheme on 30 November 2018 to optimise the compensation structure for managers and key personnel. The purpose of the scheme is to link employee's compensation to their contributions, incentivise them to remain with and excel in their performance for continuing operation and development of the Group, and to attract suitable talents for further development of the Group. During the period, the trustee of the share awards scheme purchased 2,415,100 shares of the Company in accordance with the rules of the scheme and the trust deed over-the-counter as a reserve to incentivise employees in the future. The Group on 28 March 2019 granted a total of 12,328,000 share options to the Directors and certain employees of the Company, and business consultants who contribute to the success of the Company, with an exercise price of

HK$76.36 per share. The Group will continue to take its business development and talent acquisition plan into consideration when offering employee competitive incentive programmes, so as to drive employees to create greater value for the Company.

Corporate Social Responsibility

"Building a Modern Energy System, Improving the Quality of Life" is the mission of the Group. With the Group's excellent management team and technological innovation, we constantly improved city-gas distribution services, and actively innovated operation and management, while accelerating scalable development of integrated energy business at the same time. We aimed at building a modern energy system through the adoption of renewable energy and clean use of traditional fossil fuels which provided supplemental advantages, to facilitate social development and environmental improvement while achieving our economic growth. We helped our customers reduce greenhouse gas and pollutant emissions through natural gas sales and integrated energy business, at the same time strictly controlled emissions during our own operation, by saving resources, reducing emissions, more stringent post-emissions treatment and other measures, so as to achieve green management throughout the life cycle of energy consumption.

In order to manage the Group's Environment Social and Governance ("**ESG**") performance in a more effective manner, the Group established an ESG Committee on 21 March 2019 which comprises of Executive Chairman, Chief Executive Officer and one of the Independent Non-Executive Directors, to support the Board in formulating ESG strategy of the Group and supervise the implementation of ESG initiatives. At the same time, an ESG working group was set up, including the Chief Financial Officer, the Company Secretary, the head of investor relations department, the Quality, Health, Safety and Environment ("**QHSE**") department and human resources department, to ensure that all aspects of ESG are properly managed and implemented, and gradually optimise the ESG management capability of the Group.

OUTLOOK

China stated in the 13th Five-Year Plan for Energy Development that natural gas consumption should reach 360 billion cubic metres by 2020, accounting for 10% of primary energy consumption. It was also determined to strictly control coal consumption, atmospheric pollutants and greenhouse gas emissions in key regions, continuously implementing environmental protection policies to control air pollution. The Group's natural gas sales business will continue to benefit from these opportunities. The National Development and Reform Commission ("**NDRC**") published "Guiding Opinion on the Regulation of Installation Fees for Gas Facilities in Cities and Towns" in the first half of the year indicating that for regions which have not established marketisation, their construction and installation fees should be regulated by local governments according to local conditions, so as to ensure the level of those charges is reasonable, hence enhancing the transparency of the city-gas industry's regulatory environment . The NDRC also issued a new policy, which has lifted the restriction on overseas registered companies to own controlling stakes of downstream city-gas projects, thermal pipe network, as well as domestic oil and gas exploration and development projects in cities with a population of more than 0.5 million. This policy brings a broader market for the Group to expand its gas and integrated energy business, while the open up of upstream market will promote a more diversified resource supply. We believe the industry will benefit from China's energy industry reform.

The national plan of "Guangdong-Hong Kong-Macao Greater Bay Area" brings very significant potential to the Group's integrated energy and gas distribution business. The Company has a leading market share in the Greater Bay Area, with a total of 25 city-gas concessions and 11 integrated energy projects, supplying energy to high-quality C/I customers such as airports, pharmaceutical plants and industrial parks, etc. The Group will take advantage of the resource advantages in both upstream and downstream of the Greater Bay Area, and actively expand its clean energy business in the area with innovative business models and technologies to help the country build a world-class Bay Area and a world-class urban agglomeration with beautiful ecological environment.

Looking forward to the second half, the Group will make every effort to achieve its performance guidance with measures such as developing more customers to expand business scale, diversifying gas procuring channels, conducting intelligent matching of supply and demand, customer gas consumption planning and management, as well as strategic passthrough of incremental gas cost.

FINANCIAL RESOURCES REVIEW

Financial Resources and Liquidity

The Group's capital mainly derived from cash inflow of its business operations, financing, investment income and equity. The main factors influencing the Group's future cash balance are cash flow from operation, capital expenditures and repayment of debts.

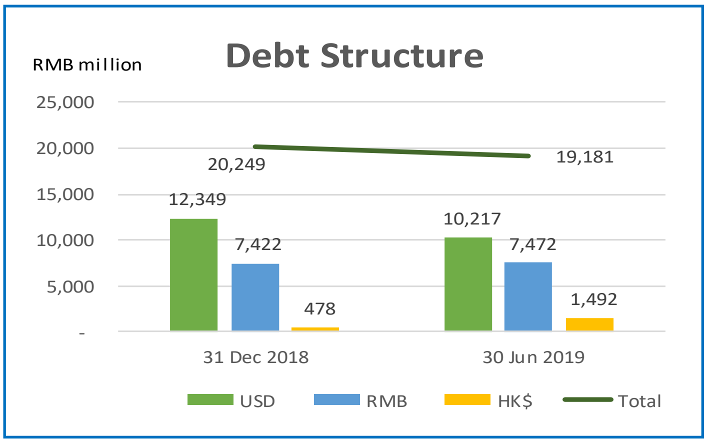
An analysis of the Group's cash, current and non-current debts is as follows:

	30 June 2019 *RMB million*	31 December 2018 *RMB million*	Increased/ (Decreased) by *RMB million*
Bank balances and cash (excluding restricted bank deposits)	7,742	7,923	(181)
Long-term debts (including bonds)	10,878	8,688	2,190
Short-term debts (including bonds)	8,303	11,561	(3,258)
Total debts	19,181	20,249	(1,068)
Net debts[1]	11,439	12,326	(887)
Total equity	28,011	25,554	2,457
Net gearing ratio[2]	40.8%	48.2%	(7.4ppt)
Net current liabilities	10,449	11,478	(1,029)
Unutilised credit facilities	14,427	12,110	2,317

The Group has been adopting a prudent management policy on financial resources to ensure the stability and flexibility of the Group's capital and debts structure. As at 30 June 2019, the Group's total debts amounted to RMB19,181 million, representing a decrease of RMB1,068 million compared to the total debts as of 31 December 2018, mainly paid by income from operating activities. The Group's bank balances and cash (excluding restricted bank deposits) amounted to RMB7,742 million, maintaining at a level similar to 31 December 2018. As a result, the Group's net gearing ratio reduced to 40.8% as at 30 June 2019 (31 December 2018: 48.2%).

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

As at 30 June 2019, the principal amount of the Group's borrowings denominated in foreign currencies amounted to USD1,491 million (31 December 2018: USD1,806 million) and HK$1,696 million (31 December 2018: HK$546 million), equivalent to approximately RMB10,217 million (31 December 2018: RMB12,349 million) and RMB1,492 million (31 December 2018: 478 million) respectively, and among which 74.0% (31 December 2018: 62.6%) is long-term debt. In managing foreign exchange risk arising from bonds and loans denominated in foreign currencies, the Company entered into foreign currency derivative contracts, mainly cross currency swaps, with various financial institutions. The terms of which are in line with that of the Group's foreign bonds. Such foreign currency derivative contracts can mitigate the foreign exchange risk arising from the

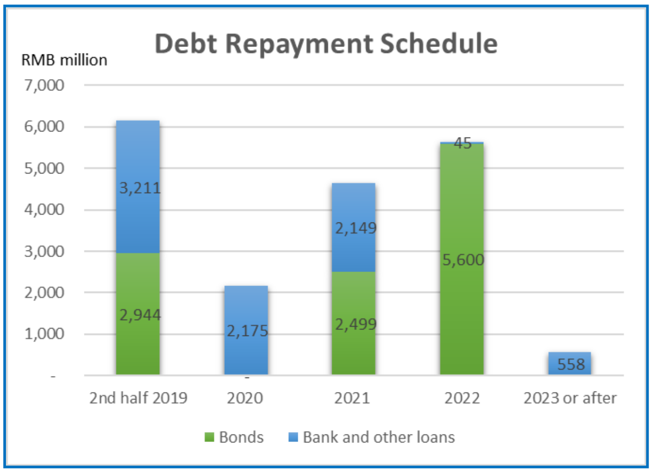


[1] Net debts = Total debts - Bank balances and cash (excluding restricted bank deposits)
[2] Net gearing ratio = Net debts / Total equity

interest and principal payments of such foreign debts. As of 30 June 2019, the Group has hedged debt principal of USD790 million (31 December 2018: USD700 million) and the hedge ratio of long-term USD debts reached 59.4% (31 December 2018: 56.4%). In view of the recent notable fluctuation in RMB/USD rate, the Group will continue to closely monitor the foreign exchange market and strive to use foreign currency derivative contracts to mitigate the impact on its results when deemed appropriate.

The impact of debt repayment on cash flow

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



In 2019, two bonds with an aggregate amount of RMB2,944 million will expire. Of which, the USD65 million five-year unsecured bond will expire in October and will be repaid by internal resources. For the RMB2,500 million three-year corporate bond, it will be refinanced by issuing new bonds using the remaining RMB3,500 million issuance quota of a wholly-owned subsidiary of the Company as approved by the China Securities Regulatory Commission on 10 December 2018.

NET CURRENT LIABILITIES

The Group's current liabilities mainly include a large amount of receipts in advance of gas fee, and construction and installation contracts. These funds are stable and will normally not be returned, therefore the Group will invest the funds in development of new projects and maintain a reasonable cash level, resulting in net current liabilities.

During the first half of 2019, in response to market changes, the Group replaced certain short-term loans with long-term loans. As at 30 June 2019, the Group's short-term debt to total debt ratio decreased to 43.3% as compared to 57.1% at the end of last year. Net current liabilities also improved, reducing to RMB10,449 million (31 December 2018: RMB11,478 million).

As the Group has stable operating cash flow, high quality current assets and good credit ratings, plus sufficient cash on hand, unutilised banking facilities and debt issuance quota, the Directors are satisfied that the Group is able to meet its working capital requirements and future capital expenditure.

CREDIT RATING

During the period, the Group's credit ratings given by three international rating agencies remained favorable. Standard & Poor's maintained a credit rating on the Group of BBB+ and issued a "stable" outlook. Moody's maintained Baa2 rating and "stable" outlook while Fitch Ratings maintained BBB rating and "stable" outlook. In China, Xinao (China) Gas Investment Company Limited, a wholly-owned subsidiary of the Company responsible for onshore business investment, was awarded the highest AAA credit rating and a "stable" outlook by the United Credit Ratings Co., Ltd. It is believed that the good credit ratings will provide the Group with sufficient financial resources for its long-term 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 2019, the Group had no significant contingent liabilities.

FINANCIAL GUARANTEE LIABILITY

As at 30 June 2019, the Group had issued guarantees to banks to secure loan facilities granted to associates and joint ventures of approximately RMB447 million (31 December 2018: RMB203 million). The amounts have been utilised at the end of the reporting period.

CAPITAL EXPENDITURES AND COMMITMENTS

For the six months ended 30 June 2019, the Group's capital expenditure was RMB3,384 million (six months ended 30 June 2018: RMB3,364 million), mainly related to piped gas projects, integrated energy projects and acquisition of new projects.

As at 30 June 2019 and 31 December 2018, the Group's capital commitments are as follows:

	At 30 June 2019 *RMB million*	At 31 December 2018 *RMB million*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	1,066	1,113
Capital commitments in respect of		
- investments in joint ventures	230	212
- investments in associates	321	219
- other equity investments	20	92

COMMODITY PRICE 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. Except for the abovementioned foreign currency-denominated debts, the foreign exchange risk faced by the Group mainly comes from LNG international procurement business denominated in USD.

International LNG Procurement Contracts

The long-term LNG procurement contracts signed by the Group with three international natural gas suppliers were implemented in the second half of 2018. The pricing of the contracts is mainly linked to the international oil price. In order to cope with the resulting risk of commodity price fluctuations, the Group has established a comprehensive risk management policy. The Group's policy is to stabilise the LNG procurement costs by hedging a certain reasonable proportion of LNG annual procurement plans to reduce LNG price exposures. Benefited mainly from the recovery of oil price during the first half of 2019, the Group recognised an unrealised hedging gain of RMB647 million and a realised hedging gain of RMB139 million during the six months ended 30 June 2019.

The Group continually optimises existing hedging strategies to better manage the risks associated with the Group's import LNG business, including policy and mandate, limiting the scope of available derivatives and hedge positions. In addition, the Group has introduced more hedging experts and advanced Energy Trading and Risk Management System to support real-time and accurate model analysis, and to improve the hedging strategy and product pricing model.

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

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased over-the-counter a total of 2,415,100 shares of the Company from Nomura International plc at a total consideration of HK$181,857,030.

AUDIT COMMITTEE

The Company established an Audit Committee in accordance with requirements under the Listing Rules for the purpose of reviewing with the management the accounting principles and practices adopted by the Group and discuss auditing, internal control, risk management 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.

Deloitte Touche Tohmatsu, the Company's independent auditor, has carried out a review of the unaudited interim financial report for the six months ended 30 June 2019 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 Company's Audit Committee meeting was held on 21 August 2019 to review the Group's unaudited interim results and interim financial report for the six months ended 30 June 2019.

COMPLIANCE WITH 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 standards set out in the Model Code and the code of conduct regarding Directors' securities transactions during the six months ended 30 June 2019.

Senior managers and staff who, because of their office in the Company, are likely to be in possession of Inside Information (which term shall bear the same meaning as in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) of the Company, have also been requested to comply with the provisions of the Model Code.

COMPLIANCE WITH 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 30 May 2019 due to business trips. Alternatively, Mr. Wang Dongzhi, the Executive Director of the Company, attended and acted as the chairman of the AGM to ensure effective communication with shareholders of the Company at the AGM. The chairman of the Audit Committee, Mr. Law Yee Kwan, Quinn and the chairman of the Remuneration Committee, Mr. Yuen Po Kwong had attended the AGM.

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 2019 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, 22 August 2019

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
Ms. Yien Yu Yu, Catherine