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 2023

Results Summary:

	For The Six Months Ended		
	2023 *(unaudited)*	2022 *(restated)*	Increase/ (Decreased) by
Revenue *(RMB million)*	54,111	58,332	(7.2%)
Profit attributable to owners of the Company *(RMB million)*	3,333	3,105	7.3%
Core profit△ *(RMB million)*	3,914	4,119	(5.0%)
Basic earnings per share *(RMB)*	2.95	2.75	7.3%
Interim dividend per share *(HK$)*	0.64	0.64	-
Retail gas sales volume# *(million m^3)*	12,162	13,065	(6.9%)
Sales volume of integrated energy# *(million kWh)*	15,664	10,801	45.0%

△ Profit attributable to owners of the Company but stripping out other gains and losses (excluding net settlement amount realised from commodity derivative financial instruments), relevant deferred tax on net unrealised (loss) gain from commodity derivative financial instruments 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 2023 together with the comparative unaudited figures for the corresponding period in 2022.

BUSINESS REVIEW

Throughout this year, the global economy has faced escalating challenges from different directions, with contradictions becoming more prominent. Factors such as geopolitical conflicts, supply chain disruptions and inflationary pressures have adversely affected global economic growth. Meanwhile, as China's economy and society gradually return to normal, its economy has stabilised, showing positive trends, with a year-on-year GDP growth of 5.5%. Nevertheless, there are still headwinds. In its meeting held in July, The Political Bureau of the Communist Party of China (CPC) Central Committee indicated that the current economy is facing new difficulties and challenges and warned that China's economic recovery would reflect "wave-like development and zigzag progress". In the first half of 2023, the Group faced the challenges posed by changing circumstances and resolutely executed new strategic plans while upgrading and transforming its operations. Alongside strengthening the foundation of the natural gas business, the Group made steady and dynamic progress in the integrated energy business and expedited the expansion of value added business. These businesses continued to achieve significant growth 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/
	2023 *(unaudited)*	**2022** *(restated)*	**(Decreased) by**
Key financial data			
Revenue *(RMB million)*	54,111	58,332	(7.2%)
Gross profit *(RMB million)*	7,157	6,894	3.8%
Profit attributable to owners of the Company *(RMB million)*	3,333	3,105	7.3%
Core profit[△] *(RMB million)*	3,914	4,119	(5.0%)
Basic earnings per share *(RMB)*	2.95	2.75	7.3%
Interim dividend per share *(HK$)*	0.64	0.64	-
Key operational data[#]			
Number of city-gas projects in China	254	254	-
Connectable urban population coverage *(thousand)*	133,196	128,199	3.9%
New natural gas customers developed during the period:			
– residential households *(thousand)*	998	979	1.9%
– C/I customers *(sites)*	8,233	9,138	(9.9%)
– installed designed daily capacity for C/I customers *(thousand m^3)*	8,359	9,479	(11.8%)
Accumulated number of customers:			
– residential households *(thousand)*	28,919	26,814	7.9%
– C/I customers *(sites)*	232,695	211,597	10.0%
– installed designed daily capacity for C/I customers *(thousand m^3)*	191,685	172,301	11.3%
Piped gas penetration rate	65.1%	62.7%	2.4ppt
Retail gas sales volume *(million m^3)*	12,162	13,065	(6.9%)
Wholesale of gas volume *(million m^3)*	3,665	3,770	(2.8%)
Combined daily capacity of natural gas processing stations *(thousand m^3)*	181,900	181,514	0.2%
Total length of existing intermediate and main pipelines *(km)*	79,272	74,788	6.0%
Accumulated number of integrated energy projects in operation	252	177	75
Integrated energy projects under construction	62	40	22
Sales volume of integrated energy *(million kWh)*	15,664	10,801	45.0%

△ Profit attributable to owners of the Company but stripping out other gains and losses (excluding net settlement amount realised from commodity derivative financial instruments), relevant deferred tax on net unrealised (loss) gain from commodity derivative financial instruments 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

Developing Systematic Capabilities to Ensure Work Safety, Operational Safety, and Digital Intelligence Safety; Enhancing Core Competitiveness and Strengthening the Digital Intelligence Safety Brand

On 26 April 2023, the Work Safety Commission of the China's Council issued an action plan "The General Plan on Investigation and Rectification of Hidden Dangers in Major Accidents 2023". As part of this initiative, 20 State Council inspection teams have been dispatched to carry out full-coverage supervisory inspections and spot checks on all relevant enterprises. Under this initiative, the Group has so far completed 122 inspections at the provinciallevel and above. After the occurrence of the "6.21"[1] accident in Yinchuan, Ningxia, the Company has further strengthened investigation into potential hidden hazards among our industrial and commercial users. Emergency management action plans have been put into place. Comprehensive inspections have been conducted at locations with intensive gas usage, such as commercial complexes, schools and commercial restaurants, to ensure the intrinsic safety of equipment and facilities. Meanwhile, the Company has also raised public awareness and enhanced training on safe gas usage through our official WeChat account, TV stations, publicity screens at commercial complexes and offline lectures.

With our corporate goal of being recognised as a trusted brand in safety, we have continuously upgraded our capabilities in digital intelligence to address management challenges across our five major business scenarios, namely, construction and engineering, pipeline networks, city-gate stations, integrated energy stations and customer sites. So far this year, the Group has delivered gas monitoring platforms to the governments of Shijiazhuang, Cangzhou, and the Tianjin Economic-Technological Area, further consolidating our "Safety by Digital Intelligence" brand proposition. At the same time, we have also cooperated with various industry peers and universities (including the Tianjin University) to establish industry standards, such as the "Guidelines on Managing Gas Leakage Accidents in Urban Areas", the "Technical Specification for Designing Intelligent City-gate Stations", and the "Urban Intelligent Pipeline Networks". By doing so, we have further advanced our brand influence, assisted governments in safeguarding urban safety and fulfilled our corporate social responsibility and mission.

Maintaining Gas Sales, Overcoming Challenges, Strengthening Fundamentals

According to the latest "China Natural Gas Development Report 2023" issued by the National Energy Administration, in the first half of 2023, the tight supply-demand situation in the international natural gas market eased significantly due to milder temperatures in the winter, high stock levels in underground gas storage in Europe and the United States, as well as global economic slowdown. Additionally, the impact of geopolitical factors on the international energy market has diminished. At present, the international spot prices of natural gas, as well as the medium- and long-term forward prices, have recovered to pre-Ukraine Crisis levels. However, the domestic cost of imported gas remains high due to the delayed adjustments in price calculation under long-term agreements. This phenomenon contrasts with the significant downward trend observed in the international spot price of liquefied natural gas ("**LNG**").

The Group faced significant challenges in maintaining its retail gas sales due to a combination of high gas prices and subdued domestic demand during the China's economic recovery. In particular, the gas demand from industrial customers is noticeably insufficient, resulting in a significant temporary decline in the Group's overall retail gas sales during the first half of 2023. For the six months ended 30 June 2023, total gas sales volume decreased by 6.9% year-on-year to 12,162 million cubic metres and revenue from the retail gas sales business decreased slightly by 3.6% to RMB29,217 million. Gross profit decreased by 7.5% to RMB2,922 million due to the rise in natural gas procurement prices and operational safety costs. During the period, supply-demand tension obviously eased, resulting in overall stability in global supply and demand. Demand for flexible deployment of LNG between international and domestic markets hence weakened. As a result, the Group's revenue and gross profit from the gas wholesale business dropped by 28.6% and 19.4% year-on-year to RMB13,345 million and RMB657 million respectively.

In the first half of 2023, the Group completed the construction and installation of gas connection to 998,000 new residential customers, and the revenue and gross profit from the construction and installation increased by 2.6% and 13.0% year-on-year to RMB2,862 million and RMB1,526 million respectively. With the gradual relaxation of domestic real estate policies, the Group will flexibly adjust the customer mix for development in the second half of 2023 to achieve construction and installation targets set at the beginning of the year. Additionally, we will consistently monitor and prudently manage our accounts receivable to mitigate the risk of bad debts.

Striving to Achieve Dual Carbon Goals, Implementing Integrated Energy Strategies

China is actively promoting an energy revolution by accelerating the planning and development of a clean, low-

[1] On 21 June 2023, an explosion occurred due to a liquefied petroleum gas leak at the operating area of Fuyang Barbecue Restaurant in Xingqing District, Yinchuan City, Ningxia Hui Autonomous Region. The accident resulted in multiple casualties. The State Council established an accident investigation team to conduct a special investigation and urged society to learn profound lessons from the incident.

carbon, safe and efficient new energy system. The Group has also seized the opportunity and capitalised on demand to contribute to the national “Dual Carbon” goal, and accelerated the implementation of its strategy to develop the integrated energy business. A total of 42 integrated energy projects were completed and put into operation during the period, which lifted the number of total projects in operation to 252, generating sales of a total of 15,664 million kWh of integrated energies, including cooling, heating, electricity, and steam, up 45.0% year-on-year. During the period, revenue and gross profit of the integrated energy business increased by 30.3% and 30.8% to RMB6,988 million and RMB913 million respectively.

For the six months ended 30 June 2023, the Group has 62 integrated energy projects under construction. Potential integrated energy demand is expected to reach 45.0 billion kWh when all projects under construction and in operation reach their full capacity. During the period, the Group also signed contracts for 21 new low-carbon parks, 956 new low-carbon factories, and 73 new low-carbon construction projects, with a total annual energy consumption of over 14.6 billion kWh, which will support the Group’s rapid growth in the coming years.

We also promoted the application of low-carbon and low-cost energy sources, such as photovoltaics, biomass, geothermal and residual heat resources, to cope with the rising energy costs and demand of green production from our customers. During the period, the low-carbon solutions provided by the Group facilitated our customers in reducing over 1.27 million tons of standard coal consumption and 4.92 million tons of carbon dioxide emissions. Consequently, it supported their transition to low carbon-businesses and enhanced their competitive advantages.

Diversifying Product Models, Expanding the Value added Business

In the first half of 2023, consumption showed signs of gradual recovery. According to the National Bureau of Statistics of China, the nation’s per capita consumer spending grew by 7.6% and the total retail sales of consumer goods increased by 8.2% for the six months ended 30 June 2023. After conducting extensive research on consumption patterns, it is evident that there is significant growth in consumption aimed at improving the quality of life. Additionally, the consumption of markets in lower-tier cities is more active and is apparently being upgraded.

The Group currently supplies gas to more than 28.92 million residential customers and 232,695 commercial and industrial customers. Since the beginning of the year, the Group has been making continuous efforts to enhance the customer service experience. These efforts included gaining a deeper understanding of their diverse needs in various scenarios, such as safety, kitchen, and communities. The Group has also integrated online sales and offline service experiences, expedited the implementation of innovative value added business models and scaled up business output.

During the period, the Group’s revenue and gross margin from the value added business amounted to RMB1,699 million and RMB1,139 million, representing a year-on-year increase of 45.8% and 30.5% respectively. The significant fluctuation in gross profit margin between the two periods mainly due to changes in the product sales portfolio. Currently, the penetration rate of the value added business among the Group’s existing customers is only 11.2%. Therefore, we will continue to enhance the penetration rate and satisfy customers’ demand for diversified and high-quality products and services.

FINANCIAL PERFORMANCE

During the period, the Group captured the opportunities brought about by low-carbonisation, digitalisation, and urbanisation, and made every efforts to drive the transformation and upgrading of the Group. The performance of the Group’s integrated energy businesses and value added businesses during this period was outstanding, consistently delivering considerable profits. Constrained by high piped gas procurement costs and lower-than-expected recovery for traditional industries, the demand remained weak. The Group’s total revenue for the period is RMB54,111 million, presenting a year-on-year decrease of 7.2%. The overall gross profit increased by 3.8% year-on-year to RMB7,157 million, with a gross profit margin increase of 1.4 percentage points to 13.2%. It was mainly due to the continued recovery of the construction and installation businesses and a decrease in its costs during the period.

The central parity rate of Renminbi against US dollars on 30 June 2023 increased by 2,612 basis points compared to end of last year. As a result, when the Group translated its outstanding debts denominated in US dollars to Renminbi at the end of the period, it incurred an unrealised exchange loss of RMB350 million. However, the translation did not have any impacts on cash flow. The Group's finance costs increased by only RMB20 million. Despite the global inflationary pressure, the Group successfully maintained effective cost control. The ratio of selling and administrative expenses to revenue increased slightly by 0.5 percentage points to 4.8%. Moreover, the profit contributed by associates and joint ventures to the Group improved in the first half of 2023.

Taking all the above factors into consideration, profit attributable to the owners of the Company and basic earnings per share amounted to RMB3,333 million and RMB2.95 respectively, both representing a year-on-year increase of 7.3%. Stripping out the impact of other gains and losses (excluding net settlement amount realised from commodity derivative financial instruments), deferred tax arose from net unrealised loss of commodity derivative financial instruments and share-based payment expenses amounted to RMB581 million, core profit driven by operating activities decreased by 5.0% to RMB3,914 million.

During the period, the Group adopted prudent financial management practices and carefully managed its expenditures to ensure an even distribution of cash flow. For the six months ended 30 June 2023, the Group's operating cash inflow was RMB4,003 million, leading to positive free cash inflow[2] of RMB412 million.

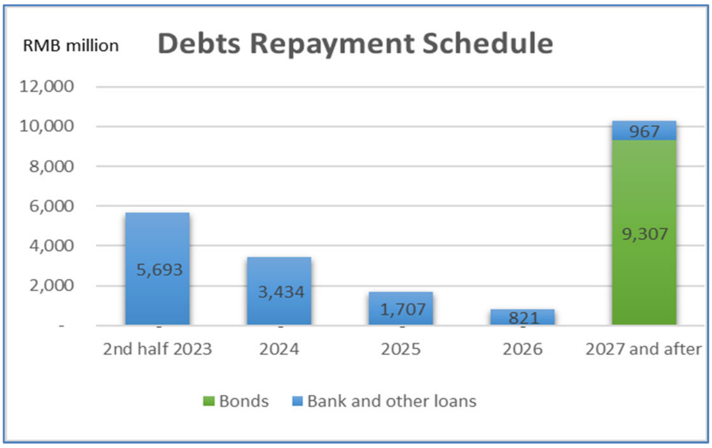
FINANCIAL RESOURCES REVIEW

As at 30 June 2023, the cash, current and non-current debts of the Group are as follows:

	30 June 2023 *RMB million*	**31 December 2022** *RMB million*	**Increased/ (Decreased) by** *RMB million*
Bank balances and cash (excluding restricted bank deposits)	10,938	8,056	2,882
Long-term debts (including bonds)	13,889	13,451	438
Short-term debts (including bonds)	8,040	6,341	1,699
Total debts	21,929	19,792	2,137
Net debts[3]	10,991	11,736	(745)
Total equity	46,731	45,562	1,169
Net gearing ratio[4]	23.5%	25.8%	(2.3ppt)
Net current liabilities	9,724	8,949	775

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, 23 days and 6 days respectively for the six months ended 30 June 2023. As at 30 June 2023, the Group had sufficient cash on hand and its bank balances and cash (excluding restricted bank deposits) amounted to RMB10,938 million. Compared with the balance as at the end of last year, the increase of RMB2,882 million mainly reflects the increase in income from operation and debts.



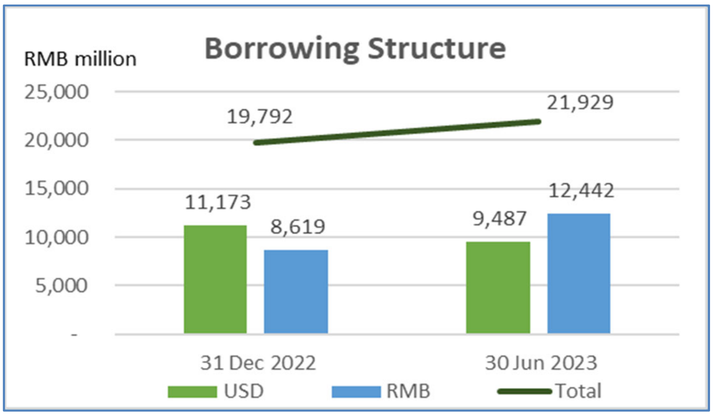
Borrowings Structure

As at 30 June 2023, the total borrowing amount of the Group was equivalent to RMB21,929 million, an increase of RMB2,137 million compared to the end of last year. This increase was mainly due to project financing during the period and the appreciation of the USD. The Group's net debt ratio as at 30 June 2023, decreased by 2.3 percentage points to 23.5% compared to the end of

2 Free cash flow = Cash flow from operating activities – Capital expenditure – Net finance cost + Dividend income
3 Net debts = Total debts – Bank balances and cash (excluding restricted bank deposits)
4 Net gearing ratio = Net debts / Total equity

last year. The Group is dedicated to achieving a balance between loan maturity and financing costs. Considering the ongoing US interest rate cycle, the Group capitalised on the opportunity presented by the inverted yield spread between the RMB and the USD at the beginning of the year. By replacing offshore high-cost foreign currency bank loans with RMB loans, the Group effectively managed its financing costs.

Foreign exchange risk management



As at 30 June 2023, the principal amount of the Group's borrowings denominated in foreign currencies amounted to USD1,325 million (31 December 2022: USD1,617 million), equivalent to approximately RMB9,487 million (31 December 2022: RMB11,173 million), and 98.1% (31 December 2022: 80.2%) of the total were long-term debts. As at 30 June 2023, the Company has entered into foreign currency derivative contracts, primarily cross-currency swaps, with several financial institutions. The purpose of these contracts is to mitigate foreign exchange risks associated with two sets of USD-denominated senior notes. The Group has hedged borrowing principal amounting to USD380 million (31 December 2022: USD320 million), achieving a hedging ratio of 29.2% (31 December 2022: 24.6%) for long-term USD debt. In view of the ongoing fluctuations in RMB/USD exchange rate, the Group will maintain a vigilant and closely monitor the foreign exchange market. When deemed appropriate, the Group will use foreign currency derivative contracts to mitigate the impact on its financial results.

COMMODITY PRICE RISK MANAGEMENT

At present, the Group has three regular international LNG sale and purchase agreements and the pricing of these agreements is mainly indexed to the price of international crude oil or natural gas. Changes in these indexes may bring risk exposure to the Group. Therefore, the Group has well established risk management policies and commodity hedging mechanisms by hedging a reasonable proportion of planned annual sale and purchase of LNG, to stabilise its international LNG procurement costs and reduce commodity price risks, so as to mitigate the adverse impact of international energy price fluctuations on the Group's business.

SUSTAINABLE DEVELOPMENT

The Group always attaches great importance to climate-related matters. In the first half of 2023, the Group began the process of preparing a Task Force on Climate-related Financial Disclosure (the "**TCFD**") framework report to systematically assess the Group's risks and opportunities associated with climate change. The Company plans to publish a report in October 2023 using the TCFD as a framework, which it will aid the Group in addressing climate-related challenges, allowing investors and other stakeholders to comprehend its sustainability strategy, and enhancing its corporate image and sustainability leadership.

In addition, the Company signed a cooperation agreement with China University of Petroleum (Eastern China) on methane emission control in 2022. During the first half of 2023, we took proactive steps towards measuring methane emission in city-gas scenarios, particularly focusing on the Shandong Regional Company as a pilot project. Additionally, we actively participated in the preparation and publication of an academic paper on methane emissions from LNG refuelling stations. We have provided support in the formulation of national and industrial standards based on the methane test results.

In order to strengthen the quality and oversight of ESG information disclosure, the Company introduced an ESG intelligent ecological platform on 30 July 2023 which possesses comprehensive functionalities, standardised management, controllable processes and transparent data. This platform offers a broader range of reliable data, which enhances our ability to manage energy and carbon-related business activities.

RATINGS AND CAPITAL MARKET RECOGNITION

During the reporting period, the Company's credit rating from Standard & Poor's, Moody's and Fitch maintained at "BBB+", "Baa1" and "BBB+" respectively, with a "stable" outlook. This reaffirms our solid business foundation and robust financial position, showcasing our resilience.

The Group was awarded the "Most Honored Companies" in the "2023 All-Asia (Ex-Japan) Executive Team" organised by Institutional Investor, an authoritative international financial magazine, and stood out among 54 nominated companies and 93 individuals in the industry with 35 awards, including the "Best CEO", "Best CFO", "Best Board of Directors", "Best IR Team", and "Best ESG". These awards prove that the Company has been widely recognised by the capital market for our excellent corporate management standards, as well as our open, transparent, and efficient capital market communications over the years since our listing.

OUTLOOK

The current international environment remains highly complex and volatile. China's export growth will likely be constrained as the world economy slows down. The recovery of different industries within China has been uneven, with the service sector showing faster recovery compared to the industrial sector. Large corporations have generally experienced better recovery, compared with small and medium-sized enterprises, while private enterprises still require a confidence boost. It is crucial to strengthen economic fundamentals as rapid changes and uncertainties may become the "new normal" in the Chinese market. Enterprises must be prepared to respond swiftly and effectively to evolving customer demands, new macroeconomic influences, and policy changes. In the face of these challenges, we remain committed to cementing our ties with customers through leveraging our strategically positioned geographic presence and diversified business portfolio. Additionally, we will adopt a more assertive implementation plan to enhance the profitability of our core businesses, achieving our strategic goal of upgrading our business.

To facilitate a green and low-carbon transformation and build a new energy system, natural gas plays an active role in achieving carbon peaking and carbon neutrality because of its low carbon nature. At the same time, natural gas is one of the solutions to resolve current and medium to long term new energy peak problems as it can be flexibly adjusted. In this connection, the Group aims at strengthening the market share of our natural gas businesses. We will leverage our in-depth knowledge of the needs of existing customers to promote its wider use and will actively solicit new customers so as to widen our customer base, with a view to maximising our growth opportunities in this area.

Large-scale and high-proportion adoption of sustainable new energy sources are key trends to a successful green and low-carbon energy transformation and the establishment of a reliable new energy system. However, the intermittent and volatile nature of new energy sources need to be tackled. To overcome these problems, the design of the power system has to be flexible with capabilities catering for these situations. Our current focus lies in promoting the adoption of distributed clean energy and micro-grids within industrial parks. This approach serves to alleviate the burden exerted on the large power grids and minimise the impact of intermittent energy on them. Simultaneously, it enhances the reliability of power supply for internal loads within micro-grids, ensuring a secure and stable power supply. The Group will leverage its accumulated expertise in integrated energy and the practical experience gained from operating 14 diversified micro-grid projects to rapidly replicate and promote these initiatives. By achieving scalability of the system, we wish to accelerate the expansion of the Group's electric power businesses.

Consumer spending is a key driver in China's economy. The Central Economic World Conference has identified the resumption and expansion of consumption as a top priority. Since the pandemic, there has been a noticeable shift in household consumption habits. People are now investing more in improving their quality of life and prioritising preferences such as user-friendliness, convenience and safety. Driving demands with quality supply plays a key role in meeting people's needs for a better life, creating new spikes in consumption. As more people pursue diversified and personalised consumption, the Group has adopted a new model of offline experience (through business hall) + online consumption (through ecej.com). This approach aligns with the wider consumer upgrading trend towards personalised services and is set to increase user penetration, ultimately driving steady profit growth.

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June 2023 RMB million (unaudited)	2022 RMB million (restated)
Revenue	4	54,111	58,332
Cost of sales		(46,954)	(51,438)
Gross profit		7,157	6,894
Other income		537	463
Other gains and losses	5	98	299
Distribution and selling expenses		(598)	(569)
Administrative expenses		(2,010)	(1,907)
Share of results of associates		50	85
Share of results of joint ventures		161	(142)
Finance costs		(340)	(320)
Profit before tax		5,055	4,803
Income tax expense	6	(1,271)	(1,301)
Profit for the period		3,784	3,502
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value gain (loss) of equity instruments at fair value through other comprehensive income (“**FVTOCI**”)		1	(21)
Income tax relating to items that will not be reclassified to profit or loss		-	3
		1	(18)
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		136	28
Fair value (loss) gain of derivative financial instruments under hedge accounting		(73)	198
Income tax relating to items that may be reclassified subsequently to profit or loss		17	(23)
Other comprehensive income for the period		81	185
Total comprehensive income for the period		3,865	3,687
Profit for the period attributable to:			
Owners of the Company		3,333	3,105
Non-controlling interests		451	397
		3,784	3,502
Total comprehensive income for the period attributable to:			
Owners of the Company		3,414	3,290
Non-controlling interests		451	397
		3,865	3,687
		RMB	*RMB*
Earnings per share	8		
Basic		2.95	2.75
Diluted		2.95	2.75

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	Notes	At 30 June 2023 RMB million (unaudited)	At 31 December 2022 RMB million (restated)
Non-current Assets			
Property, plant and equipment		52,302	50,380
Right-of-use assets		2,936	2,323
Investment properties		276	276
Goodwill		2,520	2,520
Intangible assets		4,413	4,549
Interests in associates		3,609	3,607
Interests in joint ventures		5,076	4,870
Other receivables		5	4
Derivative financial instruments		19	-
Financial assets at fair value through profit or loss (“**FVTPL**”)		4,346	4,327
Equity instruments at FVTOCI		239	238
Amounts due from associates		-	8
Deferred tax assets		1,541	1,564
Deposits paid for investments		-	10
Prepayment and deposits paid for acquisition of property, plant and equipment, land use rights and right of operation		99	100
Restricted bank deposits		516	449
		77,897	75,225
Current Assets			
Inventories		1,547	1,708
Trade and other receivables	9	10,099	10,675
Contract assets		639	638
Derivative financial instruments		695	1,462
Financial assets at FVTPL		155	26
Amounts due from associates		814	909
Amounts due from joint ventures		2,393	2,862
Amounts due from related companies		214	339
Restricted bank deposits		107	458
Cash and cash equivalents		10,938	8,056
		27,601	27,133
Current Liabilities			
Trade and other payables	10	7,655	8,066
Contract liabilities		13,633	15,410
Deferred income		43	58
Amounts due to associates		452	425
Amounts due to joint ventures		1,902	2,039
Amounts due to related companies		1,280	1,003
Taxation payables		1,241	1,517
Dividend payable		2,312	-
Lease liabilities		161	91
Derivative financial instruments		538	1,101
Bank and other loans		8,040	6,341
Share-based payment liabilities		28	26
Financial guarantee liabilities		40	5
		37,325	36,082
Net Current Liabilities		(9,724)	(8,949)
Total Assets less Current Liabilities		68,173	66,276

Capital and Reserves		
Share capital	117	117
Reserves	39,997	38,923
Equity attributable to owners of the Company	40,114	39,040
Non-controlling interests	6,617	6,522
Total Equity	46,731	45,562
Non-current Liabilities		
Contract liabilities	2,744	2,825
Deferred income	823	858
Amounts due to associates	225	215
Amounts due to joint ventures	-	25
Lease liabilities	700	284
Bank and other loans	4,582	4,486
Senior notes	9,307	8,965
Derivative financial instruments	71	45
Deferred tax liabilities	2,990	2,974
Financial guarantee liabilities	-	37
	21,442	20,714
	68,173	66,276

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 2023 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 23 August 2023 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 2023.

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 2023, the directors of the Company (the "**Directors**") have given careful consideration of the Group's net current liabilities of approximately RMB9,724 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 2023 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 change in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those prepared in the Group's annual consolidated financial statements for the year ended 31 December 2022.

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendment to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction ("Amendments to HKAS 12")

The Group has applied the Amendments to HKAS 12 from 1 January 2023. The Amendments to HKAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. Following the reassessment, the Group has recognised deferred tax assets and liabilities related to its leases, which has had a RMB6 million impact on the opening retained earnings as at 31 December 2022 (1 January 2022: RMB4 million). During the period, the Group recognised a RMB1 million income tax credit for its leases (six months ended 30 June 2022: RMB1 million). This change in accounting policy will also be reflected in the Group's consolidated financial statements for the year ending 31 December 2023.

The following table summarises the opening balance impact, on transition to the Amendments to HKAS 12:

	Deferred tax asset *RMB million*	Deferred tax liability *RMB million*	Non-controlling interests *RMB million*	Retained Earnings *RMB million*
Balance reported at 1 January 2022	1,212	2,785	6,373	30,720
Adjustment	5	-	1	4
Restated balance at 1 January 2022	1,217	2,785	6,374	30,724
Balance reported at 31 December 2022	1,557	2,974	6,521	34,048
Adjustment	7	-	1	6
Restated balance at 31 December 2022	1,564	2,974	6,522	34,054

Except as mentioned above, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group's consolidated financial positions and performance for the current and prior periods and/or on the disclosures set out in the Group's 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 2023

	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	45,593	7,028	27,564	3,522	5,309	89,016
Inter-segment sales	(16,376)	(40)	(14,219)	(660)	(3,610)	(34,905)
Revenue from external customers	29,217	6,988	13,345	2,862	1,699	54,111
Segment profit before depreciation and amortisation	3,672	1,062	658	1,772	1,141	8,305
Depreciation and amortisation	(750)	(149)	(1)	(246)	(2)	(1,148)
Segment profit	2,922	913	657	1,526	1,139	7,157

Six months ended 30 June 2022

	Retail gas sales business	Integrated energy business	Wholesale of gas	Construction and installation	Value added business	Total
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*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

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	
	2023	**2022**
	RMB million	*RMB million*
Net fair value gain (loss) of financial assets at FVTPL	19	(16)
Net fair value gain on derivative financial instruments (note a)	532	943
Loss on foreign exchange, net (note b)	(266)	(477)
Impairment loss under expected credit loss model, net of reversal	(128)	(125)
Impairment loss recognised in respect of property, plant and equipment and intangible assets	(65)	(17)
Others	6	(9)
	98	299

Notes:

a. Included in the amount for the period mainly are net realised gain of RMB699 million (six months ended 30 June 2022: RMB1,359 million) and net unrealised loss of RMB178 million (six months ended 30 June 2022: RMB390 million) recognised by the Group in relation to commodity financial instruments.

b. Included in the amount is an exchange loss of approximately RMB350 million (six months ended 30 June 2022: RMB619 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	
	2023	**2022**
	RMB million	*RMB million*
Current tax	1,216	1,260
Overprovision of withholding tax in prior years	(1)	-
	1,215	1,260
Deferred tax	56	41
	1,271	1,301

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 PRC for both periods. Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**") and Detailed Rules for the Implementation of the EIT Law (the "**Implementation Rules**"), 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 EIT Law 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 apply for the tax concession again upon expiry.

7. DIVIDEND

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

	Six months ended 30 June	
	2023	**2022**
	RMB million	*RMB million*
Interim dividend of HK$0.64 (equivalent to approximately RMB0.59) per share (2022: HK$0.64 (equivalent to approximately RMB0.55) per share)	665	618

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	
	2023	**2022**
	RMB million	*RMB million*
Final dividend of HK$2.27 (equivalent to approximately RMB2.05) per share (2022: HK$2.11 (equivalent to approximately RMB1.72) per share)	2,312	2,039

The Company's final dividend for the financial year 2022 declared on 24 March 2023 was paid on 21 July 2023.

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	
	2023	**2022**
	RMB million	*RMB million*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	3,333	3,105

	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,128,410	1,127,492
Effect of dilutive potential ordinary shares – share options	2,425	2,827
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,130,835	1,130,319

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 2023 *RMB million*	**At 31 December 2022** *RMB million*
0 to 3 months	1,976	1,705
4 to 6 months	490	398
7 to 9 months	186	250
10 to 12 months	213	206
More than one year	579	448
	3,444	3,007

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 2023 *RMB million*	**At 31 December 2022** *RMB million*
0 to 3 months	3,092	3,223
4 to 6 months	833	1,021
7 to 9 months	492	360
10 to 12 months	316	286
More than one year	1,122	1,072
	5,855	5,962

11. MATERIAL EVENTS AFTER THE REPORTING DATE OR CONTINGENT LIABILITIES

As at the end of the reporting period, the Group has four subsidiaries and joint ventures engaged in retail gas sales business in the urban planning area of Changsha City, Hunan Province. As at 30 June 2023, their assets mainly consist of property, plant and equipment, and right-of-use assets amounting to a total of RMB4,061 million, representing 3.9% of the Group's total assets. The concession rights of these companies for piped gas in the aforementioned area (referred to the "**Concession Rights**") are all set to expire by the end of August 2023. The Group has submitted an application for the extension of the Concession Rights in accordance with the requirements of the relevant government departments of Changsha City, Hunan Province, but the extension has not yet been completed as at the date of this announcement. According to the relevant provisions of the contracts of the Concession Rights, these companies must still ensure the continuity of normal gas supply and service after the Concession Rights expire.

Save as disclosed above, 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 2023.

2023 INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board announces the payment of an interim dividend of HK$0.64 (equivalent to approximately RMB0.59) per share (30 June 2022: HK$0.64 (equivalent to approximately RMB0.55) per share) payable to shareholders of the Company whose names are on the register of members on Monday, 6 November 2023, the payout ratio is approximately 17% of the Group's core profits for the period, and is expected to be paid to the shareholders on or before Wednesday, 29 November 2023.

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, 6 November 2023 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, 3 November 2023.

b. Withholding and Payment of Enterprise Income Tax for Non-Resident Enterprises in respect of the 2023 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 PRC issued an approval confirmed that the Company is treated as a Chinese resident enterprise, with effect from 2022. Accordingly, when the Company distributes the 2023 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, 3 November 2023. 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 2023, 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 2023, 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, 24 August 2023

As at the date of this announcement, the board of directors of the Company comprises five executive directors, *namely Mr. WANG Yusuo (Chairman), Mr. ZHENG Hongtao (Executive Chairman), Ms. WU Xiaojing (Chief Executive Officer), Mr. LIU Jianfeng (President) and Mr. WANG Dongzhi; two non-executive directors, namely Mr. WANG Zizheng and Mr. JIN Yongshen; 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.*