



ENN 新奧

新奧能源控股有限公司
ENN Energy Holdings Limited

(Stock code 股份代號: 2688)

2022

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LOW-CARBON JOURNEY
低碳之旅再出發

INTERIM REPORT 2022
二零二二年中期業績報告



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CORPORATE INFORMATION

Board of Directors**Executive Directors**

Wang Yusuo (Chairman)
Zheng Hongtao (Vice Chairman)
Wu Xiaojing (President)
Wang Dongzhi

Non-executive Directors

Wang Zizheng
Jin Yongsheng
Zhang Yuying

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

Registered Office

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Economic and Technological
Development Zone
Langfang City
Hebei Province
The PRC

Principal Share Registrar and Transfer Office in the Cayman Islands

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Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
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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

China Construction Bank
Bank of Communications
Industrial and Commercial Bank
of China
Bank of China (Hong Kong)
The Hongkong and Shanghai
Banking Corporation

Website

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* Chairman of the relevant Board committees

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Business Review

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operational Highlights

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

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

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

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

Financial Performance

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

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

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

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

Financial Resources Review

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 2022	31 December 2021	Increased/ (Decreased) by
	RMB million	RMB million	RMB million
Bank balances and cash (excluding restricted bank deposits)	11,573	8,684	2,889
Long-term debts (including bonds)	13,472	8,040	5,432
Short-term debts (including bonds)	8,550	11,850	(3,300)
Total debts	22,022	19,890	2,132
Net debts¹	10,449	11,206	(757)
Total equity	43,481	42,150	1,331
Net gearing ratio²	24.0%	26.6%	(2.6 ppt)
Net current liabilities	8,899	14,021	(5,122)

¹ Net debts = Total debts – Bank balances and cash (excluding restricted bank deposits)

² Net gearing ratio = Net debts/Total equity

MANAGEMENT DISCUSSION AND ANALYSIS

Working Capital Management

During the period, the Group adhered to the principle of ecological win-win situation and cooperated with ecological partners to overcome the difficult times. The Group managed its receivables, payables and inventory turnover days strictly to within its healthy range, which were 11 days, 22 days and 5 days respectively for the six months ended 30 June 2022.

As at 30 June 2022, the Group had sufficient cash on hand and its bank balances and cash (excluding restricted bank deposits) amounted to RMB11,573 million. Compared with the balance as at the end of last year, an increase of RMB2,889 million mainly reflects the increase in income from operation and debts. The cash and cash equivalents denominated in foreign currencies other than the functional currency of respective group entities is RMB2,386 million (31 December 2021: RMB1,067 million), of which approximately RMB2,344 million (31 December 2021: RMB1,024 million) and approximately RMB42 million (31 December 2021: RMB43 million) are denominated in USD and HK\$, respectively.

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.

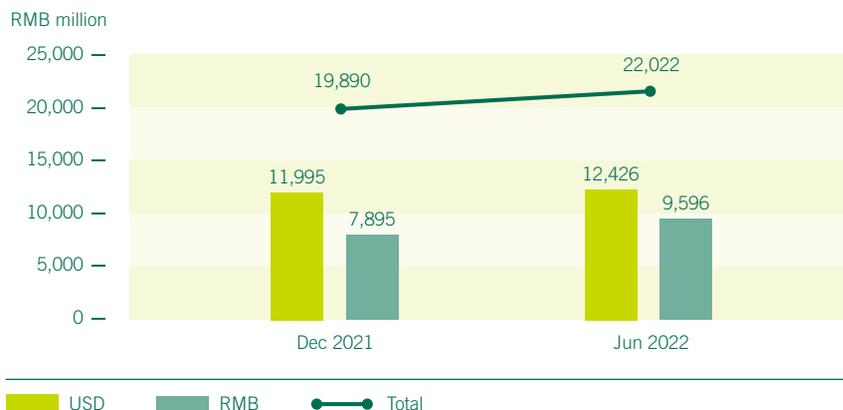
As at 30 June 2022, the Group's net current liabilities improved significantly as compared to end of last year to RMB8,899 million, which is mainly due to the replacement of expiring debts by the long term bonds issued by the Company in the first half 2022.

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

The Group strives to strike a balance between the terms of debts and cost of refinancing. In the first half of this year, the Company issued USD bonds to replace short-term loans to reduce liquidity risks and further smooth out the debt repayment schedule. As at 30 June 2022, the Group's total debts amounted to RMB22,022 million, around 95.3% (31 December 2021: 91.4%) of the Group's total debts are fixed interest rate. An increase of RMB2,132 million compared to the total debts as of end of last year, it is mainly due to the drawdown of project loans and the appreciation of the USD. The Group's net gearing ratio as at 30 June 2022 was reduced by 2.6 percentage points compared to end of last year to 24.0%.

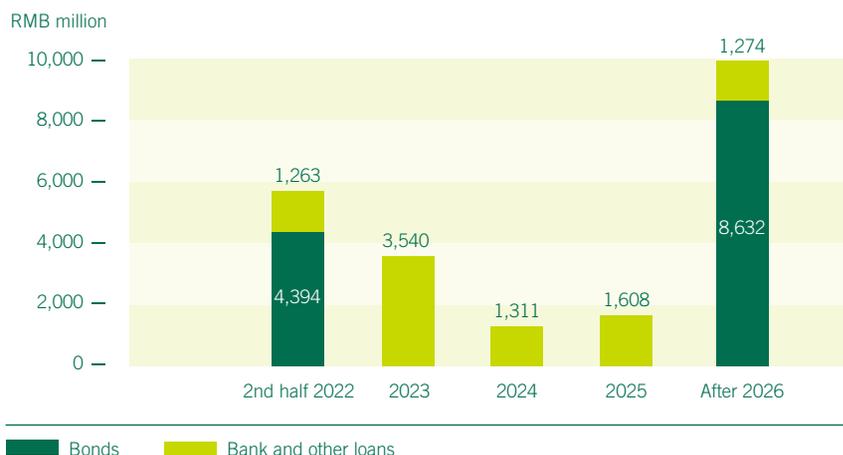
Borrowing Structure



Foreign exchange risk management

As at 30 June 2022, the principal amount of the Group's borrowings denominated in foreign currencies amounted to USD1,865 million (31 December 2021: USD1,891 million), equivalent to approximately RMB12,426 million (31 December 2021: RMB11,995 million), and most of them were long-term debts. As at 30 June 2022, the Group has hedged debt principal of USD750 million (31 December 2021: USD550 million) and the hedge ratio of USD debts reached 40.2% (31 December 2021: 29.1%). In view of the continuing fluctuation of RMB/USD rate, the Group will continue to closely monitor the foreign exchange market and strive to use foreign currency derivative contracts to mitigate the impact on its results when deemed appropriate.

Debts Repayment Schedule



MANAGEMENT DISCUSSION AND ANALYSIS

Charge on Assets

As at 30 June 2022, 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 22 to the condensed consolidated financial statements.

Credit Rating

Rating agency Standard & Poor's upgraded the Company's rating to "BBB+" on 3 August 2022, with a "stable" outlook. Standard & Poor's believes that the Group's earnings maintain resilience against extended turbulence in gas prices, therefore could maintain solid credit metrics in the foreseeable future.

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 reflect the Group's sound financial position which can generate highly visible and stable operating cash flow. The management of the Company believes that the good credit rating will continue to provide the Group with sufficient financial resources for its long-term development.

Commodity Price Risk Management

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

Material Events After the Reporting Date or Contingent Liabilities

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

Capital Market Recognition

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

Sustainable Development

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

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

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

Human Resources

The Group had over 35,598 employees as at 30 June 2022 (30 June 2021: 35,725) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Outlook

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

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

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

DIVIDEND

Interim Dividend and Closure of Register of Members

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

a. Closure of Register of Members

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

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

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company is committed to high-quality corporate governance practices, so the board of directors of the Company (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 18 May 2022 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 2022.

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. In the first half 2022, the Company continues to improve the level of ESG governance, and consolidate the basic plan for green action; it plans to have the green action projects fully implemented in 2023 and achieve the emission reduction target in 2030. 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 2022.

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 2022 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The Company’s Audit Committee meeting was held on 18 August 2022 to review the Group’s unaudited interim results and interim financial report for the six months ended 30 June 2022.

The re-appointment of Deloitte Touche Tohmatsu as the Company’s independent auditor for the financial year ending 31 December 2022 was approved by shareholders with support of over 98% of the votes at the AGM.

CORPORATE GOVERNANCE AND
OTHER INFORMATION**Board of Directors**

As at 30 June 2022, the composition of the Board is set out below:

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

The directors of the Company subject to re-election at the 2022 AGM, namely Ms. Wu Xiaojing, Mr. Wang Dongzhi, Mr. Zhang Yuying, Mr. Law Yee Kwan, Quinn and Ms. Yien Yu Yu, Catherine, all had more than 90% votes for their re-election as directors in the AGM.

Changes in Information of Director

On 28 April 2022, (1) Mr. Zhang Yuying, a non-executive director of the Company, has been appointed as a member of the risk management committee of the Board; (2) Mr. Zheng Hongtao, an executive director of the Company, has relinquished his role as the chairman but will remain as a member of the ESG Committee; (3) Mr. Wang Zizheng, a non-executive director of the Company and member of the ESG Committee by the time, has been appointed as the chairman of the ESG Committee; and (4) Ms. Wu Xiaojing, an executive director of the Company, has been appointed as a member of the ESG Committee.

On 26 May 2022, Mr. Zhang Yuying has been appointed as the chairman and a non-executive director of ENC Data Technology Co., Ltd (formerly known as Beibu Gulf Tourism Corporation Limited, stock code: 603869.SH). On the same day, Mr. Wang Yusuo, an executive director and the Chairman of the Company, resigned as a director of that company. Also, Mr. Zhang Yuying is a non-executive director of Huzhou Gas Co., Ltd.* which the company's H shares were listed on the Stock Exchange on 13 July 2022 (stock code: 6661.HK).

On 18 August 2022, Mr. Law Yee Kwan, Quinn, an independent non-executive director of the Company, ceased to serve as an independent non-executive director of Bank of Tianjin Co., Ltd., (a Hong Kong listed company, stock code: 1578.HK), and on the same day, he commenced to serve as a supervisor of the bank.

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 2021 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 2022.

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.

* For identification purpose only

CORPORATE GOVERNANCE AND
OTHER INFORMATION**Disclosure of the Directors' Interests****Directors' interests and short positions in shares, underlying shares and debentures**

As at 30 June 2022, 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	32.68%
Zheng Hongtao	Beneficial owner	1,000	-	-	310,000	311,000	0.03%
Wu Xiaojing	Beneficial owner	-	-	262,500	-	262,500	0.02%
Wang Dongzhi	Beneficial owner	-	-	270,000	-	270,000	0.02%
Wang Zizheng	Beneficial owner	-	-	220,000	-	220,000	0.02%
Zhang Yuying	Beneficial owner	-	-	133,925	80,000	213,925	0.02%
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	Beneficial owner	66,000	-	60,000	-	126,000	0.01%

Notes:

- 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 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").
- As at 30 June 2022, the Company had 1,130,534,075 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.

CORPORATE GOVERNANCE AND
OTHER INFORMATION**Disclosure of the Directors' Interests** *(continued)***Directors' interests and short positions in shares, underlying shares and debentures** *(continued)**(b) 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%
EIH*	Mr. Wang	Interest of controlled corporation	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	1,966,053,704	–	69.95%
Xinneng HK	Mr. Wang	Interest of controlled corporation	2,132,377,984	–	69.95%
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 (Note 1)	4,987,777,000	–	99.76%
Yicheng Yijia Internet Technology Company Limited*	Wang Zizheng	Beneficial owner	–	6.93 million	11.54%
Xin'ao Data IT Company Limited*	Wang Zizheng	Beneficial owner and interest of controlled corporation	–	80 million	40%
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	Wang Dongzhi	Beneficial owner (Note 2)	800,000	–	0.03%
ENN-NG	Zhang Yuying	Beneficial owner (Note 2)	500,000	–	0.02%

Notes:

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

* For identification purpose only

CORPORATE GOVERNANCE AND OTHER INFORMATION

Disclosure of the Directors' Interests *(continued)*

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

Save as disclosed above, as at 30 June 2022, 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.

CORPORATE GOVERNANCE AND
OTHER INFORMATION**Share-based Compensation Scheme** (continued)**Share Option 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 2022	Exercised during the period (Note 3)	Lapsed during the period	Outstanding as at 30 June 2022 (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	–	–	58,025
Employees	09.12.2015	01.04.2017–08.12.2025	40.34	96,500	(28,250)	–	68,250
	09.12.2015	01.04.2018–08.12.2025	40.34	129,374	(28,250)	–	101,124
	09.12.2015	01.04.2019–08.12.2025	40.34	174,800	(28,250)	–	146,550
	09.12.2015	01.04.2020–08.12.2025	40.34	311,336	(28,250)	–	283,086
Sub-total				815,035	(113,000)	–	702,035
2012 Scheme – Batch 2							
Directors	28.3.2019	01.04.2020–27.03.2029	76.36	15,000	–	–	15,000
	28.3.2019	01.04.2021–27.03.2029	76.36	209,000	–	–	209,000
	28.3.2019	01.04.2022–27.03.2029	76.36	601,700	–	(100,000)	501,700
	28.3.2019	01.04.2023–27.03.2029	76.36	601,700	–	–	601,700
Employees	28.3.2019	01.04.2020–27.03.2029	76.36	194,250	(9,100)	–	185,150
	28.3.2019	01.04.2021–27.03.2029	76.36	1,349,525	(137,100)	(71,400)	1,141,025
	28.3.2019	01.04.2022–27.03.2029	76.36	2,433,808	(134,100)	(663,384)	1,636,324
	28.3.2019	01.04.2023–27.03.2029	76.36	2,433,808	–	(30,300)	2,403,508
Business Consultants	28.3.2019	01.04.2020–27.03.2029	76.36	73,000	(5,000)	–	68,000
	28.3.2019	01.04.2021–27.03.2029	76.36	165,000	–	(13,500)	151,500
	28.3.2019	01.04.2022–27.03.2029	76.36	178,500	–	(13,500)	165,000
	28.3.2019	01.04.2023–27.03.2029	76.36	178,500	–	–	178,500
Sub-total				8,433,791	(285,300)	(892,084)	7,256,407
Total				9,248,826	(398,300)	(892,084)	7,958,442

CORPORATE GOVERNANCE AND
OTHER INFORMATION**Share-based Compensation Scheme** (continued)**Share Option 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 7,894,142 shares, representing 0.70% 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\$120.57.

The 2012 Scheme was originally due to expire on 25 June 2022, but the Company passed an ordinary resolution at the annual general meeting held on 18 May 2022 to adopt a new share option plan (the "2022 Scheme"), and the early terminate the 2012 Scheme. 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. The Company may grant up to 56,507,503 share options under the 2022 Scheme, and as at 30 June 2022, the Company has not granted any share options pursuant thereto.

Directors' rights to acquire share

Pursuant to the Company's 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 2022 were as follows:

Name of director	Date of grant	Exercise period (Note 1)	Exercise price (HK\$)	Outstanding	Exercised during the period (Note 2)	Lapsed during the period (Note 2)	Outstanding
				as at 1 January 2022			as at 30 June 2022
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
Wang Dongzhi (Note 3)	28.03.2019	01.04.2021–27.03.2029	76.36	56,600	–	–	56,600
	28.03.2019	01.04.2022–27.03.2029	76.36	106,700	–	–	106,700
	28.03.2019	01.04.2023–27.03.2029	76.36	106,700	–	–	106,700

CORPORATE GOVERNANCE AND
OTHER INFORMATION**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 2022	Exercised during the period (Note 2)	Lapsed during the period (Note 2)	Outstanding as at 30 June 2022
Wang Zizheng	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	–	15,000
	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	120,000	–	(100,000)	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	120,000	–	–	120,000
Zhang Yuying	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	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				1,530,425	–	(100,000)	1,430,425

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 2022 to 30 June 2022.
3. The vesting of share options is subject to the fulfilment of performance target.

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

CORPORATE GOVERNANCE AND
OTHER INFORMATION**Share-based Compensation Scheme** *(continued)***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 2022, 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. As at 30 June 2022, the Company has cumulatively granted 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 were also HK\$76.36, and the vesting of the notional gains (if any) were subject to the fulfillment of their respective performance targets.

CORPORATE GOVERNANCE AND
OTHER INFORMATION**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:

Grantee	Financial year to which the performance targets relate (Note 1)	Award price (HK\$) (Note 2)	Outstanding	Granted during the period	Vested during the period (Note 4)	Lapsed during the period	Outstanding
			as at 1 January 2022 (Note 3)				as at 30 June 2022
Directors	2020	76.36	90,000	–	(20,000)	–	70,000
	2021	76.36	160,000	–	–	–	160,000
	2022	76.36	160,000	–	–	–	160,000
Employees	2020	76.36	138,867	–	–	–	138,867
	2021	76.36	144,367	–	–	–	144,367
	2022	76.36	144,366	–	–	–	144,366
Total			837,600	–	(20,000)	–	817,600

Notes:

1. Awarded Shares act as a supplement to Share Options Scheme, the financial year to which the performance targets relate is consistent with respect to the Share Options 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.
4. Notional gains vested during the period were paid out of the funds in the designated account under the Share Award Scheme.

CORPORATE GOVERNANCE AND
OTHER INFORMATION**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 2022 were as follows:

Grantee	Financial year to which the performance targets relate	Award price (HK\$)	Outstanding	Granted during the period (Note 1)	Vested during the period (Note 1)	Lapsed during the period (Note 1)	Outstanding
			as at 1 January 2022				as at 30 June 2022
Zheng Hongtao (Note 2)	2020	76.36	90,000	–	(20,000)	–	70,000
	2021	76.36	120,000	–	–	–	120,000
	2022	76.36	120,000	–	–	–	120,000
Zhang Yuying	2021	76.36	40,000	–	–	–	40,000
	2022	76.36	40,000	–	–	–	40,000
Total			410,000	–	(20,000)	–	390,000

Notes:

1. “Period” refers to the period from 1 January 2022 to 30 June 2022.
2. The vesting of Awarded Shares is subject to the fulfilment of performance targets.

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.

CORPORATE GOVERNANCE AND
OTHER INFORMATION**Disclosure of the Substantial Shareholders' Interests**

As at 30 June 2022, 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)	32.68%
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)	32.68%
EYCT*	Interest of controlled corporation	369,175,534 (Notes 1, 2, 3 & 4)	–	369,175,534 (L)	32.65%
LCNG*	Interest of controlled corporation	369,175,534 (Notes 1,2&3)	–	369,175,534 (L)	32.65%
EIH*	Interest of controlled corporation	369,175,534 (Notes 1&2)	–	369,175,534 (L)	32.65%
EGII	Interest of controlled corporation	369,175,534 (Note 1)	–	369,175,534 (L)	32.65%
ENN-NG	Interest of controlled corporation	369,175,534 (Note 1)	–	369,175,534 (L)	32.65%
Xinneng HK	Beneficial owner	369,175,534 (Note 1)	–	369,175,534 (L)	32.65%
The Capital Group Companies, Inc.	Beneficial owner	157,672,901	–	157,672,901 (L)	13.95%
JPMorgan Chase & Co.	Interest of controlled corporation, investment manager, person having a security interest in shares, trustee and approved lending agent	104,452,570	–	104,452,570 (L) (including 2,599,229 (S) 77,303,096 (P))	9.24%
BlackRock, Inc.	Interest of controlled corporation	66,629,963	–	66,629,963 (L) (including 59,700 (S))	5.89%

* For identification purpose only

CORPORATE GOVERNANCE AND
OTHER INFORMATION**Disclosure of the Substantial Shareholders' Interests** *(continued)*

Notes:

1. EGII holds 48.16% interests in ENN-NG, therefore it holds 32.65% 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 21.72% interests in ENN-NG.
3. EIH is a wholly owned subsidiary of LCNG, LCNG hence is deemed to be interested in the shares in which EIH is interested in (1) and (2) above.
4. LCNG is 100% beneficially owned by Mr. Wang, Ms. Zhao and EYCT (beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao) 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 0.07% interests in ENN-NG.
5. As Mr. Wang's spouse, Ms. Zhao is deemed as holding Mr. Wang's interests in shares.
6. (L) represents Long Position; (S) represents Short Position; (P) represents Lending Pool.
7. As at 30 June 2022, the Company had 1,130,534,075 shares in issue.

Save for the shareholders as disclosed herein, the directors are not aware of any persons who, as at 30 June 2022, 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 2022, 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 2022, 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 5-year bonds due 2022 on 24 July 2017. The terms and conditions of the bonds required Mr. Wang, Ms. Zhao and any affiliate of any of them, the controlling shareholder of the Company, 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 bonds, and being the single largest shareholder of the Company. The principal amounts of the bonds issued are USD600 million (equivalent to RMB4,066 million). As at 30 June 2022, the outstanding balances are USD565 million (equivalent to RMB3,794 million). As at the date of this report, the bonds have been fully repaid.

Moreover, 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 2022, the outstanding balances of the Green Senior Notes are USD739 million (equivalent to RMB5,065 million) and USD545 million (equivalent to RMB3,579 million) respectively.

By order of the Board

Chairman

WANG Yusuo

Hong Kong, 19 August 2022

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 28 to 68, which comprise the condensed consolidated statement of financial position as of 30 June 2022 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

19 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB million (unaudited)	2021 RMB million (unaudited)
Revenue	3	58,332	41,232
Cost of sales		(51,438)	(34,190)
Gross profit		6,894	7,042
Other income	4	463	552
Gain on financial settlement of Liquefied Natural Gas ("LNG") trading	5	1,079	–
Other gains and losses	6	(780)	214
Distribution and selling expenses		(569)	(535)
Administrative expenses		(1,907)	(1,655)
Share of results of associates		85	166
Share of results of joint ventures		(142)	301
Finance costs	7	(320)	(304)
Profit before tax	8	4,803	5,781
Income tax expense	9	(1,302)	(1,351)
Profit for the period		3,501	4,430
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value loss of equity instruments at fair value through other comprehensive income ("FVTOCI")		(21)	(3)
Income tax relating to items that will not be reclassified to profit or loss		3	–
		(18)	(3)
<i>Items that have been reclassified or may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		28	–
Fair value gain of derivative financial instruments under hedge accounting during the period		198	100
Income tax relating to items that may be reclassified subsequently to profit or loss		(23)	(21)
Other comprehensive income for the period		185	76
Total comprehensive income for the period		3,686	4,506
Profit for the period attributable to:			
Owners of the Company		3,104	3,765
Non-controlling interests		397	665
		3,501	4,430
Total comprehensive income for the period attributable to:			
Owners of the Company		3,289	3,841
Non-controlling interests		397	665
		3,686	4,506
		RMB	RMB
Earnings per share	11		
Basic		2.75	3.34
Diluted		2.75	3.32

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	At 30 June 2022 RMB million (unaudited)	At 31 December 2021 RMB million (audited)
Non-current Assets			
Property, plant and equipment	12	48,284	46,793
Right-of-use assets	12	2,144	2,119
Investment properties		290	288
Goodwill		2,520	2,520
Intangible assets	13	4,448	4,311
Interests in associates		3,700	3,655
Interests in joint ventures		4,909	5,063
Other receivables	16	11	18
Derivative financial instruments	14	254	946
Financial assets at fair value through profit or loss ("FVTPL")	15	4,390	4,406
Equity instruments at FVTOCI		245	266
Amounts due from associates	18	18	21
Amounts due from joint ventures	19	14	4
Deferred tax assets		1,170	1,212
Deposits paid for investments		69	60
Deposits paid for acquisition of property, plant and equipment and land use rights		125	126
Restricted bank deposits	17	678	622
		73,269	72,430
Current Assets			
Inventories		1,488	1,508
Trade and other receivables	16	10,031	10,568
Contract assets		652	775
Derivative financial instruments	14	2,708	1,585
Financial assets at FVTPL	15	423	152
Amounts due from associates	18	970	1,165
Amounts due from joint ventures	19	1,652	2,440
Amounts due from related companies	20	505	318
Restricted bank deposits	17	167	363
Cash and cash equivalents		11,573	8,684
		30,169	27,558

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	At 30 June 2022 RMB million (unaudited)	At 31 December 2021 RMB million (audited)
Current Liabilities			
Trade and other payables	21	8,045	10,172
Contract liabilities		14,353	14,908
Deferred income		50	48
Amounts due to associates	18	428	424
Amounts due to joint ventures	19	1,144	1,249
Amounts due to related companies	20	874	964
Taxation payables		1,212	909
Dividend payable		2,039	–
Lease liabilities		70	75
Derivative financial instruments	14	2,269	956
Bank and other loans	22	4,156	6,150
Corporate bonds		600	2,099
Unsecured bonds		3,794	3,601
Share-based payment liabilities	25	34	24
		39,068	41,579
Net Current Liabilities		(8,899)	(14,021)
Total Assets less Current Liabilities		64,370	58,409
Capital and Reserves			
Share capital	24	117	117
Reserves		36,886	35,660
Equity attributable to owners of the Company		37,003	35,777
Non-controlling interests		6,478	6,373
Total Equity		43,481	42,150
Non-current Liabilities			
Contract liabilities		2,913	2,993
Deferred income		782	789
Amounts due to associates	18	215	215
Amounts due to joint ventures	19	325	325
Lease liabilities		255	280
Bank and other loans	22	4,840	3,318
Senior notes	23	8,632	4,722
Derivative financial instruments	14	83	806
Deferred tax liabilities		2,824	2,785
Share-based payment liabilities	25	–	5
Financial guarantee liabilities	31	20	21
		20,889	16,259
		64,370	58,409

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Six months ended 30 June 2022 (unaudited)

	Equity attributable to owners of the Company													Total equity	
	Share capital	Treasury stocks	Share premium	Special reserve	Revaluation reserve	Share options reserve	Exchange reserve	Hedging reserve	Surplus reserve fund	Designated safety fund	Retained earnings	Total	Non-controlling interests		
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million		RMB million
	(Note 24)	(Note 25)		(Note a)				(Note 26)	(Note b)	(Note c)					
At 1 January 2022	117	(168)	1,253	(128)	90	138	6	119	3,546	84	30,720	35,777	6,373	42,150	
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,104	3,104	397	3,501	
Other comprehensive income for the period	-	-	-	-	(18)	-	28	175	-	-	-	185	-	185	
Total comprehensive income for the period	-	-	-	-	(18)	-	28	175	-	-	3,104	3,289	397	3,686	
Cumulative gain transferred to initial carrying amount of hedged items	-	-	-	-	-	-	-	(63)	-	-	-	(63)	-	(63)	
Recognition of equity-settled share-based payment (Note 25)	-	-	-	-	-	12	-	-	-	-	-	12	-	12	
Issue of ordinary shares on exercise of share options	-	-	30	-	-	(8)	-	-	-	-	-	22	-	22	
Deregistration/disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(7)	(7)	
Acquisition 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 10)	-	-	(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	117	(168)	30	(123)	72	142	34	231	3,632	89	32,947	37,003	6,478	43,481	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

Six months ended 30 June 2021 (unaudited)

	Equity attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital	Treasury stocks	Share premium	Special reserve	Revaluation reserve	Share options reserve	Exchange reserve	Hedging reserve	Surplus reserve fund	Designated safety fund	Retained earnings	Total			
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million			
	(Note 24)	(Note 25)		(Note a)				(Note 26)	(Note b)	(Note c)					
At 1 January 2021	117	(168)	1,134	(127)	72	147	1	(37)	3,126	67	26,229	30,561	5,611	36,172	
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,765	3,765	665	4,430	
Other comprehensive income for the period	-	-	-	-	(3)	-	-	79	-	-	-	76	-	76	
Total comprehensive income for the period	-	-	-	-	(3)	-	-	79	-	-	3,765	3,841	665	4,506	
Cumulative loss transferred to initial carrying amount of hedged items	-	-	-	-	-	-	-	30	-	-	-	30	-	30	
Recognition of equity-settled share-based payment (Note 25)	-	-	-	-	-	18	-	-	-	-	-	18	-	18	
Issue of ordinary shares on exercise of share options	-	-	83	-	-	(23)	-	-	-	-	-	60	-	60	
Deregistration/disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(8)	(8)	
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	7	7	
Dividends appropriation (Note 10)	-	-	-	-	-	-	-	-	-	-	(2,273)	(2,273)	-	(2,273)	
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(357)	(357)	
Transfer to designated safety fund	-	-	-	-	-	-	-	-	-	10	(10)	-	-	-	
Transfer to surplus reserve fund	-	-	-	-	-	-	-	-	64	-	(64)	-	-	-	
At 30 June 2021	117	(168)	1,217	(127)	69	142	1	72	3,190	77	27,647	32,237	5,918	38,155	

Notes:

- 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.
- In accordance with the People's Republic of China ("PRC") regulations, the surplus reserve fund retained by subsidiaries in the PRC is non-distributable.
- 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 2022

	Notes	Six months ended 30 June	
		2022 RMB million (unaudited)	2021 RMB million (unaudited)
Net cash generated from operating activities		3,147	4,474
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(2,473)	(2,528)
Acquisition of intangible assets		(210)	(23)
Purchases of wealth management products		(6,813)	(4,930)
Redemptions of wealth management products		6,542	4,923
Proceeds from financial settlement of LNG trading		1,079	–
Additions of restricted bank deposits		(205)	(1,449)
Release of restricted bank deposits		345	1,526
Net cash outflow on acquisition of subsidiaries and businesses	27&28	(108)	(166)
Net cash inflow on disposal of subsidiaries		–	5
Investments in associates		(7)	(18)
Investments in joint ventures		(445)	(18)
Interest received		96	91
Gross cash outflow from derivative financial instruments		(1,861)	(256)
Gross cash inflow from derivative financial instruments		2,191	260
Dividends received from associates		41	112
Dividends received from joint ventures		7	44
Advances to joint ventures		(67)	(207)
Amounts repaid by joint ventures		712	325
Advances to associates		(75)	(221)
Amounts repaid by associates		93	61
Advances to third parties		(1,985)	(955)
Amounts repaid by third parties		1,950	870
Other investing activities		(63)	(4)
Net cash used in investing activities		(1,256)	(2,558)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
New bank loans raised	5,552	3,782
Repayment of bank loans	(6,124)	(2,686)
Advances from banks and other financial institutions	4,305	900
Amounts repaid to banks and other financial institutions	(4,305)	(900)
Net proceeds from ordinary shares issued on exercise of share options	22	60
Repayment of lease liabilities	(43)	(55)
Dividends paid to non-controlling shareholders	(285)	(357)
Capital contribution from non-controlling shareholders	31	7
Proceeds from issuance of green senior notes	3,579	–
Repayment of senior notes	–	(2,372)
Repayment of corporate bonds	(1,499)	–
Interest paid	(340)	(386)
Advances from joint ventures	29	216
Amounts repaid to joint ventures	(41)	(76)
Advances from associates	83	13
Amounts repaid to associates	(4)	(11)
Advances from related companies	14	20
Other financing activities	(37)	(47)
Net cash generated from (used in) financing activities	937	(1,892)
Net increase in cash and cash equivalents	2,828	24
Effect of foreign exchange rate changes	61	(3)
Cash and cash equivalents at beginning of the period	8,684	8,630
Cash and cash equivalents at end of the period	11,573	8,651

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. Basis of Preparation

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

3. Segment Information

Information reported to the vice chairman of the board of directors of the Company, 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 administration costs, distribution and selling expenses, share of results of associates and joint ventures, other income, other gains and losses and finance costs. This is the measure reported to the 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 2022			Six months ended 30 June 2021		
	Sales of goods	Provision of services	Total	Sales of goods	Provision of services	Total
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Types of goods or services						
Retail gas sales business	30,316	–	30,316	23,138	–	23,138
Integrated energy business	5,074	291	5,365	3,356	306	3,662
Wholesale of gas	18,696	–	18,696	9,768	–	9,768
Construction and installation	–	2,790	2,790	–	3,827	3,827
Value added business	1,081	84	1,165	749	88	837
Total	55,167	3,165	58,332	37,011	4,221	41,232

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 2022

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

Six months ended 30 June 2021

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

Substantially all of the Group's revenue are generated from the PRC. For the six months ended 30 June 2022, the revenues from PRC and overseas were RMB58,124 million (six months ended 30 June 2021: RMB41,112 million) and RMB208 million (six months ended 30 June 2021: RMB120 million), respectively.

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For the six months ended 30 June 2022

4. Other Income

	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
Other income mainly includes:		
Incentive subsidies (Note)	124	157
Dividends income from financial assets at FVTPL	67	138
Interest income on bank deposits	27	43
Interest income on loan receivables from joint ventures, associates and related parties	18	19
Interest income on loan receivables from third parties	51	29
Rental income from equipment	39	25
Rental income from investment properties	3	5

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. Gain on Financial Settlement of LNG Trading

During the period, the Group performed certain financial settlements of LNG trading with a supplier resulting to a gain of RMB1,079 million (six months ended 30 June 2021: nil).

6. Other Gains and Losses

	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
Net fair value (loss) gain of:		
– Financial assets at FVTPL (Note 15)	(16)	(22)
– Derivative financial instruments (Note 14)	(136)	248
Loss on repurchases of unsecured bonds	–	(1)
(Loss) gain on foreign exchange, net (Note)	(477)	77
Impairment losses under expected credit loss model, net of reversal:		
– Trade and other receivables	(130)	(34)
– Contract assets	8	(1)
– Amounts due from associates/joint ventures/related companies	(3)	(4)
Impairment loss recognised in respect of property, plant and equipment	(17)	–
Net (loss) gain on disposal of:		
– Property, plant and equipment	(28)	(50)
– Right-of-use assets	19	3
– Subsidiaries	–	(2)
	(780)	214

Note: Included in the amount for the six months ended 30 June 2022 is an exchange loss of approximately RMB619 million (six months ended 30 June 2021: exchange gain of approximately RMB114 million) arising from the translation of senior notes, unsecured bonds and bank loans denominated in United States Dollar ("USD") to RMB.

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For the six months ended 30 June 2022

7. Finance Costs

	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
Interest on:		
Bank and other loans	173	112
Senior notes	87	120
Corporate bonds	21	44
Unsecured bonds	61	62
Lease liabilities	10	11
	352	349
Less: Amount capitalised under construction in progress	(45)	(69)
	307	280
Fair value loss reclassified from equity on foreign currency derivatives designated as cash flow hedges for USD debts	13	24
	320	304

8. Profit Before Tax

	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
Profit before tax has been arrived at after charging:		
Depreciation and amortisation:		
– property, plant and equipment	1,020	854
– intangible assets	162	160
– right-of-use assets	81	82
Total depreciation and amortisation (Note)	1,263	1,096

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

	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
Depreciation and amortisation included in:		
Cost of sales	1,029	896
Administrative expenses	219	180
Distribution and selling expenses	15	20
	1,263	1,096

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For the six months ended 30 June 2022

9. Income Tax Expense

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

As the major operating income of the Group are derived from the PRC, the tax expenses arose principally from the PRC Enterprise Income Tax for both periods.

Under the law of the PRC on Enterprise Income Tax (the “EIT Law”) and the Implementation Regulations of the EIT Law, the tax rate applicable for the PRC subsidiaries of the Company is 25%.

Certain PRC subsidiaries of the Company are qualified as “High and New Tech Enterprises”, which are subject to PRC Enterprise Income Tax at the preferential rate of 15% on the estimated assessable profit as determined in accordance with relevant tax rules and regulations in the PRC. This preferential rate is applicable for a period of three years, and those subsidiaries are eligible to apply for the tax concession again upon expiry of the three-year period.

During the period ended 30 June 2022, the Company received the approval from the Hebei Provincial Tax Service of State Administration of Taxation of PRC, confirming the Company is to be treated as a PRC Tax Resident Enterprise starting from 1 January 2022. Therefore, the Company did not recognise withholding tax on undistributed profits of the PRC subsidiaries in the period concerned.

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For the six months ended 30 June 2022

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

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

The interim dividend proposed after the end of the reporting period has not been recognised as a liability 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	
	2022	2021
	RMB million	RMB million
Final dividend of HK\$2.11 (equivalent to approximately RMB1.72) per share (2021: HK\$2.10 (equivalent to approximately RMB1.77) per share)	2,039	1,972
No special dividend (2021: HK\$0.32 (equivalent to approximately RMB0.27) per share)	–	301
	2,039	2,273

The final dividend for the fiscal year 2021 of the Company declared on 18 March 2022 was paid on 22 July 2022.

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For the six months ended 30 June 2022

11. Earnings Per Share

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

	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
Earnings		
Earnings for the purpose of basic and diluted earnings per share	3,104	3,765

	Six months ended 30 June	
	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,127,492	1,128,710
Effect of dilutive potential ordinary shares:		
– share options	2,827	4,002
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,130,319	1,132,712

Diluted earnings per share for the six months ended 30 June 2022 and 2021 are calculated assuming all dilutive potential ordinary shares were converted.

12. Property, Plant and Equipment and Right-Of-Use Assets

During the six months ended 30 June 2022, the Group acquired property, plant and equipment and right-of-use assets amounting to approximately RMB2,518 million and RMB45 million (six months ended 30 June 2021: RMB2,597 million and RMB126 million) respectively.

In addition, the Group acquired property, plant and equipment and right-of-use assets amounting to RMB64 million and RMB72 million through acquisition of subsidiaries during the current period (six months ended 30 June 2021: nil).

During the six months ended 30 June 2022, the Group entered into several new agreements with lease terms from 1 year to 10 years. On lease commencement, the Group recognised right-of-use assets and corresponding lease liabilities of RMB14 million (six months ended 30 June 2021: RMB54 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

13. Intangible Assets

During the six months ended 30 June 2022, the Group acquired intangible assets amounting to RMB210 million (six months ended 30 June 2021: RMB23 million).

In addition, the Group acquired intangible assets amounting to RMB89 million through acquisition of subsidiaries (six months ended 30 June 2021: nil).

14. Derivative Financial Instruments

	At 30 June 2022 RMB million	At 31 December 2021 RMB million
Derivative financial assets		
Derivatives designated as cash flow hedges:		
Commodity derivative contracts (Note b)	241	124
Derivatives not designated in hedge accounting:		
Commodity derivative contracts (Note b)	2,721	2,407
	2,962	2,531
Derivative financial liabilities		
Derivatives designated as cash flow hedges:		
Foreign currency derivative contracts (Note a)	31	97
Derivatives not designated in hedge accounting:		
Commodity derivative contracts (Note b)	2,321	1,665
	2,352	1,762
Analysed for reporting purpose as:		
Assets		
Current portion	2,708	1,585
Non-current portion	254	946
Liabilities		
Current portion	2,269	956
Non-current portion	83	806

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

14. Derivative Financial Instruments *(continued)*

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	280	–	280
	(110)	(26)	(136)

For the six months ended 30 June 2021

	Commodity Derivatives RMB million	Foreign Currency Derivatives RMB million	Total RMB million
Net unrealised fair value gain (loss) included in other gains and losses			
Derivatives designated as cash flow hedges – ineffective portion	14	(14)	–
Derivatives not designated in hedge accounting	157	–	157
	171	(14)	157
Net realised fair value gain included in other gains and losses			
Derivatives not designated in hedge accounting	91	–	91
	262	(14)	248

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For the six months ended 30 June 2022

14. Derivative Financial Instruments *(continued)*

Notes:

- a. The Group is exposed to exchange rate risk mainly arising from bond and 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 2022, the Foreign Currency Derivatives have a total notional amount of USD750 million (31 December 2021: USD550 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. 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 30.

In order to manage and mitigate the commodity price risk arising from the highly probable forecast 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.

15. Financial Assets at FVTPL

	At 30 June 2022	At 31 December 2021
	RMB million	RMB million
Listed equity interest in Shanghai Dazhong Public Utilities (Group) Co., Ltd (“Shanghai Utilities”) (Note a)	165	181
Unlisted equity interest in Sinopec Marketing Co., Ltd (“Sinopec Marketing”) (Note b)	4,170	4,170
Unlisted wealth management products	423	152
Unlisted equity securities (Note c)	55	55
	4,813	4,558

	At 30 June 2022	At 31 December 2021
	RMB million	RMB million
Analysed for reporting purpose as:		
Assets		
Current portion	423	152
Non-current portion	4,390	4,406

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15. Financial Assets at FVTPL *(continued)*

	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
Net unrealised fair value loss included in other gains and losses		
Listed equity interest in Shanghai Utilities (Note a)	(16)	(22)

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 RMB67 million (six months ended 30 June 2021: RMB138 million) from Sinopec Marketing.
- c. The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

16. Trade and Other Receivables

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

	At 30 June 2022	At 31 December 2021
	RMB million	RMB million
0 to 3 months	2,363	2,663
4 to 6 months	427	343
7 to 9 months	371	212
10 to 12 months	173	113
More than one year	304	299
Total trade receivables	3,638	3,630
Bills receivables (Note)	1,326	1,354
Other receivables	818	750
Loan receivables	431	480
Less: Allowance for credit losses	(24)	(24)
	2,551	2,560
Deductible input value added tax and prepayment of other taxes and charges	1,178	1,596
Advances to suppliers and prepayments	2,675	2,800
Total trade and other receivables	10,042	10,586
Analysed for reporting purpose as:		
Current portion	10,031	10,568
Non-current portion	11	18

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

17. Restricted Bank Deposits

The restricted bank deposits carry fixed interest rate ranging from 0.30% to 3.17% (31 December 2021: 0.30% to 4.13%) per annum. Except for the mandatory reserves in the People's Bank of China ("PBOC") amounting to RMB524 million (31 December 2021: RMB443 million), 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

18. Amounts Due from/to Associates

Included in the amounts due from/to associates are trade receivables, amounting to RMB403 million (31 December 2021: RMB589 million) and trade payables amounting to RMB137 million (31 December 2021: RMB212 million) and the aged analysis based on invoice date, at the end of the reporting period is as follows:

	At 30 June 2022	At 31 December 2021
	RMB million	RMB million
Trade receivables		
0 to 3 months	147	342
4 to 6 months	42	74
7 to 9 months	30	13
10 to 12 months	40	46
More than one year	144	114
	403	589
Trade payables		
0 to 3 months	96	183
4 to 6 months	16	25
7 to 9 months	2	–
10 to 12 months	20	–
More than one year	3	4
	137	212

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19. Amounts Due from/to Joint Ventures

Included in the amounts due from/to joint ventures are trade receivables, amounting to RMB561 million (31 December 2021: RMB501 million) and trade payables amounting to RMB831 million (31 December 2021: RMB924 million) and the aged analysis based on invoice date, which approximated the respective revenue recognition date, at the end of the reporting period is as follows:

	At 30 June 2022	At 31 December 2021
	RMB million	RMB million
Trade receivables		
0 to 3 months	363	345
4 to 6 months	74	22
7 to 9 months	17	22
10 to 12 months	6	16
More than one year	101	96
	561	501
Trade payables		
0 to 3 months	654	340
4 to 6 months	90	150
7 to 9 months	7	90
10 to 12 months	7	62
More than one year	73	282
	831	924

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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20. Amounts Due from/to Related Companies

Included in the amounts due from/to related companies are trade receivables, amounting to RMB191 million (31 December 2021: RMB216 million) and trade payables amounting to RMB791 million (31 December 2021: RMB891 million) and the aged analysis based on invoice date, which approximated the respective revenue recognition date, at the end of the reporting period is as follows:

	At 30 June 2022	At 31 December 2021
	RMB million	RMB million
Trade receivables		
0 to 3 months	14	43
4 to 6 months	14	20
7 to 9 months	15	30
10 to 12 months	17	63
More than one year	131	60
	191	216
Trade payables		
0 to 3 months	508	639
4 to 6 months	124	58
7 to 9 months	67	65
10 to 12 months	17	43
More than one year	75	86
	791	891

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

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21. Trade and Other Payables

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

	At 30 June 2022	At 31 December 2021
	RMB million	RMB million
0 to 3 months	3,464	5,087
4 to 6 months	865	1,038
7 to 9 months	527	389
10 to 12 months	378	261
More than one year	913	848
Trade payables	6,147	7,623
Accrued charges and other payables	1,898	2,549
	8,045	10,172

22. Bank and Other Loans

During the six months ended 30 June 2022, the Group obtained new bank loans in the amount of RMB5,552 million (six months ended 30 June 2021: RMB3,782 million) and made repayments in the amount of RMB6,124 million (six months ended 30 June 2021: RMB2,686 million). The loans bear interest at the rates ranging from 1.85% to 4.80% (31 December 2021: 0.64% to 4.80%) per annum. These proceeds were used to finance the capital expenditure and general working capital of the Group.

At 30 June 2022, certain assets of the Group with aggregate carrying value of RMB586 million (31 December 2021: RMB1,059 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 RMB642 million (31 December 2021: RMB400 million) granted to the Group, of which RMB600 million (31 December 2021: RMB100 million) was utilised up to 30 June 2022 (31 December 2021). The facilities were expired during the period ended 30 June 2022.

At 30 June 2022, bank loans related to bills receivable discounted to the banks are amounting to RMB189 million (31 December 2021: RMB390 million).

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23. 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.

24. Share Capital

During the six months ended 30 June 2022, 113,000 shares and 285,300 shares (six months ended 30 June 2021: 688,100 shares and 557,967 shares) were issued at the exercise price of HK\$40.34 and HK\$76.36 per ordinary share under the share option scheme, respectively, in relation to the exercise of outstanding share options as set out in Note 25. These shares rank pari passu with the existing shares in all respects.

Save as disclosed above and in Note 25, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities up to 30 June 2022.

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25. 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”) to use as a supplement to the Scheme 2012.

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. 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. 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.

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25. 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 1.1.2022	Exercised during the period	Forfeited during the period	Outstanding at 30.06.2022
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	-	-	58,025
Employees	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	HK\$40.34	96,500	(28,250)	-	68,250
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	HK\$40.34	129,374	(28,250)	-	101,124
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	HK\$40.34	174,800	(28,250)	-	146,550
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	HK\$40.34	311,336	(28,250)	-	283,086
Subtotal					815,035	(113,000)	-	702,035
Exercisable at the end of the period					702,035			
Scheme 2012- batch 2								
Directors	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	HK\$76.36	15,000	-	-	15,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK\$76.36	209,000	-	-	209,000
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK\$76.36	601,700	-	(100,000)	501,700
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK\$76.36	601,700	-	-	601,700
Employees	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	HK\$76.36	194,250	(9,100)	-	185,150
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK\$76.36	1,349,525	(137,100)	(71,400)	1,141,025
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK\$76.36	2,433,808	(134,100)	(663,384)	1,636,324
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK\$76.36	2,433,808	-	(30,300)	2,403,508
Business	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	HK\$76.36	73,000	(5,000)	-	68,000
Consultants	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK\$76.36	165,000	-	(13,500)	151,500
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK\$76.36	178,500	-	(13,500)	165,000
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK\$76.36	178,500	-	-	178,500
Subtotal					8,433,791	(285,300)	(892,084)	7,256,407
Exercisable at the end of the period					4,072,699			
Total					9,248,826	(398,300)	(892,084)	7,958,442

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For the six months ended 30 June 2022

25. Share Based Payments Transactions *(continued)***a. Scheme 2012** *(continued)*

As at 30 June 2022, the number of outstanding share options is 7,958,442 (31 December 2021: 9,248,826). During the current period, the Group recognised share-based payment expenses of RMB12 million (six months ended 30 June 2021: RMB18 million).

At the end of each interim period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

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 2022, 2,685,100 shares (31 December 2021: 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 2022, no shares (31 December 2021: 866,600 shares) had been nominally granted to certain directors and employees in tranches. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

25. 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:

		Financial year to which the performance conditions relate	Exercise price	Number of awarded shares		
				Outstanding at 1.1.2022	Exercised during the period	Outstanding at 30.06.2022
Directors	Tranche 1	2020	HK\$76.36	90,000	(20,000)	70,000
	Tranche 2	2021	HK\$76.36	160,000	-	160,000
	Tranche 3	2022	HK\$76.36	160,000	-	160,000
Employees	Tranche 1	2020	HK\$76.36	138,867	-	138,867
	Tranche 2	2021	HK\$76.36	144,367	-	144,367
	Tranche 3	2022	HK\$76.36	144,366	-	144,366
Total				837,600	(20,000)	817,600
Exercisable at the end of the period						513,234

The Group recognised share-based payment expenses of RMB6 million during the period (six months ended 30 June 2021: RMB25 million) in respect of these awarded shares. As at 30 June 2022, the Group has recorded liabilities of RMB34 million (31 December 2021: RMB29 million). The fair values for these awarded shares granted were calculated using the Binomial Option Pricing Model.

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

	Directors	Employees
Spot price	HK\$128.90	HK\$128.90
Exercise price	HK\$76.36	HK\$76.36
Expected life	6.74 years	6.74 years
Expected volatility	38.85%	38.85%
Expected dividend yield	1.88%	1.88%
Risk-free interest rate	2.80%	2.80%
Early exercise behaviour	280% of the exercise price	220% of the exercise price

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FINANCIAL STATEMENTS

For the six months ended 30 June 2022

25. Share Based Payments Transactions *(continued)***b. Share Award Scheme** *(continued)*

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 6.74 years.

At the end of each interim period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share-based payment liabilities.

26. 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 2022	(1)	98	97
Changes in fair value of hedging instruments	50	201	251
(Gain) loss reclassified to profit or loss – hedged items has affected profit or loss	(66)	–	(66)
Cumulative (gain) loss 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	–		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

26. Hedging Reserve (continued)

	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

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

26. 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 2021	19	(43)	(24)
Changes in fair value of hedging instruments	(56)	53	(3)
(Gain) loss reclassified to profit or loss – hedged items has affected profit or loss	57	–	57
Cumulative (gain) loss transferred to initial carrying amount of hedged items	–	30	30
Income tax relating to items that may be reclassified subsequently	–	(14)	(14)
At 30 June 2021	20	26	46
Of which:			
Balance related to continuing cash flow hedges	46		
Balance related to discontinuing cash flow hedges	–		
Cost of hedging reserve			
At 1 January 2021	17	(30)	(13)
Changes in fair value of time value/foreign currency basis component of time period related hedged items	9	–	9
Changes in fair value of time value of transaction related hedged items	–	49	49
Amortisation to profit or loss of changes in fair value in relation to time period related hedged items	(12)	–	(12)
Income tax relating to items that may be reclassified subsequently	–	(7)	(7)
At 30 June 2021	14	12	26
	34	38	72

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

27. Acquisition of Business

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.

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 liabilities	
Deferred tax liabilities	(19)
Current liabilities	
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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

27. Acquisition of Business *(continued)*

Impact of acquisition on the results of the Group

No profit was attributable to the additional business generated by Pingshan for the six months ended 30 June 2022. Revenue for the six months ended 30 June 2022 includes RMB4 million generated from Pingshan.

Had the acquisitions of Pingshan been completed on 1 January 2022, the revenue of the Group for the six months ended 30 June 2022 would have been approximately RMB58,333 million, and the profit for the period would have been approximately RMB3,501 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 2022, nor is intended to be a projection of future results.

In determining the “pro-forma” revenue and result of the Group, had Pingshan been acquired on 1 January 2022, the Directors have calculated the depreciation and amortisation of right-of-use assets, property, plant and equipment and intangible assets acquired on the basis of the fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

28. Acquisition of Assets Through Acquisition of Subsidiaries

To facilitate the Group’s overall business development, the Group will from time to time liaise with the local PRC governments and potential vendors to acquire the local rights of operation, gas assets and integrated energy related assets through acquisition of subsidiaries. During the six months ended 30 June 2022, the Group has acquired assets through the acquisitions of the following subsidiaries:

On 26 April 2022, the Group acquired 100% of the equity interest of 廊坊新奧高博科技有限公司 at a consideration of RMB62 million from a company controlled by Mr. Wang.

On 23 June 2022, the Group acquired 100% of the equity interest of 汝州市裕潤天然氣有限公司 at a consideration of RMB24 million.

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

	RMB million
Non-current assets	
Property, plant and equipment	15
Right-of-use assets	62
Intangible assets	15
Current liabilities	
Trade and other payables	(6)
Net assets acquired	86
Total consideration satisfied by:	
Cash	76
Consideration payables	10
	86
Net cash outflow arising on acquisition:	
Cash consideration paid	(76)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

29. Fair Value Measurement of Financial Instruments

The following table gives information about how the fair values of financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (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		Fair value hierarchy	Valuation technique and key input
	30 June 2022	31 December 2021		
	RMB million	RMB million		
Financial assets				
Derivative financial Instruments	2,962	2,531	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	165	181	Level 1	Fair values are derived from quoted bid prices in an active market
Unlisted wealth management products	423	152	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/B ratio of comparable listed companies and a liquidity discount rate

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

29. Fair Value Measurement of Financial Instruments (continued)

	Fair value as at		Fair value hierarchy	Valuation technique and key input
	30 June 2022	31 December 2021		
	RMB million	RMB million		
Other unlisted equity securities – FVTPL	55	55	Level 3	Fair values are derived from price multiples of similar assets that have been traded in the market
Listed equity securities – FVTOCI	92	113	Level 1	Fair values are derived from quoted bid prices in an active market
Unlisted equity securities – FVTOCI	153	153	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	2,352	1,762	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

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 2022 under HKFRS 9. 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 2022.

Except for the said investment above, during the six months ended 30 June 2022, net changes to investment costs of other financial assets under Level 3 amounted to RMB271 million (six months ended 30 June 2021: RMB6 million).

No loss relates to FVTPL under Level 3 hierarchy held as at 30 June 2022 and 30 June 2021.

No loss relates to FVTOCI under Level 3 hierarchy held as at 30 June 2022 (six months ended 30 June 2021: loss of RMB3 million).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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

Reconciliation of level 3 fair value measurements of financial assets

	RMB million
At 1 January 2022 (audited)	4,530
Addition of unlisted wealth management products	6,813
Disposal of unlisted wealth management products	(6,542)
At 30 June 2022 (unaudited)	4,801

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 2022		At 31 December 2021	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Financial liabilities:				
Fixed-rate bank and other loans	7,969	7,764	7,748	7,505
Senior notes	8,632	8,026	4,722	4,877
Unsecured bonds	3,794	3,794	3,601	3,724
Corporate bonds	600	611	2,099	2,115

In the above table, other than the fair values of bank and other loans disclosed which are under the fair value hierarchy of Level 3, the rest of the fair values disclosed are under the fair value hierarchy of Level 2. The fair values of the senior notes and unsecured bonds are derived from the quoted prices in over-the-counter market, and the fair value of corporate bonds is derived from the quoted prices in the Shanghai Stock Exchange. The fair values of the rest of the financial liabilities at amortised cost are derived from discount 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

30. Commitments

a. Capital commitments

	At 30 June 2022	At 31 December 2021
	RMB million	RMB million
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	747	824
– investments in joint ventures	500	479
– investments in associates	438	445
– other equity investments	2	2

b. Other commitments

The Group has entered into medium to long-term sale and purchase agreements to acquire LNG from certain 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

31. Related Party Transactions

Saved as disclosed in Notes 18, 19, 20 and 28, the Group had the following transactions with certain related parties:

Nature of transaction	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
Associates		
– Sales of gas to	1,467	1,093
– Sales of materials to	37	49
– Purchase of gas from	635	441
– Purchase of equipment from	1	–
– Loan interest received from	4	4
– Deposit interest paid to	1	1
– Provision of gas transportation services by	41	29
– Provision of construction and installation services to	14	6
– Provision of supporting services to	21	5
Joint ventures		
– Sales of gas to	2,041	1,312
– Sales of materials to	203	212
– Purchase of gas from	2,725	2,083
– Provision of gas transportation services to	166	247
– Loan interest received from	11	11
– Loan interest paid to	1	1
– Provision of supporting services to	39	26
– Provision of construction services by	7	19
– Provision of construction and installation services to	51	167
– Deposit interest paid to	1	1
– Purchase of equipment from	8	1
– Lease of vehicles to	–	1
– Provision of technology services by	–	1
– Provision of transportation services by	24	20
– Lease of premises to	1	–
– Provision of administrative services by	1	–

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For the six months ended 30 June 2022

31. Related Party Transactions (continued)

	Six months ended 30 June	
	2022	2021
	RMB million	RMB million
Nature of transaction (continued)		
Companies controlled by Mr. Wang		
Transactions exempt from shareholders' approval:		
– Provision of construction services by	439	417
– Purchase of equipment from	62	47
– Provision of information technology services by	227	106
– Purchase of natural gas from	875	585
– Provision of LNG terminal usage services by	211	365
– Provision of logistic services to	17	–
Transactions fully exempt from shareholders' approval, annual review and all disclosure requirement:		
– Sales of gas, gasoline and diesel to	12	16
– Provision of construction and installation services to	6	27
– Provision of property management services by	10	8
– Provision of property management services to	1	1
– Provision of outsourcing services by	8	17
– Lease of premises from	3	3
– Lease of premises to	2	2
– Sales of materials to	1	17
– Provision of administrative services by	15	18
– Provision of supporting services to	26	26
– Provision of technology services to	46	31
– Provision of electronic business services by	10	5
– Loan interest received from	3	4
– Purchase of equity interest from	62	–
– Provision of energy efficiency technical services to	5	6
– Provision of logistic services to	–	56

The Company issued senior notes on 17 May 2022 and 17 September 2020 and unsecured bonds on 24 July 2017. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

31. Related Party Transactions *(continued)*

Financial guarantee contracts

As at 30 June 2022, the guaranteed facilities amount utilised by an associate and the joint ventures were approximately RMB982 million (31 December 2021: RMB520 million).

Upon initial recognition, the fair value of a financial guarantee contract of the Group is RMB23 million (31 December 2021: RMB23 million) with a carrying amount of RMB20 million as at 30 June 2022 (31 December 2021: RMB21 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	
	2022	2021
	RMB'000	RMB'000
Short-term employee benefits	8,582	5,685
Post-employment benefits	293	62
Share-based payments	5,609	16,363
	14,484	22,110



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