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

LEADING DIGITALISED GREEN AND LOW CARBON DEVELOPMENT
引領數智化綠色低碳發展

INTERIM REPORT 2023
二零二三年中期業績報告

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Wang Yusuo (Chairman)
Zheng Hongtao (Executive Chairman)
Wu Xiaojing (Chief Executive Officer)
Liu Jianfeng (President)
Wang Dongzhi

Non-executive Directors

Wang Zizheng
Jin Yongsheng

Independent Non-executive Directors

Ma Zhixiang
Yuen Po Kwong
Law Yee Kwan, Quinn *CPA*
Yien Yu Yu, Catherine *CFA*

Company Secretary

Leung Mui Yin

Authorised Representatives

Wang Dongzhi
Jin Yongsheng

Members of the Audit Committee

Law Yee Kwan, Quinn* *CPA*
Ma Zhixiang
Yuen Po Kwong
Yien Yu Yu, Catherine *CFA*

Members of the Remuneration Committee

Yuen Po Kwong*
Ma Zhixiang
Law Yee Kwan, Quinn *CPA*
Yien Yu Yu, Catherine *CFA*

Members of the Nomination Committee

Wang Yusuo*
Zheng Hongtao
Jin Yongsheng
Ma Zhixiang
Yuen Po Kwong
Law Yee Kwan, Quinn *CPA*
Yien Yu Yu, Catherine *CFA*

Members of the Risk Management Committee

Zheng Hongtao*
Wu Xiaojing
Liu Jianfeng
Wang Dongzhi
Ma Zhixiang
Yuen Po Kwong
Law Yee Kwan, Quinn *CPA*
Yien Yu Yu, Catherine *CFA*

Registered Office

PO Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong

Room 3101–04, 31st Floor
Tower 1, Lippo Centre
No. 89 Queensway
Hong Kong

Head Office in The PRC

Building A, ENN Industrial Park
Xinyuan DongDao
Economic and Technological Development Zone
Langfang City
Hebei Province
The PRC

Principal Share Registrar and Transfer Office in the Cayman Islands

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
PO Box 1586
Gardenia Court, Camana Bay
Grand Cayman
KY1-1100
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Exchange Listing

The Stock Exchange of Hong Kong Limited

Stock Code

2688

Auditors

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
No. 88 Queensway
Hong Kong

Legal Adviser

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

Principal Bankers

Bank of China
Bank of Communications
China Development Bank Corporation
Citibank
DBS Bank Limited
The Hongkong and Shanghai Banking Corporation

Website

www.ennenergy.com

E-mail address

enn@enn.cn

* Chairman of the relevant Board committees

FINANCIAL AND OPERATIONAL HIGHLIGHTS

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/ (Decreased) by
	2023 (unaudited)	2022 (restated)	
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$^{\Delta}$ (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%

	Six months ended 30 June 2023 (unaudited)	2022 (restated)	Increased/ (Decreased) by
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%

Δ 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 report 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 provincial-level 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").

[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.

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-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 effort 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.

2 Free cash flow = Cash flow from operating activities – Capital expenditure – Net finance cost + Dividend income

Financial Resources Review

Financial Resources and Liquidity

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

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

	30 June 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.

Net Current Liabilities

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

[3] Net debts = Total debts – Bank balances and cash (excluding restricted bank deposits)

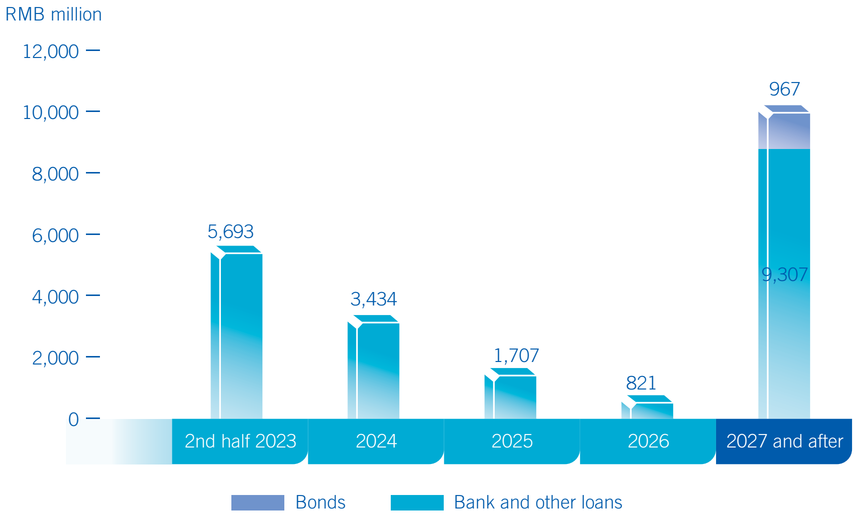
[4] Net gearing ratio = Net debts / Total equity

As at 30 June 2023, the Group's net current liabilities slightly increased RMB775 million as compared to end of last year to RMB9,724 million. Considering the fact that the Group has sufficient cash on hand, available standby credit provided by the correspondent banks, as well as stable and transparent operating cash flow, the Group has adequate liquidity to meet in full its financial obligations as they fall due as well as the Group's planned future capital expenditures (including the investments in subsidiaries/associates/joint ventures and property, plant and equipment), finance costs and external dividends.

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. Around 74.0% (31 December 2022: 83.4%) of total debts carry fixed interest rate. 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 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.

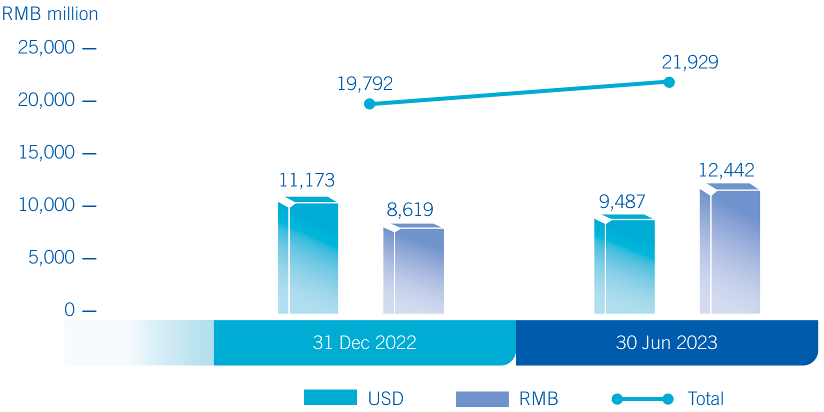
Debts Repayment Schedule



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.

Borrowing Structure



Charge on Assets

As at 30 June 2023, the Group pledged certain assets as securities for bank and other loans, bill facilities and contracts granted to the Group, in the ordinary course of business, details are set out in Note 21 to the condensed consolidated financial statements.

Credit Rating

As of the date of this report, the credit ratings of the Company are summarised below:

	Standard & Poor's	Moody's	Fitch
Long-term credit rating	BBB+	Baa1	BBB+
Outlook	stable	stable	stable

These ratings reaffirm our solid business foundation and robust financial position, showcasing our resilience.

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.

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 report. 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.

Capital Market Recognition

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.

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.

Human Resources

The Group had over 34,567 employees as at 30 June 2023 (30 June 2022: 35,598) based mainly in mainland China. The Group determines remuneration based on individual performance, job nature and responsibilities involved. The Group provides on-the-job training as well as optimal benefits packages for the employees, including medical welfare, retirement plans, year-end bonuses and other incentives. The Group also encourages employees to work and rest in an orderly manner, and adopt a work-life balance. The Group has established share-based compensation schemes designed to motivate and reward selected employees achieve the Group's business performance targets.

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.

Interim Dividend and Closure of Register of Members

The board of directors of the Company (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 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 Enterprise Income Tax Law (the "EIT Law") of the People's Republic of China ("PRC") and Detailed Rules for the Implementation of the EIT Law, the Hebei Provincial Tax Service of the State Administration of Taxation of the PRC 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company is committed to high-quality corporate governance practices, so the Board and the management of the Company have been continuously reviewing and enhancing the corporate governance practices with reference to local and international standards. Since its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has adopted the Code of Corporate Governance (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the main guideline for corporate governance practices. The Company also continues to monitor developments in the arena of corporate governance externally to ensure the suitability and robustness of its corporate governance framework in light of the rapidly changing business environment and to meet the expectations of stakeholders. The Company values shareholders' opinion, chairman of the Board and chairman of the Board committees attended the Company's annual general meeting (the "AGM") held on 24 May 2023 to answer the questions raised by shareholders.

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the CG Code as contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2023.

Environmental, Social and Governance Responsibilities

The Group has always adopted a proactive approach to Environmental, Social and Governance ("ESG") responsibilities and has established an ESG Committee comprising five directors currently to review, formulate and update the Group's ESG policies and practices so as to achieve the Company's long-term ESG goals. During the period, MSCI, a prestige ESG rating agency, continued to maintain the Company's ESG rating at AA. In addition, the Group also formulated a new policy in 2021 that unless there is a special reason or the low attendance rate due to a small number of meetings, the attendance rate of the directors in the Board meetings and committees meetings of the Company should not be less than 75%, which is to ensure that the directors devote sufficient time to the Company's affairs. The attendance rate of each director of the Company met the requirements of the policy for the six months ended 30 June 2023.

Audit Committee

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

Deloitte Touche Tohmatsu, the Company's independent auditor, has carried out a review of the unaudited interim financial report of the Group 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. The Company's Audit Committee meeting was held on 23 August 2023 to review the Group's unaudited interim results and interim financial report for the six months ended 30 June 2023.

The re-appointment of Deloitte Touche Tohmatsu as the Company's independent auditor for the financial year ending 31 December 2023 was approved by shareholders with support of over 98% of the votes at the AGM.

Board of Directors

As at 30 June 2023, the composition of the Board is set out below:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Mr. Wang Yusuo (Chairman) Mr. Zheng Hongtao (Executive Chairman) Ms. Wu Xiaojing (Chief Executive Officer) Mr. Liu Jianfeng (President) Mr. Wang Dongzhi	Mr. Wang Zizheng Mr. Jin Yongsheng	Mr. Ma Zhixiang Mr. Yuen Po Kwong Mr. Law Yee Kwan, Quinn Ms. Yien Yu Yu, Catherine

The directors of the Company subject to re-election at the 2023 AGM, namely Mr. Zheng Hongtao, Mr. Liu Jianfeng, Mr. Jin Yongsheng ("Mr. Jin"), Mr. Ma Zhixiang ("Mr. Ma") and Mr. Yuen Po Kwong all had more than 90% votes for their re-election as directors in the AGM.

Changes in Information of Director

The Board meeting held on 24 August 2023 passed the following changes, with effect from 25 August 2023:

(1) Ms. Zhang Jin will be appointed as an executive director of the Company, a member of the nomination committee and management committee, the chairman of share award committee and one of the authorised representatives of the Company;

(2) Mr. Jin will cease to be a non-executive director of the Company, a member of the nomination committee, the chairman of share award committee and one of the authorised representatives of the Company;

(3) Ms. Yien Yu Yu, Catherine ("Ms. Yien") will cease to be an independent non-executive director of the Company, and a member of each of the audit committee, the nomination committee, the remuneration committee and the risk management committee, and the chairman of independent board committee;

(4) Ms. Wong Lai, Sarah will be appointed as an independent non-executive director of the Company, and a member of each of the audit committee, the nomination committee, the remuneration committee, the risk management committee and independent board committee; and

(5) Mr. Ma will be appointed as the chairman of independent board committee.

On 2 August 2023 and 24 August 2023, Ms. Yien resigned as a managing director of Rothschild & Co Hong Kong Limited and an independent non-executive director of CIMC Enric Holdings Limited (a Hong Kong listed company, stock code: 3899.HK) respectively.

Save as disclosed above, no changes in information of the directors of the Company that is required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of the Company's 2022 Annual Report.

Compliance with the Model Code

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the directors of the Company. In response to a specific enquiry by the Company, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code and its code of conduct during the six months ended 30 June 2023.

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

Disclosure of the Directors' Interests

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

As at 30 June 2023, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, were as follows:

(a) The Company

Name of Director	Capacity	Personal interests	Corporate interests	Interests in share options	Interests in awarded shares	Total interests	Approximate percentage of the Company's total issued shares capital
Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	–	369,175,534 (note 1)	320,000	–	369,495,534	32.66%
Zheng Hongtao	Beneficial owner	–	–	–	245,000	245,000	0.02%
Wu Xiaojing	Beneficial owner	–	–	262,500	–	262,500	0.02%
Liu Jianfeng	Beneficial owner	6,700	–	60,000	120,000	186,700	0.02%
Wang Dongzhi	Beneficial owner	–	–	106,700	–	106,700	0.01%
Wang Zizheng	Beneficial owner	–	–	120,000	–	120,000	0.01%
Ma Zhixiang	Beneficial owner	–	–	60,000	–	60,000	0.01%
Yuen Po Kwong	Beneficial owner	–	–	60,000	–	60,000	0.01%
Law Yee Kwan, Quinn	Beneficial owner	–	–	44,000	–	44,000	0.00%
Yien Yu Yu, Catherine (note 2)	Beneficial owner	66,000	–	60,000	–	126,000	0.01%

Notes:

1. Such shares are beneficially owned by Mr. Wang and Ms. Zhao Baoju ("Ms. Zhao"), the spouse of Mr. Wang through their controlled corporations, including ENN Yingchuang Technology Co., Ltd. ("EYCT"), Langfang City Natural Gas Company Limited ("LCNG"), ENN Capital Management Co., Ltd. ("ECM"), ENN Investment Holdings Company Limited ("EIH"), ENN Group International Investment Limited ("EGII"), ENN Natural Gas Co., Ltd. ("ENN-NG") and Xinneng (Hong Kong) Energy Investment Limited ("Xinneng HK").

2. The Board meeting held on 24 August 2023 accepted that Ms. Yien Yu Yu, Catherine ("Ms. Yien") will cease to be an independent non-executive director of the Company with effect from 25 August 2023. Ms. Yien was granted 60,000 share options on 28 March 2019 under the share option schemes of the Company and all became vested. Pursuant to the share option scheme, Ms. Yien may exercise all her vested 60,000 share options within a period of six months of her resignation. However, the Board has approved to extend the exercise period of the above share options to 27 March 2029, the last date which the share options can be exercised.

3. As at 30 June 2023, the Company had 1,131,199,375 shares in issue.

Details of the directors' interests in share options and Awarded Shares granted by the Company are set out under the heading "Share-based Compensation Scheme" in this report.

Disclosure of the Directors' Interests *(continued)*

Directors' interests and short positions in shares, underlying shares and debentures *(continued)*

(b) The shares of the associated corporation

Company Name	Name of Director	Capacity	Number of shares	Subscribed share capital RMB	Percentage of share capital
EYCT*	Mr. Wang	Beneficial owner (Note 1)	–	50 million	100%
LCNG*	Mr. Wang	Beneficial owner and interest of controlled corporation (Note 1)	–	123 million	100%
ECM*	Mr. Wang	Interest of controlled corporation	–	1,200 million	100%
EIH*	Mr. Wang	Beneficial owner and interest corporation (Note 1)	8,000,000,000	–	100%
EGII	Mr. Wang	Interest of controlled corporation	1,000	–	100%
ENN-NG	Mr. Wang	Beneficial owner and interest of controlled corporation	2,243,499,808	–	72.40%
Xinneng HK	Mr. Wang	Interest of controlled corporation	2,132,377,984	–	72.40%
Beijing Xinyi Aite Art Development Company Limited*	Mr. Wang	Beneficial owner and interest of controlled corporation	–	10 million	100%
Xinyi Theater (Langfang) Culture Development Company Limited*	Mr. Wang	Beneficial owner and interest of controlled corporation	–	10 million	100%
ENN Group Co., Ltd.*	Mr. Wang	Beneficial owner and interest of controlled corporation	7,476,603,935	–	99.69%
Yicheng Yijia Internet Technology Company Limited*	Wang Zizheng	Beneficiary of a trust	–	6.93 million	1%
Xin'ao Data IT Company Limited*	Wang Zizheng	Beneficial owner and interest of controlled corporation	–	80 million	40%

Disclosure of the Directors' Interests *(continued)*

Directors' interests and short positions in shares, underlying shares and debentures *(continued)*

(b) The shares of the associated corporation (continued)

Company Name	Name of Director	Capacity	Number of shares	Subscribed share capital RMB	Percentage of share capital
ENN-NG	Zheng Hongtao	Beneficial owner (Note 2)	1,000,000	–	0.04%
ENN-NG	Wu Xiaojing	Beneficial owner (Note 2)	400,000	–	0.01%
ENN-NG	Liu Jianfeng	Beneficial owner (Note 2)	292,500	–	0.01%
ENN-NG	Wang Dongzhi	Beneficial owner (Note 2)	800,000	–	0.03%

* For identification purpose only

Notes:

1. Such shares are beneficially owned by Mr. Wang and Ms. Zhao.

2. Such interests refer to the restricted ordinary shares of ENN-NG granted and to be issued to them pursuant to the restricted share award scheme adopted by the company on 26 March 2021. These restricted ordinary shares are subject to the restrictions on sale of the scheme and shall be lifted in batches according to the relevant terms after meeting the conditions for lifting the restrictions. The first batch of the restricted ordinary shares has been lifted on 8 July 2022. Details of the scheme are set out in the announcements of ENN-NG (stock code: 600803.SH) published on the Shanghai Stock Exchange on 21 January 2021, 9 February 2021 and 27 March 2021 respectively.

(c) The debentures of the associated corporation

Company Name	Name of Director	Capacity	Total amount
ENN Clean Energy International Investment Limited	Zheng Hongtao	Beneficial owner (Note)	400,000 (3.375% Guaranteed Senior Notes due 2026 (Stock Code: 40678))

Note: The interest was partially owned by the spouse of Mr. Zheng Hongtao and he was deemed as holding such interest of debentures.

Save as disclosed above, as at 30 June 2023, there were no other interests or short positions of the directors and chief executives in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) in the register maintained by the Company pursuant to section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules.

Share-based Compensation Scheme

The Company operates share option schemes ("Share Option Scheme") and share award scheme ("Share Award Scheme") for the purpose of attracting, retaining and incentivising major employees. The eligible persons for the schemes are employees (including directors) and business consultants who contributed to the success of the Group. The company has also formulated Shares and Options Management Regulations as the Company's management guidelines for granting share options and Awarded Shares. The purpose of this management regulations refers to the implementation of the Company's concept of value sharing, co-creation and sharing, aligning the interests of selected persons and shareholders, focusing on the Company's medium and long-term business, and promoting the long-term sustainable development of the Group.

The number of share options granted to employees (including directors) and business consultants under the Share Option Schemes depends on their roles. Three to four years as a cycle, and the granted share options would be vested equally in three or four years. If the roles of the employees (including directors) and business consultants granted during the cycle are adjusted or their evaluation results exceed expectations or there are newly selected participants, the Company may grant them Awarded Shares as a supplement, the vesting conditions and mechanisms will be consistent with the Share Option Scheme. The chairman of the Board and non- executive directors of the Company do not have performance targets, but they must be remained employed by the company by the time of vesting. Moreover, other directors and employees are subject to performance targets. The performance targets cover both financial indicators and non-financial indicators, among them, financial indicators mainly include sales revenue, net profit, and per capita profit, while non-financial indicators include sales volume, capacity building, industrial coordination, risk management and control. Those performance targets are formulated and allocated based on the Group's long-term development goals, annual guidance and prioritised works. The performance target is set at the beginning of each year and strictly appraised at the beginning of the following year. In case of failure to meet the performance targets, unless in the discretion of the Board, the share options would be lapsed.

The Company's Shares and Options Management Regulations has a return/withdrawal mechanism. The regulations state that if the grantee makes mistakes, errors, omissions, breaks rules or commits frauds during the performance of his duties, depending to the extent of loss brought to the Company and the seriousness, to decide whether to take action to return/withdraw current year's or unvested share options and/or Awarded Shares. In addition, the share options and/or Awarded Shares may be lapsed for other reasons such as resignation, dismissal and job re-designation.

Share-based Compensation Scheme *(continued)*

Share Option Scheme

2012 Scheme

The Company has adopted the "2012 Scheme" of the Share Option Scheme pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 26 June 2012. Pursuant to the 2012 Scheme, the Company granted 12,000,000 share options ("2012 Scheme – Batch 1") and 12,328,000 share options ("2012 Scheme – Batch 2") on 9 December 2015 and 28 March 2019 respectively to employees (including directors) and business consultants who contributed to the success of the Group.

The following table discloses details of the Company's share options held by the employees (including directors) and business consultants, and their movement in such holdings under the 2012 Scheme during the period:

Scheme/Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Outstanding as at 1 January 2023	Exercised during the period (Note 3)	Lapsed during the period	Reclassified during the period	Outstanding as at 30 June 2023 (Note 2)
2012 Scheme – Batch 1								
Directors	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	58,025	–	–	(525)	57,500
Employees	09.12.2015	01.04.2017–08.12.2025	40.34	68,250	–	–	–	68,250
	09.12.2015	01.04.2018–08.12.2025	40.34	94,824	(100)	–	–	94,724
	09.12.2015	01.04.2019–08.12.2025	40.34	141,650	–	–	–	141,650
	09.12.2015	01.04.2020–08.12.2025	40.34	279,986	(4,500)	–	525	276,011
Sub-total				687,735	(4,600)	–	–	683,135
2012 Scheme – Batch 2								
Directors	28.3.2019	01.04.2020–27.03.2029	76.36	15,000	–	–	15,000	30,000
	28.3.2019	01.04.2021–27.03.2029	76.36	152,400	–	–	15,000	167,400
	28.3.2019	01.04.2022–27.03.2029	76.36	395,000	–	–	(51,700)	343,300
	28.3.2019	01.04.2023–27.03.2029	76.36	601,700	–	(100,000)	(51,700)	450,000
Employees	28.3.2019	01.04.2020–27.03.2029	76.36	185,150	(16,350)	–	(15,000)	153,800
	28.3.2019	01.04.2021–27.03.2029	76.36	1,051,225	(56,550)	–	(15,000)	979,675
	28.3.2019	01.04.2022–27.03.2029	76.36	1,527,024	(190,550)	(31,625)	51,700	1,356,549
	28.3.2019	01.04.2023–27.03.2029	76.36	2,403,508	(50)	(730,916)	51,700	1,724,242
Business Consultants	28.3.2019	01.04.2020–27.03.2029	76.36	68,000	(2,500)	–	–	65,500
	28.3.2019	01.04.2021–27.03.2029	76.36	151,500	(18,000)	–	–	133,500
	28.3.2019	01.04.2022–27.03.2029	76.36	165,000	–	–	–	165,000
	28.3.2019	01.04.2023–27.03.2029	76.36	178,500	–	(27,000)	–	151,500
Sub-total				6,894,007	(284,000)	(889,541)	–	5,720,466
Total				7,581,742	(288,600)	(889,541)	–	6,403,601

Share-based Compensation Scheme *(continued)*

Share Option Scheme *(continued)*

2012 Scheme (continued)

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. A total number of 6,403,601 shares, representing 0.57% of the issued shares of the Company as at the date of this report, are available for issue under the 2012 Scheme, and the vesting of certain part of the share options is subject to the fulfilment of performance target.
3. The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised is approximately HK$112.14.

The 2012 scheme was early terminated by passing an ordinary resolution at the annual general meeting held on 18 May 2022. Thereunder, no further options will be granted under the 2012 Scheme; however, the rules of the 2012 Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its termination or otherwise as may be required in accordance with the rules of the 2012 Scheme. Therefore, the termination of the 2012 Scheme will not in any event affect the terms of the grant of such outstanding options that has already been granted under the 2012 Scheme and the below outstanding options granted under the 2012 Scheme shall continue to be subject to the provisions of the 2012 Scheme.

2022 Scheme

The Company has adopted the "2022 Scheme" of the Share Option Scheme pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 18 May 2022. The Company may grant up to 56,507,503 share options under the 2022 Scheme. As at 30 June 2023, the Company has not granted any share options pursuant thereto.

Directors' rights to acquire share

Pursuant to the above Share Option Scheme, the Company has granted rights to subscribe for the Company's ordinary shares in favour of certain directors of the Company. The interest of each director and chief executive in the share options of the Company as at 30 June 2023 were as follows:

Name of director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Outstanding as at 1 January 2023	Exercised during the period (Note 2)	Lapsed during the period (Note 2)	Reclassified during the period (Note 2)	Outstanding as at 30 June 2023
Wang Yusuo	28.03.2019	01.04.2022–27.03.2029	76.36	160,000	–	–	–	160,000
	28.03.2019	01.04.2023–27.03.2029	76.36	160,000	–	–	–	160,000
Wu Xiaojing (Note 3)	09.12.2015	01.04.2020–08.12.2025	40.34	42,500	–	–	–	42,500
	28.03.2019	01.04.2021–27.03.2029	76.36	73,400	–	–	–	73,400
	28.03.2019	01.04.2022–27.03.2029	76.36	73,300	–	–	–	73,300
	28.03.2019	01.04.2023–27.03.2029	76.36	73,300	–	–	–	73,300

Share-based Compensation Scheme *(continued)*

Directors' rights to acquire share *(continued)*

Name of director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Outstanding as at 1 January 2023	Exercised during the period (Note 2)	Lapsed during the period (Note 2)	Reclassified during the period (Note 2)	Outstanding as at 30 June 2023
Liu Jianfeng (Notes 3 & 4)	28.03.2019	01.04.2020–27.03.2029	76.36	–	–	–	15,000	15,000
	28.03.2019	01.04.2021–27.03.2029	76.36	–	–	–	15,000	15,000
	28.03.2019	01.04.2022–27.03.2029	76.36	–	–	–	15,000	15,000
	28.03.2019	01.04.2023–27.03.2029	76.36	–	–	–	15,000	15,000
Wang Dongzhi (Note 3)	28.03.2019	01.04.2023–27.03.2029	76.36	106,700	–	–	–	106,700
Wang Zizheng (Note 3)	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	–	–	15,000
	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	120,000	–	(100,000)	–	20,000
Zhang Yuying (Notes 3 & 4)	09.12.2015	01.04.2020–08.12.2025	40.34	525	–	–	(525)	–
	28.03.2019	01.04.2022–27.03.2029	76.36	66,700	–	–	(66,700)	–
	28.03.2019	01.04.2023–27.03.2029	76.36	66,700	–	–	(66,700)	–
Ma Zhixiang	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	–	20,000
Yuen Po Kwong	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	–	20,000
Law Yee Kwan, Quinn	28.03.2019	01.04.2021–27.03.2029	76.36	4,000	–	–	–	4,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	–	20,000
Yien Yu Yu, Catherine (Note 5)	28.03.2019	01.04.2020–27.03.2029	76.36	15,000	–	–	–	15,000
	28.03.2019	01.04.2021–27.03.2029	76.36	15,000	–	–	–	15,000
	28.03.2019	01.04.2022–27.03.2029	76.36	15,000	–	–	–	15,000
	28.03.2019	01.04.2023–27.03.2029	76.36	15,000	–	–	–	15,000
Total				1,267,125	–	(100,000)	(73,925)	1,093,200

Share-based Compensation Scheme *(continued)*

Directors' rights to acquire share *(continued)*

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. "Period" refers to the period from 1 January 2023 to 30 June 2023.
3. The vesting of share options is subject to the fulfilment of performance target.
4. Mr. Zhang Yuying resigned from his position as a non-executive director of the Company on 16 January 2023. On the same day, Mr. Liu Jianfeng was appointed as an executive director.
5. The Board meeting held on 24 August 2023 accepted that Ms. Yien Yu Yu, Catherine will cease to be an independent non-executive director of the Company with effect from 25 August 2023.

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

Share Award Scheme

On 30 November 2018, the Company adopted the Share Award Scheme under which the shares of the Company (the "Awarded Shares") may be granted to selected employees (including, without limitation, any executive directors and independent non-executive directors) of any members of the Group (the "Selected Employees") pursuant to the terms of the Share Award Scheme and the trust deed of the Share Award Scheme. As discussed above, the Share Award Scheme is mainly used as a supplement to the Share Option Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from the date, i.e. till 29 November 2028.

The aggregate number of Awarded Shares permitted to be granted under the Share Award Scheme is limited to 5% of the issued share capital of the Company from time to time. The maximum number of Awarded Shares which may be awarded to each Selected Employee shall not in aggregate over 1% of the issued share capital of the Company from time to time.

When a Selected Employee has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee at once.

As at 30 June 2023, there were 2,685,100 shares of the Company held in the trust under the Share Award Scheme, approximately 0.24% of the issued share capital of the Company. Since the adoption of the Share Award Scheme, the Company has cumulatively granted, during the period from 2 September 2020 to 5 March 2021, notional gain of 928,600 Awarded Shares to certain outperformed Selected Employees under the scheme to reflect their changes in roles and commitment subsequent to the grant of share options to them under the 2012 Scheme. The Award Prices of these Awarded Shares were also HK$76.36, and the vesting of the notional gains (if any) were subject to the fulfillment of their respective performance targets.

Share-based Compensation Scheme *(continued)*

Share Award Scheme *(continued)*

The following table discloses details of the Company's Awarded Shares held by the Selected Employees (including directors), and their movement in such holdings during the period (from 1 January 2023 to 30 June 2023):

Grantee	Financial year to which the performance targets relate (Note 1)	Exercise Period (Note 3)	Award price (HK$) (Note 2)	Outstanding as at 1 January 2023	Granted during the period	Vested during the period (Note 4)	Lapsed during the period	Reclassified during the period	Outstanding as at 30 June 2023
Directors	2020	01.04.2021–27.03.2029	76.36	10,000	–	(5,000)	–	40,000	45,000
	2021	01.04.2022–27.03.2029	76.36	160,000	–	–	–	–	160,000
	2022	01.04.2023–27.03.2029	76.36	160,000	–	–	–	–	160,000
Employees	2020	01.04.2021–27.03.2029	76.36	138,867	–	(2,000)	–	(40,000)	96,867
	2021	01.04.2022–27.03.2029	76.36	133,867	–	–	–	–	133,867
	2022	01.04.2023–27.03.2029	76.36	144,366	–	–	–	–	144,366
Total				747,100	–	(7,000)	–	–	740,100

Notes:

1. Such Awarded Shares were granted during the period from 2 September 2020 to 5 March 2021 to employees (including directors of the Company), which were intended to recognise the role changes and/or outstanding performance of existing grantees under the 2012 Scheme – Batch 2, as well as to include newly selected participants during that grant cycle. As Awarded Shares act as a supplement to Share Option Scheme, multiple grants may occur during the financial year, however the financial year to which the performance targets relate is consistent with respect to the Share Option Scheme.

2. The award price is the exercise price of vesting the Awarded Shares by the Selected Employees, which is consistent with the exercise price of share options granted in 2012 Scheme – Batch 2.

3. Notional gains of the Awarded Shares can be vested to the grantees as early as on 1 April in the year following the financial year to which the respective performance conditions relate, or they can opt for deferral of vesting of the notional gains which should not be later than 27 March 2029. Hence, the vesting periods of these Awarded Shares are from the date of grant to the respective vesting dates.

4. Notional gains vested during the period were paid out of the funds in the designated account under the Share Award Scheme.

5. The weighted average closing price of the Company's shares immediately before the dates on which the notional gains of the Awarded Shares vested during the 6 months ended 30 June 2023 and the financial year ended 31 December 2022 was approximately HK$99.36 and HK$105.31 respectively.

Share-based Compensation Scheme *(continued)*

Share Award Scheme *(continued)*

The interest of each director and chief executive in the Awarded Shares of the Company as at 30 June 2023 were as follows:

Grantee	Financial year to which the performance targets relate (Notes 1 & 2)	Exercise Period (Note 3)	Award price (HK$)	Outstanding as at 1 January 2023	Granted during the period (Note 1)	Vested during the period (Note 1)	Lapsed during the period (Note 1)	Reclassified during the period (Note 1)	Outstanding as at 30 June 2023
Zheng Hongtao	2020	01.04.2021–27.03.2029	76.36	10,000	–	(5,000)	– –	– –	5,000
(Note 2)	2021	01.04.2022–27.03.2029	76.36	120,000	–	–			120,000
	2022	01.04.2023–27.03.2029	76.36	120,000	–	–	–	–	120,000
Liu Jianfeng	2020	01.04.2021–27.03.2029	76.36	–	–	–	–	40,000	40,000
(Notes 2 & 4)	2021	01.04.2022–27.03.2029	76.36	–	–	–	–	40,000	40,000
	2022	01.04.2023–27.03.2029	76.36	–	–	–	–	40,000	40,000
Zhang Yuying	2021	01.04.2022–27.03.2029	76.36	40,000	–	–	–	(40,000)	–
(Notes 2 & 4)	2022	01.04.2023–27.03.2029	76.36	40,000	–	–	–	(40,000)	–
Total				330,000	–	(5,000)	–	40,000	365,000

Notes:

1. "Period" refers to the period from 1 January 2023 to 30 June 2023.

2. The vesting of Awarded Shares is subject to the fulfilment of performance targets.

3. The exercise period of their Awarded Shares are aligned with 2012 Scheme – Batch 2.

4. Mr. Zhang Yuying resigned from his position as a non-executive director of the Company on 16 January 2023, and the Awarded Shares granted to him were reclassified from the category of grantees under "Directors" to "Employees". On the same day, Mr. Liu Jianfeng was appointed as an executive director, and the Awarded Shares granted to him were reclassified from the category of grantees under "Employees" to "Directors".

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

Disclosure of the Substantial Shareholders' Interests

As at 30 June 2023, the interests and short positions of every person, other than directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO were as follows:

Name of shareholder	Capacity	Total interests in shares	Interests in shares pursuant to share options	Total aggregate interests in shares and underlying shares (Note 6)	Approximate percentage of the Company's total issued share capital
Mr. Wang	Beneficial owner and interest of controlled corporation	369,175,534 (Notes 1,2,3,4&5)	320,000 (Note 5)	369,495,534 (L)	32.66%
Ms. Zhao	Interest of controlled corporation and interest of spouse	369,175,534 (Notes 1,2,3,4&5)	320,000 (Note 5)	369,495,534 (L)	32.66%
EYCT*	Interest of controlled corporation	369,175,534 (Notes 1, 2, 3 & 4)	–	369,175,534 (L)	32.64%
LCNG*	Interest of controlled corporation	369,175,534 (Notes 1,2&3)	–	369,175,534 (L)	32.64%
ECM*	Interest of controlled corporation	369,175,534 (Notes 1,2&3)	–	369,175,534 (L)	32.64%
EIH*	Interest of controlled corporation	369,175,534 (Notes 1&2)	–	369,175,534 (L)	32.64%
EGII	Interest of controlled corporation	369,175,534 (Note 1)	–	369,175,534 (L)	32.64%
ENN-NG	Interest of controlled corporation	369,175,534 (Note 1)	–	369,175,534 (L)	32.64%
Xinneng HK	Beneficial owner	369,175,534 (Note 1)	–	369,175,534 (L)	32.64%
The Capital Group Companies, Inc.	Beneficial owner	136,462,206	–	136,462,206 (L)	12.06%
JPMorgan Chase & Co.	Interest of controlled corporation, investment manager, person having a security interest in shares, trustee and approved lending agent	94,083,777 (Note 6)	–	94,083,777 (L) (including 1,374,410 (S) 74,331,916 (P))	8.32%
BlackRock, Inc.	Interest of controlled corporation	68,096,653 (Note 7)	–	68,096,653 (L) (including 525,100 (S))	6.02%

* For identification purpose only

Disclosure of the Substantial Shareholders' Interests *(continued)*

Notes:

1. EGII holds 44.23% interests of ENN-NG, therefore it holds 32.64% of the issued share capital of the Company through Xinneng HK, a wholly owned subsidiary of ENN-NG. EGII is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.
2. On 30 November 2018, Mr. Wang and Ms. Zhao entered into an equity entrustment agreement with EIH, pursuant to which each of Mr. Wang and Ms. Zhao entrusts EIH to manage their respective shareholding of 50% in EGII till 31 December 2040. Pursuant to the agreement, EGII is controlled by EIH. Accordingly, EIH is deemed to be interested in the shares in which EGII is interested in (1) above. In addition, EIH directly and indirectly holds 16.77% interests of ENN-NG.
3. EIH is 100% owned by Mr. Wang, Ms. Zhao and ECM in total, and ECM is a wholly-owned subsidiary of LCNG, EIH hence is deemed to be interested in the shares in which EIH is interested in (1) and (2) above. In addition, EIH and LCNG directly and indirectly hold 3.17% and 8.16% interests in ENN-NG respectively.
4. LCNG is 100% owned by Mr. Wang, Ms. Zhao and EYCT (beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao) in total, hence they are deemed to be interested in the shares in which LCNG is interested in (1), (2) and (3) above. In addition, Mr. Wang holds 0.06% interests of ENN-NG.
5. As Mr. Wang's spouse, Ms. Zhao is deemed as holding Mr. Wang's interests in shares.
6. It included an aggregate interest in 2,588,110 underlying shares among which, 129,875 shares (S) is physically settled unlisted derivatives, and 1,443,600 shares (L) and 1,014,635 shares (S) are cash settled unlisted derivatives.
7. It included an aggregate interest in 735,600 underlying shares among which, 363,900 shares (L) and 371,700 shares (S) are cash settled unlisted derivatives.
8. (L) represents Long Position; (S) represents Short Position; (P) represents Lending Pool.
9. As at 30 June 2023, the Company had 1,131,199,375 shares in issue.

Save for the shareholders as disclosed herein, the directors are not aware of any persons who, as at 30 June 2023, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Save as disclosed above, as at 30 June 2023 the Company had not been notified of any other person who had interest or short position in the shares or underlying shares of the Company, which are required to be recorded in the register maintained by the Company pursuant to Section 336 of Part XV of the SFO and the Listing Rules.

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 has purchased, sold or redeemed any of the Company's listed securities.

Public Float

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

Loan Agreements Imposing Specific Performance Obligations on Controlling Shareholders

The Company issued 10-year green senior notes on 17 September 2020 and 5-year green senior notes on 17 May 2022 (collectively, the "Green Senior Notes") with principal amounts of USD750 million (equivalent to RMB5,137 million) and USD550 million (equivalent to RMB3,612 million) respectively. The terms and conditions of the Green Senior Notes require Mr. Wang, Ms. Zhao and any affiliate of any of them, controlling shareholders of the Company, collectively to retain their interests in the Company of at least 20% of the total issued share capital of the Company throughout the terms of the relevant notes. As at 30 June 2023, the outstanding balances of the Green Senior Notes are USD745 million (equivalent to RMB5,361 million) and USD548 million (equivalent to RMB3,946 million) respectively.

By order of the Board
Chairman
WANG Yusuo

Hong Kong, 24 August 2023

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the condensed consolidated financial statements of ENN Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 76, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

24 August 2023

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	3	**54,111**	58,332
Cost of sales		**(46,954)**	(51,438)
Gross profit		**7,157**	6,894
Other income	4	**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	6	**(340)**	(320)
Profit before tax	7	**5,055**	4,803
Income tax expense	8	**(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	10		
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	11	**52,302**	50,380
Right-of-use assets	11	**2,936**	2,323
Investment properties		**276**	276
Goodwill		**2,520**	2,520
Intangible assets	12	**4,413**	4,549
Interests in associates		**3,609**	3,607
Interests in joint ventures		**5,076**	4,870
Other receivables	15	**5**	4
Derivative financial instruments	13	**19**	–
Financial assets at fair value through profit or loss ("FVTPL")	14	**4,346**	4,327
Equity instruments at FVTOCI		**239**	238
Amounts due from associates	17	**–**	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	16	**516**	449
		77,897	75,225
Current Assets			
Inventories		**1,547**	1,708
Trade and other receivables	15	**10,099**	10,675
Contract assets		**639**	638
Derivative financial instruments	13	**695**	1,462
Financial assets at FVTPL	14	**155**	26
Amounts due from associates	17	**814**	909
Amounts due from joint ventures	18	**2,393**	2,862
Amounts due from related companies	19	**214**	339
Restricted bank deposits	16	**107**	458
Cash and cash equivalents		**10,938**	8,056
		27,601	27,133

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)
Current Liabilities			
Trade and other payables	20	**7,655**	8,066
Contract liabilities		**13,633**	15,410
Deferred income		**43**	58
Amounts due to associates	17	**452**	425
Amounts due to joint ventures	18	**1,902**	2,039
Amounts due to related companies	19	**1,280**	1,003
Taxation payables		**1,241**	1,517
Dividend payable		**2,312**	–
Lease liabilities		**161**	91
Derivative financial instruments	13	**538**	1,101
Bank and other loans	21	**8,040**	6,341
Share-based payment liabilities	24	**28**	26
Financial guarantee liabilities	30	**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	23	**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	17	**225**	215
Amounts due to joint ventures	18	**–**	25
Lease liabilities		**700**	284
Bank and other loans	21	**4,582**	4,486
Senior notes	22	**9,307**	8,965
Derivative financial instruments	13	**71**	45
Deferred tax liabilities		**2,990**	2,974
Financial guarantee liabilities	30	**–**	37
		21,442	20,714
		68,173	66,276

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

Six months ended 30 June 2023 (unaudited)

	Equity attributable to owners of the Company													
	Share capital RMB million (Note 23)	Treasury stocks RMB million (Note 24)	Share premium RMB million	Special reserve RMB million (note a)	Revaluation reserve RMB million	Share options reserve RMB million	Exchange reserve RMB million	Hedging reserve RMB million (Note 25)	Surplus reserve fund RMB million (note b)	Designated safety fund RMB million (note c)	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 31 December 2022 (audited)	117	(168)	64	(99)	71	143	98	(3)	4,673	90	34,048	39,034	6,521	45,555
Adjustments (Note 2)	–	–	–	–	–	–	–	–	–	–	6	6	1	7
At 1 January 2023 (restated)	117	(168)	64	(99)	71	143	98	(3)	4,673	90	34,054	39,040	6,522	45,562
Profit for the period	–	–	–	–	–	–	–	–	–	–	3,333	3,333	451	3,784
Other comprehensive income for the period	–	–	–	–	1	–	136	(56)	–	–	–	81	–	81
Total comprehensive income for the period	–	–	–	–	1	–	136	(56)	–	–	3,333	3,414	451	3,865
Cumulative gain transferred to initial carrying amount of hedged items	–	–	–	–	–	–	–	(84)	–	–	–	(84)	–	(84)
Recognition of equity-settled share-based payment expenses (Note 24)	–	–	–	–	–	8	–	–	–	–	–	8	–	8
Issue of ordinary shares on exercise of share options	–	–	26	–	–	(6)	–	–	–	–	–	20	–	20
Acquisition/disposal of additional interests in subsidiaries	–	–	–	28	–	–	–	–	–	–	–	28	30	58
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	56	56
Capital reduction from non-controlling subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(7)	(7)
Dividends appropriation (Note 9)	–	–	(64)	–	–	–	–	–	–	–	(2,248)	(2,312)	–	(2,312)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(435)	(435)
Transfer to designated safety fund	–	–	–	–	–	–	–	–	–	2	(2)	–	–	–
Transfer to surplus reserve fund	–	–	–	–	–	–	–	–	166	–	(166)	–	–	–
At 30 June 2023	117	(168)	26	(71)	72	145	234	(143)	4,839	92	34,971	40,114	6,617	46,731

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

Six months ended 30 June 2022 (unaudited)

	Equity attributable to owners of the Company													
	Share capital RMB million (Note 23)	Treasury stocks RMB million (Note 24)	Share premium RMB million	Special reserve RMB million (note a)	Revaluation reserve RMB million	Share options reserve RMB million	Exchange reserve RMB million	Hedging reserve RMB million (Note 25)	Surplus reserve fund RMB million (note b)	Designated safety fund RMB million (note c)	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 31 December 2021 (audited)	117	(168)	1,253	(128)	90	138	6	119	3,546	84	30,720	35,777	6,373	42,150
Adjustments (Note 2)	–	–	–	–	–	–	–	–	–	–	4	4	1	5
At 1 January 2022 (restated)	117	(168)	1,253	(128)	90	138	6	119	3,546	84	30,724	35,781	6,374	42,155
Profit for the period	–	–	–	–	–	–	–	–	–	–	3,105	3,105	397	3,502
Other comprehensive income for the period	–	–	–	–	(18)	–	28	175	–	–	–	185	–	185
Total comprehensive income for the period	–	–	–	–	(18)	–	28	175	–	–	3,105	3,290	397	3,687
Cumulative gain transferred to initial carrying amount of hedged items	–	–	–	–	–	–	–	(63)	–	–	–	(63)	–	(63)
Recognition of equity-settled share-based payment expenses (Note 24)	–	–	–	–	–	12	–	–	–	–	–	12	–	12
Issue of ordinary shares on exercise of share options	–	–	30	–	–	(8)	–	–	–	–	–	22	–	22
Deregistration/disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(7)	(7)
Acquisition/disposal of additional interests in subsidiaries	–	–	–	5	–	–	–	–	–	–	–	5	(19)	(14)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	31	31
Capital reduction from non-controlling subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(12)	(12)
Dividends appropriation (Note 9)	–	–	(1,253)	–	–	–	–	–	–	–	(786)	(2,039)	–	(2,039)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(285)	(285)
Transfer to designated safety fund	–	–	–	–	–	–	–	–	–	5	(5)	–	–	–
Transfer to surplus reserve fund	–	–	–	–	–	–	–	–	86	–	(86)	–	–	–
At 30 June 2022 (unaudited and restated)	117	(168)	30	(123)	72	142	34	231	3,632	89	32,952	37,008	6,479	43,487

Notes:

a. The balance represents the difference between the fair values of consideration paid and the carrying values of net assets attributable to the additional interests of subsidiaries acquired or disposal of with no change in control.

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023	2022
		RMB million	RMB million
		(unaudited)	(unaudited)
Net cash generated from operating activities		**4,003**	3,147
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(3,055)**	(2,473)
Acquisition of intangible assets		**(139)**	(210)
Investments in wealth management products		**(4,265)**	(6,813)
Redemptions of wealth management products		**4,136**	6,542
Additions of restricted bank deposits		**(147)**	(205)
Release of restricted bank deposits		**431**	345
Net cash outflow on acquisition of businesses	26	**(23)**	(108)
Investments in associates		**(24)**	(7)
Investments in joint ventures		**(54)**	(445)
Interest received		**88**	96
Gross cash outflow from derivative financial instruments		**(977)**	(1,861)
Gross cash inflow from derivative financial instruments		**1,718**	3,270
Dividends received from associates		**77**	41
Dividends received from joint ventures		**32**	7
Advances to joint ventures		**(39)**	(67)
Amounts repaid by joint ventures		**794**	712
Advances to associates		**(15)**	(75)
Amounts repaid by associates		**21**	93
Advances to third parties		**(2,251)**	(1,985)
Amounts repaid by third parties		**1,605**	1,950
Other investing activities		**18**	(63)
Net cash used in investing activities		**(2,069)**	(1,256)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
New bank loans raised	**7,626**	5,552
Repayment of bank loans	**(5,845)**	(6,124)
Advances from banks and other financial institutions	**4,110**	4,305
Amounts repaid to banks and other financial institutions	**(4,110)**	(4,305)
Net proceeds from ordinary shares issued on exercise of share options	**20**	22
Payment of lease liabilities	**(59)**	(43)
Dividends paid to non-controlling shareholders	**(435)**	(285)
Capital contribution from non-controlling shareholders	**56**	31
Proceeds from issuance of green senior notes	**–**	3,579
Repayment of corporate bonds	**–**	(1,499)
Interest paid	**(396)**	(340)
Advances from joint ventures	**90**	29
Amounts repaid to joint ventures	**(114)**	(41)
Advances from associates	**48**	83
Amounts repaid to associates	**(47)**	(4)
Advances from related companies	**1**	14
Other financing activities	**(30)**	(37)
Net cash generated from financing activities	**915**	937
Net increase in cash and cash equivalents	**2,849**	2,828
Effect of foreign exchange rate changes	**33**	61
Cash and cash equivalents at beginning of the period	**8,056**	8,684
Cash and cash equivalents at end of the period	**10,938**	11,573

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("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 operation 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.

2. Principal Accounting Policies

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

Other than 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 presented 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
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Except as described below, 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 these condensed consolidated financial statements.

2. Principal Accounting Policies *(continued)*

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")

Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the Amendments to HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 *Income taxes* ("HKAS 12") requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

(a) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(b) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

The details of the impacts on each financial statement line item and earning per share arising from the application of the amendments are set out below. Comparative figures have been restated.

2. Principal Accounting Policies *(continued)*

Impacts of application of amendments to HKFRSs on the condensed consolidated financial statements

The effects of the changes in accounting policy as a result of application of the Amendments to HKAS 12 on the condensed consolidated statement of profit or loss and other comprehensive income and earnings per share, are as follows:

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
Impact on profit for the period		
Decrease in income tax expense	**(1)**	(1)
Net increase in profit for the period	**1**	1
Increase in total comprehensive income for the period attributable to:		
– Owners of the Company	**1**	1
– Non-controlling interests	**–**	–
	1	1
	RMB	RMB
Impact on basic earnings per share		
Basic earnings per share before adjustments	**2.95**	2.75
Net adjustment arising from change in accounting policy in relation to:		
– Deferred tax impact on leasing transactions	**–**	–
Reported basic earnings per share	**2.95**	2.75
Impact on diluted earnings per share		
Diluted earnings per share before adjustments	**2.95**	2.75
Net adjustment arising from change in accounting policy in relation to:		
– Deferred tax impact on leasing transactions	**–**	–
Reported diluted earnings per share	**2.95**	2.75

2. Principal Accounting Policies *(continued)*

Impacts of application of amendments to HKFRSs on the condensed consolidated financial statements *(continued)*

The effects of the changes in accounting policy as a result of application of the Amendments to HKAS 12 on the condensed consolidated statement of financial position as at the end of the immediately preceding financial year, i.e. 31 December 2022, are as follows:

	At 31 December 2022 (originally stated) RMB million	Adjustments RMB million	At 31 December 2022 (restated) RMB million
Deferred tax assets	1,557	7	1,564
Deferred tax liabilities	2,974	–	2,974
Total effects on net assets	(1,417)	7	(1,410)

	At 31 December 2022 (originally stated) RMB million	Adjustments RMB million	At 31 December 2022 (restated) RMB million
Non-controlling interests	6,521	1	6,522
Equity attributable to owners of the Company	39,034	6	39,040
Total effects on equity	45,555	7	45,562

2. Principal Accounting Policies *(continued)*

Impacts of application of amendments to HKFRSs on the condensed consolidated financial statements *(continued)*

The effects of the changes in accounting policy as a result of application of the Amendments to HKAS 12 on the condensed consolidated statement of financial position as at the end of the immediately preceding financial year, i.e. 1 January 2022, are as follows:

	At 1 January 2022 (originally stated) RMB million	Adjustments RMB million	At 1 January 2022 (restated) RMB million
Deferred tax assets	1,212	5	1,217
Deferred tax liabilities	2,785	–	2,785
Total effects on net assets	(1,573)	5	(1,568)

	At 1 January 2022 (originally stated) RMB million	Adjustments RMB million	At 1 January 2022 (restated) RMB million
Non-controlling interests	6,373	1	6,374
Equity attributable to owners of the Company	35,777	4	35,781
Total effects on equity	42,150	5	42,155

3. Segment Information

Information reported to the vice chairman of the Directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services.

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

Inter-segment sales are charged at prevailing market rates.

Disaggregation of revenue

	Six months ended 30 June 2023			Six months ended 30 June 2022		
	Sales of goods RMB million	**Provision of services RMB million**	**Total RMB million**	Sales of goods RMB million	Provision of services RMB million	Total RMB million
Types of goods or services						
Retail gas sales business	**29,217**	**–**	**29,217**	30,316	–	30,316
Integrated energy business	**6,552**	**436**	**6,988**	5,074	291	5,365
Wholesale of gas	**13,345**	**–**	**13,345**	18,696	–	18,696
Construction and installation	**–**	**2,862**	**2,862**	–	2,790	2,790
Value added business	**1,040**	**659**	**1,699**	800	365	1,165
Total	**50,154**	**3,957**	**54,111**	54,886	3,446	58,332

CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

3. Segment Information *(continued)*

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

Six months ended 30 June 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 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

Substantially all of the Group's revenue are generated from the PRC. For the six months ended 30 June 2023, the revenues from PRC and overseas were RMB53,951 million (six months ended 30 June 2022: RMB58,124 million) and RMB160 million (six months ended 30 June 2022: RMB208 million), respectively.

4. Other Income

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
Other income mainly includes:		
Incentive subsidies (note)	**226**	124
Dividends income from financial assets at FVTPL	**72**	67
Interest income on bank deposits	**35**	27
Interest income on loan to joint ventures, associates and related parties	**16**	18
Interest income on loan to third parties	**37**	51
Rental income from equipment	**30**	39
Rental income from investment properties	**4**	3

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

5. Other Gains and Losses

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
Net fair value gain (loss) of:		
– Financial assets at FVTPL (Note 14)	**19**	(16)
– Derivative financial instruments (Note 13)	**532**	943
Loss on foreign exchange, net (note)	**(266)**	(477)
Impairment losses under expected credit loss model, net of reversal:		
– Trade and other receivables	**(142)**	(130)
– Contract assets	**(4)**	8
– Amounts due from associates/joint ventures/related companies	**18**	(3)
Gain on remeasurement of the interest in a joint venture (Note 26)	**10**	–
Impairment loss recognised in respect of:		
– Property, plant and equipment	**(33)**	(17)
– Intangible assets	**(32)**	–
Net gain on deregistration of subsidiaries	**3**	–
Net (loss) gain on disposal of:		
– Property, plant and equipment	**(11)**	(28)
– Right-of-use assets	**3**	19
– Subsidiaries (Note 27)	**(3)**	–
– Joint ventures	**4**	–
	98	299

Note: Included in the amount for the six months ended 30 June 2023 is an exchange loss of approximately RMB350 million (six months ended 30 June 2022: exchange loss of approximately RMB619 million) arising from the translation of senior notes, unsecured bonds and bank loans denominated in United States Dollar ("USD") to RMB.

6. Finance Costs

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
Interest on:		
Bank and other loans	**231**	173
Senior notes	**161**	87
Corporate bonds	**–**	21
Unsecured bonds	**–**	61
Lease liabilities	**10**	10
	402	352
Less: Amount capitalised under construction in progress	**(63)**	(45)
	339	307
Fair value loss reclassified from equity on foreign currency derivatives designated as cash flow hedges for USD debts	**1**	13
	340	320

7. Profit Before Tax

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
Profit before tax has been arrived at after charging:		
Depreciation and amortisation:		
– property, plant and equipment	**1,137**	1,020
– intangible assets	**196**	162
– right-of-use assets	**89**	81
Total depreciation and amortisation (note)	**1,422**	1,263

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

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
Depreciation and amortisation included in:		
Cost of sales	**1,148**	1,029
Administrative expenses	**234**	219
Distribution and selling expenses	**40**	15
	1,422	1,263

8. Income Tax Expense

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
		(restated)
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 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 the Implementation Regulations of the EIT Law, the tax rate applicable for the PRC entities of the Group is 25%.

Certain PRC subsidiaries of the Company are qualified as "High and New Tech Enterprises", 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.

9. 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 in the condensed consolidated financial statements.

b. Dividends belonging to 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 final dividend for the year ended 31 December 2022 of the Company was declared on 24 March 2023 and paid on 21 July 2023.

10. Earnings Per Share

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

	Six months ended 30 June 2023 RMB million	2022 RMB million (restated)
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**3,333**	3,105

	Six months ended 30 June 2023 '000	2022 '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 for the six months ended 30 June 2023 and 2022 are calculated assuming all dilutive potential ordinary shares were converted.

11. Property, Plant and Equipment and Right-of-Use Assets

During the six months ended 30 June 2023, the Group acquired property, plant and equipment and right-of-use assets amounting to approximately RMB3,118 million and RMB710 million (six months ended 30 June 2022: RMB2,518 million and RMB45 million), respectively.

In addition, the Group acquired property, plant and equipment and right-of-use assets amounting to RMB49 million and RMB8 million, respectively, through acquisition of subsidiaries during the current period (six months ended 30 June 2022: RMB64 million and RMB72 million).

During the six months ended 30 June 2023, the Group entered into several new lease agreements with lease terms from 1 year to 30 years. On lease commencement, the Group recognised right-of-use assets and corresponding lease liabilities of RMB559 million (six months ended 30 June 2022: RMB14 million).

Impairment assessment

The Group regularly performs impairment assessment on the property, plant and equipment and right-of-use assets. The assessment includes the best estimates of the impairment indicators that is reasonably available as of the reporting date. During the current period, the Group recognised an impairment loss of RMB33 million as certain entities of the retail gas sales business have suffered losses due to the market volatility of the natural gas (six months ended 30 June 2022: RMB17 million).

12. Intangible Assets

During the six months ended 30 June 2023, the Group acquired intangible assets amounting to RMB139 million (six months ended 30 June 2022: RMB210 million).

In addition, the Group acquired intangible assets of RMB89 million through acquisition of subsidiaries during the six months ended 30 June 2022.

Impairment assessment

The Group regularly performs impairment assessment on the intangible assets. The assessment includes the best estimates of the impairment indicators that is reasonably available as of the reporting date. During the current period, the Group recognised an impairment loss of RMB32 million as certain entities of the retail gas sales business have suffered losses due to the market volatility of the natural gas (six months ended 30 June 2022: Nil).

13. Derivative Financial Instruments

	At 30 June 2023 RMB million	At 31 December 2022 RMB million
Derivative financial assets		
Derivatives designated as cash flow hedges:		
Foreign currency derivative contracts (note a)	**18**	–
Commodity derivative contracts (note b)	**25**	90
Derivatives not designated in hedge accounting:		
Foreign currency derivative contracts (note a)	**29**	–
Commodity derivative contracts (note b)	**642**	1,372
	714	1,462
Derivative financial liabilities		
Derivatives designated as cash flow hedges:		
Foreign currency derivative contracts (note a)	**4**	45
Commodity derivative contracts (note b)	**3**	–
Derivatives not designated in hedge accounting:		
Commodity derivative contracts (note b)	**602**	1,101
	609	1,146
Analysed for reporting purpose as:		
Assets		
Current portion	**695**	1,462
Non-current portion	**19**	–
Liabilities		
Current portion	**538**	1,101
Non-current portion	**71**	45

13. Derivative Financial Instruments *(continued)*

For the six months ended 30 June 2023

	Commodity Derivatives RMB million	Foreign Currency Derivatives RMB million	Total RMB million
Net unrealised fair value (loss) gain included in other gains and losses			
Derivatives designated as cash flow hedges – ineffective portion	**(4)**	**(2)**	**(6)**
Derivatives not designated in hedge accounting	**(174)**	**29**	**(145)**
	(178)	**27**	**(151)**
Net realised fair value gain (loss) included in other gains and losses			
Derivatives not designated in hedge accounting	**699**	**(16)**	**683**
	521	**11**	**532**

For the six months ended 30 June 2022

	Commodity Derivatives RMB million	Foreign Currency Derivatives RMB million	Total RMB million
Net unrealised fair value (loss) gain included in other gains and losses			
Derivatives designated as cash flow hedges – ineffective portion	4	(26)	(22)
Derivatives not designated in hedge accounting	(394)	–	(394)
	(390)	(26)	(416)
Net realised fair value gain included in other gains and losses			
Derivatives not designated in hedge accounting	1,359	–	1,359
	969	(26)	943

13. Derivative Financial Instruments *(continued)*

Notes:

a. The Group is exposed to exchange rate risk mainly arising from senior note denominated in USD. To manage and mitigate the foreign exchange exposure, the Group entered into various foreign currency derivative contracts (the "Foreign Currency Derivatives") with certain financial institutions. As at 30 June 2023, the Foreign Currency Derivatives have a total notional amount of USD380 million (31 December 2022: USD320 million), of which the maturity dates match to the maturity dates of certain debts denominated in USD. The Foreign Currency Derivatives will enable the Group to buy USD at the predetermined RMB/USD exchange rates on maturity dates. Certain of the Foreign Currency Derivatives are designated as hedging instruments and accounted for under hedge accounting.

b. The Group has entered into sale and purchase agreements to acquire LNG from certain international suppliers. The purchase prices of these arrangements are linked to certain commodity price indexes. Details of these arrangements are set out in Note 29.

   In order to manage and mitigate the commodity price risk arising from the LNG purchases under these agreements, the Group has entered into various commodity derivative contracts (the "Commodity Derivatives") with certain financial institutions. Certain Commodity Derivatives are designated as hedging instruments and accounted for under hedge accounting.

14. Financial Assets at FVTPL

	At 30 June 2023 RMB million	At 31 December 2022 RMB million
Listed equity interest in Shanghai Dazhong Public Utilities (Group) Co., Ltd ("Shanghai Utilities") (note a)	**153**	134
Unlisted equity interest in Sinopec Marketing Co., Ltd ("Sinopec Marketing") (note b)	**4,170**	4,170
Unlisted wealth management products	**155**	26
Unlisted equity securities (note c)	**23**	23
	4,501	4,353

	At 30 June 2023 RMB million	At 31 December 2022 RMB million
Analysed for reporting purpose as:		
Assets		
Current portion	**155**	26
Non-current portion	**4,346**	4,327

14. Financial Assets at FVTPL *(continued)*

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
Net unrealised fair value gain (loss) included in other gains and losses		
Listed equity interest in Shanghai Utilities (note a)	**19**	(16)

Notes:

a. The above listed investment represents 4.38% of the total issued share capital of Shanghai Utilities (1635.HK).

b. The above investment represents 1.13% unlisted equity interest in Sinopec Marketing. During the current period, the Group recognised a dividend income of approximately RMB72 million (six months ended 30 June 2022: RMB67 million) from Sinopec Marketing.

c. The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC.

15. 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
Total trade receivables	**3,444**	3,007
Bills receivables (note)	**1,423**	1,448
Other receivables	**798**	711
Loan receivables	**277**	165
Less: Allowance for credit losses	**(48)**	(28)
	2,450	2,296
Deductible input value added tax and prepayment of other taxes and charges	**1,422**	1,434
Advances to suppliers and prepayments	**2,788**	3,942
Total trade and other receivables	**10,104**	10,679
Analysed for reporting purpose as:		
Current portion	**10,099**	10,675
Non-current portion	**5**	4

Note: The bills receivables were endorsed by PRC banks for guarantee payments and the default risk is considered to be minimal.

16. Restricted Bank Deposits

The restricted bank deposits carry fixed interest rate ranging from 0.05% to 4.13% (31 December 2022: 0.05% to 4.13%) per annum. Except for the mandatory reserves in the People's Bank of China ("PBOC"), other restricted bank deposits will be released upon the settlement of bank loans, the expiry of purchase contracts or operation rights. The mandatory reserves in the PBOC classified as non-current assets were deposits placed by ENN Finance Company Limited ("ENN Finance"), a wholly-owned subsidiary of the Company, and the reserves amount is subject to change with respect to the savings accepted by ENN Finance and the PBOC reserve rate is adjusted from time to time.

17. Amounts Due from/to Associates

Included in the amounts due from/to associates are trade receivables, amounting to RMB341 million (31 December 2022: RMB429 million) and trade payables amounting to RMB172 million (31 December 2022: RMB136 million). At the end of reporting period, the aged analysis based on invoice date is as follows:

	At 30 June 2023 RMB million	At 31 December 2022 RMB million
Trade receivables		
0 to 3 months	**93**	131
4 to 6 months	**58**	24
7 to 9 months	**10**	24
10 to 12 months	**24**	16
More than one year	**156**	234
	341	429
Trade payables		
0 to 3 months	**127**	88
4 to 6 months	**11**	2
7 to 9 months	**4**	20
10 to 12 months	**–**	–
More than one year	**30**	26
	172	136

18. Amounts Due from/to Joint Ventures

Included in the amounts due from/to joint ventures are trade receivables, amounting to RMB1,108 million (31 December 2022: RMB523 million) and trade payables amounting to RMB1,213 million (31 December 2022: RMB1,351 million). At the end of the reporting period, the aged analysis based on invoice date, which approximated the respective revenue recognition date is as follows:

	At 30 June 2023 RMB million	At 31 December 2022 RMB million
Trade receivables		
0 to 3 months	**872**	282
4 to 6 months	**82**	111
7 to 9 months	**70**	22
10 to 12 months	**21**	18
More than one year	**63**	90
	1,108	523
Trade payables		
0 to 3 months	**1,014**	1,142
4 to 6 months	**123**	128
7 to 9 months	**16**	14
10 to 12 months	**8**	5
More than one year	**52**	62
	1,213	1,351

19. Amounts Due from/to Related Companies

Included in the amounts due from/to related companies are trade receivables, amounting to RMB76 million (31 December 2022: RMB104 million) and trade payables amounting to RMB1,156 million (31 December 2022: RMB843 million). At the end of the reporting period the aged analysis based on invoice date, which approximated the respective revenue recognition date is as follows:

	At 30 June 2023 RMB million	At 31 December 2022 RMB million
Trade receivables		
0 to 3 months	**19**	34
4 to 6 months	**2**	8
7 to 9 months	**3**	4
10 to 12 months	**5**	5
More than one year	**47**	53
	76	104
Trade payables		
0 to 3 months	**713**	528
4 to 6 months	**140**	74
7 to 9 months	**106**	121
10 to 12 months	**72**	18
More than one year	**125**	102
	1,156	843

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

20. Trade and Other Payables

At the end of reporting period, the aged analysis of trade payables, presented based on invoice date is as follows:

	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
Trade payables	**5,855**	5,962
Accrued charges and other payables	**1,800**	2,104
	7,655	8,066

21. Bank and Other Loans

During the six months ended 30 June 2023, the Group obtained new bank loans of RMB7,626 million (six months ended 30 June 2022: RMB5,552 million) and made repayments of RMB5,845 million (six months ended 30 June 2022: RMB6,124 million). The loans bear interest at the rates ranging from 2.05% to 5.39% (31 December 2022: 1.75% to 5.39%) per annum. These proceeds were used to finance the capital expenditure and general working capital of the Group.

At 30 June 2023, certain assets of the Group with aggregate carrying value of RMB961 million (31 December 2022: RMB874 million) were pledged as security for bank and other loans, bills facilities and contracts granted to the Group.

In addition, the Group has also pledged its rights to receive construction and installation and gas supply fee income of certain subsidiaries in favour of banks to secure banking facilities amounting to RMB100 million (31 December 2022: RMB100 million) granted to the Group, of which RMB30 million (31 December 2022: RMB30 million) has been utilised up to 30 June 2023 (31 December 2022).

At 30 June 2023, bank loans related to bills receivable discounted to the banks are amounting to RMB786 million (31 December 2022: RMB357 million).

22. Senior Notes

a. 2020 Green Senior Notes

On 17 September 2020, the Company issued 2.625% green senior notes with an aggregated nominal value of USD750 million (equivalent to approximately RMB5,137 million) (the "2020 Green Senior Notes") at face value. The net proceeds, after deducting the issuance costs, amounted to USD739 million (equivalent to approximately RMB5,065 million). The 2020 Green Senior Notes will be matured on 17 September 2030. The 2020 Green Senior Notes are listed on the Stock Exchange and dealt in over-the-counter market through a financial institution as the principal agent.

b. 2022 Green Senior Notes

On 17 May 2022, the Company issued 4.625% green senior notes with an aggregated nominal value of USD550 million (equivalent to approximately RMB3,612 million) (the "2022 Green Senior Notes") at face value. The net proceeds, after deducting the issuance costs, amounted to USD545 million (equivalent to approximately RMB3,579 million). The 2022 Green Senior Notes will be matured on 17 May 2027. The 2022 Green Senior Notes are listed on the Stock Exchange and dealt in over-the-counter market through a financial institution as the principal agent.

23. Share Capital

During the six months ended 30 June 2023, 4,600 shares and 284,000 shares (six months ended 30 June 2022: 113,000 shares and 285,300 shares) were issued at the exercise price of HK$40.34 and HK$70.36 per ordinary share, respectively, under the share option scheme, in relation to the exercise of outstanding share options as set out in Note 24. These shares rank pari passu with the existing shares in all respects.

Save as disclosed above and in Note 24, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities up to 30 June 2023.

24. Share Based Payments Transactions

The Company has adopted a share option scheme pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 26 June 2012 (the "Scheme 2012").

The Company has adopted a share award scheme pursuant to the board resolution of the Company dated 30 November 2018 (the "Share Award Scheme") as a supplement to the Scheme 2012.

During the period, the Group recognised total share-based payment expenses of RMB10 million (six months ended 30 June 2022: RMB6 million) in respect to the Scheme 2012 and Share Award Scheme, and transferred RMB6 million (six months ended 30 June 2022: RMB8 million) from share options reserve to share premium upon exercise of share options. As at 30 June 2023, the Group has recorded liabilities of RMB28 million (31 December 2022: RMB26 million) in respect of the Share Award Scheme.

a. Scheme 2012

On 9 December 2015, the Company granted share options to the Directors and certain employees (the "2015 Grantees") to subscribe for a total of 12,000,000 ordinary shares of the Company under the Scheme 2012. The total fair value of the options granted on 9 December 2015 calculated by using binomial model was HK$194 million. Among the share options granted, 2,659,000 share options were granted to the Directors and the remaining were granted to certain employees of the Group. Vesting of the share options is conditional upon the fulfilment of certain vesting conditions as set out in the respective offer letters of the 2015 Grantees, which may involve fulfilment of performance targets.

On 28 March 2019, the Company granted share options to Directors and certain employees of the Company, and business consultants who contribute to the success of the Company (the "2019 Grantees") to subscribe for a total of 12,328,000 ordinary shares of the Company under the Scheme 2012. The total fair value of the options granted on 28 March 2019 calculated by using binomial model was HK$336 million. Among the share options granted above, 2,480,000 share options were granted to the Directors and the remaining were granted to certain employees of the Group and business consultants. Vesting of the share options is conditional upon the fulfilment of certain vesting conditions as set out in the respective offer letters of the 2019 Grantees, which may involve fulfilment of performance targets.

2015 Grantees and 2019 Grantees should satisfy stipulated minimum service periods and performance targets for the attainment of the designated vesting conditions and periods. The vesting period of the share options is from the date of the grant until the commencement of the exercisable period.

24. Share Based Payments Transactions *(continued)*

a. Scheme 2012 *(continued)*

The following tables disclose details of the Company's share options held by the grantees and movements in such holdings under the share option scheme during the current period:

		Date of grant	Exercisable period	Exercise price	Number of options Outstanding at 1.1.2023	Exercised during the period	Forfeited during the period	Reclassified during the period	Outstanding at 30.06.2023
Scheme 2012 – batch 1									
Directors	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	HK$40.34	15,000	-	-	-	15,000
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	HK$40.34	15,000	-	-	-	15,000
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	HK$40.34	15,000	-	-	-	15,000
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	HK$40.34	58,025	-	-	(525)	57,500
Employees	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	HK$40.34	68,250	-	-	-	68,250
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	HK$40.34	94,824	(100)	-	-	94,724
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	HK$40.34	141,650	-	-	-	141,650
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	HK$40.34	279,986	(4,500)	-	525	276,011
Subtotal					687,735	(4,600)	-	-	683,135
Exercisable at the end of the period									683,135
Scheme 2012 – batch 2									
Directors	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	HK$76.36	15,000	-	-	15,000	30,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK$76.36	152,400	-	-	15,000	167,400
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK$76.36	395,000	-	-	(51,700)	343,300
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK$76.36	601,700	-	(100,000)	(51,700)	450,000
Employees	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	HK$76.36	185,150	(16,350)	-	(15,000)	153,800
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK$76.36	1,051,225	(56,550)	-	(15,000)	979,675
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK$76.36	1,527,024	(190,550)	(31,625)	51,700	1,356,549
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK$76.36	2,403,508	(50)	(730,916)	51,700	1,724,242
Business Consultants	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	HK$76.36	68,000	(2,500)	-	-	65,500
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK$76.36	151,500	(18,000)	-	-	133,500
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK$76.36	165,000	-	-	-	165,000
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK$76.36	178,500	-	(27,000)	-	151,500
Subtotal					6,894,007	(284,000)	(889,541)	-	5,720,466
Exercisable at the end of the period									5,720,466
Total					7,581,742	(288,600)	(889,541)	-	6,403,601

As at 30 June 2023, the number of outstanding share options are 6,403,601 (31 December 2022: 7,581,742).

24. Share Based Payments Transactions *(continued)*

b. Share Award Scheme

Pursuant to the Share Award Scheme, the Company may from time to time at its absolute discretion grant shares of the Company (the "Awarded Shares") of any members of the Group. Vesting of the Awarded Shares granted is conditional upon the fulfilment of vesting conditions as specified in the grant notice issued to each grantee.

On 12 March 2019, pursuant to the terms of the Share Award Scheme and the trust deed, the Company established a trust (the "Trust") and appointed a trustee (the "Trustee") to administer the Share Award Scheme. During the effective period of the Share Award Scheme, the Directors may from time to time contribute funds to the Trust and instruct the Trustee to purchase shares of the Company on the Stock Exchange or in off-market transactions. Shares held under the Trustee are non-transferrable prior to vesting and have no voting rights.

As at 30 June 2023, 2,685,100 shares (31 December 2022: 2,685,100 shares) were held by the Trustee and the cost of the shares purchased was recognised in equity as treasury stocks.

During the six months ended 30 June 2023, no shares had been nominally granted to the Directors and employees in tranches (six months ended 30 June 2022: no shares). Vesting of such shares is subject to satisfying relevant performance conditions and a service condition requiring continuous service until the respective vesting dates, and can occur as early as on 1 April in the year following the financial year to which the corresponding performance conditions related. Hence, the vesting period of these shares is from the date of the grant to the respective vesting dates.

During the exercise period from the relevant vesting dates to the expiry date, i.e. 27 March 2029, the grantees may exercise the right to receive in cash the notional gain (if any) of the vested Awarded Shares, which is the excess of the fair value of such shares on the exercise date over the award price.

24. Share Based Payments Transactions *(continued)*

b. Share Award Scheme *(continued)*

The following table discloses details of the Awarded Shares held by the grantees and movements in such holdings under the Share Award Scheme during the current period:

					Number of awarded shares			
		Financial year to which the performance conditions relate	Exercise Period	Award price	Outstanding at 1.1.2023	Vested during the period	Reclassified during the period	Outstanding at 30.06.2023
Directors	Tranche 1	2020	01.04.2021–27.03.2029	HK$76.36	10,000	(5,000)	40,000	45,000
	Tranche 2	2021	01.04.2022–27.03.2029	HK$76.36	160,000	–	–	160,000
	Tranche 3	2022	01.04.2023–27.03.2029	HK$76.36	160,000	–	–	160,000
Employees	Tranche 1	2020	01.04.2021–27.03.2029	HK$76.36	138,867	(2,000)	(40,000)	96,867
	Tranche 2	2021	01.04.2022–27.03.2029	HK$76.36	133,867	–	–	133,867
	Tranche 3	2022	01.04.2023–27.03.2029	HK$76.36	144,366	–	–	144,366
Total					747,100	(7,000)	–	740,100
Exercisable at the end of the period								740,100

The fair values for these awarded shares granted were calculated using the Binomial Option Pricing Model. The total fair value of the Awarded Shares at date of grant were RMB25 million.

The following assumptions were used to calculate the fair values of awarded shares:

	Directors	Employees
Spot price	HK$97.60	HK$97.60
Award price	HK$76.36	HK$76.36
Expected life	5.74 years	5.74 years
Expected volatility	39.96%	39.96%
Expected dividend yield	2.02%	2.02%
Risk-free interest rate	3.64%	3.64%
Early exercise behaviour	280% of the award price	220% of the award price

The variables and assumptions used in computing the fair value of the awarded shares are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the awarded shares. The expected volatility was determined by referencing to the historical volatility of the Company's share price over the previous 5.74 years.

25. Hedging Reserve

The hedging reserve includes cash flow hedge reserve and cost of hedging reserve. The following table provides a reconciliation of the hedging reserve in respect of foreign exchange risk and commodity price risk during the period.

	Foreign exchange risk RMB million	Commodity price risk RMB million	Total RMB million
Cash flow hedge reserve			
At 1 January 2023	(121)	110	(11)
Changes in fair value of hedging instruments	63	(14)	49
Reclassified to profit or loss – hedged items has affected profit or loss	(103)	–	(103)
Cumulative gain transferred to initial carrying amount of hedged items	–	(84)	(84)
Income tax relating to items that may be reclassified subsequently	–	17	17
At 30 June 2023	(161)	29	(132)
Of which:			
Balance related to continuing cash flow hedges	(132)		
Balance related to discontinuing cash flow hedges	–		

25. Hedging Reserve *(continued)*

	Foreign exchange risk RMB million	Commodity price risk RMB million	Total RMB million
Cost of hedging reserve			
At 1 January 2023	4	4	8
Changes in fair value of time value/foreign currency basis components of time period related hedged items	(5)	–	(5)
Changes in the fair value in relation to time period related hedged items	–	(3)	(3)
Amortisation to profit or loss of changes in fair value in relation to time period related hedged items	(11)	–	(11)
At 30 June 2023	(12)	1	(11)
	(173)	30	(143)

The cash flow hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain and loss arising from changes in fair value of the hedging instrument that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss when the hedged transaction affects the profit or loss or when the hedged forecast transaction is no longer expected to occur. When the hedged forecast transaction results in the recognition of a non-financial item, the cumulative gain or loss is included in the initial measurement of the cost of such item.

The cost of hedging reserve represents the changes in fair value of the time value of options and foreign currency basis spread of hedging instruments and will be reclassified to profit or loss only when the hedged transaction affects profit or loss, or included as a basis adjustment to the non-financial hedged item.

25. Hedging Reserve *(continued)*

The following table provides a reconciliation of the hedging reserve in respect of foreign exchange risk and commodity price risk during the prior period.

	Foreign exchange risk RMB million	Commodity price risk RMB million	Total RMB million
Cash flow hedge reserve			
At 1 January 2022	(1)	98	97
Changes in fair value of hedging instruments	50	201	251
Reclassified to profit or loss – hedged items has affected profit or loss	(66)	–	(66)
Cumulative gain transferred to initial carrying amount of hedged items	–	(63)	(63)
Income tax relating to items that may be reclassified subsequently	–	(23)	(23)
At 30 June 2022	(17)	213	196
Of which:			
Balance related to continuing cash flow hedges	196		
Balance related to discontinuing cash flow hedges	–		

	Foreign exchange risk RMB million	Commodity price risk RMB million	Total RMB million
Cost of hedging reserve			
At 1 January 2022	5	17	22
Changes in fair value of time value/foreign currency basis components of time period related hedged items	15	–	15
Changes in the fair value in relation to time period related hedged items	–	2	2
Amortisation to profit or loss of changes in fair value in relation to time period related hedged items	(4)	–	(4)
At 30 June 2022	16	19	35
	(1)	232	231

26. Acquisition of Business

a. Acquisition of business during the period ended 30 June 2023

Acquisition date	Company acquired	Registered capital acquired	Nature of business
12 May 2023	海宁市新欣天然气有限公司 ("Haining Xinxin") (note)	60.00%	Retail gas sales business

Note: The Group acquired the remaining 60% equity interest of Haining Xinxin from its joint venture partner, which then became a wholly owned subsidiary of the Group in exchange for 5% equity interest in a subsidiary.

Haining Xinxin was acquired with the objective of expansion in market coverage of the Group's business.

The provisional amounts of fair value of the assets and liabilities at the date of acquisition are as follows:

	RMB million
Non-current assets	
Property, plant and equipment	49
Interests in joint ventures	50
Right-of-use assets	8
Current assets	
Trade and other receivables	1
Cash and cash equivalents	6
Current liabilities	
Trade and other payables	(28)
Contract liabilities	(2)
Net assets acquired	84
Goodwill arising on acquisition	
Fair value of 5% equity interest in a subsidiary	50
Add: Fair value of interest in a joint venture	34
Less: Fair value of identified net assets acquired	(84)
	–
Gain on remeasurement of the interest in a joint venture previously held by the Group	
Fair value of interest in a joint venture	34
Less: Carrying amount of the equity interest	(24)
	10
Net cash inflow arising on acquisition:	
Cash and cash equivalents acquired	6
Less: Cash consideration paid	–
	6

26. Acquisition of Business *(continued)*

a. Acquisition of business during the period ended 30 June 2023 *(continued)*

Impact of acquisition on the results of the Group

No revenue and profit was attributable to the additional business generated by Haining Xinxin for the six months ended 30 June 2023.

Had the acquisitions of Haining Xinxin been completed on 1 January 2023, the revenue of the Group for the six months ended 30 June 2023 would have been approximately RMB54,460 million, and the profit for the period would have been approximately RMB3,784 million. The "pro-forma" information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is intended to be a projection of future results.

In determining the "pro-forma" revenue and result of the Group, had Haining Xinxin been acquired on 1 January 2023, the Directors have calculated the depreciation and amortisation of right-of-use assets, property, plant and equipment acquired on the basis of the fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

b. Acquisition of businesses during the period ended 30 June 2022

Acquisition date	Company acquired	Registered capital acquired	Consideration RMB million	Nature of business
28 March 2022	平山中誠燃氣有限公司 ("Pingshan")	100.00%	60	Retail gas sales business

Pingshan was acquired with the objective of expansion in market coverage of the Group's business.

26. Acquisition of Business *(continued)*

b. Acquisition of businesses during the period ended 30 June 2022 *(continued)*

The provisional amounts of fair value of the assets and liabilities at the date of acquisition are as follows:

	RMB million
Non-current assets	
Property, plant and equipment	49
Right-of-use assets	10
Intangible asset	74
Current assets	
Trade and other receivables	15
Cash and cash equivalents	4
Non-current liability	
Deferred tax liabilities	(19)
Current liability	
Trade and other payables	(73)
Net assets acquired	60
Goodwill arising on acquisition	
Total consideration	60
Less: Fair value of identified net assets acquired	(60)
	–
Total consideration satisfied by:	
Cash	60
Net cash inflow arising on acquisition:	
Cash consideration paid	60
Less: Utilisation of deposit paid for acquisition in the prior year	(60)
Add: Cash and cash equivalents acquired	4
	4

27. Disposal of Subsidiaries

Disposal date	Companies disposed	Registered capital disposed	Consideration RMB million
9 January 2023	盐城市亭湖新城智慧家居有限公司	100%	1
11 April 2023	永登新奥能源发展有限公司	100%	–
31 May 2023	好买气电子商务有限公司(note)	100%	1

Note: The Group disposed the respective equity interest to a company controlled by Mr. Wang during the period.

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

	RMB million
Non-current assets	
Property, plant and equipment	9
Right-of-use assets	2
Intangible asset	47
Current assets	
Trade and other receivables	3
Cash and cash equivalents	3
Non-current liability	
Deferred income	(1)
Current liability	
Trade and other payables	(58)
Net assets attributable to the owners of the Company disposed of	5

The loss on disposal of subsidiaries recognised in profit or loss was calculated as below:

	RMB million
Consideration received	2
Less: Net assets attributable to owners of the Company derecognised	(5)
Loss on disposal of subsidiaries	(3)
Net cash outflow arising from the disposal:	
Cash consideration received	2
Less: Cash and cash equivalents disposed of	(3)
	(1)

28. Fair Value Measurement of Financial Instruments

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The management works closely with the qualified valuers to establish the appropriate valuation techniques and inputs to the model.

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group measures its derivative financial instruments, financial assets at FVTPL and equity instruments at FVTOCI at the end of each reporting period on a recurring basis:

	Fair value as at			
	30 June 2023 RMB million	31 December 2022 RMB million	**Fair value hierarchy**	**Valuation technique and key input**
Financial assets				
Derivative financial instruments	**714**	1,462	Level 2	Discounted cash flow for swaps Present value of estimated future cash flows are based on forward rates and contract rates, discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable Black-Scholes Model for options Fair value estimated based on strike price, commodity price, time to expiration, volatility and risk-free interest rate
Listed equity securities, equity interest in Shanghai Utilities	**153**	134	Level 1	Fair values are derived from quoted bid prices in an active market

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

	Fair value as at 30 June 2023 RMB million	Fair value as at 31 December 2022 RMB million	Fair value hierarchy	Valuation technique and key input
Unlisted wealth management products	**155**	26	Level 3	Discounted cash flow Future cash flows are estimated based on the recoverable amount expected, discounted at a rate that reflects the credit risk of the counterparty
1.13% equity interest in Sinopec Marketing – FVTPL	**4,170**	4,170	Level 3	Estimated based on the P/E ratio of comparable listed companies and a liquidity discount rate
Other unlisted equity securities – FVTPL	**23**	23	Level 3	Fair values are derived from price multiples of similar assets that have been traded in the market
Listed equity securities – FVTOCI	**88**	87	Level 1	Fair values are derived from quoted bid prices in an active market
Unlisted equity securities – FVTOCI	**151**	151	Level 3	Fair values are derived from the fair values of the underlying assets and liabilities held by the investee
Financial liabilities				
Derivative financial instruments	**609**	1,146	Level 2	Discounted cash flow for swaps Present value of estimated future cash flows are based on forward rates and contract rates, discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable. Black-Scholes Model for options Fair value estimated based on strike price, commodity price, time to expiration, volatility and risk-free interest rate
Financial guarantees	**46**	46	Level 3	Expected Credit Losses Model Fair values are derived on the basis of credit rating, expected default rate and expected recovery rate

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

The Group's 1.13% equity interest in Sinopec Marketing which is classified as financial assets at FVTPL under Level 3 hierarchy amounted to RMB4,170 million as at 30 June 2023 under HKFRS 9 *Financial Instruments*. The significant unobservable input is the liquidity discount rate. The higher liquidity discount rate, the lower fair value of the financial assets at fair value will be. A 5% increase/decrease in the liquidity discount rate, holding all other variables constant, the fair value of the investment would decrease/increase by RMB26 million as at 30 June 2023.

Except for the said investment above, during the six months ended 30 June 2023, net changes to investment costs of other financial assets under Level 3 amounted to RMB129 million (six months ended 30 June 2022: RMB271 million).

No loss relates to FVTPL under Level 3 hierarchy held as at 30 June 2023 and 30 June 2022.

No loss relates to FVTOCI under Level 3 hierarchy held as at 30 June 2023 and 30 June 2022.

There were no transfers between Level 1, 2 and 3 during the period.

Reconciliation of level 3 fair value measurements of financial assets:

	RMB million
At 1 January 2023 (audited)	**4,370**
Addition of unlisted wealth management products	**4,265**
Disposal of unlisted wealth management products	**(4,136)**
At 30 June 2023 (unaudited)	**4,499**

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

	At 30 June 2023		At 31 December 2022	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Financial liabilities:				
Fixed-rate bank and other loans	**8,119**	**7,878**	7,538	7,319
Senior notes	**9,307**	**8,390**	8,965	7,927

In the above table, the fair value of bank and other loans are under the fair value hierarchy of Level 3 which are derived from discounted cash flow technique by reference to the market interest rate of the loans with comparable maturity and credit risk of the respective group entities at the end of the reporting period, and the fair value of the senior notes are under the fair value hierarchy of Level 2 which are derived from the quoted prices in over-the-counter market.

29. Commitments

a. Capital commitments

	At 30 June 2023 RMB million	At 31 December 2022 RMB million
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**384**	575
– investments in joint ventures	**477**	513
– investments in associates	**449**	438
– other equity investments	**2**	2

b. Other commitments

The Group has entered into long-term sale and purchase agreements to acquire LNG from three international suppliers. The Group is obliged to make "take-or-pay" payment to suppliers for the quantity contracted but not delivered.

In the opinion of the Directors, such agreements are entered into and continued to be held in accordance with the Group's expected LNG purchase requirements to meet the domestic gas demands of its customers. Accordingly, these agreements qualify for own use exemption, and hence are not considered as derivative financial instruments within the scope of financial instruments standards since initial recognition.

The LNG pricing under these agreements are linked to certain oil and gas price indexes and are denominated in USD, which are common in international practice. The Directors assessed the economic characteristics and risks of the embedded derivatives and concluded that they are closely related to the economic characteristics and risks of the relevant host contracts. Accordingly, the embedded derivatives are not split from these arrangements and not separately recognised as derivative financial instruments in the condensed consolidated financial statements.

30. Related Party Transactions

Saved as disclosed in Notes 17, 18, 19, the Group had the following transactions with certain related parties:

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
Nature of transaction		
Associates		
– Sales of gas to	**940**	1,467
– Sales of materials to	**37**	37
– Purchase of gas from	**650**	635
– Purchase of equipment from	**3**	1
– Loan interest received from	**1**	4
– Loan interest paid to	**1**	–
– Deposit interest paid to	**1**	1
– Provision of gas transportation services by	**40**	41
– Provision of construction and installation services to	**4**	14
– Provision of supporting services to	**5**	21
– Provision of supporting services by	**5**	–
Joint ventures		
– Sales of gas to	**1,864**	2,041
– Sales of materials to	**184**	203
– Purchase of gas from	**3,204**	2,725
– Provision of gas transportation services to	**156**	166
– Loan interest received from	**11**	11
– Loan interest paid to	**1**	1
– Provision of supporting services to	**40**	39
– Provision of supporting services by	**70**	–
– Provision of construction services by	**11**	7
– Provision of construction and installation services to	**15**	51
– Deposit interest paid to	**1**	1
– Purchase of equipment from	**28**	8
– Provision of technology services by	**1**	–
– Provision of transportation services by	**35**	24
– Lease of premises to	**1**	1
– Provision of administrative services by	**–**	1
– Provision of e-commerce services to	**1**	–

30. Related Party Transactions *(continued)*

	Six months ended 30 June	
	2023	2022
	RMB million	RMB million
Nature of transaction *(continued)*		
Companies controlled by Mr. Wang		
Transactions exempt from shareholders' approval:		
– Provision of construction services by	**358**	439
– Purchase of equipment from	**56**	62
– Provision of information technology services by	**167**	227
– Purchase of natural gas from	**938**	875
– Provision of LNG terminal usage services by	**300**	211
– Provision of logistic services to	**1**	17
Transactions fully exempt from shareholders' approval, annual review and all disclosure requirement:		
– Sales of gas, gasoline and diesel to	**14**	12
– Provision of construction and installation services to	**3**	6
– Provision of property management services by	**7**	10
– Provision of property management services to	**1**	1
– Provision of outsourcing services by	**1**	8
– Lease of premises from	**2**	3
– Lease of premises to	**2**	2
– Sales of materials to	**15**	1
– Provision of administrative services by	**17**	15
– Provision of supporting services to	**27**	26
– Provision of technology services to	**54**	46
– Provision of electronic business services by	**22**	10
– Loan interest received from	**4**	3
– Purchase of equity interest from	**–**	62
– Sales of equity interest to	**1**	–
– Provision of energy efficiency technical services to	**7**	5

Except for the transactions above, a subsidiary of the Group has entered into a leasing agreement with a joint venture for the use of LNG Supply Vessel for a period of 10 years which will be matured in 2032 for a daily charge of RMB150,000 payable monthly. A right-of-use asset and lease liability of RMB441 million and RMB441 million, respectively, was recognised as at 30 June 2023.

The Company issued senior notes on 17 May 2022 and 17 September 2020. The terms and conditions of these debts require Mr. Wang and any affiliate of him to retain certain percentage of shareholding over the Company, failing which the Company would be required to repay or repurchase all outstanding debts at predetermined prices.

30. Related Party Transactions *(continued)*

Financial guarantee contracts

As at 30 June 2023, the guaranteed facilities amount utilised by an associate and the joint ventures were approximately RMB1,233 million (31 December 2022: RMB1,032 million).

Upon initial recognition, the fair value of a financial guarantee contract of the Group is RMB46 million (31 December 2022: RMB46 million) with a carrying amount of RMB40 million as at 30 June 2023 (31 December 2022: RMB42 million). In addition, the Directors do not consider it probable that a claim will be made against the Group under any of these guarantees.

Compensation of key management personnel

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

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Short-term employee benefits	**7,043**	8,582
Post-employment benefits	**153**	293
Share-based payments	**739**	5,609
	7,935	14,484

31. Events After the End of the Reporting Period

As at the end of the reporting period, the Group has four subsidiaries and joint venture 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 report. 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.

ENN 新奧

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