ENN 新奥

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

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

Interim Results Announcement
For The Six Months Ended 30 June 2022

Results Highlights:

	For The Six Months Ended		
	2022 *(unaudited)*	**2021** *(unaudited)*	**Increase/ (Decreased) by**
Revenue *(RMB million)*	58,332	41,232	41.5%
Core profit△ *(RMB million)*	4,118	3,713	10.9%
Basic earnings per share *(RMB)*	2.75	3.34	(17.7%)
Interim dividend per share *(HK$)*	0.64	0.59	8.5%
Retail gas sales volume# *(million m^3)*	13,065	12,431	5.1%
Sales volume of integrated energy# *(million kWh)*	10,801	8,049	34.2%

△ Profit attributable to owners of the Company but stripping out other gains and losses (excluding net settlement amount realised from commodity derivative contracts), relevant deferred tax on unrealised (loss) gain from commodity derivative contracts and share-based payment expenses.

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

The Board of Directors (the "**Board**") of ENN Energy Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce the unaudited interim results of the Group for the six months ended 30 June 2022 together with the comparative unaudited figures for the corresponding period in 2021.

BUSINESS REVIEW

The first half of 2022 has seen a period of instability and uncertainty globally. This has been caused primarily by the conflict between Russia and Ukraine, the COVID-19 epidemic which still affects countries around the world and the accelerating energy transition. Global energy and commodity prices have been affected. The Group rapidly adjusted its energy procurement strategy in order to control costs when international energy prices rose. Energy demand has been affected by the resurgence of COVID-19 epidemic as well. The Group therefore established a dynamic demand tracking mechanism to ensure supply security for its consumers across the nation. The Group has also seized the opportunities brought on by China's dual carbon policy and has actively expanded into new business lines such as low-carbon solutions and value-added services. Satisfactory results were recorded during the reporting period.

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

	Six months ended 30 June		Increased/
	2022	2021	(Decreased) by
	(unaudited)	*(unaudited)*	
Key financial data			
Revenue *(RMB million)*	58,332	41,232	41.5%
Gross profit *(RMB million)*	6,894	7,042	(2.1%)
Profit attributable to owners of the Company *(RMB million)*	3,104	3,765	(17.6%)
Core profit△ *(RMB million)*	4,118	3,713	10.9%
Basic earnings per share *(RMB)*	2.75	3.34	(17.7%)
Interim dividend per share *(HK$)*	0.64	0.59	8.5%
Key operational data#			
Number of city-gas projects in China	254	239	15
Connectable urban population coverage *(thousand)*	128,199	116,831	9.7%
New natural gas customers developed during the period:			
– residential households *(thousand)*	979	1,182	(17.2%)
– C/I customers *(sites)*	9,138	13,858	(34.1%)
– installed designed daily capacity for C/I customers *(thousand m^3)*	9,479	10,201	(7.1%)
Accumulated number of customers:			
– residential households *(thousand)*	26,814	24,395	9.9%
– C/I customers *(sites)*	211,597	190,986	10.8%
– installed designed daily capacity for C/I customers *(thousand m^3)*	172,301	151,987	13.4%
Piped gas penetration rate	62.7%	62.6%	0.1ppt
Retail gas sales volume *(million m^3)*	13,065	12,431	5.1%
Wholesale of gas volume *(million m^3)*	3,770	3,580	5.3%
Combined daily capacity of natural gas processing stations *(thousand m^3)*	181,514	155,440	16.8%
Total length of existing intermediate and main pipelines *(km)*	74,788	66,780	12.0%
Accumulated number of integrated energy projects in operation	177	135	42
Integrated energy projects under construction	40	40	-
Sales volume of integrated energy *(million kWh)*	10,801	8,049	34.2%

△ Profit attributable to owners of the Company but stripping out other gains and losses (excluding net settlement amount realised from commodity derivative contracts), relevant deferred tax on unrealised (loss) gain from commodity derivative contracts and share-based payment expenses.

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

OPERATIONAL HIGHLIGHTS

Pursued the Goals of "Visibility of Risks, Identification of Major Risks and Well-Managed Safety" through Intelligent Safety Management

With "**Safety as Integral to ENN's Brand**", the Group has focused on key safety issues relevant to five major business scenarios - construction and engineering, pipeline network, citygate stations, integrated energy stations and customer sites - and has built intrinsically safe facilities. The Group has installed considerable IoT sensing devices to collect real-time data such as the operational status of front-end equipment and operational behaviours of personnel, ensuring "**Visibility of Risks**". Safety management products have helped realise the prevention and management of perceived risks and an emergency response has been established leading to a long-term prevention mechanism ensuring "**Identification of Major Risks**". The data is also monitored via proprietary "Safety Heart" products that integrate safety rules and relevant knowledge. As a result, the Group has secured the right guidance helping predict and respond to a broad group of risks realising "**Well-Managed Safety**".

The Group's exploration in the application of digital intelligence technology in the field of safety production management has been featured in the *China Emergency Management News* under the Ministry of Emergency Management within the People's Republic of China. 2022 is the third year of the Group's campaign to strengthen safety management, and is also the first year for the Ministry of Emergency Management to implement safety inspection on specialised areas. The Group proactively prepared for the inspection and showcased the results of its efforts in safety management reinforcement over the past two years. During the period, nine projects of the Group including Shijiazhuang, Changsha and Luoyang were inspected by the national inspection team. The Group is determined to enhance the level of intrinsic safety of itself as well as the industry capitalising on the digitalised safety management system and its iteration.

Adopted Diversified Gas Sources and Market-oriented Pricing Policies Amidst Soaring Energy Prices

Oriented by customer demand, the Group has conducted high-carbon fuel replacement with natural gas. During the period, market demand has been weakened due to factors such as the continual rise in natural gas prices, the widespread COVID-19 epidemic in China and an economic downturn. The retail volume of natural gas sold to commercial and industrial users, households and vehicle refuelling stations increased by 5.1% year-on-year to 13,065 million cubic meters for the six months ended 30 June 2022. Revenue of retail gas sales business recorded a significant increase of 31.0% to RMB30,316 million. However, affected by the rise in upstream purchase cost, gross profit by 6.3% to RMB3,158 million. During the period, the Group has adopted various measures to counter the risks, including entering into long-term supply contracts with price linkage agreements and diversified pricing mechanisms with customers, optimising resource scheduling and carrying out a demand-side response. Moreover, thanks to the cost-competitive and diversified Liquefied Natural Gas ("**LNG**") resources, the Group seized the opportunities brought by rising natural gas prices to drive the growth of wholesale of gas business. During the period, the revenue and gross profit of wholesale of gas business increased to RMB18,696 million and RMB815 million respectively, representing a significant year-on-year increase of 91.4% and 128.3% respectively, which effectively offset the impact due to rising gas cost.

Affected by the city lockdown measures due to the epidemic, the Group completed the construction and installation for 979 thousand households during the period. In the second half of the year, with the gradual relaxation of epidemic prevention and control measures and the steady resolution of real estate delivery risks coupled with welfare housing being built by the government and a large number of existing buildings not yet securing access, it is expected that residential gas connections will accelerate. The Group will flexibly adjust the customer development structure to achieve its full year connection target set at the beginning of the year.

Committed to Developing Low-carbon Solutions under the Dual-carbon Policy

Driven by the promotion of environmental protection policies, the upgrading of energy consumption structure and the transformation of consumer behaviour, the Group has seized the opportunities and proactively expanded its integrated energy business which prioritises the use of clean energy adapts to local conditions and is complemented by multi-energy sources. During the period, the construction of 27 integrated energy projects were completed and have been put into operation resulting in a total of 177 integrated energy projects in operation. These projects generated 10,801 million kWh of integrated energy sales including cooling, heating, electricity and steam representing a year-on-year increase of 34.2%. The Group's integrated energy business revenue increased by 46.5% to RMB5,365 million while gross profit increased by 16.7% to RMB698 million year-on-year.

For the six months ended 30 June 2022, 40 integrated energy projects have been under construction. The Group's potential integrated energy sales is expected to reach over 38 billion kWh when all operating projects and those under construction are fully ramped up. During the period, the Group also signed new contracts for 14 low-carbon industrial parks, 456 low-carbon factories, and 46 low-carbon buildings projects. The energy sales potential of these newly-signed projects will be more than 8,000 million kWh/year laying a solid foundation for the rapid growth of the Group over the coming years.

The Group has also actively applied low-carbon and low-cost energy sources such as biomass, geothermal and waste heat resources to tackle customer pain points of rising energy costs and the requirement for green production. During the period, the Group's low-carbon energy solutions successfully reduced energy consumption for customers by more than 683,000 tons of standard coal and reduced carbon dioxide emissions by 2,967,000 tons, facilitating the low-carbon transition for customers while enhancing their competitive advantage.

Established Multifaceted Product Portfolios Centred on the Demand for Safety-Energy-Carbon to Fuel Value Added Business Growth

The Group has been serving an enormous base of customers. It has provided gas supply to more than 26.81 million household users and 211,597 industrial and commercial users demonstrating the huge potential and added value of the customer network. The Group is especially focused on ensuring energy safety for customers. During the period, it has expanded home safety and security products, IoT smart products, energy saving gas appliances and low-carbon heating products, further unleashing the extended service value of gas customers.

Driven by the expansion of product sales, the Group's revenue of value added business for the period reached RMB1,165 million, representing a year-on-year increase of 39.2% while gross profit increased by 33.3% to RMB873 million. At present, the penetration rate of value added services in the Group's existing customer base is only 9.5%, showing huge growth potential.

FINANCIAL PERFORMANCE

During the period, total revenue of the Group increased by 41.5% to RMB58,332 million compared with the same period last year. Gross profit decreased by 2.1% year-on-year to RMB6,894 million, while the gross profit margin decreased by 5.3 percentage points to 11.8%, mainly due to the increase in the purchase price of natural gas. Further, the Group has not passed through fully the rise in cost to its customers while there was a decrease in completion volume and an increase in the cost of the construction and installation business as it was affected by the pandemic and the property market slowdown during the period.

During the period, the Group adopted measures to reduce costs and further improve its operational efficiency and the ratio of selling and administrative expenses to revenue decreased by 1.1 percentage points to 4.2%. Finance costs increased slightly by 5.3% to RMB320 million due to fluctuations in exchange rates and interest rates. Thanks to the surge in international natural gas prices and the ability to flexibly allocate resources; the Group maximised the value of its natural gas resources, the Group recorded gain on financial settlement of LNG trading of RMB1,079 million during the period. As a result of the appreciation of the USD and the fair value loss recorded on derivative financial instruments during the period, the Group recorded net other loss of RMB780 million.

Due to the impact of various external factors including the surging gas price, pandemic and property market slowdown, the results of the Group's associates and joint ventures which have higher exposure to these issues have been materially affected during the first half of 2022. Taking into account of the above factors, profit attributable to the owners of the Company amounted to RMB3,104 million representing a decrease of 17.6% year-on-year. Basic earnings per share decreased by 17.7% year-on-year to RMB2.75. Stripping out the impact of other gains and losses (excluding net settlement amount realised from commodity derivative contracts), relevant deferred tax on unrealised (loss) gain from commodity derivative contracts and share-based payment expenses amounted to RMB1,014 million, core profit driven by operating activities increased by 10.9% to RMB4,118 million.

During the period, the Group adopted prudent financial management and managed its expenditures well to ensure smooth cash flow. For the six months ended 30 June 2022, the Group's operating cash inflow was RMB3,147 million. After adding the dividend income from investment and gain on financial settlement of LNG trading of RMB49 million and RMB1,079 million respectively and deducting net finance costs and capital expenditures of RMB244 million and RMB3,342 million respectively, the Group generated free cash flow of RMB689 million during the period.

FINANCIAL RESOURCES REVIEW

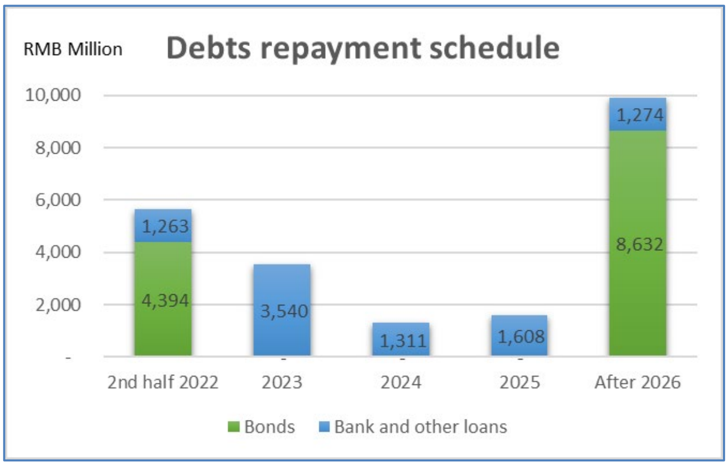
As at 30 June 2022, the cash, current and non-current debts of the Group are as follows:

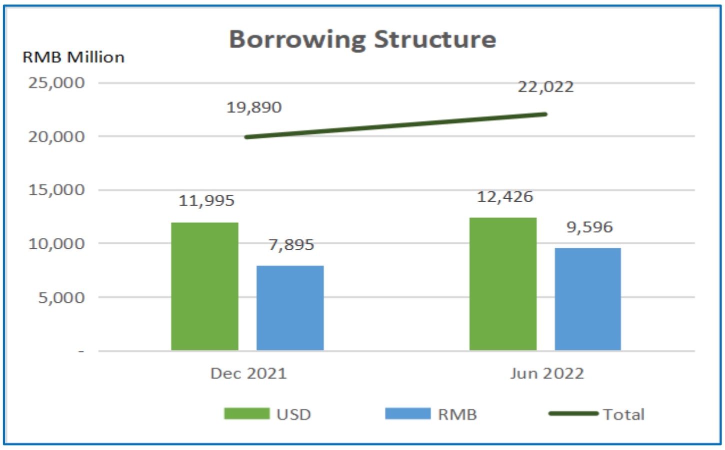
	30 June 2022 *RMB million*	31 December 2021 *RMB million*	Increased/ (Decreased) by *RMB million*
Bank balances and cash (excluding restricted bank deposits)	11,573	8,684	2,889
Long-term debts (including bonds)	13,472	8,040	5,432
Short-term debts (including bonds)	8,550	11,850	(3,300)
Total debts	22,022	19,890	2,132
Net debts[1]	10,449	11,206	(757)
Total equity	43,481	42,150	1,331
Net gearing ratio[2]	24.0%	26.6%	(2.6ppt)
Net current liabilities	8,899	14,021	(5,122)

Working Capital Management

During the period, the Group adhered to the principle of ecological win-win situation and cooperated with ecological partners to overcome the difficult times. The Group managed its receivables, payables and inventory turnover days strictly to within its healthy range, which were 11 days, 22 days and 5 days respectively for the six months ended 30 June 2022. As at 30 June 2022, the Group had sufficient cash on hand and its bank balances and cash (excluding restricted bank deposits) amounted to RMB11,573 million. Compared with the balance as at the end of last year, an increase of RMB2,889 million mainly reflects the increase in income from operation and debts.

Borrowings Structure





The Group strives to strike a balance between the terms of debts and cost of refinancing. In the first half of this year, the Company issued USD bonds to replace short-term loans to reduce liquidity risks and further smooth out the debt repayment schedule. Net current liabilities were hence improved significantly as compared to the end of last year. As at 30 June 2022, the Group's total debts amounted to RMB22,022 million, representing an increase of RMB2,132 million compared to the total debts as of end of last year, mainly due to the drawdown of project loans and the appreciation of the USD. The Group's net gearing ratio as at 30 June 2022 was reduced by 2.6 percentage points compared to end of last year to 24.0%.

Foreign exchange risk management

As at 30 June 2022, the principal amount of the Group's borrowings denominated in foreign currencies amounted to USD1,865 million (31 December 2021: USD1,891 million), equivalent to approximately RMB12,426 million (31 December 2021: RMB11,995

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

million), and most of them were long-term debts. As at 30 June 2022, the Group has hedged debt principal of USD750 million (31 December 2021: USD550 million) and the hedge ratio of USD debts reached 40.2% (31 December 2021: 29.1%). In view of the continuing fluctuation of RMB/USD rate, the Group will continue to closely monitor the foreign exchange market and strive to use foreign currency derivative contracts to mitigate the impact on its results when deemed appropriate.

COMMODITY PRICE RISK MANAGEMENT

Global oil and gas prices have seen significant fluctuation in 2022 but the Group's forward-looking view and flexibility in matching natural gas supply and demand has established the Group's resilience against extended turbulence in gas prices. For domestic procurement and supply, the Group signed agreements with the three major oil companies to lock the supply chain. On the other hand, using a digital and intelligent rolling forecast model to understand customer needs as well as the government's transmission and flexible market-oriented pricing strategies, the Group has sought to achieve effective matching of price and volume to reduce the risk of gas price increases. In addition to purchasing gas sources from the three major oil companies, the Group currently has a number of international LNG medium and long-term purchase and sale contracts supplemented by domestic unconventional gas and liquefied natural gas supply. As the pricing of medium and long-term contracts is mainly linked to the international crude oil or natural gas price index, the Group manages the price risk exposure that may arise from changes in these indices through commodity hedging operations. The Group has started to establish risk management policies and commodity hedging systems in 2017 which have been continuously improved. At present, the Group has formed a whole-process digitalised management which can achieve precise matching and a timely response and hence effectively manage commodity price risks.

SUSTAINABLE DEVELOPMENT

The Group has captured a short but advantageous issuance window on 11 May 2022 and successfully issued a US$550 million 5-year tenure green senior notes (Regulation 144A/S). This was the second issuance of green senior notes denominated in US dollars by the Company which received overwhelming subscriptions by a number of high-quality investors. Proceeds from the financing will be mainly used for investment and/or refinancing of renewable energy-related green projects boosting the development of the Group towards a cleaner low-carbon trajectory.

Issues related to climate change have also been a top priority for the Company. The tracking of Scope 3 GHG emissions started in the first half of the year. In order to identify key emission sources, the Company entered into a cooperation agreement with China University of Petroleum (East China) specifying that it plans to carry out city-gas methane emission scenarios and emission measurement, according to the latest international guidelines with ENN Shandong Company serving as a pilot institution where key emission sources will be identified and relevant governance measures undertaken.

The Company released its first *Biodiversity Conservation Report* in May on International Biodiversity Day. The report sorts out the measures taken by the Company to protect the ecology and discloses how it has implemented biodiversity protection measures in various business scenarios.

RATINGS AND CAPITAL MARKET RECOGNITION

Rating agency Standard & Poor's upgraded the Company's rating to "BBB+" on 3 August with a "stable" outlook. Standard & Poor's believes that the Group's earnings maintain resilience against extended turbulence in gas prices and could therefore maintain solid credit metrics in the foreseeable future.

The Group was granted the "Most Honoured Companies" award by Institutional Investor for the sixth consecutive year. In the "2022 All-Asia Executive Team" ranking by Institutional Investor, its executives were among the top three within the utility sector winning accolades such as "Best CEO", "Best CFO", "Best Investor Relations Professional", "Best Investor Relations Company" and "Best Environmental, Social and Governance".

OUTLOOK

In the second half of 2022, the global economy is expected to continue to face turbulence due to geopolitical instability, high energy prices and rising inflationary pressures. China's efficient and effective epidemic prevention and control has led to remarkable achievements in curbing the COVID-19 epidemic in key regions. While the government's measures to revive the economy have been effectively implemented, the effects are expected to be seen progressively. Since June, China's economy has stabilised and rebounded quickly and China's domestic economy is expected to maintain the momentum of recovery in the second half of the year.

The Group adheres to "dual carbon" goals and understands customer needs for energy saving and cost reduction. Therefore, the Group will customise four types of integrated energy solutions for customers, namely low-carbon industrial parks, low-carbon factories, low-carbon buildings and low-carbon transportation by integrating natural gas, biomass, photovoltaic, geothermal and other renewable energy sources depending on local conditions. Focusing on industries with a high energy consumption and a high pollution, unremitting efforts will be made to vigorously advance natural gas to replace high-carbon energy sources in order to expand the scale of natural gas sales. Rising demand for green electricity will bring about opportunities within the Group to expedite the implementation of distributed photovoltaic projects. In addition, the Group will facilitate cost reduction for customers and assist their low-carbon transformation leveraging diversified business portfolios.

Seizing on the opportunities that arise as families pursue development of living conditions, the Group will ensure it meets the end-customer's demands for safe, low carbon, comfort and personalised energy solutions and provide households with three core service products ("Safe Home", "Smart Home" and "Green Home") to help more families live a better life. To enhance customer stickiness and drive profit growth, the Group will deploy prominent and innovative marketing channels and strengthen brand publicity to increase the penetration rate of value added business among existing customer groups.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Notes	Six months ended 30 June 2022 RMB million (unaudited)	2021 RMB million (unaudited)
Revenue	4	58,332	41,232
Cost of sales		(51,438)	(34,190)
Gross profit		6,894	7,042
Other income		463	552
Gain on financial settlement of LNG trading		1,079	-
Other gains and losses	5	(780)	214
Distribution and selling expenses		(569)	(535)
Administrative expenses		(1,907)	(1,655)
Share of results of associates		85	166
Share of results of joint ventures		(142)	301
Finance costs		(320)	(304)
Profit before tax		4,803	5,781
Income tax expense	6	(1,302)	(1,351)
Profit for the period		3,501	4,430
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value loss of equity instruments at fair value through other comprehensive income (“**FVTOCI**”)		(21)	(3)
Income tax relating to items that will not be reclassified to profit or loss		3	-
		(18)	(3)
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		28	-
Fair value gain of derivative financial instruments under hedge accounting		198	100
Income tax relating to items that may be reclassified subsequently to profit or loss		(23)	(21)
Other comprehensive income for the period		185	76
Total comprehensive income for the period		3,686	4,506
Profit for the period attributable to:			
Owners of the Company		3,104	3,765
Non-controlling interests		397	665
		3,501	4,430
Total comprehensive income for the period attributable to:			
Owners of the Company		3,289	3,841
Non-controlling interests		397	665
		3,686	4,506
		RMB	*RMB*
Earnings per share	8		
Basic		2.75	3.34
Diluted		2.75	3.32

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2022

	Notes	At 30 June 2022 RMB million (unaudited)	At 31 December 2021 RMB million (audited)
Non-current Assets			
Property, plant and equipment		48,284	46,793
Right-of-use assets		2,144	2,119
Investment properties		290	288
Goodwill		2,520	2,520
Intangible assets		4,448	4,311
Interests in associates		3,700	3,655
Interests in joint ventures		4,909	5,063
Other receivables		11	18
Derivative financial instruments		254	946
Financial assets at fair value through profit or loss (“**FVTPL**”)		4,390	4,406
Equity instruments at FVTOCI		245	266
Amounts due from associates		18	21
Amounts due from joint ventures		14	4
Deferred tax assets		1,170	1,212
Deposits paid for investments		69	60
Deposits paid for acquisition of property, plant and equipment and land use rights		125	126
Restricted bank deposits		678	622
		73,269	72,430
Current Assets			
Inventories		1,488	1,508
Trade and other receivables	9	10,031	10,568
Contract assets		652	775
Derivative financial instruments		2,708	1,585
Financial assets at FVTPL		423	152
Amounts due from associates		970	1,165
Amounts due from joint ventures		1,652	2,440
Amounts due from related companies		505	318
Restricted bank deposits		167	363
Cash and cash equivalents		11,573	8,684
		30,169	27,558
Current Liabilities			
Trade and other payables	10	8,045	10,172
Contract liabilities		14,353	14,908
Deferred income		50	48
Amounts due to associates		428	424
Amounts due to joint ventures		1,144	1,249
Amounts due to related companies		874	964
Taxation payables		1,212	909
Dividend payables		2,039	-
Lease liabilities		70	75
Derivative financial instruments		2,269	956
Bank and other loans		4,156	6,150
Corporate bonds		600	2,099
Unsecured bonds		3,794	3,601
Share-based payment liabilities		34	24
		39,068	41,579
Net Current Liabilities		(8,899)	(14,021)
Total Assets less Current Liabilities		64,370	58,409

Capital and Reserves		
Share capital	117	117
Reserves	36,886	35,660
Equity attributable to owners of the Company	37,003	35,777
Non-controlling interests	6,478	6,373
Total Equity	43,481	42,150
Non-current Liabilities		
Contract liabilities	2,913	2,993
Deferred income	782	789
Amounts due to associates	215	215
Amounts due to joint ventures	325	325
Lease liabilities	255	280
Derivative financial instruments	83	806
Bank and other loans	4,840	3,318
Senior notes	8,632	4,722
Deferred tax liabilities	2,824	2,785
Financial guarantee liabilities	20	21
Share-based payment liabilities	-	5
	20,889	16,259
	64,370	58,409

Notes:

1. REVIEW OF THE INTERIM RESULTS

Deloitte Touche Tohmatsu, the Company's independent auditor, has carried out a review of the unaudited interim financial report for the six months ended 30 June 2022 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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). A meeting of the Audit Committee of the Company was held on 18 August 2022 to review and discuss with the management the Group's interim results and unaudited condensed consolidated financial statements for the six months ended 30 June 2022.

2. 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 HKICPA as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In preparing the condensed consolidated financial statements for the six months ended 30 June 2022, the directors of the Company (the "**Directors**") have given careful consideration of the Group's net current liabilities of approximately RMB8,899 million on that date. Taking into account the continuity and availability of financial resources to the Group, among other things, the cash flows generated from its principal operations, availability of banking facilities and its expected future working capital requirements, the Directors are therefore satisfied that the Group will be able to meet in full its financial obligations when they fall due and continue its existing operations in the foreseeable future. Accordingly, the condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than the additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and agenda decisions of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board (the "**IASB**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those prepared in the Group's annual financial statements for the year ended 31 December 2021.

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendment to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018-2020

In addition, the Group applied the relevant agenda decision of the Committee of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories and applied the agenda decision issued in April 2022 which clarified an entity to determine whether to include "demand deposits subject to contractual restrictions on use agreed with a third party" as a component of cash and cash equivalents in its statements of cash flows and financial position.

The application of the amendments to HKFRSs and the Committee's agenda decision in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

The following is the information by reportable segments which are also the operating segments used by the chief operating decision maker for the purposes of resource allocation and performance assessment:

Six months ended 30 June 2022

	Retail gas sales business *RMB million*	Integrated energy business *RMB million*	Wholesale of gas *RMB million*	Construction and installation *RMB million*	Value added business *RMB million*	Total *RMB million*
Segment revenue	45,821	5,393	35,720	3,409	3,244	93,587
Inter-segment sales	(15,505)	(28)	(17,024)	(619)	(2,079)	(35,255)
Revenue from external customers	30,316	5,365	18,696	2,790	1,165	58,332
Segment profit before depreciation and amortisation	3,854	827	817	1,550	875	7,923
Depreciation and amortisation	(696)	(129)	(2)	(200)	(2)	(1,029)
Segment profit	3,158	698	815	1,350	873	6,894

Six months ended 30 June 2021

	Retail gas sales business *RMB million*	Integrated energy business *RMB million*	Wholesale of gas *RMB million*	Construction and installation *RMB million*	Value added business *RMB million*	Total *RMB million*
Segment revenue	33,663	3,698	24,675	4,385	3,064	69,485
Inter-segment sales	(10,525)	(36)	(14,907)	(558)	(2,227)	(28,253)
Revenue from external customers	23,138	3,662	9,768	3,827	837	41,232
Segment profit before depreciation and amortisation	3,974	689	360	2,258	657	7,938
Depreciation and amortisation	(605)	(91)	(3)	(195)	(2)	(896)
Segment profit	3,369	598	357	2,063	655	7,042

The above segment profit represents the profit earned by each segment without allocation of central administration costs, distribution and selling expenses, share of results of associates and joint ventures, other income, other gains and losses and finance costs. Inter-segment sales are charged at prevailing market rates.

5. OTHER GAINS AND LOSSES

	Six months ended 30 June 2022 RMB million	2021 RMB million
Net fair value loss of financial assets at FVTPL	(16)	(22)
Net fair value (loss) gain on derivative financial instruments (note a)	(136)	248
(Loss) gain on foreign exchange, net (note b)	(477)	77
Impairment loss under expected credit loss model, net of reversal	(125)	(39)
Net loss on disposal of property, plant and equipment and subsidiaries	(28)	(52)
Others	2	2
	(780)	214

Notes:

a. Included in the amount for the period mainly are net realised gain of RMB280 million (six months ended 30 June 2021: RMB91 million) and net unrealised loss of RMB390 million (six months ended 30 June 2021: gain of RMB171 million) recognised by the Group in relation to commodity derivative contracts.

b. Included in the amount is an exchange loss of approximately RMB619 million (six months ended 30 June 2021: gain of RMB114 million) arising from the translation of senior notes, unsecured bonds and bank loans denominated in USD to RMB.

6. INCOME TAX EXPENSE

	Six months ended 30 June 2022 RMB million	2021 RMB million
Current tax	1,260	1,160
Withholding tax	-	22
	1,260	1,182
Deferred tax	42	169
	1,302	1,351

As the major operating income of the Group are derived from People's Republic of China (the "**PRC**"), the tax expenses arose principally from the Enterprise Income Tax Law of the PRC (the "**EIT Law**") and Detailed Rules for the Implementation of the EIT Law (the "**Implementation Rules**") for both periods, the tax rate applicable for PRC entities is 25%.

Certain PRC subsidiaries of the Company are qualified as "High and New Tech Enterprise", which are subject to PRC enterprise income tax at the preferential rate of 15% on the estimated assessable profit as determined in accordance with relevant tax rules and regulations in the PRC. This preferential rate is applicable for a period of three years, and those subsidiaries are eligible to reapply the tax concession upon expiration of the three-year period.

During the period, the Company received the approval from the Hebei Provincial Tax Service of the State Administration of Taxation of the PRC confirming that the Company is to be treated as a Chinese resident enterprise, with effect from 1 January 2022. Therefore, the Company did not recognise withholding tax on undistributed profits of the PRC subsidiaries in the period concerned.

7. DIVIDEND

a. *Proposed interim dividend after the end of the reporting period*

	Six months ended 30 June	
	2022	**2021**
	RMB million	*RMB million*
Interim dividend of HK$0.64 (equivalent to approximately RMB0.55) per share (2021: HK$0.59 (equivalent to approximately RMB0.49) per share)	618	554

The interim dividend proposed after the end of the reporting period has not been recognised as a liability as at the end of the reporting period.

b. *Dividends of the previous financial year and recognised as a liability during the reporting period*

	Six months ended 30 June	
	2022	**2021**
	RMB million	*RMB million*
Final dividend of HK$2.11 (equivalent to approximately RMB1.72) per share (2021: HK$2.10 (equivalent to approximately RMB1.77) per share)	2,039	1,972
No special dividend (2021: HK$0.32 (equivalent to approximately RMB0.27) per share)	-	301

The Company's final dividend for the financial year 2021 declared on 18 March 2022 was paid on 22 July 2022.

8. 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	
	2022	**2021**
	RMB million	*RMB million*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	3,104	3,765
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,127,492	1,128,710
Effect of dilutive potential ordinary shares – share options	2,827	4,002
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,130,319	1,132,712

Diluted earnings per share are calculated assuming all dilutive potential ordinary shares were converted.

9. TRADE AND OTHER RECEIVABLES

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on invoice date at the end of the reporting period:

	At 30 June 2022 *RMB million*	**At 31 December 2021** *RMB million*
0 to 3 months	2,363	2,663
4 to 6 months	427	343
7 to 9 months	371	212
10 to 12 months	173	113
More than one year	304	299
	3,638	3,630

10. TRADE AND OTHER PAYABLES

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

	At 30 June 2022 *RMB million*	**At 31 December 2021** *RMB million*
0 to 3 months	3,464	5,087
4 to 6 months	865	1,038
7 to 9 months	527	389
10 to 12 months	378	261
More than one year	913	848
	6,147	7,623

11. MATERIAL EVENTS AFTER THE REPORTING DATE OR CONTINGENT LIABILITIES

There were no material events which casted material impact on the Group since the end of the reporting period, and the Group has no material contingent liabilities as at 30 June 2022.

2022 INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board announces the payment of an interim dividend of HK$0.64 (equivalent to approximately RMB0.55) per share (30 June 2021: HK$0.59 (equivalent to approximately RMB0.49) per share) payable to shareholders of the Company whose names are on the register of members on Monday, 7 November 2022, the payout ratio is 15% of the Group's core profits for the period, and is expected to be paid to the shareholders on or before Wednesday, 30 November 2022.

a. Closure of Register of Members

For the determination of entitlement to the interim dividend of shareholders, the register of members of the Company will be closed on the day of Monday, 7 November 2022 and no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 4 November 2022.

b. Withholding and Payment of Enterprise Income Tax for Non-Resident Enterprises in respect of the 2022 Interim Dividend

According to the Notice Regarding Matters on Determination of Tax Residence Status of Chinese-Controlled Offshore Incorporated Enterprises under Rules of Effective Management, the EIT Law and the Implementation Rules, the Hebei Provincial Tax Service of the State Administration of Taxation of the People's Republic of China issued an approval confirming that the Company is to be treated as a Chinese resident enterprise, with effect from 2022. Accordingly, when the Company distributes the 2022 interim dividend to non-resident enterprise shareholders, it shall withhold and pay 10% of the enterprise income tax.

If any resident enterprise listed on the Company's register of members does not desire to have the Company withholding and paying the said 10% enterprise income tax, it shall lodge with Computershare Hong Kong Investor Services Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay the enterprise income tax in respect of the dividends that it is entitled to, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:00 p.m. on Friday, 4 November 2022. The Company will refund the withholding tax as soon as practicable.

For non-resident enterprises, please refer to the Company Information Sheet published by the Company on 30 June 2022 for details on withholding tax.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities. There were 2,685,100 shares of the Company held in the trust under the share award scheme, representing approximately 0.24% of the issued share capital of the Company.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2022, the Company has complied all the Code Provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

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

Hong Kong, 19 August 2022

As at the date of this announcement, the Board comprises of the following directors: four executive directors, namely Mr. Wang Yusuo (Chairman), Mr. Zheng Hongtao (Vice Chairman), Ms. Wu Xiaojing (President) and Mr. Wang Dongzhi; three non-executive directors, namely Mr. Wang Zizheng, Mr. Jin Yongsheng and Mr. Zhang Yuying; and four independent non-executive directors, namely Mr. Ma Zhixiang, Mr. Yuen Po Kwong, Mr. Law Yee Kwan, Quinn and Ms. Yien Yu Yu, Catherine.