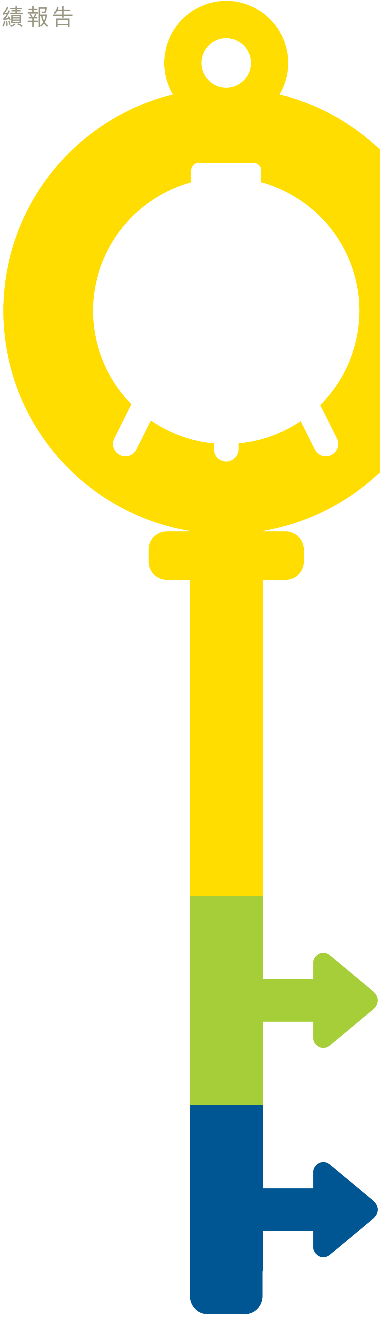
ENN 新奥

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

interim report 2015
二零一五年中期業績報告



KEY TO SUSTAINABLE
創造可持續的

ENVIRONMENT
清潔環境

RETURNS
股東回報

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

Dear Shareholders,

The Board of Directors (the "Directors") of ENN Energy Holdings Limited (the "Company", and together with its subsidiaries, the "Group") is pleased to announce that the unaudited profit attributable to owners of the Company for the six months ended 30 June 2015 (the "Period") was RMB1,227 million, representing an increase of RMB13 million or 1.1% as compared to RMB1,214 million for the corresponding period last year.

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		
	2015 (Unaudited)	2014 (Unaudited)	Increase/ (Decrease)
Revenue (RMB million)	**15,887**	14,351	10.7%
Gross profit (RMB million)	**3,243**	2,938	10.4%
Profit attributable to owners of the Company (RMB million)	**1,227**	1,214	1.1%
Earnings per share – Basic (RMB)	**1.13**	1.12	0.9%
Connectable urban population	**65,625,000**	61,645,000	6.5%
Connectable residential households	**21,875,000**	20,548,000	6.5%
New natural gas connections made during the Period:			
– residential households	**791,822**	650,484	21.7%
– commercial/industrial ("C/I") customers (sites)	**4,621**	4,115	506
– installed designed daily capacity for C/I customers (m^3)	**4,225,616**	4,653,800	(9.2)%
Accumulated number of connected natural gas customers:			
– residential households	**11,316,230**	9,852,169	14.9%
– C/I customers (sites)	**52,124**	42,958	9,166
– installed designed daily capacity for C/I customers (m^3)	**54,413,984**	46,524,925	17.0%
Accumulated number of connected piped gas (including natural gas) customers:			
– residential households	**11,396,420**	9,931,749	14.7%
– C/I customers (sites)	**52,310**	43,156	9,154
– installed designed daily capacity for C/I customers (m^3)	**54,468,771**	46,581,062	16.9%
Piped gas (including natural gas) penetration rate	**52.1%**	48.3%	3.8%
Total gas sales volume ('000 m^3)	**5,550,601**	5,013,145	10.7%
Natural gas sales volume ('000 m^3)	**5,526,877**	5,000,546	10.5%
– Unit of natural gas sold to residential households ('000 m^3)	**775,581**	651,107	19.1%
– Unit of natural gas sold to C/I customers ('000 m^3)	**3,486,368**	3,318,247	5.1%
– Unit of natural gas sold to vehicles ('000 m^3)	**743,168**	666,592	11.5%
– Unit of wholesale gas sold ('000 m^3)	**521,760**	364,599	43.1%
Number of vehicle gas refuelling stations	**543**	485	58
Number of natural gas processing stations	**155**	141	14
Total length of existing intermediate and main pipelines (km)	**29,637**	25,179	17.7%

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2015, the natural gas market encountered tremendous challenges given the confluence of the slowdown in the global economic recovery, complex domestic and foreign economic conditions as well as a plunge in international oil prices. Apparent national consumption of natural gas in the first half of the year grew by only 2.1% over the corresponding period last year. Amidst such a harsh market environment, the Group upheld its customer-oriented philosophy while further realising the potential of traditional businesses and keenly exploring new businesses. Coupled with the efforts of all staff, the Group's principal businesses recorded steady growth. During the period, the Group's total gas sales volume was 5,551 million cubic metres, up 10.7% over the corresponding period last year.

Following the introduction of a series of economic measures by the central government to stimulate the economy, major economic indicators have shown steady and promising signs since the end of the second quarter, and economic growth has since regained momentum. According to the latest data released by the National Statistics Bureau, gross domestic product (GDP) for the first half of this year has maintained a steady pace of 7% growth over the corresponding period last year. China submitted its target for climate change strategies to the Secretariat of the United Nations Framework Convention on Climate Change during the year, stating that the carbon dioxide emissions per unit of GDP for 2030 will be reduced by 60-65% as compared with 2005 levels. To achieve this target, it is inevitable for China to increase the proportion of natural gas in the energy structure in the long run. Adjustments in the energy structure, green and low carbon urbanisation and the development of low energy consumption industries will become the major driving forces in the growth of natural gas demand. The Group is set to continue to benefit from the favorable policies and operating environment, and will ride on its own advantages to greatly expand all of its main businesses while striving to attain its business goals for the year.

City-gas Business

Commercial/Industrial ("C/I") Customers

During the Period, the Group's natural gas sales volume for C/I customers was 3,486 million cubic metres, representing growth of 5.1% over the corresponding period last year, accounted for 63.1% of total natural gas sales. The main reason for the lower rate of growth was the higher base number for gas sales volume, followed by the decline in gas usage by some customers who reduced energy consumption as influenced by the macro-economic environment. Meanwhile, the persistently low crude oil prices led to a significant decline in the prices of substitute energies, thus lowered the incentive of gas consumption by low value-added C/I customers, who increased the use of cheaper substitute energies instead.

With the aim of proactively tackling changes in the macro-economic environment and the transformation of market environment caused by the decline in oil price, the Group enhanced customer care and increased the number of customer visits to understand their needs and difficulties via regular communication. Taking into consideration the affordability of C/I customers and trend of substitute energies, the Group managed to strike a balance between profit and gas sales volume to formulate a flexible pricing strategy, and in turn boosted demand for gas among downstream C/I customers. The Group also reduced the integrated energy consumption of its customers via energy saving technology and successfully maintained the gas usage volume of most of its customers. On the other hand, the Group made innovations to continue to develop new customers. The Group captured scalable customers in different regions and peripheral markets not yet covered by the pipeline network via direct supply by fully utilising low-priced LNG sources and self-owned natural gas logistics fleet. Through the use of distributed energy technology, the Group expanded its customer portfolio into public facility such as hospitals, data centres and urban complexes and lowered its customers' overall energy consumption costs. We will strive to unleash the business potential of C/I customers so as to provide a solid revenue source for our gas distribution business.

Residential Customers

During the period, the Group's natural gas sales volume for residential customers was 776 million cubic metres, up 19.1% over the corresponding period last year, accounted for 14.0% of total natural gas sales. Sales volume of gas for residential customers maintained steady growth, because newly connected residential customers last year started gas consumption, and they were not affected by the oil price fluctuations and challenging macro-economic conditions. As of the end of the Period, the Group had 27 projects with residential tier-pricing mechanism. Following the gradual implementation of the relevant policies on all gas projects, the dollar margin of residential gas sales will gradually settle at more reasonable levels.

Sales of Gas Appliances

The Group actively promoted its own "GREAT"-branded gas appliances business during the Period and offered a variety of products such as stoves, water heaters, chimney hoods, heaters and sterilisation cabinets to fully capture the overall energy demand of residential households. In the first half of 2015, the Group sold 46,000 units of such products, up 4 times over the corresponding period last year. According to National Statistics Bureau, disposable income per capita in China for the first half of the year grew by 9% over the corresponding period last year. The use of heaters and other gas appliances is expected to become more popular as living standards improve in the future. "GREAT" enjoys a number of advantages over other appliance brands. For instance, the Group is the sole provider of regular residential safety inspections, offering round-the-clock customer service, and is capable of assigning repair personnel to handle contingencies on-site within two hours. The Group will expand its market share leveraging on its existing customer base of over 11.4 million residential households, and promoting the gas appliances to scalable clients including property developers and hotels, as well as through the e-commerce platform. The Group will innovate its sales methods while playing to its strengths in its brand, service and information as it aims to achieve swift penetration into the household gas appliance market.

New Customer Development

During the Period, the Group's revenue from connection fees was RMB2,557 million, up 20.5% over the corresponding period last year, and accounted for 16.1% of the Company's total revenue, up 1.3 percentage points. The Group connected 791,822 residential households during the Period. The average one-off connection fee collected by the Group from its residential households was RMB2,698. As at the end of June 2015, the aggregate number of connected piped gas residential households reached 11,396,420, representing an increase of 14.7% over the corresponding period last year, including 11,316,230 residential households connected for natural gas usage.

Although the new property markets in which the Group operates witnessed a slowdown in growth during the first half of the year, government took the initiative to ensure steady and sound market development. With an interest rate cut and a series of loosening measures on home purchases, the property market has shown signs of recovery. Experts from the Chinese Academy of Social Sciences have predicted that the urbanisation rate will increase from 54.8% in last year to 68% by 2030. Therefore, urbanisation will advance steadily in the next 15 years, stimulating keen demand for housing. The Group has edged up its efforts in developing new residential markets, while also placing emphasis on exploring and thoroughly unveiling the potential of the old buildings market in suburbs and peripheral counties and towns. The average gas penetration rate in areas where the Group has operations is only 52.1%, and over 10 million existing households have yet to be connected to gas pipelines. It is believed that short-term fluctuation in the property market will not pose any significant impacts on the Group's connections business in coming years.

During the Period under review, the Group connected 4,621 C/I customers (with total installed designed daily capacity of 4,225,616 cubic metres), and the average connection fee was RMB206 per cubic metre. As of the end of June 2015, the aggregate number of connected piped gas C/I customers of the Group reached 52,310 (with total designed installed daily capacity of 54,468,771 cubic metres), including 52,124 piped natural gas customers (with total installed designed daily capacity of 54,413,984 cubic metres).

To continue to optimise the energy structure in China and to boost efforts in environmental governance, the Chinese government has introduced a growing number of stringent environmental protection policies and coal-to-gas policies. In the "Several Opinions on Establishing and Securing the Long-term Mechanism of a Stable Supply of Natural Gas", the National Development and Reform Commission (the "NDRC") suggested that the demand for natural gas for "coal-to-gas" projects will reach 112.0 billion cubic metres by 2020. In the "Implementation Plan on Integrated Energy Conservation and Environmental Protection Upgrading Projects for Coal-fired Boilers" published by seven ministries and commissions, including the NDRC, the National Energy Administration and the Ministry of Environmental Protection, it is also expressly stated that obsolete coal-fired boilers with capacities amounting to 400,000 steam tonnes should be phased out in 2018. During the Period, the Group leveraged these policies to conduct coal-to-gas conversion from industrial coal-fired boilers and kilns with stable energy usage. Along with the development of the modified industrial kiln market using industrial energy saving technology, the Group helps its customers lower their integrated energy costs and enhance efficiency of their energy usage. Such approaches not only helped the Group accomplish the goal of new C/I customers development, but has also laid a foundation for future growth in gas sales.

New Projects

In line with its strategy of building an urban gas network around major project cities, the Group stepped up its expansion efforts in major cities and peripheral industrial parks, development zones, towns and counties. In the increasingly competitive market in which there are fewer opportunities for mergers and acquisitions, the Group managed to acquire 4 new projects during the Period leveraging its outstanding management system, solid track record and ability to secure gas supply. It also secured 8 new concessions near existing projects to further expand its geographic coverage. As at 30 June 2015, the Group had 146 projects in China with total connectable population of 65,625,000 people.

Projects	The Group's shareholding	Major industries
Dongkeng Town, Dongguan	80%	Electronics, hardware, garment and toy industries
Shangrao Economic Development Zone	90%	Non-ferrous metals, automobile manufacturing, photovoltaic, and pharmaceuticals manufacturing industries
Zone B, Qingyuan County Western Industrial Zone	49%	Automobile components production, new hardware materials, food and beer industries
Wuzhou Imported Renewable Resources Processing Industrial Park	49%	Non-ferrous metal and processing of renewable resources industries

The 8 new concessions near existing projects include:

Provinces	Operational areas
Anhui Province	Miaogang Village, Langan Ji Town, Suwan Town and Zhegao Town Centralized Industrial Zone, Chaohu
Jiangsu Province	Jiulongkou Town and Yanhe Town, Jianhu County; Heping Town and Wudun Town in Qingpu District, Huai'an

Vehicle/Ship Refuelling Business

Construction and Operation of Vehicle Gas Refuelling Stations

During the period, the Group's vehicular natural gas sales volume in the PRC increased by 11.5% to 743 million cubic metres, accounted for 13.4% of total natural gas sales. Based on the general demand in the domestic market and the time required for processing the registration of new refuelling stations, the Group built 8 CNG refuelling stations and 8 LNG refuelling stations during the Period, bringing the total number of CNG and LNG refuelling stations in operation to 294 and 249, respectively.

As oil prices continued to fluctuate at low levels, the economic advantages of natural gas as compared to diesel oil and gasoline diminished. This, coupled with the gloomy outlook for the logistics and transportation industry, has affected the sales volume of vehicular natural gas to a certain extent. Despite the challenges faced by the gas refuelling station business in the short term, we were given an opportunity of market integration. Leveraging our sound brand image and operational experience, we will enhance our influence and market share by way of alliance cooperation and franchise distribution, which will help us complete our gas refuelling station network and capture more customer resources. Meanwhile, we will also continue to facilitate the promulgation of supporting government policies and promote the stable and healthy development of the industry. In April this year, the Group signed a "Letter of Intent for Cooperation on the Integration of Beijing, Tianjin and Hebei" with Beijing Gas, according to which both parties will jointly contribute to the establishment of a joint venture in Beijing involving comprehensive cooperation in various aspects, including vehicle gas, city gas, upstream resources and energy services. The cooperation will also facilitate the integration of the parties' existing gas refuelling stations in Beijing, Tianjin and Hebei as well as in peripheral areas, and will also involve in the investment, construction and operation of new vehicle gas refuelling stations. Meanwhile, the Group also formed a joint venture with Tewoo Group Co., Ltd., and plans to build vehicle gas refuelling stations in Tianjin city are now in place.

In the second half of the year, the Group will continue to increase the number of traditional users (such as taxis and buses) while stepping up its development of social vehicles, including large and small commercial vehicles, urban public service vehicles and transport vehicles. At the same time, it will cooperate with leading logistic companies in China to increase the total number of gas-powered vehicles, and will continue to enhance the utilisation of existing gas refuelling stations and optimise the distribution of gas refuelling stations. In addition, the Company will broaden its revenue streams by launching a range of value-added services in its existing gas refuelling station network such as express repair and maintenance; the sale of components, spare parts and oil products; convenience stores, etc. In addition, the Company introduced a "Smart Card" membership program and cooperated with other gas refuelling station operators, which not only solved the gas refuelling problems of its customers along their haul roads, but also resulted in the sharing of customer resources and increased customer loyalty.

Development of LNG Bunkering Business

In the first half of the year, the Group's gas sales volume for LNG bunkering business amounted to 960,000 cubic meters. It successfully completed bunkering for an ocean-going vessel of Nor Lines, Norway, and an LNG-powered tugboat of CNOOC. The Group's bunkering barge in Xijiang, Guangxi, the first standardised bunkering barge since the official announcement of the "Specifications for Classification and Construction of LNG-powered Bunkering Barge" by the China Classification Society, has officially commenced operation. It was also built within the shortest construction period in China, which demonstrated the leading advantages of ENN Energy in the LNG bunkering industry. The Group currently has a total of 3 bunkering stations for LNG vessels. It will continue to promote the development of the industry through strategic alliances and development at key ports. During the Period, the Group signed strategic cooperation framework agreements with a number of organisations, including Samchully Company (the largest downstream city gas distributor in Korea), Minsheng Bank, Nantong Port, Wuhan New Port Construction Investment and Development Group and Quanzhou Port Authority, in respect of the cooperation in vessel building and bunkering, technical support, sharing of market information and the comprehensive utilisation of clean energy.

The Chinese government promulgated a number of favorable policies in the first half of the year, including "Exposure Draft on Action Implementation Plan (2015–2020) for Prevention of Pollution from Vessels and in Ports" and "Threshold and Measurement of Emitted Pollutants from Vessel Engines (Phase I & II, China)", which listed out the mandatory requirements for vessel emission standards. The government is also in the process of formulating standards such as "Standards of Design for LNG On-shore Refuelling Stations for Vessels" and "Standards of Design for Natural Gas Bunkering Vessels", which will gradually complete the formulation of regulations on the construction of LNG bunkering stations. Moreover, the "Notice on Matters in Relation to the Promotion of Use of Liquefied Natural Gas by Vessels" issued by the Bureau of Maritime Affairs will expand the types of vessel allowed to use LNG as fuel to include dangerous chemical vessels and passenger ships, which will also enlarge our target market. Looking ahead, the Group will continue to cooperate with shipping companies, port authorities and various provincial and municipal transport departments to seize opportunities to set up more stations at major ports and to develop more new LNG-powered vessels so as to prepare for the rapid development of LNG bunkering business.

North America Gas Refuelling Business

In the first half of the year, the sales volume of vehicular natural gas in North America amounted to 2.58 million diesel gallon equivalent (DGE), generating revenue of RMB63 million, and recorded a loss of RMB68 million. Influenced by the decline in international oil prices, the development of LNG refuelling stations in this region faced headwinds. However, the Group took active measures to increase revenue and reduce costs through its continuous efforts in the development of its LNG refuelling business, and stringent control of corporate expenses, thus, was able to achieve its target to reduce losses. The retail price advantage of LNG over diesel in North America was diminished in the first half of the year. However, as the US federal government approved the refund of US$0.85/DGE LNG fuel tax to gas refuelling stations operators last year, the Company managed to maintain the incentive to use LNG by sharing the tax rebate with its customers. While annual review and approval are required, the policy had been extended in the past few years, and the government is expected to continue to support this policy, and thus the healthy development of the industry. Another important policy that has been favorable to the Group was the proposed LNG tax equalization, which was approved by House of Representatives and the Senate in July this year after the unremitting promotion by major industrial players and senators. After this policy takes effect on 1 January 2016, the fuel tax to be levied on LNG users, calculated by heat value, will be comparable to that levied on diesel users, reducing their tax bills by 40%, and hence giving drivers more incentive to use LNG as a vehicle fuel.

Since LNG-powered trucks in North America are more expensive than diesel-powered trucks, drivers had less motivation to convert their vehicles. In order to solve the problem of high incremental cost of LNG-powered trucks, the Company cooperated with an equipment manufacturer in China to introduce LNG fuel tanks into North America. As the tank is the most costly part of an LNG-powered truck, this will significantly reduce the overall cost of purchasing LNG trucks and shorten the payback period for users. However, with the sharp decline in oil prices in the first half of the year, many interested customers suspended their plans to purchase LNG trucks. Nevertheless, the Company will respond to the adverse environment in a positive manner by continuing to engage in research and development to enhance the efficiency of the LNG fuel tank systems and to step up its promotional efforts. With oil prices stabilising and with the introduction of favorable policies, drivers are expected to gradually regain the motivation to convert their vehicles. As for new customers development, the Company will utilise mobile refuelling stations to provide gas refuelling services to customers initially. This may help lower capital costs and at the same time provide flexibility in allocating refuelling equipment to different places, thereby establishing a flexible mobile refuelling network.

Development of Distributed Energy Project

With the growing energy demand, rising pressure to achieve energy savings and emissions reduction, and the introduction of supportive government policies, China became one of the fastest growing markets in the world for distributed energy. Recently, the Chinese government also introduced a series of policies to encourage the development of distributed energy. On 31 December 2014, with a view to regulate the management of on-grid tariffs on natural gas power and to promote the healthy, orderly and proper development of the natural gas power industry, the NDRC issued the "Notice of the NDRC on the Standardised Management of On-grid Tariffs on Natural Gas Powered Electricity", which imposed a benchmark on-grid tariff policy for new generating units of natural gas-fired cogeneration. This policy will encourage natural gas distributed energy operators and electricity users to enter into transaction contracts directly and to determine the amount of usage and tariffs through mutual negotiation, thereby establishing a linkage mechanism for natural gas prices and electricity tariffs. On 15 March 2015, the State Council issued the "Opinions on Further Reform of the Power Industry", which explicitly stated that it will actively promote the development of distributed energy and fully relax the restriction on the development of distributed energy facilities on the user end, and which will provide support to enterprises, organisations, communities and families to invest in and establish distributed energy projects for gas-powered "Cooling, Heating and Power" cogeneration based on their own conditions and locally available resources. They will also be allowed to access to the grid at different voltage levels.

The Group actively developed its distributed energy business by conducting comprehensive market research in key regions; it also initiated industrial and commercial distributed energy projects and customised energy systems catering to different users' specific needs to accelerate the growth of gas sales given the opportunities arising from the State Council reforms of the power industry. During the Period, we signed a number of new contracts involving distributed energy projects, including Langfang Cloud Storage, Shandong Qingdao Wanda Boating Industrial Park and Hunan Liuyang Thermal Power. The Changsha Huanghua Airport project and the Yancheng Tinghu Hospital project were in full operation, while projects such as Zhuzhou Shennong City, Zhuzhou Vocational City, Guangdong Zhaoqing New Zone and Qingdao Sino-German Ecopark are currently under construction. Leveraging the Company's advantages from its mature technologies and as an early entrant, we will strive to develop more distributed energy projects and provide the Group with new growth momentum.

Energy Trading Business

During the period, the Group's wholesale volume of natural gas reached 522 million cubic metres, representing a year-on-year increase of 43.1% and accounting for 9.4% of total natural gas sales volume.

The Group has signed gas supply agreements with refuelling stations operated by Sinopec in various provinces such as Zhejiang, Guangdong and Guangxi. Pursuant to these agreements, the Group supplied natural gas to over 90 Sinopec's refuelling stations in the first half of the year. Leveraging on low-cost LNG resources, the Group expanded natural gas supply services to more customers located in areas without pipeline coverage, and other domestic LNG refuelling stations during the Period, led to a robust growth in overall wholesale gas volume. On 1 July 2015, the Shanghai Petroleum and Natural Gas Exchange officially commenced trading. This provided a platform for the Group to openly trade piped gas and LNG with various upstream suppliers and allowed the trading of natural gas to be conducted based on a market-driven pricing mechanism predetermined by demand and supply. The Group will continue to capitalise on its advanced dispatch system, transportation fleet and strong ability of acquiring upstream resources to supply gas to customers not covered by the pipeline network, thereby creating higher returns for the Company.

International Awards

With steady growth in operating results and enhanced management capability, the Group was once again selected as the "Best CFOs" (second place in power sector) by investors and sell-side analysts on Institutional Investor's 2015 All-Asia Executive Team. In addition, the Group received several honours at the Fifth Asian Excellence Recognition Awards, including "Best CFO", "Best Investor Relations Company" and "Best Investor Relations Professional", awarded by Corporate Governance Asia. These accolades demonstrated the industry's widespread recognition of the Group's commitment to investor relations and transparency in the past year, and proved that the performance and management of the Group gained recognition from investors, shareholders and industry analysts. In view of this, the Group will continue to redouble its efforts to ensure that investors and shareholders can share its fruitful results.

Human Resources

As at 30 June 2015, the Group employed a total of 28,040 employees, of which 14 were based in Hong Kong. The workforce was expanded to support the Group's new projects and business development. The employees were compensated at rates, with benefits such as bonuses, retirement benefits, professional training and a share option scheme.

Financial Resources Review

Key Financial Data

During the period, the Company's total revenue amounted to RMB15,887 million, representing an increase of 10.7% over the same period last year. Revenue attributable to piped gas sales, the vehicle gas refuelling business and gas connection increased by 6.1%, 8.2% and 20.5% to RMB9,625 million, RMB1,959 million and RMB2,557 million, respectively, while revenue from wholesale gas, sales of gas appliances, and sales of other energy reached RMB1,553 million, RMB58 million and RMB37 million, respectively, representing increases of 36.3%, 23.4% and 37%. During the period, the Group's overall gross profit margin and net profit margin were 20.4% and 9.8%, respectively. Gross profit margin was similar compared with last year, while net profit margin decreased 0.9 percentage points. The decrease in net profit margin was mainly due to the change in fair value of convertible bonds which led to a non-cash loss of approximately RMB109 million.

Liquidity and Financial Resources

As at 30 June 2015, the Group's total debts amounted to RMB14,256 million (31 December 2014: RMB14,500 million) and the bank balances and cash for the purpose of computing net gearing ratio amounted to RMB5,747 million (31 December 2014: RMB10,503 million). The Group's net gearing ratio, i.e. ratio of net debt to equity (including non-controlling interests), was 56.6% (2014: 27.5%). The increase in gearing ratio compared with last year was due to the approximately RMB4 billion payment made during the period for the acquisition of 1.13% stake of Sinopec Marketing. For the same reason, the Group's net current liability as at 30 June 2015 amounted to RMB3,047 million (2014: net current assets of RMB1,462 million).

Currently, the Group's operating and capital expenditures are funded by operating cash flow, internal liquidity, bank loans and issued bonds. The Group has sufficient sources of funds and unutilised banking facilities to meet the future capital expenditure, working capital requirements and repayment of debts.

Borrowings Structure

As at 30 June 2015, the Group's total debts amounted to RMB14,256 million (31 December 2014: RMB14,500 million), including fixed rate bonds of US$400 million (equivalent to RMB2,419 million) and US$750 million (equivalent to RMB4,523 million), as well as zero coupon convertible bonds of US$500 million (equivalent to RMB3,465 million). Except for bank loans of US$146 million (equivalent to RMB891 million), the remaining bank and other loans are denominated in Renminbi and bear interest at the interest rate announced by the People's Bank of China. Except for the loan amount equivalent to RMB618 million that are secured by assets with a carrying value equivalent to RMB12 million and the Group's rights to receive gas connection and gas supply fee income of certain subsidiaries and joint ventures, all of the other loans are unsecured. Short-term loans amounted to RMB1,496 million while the remaining were long-term loans falling due after one year or above.

2019 Five-year 3.25% Fixed Rate Bonds

On 23 October 2014, the Group issued five-year bonds in the aggregate principal amount of US$400 million (equivalent to RMB2,460 million) with issue price of 99.502% and redemption price of 100%. The coupon of the bonds is 3.25%, and interests are paid semi-annually. The terms of the bonds require Mr. Wang Yusuo, Chairman of the Company, to retain not less than 20% of the issued share capital of the Company throughout the term of the bonds.

2021 Ten-year 6% Fixed Rate Bonds

On 13 May 2011, the Company issued 10-year bonds in the aggregate principal amount of US$750 million (equivalent to RMB4,863 million) with an issue price of 99.274% and a redemption price of 100%. The coupon of the bonds is 6.0%, and interests are paid semi-annually. The terms of the bonds require Mr. Wang Yusuo, the Chairman of the Company, to retain not less than 25% of the issued share capital of the Company throughout the term of the bonds.

2018 Five-year Zero Coupon Convertible Bonds

On 26 February 2013, the Company issued zero coupon United States dollar denominated convertible bonds with the aggregate principal amount of US$500 million (approximately RMB3,141 million). Each bond will, at the option of the holder, 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. Conversion may occur at any time on or after 8 April 2013 up to 16 February 2018. If the Bonds have not been converted, they will be redeemed on 26 February 2018 at 102.53 per cent of their principal amount. If the Bonds are converted into shares, it will be converted into 79,778,897 ordinary shares, representing 7.37% of the total issued share capital of the Company.

According to HKFRS 13 and HKAS 39, the Bonds need to be stated at fair value, with any gains or losses arising on measurement recognised in profit or loss in the current period from time to time until the Bonds mature, converted or redeemed. For the current year, the change in fair value of such Bonds amounts to RMB113 million, it is calculated by reference to its trading price on the Singapore Stock Exchange on 30 June 2015, together with the impact from USD translation difference. As such, a RMB109 million non-cash loss was recorded on book. For more details of major terms about the Bonds, please refer to the announcement in relation to the proposed issue of the Bonds published on 30 January 2013 and the "Offering Memorandum" attached in the overseas regulatory announcement published on 27 February 2013.

As at 30 June 2015, no Bonds were converted into ordinary shares.

As the main operations of the Group are in China, revenues and expenses were mainly denominated in Renminbi. There were no significant foreign exchange exposures or risks in operation. The Group currently does not have foreign currency hedging policy but the Directors will monitor the market trends of exchange rates and interest rates closely and adopt appropriate measures when necessary.

Financial Guarantee Liability

As at 30 June 2015, the Group had issued guarantees to banks to secure loan facilities granted to associates and joint ventures to the extent of approximately RMB466 million (31 December 2014: RMB466 million). The amounts have been utilised on the balance date.

Commitments

(a) *Capital commitments*

	At 30 June 2015 RMB million	At 31 December 2014 RMB million
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for	**328**	339
Capital commitment in respect of investments in:		
– joint ventures	**91**	69
– associates	**17**	17
– share acquisition	**63**	4,160

(b) *Other commitments*

As at 30 June 2015, the Group has commitment amounting to RMB25 million (31 December 2014: RMB43 million) in respect of acquisition of land use rights in the PRC.

Strategies and Prospects

The "Energy Development Strategy Action Plan (2014–2020)" published by the Chinese government clearly stated that the proportion of natural gas in primary energy consumption shall increase to 10% or more by 2020. To attain this goal, the supply capacity and infrastructure of natural gas will increase each year. Against this background, the Nanning-Baise branch line of the West to East Pipeline II was launched for operation in the first half of 2015. While construction of the China-Russia East Pipeline commenced, the Central Asia – China Pipeline, China-Myanmar Pipelines and coastal LNG import channels were broken through, and the four major oil and gas import channels in China began to take shape. At the same time, there were also gradual developments in the main lines and branch lines of the West to East Pipeline and the Shaanxi – Beijing pipeline. To date, a total of 12 LNG terminals have been completed and launched for operation with a total designed capacity of 40.70 million tonnes per year. This rapid pace of construction and infrastructure development is expected to better satisfy the strong demand for natural gas in China.

Looking ahead, the Group will fully consider the macro-economic environment and trends in the natural gas industry as it allocates resources in a prudent and rational manner to ensure that it meets its operational targets for the year, and will formulate strategies for the Company's future development. The Group will continue to expand its natural gas distribution business by penetrating into regions surrounding its existing city gas projects. In addition, it will fully utilise energy saving technology to actively explore new C/I users. The Group will better realise the market potential of the residential market through deepening gas penetration into existing residential buildings and to accelerate the promotion of sales of gas appliances. In terms of optimising the layout of its natural gas refuelling station network, the Group will construct combined oil-gas stations and adopt a diversified station construction model while improving operating efficiency to reduce costs as well. In order to promote the use of natural gas on vehicles and vessels, the Group will seek closer alliances with external parties. Meanwhile, it will continue to strengthen corporate management, stepping up cost and measurement control, enhancing customer service levels, and ensuring safe operations and striving to excel in corporate operations so as to reduce costs and improve efficiency. The Company will also improve operational efficiency by adopting innovative measures in managing its existing businesses. It will utilise mobile app to provide functions such as assisting customers in making appointments for maintenance services, purchasing gas and settling bills in order to reduce the number of sales offices for city gas projects, which will in turn help cut costs.

The Group believes the natural gas industry in China is still under an important stage of development. As the use of clean energy is currently a major trend in China, the natural gas industry will enjoy more rapid growth and experience extensive development in the foreseeable future. The Group will continue to seize the opportunities and leverage its strengths to adapt to any changes in the market and will meet its customers' needs. Apart from making significant contributions to environmental protection and the energy sector both within and beyond the country, the Group will also maximise the long-term interests of its shareholders, customers and employees, as well as to society and itself.

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 14 to 38, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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 Main Board Listing 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
19 August 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Six months ended 30 June	
		2015	2014
		RMB million	RMB million
		(unaudited)	(unaudited)
Revenue	3	**15,887**	14,351
Cost of sales		**(12,644)**	(11,413)
Gross profit		**3,243**	2,938
Other income	4	**203**	134
Other gains and losses	5	**(161)**	36
Distribution and selling expenses		**(240)**	(200)
Administrative expenses		**(990)**	(890)
Share of results of associates		**42**	45
Share of results of joint ventures		**297**	228
Finance costs	6	**(264)**	(204)
Profit before tax	7	**2,130**	2,087
Income tax expense	8	**(572)**	(554)
Profit for the period		**1,558**	1,533
Other comprehensive income			
Exchange difference on translating foreign operations		**(2)**	–
Total comprehensive income for the period		**1,556**	1,533
Profit for the period attributable to:			
Owners of the Company		**1,227**	1,214
Non-controlling interests		**331**	319
		1,558	1,533
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**1,225**	1,214
Non-controlling interests		**331**	319
		1,556	1,533
Earnings per share	10	**RMB**	RMB
Basic		**1.13**	1.12
Diluted		**1.13**	1.00

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	At 30 June 2015 RMB million (unaudited)	At 31 December 2014 RMB million (audited)
Non-current assets			
Property, plant and equipment	11	**20,043**	19,441
Prepaid lease payments	11	**1,142**	1,138
Investment properties	11	**83**	83
Goodwill		**728**	728
Intangible assets	12	**1,340**	1,265
Interests in associates		**885**	882
Interests in joint ventures		**3,530**	3,436
Available-for-sale financial assets	13	**4,159**	114
Other receivables	14	**32**	18
Amounts due from associates		**61**	82
Amounts due from joint ventures		**251**	155
Deferred tax assets		**486**	422
Deposits paid for investments		**13**	18
Deposits paid for acquisition of property, plant and equipment, land use rights and operation rights		**232**	208
Restricted bank deposits	15	**55**	43
		33,040	28,033
Current assets			
Inventories		**493**	510
Trade and other receivables	14	**3,024**	2,883
Prepaid lease payments	11	**24**	26
Amounts due from customers for contract work		**181**	207
Amounts due from associates	16	**95**	57
Amounts due from joint ventures	17	**484**	552
Amounts due from related companies	18	**53**	127
Restricted bank deposits	15	**525**	71
Cash and cash equivalents		**5,747**	10,503
		10,626	14,936
Assets classified as held for sale		**66**	66
		10,692	15,002

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Notes	**At 30 June 2015 RMB million (unaudited)**	At 31 December 2014 RMB million (audited)
Current liabilities			
Trade and other payables	19	**6,414**	7,262
Amounts due to customers for contract work		**2,211**	2,368
Amounts due to associates	16	**54**	89
Amounts due to joint ventures	17	**1,671**	1,413
Amounts due to related companies	18	**462**	239
Taxation payables		**505**	442
Bank and other loans – due within one year	20	**1,496**	1,530
Financial guarantee liability		**43**	48
Dividend payable		**715**	–
Obligations under finance leases		**10**	10
Deferred income	22	**124**	105
		13,705	13,506
Liability associated with assets classified as held for sale		**34**	34
		13,739	13,540
Net current (liabilities) assets		**(3,047)**	1,462
Total assets less current liabilities		**29,993**	29,495
Capital and reserves			
Share capital	23	**113**	113
Reserves		**12,493**	11,985
Equity attributable to owners of the Company		**12,606**	12,098
Non-controlling interests		**2,439**	2,443
Total equity		**15,045**	14,541
Non-current liabilities			
Bank and other loans – due after one year	20	**1,155**	1,476
Corporate bond		**498**	498
Senior notes		**4,523**	4,522
Medium-term notes		**700**	700
Convertible bonds at fair value through profit and loss	21	**3,465**	3,356
Unsecured bonds		**2,419**	2,418
Deferred tax liabilities		**368**	379
Deferred income	22	**1,792**	1,572
Obligations under finance leases		**28**	33
		14,948	14,954
		29,993	29,495

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

Six months ended 30 June 2015 (unaudited)

	Equity attributable to owners of the Company										
	Share capital RMB million (Note 23)	Share premium RMB million	Special reserve RMB million (note c)	Share options reserve RMB million	Exchange reserve RMB million	Statutory surplus reserve fund RMB million (note a)	Designated safety fund RMB million (note b)	Retained earnings RMB million	Total RMB million	Equity attributable to non-controlling interests RMB million	Total equity RMB million
At 1 January 2015	113	769	(18)	1	(2)	1,160	44	10,031	12,098	2,443	14,541
Profit for the period	–	–	–	–	–	–	–	1,227	1,227	331	1,558
Other comprehensive income for the period											
– Exchange difference on translating foreign operations	–	–	–	–	(2)	–	–	–	(2)	–	(2)
Profit and total comprehensive income for the period	–	–	–	–	(2)	–	–	1,227	1,225	331	1,556
Acquisition of subsidiaries (Note 24)	–	–	–	–	–	–	–	–	–	40	40
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	6	6
Acquisition of non-controlling interests in a subsidiary	–	–	(2)	–	–	–	–	–	(2)	(21)	(23)
Disposal of a subsidiary (Note 25)	–	–	–	–	–	–	–	–	–	(6)	(6)
Dividend recognised as distribution (Note 9)	–	(715)	–	–	–	–	–	–	(715)	–	(715)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(354)	(354)
Transfer to statutory surplus reserve fund	–	–	–	–	–	280	–	(280)	–	–	–
Transfer to designated safety fund	–	–	–	–	–	–	5	(5)	–	–	–
At 30 June 2015	113	54	(20)	1	(4)	1,440	49	10,973	12,606	2,439	15,045

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

Six months ended 30 June 2014 (unaudited)

	Equity attributable to owners of the Company									
	Share capital RMB million	Share premium RMB million	Special reserve RMB million (note c)	Share option reserve RMB million	Statutory surplus reserve fund RMB million (note a)	Designated safety fund reserve RMB million (note b)	Accumulated profits RMB million	Total RMB million	Equity attributable to non-controlling interests RMB million	Total equity RMB million
At 1 January 2014	113	1,179	(18)	2	619	41	7,607	9,543	2,349	11,892
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	1,214	1,214	319	1,533
Acquisition of a business	–	–	–	–	–	–	–	–	10	10
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	(22)	(22)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	37	37
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(364)	(364)
Dividend recognised as distribution (Note 9)	–	(411)	–	–	–	–	–	(411)	–	(411)
Exercise of share options (Note 23)	–	1	–	–	–	–	–	1	–	1
Transfer to statutory surplus reserve fund	–	–	–	–	342	–	(342)	–	–	–
Transfer to designated safety fund	–	–	–	–	–	3	(3)	–	–	–
At 30 June 2014	113	769	(18)	2	961	44	8,476	10,347	2,329	12,676

Notes:

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

b. 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 safety fund reserve. The fund will be used for installation and repair and maintenance of safety facilities.

c. The balance represented the difference between the paid-up capital of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition amounting to RMB2 million during the group restructuring carried out for the purpose of initial public offering of the Company's shares in 2001, and the difference between the fair values and the carrying values of the underlying assets and liabilities attributable to the additional interests in subsidiaries amounting to RMB22 million. During the period ended 30 June 2015, two subsidiaries of the Company has acquired 5% and 20% interest in other existing subsidiaries of the Company, 杭州蕭山管道燃氣發展有限公司 and 盤錦遼濱盛泰燃氣有限公司 at a consideration of approximately RMB6 million and RMB18 million from non-controlling shareholders respectively. The difference between the fair value and the carrying amount of the net assets attributable to the 5% and 20% additional interest acquired by the subsidiaries of the Company, amounting to approximately RMB2 million was recognised in the special reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 RMB million (unaudited)	 2014 RMB million (unaudited)
Net cash from operating activities		**1,100**	1,579
Investing activities			
Deferred income received		**296**	197
Purchase of property, plant and equipment		**(1,047)**	(936)
Investment in available-for-sale financial assets		**(4,045)**	–
Increase in restricted bank deposits		**(529)**	(33)
Release of restricted bank deposits		**63**	185
Net cash outflow on acquisition of subsidiaries	24	**(47)**	(28)
Net cash (outflow) inflow on disposal of a subsidiary	25	**(5)**	74
Purchase of prepaid lease payments		**(23)**	(132)
Investment in joint ventures		**(9)**	(174)
Dividend received from joint ventures		**219**	276
Other investing activities		**75**	50
Net cash used in investing activities		**(5,052)**	(521)
Financing activities			
New bank loans raised		**1,456**	970
Repayment of bank and other loans		**(1,811)**	(1,324)
Dividend paid to non-controlling shareholders		**(354)**	(364)
Other financing activities		**(95)**	(56)
Net cash used in financing activities		**(804)**	(774)
(Decrease) increase in cash and cash equivalents		**(4,756)**	284
Effect of foreign exchange rate changes		**–**	3
Cash and cash equivalents at the beginning of the period		**10,503**	6,822
Cash and cash equivalents at the end of the period		**5,747**	7,109

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.

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 RMB3,047 million as at 30 June 2015. Having considered the secured credit facilities of approximately RMB4,900 million which remain unutilised at the date of approval of the condensed consolidated financial statements, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements for the period ended 30 June 2015 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.

Except as described below, 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 2014.

In the current interim 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 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above amendments to HKFRSs and Interpretation in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. Segment Information

Information reported to the chief operating decision maker, the Company's President 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 are gas connection segment, sales of piped gas segment, vehicle refuelling stations segment, wholesale of gas segment, sales of other energy segment, sales of gas appliances segment and sales of material segment. Segment profit reviewed by President represents the gross profit earned by each segment.

3. Segment Information *(continued)*

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

Six months ended 30 June 2015

	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	2,973	12,418	1,963	3,114	37	192	502	21,199
Inter-segment sales	(416)	(2,793)	(4)	(1,561)	–	(134)	(404)	(5,312)
Revenue from external customers	2,557	9,625	1,959	1,553	37	58	98	15,887
Segment profit before depreciation and amortisation	1,608	1,737	255	25	13	27	12	3,677
Depreciation and amortisation	(70)	(312)	(45)	(1)	(5)	(1)	–	(434)
Segment profit	1,538	1,425	210	24	8	26	12	3,243

Six months ended 30 June 2014

	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	2,449	12,504	1,825	2,500	171	158	607	20,214
Inter-segment sales	(327)	(3,434)	(15)	(1,361)	(144)	(111)	(471)	(5,863)
Revenue from external customers	2,122	9,070	1,810	1,139	27	47	136	14,351
Segment profit before depreciation and amortisation	1,384	1,518	293	15	13	24	8	3,255
Depreciation and amortisation	(62)	(213)	(28)	(1)	(12)	(1)	–	(317)
Segment profit	1,322	1,305	265	14	1	23	8	2,938

Segment profit represents the gross profit earned by each segment without allocation of other income, other gains and losses, distribution and selling expenses, administrative expenses, share of results of associates and joint ventures, finance costs and income tax expenses. This is the measure reported to the President for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

3. Segment Information *(continued)*

Geographical information is analysed by the Group based on the location of the principal operations of the subsidiaries which are responsible for reporting the results. The following is an analysis of the Group's revenue and result by reportable geographical segments for period under review.

Six months ended 30 June 2015

	PRC RMB million	**North America RMB million**	**Europe RMB million**	**Consolidation RMB million**
Segment revenue	**21,129**	**63**	**7**	**21,199**
Inter-segment sales	**(5,312)**	**–**	**–**	**(5,312)**
Revenue from external customers	**15,817**	**63**	**7**	**15,887**
Segment profit (loss) before depreciation and amortisation	**3,688**	**(12)**	**1**	**3,677**
Depreciation and amortisation	**(425)**	**(9)**	**–**	**(434)**
Segment profit (loss)	**3,263**	**(21)**	**1**	**3,243**

Six months ended 30 June 2014

	PRC RMB million	North America RMB million	Europe RMB million	Consolidation RMB million
Segment revenue	20,207	–	7	20,214
Inter-segment sales	(5,863)	–	–	(5,863)
Revenue from external customers	14,344	–	7	14,351
Segment profit before depreciation and amortisation	3,254	–	1	3,255
Depreciation and amortisation	(317)	–	–	(317)
Segment profit	2,937	–	1	2,938

4. Other Income

	Six months ended 30 June	
	2015	2014
	RMB million	RMB million
Other income includes:		
Incentive subsidies (Note)	**93**	84
Interest income	**72**	45

Note: The amount represents incentives received from the government for sales of gas and provision of connection service and refunds of various taxes as incentives received from the government authorities in various cities of the PRC. These incentive subsidies were recorded in the period when the relevant approvals were obtained.

5. Other Gains and Losses

	Six months ended 30 June	
	2015	2014
	RMB million	RMB million
Other (losses) gains comprise:		
Gain on disposal of a subsidiary (Note 25)	**1**	14
Gain on disposal of an associate	**–**	13
Gain on disposal of a joint venture	**–**	1
Fair value (loss) gain of convertible bonds (Note 21)	**(109)**	56
Loss on foreign exchange, net	**(26)**	(50)
Impairment loss on trade and other receivables, net	**(20)**	(8)
Others	**(7)**	10
	(161)	36

6. Finance Costs

	Six months ended 30 June	
	2015	2014
	RMB million	RMB million
Interest on:		
Bank and other loans wholly repayable within five years	**51**	19
Bank loans not wholly repayable within five years	**19**	54
Medium-term notes	**19**	19
Senior notes	**141**	137
Corporate bond	**16**	16
Unsecured bonds	**43**	–
	289	245
Less: Amount capitalised under construction in progress	**(25)**	(41)
	264	204

7. Profit Before Tax

	Six months ended 30 June	
	2015	2014
	RMB million	RMB million
Profit before tax has been arrived at after charging:		
Depreciation and amortisation:		
– property, plant and equipment	**477**	362
– intangible assets	**41**	39
Total depreciation and amortisation (Note)	**518**	401
Release of prepaid lease payments	**13**	12

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

	Six months ended 30 June	
	2015	2014
	RMB million	RMB million
Depreciation and amortisation included in:		
Cost of sales	**434**	317
Administrative expenses	**84**	84
	518	401

8. Income Tax Expense

	Six months ended 30 June	
	2015	2014
	RMB million	RMB million
PRC Enterprise Income Tax:		
Current tax	**615**	570
Withholding tax	**32**	19
	647	589
Deferred tax:		
Current period	**(75)**	(35)
	572	554

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 2014: 25%).

During the six months ended 30 June 2015, the Group has not recognised the deferred tax assets in respect of the unused tax losses of RMB283 million (six months ended 30 June 2014: RMB288 million) due to the uncertainty of future profit streams.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for the period.

9. Dividend

The final dividend in respect of fiscal year 2014 of HK$0.83 (equivalent to approximately RMB0.66) per share on 1,083,059,397 shares (six months ended 30 June 2014: final dividend in respect of 2013 of HK$0.48 (equivalent to approximately RMB0.38) per share) amounting to approximately RMB715 million (six months ended 30 June 2014: RMB411 million) were declared on 27 March 2015 and were not paid as at 30 June 2015.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: 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	
	2015	2014
	RMB million	RMB million
Earnings		
Earnings for the purposes of basic earnings per share (Profit for the period attributable to owners of the Company)	**1,227**	1,214
Effect of dilutive potential ordinary shares:		
Fair value gain of convertible bonds	**–**	(56)
Earnings for the purposes of diluted earnings per share	**1,227**	1,158

The convertible bonds of US$500 million issued by the Company on 26 February 2013 (Note 21) were anti-dilutive and accordingly had not been taken into account in the computation of the diluted earnings per share for the six months end 30 June 2015.

	Six months ended 30 June	
	2015	2014
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,083,059**	1,082,869
Effect of dilutive potential ordinary shares:		
Share options	**267**	412
Convertible bonds	**–**	79,779
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,083,326**	1,163,060

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

During the six months ended 30 June 2015, the Group acquired property, plant and equipment and prepaid lease payments amounting to approximately RMB1,047 million and RMB23 million (six months ended 30 June 2014: RMB936 million and RMB132 million) respectively.

In addition, through acquisition of a subsidiary, the Group's property, plant and equipment and prepaid lease payments increased by approximately RMB28 million and RMB1 million respectively (six months ended 30 June 2014: RMB27 million and nil) during the current interim period.

No revaluation on investment properties was carried out during the current interim period. The valuation at 31 December 2014 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 2015 were not significantly different from their fair values on 31 December 2014.

12. Intangible Assets

During the six months ended 30 June 2015, the Group acquired intangible assets amounting to approximately RMB34 million (six months ended 30 June 2014: nil).

In addition, through acquisition of a subsidiary, the Group's intangible assets increased by approximately RMB82 million (six months ended 30 June 2014: RMB36 million).

13. Available-for-Sale Financial Assets

During the six months ended 30 June 2015, the Group acquired approximately 1.13% equity interest of Sinopec Marketing Company Limited and 7% equity interest of Shanghai Petroleum and Natural Gas Exchange Company Limited in the consideration of approximately RMB4,003 million and RMB42 million respectively, both are equities of unlisted limited liabilities companies incorporated in the PRC.

14. Trade and Other Receivables

The following is an aged analysis, 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 2015 RMB million	At 31 December 2014 RMB million
Within three months	**891**	792
4-6 months	**88**	52
7-9 months	**33**	32
10-12 months	**23**	17
Total trade receivables (Note)	**1,035**	893
Other receivables	**761**	738
Notes receivable	**315**	278
Advance to suppliers, deposits and prepayments	**945**	992
	3,056	2,901
Analysed for reporting purpose as:		
Current portion	**3,024**	2,883
Non-current portion	**32**	18
	3,056	2,901

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

15. Restricted Bank Deposits

The restricted bank deposits carry fixed interest rate range from 0.35% to 5.25% (31 December 2014: 0.35% to 5.35%) per annum.

16. Amounts Due From/to Associates

Included in the amounts due from/to associate are trade receivables amounting to RMB78 million (31 December 2014: RMB76 million) and trade payables amounting to RMB22 million (31 December 2014: RMB24 million) and the aged analysis based on invoice date at the end of the reporting period is as follows:

	At 30 June 2015 RMB million	At 31 December 2014 RMB million
Trade receivables due from associates		
Within three months	**24**	33
4-6 months	**4**	7
7-9 months	**12**	8
10-12 months	**5**	9
More than 1 year	**33**	19
	78	76
Trade payables due to associates		
Within three months	**7**	10
4-6 months	**2**	–
10 to 12 months	**–**	1
More than 1 year	**13**	13
	22	24

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 Joint Ventures

Included in the amounts due from/to joint ventures are trade receivables amounting to RMB198 million (31 December 2014: RMB225 million) and trade payables amounting to RMB180 million (31 December 2014: RMB206 million) and the aged analysis based on invoice date at the end of the reporting period is as follow:

	At 30 June 2015 RMB million	At 31 December 2014 RMB million
Trade receivables due from joint ventures		
Within three months	**117**	139
4-6 months	**4**	3
7-9 months	**6**	34
10-12 months	**1**	1
More than 1 year	**70**	48
	198	225
Trade payables due to joint ventures		
Within three months	**152**	157
4-6 months	**1**	–
7-9 months	**6**	4
More than 1 year	**21**	45
	180	206

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 Related Companies

Included in the amounts due from/to related companies are trade receivables amounting to RMB45 million (31 December 2014: RMB43 million) and trade payables amounting to RMB459 million (31 December 2014: RMB220 million) and the aged analysis based on invoice date at the end of the reporting period is as follow:

	At 30 June 2015 RMB million	At 31 December 2014 RMB million
Trade receivable due from related companies		
Within three months	**22**	34
4-6 months	**13**	1
7-9 months	**3**	1
10-12 months	**1**	2
More than 1 year	**6**	5
	45	43
Trade payables due to related companies		
Within three months	**363**	160
4-6 months	**21**	21
7-9 months	**41**	11
10-12 months	**10**	5
More than 1 year	**24**	23
	459	220

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

19. 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 2015 RMB million	At 31 December 2014 RMB million
Within three months	**1,117**	1,723
4-6 months	**139**	107
7-9 months	**77**	35
10-12 months	**18**	42
More than 1 year	**131**	127
Total trade payables	**1,482**	2,034
Advances received from customers	**3,905**	4,131
Accrued charges and other payables	**1,027**	1,097
	6,414	7,262

20. Bank and Other Loans

During the current interim period, the Group obtained new bank and other loans in the amount of RMB1,456 million (six months ended 30 June 2014: RMB970 million) and made repayments in the amount of RMB1,811 million (six months ended 30 June 2014: RMB1,324 million). The loans bear interest at the range from 2.18% to 7.32% per annum (31 December 2014: 2.77% to 7.78% per annum). These proceeds were used to finance the capital expenditure and general working capital of the Group.

At 30 June 2015, certain assets of the Group with aggregate carrying value of RMB114 million (31 December 2014: RMB130 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 RMB1,290 million (31 December 2014: RMB1,370 million) granted to the Group and RMB612 million (31 December 2014: RMB765 million) of which is utilised up to 30 June 2015.

21. Convertible Bonds at Fair Value Through Profit and Loss

On 26 February 2013, the Company issued zero coupon United States dollar ("US dollar") denominated convertible bonds with the aggregate principal amount of US$500 million (approximately RMB3,141 million) (the "Bonds"). Each bond will, at the option of the holder, 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. Conversion may occur at any time on or after 8 April 2013 up to 16 February 2018. If the Bonds have not been converted, they will be redeemed on 26 February 2018 at 102.53 per cent of their principal amount. On 26 February 2016 (the "Put Option Date"), the holder of each Bond will have the right, at such holder's option, to require the Company to redeem all or some only of the Bonds of such holder on the Put Option Date at 101.51 per cent of their principal amount.

In accordance with the terms and conditions of the Bonds, the Company: (i) may at any time after 26 February 2016 and prior to the maturity date redeem in whole, but not in part, the Bonds for the time being outstanding at the early redemption amount, provided that (a) the closing price of the shares (translated into US dollar at the prevailing rate defined in the terms and conditions of the Bonds) for each of any 20 trading days within a period of 30 consecutive trading days, the last of which occurs not more than five trading days prior to the date upon which notice of such redemption is published was at least 130 per cent of the early redemption amount divided by the then prevailing conversion ratio (as defined in the terms and conditions of the Bonds agreement) and (b) the applicable redemption date does not fall within a closed period; or (ii) may at any time prior to the maturity date of the Bonds redeem in whole, but not in part, the Bonds for the time being outstanding at the early redemption amount provided that prior to the date of such notice at least 90 per cent in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.

The Bonds, are traded 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 Bonds.

As at 30 June 2015, the over-the-counter market price of the Bonds was US$567 million (approximately RMB3,465 million equivalently) (31 December 2014: US$548 million, approximately RMB3,356 million equivalently). There was fair value loss of approximately RMB109 million (six months ended 30 June 2014: gain of approximately RMB56 million). No conversion has been made up to 30 June 2015.

22. Deferred Income

During the current interim period, the Group received RMB296 million (six months ended 30 June 2014: RMB197 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.

23. Share Capital and Share Options

During the current interim period, there is no share option granted. As at 30 June 2015, the number of outstanding share options is 400,000 (31 December 2014: 400,000).

On 13 June 2014, 80,000 shares were issued at exercise price of HK$16.26 per ordinary share in relation to the exercise of outstanding share options, which was recognised in share capital and share premium of HK$8,000 (equivalent to approximately RMB nil million) and HK$1.3 million (equivalent to approximately RMB1 million) respectively. These shares rank pari passu with the then existing shares in all respects. There was no ordinary share issue during the current interim period.

24. Acquisition of Assets Through Acquisition of Subsidiaries

On 23 January 2015, the Group acquired 60% of the registered capital of 寧波大榭開發區燃氣有限公司 (“Ningbo Daxie”) at a cash consideration of RMB60 million. Ningbo Daxie is engaged in sales of piped gas.

On 18 March 2015, the Group further acquired 40% of the registered capital of 北京新奧葉氏能源投資有限公司 (“Xinao Yeshi”) at a cash consideration of RMB4 million. After the acquisition, Xinao Yeshi become a wholly owned subsidiary of the Group. Xinao Yeshi is engaged in sales of piped gas. Xinao Yeshi has not yet commenced operation as at the date of acquisition.

The transaction was accounted for acquisition of assets through acquisition of subsidiaries and the fair value of the assets and liabilities acquired are as follows:

	Ningbo Daxie RMB million	**Xinao Yeshi** RMB million
Non-current assets		
Property, plant and equipment	18	10
Intangible assets – rights of operation	82	–
Prepaid lease payment	1	–
Current assets		
Cash and cash equivalent	–	2
Trade and other receivables	–	2
Inventories	1	–
Current liabilities		
Trade and other payables	(2)	(4)
Net assets	100	10
Less: Non-controlling interests	(40)	–
Less: Interests previously held	–	(6)
Net assets acquired	60	4
Total consideration	60	4
Satisfied by:		
Cash	45	4
Consideration payables (included in other payables)	15	–
Net cash outflow arising on acquisition:		
Cash consideration paid	(45)	(4)
Less: cash and cash equivalents acquired	–	2
	(45)	(2)

25. Disposal of a Subsidiary

On 30 April 2015, the Group disposed of 70% equity interest in 本溪新奥鑫和清潔能源有限公司 (“Benxi Xinao”) at cash consideration of RMB14 million to an independent third party (the “Buyer”). As a result, the Group lost full control on Benxi Xinao.

The net consideration received from the transaction is summarised as follow:

Consideration:

	RMB million
Cash	14

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

	RMB million
Current assets	
Cash and cash equivalents	19
Net assets	19
Less: Non-controlling interests	(6)
Net assets derecognised	13

The gain recognised in profit or loss on loss of control of Benxi Xinao was calculated as below:

	RMB million
Consideration received	14
Less: Net assets derecognised	(13)
Gain on disposal of subsidiary	1

Net cash outflow arising on disposal:

	RMB million
Cash consideration received	14
Cash and cash equivalents disposed of	(19)
	(5)

26. 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).

The Group measures its convertible bonds at fair value at the end of each reporting period on a recurring basis:

	Fair value as at			
	30 June 2015 RMB million	31 December 2014 RMB million	**Fair value hierarchy**	**Valuation technique**
Financial liabilities				
Convertible bonds	**3,465**	3,356	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

26. 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 2015		At 31 December 2014	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Financial liabilities:				
Corporate bond	**498**	**520**	498	504
Senior notes	**4,523**	**5,054**	4,522	5,130
Medium-term notes	**700**	**690**	700	699
Fixed rate bank loans	**614**	**612**	570	568
Unsecured bonds	**2,419**	**2,417**	2,418	2,410

27. Commitments

(a) Capital commitments

	At 30 June 2015 RMB million	At 31 December 2014 RMB million
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided	**328**	339
Capital commitment in respect of investments in:		
– joint ventures	**91**	69
– associates	**17**	17
– share acquisition	**63**	4,160

(b) Other commitments

As at 30 June 2015, the Group has commitment amounting to RMB25 million (31 December 2014: RMB43 million) in respect of acquisition of land use rights in the PRC.

28. Related Party Transactions

The Group has entered into the following transactions with its related parties during the period:

	Six months ended 30 June	
	2015	2014
	RMB million	RMB million
Associates		
– Sales of gas to	**135**	81
– Sales of materials to	**6**	22
– Provision of gas transportation services to	**2**	6
– Purchase of gas from	**143**	101
– Loan interest received from	**2**	1
– Provision of gas connection services to	**2**	–
– Provision of gas transportation services by	**2**	–
Joint ventures		
– Sales of gas to	**390**	320
– Sales of materials to	**42**	33
– Sales of equipment to	**–**	206
– Purchase of gas from	**1,053**	835
– Purchase of equipment from	**–**	3
– Provision of gas transportation services to	**106**	103
– Loan interest received from	**12**	6
– Loan interest paid to	**4**	4
– Provision of supporting services by	**11**	13
– Provision of construction services by	**6**	17
– Provision for gas connection services to	**28**	–
– Deposit interest paid to	**2**	–
Companies controlled by Mr. Wang		
a controlling shareholder and director of the Company		
– Sales of gas to	**5**	4
– Provision for construction services by	**226**	106
– Provision of efficiency technology services by	**50**	12
– Provision of gas connection service to	**–**	1
– Provision for property management services by	**9**	8
– Provision of maritime transportation services by	**1**	4
– Purchase of equipment from	**1**	1
– Lease of premises from	**1**	1
– Lease of premises to	**1**	1
– Provision of electronic business services by	**1**	5
– Sales of materials to	**7**	2
– Provision of administrative services by	**22**	15
– Provision of liquefied natural gas by	**183**	–
– Deposit interest paid to	**2**	–
– Acquisition of non-controlling interests	**5**	–

28. Related Party Transactions *(continued)*

The Company issued US$750 million senior notes (the "2021 Senior Notes") on 13 May 2011 and US$400 million unsecured bonds (the "2019 Unsecured Bonds") on 23 October 2014. The terms and conditions of the 2021 Senior Notes and 2019 Unsecured Bonds require Mr. Wang to retain control over the Company throughout the terms failing which the Company would be require to repurchase all outstanding notes at purchase price equal to 101% of their principal amount plus accrued and unpaid interest at such repurchase date.

A joint venture partner had issued guarantees to bank to secure loan facilities granted to the Group to the extent of approximately RMB30 million (31 December 2014: Nil) and RMB20 million (31 December 2014: Nil) of which is utilised up to 30 June 2015.

As at 30 June 2015, the Group had issued guarantees to bank to secure loan facilities granted to associates and joint ventures to the extent of approximately RMB466 million (31 December 2014: RMB466 million). The amounts have been utilised on the balance sheet date.

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
Short-term employee benefits	**3,904**	4,334
Post-employment benefits	**58**	58
	3,962	4,392

Disclosure of Interests

Directors' interests or short positions in shares and in share options

As at 30 June 2015, the interests and short positions of each Director of the Company 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 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 share capital as at 30 June 2015
Mr. Wang Yusuo ("Mr. Wang")	Interest of controlled corporation	329,249,000 (Note 1)	329,249,000	–	329,249,000	30.40%
Ms. Yien Yu Yu, Catherine	Beneficial owner	–	–	200,000	200,000	0.02%

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 below under the heading "Directors' rights to acquire shares".

Save as disclosed above, as at 30 June 2015, the register maintained by the Company pursuant to section 352 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 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 on 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 2015	Number of options exercised during the Period (Note 2)	Number of options reclassified during the Period (Note 3)	Number of shares subject to outstanding options as at 30 June 2015 (Aggregate)	Approximate percentage of the Company's total issued share capital as at 30 June 2015 (Aggregate)
Mr. Wang Guangtian	14.06.2010	14.12.2010–14.06.2020	16.26	100,000	–	(100,000)	–	–
	14.06.2010	14.06.2012–14.06.2020	16.26	100,000	–	(100,000)		
Ms. Yien Yu Yu, Catherine	14.06.2010	14.12.2010–14.06.2020	16.26	100,000	–	–	200,000	0.02%
	14.06.2010	14.06.2012–14.06.2020	16.26	100,000	–	–		
Total				400,000	–	(200,000)	200,000	

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 2015 to 30 June 2015.
3. Mr. Wang Guangtian has retired from director and did not offer himself for re-election at the Annual General Meeting held on 29 May 2015. The outstanding of 200,000 share options have not been exercised before the lapse of the options, and were reclassified to employee.

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, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2015, the interests and short positions of every person, other than Directors 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 the SFO were as follows:

Name of shareholder	Capacity	Interests in shares Corporate interests	Total interests in shares	Total aggregate interests in shares and underlying shares	Approximate percentage of the Company's total issued share capital as at 30 June 2015
Mr. Wang	Interest of controlled corporation	329,249,000 (Note 1)	329,249,000	329,249,000 (L)	30.40%
Ms. Zhao	Interest of controlled corporation	329,249,000 (Note 1)	329,249,000	329,249,000 (L)	30.40%
EGII	Beneficial owner	329,249,000 (Note 1)	329,249,000	329,249,000 (L)	30.40%
The Capital Group Companies, Inc.	Interest of controlled corporation	128,459,700 (Note 2)	128,459,700	128,459,700 (L)	11.86%
Capital Research and Management Company	Investment manager	128,459,700	128,459,700	128,459,700 (L)	11.86%
Commonwealth Bank of Australia	Interest of controlled corporation	100,484,000	100,484,000	100,484,000 (L)	9.28%
JPMorgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/approved lending agent	78,569,613	78,569,613	78,569,613 (L) (including 59,198,821 (P)) 448,116 (S)	7.25% (L) (including 5.46% (P)) 0.04% (S)

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. The 128,459,700 shares are held by Capital Research and Management Company (a company which is wholly owned by the Capital Group Companies, Inc.)

3. (L) represents Long Position; (S) represents Short Position; (P) represents Lending Pool.

Save as disclosed above, as at 30 June 2015, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company. Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2015, 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.

Share Option Scheme

The Company has adopted a share option scheme (the "2002 Scheme") pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 21 May 2002.

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 during the Period:

Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2015	Number of options exercised during the Period (Note 2)	Number of options reclassified during the Period (Note 3)	Number of shares subject to outstanding options as at 30 June 2015 (Aggregate)	Approximate percentage of the Company's total issued share capital as at 30 June 2015 (Aggregate)
Directors	14.06.2010	14.12.2010–14.06.2020	16.26	200,000	–	(100,000)	200,000	0.02%
	14.06.2010	14.06.2012–14.06.2020	16.26	200,000	–	(100,000)		
Employee	14.06.2010	14.12.2010-14.06.2020	16.26	–	–	100,000	200,000 (Note 3)	0.02%
	14.06.2010	14.06.2012-14.06.2020	16.26	–	–	100,000		
Total				400,000	–	–	400,000	0.04%

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 2015 to 30 June 2015.
3. Upon the retirement from director on 29 May 2015, the outstanding share options of 200,000 Shares were reclassified to employee. Such outstanding share options were not yet lapsed as at 30 June 2015.

No share option was granted, exercised, cancelled or lapsed under the 2002 Scheme during the Period.

The 2002 Scheme has expired on 20 May 2012, and upon its expiration, no further options could be granted thereunder; however, the rules of the 2002 Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its expiration or otherwise as may be required in accordance with the rules of the 2002 Scheme. Therefore, the expiration of the 2002 Scheme will not in any event affect the terms of the grant of such outstanding options that has already been granted under the 2002 Scheme and the above outstanding options granted under the 2002 Scheme shall continue to be subject to the provisions of the 2002 Scheme.

The Company has adopted a new share option scheme (the "2012 Scheme") pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 26 June 2012. No share option has been granted under the 2012 Scheme yet.

Purchase, Sale Or Redemption of Listed Securities

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

The Company established an Audit Committee on 28 March 2001. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control (including financial control, operational control, compliance control, risk management function and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, as well as their training programmes and budget) and financial reporting matters. The Audit Committee currently comprised of all members who are all Independent Non-executive Directors. On 29 May 2015, Mr. Wang Guangtian retired from the Board of Directors and also ceased to be the Audit Committee member. Thereafter, Ms. Yien Yu Yu, Catherine (the chairperson of the Audit Committee), Mr. Ma Zhixiang and Mr. Yuen Po Kwong and Law Yee Kwan, Quinn continues as the member of the Audit Committee. An audit committee meeting was held on 18 August 2015 to review the unaudited interim results and interim financial report for the six months ended 30 June 2015. Deloitte Touche Tohmatsu, the Group's external auditors, have carried out a review of the unaudited interim report for the six months ended 30 June 2015 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The Model Code for Securities Transactions by Directors of Listed Issuers

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

The Corporate Governance Code

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 to the Listing Rules throughout the Period except a deviation from Code Provision E.1.2., Mr. Wang Yusuo (Chairman of the Board) was unable to attend the annual general meeting of the Company held on 29 May 2015 due to business trips. Alternatively, Mr. Cheung Yip Sang, the Executive Director and Vice Chairman of the Company, attended and acted as the chairman of the said annual general meeting.

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

On 13 May 2011 and 26 February 2013, the Company issued 10-year senior notes (the "2021 Senior Notes") and 5-year zero coupon convertible bonds (the "Bonds") with the principal amount of US$750 million (equivalent to RMB4,543 million) and US$500 million (equivalent to RMB3,141 million) respectively. Both of the 2021 Senior Notes and the Bonds with terms and conditions require Mr. Wang, 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 relevant agreements.

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 terms of the relevant agreement. The total amount of the loan involved is US$400 million (equivalent to RMB2,460 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.

By order of the Board
WANG Yusuo
Chairman

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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