ENN 新奧

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

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

Interim Results Announcement
For The Six Months Ended 30 June 2021

Results Highlights:

	For The Six Months Ended 2021	2020	Increase
Profit attributable to owners of the Company *(RMB million)*	3,765	2,693	39.8%
Core profit△ *(RMB million)*	3,685	3,112	18.4%
Basic earnings per share *(RMB)*	3.34	2.40	39.2%
Interim dividend per share *(HK$)*	0.59	-	-
Retail gas sales volume# *(million m^3)*	12,431	10,163	22.3%
Sales volume of integrated energy# *(million kWh)*	8,049	4,806	67.5%

△Profit attributable to owners of the Company but stripping out other gains and losses (excluding net settlement amount realised from commodity derivative contracts) and share-based payment expenses.
#The Group's operational data disclosed in the announcement included the data of its subsidiaries, joint ventures and associates.

The Board of Directors (the "**Board**") of ENN Energy Holdings Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2021 together with the comparative unaudited figures for the corresponding period in 2020. The interim results and the unaudited condensed consolidated financial statements have been reviewed by the Company's Audit Committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Six months ended 30 June 2021 RMB million (unaudited)	2020 RMB million (unaudited)
Revenue	3	41,232	31,543
Cost of sales		(34,190)	(25,941)
Gross profit		7,042	5,602
Other income		552	421
Other gains and losses	4	214	(234)
Distribution and selling expenses		(535)	(435)
Administrative expenses		(1,655)	(1,392)
Share of results of associates		166	166
Share of results of joint ventures		301	266
Finance costs		(304)	(320)
Profit before tax		5,781	4,074
Income tax expense	5	(1,351)	(909)
Profit for the period		4,430	3,165
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value (loss) gain of equity instruments at fair value through other comprehensive income ("**FVTOCI**"), net of tax		(3)	63
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		-	(1)
Fair value gain (loss) of hedging instruments during the period, net of tax		79	(230)
Other comprehensive income for the period, net of tax		76	(168)
Total comprehensive income for the period		4,506	2,997
Profit for the period attributable to:			
Owners of the Company		3,765	2,693
Non-controlling interests		665	472
		4,430	3,165
Total comprehensive income for the period attributable to:			
Owners of the Company		3,841	2,525
Non-controlling interests		665	472
		4,506	2,997
		RMB	*RMB*
Earnings per share	7		
Basic		3.34	2.40
Diluted		3.32	2.39

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	Notes	**At 30 June 2021** *RMB million (unaudited)*	**At 31 December 2020** *RMB million (audited)*
Non-current Assets			
Property, plant and equipment		43,439	41,861
Right-of-use assets		2,119	2,129
Investment properties		261	261
Goodwill		2,511	2,511
Intangible assets		4,309	4,446
Interests in associates		3,682	3,619
Interests in joint ventures		4,461	4,141
Other receivables		256	73
Derivative financial instruments		479	292
Investments in financial assets at fair value through profit or loss ("**FVTPL**")		4,734	4,760
Equity instruments at FVTOCI		249	211
Amounts due from associates		23	6
Amounts due from joint ventures		8	10
Deferred tax assets		1,350	1,370
Deposits paid for investments		51	1
Deposits paid for acquisition of property, plant and equipment, land use rights and right of operation		130	134
Restricted bank deposits		509	650
		68,571	66,475
Current Assets			
Inventories		1,195	1,285
Trade and other receivables	8	7,909	9,053
Contract assets		802	732
Derivative financial instruments		1,084	336
Investments in financial assets at FVTPL		77	70
Amounts due from associates		1,082	892
Amounts due from joint ventures		2,011	2,106
Amounts due from related companies		448	348
Restricted bank deposits		180	116
Cash and cash equivalents		8,651	8,630
		23,439	23,568
Current Liabilities			
Trade and other payables	9	7,569	8,302
Contract liabilities		13,219	14,242
Deferred income		38	38
Amounts due to associates		349	319
Amounts due to joint ventures		723	976
Amounts due to related companies		1,185	925
Taxation payables		1,049	971
Dividend payables		2,273	-
Lease liabilities		79	89
Bank and other loans – due within one year		5,102	4,590
Corporate bonds		1,498	-
Senior notes		-	2,380
Derivative financial instruments		1,078	401
Share-based payment liabilities		23	-
		34,185	33,233
Net Current Liabilities		(10,746)	(9,665)
Total Assets less Current Liabilities		57,825	56,810

Capital and Reserves		
Share capital	117	117
Reserves	32,120	30,444
Equity attributable to owners of the Company	32,237	30,561
Non-controlling interests	5,918	5,611
Total Equity	38,155	36,172
Non-current Liabilities		
Contract liabilities	3,153	3,212
Deferred income	749	729
Amounts due to joint ventures	585	585
Lease liabilities	288	310
Bank and other loans – due after one year	2,645	2,078
Corporate bonds	599	2,097
Senior notes	4,781	4,827
Unsecured bonds	3,646	3,712
Derivative financial instruments	468	526
Deferred tax liabilities	2,732	2,562
Share-based payment liabilities	2	-
Financial guarantee liabilities	22	-
	19,670	20,638
	57,825	56,810

Notes:

1. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the condensed consolidated financial statements for the six months ended 30 June 2021, the directors of the Company (the "**Directors**") have given careful consideration of the Group's net current liabilities of approximately RMB10,746 million on that date. A wholly-owned subsidiary of the Company was approved by the National Development and Reform Commission on 19 January 2020 to issue green bonds amounting to RMB5,000 million. In addition to the unused issuance quota, the Group had unutilised credit facilities aggregating to approximately RMB12,061 million as at 30 June 2021, which would be subject to renewal within twelve months therefrom. At the time of approving the condensed consolidated financial statements for the six months ended 30 June 2021, the Directors have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future, and they therefore consider it appropriate to prepare these financial statements 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 changes of accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatory effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform-Phase 2

The application of these amendments to HKFRSs 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.

3. SEGMENT INFORMATION

Information reported to the vice chairman of the Board 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.

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 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

Six months ended June 2020

	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	24,559	2,120	17,034	3,027	2,340	49,080
Inter-segment sales	(6,368)	(19)	(9,115)	(358)	(1,677)	(17,537)
Revenue from external customers	18,191	2,101	7,919	2,669	663	31,543
Segment profit before depreciation and amortisation	3,618	483	138	1,627	567	6,433
Depreciation and amortisation	(582)	(72)	(2)	(174)	(1)	(831)
Segment profit	3,036	411	136	1,453	566	5,602

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	**2020**
	RMB million	*RMB million*
Net fair value loss on investments in financial assets at FVTPL	(22)	(5)
Net fair value gain on derivative financial instruments (note a)	248	85
Gain (loss) on foreign exchange, net (note b)	77	(138)
Impairment loss under expected credit loss model, net of reversal:		
- Trade and other receivables	(34)	(41)
Impairment loss recognised in respect of property, plant and equipment	-	(48)
Net loss on disposal of:		
- Property, plant and equipment	(50)	(48)
- Subsidiaries	(2)	(42)
Others	(3)	3
	214	(234)

Notes:

a. Included in the amount for the period are net realised gain of RMB91 million (six months ended 30 June 2020: RMB149 million) and net unrealised gain of RMB171 million (six months ended 30 June 2020: loss of RMB68 million) recognised by the Group in relation to commodity derivative contracts.

b. Included in the amount for the period ended 30 June 2021 is an exchange gain of approximately RMB114 million (six months ended 30 June 2020: loss of RMB155 million) arising from the translation of senior notes, unsecured bonds and bank loans denominated in USD to RMB.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	**2020**
	RMB million	*RMB million*
Current tax	1,160	758
Withholding tax	22	7
Overprovision of withholding tax in prior years	-	(71)
	1,182	694
Deferred tax	169	215
	1,351	909

As the major operating income of the Group are derived from People's Republic of China (the "**PRC**"), the tax expenses arose principally from the PRC Enterprise Income Tax for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25%.

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

6. DIVIDEND

The final dividend in respect of fiscal year 2020 of HK$2.10 (equivalent to approximately RMB1.77) per share and a special dividend of HK$0.32 (equivalent to approximately RMB0.27) per share (six months ended 30 June 2020: final dividend in respect of fiscal year 2019 of HK$1.67 (equivalent to approximately RMB1.50) per share) amounting to approximately RMB2,273 million (six months ended 30 June 2020: RMB1,719 million) were declared on 22 March 2021 and paid on 23 July 2021.

On 23 August 2021, the Board announces the payment of an interim dividend of HK$0.59 (equivalent to approximately RMB0.49) per share for the six months ended 30 June 2021 (six months ended 30 June 2020: nil) payable to shareholders of the Company whose names are on the register of members on 8 November 2021.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	**2020**
	RMB million	*RMB million*
Earnings		
Earnings for the purpose of basic and diluted earnings per share	3,765	2,693

	Six months ended 30 June	
	2021	**2020**
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,128,710	1,122,988
Effect of dilutive potential ordinary shares:		
- share options	4,002	2,313
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,132,712	1,125,301

Diluted earnings per share for the six months ended 30 June 2021 and 2020 are calculated assuming all dilutive potential ordinary shares were converted.

8. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables are trade receivables of RMB2,388 million (31 December 2020: RMB2,184 million). The following is an aged analysis of trade receivables, net of impairment, presented based on invoice date at the end of the reporting period:

	At 30 June 2021	At 31 December 2020
	RMB million	*RMB million*
0 to 3 months	1,519	1,418
4 to 6 months	305	301
7 to 9 months	143	181
10 to 12 months	155	16
More than one year	266	268
	2,388	2,184

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB5,603 million (31 December 2020: RMB6,186 million). The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	At 30 June 2021 *RMB million*	**At 31 December 2020** *RMB million*
0 to 3 months	3,331	3,472
4 to 6 months	811	1,094
7 to 9 months	452	535
10 to 12 months	313	236
More than one year	696	849
	5,603	6,186

BUSINESS REVIEW

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

	Six months ended 30 June 2021 *(unaudited)*	2020 *(unaudited)*	Increased/ (Decreased) by
Key financial data			
Revenue *(RMB million)*	41,232	31,543	30.7%
Gross profit *(RMB million)*	7,042	5,602	25.7%
Profit attributable to owners of the Company *(RMB million)*	3,765	2,693	39.8%
Core profit[△] *(RMB million)*	3,685	3,112	18.4%
Basic earnings per share *(RMB)*	3.34	2.40	39.2%
Interim dividend per share *(HK$)*	0.59	-	-
Key operational data[#]			
Number of city-gas projects in China	239	229	10
Connectable urban population coverage *(thousand)*	116,831	107,573	8.6%
New natural gas customers developed during the period:			
– residential households *(thousand)*	1,182	1,025	15.3%
– C/I customers *(sites)*	13,858	8,326	66.4%
– installed designed daily capacity for C/I customers *(thousand m^3)*	10,201	6,559	55.5%
Accumulated number of customers:			
– residential households *(thousand)*	24,395	21,945	11.2%
– C/I customers *(sites)*	190,986	157,087	21.6%
– installed designed daily capacity for C/I customers *(thousand m^3)*	151,987	131,268	15.8%
Piped gas penetration rate	62.6%	61.2%	1.4ppt
Retail gas sales volume *(million m^3)*	12,431	10,163	22.3%
Wholesale of gas volume *(million m^3)*	3,580	3,669	(2.4%)
Combined daily capacity of natural gas processing stations *(thousand m^3)*	155,440	154,017	0.9%
Total length of existing intermediate and main pipelines *(km)*	66,780	56,902	17.4%
Accumulated number of integrated energy projects in operation	135	108	27
Integrated energy projects under construction	40	23	17
Sales volume of integrated energy *(million kWh)*	8,049	4,806	67.5%
Share price information			
Highest share price *(HK$)*	153.40	98.55	
Lowest share price *(HK$)*	110.10	60.45	
Closing share price at the end of the period *(HK$)*	147.80	87.20	69.5%

△ Profit attributable to owners of the Company but stripping out other gains and losses (excluding net settlement amount realised 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.

FINANCIAL PERFORMANCE

During the period, revenue of the Group increased by 30.7% to RMB41,232 million compared with the same period last year. Due to economies of scale and benefited from low interest rate environment globally, the ratio of operating expense and finance cost to revenue decreased by 0.76 percentage points to 6.05%. Net other gains amounted to RMB214 million, up by RMB448 million compared with the same period last year, mainly attributable to the impact of appreciation in Renminbi and fair value gain of derivative financial instruments during the period. As a result, profit attributable to the owners of the Company amounted to RMB3,765 million, an increase of 39.8% over same period last year. Stripping out the impact of other gains and losses (excluding net settlement amount realised from commodity derivative contracts) and share-based payment expenses totalling RMB80 million, core profit driven by operating activities increased by 18.4% to RMB3,685 million, with an average growth rate of 16.1% over the same period in 2019 and 2020. Basic earnings per share increased by 39.2% over the same period last year to RMB3.34. During the period, the Group's operating cash flow was RMB4,474 million, leading to positive free cash flow of RMB1,473 million, a significant increase of RMB1,384 million compared with the same period last year.

In order to spread out the Group's cash resources across the year and share its results with shareholders earlier, the Company has resolved to distribute its annual dividend in two tranches, starting from this financial year. The Board is therefore pleased to declare the Company's first interim dividend since its IPO in 2001 of HK$0.59 per share. The Company will maintain its annual dividend payout ratio similar to that of last year.

OPERATION HIGHLIGHTS

Digitalised Safety Management

The Group is committed to providing safe and stable low-carbon energy to its customers and has always put operation safety as its top priority. The Group has a regular programme to maintain and replace its old pipelines, and meanwhile, a digitalised system is in place to manage the construction and operation of pipelines, in order to ensure safe, stable and reliable operation of gas pipelines. To ensure the safe use of gas by C/I customers and enhance service quality, the Group performs quarterly/monthly/weekly on-site safety checks according to customer's scale of usage. Furthermore, the Group also vigorously promotes the application of IoT meters to customers. Through the use of IoT application, the Group will be in a position to obtain the gas consumption data of customers in different parts of the city in real-time, analyse the current operation status of the meters with data collected, promptly detect abnormalities so as to reduce the probability of gas accidents. The Group's penetration rate of IoT meters for C/I customers has gradually increased to 42%.

For residential customers, the Group conducts door-to-door safety inspections once a year for general users and twice a year for rural gas users, more frequent than the biennial safety inspection standard for urban residents as required by state regulations. The Group also actively promotes the "Smart Safety Inspection System V2.0" which enable the users to carry out online safety self-inspection and self-test programs and guide them to report the status of indoor gas in accordance with the safety inspection procedures. Residential customers can also reach out to our customer service officers via multiple channels, including the Group's national customer service hotline 95158, mobile APP and social media to ensure the safety of customer-end gas facilities and conduct thorough safety checks under any circumstances, thus enhance customer satisfaction.

While promoting digitalised safety management, we also value customer privacy and security of information and we have formulated Data Privacy Policy. In order to ensure users' information has been stored safely, and will be used and transmitted lawfully, we have also formulated a series of information security management systems covering for example, organisational responsibilities, access specifications, construction, operation and maintenance and we used various security technologies and programmes to protect data security, prevent information leakage and risks of illegal attacks, unauthorised access, modification, damage or loss, etc.

Natural Gas Sales Business

Customer-orientation is the bedrock of the Group's business activities, and we further explored gas demand of existing customers while continuously developing new customers. For the six months ended 30 June 2021, the volume of natural gas sold to C/I customers, residential customers and vehicles refuelling stations increased to 12,431 million cubic meters or by 22.3% compared with the same period last year. Retail gas sales revenue was up by 27.2% to RMB23,138 million. Gross profit increased by 11.0% to RMB3,369 million. During the period, LNG spot price surged significantly driven by strong demand. The Group seized opportunities in trading market, utilising its diversified LNG resources to conduct wholesale business, and recorded 3,580 million cubic meters of wholesale volume during the period. Surging LNG price drove the revenue growth of wholesale business to RMB9,768 million, or by 23.3% compared with the same period last year. Gross profit recorded a remarkable increase of 162.5% to RMB357 million. The Group flexibly deployed its diversified resources portfolio, maximised the profit of overall natural gas sales business while maintaining the steady growth of its retail gas sales business.

C/I Market

The Group developed 13,858 C/I customers (gas appliances installed with daily designed capacity of 10,200,523 cubic meters) during the period. The installed daily designed capacity from "coal-to-gas conversion" was approximately 2.652 million cubic meters, accounting for 26% of newly developed C/I customers. The Group has implemented market-based pricing for C/I customers' installation fees, which was steady compared with the previous year. As of 30 June 2021, the Group has served a total of 190,986 C/I customers (gas appliances installed with the daily designed capacity of 151,987,068 cubic meters). With the gradual consumption of gas by newly developed C/I customers and robust industrial production activities, coupled with the low base effect last year, the Group's total volume of natural gas sold to C/I customers reached 9,616 million cubic meters during the period. This represents an increase of 26.3% over the same period last year, and accounts for 77.4% of the retail gas sales volume sold in the period under review.

Residential Market

During the period, the Group completed the construction and installation for 1.182 million newly developed residential customers, representing an increase of 157,000 from the same period last year. Among which, new buildings, existing buildings and "rural coal-to-gas" conversion accounted for 73%, 8% and 19% respectively. The average construction and installation fee was RMB2,519 per household, maintained at a stable level over the past years. As of 30 June 2021, the Group had developed 24.395 million residential customers cumulatively, raising the average piped gas penetration rate to 62.6%. Benefiting from the gradual use of natural gas by newly developed customers and independent heating adopted by more customers, the Group's total volume of natural gas sold to residential customers increased by 14.8% to 2,455 million cubic meters, accounting for 19.7% of the retail gas sales volume sold in the reporting period.

Project Development

The Group acquired exclusive operating rights of 4 city-gas projects which are Ruyang Industrial Cluster Zone in Jiangsu province, Lvsigang Town of Qidong City in Henan province, Lantang Industrial New Town of Zijin County in Guangdong province, and Qianjiang Industrial Park of Chizhou in Anhui province. These projects consist of high energy demand industries such as glass processing, metal smelting and ceramic production, which will bring more industrial gas sales volume to the Group. Currently, the Group has a total of 239 city-gas projects in Anhui, Beijing, Fujian, Guangdong, Guangxi, Hebei, Henan, Hunan, Inner Mongolia, Heilongjiang, Jiangsu, Jiangxi, Liaoning, Sichuan, Shandong, Yunnan, Zhejiang, Shaanxi, Shanghai and Tianjin, with a connectable population of 117 million.

Integrated Energy Business

During the period, a total of 16 integrated energy projects were put into operation, and the number of operational projects increased to 135, generating a total of 8,049 million kWh of integrated energy sales of cooling, heating and electricity to the Group, up 67.5% over the same period last year. Revenue of integrated energy business increased by 74.3% to RMB3,662 million. The Group also has 40 integrated energy projects under construction, including 13 distributed photovoltaic projects with a total installed capacity of 40MW. When the above projects and the operating projects reach full utilisation, it is expected to achieve 34.4 billion kWh of integrated energy sales. Besides, the Group proactively developed integrated energy projects utilising low-carbon energy sources, such as biomass, photovoltaic and geothermal heat energy etc. The Group also tapped into distributed clean heating projects in the mid to lower reaches of the Yangtze River, where total heating areas under the Group reached 6.03 million square meters. The integrated energy solutions we provide not only brought sustainable revenue to the Group, but also successfully reduced customers' energy consumption by more than 825,000 tons of standard coal and 2,743,000 tons of carbon dioxide emissions. These projects laid a good foundation for promoting the Group's transformation and upgrading to become an integrated energy service provider.

Value Added Business

The Group has a large customer base and currently provides gas supply for more than 24.395 million residential customers and 190,986 C/I customers. The potential added value of our customer network is huge. Based on a precise understanding of customers' needs for aesthetics, pipeline safety and safety intelligence, we connected LoRa, a remote data collection system, with a variety of intelligent applications, including magnetic valve alarm, heaters, water meter and gas meter, to create smart homes and provide personalised and high-quality energy services for customers during the period through cooperation with real estate developers, equipment manufacturers and other partners in the ecosystem. Meanwhile, the Group attached great importance to customers' energy safety. During the period, we promoted an alarm linkage system interconnecting solenoid valves, windows and other equipment and facilities in homes and C/I customers' plants with the information technology, which allowed customers to remotely monitor and control these through a mobile app. This system not only can stop gas leakages instantly, but it also effectively eliminates secondary damage caused by residual gas leakage. The Group is actively promoting the IoT intelligent applications and the alarm linkage system to enhance the revenue from the value added business while safeguarding customers' energy safety.

Sales of value added business amounted to RMB837 million, up 26.2% compared with the same period last year, thanks to the increase in product sales. Gross profit also increased by 15.7% to RMB655 million. Currently, the penetration rate of value added services among the Group's existing customer base was only 8%, and among newly developed customers during the period was 19%, reflecting its rapid development and enormous growth potential.

Capital Market Recognition

The Group had been awarded "Most Honored Company" in Institutional Investors' "All-Asia Executive Team" ranking for five consecutive years, and received top three rankings in various categories in the power sector, including "Best CEO", "Best CFO", "Best IR Professional", "Best IR Company" and "Best ESG", demonstrating the capital market's strong recognition of the outstanding leadership of ENN Energy's management and its excellent performance in investor relations.

OUTLOOK

Along with unprecedented heat waves and record-breaking high temperatures reported in the United States, Canada and Northern Europe so far this year, climate change has become a global challenge. China will gradually roll out specific development policies and action plans for the dual carbon goals, and local governments will also clarify timelines, roadmaps and construction plans to achieve these goals, with more efforts on energy conservation and emission reduction. The Group is proactively constructing its carbon neutral roadmap with clear action plan. To cope with climate change, the Group will conduct risk assessment, quantify the impact to our business due to rising temperature and extreme weather, and implement corresponding contingency plan. Meanwhile, the Group is also proactively exploring new business models including the utilisation of hydrogen, carbon trading and carbon asset management. Our goal is to achieve carbon neutrality by 2050.

In the second half of the year, the Group will continue to vigorously develop the natural gas business, focusing on the business opportunities of replacement of back-up power plants or large-scale boilers in the chemical and paper-making industries. At the same time, it will grasp the domestic policy of high coal prices and coal usage control, to actively promote natural gas usage of large-scale steel, lime kilns, and cement companies, so as to expand the Group's natural gas sales. The Group will also deploy digitalised system to accurately predict customer needs, coordinate resources demand and supply, step up implementation of various upstream resources and gas storage capacity, reserve LNG resources in advance during the low price period, negotiate with customers in advance regarding alternative energy supply in winter, and communicate with governments on the condition of gas sources, response measures, emergency preparedness and other information, ensuing a stable supply of gas in winter.

The Group actively developed asset-light energy services, including managing and operating energy facilities for customers, installing smart energy management system "Serlink" to optimise customers' energy consumption, providing renewable energy application solutions, etc., in an effort to save energy and reduce carbon emissions for customers. Meanwhile, the Group starts to promote green factory and green building solutions and expand the scope of integrated energy business within industrial parks, striving to build green and smart industrial parks. Starting with PV as an entry point, the Group will advance the investment and operation of facilities, and provision of digital services based on the pain points and needs of customers, to amplify the synergistic value of our business. It is believed that under the dual carbon goals of China, the Group's integrated energy business will show rapid growth.

In terms of value added business, the Group will continue to explore customer's needs and provide them with total solutions of lifestyle services, especially products than can bring better protection to customers' safety of usage. The Group strives to develop value added business as a new pillar to enhance customer loyalty as well as new profit growth driver.

The Group will continue to invest resources in enhancing its digitalised safety management, via increasing the application of advanced pipeline testing equipment, consolidating the safety awareness of all staff and strengthening emergency response capabilities. At the same time, we will continue to carry out specialised rectification projects, such as the replacement of old pipelines and overdue gas meters, formulation of inspection plans which comply with the continuously evolving laws and regulations, to ensure production and operation safety and compliance.

INTERIM DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board announces the payment of an interim dividend of HK$0.59 (equivalent to approximately RMB0.49) per share for the six months ended 30 June 2021 (six months ended 30 June 2020: nil) payable to shareholders of the Company whose names are on the register of members on Monday, 8 November 2021, 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 Tuesday, 30 November 2021.

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, 8 November 2021 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, 5 November 2021.

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 2021 *RMB million*	31 December 2020 *RMB million*	Increased/ (Decreased) by *RMB million*
Bank balances and cash (excluding restricted bank deposits)	8,651	8,630	21
Long-term debts (including bonds)	11,671	12,714	(1,043)
Short-term debts (including bonds)	6,600	6,970	(370)
Total debts	18,271	19,684	(1,413)
Net debts[1]	9,620	11,054	(1,434)
Total equity	38,155	36,172	1,983

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

Net gearing ratio[2]	25.2%	30.6%	(5.4ppt)
Net current liabilities	10,746	9,665	1,081
Unutilised credit facilities	12,061	12,001	60

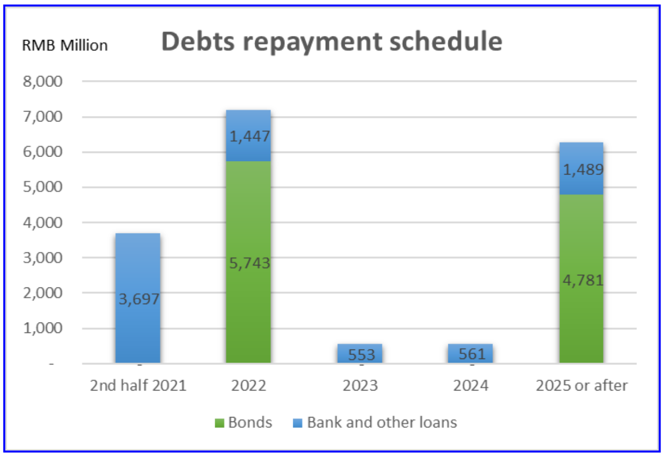
Working Capital Management

The Group's bank balances and cash (excluding restricted bank deposits) amounted to RMB8,651 million, similar to the balance at the end of 2020, which reflects the setoff of a reduction in debts and an increase in operating income.

As at 30 June 2021, the Group recorded net current liabilities of approximately RMB10,746 million. The Group had re-invested the funds from customers' advanced payment for gas supply, and construction and installation contracts, which were stable and non-refundable, in new projects development. The Group aims at maintaining a reasonable cash level. The Group's corporate bonds and unsecured bonds aggregating to approximately RMB5,743 million will be due in 2022. The Group will continue to monitor the market changes, take the opportunity to refinance the expiring bonds by issuing long-term bonds. At that time, the net current liabilities would be improved significantly.

As at 30 June 2021, the Group's operating cash inflow was RMB4,474 million, while the free cash flow[3] increased significantly by RMB1,384 million to approximately RMB1,473 million compared with the same period last year. As the Group has high quality current assets and good credit ratings, and given that the cash on hand, unused bond quota of RMB5,000 million and standby credit facilities provided by corresponding banks have reached RMB12,061 million, the Group's capital expenditures, finance costs and external dividends payment will be sufficiently met.

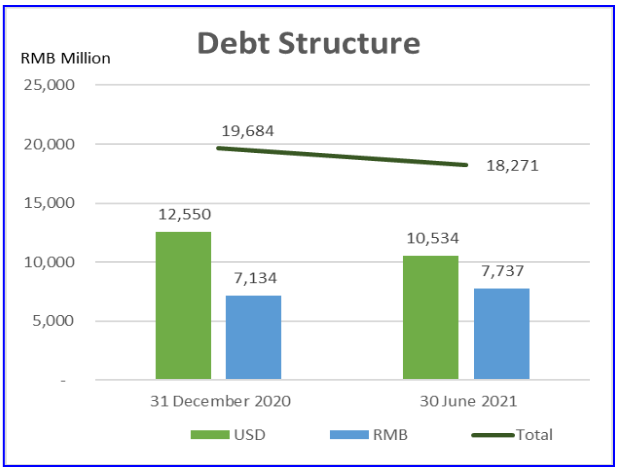
Borrowings Structure



The Group has been adopting a prudent management policy on financial resources to ensure the stability and flexibility of the Group's capital and debts structure. As at 30 June 2021, the Group's total debts amounted to RMB18,271 million, representing a decrease of RMB1,413 million compared to the total debts as of 31 December 2020, mainly due to the repayment of a remaining balance of the senior notes of USD366 million during the period. The Group's net gearing ratio as at 30 June 2021 reduced by 5.4 percentage points compared to end of last year to 25.2%. For the expiring corporate bonds and unsecured bonds in 2022, the Group will continue to monitor the market changes and take the opportunity to refinance these bonds by issuing long-term bonds. The Group seeks to maintain strict control over the debt level and strike a balance between duration of debt and cost of financing. In managing borrowings, the Group will seek to spread the maturity dates evenly over different years as possible in order to reduce the time pressure and cost of refinancing.

[2]Net gearing ratio = Net debts / Total equity
[3]Free cash flow = Cash flow from operating activities - capital expenditure - finance cost + dividend income

Foreign exchange risk management



As at 30 June 2021, the principal amount of the Group's borrowings denominated in foreign currencies amounted to USD1,641 million (31 December 2020: USD1,936 million), equivalent to approximately RMB10,534 million (31 December 2020: RMB12,550 million), and among which 80.0% (31 December 2020: 68.0%) is long-term debt. In managing foreign exchange risk arising from bonds and loans denominated in foreign currencies, the Company entered into foreign currency derivative contracts, mainly cross currency swaps, with various financial institutions. The terms of which match with that of the Group's foreign debts in order to mitigate the foreign exchange risk arising from the interest and principal payments of such foreign debts. As of 30 June 2021, the Group has hedged debt principal of USD700 million (31 December 2020: USD750 million) and the hedge ratio of long-term USD debts reached 47.8% (31 December 2020: 40.9%). In view of the continuing fluctuation of RMB/USD rate, the Group will continue to closely monitor the foreign exchange market and strive to use foreign currency derivative contracts to mitigate the impact on its results when deemed appropriate.

COMMODITY PRICE RISK MANAGEMENT

At present, the Group has four regular medium to long-term international LNG sale and purchase agreements. The pricing of the international sale and purchase agreements is mainly indexed to the price of crude oil or natural gas. Changes in these indexes may bring risk exposure to the Group. Therefore, the Group has established a series of risk management policies and commodity hedging mechanism by hedging a reasonable proportion of planned annual sale and purchase of LNG, to stabilise the Company's international LNG procurement costs and reduce commodity price risks, so as to minimise the adverse impact of international energy price fluctuations on the Group's business. During the period, the Company developed a mobile APP – ETMO risk management platform corresponding to the Energy Trading Risk Management (ETRM) System, which allowed portable monitoring of business fully. In addition, the Group will continue to monitor market and business conditions to optimise its existing hedging strategy, trading authorisation and risk management policies, so as to better manage the risks associated with the Group's international LNG procurement.

During the period, the Group has recognised realised gains on changes in fair value arising from commodity derivative contracts of RMB91 million (six months ended 30 June 2020: RMB149 million) and unrealised gain of RMB171 million (six months ended 30 June 2020: loss of RMB68 million).

CONTINGENT LIABILITIES

As at 30 June 2021, the Group has no significant contingent liabilities.

FINANCIAL GUARANTEE LIABILITY

As at 30 June 2021, the loan facilities utilised by an associate and the joint ventures guaranteed by the Group were approximately RMB517 million (31 December 2020: RMB775 million). The carrying amount of the financial guarantee contract as at 30 June 2021 is approximately RMB22 million (31 December 2020: nil).

CAPITAL EXPENDITURES AND COMMITMENTS

(a) Capital expenditures

For the six months ended 30 June 2021, the Group's capital expenditure was RMB2,872 million (six months ended 30 June 2020: RMB2,860 million), mainly related to piped gas projects, integrated energy projects and acquisition of new projects.

(b) Capital commitments

As at 30 June 2021 and 31 December 2020, the Group's capital commitments are as follows:

	At 30 June 2021 *RMB million*	**At 31 December 2020** *RMB million*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	804	899
Capital commitments in respect of		
- acquisition of a subsidiary	74	-
- investments in joint ventures	500	518
- investments in associates	470	469
- other equity investments	2	2

(c) Other commitments

The Group has entered into medium to long-term sale and purchase agreements to acquire LNG from four 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 for the purpose of meeting the domestic LNG demands of the Group's customers. Accordingly, these own-use agreements are not considered as derivative financial instruments within the scope of financial instruments standards since initial recognition. In addition, the LNG pricing under these agreements are linked to certain oil and gas price indexes and are denominated in USD, of which the economic characteristics and risks of the embedded derivatives are closely related to the economic characteristics and risks of the relevant host contracts. Accordingly, the embedded derivatives are not separated from these agreements as derivative financial instruments recognised in the consolidated financial statements.

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, risk management, internal control 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 for the six months ended 30 June 2021 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The Company's Audit Committee meeting was held on 20 August 2021 to review the Group's unaudited interim results and interim financial report for the six months ended 30 June 2021.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

As at 30 June 2021, 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. During the period, the Company has granted notional gain of 866,600 awarded shares to certain outperformed directors and employees under the scheme to reflect their changes in roles and commitment subsequent to the grant of share options to them under the Scheme, the award price was also HK$76.36, and the vesting of the notional gains (if any) were subject to the fulfillment of their respective performance targets. For details about the Company's share award scheme, reference would be made to the announcement on the adoption of the share award scheme issued by the Company on 30 November 2018.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions by the directors of the Company. Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions during the six months ended 30 June 2021.

Senior managers 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) of the Company, have also been requested to comply with the provisions of the Model Code.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2021, the Company has complied all the Code Provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

DISCLOSURE OF INFORMATION AND PUBLICATION OF INTERIM REPORT ON THE STOCK EXCHANGE AND COMPANY WEBSITE

The Interim Results announcement has been published on the Company's website at www.ennenergy.com and the Stock Exchange's HKEXnews website at www.hkexnews.hk.

The Company's 2021 Interim Report will be available on the websites of the Company and the Stock Exchange's HKEXnews on and before or after Tuesday, 7 September 2021, and despatch to shareholders.

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

Hong Kong, 23 August 2021

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