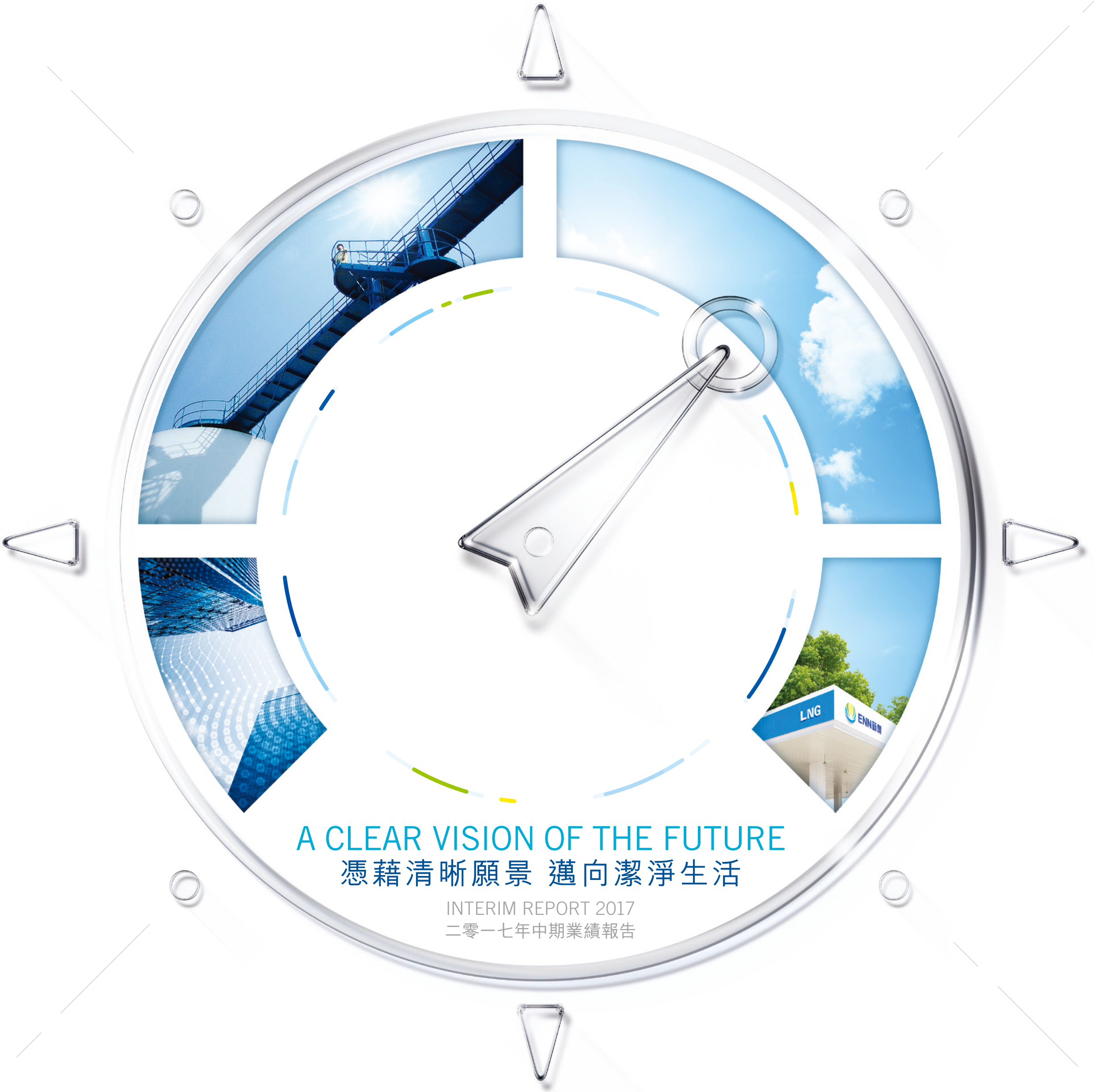
ENN 新奥

ENN Energy Holdings Limited
新奥能源控股有限公司
(Stock code 股份代號: 2688)



A CLEAR VISION OF THE FUTURE
憑藉清晰願景 邁向潔淨生活

INTERIM REPORT 2017
二零一七年中期業績報告

CONTENTS

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Interim Results

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

City-gas Business

Piped Gas Sales

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

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

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

New Customers Development

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

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

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

New Projects

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

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

The 14 new concessions nearby existing projects include:

Provinces	Operational areas
Anhui	Niuji Town, Lumiao Town, Yanji Town, Zhangdian Village, Guantang Town and Shatu Town in Qiaocheng District, Bozhou
Guangdong	Hengshan Town, Shijian Town, Hengshan Town Lidong Industrial Park, Hengshan Town Lidong High-tech Industrial Park, Binheng Town Jiangji Industrial Park, Wuhe Town Huanan Industrial Park in Guangning County, Zhaoqing
Guangxi	Dongcheng District in Beihai
Hunan	Chenzhou Yongxing Industrial Park

Vehicle Gas Refuelling Business

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

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

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

Development of New Businesses

Integrated Energy Sales Business

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

The recent promulgation of the "Opinions on Implementing Promotion of Integrated Energy Optimisation Demonstration Project" and the "Notice on Trial Implementation of Marketing and Trading of Distributed Power Generation" encourages the use of natural gas in the field of distributed energy. Leveraging the favorable policies, the Group focused its business development on customers with multiple energy demands such as industrial customers, large-scale public infrastructure and urban areas/industrial parks etc. During the period, it invested and operated 10 distributed energy projects, which included Langfang New Chaoyang Distributed Energy Micro-grid, Ruzhou Julong Biological Engineering, Dongguan Zhongsheng Pharmaceutical, Distributed Energy Station of Qingdao Haier Industrial Park, Kaifeng Huiyuan Juice Group, ASE Group (Shanghai), Longyou Chengnan Industrial Park, Wenzhou Jinhai Park, Zhuzhou Tianyi Independent Industrial and Technology Park and Luoyang Yibin District Distributed Energy Micro-grid. As at 30 June 2017, the Group had a total of 22 projects in operation.

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

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

Wholesale of Gas Business

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

Sales of Gas Appliance Business

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

Global Awards

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

- "Best IR Company (ranked no. 1 by buy side and sell side)", "Best IR Company (ranked no. 1 by buy side)", "Best Website (ranked no. 1 by buy side and sell side)", "Best Analyst Days (ranked no. 2 by buy side and sell side)", "Best IR Professional (ranked no. 2 by sell side)", "Best IR Professional (ranked no. 3 by buy side and sell side)" in Power Sector and the title of "Most Honored Company" in 2017 All-Asia Executive Team Rankings by Institutional Investor, an international financial magazine highly recognised by investment professionals;

- "2016 Top 100 Listed Company in Hong Kong" organised by QQ.com and Finet; and

- "Certificate of Excellence" in the "3rd Investor Relations Awards 2017" organised by Hong Kong Investor Relations Association.

Financial Resources Review

Key Financial Data

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

Liquidity and Financial Resources

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

Borrowings Structure

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

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

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

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

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

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

Foreign Exchange Risk

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

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

Financial Guarantee Liability

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

Commitments

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

Strategies and Prospects

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF ENN ENERGY HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of ENN Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 12 to 49, which comprise the condensed consolidated statement of financial position as of 30 June 2017 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
24 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Notes	Six months ended 30 June **2017** **RMB million** **(unaudited)**	2016 RMB million (unaudited)
Revenue	3	**21,424**	15,639
Cost of sales		**(17,551)**	(11,907)
Gross profit		**3,873**	3,732
Other income	4	**350**	349
Other gains and losses	5	**(241)**	(37)
Distribution and selling expenses		**(294)**	(252)
Administrative expenses		**(952)**	(1,040)
Share of results of associates		**66**	40
Share of results of joint ventures		**270**	262
Finance costs	6	**(262)**	(303)
Profit before tax	7	**2,810**	2,751
Income tax expense	8	**(735)**	(714)
Profit for the period		**2,075**	2,037
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(11)**	26
Fair value loss on available-for-sale ("AFS") financial assets		**(13)**	–
Other comprehensive (expense) income for the period		**(24)**	26
Total comprehensive income for the period		**2,051**	2,063
Profit for the period attributable to:			
Owners of the Company		**1,649**	1,587
Non-controlling interests		**426**	450
		2,075	2,037
Total comprehensive income for the period attributable to:			
Owners of the Company		**1,625**	1,613
Non-controlling interests		**426**	450
		2,051	2,063
		RMB	RMB
Earnings per share	10		
– Basic		**1.52**	1.47
– Diluted		**1.52**	1.30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**At 30 June 2017 RMB million (unaudited)**	At 31 December 2016 RMB million (audited)
Non-current Assets			
Property, plant and equipment	11	**23,122**	22,297
Prepaid lease payments	11	**1,242**	1,221
Investment properties	11	**208**	208
Goodwill		**179**	188
Intangible assets	12	**1,551**	1,487
Interests in associates		**1,350**	1,350
Interests in joint ventures		**3,708**	3,704
AFS financial assets	13	**4,569**	4,882
Financial assets at fair value through profit or loss ("FVTPL")	14	**5**	154
Other receivables	15	**33**	32
Amounts due from associates	17	**69**	89
Amounts due from joint ventures	18	**397**	407
Deferred tax assets		**812**	745
Deposits paid for investments		**70**	61
Deposits paid for acquisition of property, plant and equipment, land use rights and operation rights		**82**	227
Restricted bank deposits	16	**408**	489
		37,805	37,541
Current Assets			
Inventories		**650**	515
Trade and other receivables	15	**5,239**	4,423
Prepaid lease payments	11	**36**	30
Financial assets at FVTPL	14	**100**	16
AFS financial assets	13	**704**	–
Amounts due from customers for contract work		**516**	303
Amounts due from associates	17	**402**	185
Amounts due from joint ventures	18	**1,315**	790
Amounts due from related companies	19	**89**	63
Restricted bank deposits	16	**147**	352
Cash and cash equivalents		**6,828**	7,163
		16,026	13,840

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**At 30 June 2017 RMB million (unaudited)**	At 31 December 2016 RMB million (audited)
Current Liabilities			
Trade and other payables	20	**8,868**	8,323
Amounts due to customers for contract work		**1,674**	2,149
Amounts due to associates	17	**192**	218
Amounts due to joint ventures	18	**1,932**	1,645
Amounts due to related companies	19	**414**	416
Financial liabilities at FVTPL	14	**24**	–
Taxation payables		**744**	732
Dividend payable		**775**	–
Bank and other loans – due within one year	21	**4,019**	3,944
Corporate bonds	22	**499**	–
Medium-term notes		**700**	700
Convertible bonds at FVTPL	23	**3,655**	–
Financial guarantee liability		**8**	22
Deferred income	24	**213**	192
		23,717	18,341
Net Current Liabilities		**(7,691)**	(4,501)
Total Assets less Current Liabilities		**30,114**	33,040
Capital and Reserves			
Share capital	25	**112**	112
Reserves		**15,738**	14,854
Equity attributable to owners of the Company		**15,850**	14,966
Non-controlling interests		**2,902**	2,888
Total Equity		**18,752**	17,854
Non-current Liabilities			
Bank and other loans – due after one year	21	**240**	197
Corporate bonds	22	**4,986**	5,482
Senior notes		**2,451**	2,507
Convertible bonds at FVTPL	23	**–**	3,515
Unsecured bonds		**436**	446
Deferred tax liabilities		**395**	397
Deferred income	24	**2,854**	2,642
		11,362	15,186
		30,114	33,040

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

Six months ended 30 June 2017 (unaudited)

	Equity attributable to owners of the Company											
	Share capital RMB million (Note 25)	Share premium RMB million	Special reserve RMB million (note a)	Revaluation reserve RMB million	Share options reserve RMB million	Exchange reserve RMB million	Statutory surplus reserve fund RMB million (note b)	Designated safety fund RMB million (note c)	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2017	112	20	(94)	13	54	125	1,869	46	12,821	14,966	2,888	17,854
Profit for the period	–	–	–	–	–	–	–	–	1,649	1,649	426	2,075
Other comprehensive expense for the period												
– Exchange differences on translating foreign operations	–	–	–	–	–	(11)	–	–	–	(11)	–	(11)
– Fair value change of AFS financial assets	–	–	–	(13)	–	–	–	–	–	(13)	–	(13)
Total comprehensive income for the period	–	–	–	(13)	–	(11)	–	–	1,649	1,625	426	2,051
Recognition of equity-settled share-based payment (Note 26)	–	–	–	–	17	–	–	–	–	17	–	17
Share repurchase (Note 25)	–	–	–	–	–	–	–	–	–	–	–	–
Acquisition of subsidiaries (Note 28)	–	–	–	–	–	–	–	–	–	–	2	2
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	42	42
Capital injection to a non-wholly owned subsidiary	–	–	2	–	–	–	–	–	15	17	(17)	–
Dividends recognised as distribution (Note 9)	–	–	–	–	–	–	–	–	(775)	(775)	–	(775)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(439)	(439)
Transfer to statutory surplus reserve fund	–	–	–	–	–	–	155	–	(155)	–	–	–
Transfer to designated safety fund	–	–	–	–	–	–	–	1	(1)	–	–	–
At 30 June 2017	112	20	(92)	–	71	114	2,024	47	13,554	15,850	2,902	18,752

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

Six months ended 30 June 2016 (unaudited)

	Equity attributable to owners of the Company										
	Share capital RMB million (Note 25)	Share premium RMB million	Special reserve RMB million (note a)	Share options reserve RMB million	Exchange reserve RMB million	Statutory surplus reserve fund RMB million (note b)	Designated safety fund RMB million (note c)	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2016	113	44	(20)	4	56	1,616	46	11,609	13,468	2,627	16,095
Profit for the period	–	–	–	–	–	–	–	1,587	1,587	450	2,037
Other comprehensive income for the period – Exchange differences on translating foreign operations	–	–	–	–	26	–	–	–	26	–	26
Total comprehensive income for the period	–	–	–	–	26	–	–	1,587	1,613	450	2,063
Recognition of equity-settled share-based payment (Note 26)	–	–	–	28	–	–	–	–	28	–	28
Share repurchase (Note 25)	–	(7)	–	–	–	–	–	–	(7)	–	(7)
Acquisition of a subsidiary (Note 27)	–	–	–	–	–	–	–	–	–	18	18
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	26	26
Acquisition of additional interests in subsidiaries	–	–	(53)	–	–	–	–	–	(53)	(34)	(87)
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	(6)	(6)
Dividends recognised as distribution (Note 9)	–	–	–	–	–	–	–	(693)	(693)	–	(693)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(369)	(369)
Transfer to statutory surplus reserve fund	–	–	–	–	–	220	–	(220)	–	–	–
At 30 June 2016	113	37	(73)	32	82	1,836	46	12,283	14,356	2,712	17,068

Notes:

a. The balance represented the difference between the fair values of consideration paid and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries acquired and capital injection to non-wholly owned subsidiaries, excluding those re-allocated to corresponding reserve items.

b. In accordance with the People's Republic of China ("PRC") regulations, the statutory surplus reserve fund retained by subsidiaries in the PRC is non-distributable.

c. Pursuant to relevant PRC regulation, the Group is required to transfer 1.5% on revenue generated from transportation of gas or other dangerous chemical into a designated fund. The fund will be used for installation and repair and maintenance of safety facilities. The movement during the six months ended 30 June 2017 and 2016 represents the difference between the amount provided based on the relevant PRC regulations and the amount utilised during the current and prior period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 RMB million (unaudited)	2016 RMB million (unaudited)
Net cash generated from operating activities		**1,461**	1,759
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(1,267)**	(890)
Purchases of wealth management products		**(4,502)**	(5,043)
Release of wealth management products		**4,340**	4,520
Amounts advanced to banks and other financial institutions by Xinao Finance Company Limited ("ENN Finance")		**(1,501)**	(100)
Amounts withdrawal from banks and other financial institutions by ENN Finance		**1,223**	100
Addition of restricted bank deposits		**(534)**	(665)
Release of restricted bank deposits		**820**	803
Net cash outflow on acquisition of subsidiaries	27 & 28	**(35)**	(28)
Net cash outflow on disposal of a subsidiary	29	**(1)**	–
Purchases of prepaid lease payments		**(34)**	(51)
Investments in joint ventures		**(6)**	(80)
Dividends received from joint ventures		**310**	537
Dividends received from AFS financial assets		**70**	113
Proceeds from disposal of property, plant and equipment		**6**	166
Amounts advanced to joint ventures		**(457)**	(287)
Amounts advanced to associates		**(136)**	(19)
Deposits paid for unlisted equity investments		**(27)**	(103)
Other investing activities		**169**	88
Net cash used in investing activities		**(1,562)**	(939)
FINANCING ACTIVITIES			
New bank loans raised		**4,043**	2,698
Repayment of bank and other loans		**(3,887)**	(4,730)
Dividends paid to non-controlling shareholders		**(439)**	(369)
Interest paid		**(201)**	(285)
Amounts advanced from joint ventures		**315**	124
Amounts repaid to joint ventures		**(34)**	(388)
Amounts advanced from related companies		**2**	120
Other financing activities		**(24)**	45
Net cash used in financing activities		**(225)**	(2,785)
Net decrease in cash and cash equivalents		**(326)**	(1,965)
Effect of foreign exchange rate changes		**(9)**	14
Cash and cash equivalents at the beginning of the period		**7,163**	7,355
Cash and cash equivalents at the end of the period		**6,828**	5,404

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

1. Basis of Preparation

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

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

2. Principal Accounting Policies

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

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

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

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

2. Principal Accounting Policies *(continued)*

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

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

3. Segment Information

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

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

Inter-segment sales are charged at prevailing market rates.

3. Segment Information *(continued)*

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

Six months ended 30 June 2017

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

Six months ended 30 June 2016

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

Substantially all of the Group's revenue are generated from the PRC. For the six months ended 30 June 2017, the revenues from PRC and overseas were RMB21,320 million (six months ended 30 June 2016: RMB15,554 million) and RMB104 million (six months ended 30 June 2016: RMB85 million), respectively.

4. Other Income

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Other income includes:		
Incentive subsidies (note)	**70**	132
Interest income	**102**	63
Dividend income from an AFS investment	**70**	113
Sale of proprietary technology	**27**	–

Note: The amount mainly represents refunds of various taxes as incentives and other incentives related to the Group's operation by the government authorities in various cities of the PRC.

5. Other Gains and Losses

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Fair value (loss) gain of:		
– Convertible bonds at FVTPL (Note 23)	**(140)**	79
– Financial assets/liabilities at FVTPL (Note 14)	**(93)**	23
Gain (loss) on foreign exchange, net (note)	**107**	(81)
Impairment loss on trade and other receivables, net	**(85)**	(38)
(Loss) gain on disposal of:		
– Property, plant and equipment	**(22)**	(23)
– Prepaid lease payments	**5**	–
– A subsidiary (Note 29)	**(13)**	–
– A joint venture	**–**	3
	(241)	(37)

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

6. Finance Costs

	Six months ended 30 June 2017 RMB million	2016 RMB million
Interest on:		
Bank and other loans	**86**	107
Medium-term notes	**19**	19
Senior notes	**75**	144
Corporate bonds	**106**	62
Unsecured bonds	**7**	7
	293	339
Less: Amount capitalised under construction in progress	**(31)**	(36)
	262	303

7. Profit Before Tax

	Six months ended 30 June 2017 RMB million	2016 RMB million
Profit before tax has been arrived at after charging:		
Depreciation and amortisation:		
– property, plant and equipment	**491**	469
– intangible assets	**49**	47
Total depreciation and amortisation (note)	**540**	516
Release of prepaid lease payments	**18**	17

Note: The amount of total depreciation and amortisation included in cost of sales and administrative expenses are as follows:

	Six months ended 30 June 2017 RMB million	2016 RMB million
Depreciation and amortisation included in:		
Cost of sales	**461**	436
Administrative expenses	**79**	80
	540	516

8. Income Tax Expense

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

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

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

9. Dividend

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

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

10. Earnings Per Share

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

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

	Six months ended 30 June	
	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,081,726**	1,082,341
Effect of dilutive potential ordinary shares:		
– share options granted under Scheme 2002	**121**	229
– convertible bonds	**–**	79,779
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,081,847**	1,162,349

Diluted earnings per share for the six months ended 30 June 2017 are calculated without assuming all the conversion of the Company's outstanding convertible bonds since the conversion would result in an increase in earnings per share, and the exercise of share options granted under Scheme 2012 as set out in Note 26 since the exercise price of these share options was higher than the average market price of the Company's shares.

Diluted earnings per share for the six months ended 30 June 2016 are calculated without assuming all the exercise of the share options granted under Scheme 2012 as set out in Note 26 since the exercise price of these share options was higher than the average market price of the Company's shares.

11. Property, Plant and Equipment, Prepaid Lease Payments and Investment Properties

During the six months ended 30 June 2017, the Group acquired property, plant and equipment and prepaid lease payments amounting to approximately RMB1,326 million and RMB45 million (six months ended 30 June 2016: RMB890 million and RMB51 million) respectively.

In addition, through acquisition of subsidiaries, the Group's property, plant and equipment and prepaid lease payments increased by approximately RMB24 million and RMB10 million respectively (six months ended 30 June 2016: RMB36 million and nil) during the current period.

No revaluation on investment properties was carried out during the current period. The valuation at 31 December 2016 was carried out by an independent firm of professional valuers on an open market value basis. The Directors consider that the carrying amounts of the investment properties at 30 June 2017 were not significantly different from their fair values on 31 December 2016.

12. Intangible Assets

During the six months ended 30 June 2017, the Group acquired intangible assets amounting to approximately RMB87 million (six months ended 30 June 2016: nil).

In addition, through acquisition of subsidiaries, the Group's intangible assets increased by approximately RMB26 million (six months ended 30 June 2016: RMB57 million).

13. AFS Financial Assets

	At 30 June 2017 RMB million	At 31 December 2016 RMB million
Unlisted equity securities, at cost less impairment (note a)		
1.13% equity interest in Sinopec Marketing Co., Ltd.	**4,003**	4,003
Other unlisted equity securities	**166**	166
	4,169	4,169
Listed equity securities, at fair value (note b)		
4.45% equity interest in Shanghai Dazhong Public Utilities (Group) Co., Ltd ("Shanghai Dazhong")	**400**	413
Unlisted wealth management products, at fair value	**704**	300
	5,273	4,882
Analysed for reporting purpose as:		
Current portion	**704**	–
Non-current portion	**4,569**	4,882
	5,273	4,882

13. AFS Financial Assets *(continued)*

Notes:

a. The above unlisted investment represents investment in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably.

b. The above listed investment represents 4.45% of the total issued share capital of Shanghai Dazhong (1635.HK) with an investment of USD60 million (approximately RMB411 million) and the Group has become one of the cornerstone investors of Shanghai Dazhong through its initial public offering in Hong Kong. During the six months ended 30 June 2017, the gross loss in respect of the Group's AFS investment recognised in other comprehensive income amounted to RMB13 million (six months ended 30 June 2016: nil).

14. Financial Assets/Liabilities at FVTPL

The Group has various bonds and bank loans denominated in USD. In order to mitigate the foreign exchange exposure, the Group entered into various capped foreign currency forward contracts (the "Structured Forwards") with certain financial institutions. As at 30 June 2017, the Structured Forwards have a total notional amount of USD594 million with maturity dates of less than one year. The Structured Forwards will enable the Group to buy USD at the predetermined RMB/USD exchange rates upon maturity.

The Group has entered into various long-term sale and purchase contracts on liquefied natural gas ("LNG"), of which the pricing of LNG are tied to crude oil prices. In order to mitigate the commodity price risk, the Group also entered into various commodity derivative contracts (the "Commodity Derivatives") against the underlying contracts with certain financial institutions during the current period.

Both the Structured Forwards and Commodity Derivatives are not designated as hedging instruments. Accordingly, they are classified and accounted for as financial instruments at fair value through profit and loss. The fair value loss and realised loss of approximately RMB94 million (six months ended 30 June 2016: fair value gain of approximately RMB23 million) and approximately RMB4 million (six months ended 30 June 2016: nil) on the Structured Forwards, and the fair value gain of approximately RMB5 million (six months ended 30 June 2016: nil) on the Commodity Derivatives are included in the other gains and losses during the current period.

15. Trade and Other Receivables

The following is an aged analysis of trade receivables, net of impairment, presented based on invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 30 June 2017 RMB million	At 31 December 2016 RMB million
Within three months	**1,652**	1,388
4 to 6 months	**207**	57
7 to 9 months	**65**	56
10 to 12 months	**18**	9
Total trade receivables (note a)	**1,942**	1,510
Other receivables	**1,026**	924
Notes receivable	**504**	388
Loans receivable	**399**	129
Investment in wealth management products (note b)	**360**	580
Advances to suppliers and prepayments	**1,041**	924
Total trade and other receivables	**5,272**	4,455
Analysed for reporting purpose as:		
Current portion	**5,239**	4,423
Non-current portion	**33**	32
	5,272	4,455

Notes:

a. The Group allows a credit period ranging from 60 to 90 days to its trade customers, except for certain customers with credit period more than 90 days.

b. The amount represents wealth management products subscribed from certain financial institutions, of which the investment portfolio comprise only in low-risk, low-return debt securities. The products have fixed terms less than one year and the principal amount is not guaranteed.

16. Restricted Bank Deposits

The restricted bank deposits carry fixed interest rate ranged from 0.3% to 5.25% (31 December 2016: 0.35% to 5.25%) per annum. Except for the amount of mandatory reserves in the People's Bank of China ("PBOC"), other restricted bank deposits will be released upon the settlement of bank letter of credit, the expiry of purchase contracts or operation rights. The mandatory reserves in the PBOC classified as non-current assets are deposits placed by ENN Finance, a non-wholly owned subsidiary of the Company, and the reserves amount is subject to change with respect to the savings accepted by ENN Finance and the PBOC reserve rate adjusted from time to time.

17. Amounts Due from/to Associates

Included in the amounts due from/to associates are trade receivables amounting to RMB229 million (31 December 2016: RMB125 million) and trade payables amounting to RMB20 million (31 December 2016: RMB38 million) and the aged analysis based on invoice date at the end of the reporting period is as follows:

	At 30 June 2017 RMB million	At 31 December 2016 RMB million
Trade receivables due from associates		
Within three months	**145**	57
4 to 6 months	**26**	8
7 to 9 months	**17**	9
10 to 12 months	**8**	4
More than one year	**33**	47
	229	125
Trade payables due to associates		
Within three months	**18**	36
4 to 6 months	**2**	–
More than one year	**–**	2
	20	38

Owing the strategic relationship with the associates, there is no formal credit policy applied to above balances by the Group, and in the opinion of the Directors, the above balances are not overdue.

17. Amounts Due from/to Associates *(continued)*

The amounts due from/to associates are unsecured, interest-free and repayable on demand except for the amounts due from/to associates detailed in the following table.

At 30 June 2017

	Maturity date	Effective interest rate per annum	At 30 June 2017 RMB million
Loan receivables from associates			
Secured	28/7/2017–09/5/2022	4.79%–5.23%	**22**
Unsecured	28/7/2017–28/6/2020	4.35%–5.47%	**194**
			216
Loan payables to associates			
Savings in ENN Finance		0.35%	**99**
Unsecured	26/5/2018	3.92%	**61**
			160

At 31 December 2016

	Maturity date	Effective interest rate per annum	At 31 December 2016 RMB million
Loan receivables from associates			
Secured	29/6/2017–28/7/2017	4.79%	27
Unsecured	18/1/2017–22/5/2019	4.35%–5.47%	90
			117
Loan payables to associates			
Savings in ENN Finance		0.35%	94
Unsecured	7/6/2017	3.92%	61
			155

The interest-free amounts due from associates amounting to RMB13 million (31 December 2016: RMB81 million) that the Group expects to recover after one year from the end of the reporting period are initially recognised at fair value calculated by using an effective interest rate of 4.75% (31 December 2016: 4.75%) per annum. For the remaining amounts due from associates, the Directors expect the amounts will be recoverable within one year from the end of the reporting period.

The Directors are of the opinion that the amounts due from associates are not impaired as the counterparties are associates that are financially sound.

18. Amounts Due from/to Joint Ventures

Included in the amounts due from/to joint ventures are trade receivables amounting to RMB306 million (31 December 2016: RMB202 million) and trade payables amounting to RMB141 million (31 December 2016: RMB134 million) and the aged analysis based on invoice date at the end of the reporting period is as follow:

	At 30 June 2017 RMB million	At 31 December 2016 RMB million
Trade receivables due from joint ventures		
Within three months	**183**	131
4 to 6 months	**52**	12
7 to 9 months	**15**	28
10 to 12 months	**5**	10
More than one year	**51**	21
	306	202
Trade payables due to joint ventures		
Within three months	**119**	115
4 to 6 months	**4**	–
7 to 9 months	**1**	–
10 to 12 months	**–**	1
More than one year	**17**	18
	141	134

Owing the strategic relationship with the joint ventures, there is no formal credit policy applied to above balances by the Group, and in the opinion of the Directors, the above balances are not overdue.

18. Amounts Due from/to Joint Ventures *(continued)*

The amounts due from/to joint ventures are unsecured, interest-free and repayable on demand except for the amounts due from/to joint ventures detailed in the following table.

At 30 June 2017

	Maturity date	Effective interest rate per annum	At 30 June 2017 RMB million
Loan receivables from joint ventures			
Secured	21/4/2019–22/1/2020	6%–8%	**255**
Unsecured	3/7/2017–28/1/2022	2.61%–8%	**1,101**
			1,356
Loan payables to joint ventures			
Savings in ENN Finance		0.35%	**407**
Unsecured	3/7/2017–20/3/2018	0.35%–6.35%	**1,007**
			1,414

At 31 December 2016

	Maturity date	Effective interest rate per annum	At 31 December 2016 RMB million
Loan receivables from joint ventures			
Secured	21/4/2019	6.24%	180
Unsecured	12/1/2017–28/1/2022	2.61%–7%	713
			893
Loan payables to joint ventures			
Savings in ENN Finance		0.35%	432
Unsecured	26/5/2017–15/7/2018	3.92%–6.15%	1,029
			1,461

18. Amounts Due from/to Joint Ventures *(continued)*

The interest-free amounts due from joint ventures amounting to RMB10 million (31 December 2016: RMB10 million) that the Group expects to recover after one year from the end of the reporting period are initially recognised at fair value calculated by using an effective interest rate of 4.75% (31 December 2016: 4.75%) per annum. For the remaining amounts due from joint ventures, the Directors expect the amounts will be recoverable within one year from the end of the reporting period.

The Directors are of the opinion that the amounts due from joint ventures are not impaired as the counterparties are financially sound.

19. Amounts Due from/to Related Companies

Included in the amounts due from/to related companies are trade receivables amounting to RMB84 million (31 December 2016: RMB51 million) and trade payables amounting to RMB409 million (31 December 2016: RMB379 million) and the aged analysis based on invoice date at the end of the reporting period is as follow:

	At 30 June 2017 RMB million	At 31 December 2016 RMB million
Trade receivable due from related companies		
Within three months	**42**	33
4 to 6 months	**8**	6
7 to 9 months	**22**	4
10 to 12 months	**3**	1
More than one year	**9**	7
	84	51
Trade payables due to related companies		
Within three months	**250**	220
4 to 6 months	**27**	66
7 to 9 months	**48**	47
10 to 12 months	**12**	9
More than one year	**72**	37
	409	379

The related companies are controlled by Mr. Wang Yusuo ("Mr. Wang"), who is a director and shareholder of the Company with significant influence.

The amounts due to related companies of approximately RMB414 million (31 December 2016: RMB388 million) are unsecured, interest-free and repayable on demand.

20. Trade and Other Payables

The following is an aged analysis, presented based on invoice date at the end of the reporting period:

	At 30 June 2017 RMB million	At 31 December 2016 RMB million
Within three months	**1,873**	1,822
4 to 6 months	**244**	161
7 to 9 months	**153**	82
10 to 12 months	**56**	26
More than one year	**178**	146
Total trade payables	**2,504**	2,237
Advances received from customers	**5,278**	4,980
Accrued charges and other payables	**1,086**	1,106
	8,868	8,323

21. Bank and Other Loans

During the current period, the Group obtained new bank loans in the amount of RMB4,043 million (six months ended 30 June 2016: RMB2,698 million) and made repayments in the amount of RMB3,887 million (six months ended 30 June 2016: RMB4,730 million). The loans bear interest at the range from 0.86% to 6.77% (31 December 2016: 1.18% to 6.77%) per annum. These proceeds were used to finance the capital expenditure and general working capital of the Group.

At 30 June 2017, certain assets of the Group with aggregate carrying value of RMB486 million (31 December 2016: RMB385 million) were pledged as security for bank and other loans, bills facilities and contracts granted to the Group, its associates and joint ventures.

In addition, the Group has also pledged its rights to receive gas connection and gas supply fee income of certain subsidiaries and joint ventures in favour of banks to secure banking facilities amounting to RMB1,020 million (31 December 2016: RMB1,020 million) granted to the Group and RMB347 million (31 December 2016: RMB609 million) of which is utilised up to 30 June 2017.

22. Corporate Bonds

a. Corporate bonds issued in 2011 (the "2011 Corporate Bonds")

On 16 February 2011, a subsidiary of the Company, Xinao (China) Gas Investment Company Limited ("Xinao (China)"), issued corporate bonds of RMB500 million ("2011 Corporate Bonds"). The amount is unsecured and carries a fixed interest rate of 6.45% per annum and is repayable on 16 February 2018. The interest is payable to the bondholders on yearly basis. The net proceeds, after deducting the issuance costs, amounted to RMB496 million. The 2011 Corporate Bonds was listed on the Shanghai Stock Exchange on 25 March 2011.

As at 30 June 2017, the 2011 Corporate Bonds were classified as current liabilities in the Group's condensed consolidated financial statements.

22. Corporate Bonds *(continued)*

b. Corporate bonds issued in 2015 (the "2015 Corporate Bonds")

On 18 December 2015, Xinao (China) issued the 2015 Corporate Bonds of RMB2,500 million. The amount is unsecured and carries a fixed interest rate of 3.68% per annum and is repayable on 17 December 2020. The interest is payable to the holders of the bond on yearly basis. The net proceeds after deducting the issuance costs, amounted to RMB2,489 million. The 2015 Corporate Bonds was listed on the Shanghai Stock Exchange on 2 February 2016.

According to the terms and conditions of the 2015 Corporate Bonds, Xinao (China) has the right to unadjust or adjust the coupon rate for the fourth and fifth year at the end of the third year, which is the 30th trading day before 18 December 2018 by giving a notice to the bondholder. The bondholders may accordingly at their option to require Xinao (China) to redeem the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining bonds will be subject to the interest rate offered by Xinao (China) at the end of the third year until the maturity date. The effective interest rate of the 2015 Corporate Bonds is approximately 3.8316% per annum after the adjustment for transaction costs.

c. Corporate bonds issued in 2016 (the "2016 Corporate Bonds")

On 30 November 2016, Xinao (China) issued the 2016 Corporate Bonds of RMB2,500 million. The amount is unsecured and carries a fixed interest rate of 3.55% per annum and is repayable on 2 December 2019. The interest is payable to the holders of the bond on yearly basis. The net proceeds after deducting the issuance costs, amounted to RMB2,490 million. The 2016 Corporate Bonds was listed on the Shanghai Stock Exchange on 13 December 2016. The effective interest rate of the 2016 Corporate Bonds is approximately 3.70% per annum after the adjustment for transaction costs.

23. Convertible Bonds at FVTPL

On 26 February 2013, the Company issued zero-coupon USD denominated convertible bonds with the aggregate principal amount of USD500 million (approximately RMB3,141 million) (the "Convertible Bonds"). Each bond will, at the option of the bondholders, be convertible into fully paid ordinary shares with a par value of HK$0.10 each in the issued and paid up capital of the Company at an initial conversion price of HK$48.62 per share. The conversion price is subject to adjustments in the manner set out in the Convertible Bonds agreement. Conversion may occur at any time on or after 8 April 2013 and up to 16 February 2018. If the Convertible Bonds have not been converted, they will be redeemed on 26 February 2018 at 102.53 per cent of their principal amount.

The Convertible Bonds, which are listed on the Singapore Exchange Securities Trading Limited, were designated as financial instrument at fair value through profit and loss and the over-the-counter market price represents the fair value of the Convertible Bonds.

As disclosed in the Company's announcement dated 19 March 2017, the conversion price of Convertible Bonds is adjusted from HK$48.62 per share to HK$47.73 per share, with effect from 9 June 2016.

23. Convertible Bonds at FVTPL *(continued)*

As at 30 June 2017, the over-the-counter market price of the Bonds was USD539 million (equivalent to approximately RMB3,655 million) (31 December 2016: USD507 million, equivalent to approximately RMB3,515 million). There was fair value loss of approximately RMB140 million (six months ended 30 June 2016: fair value gain of approximately RMB79 million) during the current period.

No conversion or redemption of the Convertible Bonds has occurred up to the date of approval of the condensed consolidated financial statements.

24. Deferred Income

During the current period, the Group received RMB337 million (six months ended 30 June 2016: RMB387 million) subsidies from the local governments and industrial customers to subsidise the construction cost of property, plant and equipment including the main gas pipelines, leasehold land and buildings of the gas provision site, the gas storage and business building.

25. Share Capital

On 16 May 2017, the Company repurchased 7,000 of its own ordinary shares through the Stock Exchange. The highest price was HK$38.00 and the lowest price was HK$37.85. The aggregate consideration paid was HK$265,750 (equivalent to approximately RMB236,000). The above ordinary shares were cancelled on 8 August 2017. None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities up to 30 June 2017.

On 11 January 2016, 21 January 2016, 22 December 2016 and 23 December 2016, the Company repurchased 200,000, 32,000, 400,000 and 400,000 of its own ordinary shares through the Stock Exchange respectively. The highest price was HK$34.00 and the lowest price was HK$30.60. The aggregate consideration paid was approximately HK$33 million (equivalent to approximately RMB29 million). 232,000 and 800,000 ordinary shares repurchased had been cancelled on 28 April 2016 and on 14 March 2017, respectively.

26. Share Options

The Company has adopted share option schemes pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 21 May 2002 (the "Scheme 2002") and an annual general meeting of the Company held on 26 June 2012 (the "Scheme 2012").

a. Scheme 2012

On 9 December 2015, the Company granted share options to the Directors and certain employees (the "Grantees") to subscribe for a total of 12,000,000 ordinary shares of HK$0.1 each in the share capital of the Company under the share option scheme adopted by the Company on 26 June 2012, subject to acceptance by the Grantees.

26. Share Options *(continued)*

a. Scheme 2012 *(continued)*

Among the share options granted above, 2,659,000 share options were granted to the Directors to subscribe for a total of 2,659,000 ordinary shares in the Company and 9,341,000 share options were granted to certain employees of the Group to subscribe for a total of 9,341,000 ordinary shares in the Company. Vesting of the share options is conditional upon the fulfilment of certain vesting conditions as set out in the respective offer letters of the Grantees, which may involve fulfilment of performance rating.

The following tables disclose details of the Company's share options held by the employees (including the Directors) and movements in such holdings under the share option scheme during the period:

					Number of options			
	Date of grant	Vesting period	Exercise period	Exercise price	Outstanding at 1.1.2017	Granted during the period	Forfeited during the period	Outstanding at 30.06.2017
Tranche 1	9.12.2015	9.12.2015 to 1.4.2017	1.4.2017 to 8.12.2025	HK$40.34	2,828,250	–	(492,500)	2,335,750
Tranche 2	9.12.2015	9.12.2015 to 1.4.2018	1.4.2018 to 8.12.2025	HK$40.34	2,828,250	–	(269,500)	2,558,750
Tranche 3	9.12.2015	9.12.2015 to 1.4.2019	1.4.2019 to 8.12.2025	HK$40.34	2,828,250	–	(269,500)	2,558,750
Tranche 4	9.12.2015	9.12.2015 to 1.4.2020	1.4.2020 to 8.12.2025	HK$40.34	2,828,250	–	(269,500)	2,558,750
					11,313,000	–	(1,301,000)	10,012,000
Exercisable at the end of the period								2,335,750
Weighted average exercise price					HK$40.34	–	–	HK$40.34

				Number of options			
	Date of grant	Exercise period	Exercise price	Outstanding at 1.1.2017	Reclassified during the period (note)	Forfeited during the period	Outstanding at 30.06.2017
Directors	9.12.2015	1.4.2017 to 8.12.2025	HK$40.34	574,250	(35,500)	–	538,750
	9.12.2015	1.4.2018 to 8.12.2025	HK$40.34	574,250	(35,500)	–	538,750
	9.12.2015	1.4.2019 to 8.12.2025	HK$40.34	574,250	(35,500)	–	538,750
	9.12.2015	1.4.2020 to 8.12.2025	HK$40.34	574,250	(35,500)	–	538,750
Employees	9.12.2015	1.4.2017 to 8.12.2025	HK$40.34	2,254,000	35,500	(492,500)	1,797,000
	9.12.2015	1.4.2018 to 8.12.2025	HK$40.34	2,254,000	35,500	(269,500)	2,020,000
	9.12.2015	1.4.2019 to 8.12.2025	HK$40.34	2,254,000	35,500	(269,500)	2,020,000
	9.12.2015	1.4.2020 to 8.12.2025	HK$40.34	2,254,000	35,500	(269,500)	2,020,000
				11,313,000	–	(1,301,000)	10,012,000

Note: Mr. Jin Yongsheng resigned from the position as a non-executive director of the Company on 21 March 2017. The outstanding 142,000 share options granted to him were reclassified to employees.

26. Share Options *(continued)*

a. Scheme 2012 *(continued)*

The following tables disclose details of the Company's share options held by the employees (including the Directors) and movements in such holdings under the share option scheme during the prior period:

	Date of grant	Vesting period	Exercise period	Exercise price	Number of options Outstanding at 1.1.2016	Granted during the period	Forfeited during the period	Outstanding at 30.06.2016
Tranche 1	9.12.2015	9.12.2015 to 1.4.2017	1.4.2017 to 8.12.2025	HK$40.34	3,000,000	–	(171,750)	2,828,250
Tranche 2	9.12.2015	9.12.2015 to 1.4.2018	1.4.2018 to 8.12.2025	HK$40.34	3,000,000	–	(171,750)	2,828,250
Tranche 3	9.12.2015	9.12.2015 to 1.4.2019	1.4.2019 to 8.12.2025	HK$40.34	3,000,000	–	(171,750)	2,828,250
Tranche 4	9.12.2015	9.12.2015 to 1.4.2020	1.4.2020 to 8.12.2025	HK$40.34	3,000,000	–	(171,750)	2,828,250
					12,000,000	–	(687,000)	11,313,000
Exercisable at the end of the period								–
Weighted average exercise price					HK$40.34	–	–	HK$40.34

	Date of grant	Exercise period	Exercise price	Number of options Outstanding at 1.1.2016	Reclassified during the period (note)	Forfeited during the period	Outstanding at 30.06.2016
Directors	9.12.2015	1.4.2017 to 8.12.2025	HK$40.34	664,750	(75,500)	(15,000)	574,250
	9.12.2015	1.4.2018 to 8.12.2025	HK$40.34	664,750	(75,500)	(15,000)	574,250
	9.12.2015	1.4.2019 to 8.12.2025	HK$40.34	664,750	(75,500)	(15,000)	574,250
	9.12.2015	1.4.2020 to 8.12.2025	HK$40.34	664,750	(75,500)	(15,000)	574,250
Employees	9.12.2015	1.4.2017 to 8.12.2025	HK$40.34	2,335,250	75,500	(156,750)	2,254,000
	9.12.2015	1.4.2018 to 8.12.2025	HK$40.34	2,335,250	75,500	(156,750)	2,254,000
	9.12.2015	1.4.2019 to 8.12.2025	HK$40.34	2,335,250	75,500	(156,750)	2,254,000
	9.12.2015	1.4.2020 to 8.12.2025	HK$40.34	2,335,250	75,500	(156,750)	2,254,000
				12,000,000	–	(687,000)	11,313,000

Note: Mr. Yu Jianchao retired from the position as an executive director and Mr. Lim Haw Kuang retired from the position as a non-executive director of the Company during the six months ended 30 June 2016. The outstanding 302,000 share options granted to them were reclassified to employees.

26. Share Options *(continued)*

a. Scheme 2012 *(continued)*

Exercise price of the share options granted is HK$40.34 per share, which represents the highest of (i) the closing price of HK$39.00 per share as stated in the daily quotations sheet of the Stock Exchange on 9 December 2015, being the date of grant; (ii) the average closing price of HK$40.34 per share as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the share.

During the current period, 1,301,000 (six months ended 30 June 2016: 687,000) share options were forfeited. As at 30 June 2017, the number of outstanding share options is 10,012,000 (31 December 2016: 11,313,000). The Group recognised share-based payment expenses of RMB17 million (six months ended 30 June 2016: RMB28 million) during the period.

The total fair value of the options granted on 9 December 2015 calculated by using the binomial model was HK$194 million.

b. Scheme 2002

On 14 June 2010, the Company granted share options to the Directors and certain employees (the "Grantees") to subscribe for a total of 33,490,000 ordinary shares of HK$0.1 each in the share capital of the Company under the share option scheme adopted by the Company on 21 May 2002, subject to acceptance by the Grantees.

Among the share options granted above, 14,810,000 share options were granted to the Directors to subscribe for a total of 14,810,000 ordinary shares in the Company and 18,680,000 share options were granted to certain employees of the Group to subscribe for a total of 18,680,000 ordinary shares in the Company.

As at 30 June 2017, the number of outstanding share options granted to the Directors is nil (31 December 2016: nil) and the number of outstanding share option granted to certain employees of the Group is 200,000 (31 December 2016: 200,000).

During the six months ended 30 June 2017 and 2016, the Group recognised no share-based payment expenses.

27. Acquisition of a Business

Six months ended 30 June 2016

On 12 May 2016, the Group acquired 70% of the registered capital of 昌樂新奧燃氣有限公司 ("Changle") at a cash consideration of RMB43 million. Changle is engaged in sales of piped gas. Changle was acquired with the objective of expansion in market coverage of business of the Group.

The amounts of fair value of the assets and liabilities of Changle at the date of acquisition were as follows:

	RMB million
Non-current assets	
Property, plant and equipment	29
Intangible assets – right of operation	51
Current liabilities	
Trade and other payables	(6)
Non-current liabilities	
Deferred tax liabilities	(13)
Net assets acquired	61
Goodwill arising on acquisition	
Total consideration	43
Add: Non-controlling interests (30% in Changle)	18
Less: Fair value of identified net assets acquired	(61)
Goodwill arising on acquisition	–
Total consideration satisfied by:	
Deposits paid in the prior year	4
Cash paid in the current period	35
Consideration payables (included in other payables)	4
	43
Net cash outflow arising on acquisition:	
Cash consideration paid	(35)
Less: Cash and cash equivalents acquired	–
	(35)

27. Acquisition of a Business *(continued)*

Six months ended 30 June 2016 *(continued)*

Impact of acquisition on the results of the Group

Included in the profit for the period ended 30 June 2016 is nil attributable to the additional business generated by Changle. Revenue for the period ended 30 June 2016 includes RMB2 million generated from Changle.

Had the acquisition of Changle been effected on 1 January 2016, the revenue of the Group for the period ended 30 June 2016 would have been approximately RMB15,662 million, and the profit for the period ended 30 June 2016 would have been approximately RMB2,040 million. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2016, nor is intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group, had Changle been acquired on 1 January 2016, the Directors have calculated depreciation and amortisation of property, plant and equipment and intangible asset acquired on the basis of the fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

28. Acquisition of Assets Through Acquisition of Subsidiaries

a. Six months ended 30 June 2017

On 6 April 2017, the Group acquired 93.41% of the equity interest of 炎陵新奧燃氣有限公司 ("Yanling") at a consideration of RMB32 million.

On 5 June 2017, the Group acquired 100% of the equity interest of 株洲新奧淥口燃氣有限公司 ("Lukou") at a consideration of RMB25 million.

The transactions were accounted for as acquisition of assets through acquisition of subsidiaries and the fair value of the considerations allocated to the assets and liabilities acquired are as follows:

	RMB million
Non-current assets	
Property, plant and equipment	24
Prepaid lease payment	10
Intangible assets – rights of operation	26
Current assets	
Cash and cash equivalents	4
Current liabilities	
Trade and other payables	(5)
Net assets acquired	59
Less: Non-controlling interests	(2)
Total consideration	57
Total consideration satisfied by:	
Cash	39
Deposit paid in the prior year	18
	57
Net cash outflow arising on acquisition:	
Cash consideration paid	(39)
Less: Cash and cash equivalents acquired	4
	(35)

28. Acquisition of Assets Through Acquisition of Subsidiaries *(continued)*

b. Six months ended 30 June 2016

On 5 May 2016, the Group acquired 100% of the equity interest of 好買氣電子商務有限公司 ("Haomaiqi") at a consideration of RMB20 million from a company controlled by Mr. Wang.

The transaction was accounted for as acquisition of assets through acquisition of a subsidiary and the fair value of the assets acquired were as follows:

	RMB million
Non-current assets	
Property, plant and equipment	7
Intangible assets – software	6
Current assets	
Cash and cash equivalents	7
Total assets acquired	20
Total consideration satisfied by:	
Cash	–
Consideration payables (included in other payables)	20
	20
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	7

29. Disposal of a Subsidiary

Six months ended 30 June 2017

On 30 June 2017, the Group disposed of 100% equity interest in ENN Clean Fuels B.V. ("ENN Clean Fuels") at cash consideration of RMB9 million to an independent third party. As a result, the Group lost full control on ENN Clean Fuels.

The net consideration from the transaction is summarised as follow:

	RMB million
Cash consideration	9

The net assets at the date of disposal were as follow:

	RMB million
Non-current assets	
Property, plant and equipment	12
Goodwill	9
Current assets	
Trade and other receivables	1
Cash and cash equivalents	1
Current liabilities	
Trade and other payables	(1)
Net assets disposed of	22

The loss on disposal of ENN Clean Fuels recognised in profit and loss was calculated as below:

	RMB million
Consideration receivable	9
Less: Net assets disposed of	(22)
Loss on disposal of a subsidiary	(13)

Net cash outflow arising on disposal:

	RMB million
Cash consideration received	–
Less: Cash and cash equivalents disposed of	(1)
	(1)

30. Fair Value Measurement of Financial Instruments

The following table gives information about how the fair values of financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30. Fair Value Measurement of Financial Instruments *(continued)*

The Group measures its derivative financial instruments, Convertible Bonds and certain AFS financial assets at fair value at the end of each reporting period on a recurring basis:

	Fair value as at 30 June 2017 RMB million	Fair value as at 31 December 2016 RMB million	Fair value hierarchy	Valuation technique
Financial assets				
Structured Forwards	**100**	170	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates at settlement date, contracted strike rate, cap rate and premium payment, discounted at the swap curves expected by various counterparties
Commodity Derivatives	**5**	–	Level 2	Discounted cash flow Future cash flows are estimated based on forward crude oil prices at settlement date, contracted strike price, cap/floor prices and premium payment, discounted at the swap curves expected by various counterparties
Listed equity securities, 4.45% equity interest in Shanghai Dazhong	**400**	413	Level 1	Fair values are derived from quoted bid prices in an active market
Unlisted wealth management products	**704**	300	Level 2	Discounted cash flow Future cash flows are estimated based on the recoverable amount expected, discounted at a rate that reflects the credit risk of the counterparty
Financial liabilities				
Convertible Bonds	**3,655**	3,515	Level 2	Fair values are derived from quoted prices in an over-the-counter market as adjusted for the effect of market activity level, if any
Structured Forwards	**24**	–	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchange rates at settlement date, contracted strike rate, cap rate and premium payment, discounted at the swap curves expected by various counterparties

30. Fair Value Measurement of Financial Instruments *(continued)*

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values:

	At 30 June 2017		At 31 December 2016	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Financial liabilities:				
Fixed-rate bank loans	**3,196**	**3,188**	3,235	3,191
Senior notes	**2,451**	**2,712**	2,507	2,803
Unsecured bonds	**436**	**441**	446	453
Medium-term notes	**700**	**700**	700	713
Corporate bonds	**5,485**	**5,329**	5,482	5,507

In the above table, other than the fair values of bank loans disclosed which are under the fair value hierarchy of Level 3, the rest of the fair values disclosed are under the fair value hierarchy of Level 2. The fair values of the senior notes and unsecured bonds are derived from the quoted prices in over-the-counter market, and the fair values of the medium-term notes and corporate bonds are derived from the inactive quoted prices in the Shanghai Stock Exchange. The fair values of the rest of the financial liabilities at amortised cost are derived from discounted cash flow technique by reference to the market interest rate of the loans with comparable maturity and credit risk of the respective group entities at the end of the reporting period.

31. Commitments

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

32. Related Party Transactions

Apart from the related party balances as stated in Notes 17, 18 and 19 and the equity transactions as stated in Note 28, the Group had the following transactions with certain related parties:

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Nature of transactions		
Associates		
– Sales of gas to	**188**	111
– Sales of materials to	**127**	22
– Purchase of gas from	**119**	55
– Loan interest received from	**4**	3
– Deposit interest paid to	**1**	–
– Loan interest paid to	**1**	–
– Provision of gas transportation services to	**2**	1
– Provision of gas transportation services by	**5**	6
– Provision of supporting services by	**1**	1
– Purchase of equipment from	**1**	–
Joint ventures		
– Sales of gas to	**528**	368
– Sales of materials to	**38**	40
– Sales of non-current assets to	**–**	174
– Provision of supporting services by	**–**	2
– Purchase of gas from	**1,035**	959
– Provision of gas transportation services to	**120**	115
– Loan interest received from	**25**	13
– Loan interest paid to	**6**	6
– Provision of supporting services to	**11**	9
– Sale of proprietary technology to	**27**	–
– Provision of construction services by	**19**	21
– Provision for gas connection services to	**39**	30
– Deposit interest paid to	**4**	2
– Provision of gas transportation services by	**1**	2

32. Related Party Transactions *(continued)*

	Six months ended 30 June	
	2017	2016
	RMB million	RMB million
Nature of transactions		
Companies controlled by Mr. Wang		
– Sales of gas to	**4**	5
– Provision for construction services by	**232**	247
– Provision of efficiency technology services by	**38**	29
– Provision of gas connection service to	**6**	6
– Provision for property management services by	**8**	7
– Provision of outsourcing services to	**14**	–
– Purchase of equipment from	**5**	1
– Lease of premises from	**2**	2
– Lease of premises to	**1**	1
– Provision of information technology services by	**37**	–
– Sales of materials to	**11**	15
– Provision of administrative services by	**17**	35
– Purchase of LNG from	**8**	93
– Deposit interest paid to	**–**	1
– Purchase of property, plant and equipment from	**23**	–
– Provision of supporting services to	**1**	–

The Company issued senior notes on 13 May 2011, Convertible Bonds on 26 February 2013 and unsecured bonds on 23 October 2014. The terms and conditions of these notes and bonds require Mr. Wang to retain certain percentage of shareholding over the Company, failing which the Company would be required to repurchase all outstanding notes and bonds at predetermined prices.

A joint venture partner had issued guarantees to bank to secure loan facilities granted to the Group to the extent of approximately RMB330 million (31 December 2016: nil), of which RMB202 million (31 December 2016: nil) has been utilised up to 30 June 2017.

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

32. Related Party Transactions *(continued)*

The compensation to key management personnel during the period is as follows:

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
Short-term employee benefits	**5,347**	5,565
Post-employment benefits	**81**	88
Share-based payments	**3,193**	5,952
	8,621	11,605

33. Event after the Reporting Period

On 24 July 2017, the Company issued 3.25% bonds with an aggregate principal amount of USD600 million (equivalent to approximately RMB4,066 million) (the "2022 Unsecured Bonds"). The 2022 Unsecured Bonds is unsecured and matures on 24 July 2022. The 2022 Unsecured Bonds are listed on the Stock Exchange on 25 July 2017.

Disclosure of Interests

Directors' interests or short positions in shares, underlying shares and debentures

As at 30 June 2017, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange, were as follows:

Name of Director	Capacity	Interests in shares – Corporate interests	Total interests in shares	Interests in underlying shares pursuant to share options	Total aggregate interests in shares and underlying shares	Approximate percentage of the Company's total issued shares as at 30 June 2017
Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	329,249,000 (Note 1)	329,249,000	580,000	329,829,000	30.49%
Cheung Yip Sang	Beneficial owner	–	–	532,000	532,000	0.05%
Han Jishen	Beneficial owner	–	–	421,000	421,000	0.04%
Wang Dongzhi	Beneficial owner	–	–	382,000	382,000	0.04%
Wang Zizheng	Beneficial owner	–	–	60,000	60,000	0.01%
Ma Zhixiang	Beneficial owner	–	–	60,000	60,000	0.01%
Yuen Po Kwong	Beneficial owner	–	–	60,000	60,000	0.01%
Law Yee Kwan, Quinn	Beneficial owner	–	–	60,000	60,000	0.01%

Note:

1. Such shares are held by ENN Group International Investment Limited ("EGII"), which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao Baoju ("Ms. Zhao"), the spouse of Mr. Wang.

Details of the Directors' interests in share options granted by the Company are set out under the heading "Directors' rights to acquire shares" in this report.

Save as disclosed above, as at 30 June 2017, the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code recorded no other interests or short positions of the Directors and chief executives in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO).

Directors' rights to acquire shares

Pursuant to the Company's share option schemes, the Company has granted options to subscribe for the Company's ordinary shares in favour of certain Directors, the details of which are as follows:

Name of Director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2017	Reclassified during the period (Note 2)	Number of shares subject to outstanding options as at 30 June 2017
Wang Yusuo	09.12.2015	01.04.2017–08.12.2025	40.34	145,000	–	145,000
	09.12.2015	01.04.2018–08.12.2025	40.34	145,000	–	145,000
	09.12.2015	01.04.2019–08.12.2025	40.34	145,000	–	145,000
	09.12.2015	01.04.2020–08.12.2025	40.34	145,000	–	145,000
Cheung Yip Sang (Note 3)	09.12.2015	01.04.2017–08.12.2025	40.34	133,000	–	133,000
	09.12.2015	01.04.2018–08.12.2025	40.34	133,000	–	133,000
	09.12.2015	01.04.2019–08.12.2025	40.34	133,000	–	133,000
	09.12.2015	01.04.2020–08.12.2025	40.34	133,000	–	133,000
Han Jishen (Note 3)	09.12.2015	01.04.2017–08.12.2025	40.34	105,250	–	105,250
	09.12.2015	01.04.2018–08.12.2025	40.34	105,250	–	105,250
	09.12.2015	01.04.2019–08.12.2025	40.34	105,250	–	105,250
	09.12.2015	01.04.2020–08.12.2025	40.34	105,250	–	105,250
Wang Dongzhi (Note 3)	09.12.2015	01.04.2017–08.12.2025	40.34	95,500	–	95,500
	09.12.2015	01.04.2018–08.12.2025	40.34	95,500	–	95,500
	09.12.2015	01.04.2019–08.12.2025	40.34	95,500	–	95,500
	09.12.2015	01.04.2020–08.12.2025	40.34	95,500	–	95,500
Wang Zizheng	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	15,000
Jin Yongsheng (Note 4)	09.12.2015	01.04.2017–08.12.2025	40.34	35,500	(35,500)	–
	09.12.2015	01.04.2018–08.12.2025	40.34	35,500	(35,500)	–
	09.12.2015	01.04.2019–08.12.2025	40.34	35,500	(35,500)	–
	09.12.2015	01.04.2020–08.12.2025	40.34	35,500	(35,500)	–

Name of Director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2017	Reclassified during the period (Note 2)	Number of shares subject to outstanding options as at 30 June 2017
Ma Zhixiang	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	15,000
Yuen Po Kwong	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	15,000
Law Yee Kwan, Quinn	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	15,000
Total				2,297,000	(142,000)	2,155,000

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. "Period" refers to the period from 1 January 2017 to 30 June 2017.
3. The vesting of share options is subject to the fulfilment of performance target.
4. Mr. Jin Yongsheng resigned from the position as a non-executive director of the Company on 21 March 2017, the remaining 142,000 share options held by him had been reclassified as share options held by employees.

Save as disclosed above, at no time during the period was the Company or its subsidiaries a party to any arrangements to enable the Directors and chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

Substantial Shareholders

As at 30 June 2017, the interests and short positions of substantial shareholders of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO were as follows:

Name of shareholder	Capacity	Total interests in the Company	Respective interests in shares according to share options	Total aggregate interests in shares and underlying shares (Note 4)	Approximate percentage of the Company's total issued shares as at 30 June 2017
Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	329,249,000 (Note 1)	580,000 (Note 2)	329,829,000 (L)	30.49%
Zhao Baoju ("Ms. Zhao")	Interest of controlled corporation and interest of spouse	329,249,000 (Note 1)	580,000 (Note 2)	329,829,000 (L)	30.49%
EGII	Beneficial owner	329,249,000 (Note 1)	–	329,249,000 (L)	30.44%
The Capital Group Companies, Inc.	Interest of controlled corporation	129,880,700 (Note 3)	–	129,880,700 (L)	12.01%
Capital Research and Management Company	Investment manager	129,880,700	–	129,880,700 (L)	12.01%
Commonwealth Bank of Australia	Interest of controlled corporation	75,541,692	–	75,541,692 (L)	6.98%
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	64,740,175	–	64,740,175 (L) (including 712,499 (S) 53,405,045 (P))	5.98%

Notes:

1. The three references to 329,249,000 shares relate to the same block of shares. Such shares are held by EGII, which is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.
2. As Mr. Wang's spouse, Ms. Zhao is deemed as holding Mr. Wang's interests in shares.
3. 129,880,700 shares are held by Capital Research and Management Company (a company which is wholly owned by The Capital Group Companies, Inc.).
4. (L) represents Long Position; (S) represents Short Position; (P) represents Lending Pool.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2017, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Save as disclosed above, as at 30 June 2017, the Company had not been notified of any other person who had interest or short position in the shares or underlying shares of the Company, which are required to be recorded in the register maintained by the Company pursuant to Section 336 of Part XV of the SFO and the Listing Rules.

Share Option Schemes

The Company has adopted share option schemes pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 21 May 2002 (the "2002 Scheme") and passed at an Annual General Meeting ("AGM") of the Company held on 26 June 2012 (the "2012 Scheme") respectively.

The following table discloses details of the Company's share options held by the employees (including Directors) and movements in such holdings under the 2002 Scheme and 2012 Scheme during the period:

Scheme/Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2017	Reclassified during the period	Exercised/ Lapsed during the period	Number of shares subject to outstanding options as at 30 June 2017 (Note 2)
2002 Scheme							
Employee	14.06.2010	14.12.2010–13.06.2020	16.26	100,000	–	–	100,000
	14.06.2010	14.06.2012–13.06.2020	16.26	100,000	–	–	100,000
Total				200,000	–	–	200,000
2012 Scheme							
Directors	09.12.2015	01.04.2017–08.12.2025	40.34	574,250	(35,500)	–	538,750
	09.12.2015	01.04.2018–08.12.2025	40.34	574,250	(35,500)	–	538,750
	09.12.2015	01.04.2019–08.12.2025	40.34	574,250	(35,500)	–	538,750
	09.12.2015	01.04.2020–08.12.2025	40.34	574,250	(35,500)	–	538,750
Employees	09.12.2015	01.04.2017–08.12.2025	40.34	2,254,000	35,500	(492,500)	1,797,000
	09.12.2015	01.04.2018–08.12.2025	40.34	2,254,000	35,500	(269,500)	2,020,000
	09.12.2015	01.04.2019–08.12.2025	40.34	2,254,000	35,500	(269,500)	2,020,000
	09.12.2015	01.04.2020–08.12.2025	40.34	2,254,000	35,500	(269,500)	2,020,000
Total				11,313,000	–	(1,301,000)	10,012,000

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

2. A total number of 200,000 shares, representing 0.02% of the issued shares of the Company as at the date of this report are available for issue under the 2002 Scheme and a total number of 10,012,000 shares, representing 0.93% of the issued shares of the Company as at the date of this report, are available for issue under the 2012 Scheme. The vesting of certain part of the 10,012,000 share options is subject to the fulfilment of performance target.

Details of the movements in the share options granted to the Directors by the Company during the period are set out under the heading "Directors' rights to acquire shares" in this report.

Save as disclosed above, no share option was granted, exercised, lapsed or cancelled during the period.

Purchase, Sale or Redemption of the Company's Listed Securities

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

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

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

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

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

Audit Committee

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

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

The Model Code for Securities Transactions by Directors of Listed Issuers

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

The Corporate Governance Code

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

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Loan Agreements Imposing Specific Performance Obligations on Controlling Shareholders

The Company issued 10-year senior notes on 13 May 2011 (the "2021 Senior Notes") with a principal amount of USD750 million (equivalent to approximately RMB4,863 million) and 5-year zero coupon convertible bonds on 26 February 2013 (the "Convertible Bonds") with a principal amount of USD500 million (equivalent to approximately RMB3,141 million). The terms and conditions of the 2021 Senior Notes and Convertible Bonds require Mr. Wang Yusuo, the controlling shareholder of the Company, to retain at least 25% of the total issued share capital of the Company throughout the term of the respective agreements. The outstanding principal balances of the loans as at 30 June 2017 are USD366 million (equivalent to approximately RMB2,476 million) and USD500 million (equivalent to approximately RMB3,387 million) respectively.

On 23 October 2014, the Company issued 5-year bonds and the terms and conditions of the bonds required Mr. Wang Yusuo, the controlling shareholder of the Company, to retain at least 20% of the total issued share capital of the Company throughout the term of the bonds. The principal balance of the bonds issued is USD400 million (equivalent to approximately RMB2,460 million). As at 30 June 2017, the outstanding balance is USD64.8 million (equivalent to approximately RMB439 million).

Interests in Competitors

During the period, none of the Directors or the management shareholders of the Company or their respective associates had an interest in a business which competes or may compete with the business of the Group.

Directors

As at the date of this report, the Board consists of Mr. Wang Yusuo (Chairman), Mr. Cheung Yip Sang (Vice Chairman), Mr. Sean S J Wang (Chief Executive Officer), Mr. Han Jishen (President) and Mr. Wang Dongzhi as Executive Directors; Mr. Wang Zizheng as Non-executive Director; and Mr. Ma Zhixiang, Mr. Yuen Po Kwong and Mr. Law Yee Kwan, Quinn, as Independent Non-executive Directors.

By order of the Board
WANG Yusuo
Chairman

Hong Kong, 24 August 2017

ENN 新奧

Rooms 3101-04, 31/F., Tower 1, Lippo Centre, No.89 Queensway, Hong Kong
香港金鐘道89號力寶中心第一期31樓3101-04室
電話 Tel (852) 2528 5666
傳真 Fax (852) 2865 7204
網址 Website www.ennenergy.com
電子郵箱 E-mail enn@ennenergy.com

FSC www.fsc.org
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