ENN 新奧

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

INTERIM REPORT 2020
二零二零年中期業績報告

TOGETHER WE BUILD A
BETTER ECO FUTURE
共創生態未來

CONTENTS

FINANCIAL AND OPERATIONAL HIGHLIGHTS

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 **2020** **(Unaudited)**	2019 (Unaudited)	Increased/ (Decreased) by
Results			
Revenue (RMB million)	**31,543**	35,344	(10.8%)
Gross profit (RMB million)	**5,602**	5,598	0.1%
Profit attributable to owners of the Company (RMB million)	**2,693**	3,362	(19.9%)
Basic earnings per share (RMB)	**2.40**	2.99	(19.7%)
Operational data#			
Number of city-gas projects in China	**229**	201	28
Urban population coverage (thousand)	**107,573**	99,950	7,623
New natural gas customers developed during the period:			
– residential households (thousand)	**1,025**	1,287	(262)
– C/I customers (sites)	**8,326**	12,110	(3,784)
– installed designed daily capacity for C/I customers (thousand m^3)	**6,559**	8,638	(2,079)
Accumulated number of piped gas customers:			
– residential households (thousand)	**21,945**	19,787	2,158
– C/I customers (sites)	**157,087**	133,209	23,878
– installed designed daily capacity for C/I customers (thousand m^3)	**131,268**	115,178	16,090
Piped gas penetration rate	**61.2%**	59.4%	1.8 ppts
Retail gas sales volume (million m^3)	**10,163**	9,769	394
Wholesale of natural gas sales volume (million m^3)	**3,669**	3,435	234
Number of natural gas processing stations	**199**	191	8
Combined daily capacity of natural gas processing stations (thousand m^3)	**154,017**	139,360	14,657
Total length of existing intermediate and main pipelines (km)	**56,902**	49,444	7,458
Accumulated number of integrated energy projects in operation	**108**	82	26
Integrated energy projects under construction	**23**	37	(14)
Sales volume of integrated energy (million kWh)	**4,806**	1,952	2,854

The Group's operational data included the data of its subsidiaries, joint ventures and associates.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results

In the first half of 2020, COVID-19 continued to ravage and seriously affected economic activities globally, many countries experienced recession during the period. China has achieved remarkable results in pandemic control. Economic activities, especially industrial production, began to restart in the second quarter. Coupled with a series of economic stimulus and tax preferential policies launched by the Chinese government, GDP in the second quarter rebounded rapidly from 6.8% contraction in the first quarter to 3.2% growth. The Chinese government has continued to encourage the development of natural gas as one of the main energy sources to reduce environmental pollution. Local governments have continued to promote energy structure optimisation, integrated utilisation of multiple energy sources, as well as "coal-to-gas" conversion. Together with the lowering of domestic natural gas city gate price, the overall demand for natural gas in China has gradually recovered. According to the data of the National Development and Reform Commission, China's natural gas consumption in the first half of 2020 reached 155.6 billion cubic meters, a year-on-year increase of 4%.

The global pandemic has affected liquefied natural gas ("LNG") demand in various countries. Under the backdrop of oversupply and low oil price, the international LNG price continued to decline. The Group took advantage of its own long-term LNG import contracts and the right of accessing to controlling shareholder's Zhoushan terminal to import low-cost LNG from global sources in the period, which greatly reduced the Group's gas procurement costs and increased the competitiveness of natural gas. In addition, the Group has superior geographical coverage in economically well-developed coastal areas, and a quality customer structure dominated by industrial customers, thus, the impact brought about by the pandemic was lessened. Through deepening customer understanding, diversifying resources, improving internal operation efficiency and other key measures, we have achieved remarkable results in this challenging period!

During the period, total volume of natural gas sales of the Company, together with its subsidiaries, joint ventures and associates, increased by 4.8% compared to the same period last year to 13,832 million cubic meters. The Group passed through the reduction of upstream natural gas price to end-users, hence, revenue of the Group reduced by 10.8% to RMB31,543 million. Diversified gas procurement strategy successfully reduced the Group's cost, during the period, the gross profit margin of retail gas sales business and wholesale of gas increased by 3.1 percentage points to 16.7% and 1.3 percentage points to 1.7% respectively, hence, improving the Group's overall gross profit margin by 2.0 percentage points to 17.8%.

Profit attributable to shareholders amounted to RMB2,693 million, down by 19.9% compared to the same period last year. The decline was mainly due to the significant fair value change of commodity derivative contracts between the two periods. With the adoption of hedge accounting since the beginning of this year, the impact on statement of profit and loss due to such fair value change was reduced. Stripping out other gains and losses (excluding net settlement amount realised from commodity derivative contracts) and amortisation of share option expenses, the core profit driven by operating activities increased by 13.8% to RMB3,112 million.

Business Review

Development of new customers

The Chinese government has continued to promote air pollution control, energy conservation and emission reduction programmes. While encouraging various forms of energy use and improving energy efficiency, the Chinese government has also actively promoted energy system transformation and integrated utilisation of multiple energy sources. Compared to other alternative energy sources, natural gas continued to receive government support for its advantages of high combustion efficiency, low emission and low cost. Most of the Group's projects are located in key areas of air pollution prevention and control such as Beijing-Tianjin-Hebei, Guangdong, Henan, Shandong, Jiangsu, Zhejiang, where local governments strictly implement environmental protection policies. At the same time, an increasing number of customers are paying attention to green production and carbon content of their own products. With the lowering of natural gas price in the first half of the year and adequate gas supply, coupled with the effective pandemic control in China, the Group has been accelerating its development of new C&I customers.

During the period, the Group developed a total of 8,326 C/I customers (installed gas appliances with designed daily capacity of 6,559,072 cubic meters). Among which, incremental designed daily capacity from "coal-to-gas" customers was approximately 1.97 million cubic meters, accounting for 30% of newly-developed C/I customers. As of 30 June 2020, the total number of C/I customers served by the Group has reached 157,087 (installed gas appliances with designed daily capacity of 131,267,854 cubic meters). The Group will continue to strengthen its understanding on customers' demand, dig deeply the potential of customers' energy utilisation, enhance customer experience and satisfaction, and lay a strong foundation for further expansion of gas sales volume and development of integrated energy business.

According to the National Population Development Plan (2016–2030) issued by the State Council, the urbanisation rate of China's permanent residents will increase from 60% to 70% by 2030. China is sprinting toward a "moderately well-off society". In this context, large-scale urbanisation and the demand arising from people's pursuit of quality life, shall continue to provide the Group with enormous opportunities for developing urban residential market. At the same time, the Group also took advantage of the opportunities brought about by the government's initiatives to promote the transformation of old urban residential areas to untap market potential, and focus on the development of the old housing market. Outside the urban areas, the Group continued to focus on areas with higher affordability to implement "rural coal-to-gas" projects as part of its efforts to assist the local governments in achieving the replacement of scattered coals for the prevention and control of air pollution.

Since the beginning of 2020, the COVID-19 has caused delays in the construction and installation progress for new customers. The number of new residential customers developed was 1,025,000, representing a decrease of 262,000 from the same period last year. Among which, new buildings, old buildings and "rural coal-to-gas" conversion accounted for 73%, 7%, and 20% respectively. The average construction and installation fee was RMB2,508 per household, maintaining at a stable level over the past years. As of 30 June 2020, the Group has developed 21.94 million residential customers cumulatively, raising the average piped gas penetration rate to 61.2%. The Group proactively coordinated construction resources to accelerate new customers development progress in the second half of 2020.

Retail Gas Sales Business

Since the beginning of this year, COVID-19 has brought severe challenges to economies. The Group has been actively helping C/I customers on work and production resumption and ensure gas supply safety, while adhering to the government's efforts in pandemic prevention and control. With a customer-oriented strategy, the Group digs deep into existing customers and explores new customers with natural gas demand. At the same time, the Group has also collected and analysed customer energy consumption data through the established intelligent operation platform to fully understand customers' energy consumption patterns and demands, so as to customise solutions to address their issues in energy consumption. For example, the Group adopted flexible pricing policy which is pegged to alternative energy sources such as liquefied petroleum gas and heavy oil; provided discount to customers with stable and large gas consumption volume, and those with peak-shaving or interruptible gas needs; and provided energy-saving retrofitting services for customers to improve their energy efficiency, etc. so as to promote the continuous growth of customers' demand.

With the overall adequate resources of natural gas supply in the first half of the year, the Group flexibly adjusted its resource procurement strategy, and actively negotiated preferential pricing for incremental volume, while securing contract volume with the three major oil companies. The Group passed through the reduction of city gate price to end users, reduced customers' energy consumption cost, and attracted customers to continue to use energy. At the same time, the Group increased its import of low-cost LNG through long-term contracts and from spot market utilising its controlling shareholder's Zhoushan terminal, which effectively optimised its gas supply structure and reduced overall procurement cost of gas source. We shared part of the cost saving with customers having difficulties in running their businesses and high price sensitivity, effectively stimulated customers' gas consumption. At the same time, the Group also seized the opportunities of low international LNG price and preferential price for incremental gas purchase, actively expanded the number of downstream customers outside our concessions through interconnecting surrounding pipeline networks so as to increase gas sales volume.

During the period, the Group's natural gas sales volume increased by 4.0% to 10,163 million cubic meters. Due to the decline of upstream natural gas prices during the period, the Group conducted price pass through to end users, resulting in a decrease of 10.5% in revenue to RMB18,191 million. Benefiting from the diversified upstream procurement of the group, especially the cost savings brought by imported LNG, the gross profit of retail gas sales increased by 9.4% to RMB3,036 million.

Integrated Energy Business

In the first half of the year, despite a weak macro economy, the Group's integrated energy projects were more appealing to customers given the advantage of improving energy efficiency for customers and reducing their overall energy costs. The Group has seized multiple opportunities such as energy conservation and emission reduction, industrial transfer, industrial park heating structure adjustment, and Yangtze River heating supply. The Group provided heating, electricity and natural gas according to the local demand and continued to seize opportunities in the integrated energy market. At the same time, digital tools are used to create integrated energy simulation, optimisation of power bills, thermal facilities and other digital products. Data is used to connect customer demands with solutions and resources to accurately recognise and predict customers' individual energy demands, providing them with optimal integrated energy solutions and carry out smart operation and maintenance. Efforts were made to promote lean operation, optimisation and upgrade of projects under construction and in operation, improve project operation efficiency and realise the development of both quality and quantity of integrated energy business. In addition, based on the characteristics of different business formats, we have actively built industry benchmarking projects. At present, we have formed solutions for key industries such as ceramics, vitamin and pharmaceuticals, chemical fibre, printing and dyeing, glass, etc. We have configured product equipment and solutions according to local conditions, formed highly competitive industry product packages and service packages that demonstrate integrated energy characteristics, to achieve rapid replication and promotion.

During the period, a total of 10 integrated energy projects were put into operation, accumulated number of projects in operation increased to 108, generating a total of 4,806 million kWh of integrated energy sales per year to the Group, up 146.2% over the same period last year. Our integrated energy solutions not only brought sustainable benefits to the Group, but also benefited our customers through successful reduction of energy consumption by more than 146,363 tons of standard coal and carbon dioxide emissions by 611,852 tons, effectively facilitated energy transformation and improved environmental benefits. A total of 23 projects are under construction, which will be gradually put into operation in the next two years. A total of 21,360 million kWh of integrated energy sales per year can be achieved upon full utilisation. During the period, a total of 230 industrial park integrated energy projects have been signed, of which 148 are located outside the Group's city-gas concessions. We believe the business will develop rapidly when some of the quality projects are approved to go through and put into operation. Meanwhile, the Group also actively promotes the asset-light business model of "invested by customers + operated by ENN". Customers are responsible for the investment of related energy equipment and facilities. As the entrusted party, ENN is responsible for the operation management and daily maintenance of equipment and facilities, as well as the procurement and settlement of raw materials, both parties will then settle the accounts according to the pre-negotiated energy prices. Through energy saving and optimising operation efficiency, project profitability can be enhanced.

The Group adhered to its philosophy of integrated energy development, explored and utilised the most competitive resources based on different local conditions, and carried out technological innovation. Among the 108 projects that have been put into operation and 23 projects under construction, the numbers of projects powered by natural gas, industrial waste heat, biomass and other renewable energy sources as primary energy were 100, 17, 6 and 8 respectively. Among them, the integrated energy micro grid project in Hainan Yangpu Economic Development Zone is a representative project of biomass utilisation. Yangpu Economic Development Zone is a national level development zone approved by the State Council in 1992 and enjoys the policy of free trade zone. It is positioned as “one port and three bases” with shipping hub port, petrochemical, pulp and paper integration, oil and gas storage base focusing on Southeast Asia markets, electricity and steam are the main energy consumed in the development zone with an annual consumption scale of 409 million kWh. The project offered competitive pricing for the biomass-generated steam for the industrial parks by making full use of the biomass resources such as slabs and sawdust produced by the local rubber wood sawmills and adopted circulating fluidised bed boiler. At the same time, the project fully utilise heat source facilities in the park which can reduce further investment in energy facilities, and integrate power distribution and sales, as well as photovoltaic development to realise an integrated business model of heat, electricity and gas supply, enhancing our economic benefits and producing significant social benefits such as promoting resource recycling and driving energy conservation and emission reduction.

Value Added Business

The Group has a large customer base and has provided gas supply for more than 21.94 million residential customers and 157,087 C/I customers. The potential added value of our customer network is huge. With our “customer-oriented” business philosophy, we are able to develop in-depth understanding of customer needs, while developing and enriching our extended products and services, and designing value added product packages for different customers to meet their personalised needs through an innovative one-stop energy butler and life housekeeper service model.

On one hand, the Group’s energy experts evaluated the concerns faced by customers and provided them with energy-saving technologies and retrofitting services, as well as energy facility repairs, maintenance and other services, to help customers improve energy consumption, production efficiency and safe operation, to maintain their competitiveness and promote the continuous growth of customers’ energy demand. On the other hand, the Group also provided various supporting and customised products according to the needs of different customers, improved the sales volume of its own brand Gratle gas appliances such as cookers, space heaters, water heaters, kitchen ventilators, and disinfection cabinets, and launched a variety of smart products such as smart gas meters, alarms, automatic shut-off valves, etc., ensuring the safe use of gas for customers. Meanwhile, in line with the current needs of residents to improve living quality, the Group also expanded into the heating business in Jiangsu, Anhui, Hunan, Jiangxi and other Yangtze River basins with the heating installation business, providing users with one-stop heating solutions, including heating, air conditioning, security, fresh air, water purification, etc., to tap its huge value added business potential.

In the first half of the year, affected by COVID-19, the Group's revenue from value added business amounted to RMB663 million, down 36.1% from the same period last year. During the pandemic, although we have reduced the frequency of face-to-face communication with customers, the Group proactively promoted the use of mobile apps, online service platforms, and various social channels such as TikTok, Kwai, and WeChat official accounts to customers, successfully expanded our online users base, which laid a strong foundation for the rapid business growth in future. Furthermore, the Group provided diversified value added services to customers including high-end and smart products, therefore, gross profit of the segment increased significantly by 21.9 percentage points year-on-year to 85.4%. Currently, penetration rate of value added business among the Group's overall customers is only 7%, while among the newly-developed customers in the first half of the year, penetration rate was 14%, reflecting the rapid development of this business and its huge growth potential.

New Project Development

A number of small and medium-sized gas companies with single business model have been under mounting pressure in recent years due to the international trade dispute, regulation on gas distribution returns, higher procurement and financing costs. The Group seized the opportunity arising from industry consolidation, further expanded its gas distribution network and customer base. During the period, the Group acquired exclusive operating rights of 12 city-gas projects with an incremental population coverage of 2,170,000 and expected to drive additional gas sales volume of over 2 billion cubic meters in the next three years.

In the first half of 2020, the Group acquired 3 projects in Ruian and Pujiang in Zhejiang province, and Lianyungang Ganyu District in Jiangsu province. The Group's business footprint in the economically well-developed Zhejiang and Jiangsu provinces was further expanded. Ruian project has a GDP of more than RMB100 billion, ranking 25th among the top 100 counties in the country. There are 7,408 existing enterprises, including the three major industries, namely automobile and motorcycle parts, metal products and chemicals, and four leading characteristic light industries. Pujiang, known as the "Crystal City", "Padlock City" and "City of Quilting Textiles", has formed a number of advantageous characteristic industries and a massive economy such as crystal, lock making, clothing, knitting and quilting. The project has large untapped market potential for residential and C/I customers, upon acquisition, the volume of natural gas sales can be rapidly increased. The Lianyungang Ganyu District is the most developed economy in Lianyungang as a county. At present, it has leading industries such as petrochemicals, steel machinery, biochemicals, pharmaceuticals and chemicals, as well as new energy. At present, more than 99% of the gas sales volume attributable to C/I customers. The gas consumption volume is evenly-distributed throughout the year with a diversified customer portfolio. With the increase of the government's investment promotion and the guidance of environmental and energy policies, the gas volume growth potential is large. Meanwhile, four major industrial parks, namely Zhewang Lingang Industrial Park, Haizhou Bay Biotechnology Park, Jiangsu Ocean Economic Development Zone, Ganyu Economic Development Zone are in the Group's concessions, there are significant business opportunities in developing integrated energy business such as heating supply. The 3 projects in Ruian, Pujiang and Lianyungang Ganyu are all located in the surrounding areas of the Group's existing projects, and have achieved pipeline network interconnection, forming a "one network" gas sourcing advantage. At the same time, it can make full use of the low-cost LNG resources of the controlling shareholder's Zhoushan terminal, to meet the rapidly developed gas sources demand of the newly acquired projects, highlighting the advantages of upstream and downstream integration. The subsequent integration and operation of the projects relies on the local operation team that has more than ten years of experience, it is believed that the project's expected investment return can be achieved in short term.

As of 30 June 2020, the Group had a total of 229 city-gas projects in China, spanning over 22 provinces and autonomous regions including Anhui, Beijing, Fujian, Guangdong, Guangxi, Hebei, Henan, Hunan, Inner Mongolia, Heilongjiang, Gansu, Jiangsu, Jiangxi, Liaoning, Sichuan, Shandong, Yunnan, Zhejiang, Shanxi, Shaanxi, Shanghai and Tianjin, with a population of 108 million.

Wholesale of Gas Business

Leveraging on its well-established upstream resources network, smart dispatching system, and large-capacity transportation fleets, the Group distributed LNG to downstream customers such as small-scale gas distributors, LNG refuelling stations and power plants outside its city-gas concessions. During the period, the sales volume of wholesale of gas business recorded 3,669 million cubic meters, representing a growth of 6.8% over the same period last year, maintaining a leading market share in the domestic natural gas wholesale market. Due to low LNG price in the first half of 2020, revenue of wholesale of gas business declined by 15.1% to RMB7,919 million, however, benefiting from the national upstream natural gas reform and low-cost LNG resources, the gross profit of wholesale of gas business increased by 257.9% to RMB136 million.

At the same time, the Group leveraged on the low-cost LNG to enhance its bargaining power, cooperated with member companies to negotiate with upstream gas suppliers, successfully obtained diversified and cheaper gas resources, while reducing the purchase of expensive piped gas, creating value for member companies. The Group will continue to strengthen the advantages of the integration of LNG resources, distribution, storage and logistics capability, and make use of the strategic positioning of controlling shareholder's Zhoushan terminal to build a nationally competitive resources pool, link up internal and external transmission and distribution network, integrate the demand of downstream, and further expand its wholesale of gas business.

Optimising Gas Sources Structure

In the first half of the year, the supply of natural gas resources was adequate. In light of changes in resource supply and demand landscape, the Group took advantage of the opportunities arise from the change in competitive landscape in the upstream sector brought by the liberalisation of pipeline network, and flexibly adjusted its resource procurement strategy. On one hand, the Group will broadly expand resource alliances, establish a multi-gas supply structure, and actively strive for new city gate connection to the main pipeline network, so as to improve the gas receiving capacity, ensuring the base volume of piped gas and expanding incremental volume with preferential prices. On the other hand, the Group will focus on unconventional gas resources in Shanxi, Shaanxi, Sichuan and Chongqing as well as the LNG resources at coastal LNG terminals, to strengthen the capability of acquiring competitive gas sources, and further reduce overall procurement costs. The Group strives to enhance gas supply with a view to providing strong support for our market expansion.

The Group actively participated in the natural gas reform for provincial pipelines, to purchase gas sources from upstream suppliers directly, in order to realise upstream-downstream direct transaction. The Group continued to explore the procurement and sales of unconventional natural gas resources, so as to increase resources control capability. The Group signed a natural gas purchase and sale agreement with BP to provide the Group with piped gas resources with an annual volume of 300,000 tons for 2 years, to provide a more diversified supply of clean energy for the Guangdong region and support the coal-to-gas project in the Guangdong region. At the same time, the Group has established a gas sources management platform, which mainly includes module functions such as demand and supply matching, winter protection plan, procurement cost estimation, gas sources daily report, next month operation data verification and gas volume analysis to realise the Internet of Things access of pipeline network, energy supply equipment and meter. The Group leverages big data technology to establish algorithms to forecast demand and price, so as to achieve an optimal gas resources allocation.

Promoting Technological Innovation

The Group focuses on addressing its business pain points and needs, by aggregating resources in the ecosystem, and building a technological innovation platform on iCome to enhance the Group's core competitiveness. As of 30 June 2020, the Group has obtained a total of 647 patents on construction of gas pipeline, reengineering of gas refilling system, intelligent monitoring of gas meters, etc.. During the period, the Group applied for the establishment of more than 199 technological innovation projects, focusing on application scenarios such as smart pipeline network inspection, smart voltage regulation, automatic control of integrated energy stations, low-cost and clean heating, and end-user energy saving. The progressive implementation of these innovative projects continuously strengthened the core competitiveness of the Group, reduced the energy consumption of customers and enhanced the social benefits of member companies.

During the period, the Qingdao Zhongde Integrated Energy Station operated by the Group carried out technical modification for white smoke (water mist contained in the flue gas) produced by the exhaust gas of the gas-fired boilers in winter. Lithium bromide absorption heat pump was applied to absorb waste heat in the flue gas, with lowered gas temperature, white smoke was eliminated. Moreover, a large amount of latent heat from flue gas vaporisation is recovered to achieve the dual effects of eliminating the white smoke and waste heat recovery. After the implementation of the project, the energy efficiency of the heating system has increased by 6%. The integrated energy station can save 760,000 cubic meters of natural gas each year, while increasing the heating supply capacity by 6.6MW through waste heat recovery and increasing the heating area without expanding the scale of energy supply. The lithium bromide absorption heat pump is a technical solution for eliminating white smoke while saving energy. This solution has a wide range of applications and is replicable, it will be promoted to more heating supply and industrial integrated energy projects to create greater benefits and improve the environment.

Enhancing ESG management

The Group attaches great importance to environmental, social, and governance (ESG) management, incorporated ESG metrics including safety operations, corporate governance, environmental protection, and social responsibility into management's remuneration. Meanwhile, the Group organised ESG online training for employees, and incorporated ESG training participation and examination as part of the criteria in employees' value assessment to ensure they know before they act. In order to cultivate and strengthen compliance awareness, the Group required all employees to study the "ENN Integrity and Compliance Guideline" and sign the "Compliance Commitment", so as to achieve its objective of "Creating a compliant ENN, building a healthy ecosystem". Thanks to the team's efforts, the Group was included in the Hang Seng ESG 50 index and Hang Seng Corporate Sustainability Benchmark Index for the first time after the quarterly review of the Hang Seng Family of Indexes ended 30 June 2020.

COVID-19 has brought significant threat to public health since the beginning of the year. The Group actively cooperated with the government to prevent and control the pandemic with the use of iCome, WeChat groups and posters on pandemic prevention and control in order to raise employees' risk awareness. The Group also purchased sufficient disinfectant and hand sanitiser to thoroughly disinfect offices, canteens and vehicles and regularly opened windows for ventilation. At the same time, the Group also effectively monitored and reported on the pandemic and provided masks, protective gears and nucleic acid tests to employees. None of the Group's employees was infected.

The risk brought by climate change cannot be denied. The floods in Southern China also brought great challenges to the safety operation of gas supply. The Group has established flood prevention plan to protect gas meters, pressure regulating boxes/cabinets and other gas facilities to ensure the safety operation of gas facilities. The Group also started cooperation with the Urban Management and Law Enforcement, sharing data and information with Urban Management and Law Enforcement through connected platforms, which greatly enhanced efficiency of information acquisition, reduced chances of incidents caused by deterioration of pipelines, and providing smart alarm posts to front-line safety check officers to achieve interconnection with back office system and mobile applications so as to real-time monitor any construction works conducted by third-party along the pipeline network, timely alert any safety risks, thus, enhancing the safety of pipeline network operations.

Human and environment have built a harmonious symbiotic relationship. As a clean energy distributor, the Group implemented environmental protection in gas distribution and integrated energy business, and closely monitored emissions indicators. At the same time, the Group actively involved in a wide range of stakeholders to participate in environmental protection projects, encouraged shareholders to adopt electronic communication, and engaged all employees and stakeholders to participate in the "Earth Hour" campaign.

Capital Market Awards

With years of steady growth in operating results and business models that keep up with market changes, the Group was included in numerous influential rankings in capital market in the first half of 2020, including No. 996 in Forbe's The World's 2000 Largest Public Companies 2020 which leapt 438 places compared with 2019; No. 24 in The World's 50 Most Valuable Public Utility Brands (No.3 among Chinese shortlisted companies), reported by Brand Finance, a UK brand valuation consultancy; No. 148 in "China's Top 500 List" by Fortune Magazine, an international financial magazine highly recognised by investment professionals. These awards indicated the Group's powerful influence in energy sector and capital market.

Outlook

Chinese government aims to accelerate the formation of a new development pattern which is based on "domestic circulation", the improvement of domestic consumption shall drive the steady recovery of the economy, the resilience and vitality of China's economic development will be unleashed, it is expected that economic growth shall return to the level before the pandemic. The rapid growth of domestic industrial and commercial activities will lay a strong foundation for sustainable growth in energy consumption.

2020 is the critical year to winning the battle for Blue Sky. Major areas such as the "2+26" cities, the Yangtze River Delta, the Pearl River Delta, and the Fen-Wei Plain will continue to enhance environmental governance efforts to achieve the scheduled milestone. At the same time, during the 14th Five-Year Plan, the Chinese government will continue to push forward environmental governance and will continue to promote the optimisation and adjustment of the energy structure. The governance of highly polluted and high-energy-consuming industrial enterprises and the replacement of clean energy shall remain in top priority, where the use of natural gas and integrated energy will play an important role in the plan.

China Oil & Gas Pipeline Network Corporation is expected to be operational in the second half of 2020. The operations, dispatch and contingency of national trunk lines will be gradually improved. The liberalisation of pipelines will bring unprecedented development opportunities for the Group to flexibly utilise diversified natural gas resources. The energy reform is expected to provide sufficient and diversified natural gas supply. The Group's natural gas distribution business will gradually reduce its dependence on a single supply channel. In the future, the Group will have more capacity to coordinate resource supply and reduce the procurement cost so as to reduce the energy cost of C/I end users and promote the continuous expansion of natural gas distribution scale. Meanwhile, lower natural gas prices also created opportunities for the development of integrate energy to increase its profitability.

In the second half of 2020, the Group will focus on the following key measures to achieve the annual targets: in terms of natural gas retail business, the Group will seize opportunities brought about by coal-to-gas conversion, to develop C/I customers and residential users, so as to enhance the penetration rate of existing projects. The Group will also expand its market footholds to seize opportunities of industry consolidation during economic downturn, actively explore quality projects which are close to our existing projects, with huge industrial gas and integrated energy demand through M&A to boost gas sales volume. In terms of expanding the integrated energy business that supports future development, the Group will accelerate the market development of various types of industrial parks, to promote the integrated energy business model of synergistic supply of heating, electricity and gas, utilisation of multiple energy sources, and adoption of multi-technology. The Group will also emphasise project quality during rapid development and invests prudently according to internal guidance to ensure the profitability of the projects. In terms of value added business, the Group strives to understand the needs of residential and C/I customers to provide diversified and value added products, such as smart kitchens, in order to create value and utilise the value added services to retain customers and drive profit growth.

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 2020 RMB million	31 December 2019 RMB million	Increased/ (Decreased) by RMB million
Bank balances and cash (excluding restricted bank deposits)	**7,938**	7,373	565
Long-term debts (including bonds)	**10,100**	11,650	(1,550)
Short-term debts (including bonds)	**10,620**	7,495	3,125
Total debts	**20,720**	19,145	1,575
Net debts[1]	**12,782**	11,772	1,010
Total equity	**31,947**	31,020	927
Net gearing ratio[2]	**40.0%**	37.9%	2.1 ppts
Net current liabilities	**14,177**	11,773	2,404
Unutilised credit facilities	**10,379**	13,448	(3,069)

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

2 Net gearing ratio = Net debts/Total equity

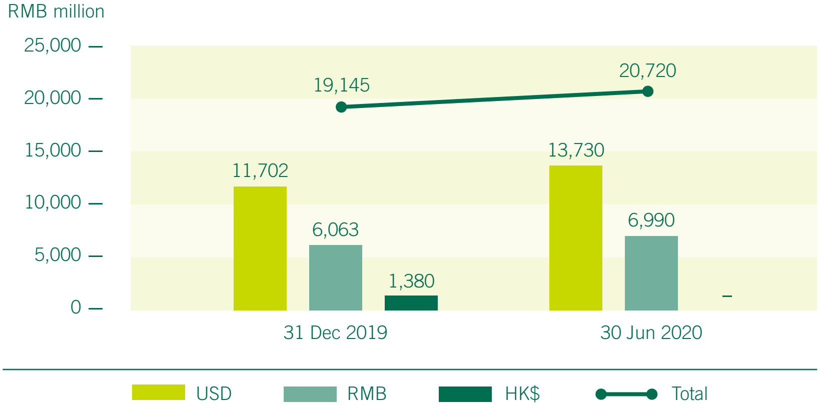
Borrowing Structure

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 2020, the Group's total debts amounted to RMB20,720 million, representing an increase of RMB1,575 million compared to the total debts as of 31 December 2019, mainly because some enterprises have obtained preferential interest rate anti-epidemic loans. The Group's bank balances and cash (excluding restricted bank deposits) amounted to RMB7,938 million, representing an increase of RMB565 million as compared to the beginning of the year, reflected by an increase in debt. As a result, the Group's net gearing ratio as at 30 June 2020 increased 2.1 percentage points to 40.0% (31 December 2019: 37.9%).

Foreign exchange risk arising from bonds and loans denominated in foreign currencies

As at 30 June 2020, the principal amount of the Group's borrowings denominated in foreign currencies amounted to USD1,943 million (31 December 2019: USD1,681 million and HK$1,540 million), equivalent to approximately RMB13,730 million (31 December 2019: RMB13,082 million), and among which 46.3% (31 December 2019: 67.3%) is due after one year. 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 are in line with that of the Group's foreign bonds. Such foreign currency derivative contracts can mitigate the foreign exchange risk arising from the interest and principal payments of such foreign debts. In view of the growing tension between China and the United States, the Company increased the hedging ratio during the period. As of 30 June 2020, the Group has hedged debt principal of USD950 million (31 December 2019: USD785 million) and the hedge ratio of long-term USD debts reached 75.1% (31 December 2019: 62.0%). The Group will continue to closely monitor the foreign exchange market and take appropriate measures to mitigate the impact on its results when deemed appropriate.

Debt Structure

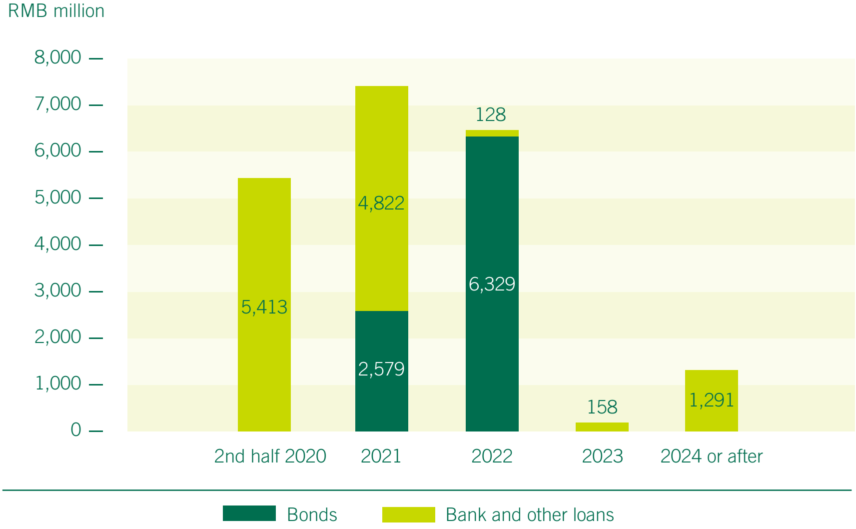


The impact of debt repayment on cash flow

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 long-term 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.

The Group has no bonds due in 2020, while the senior notes will be due in 2021. The remaining issuance quota of the wholly-owned subsidiary of the Company as approved by the China Securities Regulatory Commission on 10 December 2018 amounted to RMB2,900 million. In addition, the Company can also use the wholly-owned subsidiary's RMB5,000 million green bond quota as approved by the National Development and Reform Commission on 19 January 2020. Therefore, the Group has sufficient resources to repay the borrowings.

Debt Repayment Schedule



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 2020, the Group's senior note will be due within one year, as a result, the Group's short-term debt to total debt ratio increased as compared to last year. The Group will continue to monitor the market change, take the opportunity to refinance the expiring senior notes by issuing offshore long-term bonds. At that time, the net current liabilities will be significantly improved.

As the Group has stable operating cash flow, high quality current assets and good credit ratings, plus sufficient cash on hand, unutilised banking facilities and debt issuance quota, the Board are satisfied that the Group is able to meet its working capital requirements and future capital expenditure.

Credit Rating

During the period, the Company's credit ratings given by three international rating agencies (Standard & Poor's, Moody's and Fitch Ratings) were favorable. United Credit Ratings Co., Ltd., the largest domestic credit rating agency, also maintains the highest AAA credit rating and "stable" outlook for Xinao (China) Gas Investment Company Limited, a wholly-owned subsidiary of the Company responsible for onshore business investment. 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.

Since the Company announced the restructuring at the controlling shareholder level, Moody's has been giving positive evaluation, believing that the restructuring has no fundamental change to the Company, hence, maintains Baa2 (stable) credit rating on the Company. Standard & Poor's believes that the restructuring at the Company's controlling shareholder level will not have a direct impact on the operations of the Company as well as the credit profile on stand-alone basis, but it may need to adopt a group rating methodology to assess the credit profile of the Company due to the reorganised group structure. As the reorganisation has not yet been completed, Standard & Poor did not adjust the Company's credit rating during the period and remained at BBB+ (Watch Negative).

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

	Standard & Poor's	Moody's	Fitch Ratings
Long-term credit rating	BBB+	Baa2	BBB
Outlook	Watch Negative	Stable	Stable

Contingent Liabilities

As at 30 June 2020, the Group had no significant contingent liabilities.

Financial Guarantee Liability

As at 30 June 2020, the Group had issued guarantees to banks to secure loan facilities granted to an associate and joint ventures. The guaranteed facilities utilised was approximately RMB633 million (31 December 2019: RMB726 million).

Capital Expenditures and Commitments

(a) Capital expenditures

For the six months ended 30 June 2020, the Group's capital expenditure was RMB2,860 million (six months ended 30 June 2019: RMB3,384 million), mainly related to piped gas projects, integrated energy projects and acquisition of new projects.

(b) Capital commitments

As at 30 June 2020 and 31 December 2019, the Group's capital commitments are as follows:

	At 30 June 2020 RMB million	At 31 December 2019 RMB million
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**939**	1,021
– investments in joint ventures	**580**	495
– investments in associates	**424**	518
– other equity investments	**5**	259

(c) Other commitments

Since 2016, the Group has commitments to acquire LNG from three international suppliers. The delivery of LNG under such arrangements commenced in 2018 and lasts for 5 to 10 years. 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 LNG purchase arrangements are entered into and continued to be held for the purpose of the receipt of a non-financial item in accordance with the Group's expected purchase, sale and usage, therefore these LNG will be utilised to satisfy the demand of domestic natural gas consumption from both the Group's piped gas customers and wholesale customers. Accordingly, the LNG purchase arrangements are not considered as derivative financial instruments within the scope of HKFRS 9 since the initial recognition.

The relevant purchase prices of these arrangements will be determined by reference to certain variables, such as petroleum price indexes prevailing at the market, and are denominated in USD. The Directors assessed the economic characteristics and risks of the embedded derivatives and concluded that they are closely related to the economic risks and characteristics of the relevant host contracts. Accordingly, the embedded derivatives are not separated from the LNG purchase arrangements as derivative financial instruments recognised in the consolidated financial statements.

Commodity Price Risk Management

As the major operations of the Group are in China, revenues and expenses are mainly denominated in RMB, therefore, the Group is not exposed to significant foreign exchange risk in its operation. Except for the abovementioned foreign currency-denominated debts, the foreign exchange risk faced by the Group is mainly derived from LNG international procurement which is denominated in USD.

International LNG Procurement Contracts

At present, the Group has three international long-term LNG procurement contracts, all of which have achieved normalised operation. The pricing of international procurement is mainly indexed to the prices of crude oil on the international energy market. In order to deal with the price exposure generated by international procurement, the Group has established a series of risk management policies and commodity hedging mechanisms. By hedging a reasonable proportion of planned annual LNG purchase and sale, to minimise the adverse impact of international energy price fluctuations on the Group's business, and also stabilise the Company's international LNG procurement costs and reduce commodity price risks.

The Group adopted hedge accounting policy since 1 January 2020 in order to better associate the hedging instruments entered into to manage the physical trading exposure¸ as well as minimises the volatility to the profit and loss statement arising from the fair value change in hedging instruments. Due to the impact of changes in accounting policy, oil prices and other valuation factors during the period, the gains on profit and loss statement arising from commodity derivative contracts amounted to RMB81 million, down RMB705 million year-on-year. The Group will continue to maintain its stringent risk management strategy, proving its determination to establish good corporate governance practice.

The Group has implemented a world leading Energy Trading Risk Management System (ETRM) and developed a corresponding Mobile APP Management System, both of which can combine derivatives' trading with physical trading to achieve a comprehensive and accurate digital risk management with high-frequency and multi-dimension. In addition, the Group will optimise existing hedging strategy, trading authorisation and risk management policies continuously, to better manage the risks associated with the Group's international LNG procurement.

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.

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 2020.

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 2020 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 2020 to review the Group's unaudited interim results and interim financial report for the six months ended 30 June 2020.

At the Company's annual general meeting (the "AGM") held on 13 May 2020, the re-appointment of Deloitte Touche Tohmatsu as the Company's independent auditor for the financial year ending 31 December 2020 was approved by shareholders with support of over 99% of the votes.

Board of Directors

As at 30 June 2020, the composition of the Board of the Company is set out below:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Mr. Wang Yusuo (Chairman)	Mr. Wang Zizheng	Mr. Ma Zhixiang
Mr. Han Jishen (Chief Executive Officer)	Mr. Jin Yongsheng	Mr. Yuen Po Kwong
Mr. Zhang Yuying (President)		Mr. Law Yee Kwan, Quinn
Mr. Wang Dongzhi		Ms. Yien Yu Yu, Catherine

The Directors subject to re-election at the 2020 AGM, namely Mr. Han Jishen, Mr. Zhang Yuying, Mr. Wang Dongzhi, Mr. Jin Yongsheng and Mr. Law Yee Kwan, Quinn, all had more than 96% votes for their re-election as Directors in the AGM.

Changes in Information of Directors

On 22 June 2020, Mr. Jin Yongsheng, Non-executive Director of the Company had been appointed as a non-executive director of Shanghai Dazhong Public Utilities (Group) Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 01635.HK).

Save as disclosed above, no change in Directors' information that is required to be disclosed under Rule 13.51B(1) of the Listing Rules since the date of the Company's 2019 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 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 2020.

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

Disclosure of the Directors' Interests

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

As at 30 June 2020, 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

		Number of shares/underlying shares held				Approximate percentage of the Company's total issued shares
Name of Director	Capacity	Personal interests	Corporate interests	Interest in share options	Total interests	
Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	289,600	369,175,534 (Note)	1,060,000	370,525,134	32.91%
Han Jishen	Beneficial owner	–	–	574,300	574,300	0.05%
Zhang Yuying	Beneficial owner	–	–	242,525	242,525	0.02%
Wang Dongzhi	Beneficial owner	30,000	–	647,000	677,000	0.06%
Wang Zizheng	Beneficial owner	–	–	420,000	420,000	0.04%
Jin Yongsheng	Beneficial owner	10,000	–	142,000	152,000	0.01%
Ma Zhixiang	Beneficial owner	–	–	60,000	60,000	0.01%
Yuen Po Kwong	Beneficial owner	–	–	120,000	120,000	0.01%
Law Yee Kwan, Quinn	Beneficial owner	–	–	120,000	120,000	0.01%
Yien Yu Yu, Catherine	Beneficial owner	106,000	–	60,000	166,000	0.01%

Note: Such shares are beneficially owned by Mr. Wang and Ms. Zhao Baoju ("Ms. Zhao"), the spouse of Mr. Wang through 100% controlled corporations, including Langfang City Natural Gas Company ("LCNG"), ENN Investment Holdings Company Limited ("EIH"), ENN Group International Investment Limited ("EGII") and Essential Investment Holding Limited ("EIHL").

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.

(b) Associated corporations

Company name	Name of Director	Capacity	Subscribed share capital RMB	Percentage of share capital
Tengzhou City Guangfan Corporate Management Centre (Limited Partnership)*	Han Jishen	Beneficial Owner	12,000	4.29%
Daqing Zhongju Xincheng Corporate Management Service Centre (Limited Partnership)*	Han Jishen	Beneficial Owner	200,000	6.92%
Changshu Deshan Corporate Management Consultancy Partnership (Limited Partnership)*	Han Jishen	Beneficial Owner	23,800	3.94%
Tianjin Xinfeng Technology Partnership (Limited Partnership)*	Han Jishen	Beneficial Owner	499,500	3.33%
ENN（Hangzhou）Network Information Consultancy Services Partnership (Limited Partnership)*	Han Jishen	Beneficial Owner	500,000	12.50%

* For identification purpose only

Save as disclosed above, as at 30 June 2020, 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 Options Schemes") and share award scheme ("Share Award Scheme") for the purpose of attracting, retaining and incentivising major employees. The eligible persons for the schemes are Directors (including independent non-executive Directors), certain employees of the Group, and business consultants who contribute to the success of the Group.

Share Option Schemes

The Company has adopted the "2002 Scheme" and the "2012 Scheme" of the Share Option Schemes pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 21 May 2002 and at an annual general meeting of the Company held on 26 June 2012 respectively.

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 2002 Scheme and 2012 Scheme during the period:

Scheme/Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Outstanding as at 1 January 2020	Exercised during the period	Lapsed during the period	Reclassified during the period	Outstanding as at 30 June 2020 (Note 2)
2002 Scheme								
Employee	14.06.2010	14.12.2010–13.06.2020	16.26	100,000	(100,000)	–	–	–
	14.06.2010	14.06.2012–13.06.2020	16.26	100,000	(100,000)	–	–	–
Total				200,000	(200,000)	–	–	–
2012 Scheme – Batch 1								
Directors	09.12.2015	01.04.2017–08.12.2025	40.34	230,500	–	–	35,500	266,000
	09.12.2015	01.04.2018–08.12.2025	40.34	442,575	(6,700)	–	(97,500)	338,375
	09.12.2015	01.04.2019–08.12.2025	40.34	538,775	(15,000)	–	(97,500)	426,275
	09.12.2015	01.04.2020–08.12.2025	40.34	581,250	(15,000)	(96,575)	(14,500)	455,175
Employees	09.12.2015	01.04.2017–08.12.2025	40.34	205,250	(22,900)	–	(35,500)	146,850
	09.12.2015	01.04.2018–08.12.2025	40.34	366,261	(28,750)	–	97,500	435,011
	09.12.2015	01.04.2019–08.12.2025	40.34	560,474	(30,650)	(17,750)	97,500	609,574
	09.12.2015	01.04.2020–08.12.2025	40.34	1,425,000	(28,500)	(426,950)	14,500	984,050
Sub-total				4,350,085	(147,500)	(541,275)	–	3,661,310

Scheme/Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Outstanding as at 1 January 2020	Exercised during the period	Lapsed during the period	Reclassified during the period	Outstanding as at 30 June 2020 (Note 2)
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	768,200	–	–	(120,000)	648,200
	28.3.2019	01.04.2022–27.03.2029	76.36	768,400	–	–	(120,000)	648,400
	28.3.2019	01.04.2023–27.03.2029	76.36	768,400	–	–	(120,000)	648,400
Employees	28.3.2019	01.04.2020–27.03.2029	76.36	1,061,300	(37,500)	(246,000)	–	777,800
	28.3.2019	01.04.2021–27.03.2029	76.36	2,539,900	–	(250)	120,000	2,659,650
	28.3.2019	01.04.2022–27.03.2029	76.36	2,541,400	–	(250)	120,000	2,661,150
	28.3.2019	01.04.2023–27.03.2029	76.36	2,541,400	–	(250)	120,000	2,661,150
Business Consultants	28.3.2019	01.04.2020–27.03.2029	76.36	201,000	–	–	–	201,000
	28.3.2019	01.04.2021–27.03.2029	76.36	201,000	–	–	–	201,000
	28.3.2019	01.04.2022–27.03.2029	76.36	201,000	–	–	–	201,000
	28.3.2019	01.04.2023–27.03.2029	76.36	201,000	–	–	–	201,000
Sub-total				11,808,000	(37,500)	(246,750)	–	11,523,750
Total				16,158,085	(185,000)	(788,025)	–	15,185,060

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 15,185,060 shares, representing 1.35% 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$88.72.

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 sustainable development related indicators, capacity building, industrial coordination within the Group, 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.

Directors' rights to acquire share

Pursuant to the Company's Share Option Schemes, the Company has granted options to subscribe for the Company's ordinary shares in favour of certain Directors. The interest of each Directors and chief executive in the share options of the Company as at 30 June 2020 were as follows:

Name of Director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Outstanding as at 1 January 2020	Exercised during the period (Note 2)	Lapsed during the period (Note 2)	Reclassified during the period (Note 2)	Outstanding as at 30 June 2020
Wang Yusuo	09.12.2015	01.04.2017–08.12.2025	40.34	145,000	–	–	–	145,000
	09.12.2015	01.04.2018–08.12.2025	40.34	145,000	–	–	–	145,000
	09.12.2015	01.04.2019–08.12.2025	40.34	145,000	–	–	–	145,000
	09.12.2015	01.04.2020–08.12.2025	40.34	145,000	–	–	–	145,000
	28.03.2019	01.04.2021–27.03.2029	76.36	160,000	–	–	–	160,000
	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
Cheung Yip Sang (Alias: Zhang Yesheng) (Notes 3&4)	09.12.2015	01.04.2018–08.12.2025	40.34	133,000	–	–	(133,000)	–
	09.12.2015	01.04.2019–08.12.2025	40.34	133,000	–	–	(133,000)	–
	09.12.2015	01.04.2020–08.12.2025	40.34	133,000	–	(83,000)	(50,000)	–
	28.03.2019	01.04.2021–27.03.2029	76.36	120,000	–	–	(120,000)	–
	28.03.2019	01.04.2022–27.03.2029	76.36	120,000	–	–	(120,000)	–
	28.03.2019	01.04.2023–27.03.2029	76.36	120,000	–	–	(120,000)	–
Han Jishen (Note 3)	09.12.2015	01.04.2018–08.12.2025	40.34	17,375	–	–	–	17,375
	09.12.2015	01.04.2019–08.12.2025	40.34	105,250	–	–	–	105,250
	09.12.2015	01.04.2020–08.12.2025	40.34	105,250	–	(13,575)	–	91,675
	28.03.2019	01.04.2021–27.03.2029	76.36	120,000	–	–	–	120,000
	28.03.2019	01.04.2022–27.03.2029	76.36	120,000	–	–	–	120,000
	28.03.2019	01.04.2023–27.03.2029	76.36	120,000	–	–	–	120,000

Name of Director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Outstanding as at 1 January 2020	Exercised during the period (Note 2)	Lapsed during the period (Note 2)	Reclassified during the period (Note 2)	Outstanding as at 30 June 2020
Zhang Yuying (Note 3)	09.12.2015	01.04.2019–08.12.2025	40.34	25	–	–	–	25
	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	66,600	–	–	–	66,600
	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
Wang Dongzhi (Note 3)	09.12.2015	01.04.2017–08.12.2025	40.34	40,500	–	–	–	40,500
	09.12.2015	01.04.2018–08.12.2025	40.34	95,500	–	–	–	95,500
	09.12.2015	01.04.2019–08.12.2025	40.34	95,500	–	–	–	95,500
	09.12.2015	01.04.2020–08.12.2025	40.34	95,500	–	–	–	95,500
	28.03.2019	01.04.2021–27.03.2029	76.36	106,600	–	–	–	106,600
	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
Wang Zizheng (Note 3)	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	–	–	15,000
	28.03.2019	01.04.2021–27.03.2029	76.36	120,000	–	–	–	120,000
	28.03.2019	01.04.2022–27.03.2029	76.36	120,000	–	–	–	120,000
	28.03.2019	01.04.2023–27.03.2029	76.36	120,000	–	–	–	120,000
Jin Yongsheng (Notes 3&5)	09.12.2015	01.04.2017–08.12.2025	40.34	–	–	–	35,500	35,500
	09.12.2015	01.04.2018–08.12.2025	40.34	–	–	–	35,500	35,500
	09.12.2015	01.04.2019–08.12.2025	40.34	–	–	–	35,500	35,500
	09.12.2015	01.04.2020–08.12.2025	40.34	–	–	–	35,500	35,500

Name of Director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Outstanding as at 1 January 2020	Exercised during the period (Note 2)	Lapsed during the period (Note 2)	Reclassified during the period (Note 2)	Outstanding as at 30 June 2020
Ma Zhixiang	09.12.2015	01.04.2018–08.12.2025	40.34	6,700	(6,700)	–	–	–
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	(15,000)	–	–	–
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	(15,000)	–	–	–
	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	–	20,000
Yuen Po Kwong	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	–	–	15,000
	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	–	20,000
Law Yee Kwan, Quinn	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	–	–	15,000
	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	–	20,000

Name of Director	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Outstanding as at 1 January 2020	Exercised during the period (Note 2)	Lapsed during the period (Note 2)	Reclassified during the period (Note 2)	Outstanding as at 30 June 2020
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				4,113,100	(36,700)	(96,575)	(534,000)	3,445,825

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 2020 to 30 June 2020.
3. The vesting of share options is partly or wholly subject to the fulfilment of performance target.
4. Mr. Cheung Yip Sang retired and not re-elected himself in the AGM of the Company held on 13 May 2020, the 676,000 share options held by him had been reclassified from the share options held by directors to share options held by employees.
5. Mr. Jin Yongsheng was appointed as a non-executive director of the Company on 16 March 2020, the 142,000 share options held by him had been reclassified from the share options held by employees to share options held by directors.

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

Share Award Scheme

On 30 November 2018, the Company adopted the Share Award Scheme under which the shares of the Company (the "Awarded Shares") may be granted to selected employees (including, without limitation, any executive directors and independent non-executive directors) of any members of the Group (the "Selected Employees") pursuant to the terms of the Share Award Scheme and the trust deed of the Share Award Scheme. 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 Award 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 Share 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.

The Company established a trust to purchase shares of the Company for the benefit of the employees of the Group under the Share Award Scheme. Pursuant to the rules of the Share Award Scheme, the Company has appointed a trustee to administer the Share Award Scheme and to purchase and hold the Award Shares.

The trustee under the Share Award Scheme purchased 270,000 shares at an average price of HK$70.47 on the Stock Exchange on 18 March 2020. As at 30 June 2020, there were 2,685,100 shares of the Company held in the trust under the Share Award Scheme and no Awarded Shares have been granted during the period.

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 and chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares or underlying shares in, or debentures of, the Company or its associated corporations.

Disclosure of the Substantial Shareholders' Interests

As at 30 June 2020, 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	Personal interests/ Spouse interests	Total interests in shares	Interests in shares pursuant to share options	Total aggregate interests in shares and underlying shares (Note 7)	Approximate percentage of the Company's total issued shares
Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	289,600 (Note 5)	369,175,534 (Notes 1,2,3,4&6)	1,060,000 (Note 5)	370,525,134 (L)	32.91%
Zhao Baoju ("Ms. Zhao")	Interest of controlled corporation and interest of spouse	289,600 (Note 5)	369,175,534 (Notes 1,2,3,4,5&6)	1,060,000 (Note 5)	370,525,134 (L)	32.91%
LCNG	Interest of controlled corporation	–	369,175,534 (Notes 1,2&3)	–	369,175,534 (L)	32.79%
EIH	Interest of controlled corporation	–	369,175,534 (Notes 1&2)	–	369,175,534 (L)	32.79%
EGII	Beneficial owner and interest of controlled corporation	–	369,175,534 (Note 1&6)	–	369,175,534 (L)	32.79%
ENN Ecological Holdings Co., Ltd	Beneficial owner	–	369,175,534 (Note 6)	–	369,175,534 (L)	32.79%
The Capital Group Companies, Inc.	Beneficial owner	–	154,195,536	–	154,195,536 (L)	13.70%
JPMorgan Chase & Co.	Interest of controlled corporation, investment manager, person having a security interest in shares, trustee and approved lending agent	–	102,096,433	–	102,096,433 (L) (including 1,759,754 (S) 85,638,783 (P))	9.07%
BlackRock, Inc.	Interest of controlled corporation	–	67,511,042	–	67,511,042 (L) (including 30,800 (S))	6.00%
Mitsubishi UFJ Financial Group, Inc.	Interest of controlled corporation	–	57,905,500	–	57,905,500 (L)	5.14%

Notes:

1. Of these shares, 39,926,534 shares are held by EIHL (a company wholly owned by EGII), EGII is deemed to be interested in shares in which EIHL is interested. 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 entrusted 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.
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% wholly owned by Mr. Wang and Ms. Zhao, hence they are deemed to be interested in the shares in which LCNG is interested in (1), (2) and (3) above.
5. As Mr. Wang's spouse, Ms. Zhao is deemed as holding Mr. Wang's interests in shares.
6. Pursuant to the sale and purchase agreement entered into between EGII and its wholly-owned subsidiary EIHL and ENN Ecological Holdings Co., Ltd on 9 September 2019, EGII intends to transfer all of the 369,175,534 shares in the Company held directly and indirectly to ENN Ecological Holdings Co., Ltd., subject to the completion by the fulfillment of the precedent conditions.
7. (L) represents Long Position; (S) represents Short Position; (P) represents Lending Pool.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2020, 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 2020, 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 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased on exchange a total of 270,000 shares of the Company at a total consideration of HK$19,027,495.

Public Float

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

Loan Agreements Imposing Specific Performance Obligations on Controlling Shareholders

The Company issued 10-year senior notes on 13 May 2011 (the "2021 Senior Notes") with a principal amount of USD750 million (equivalent to approximately RMB4,863 million). The terms and conditions of the 2021 Senior Notes require Mr. Wang Yusuo, Ms. Zhao Baoju and any affiliate of any of them, the controlling shareholder of the Company, to retain their interests in the Company of at least 25% of the total issued share capital of the Company throughout the term of the agreement. The outstanding balance of the 2021 Senior Notes as at 30 June 2020 is USD366 million (equivalent to approximately RMB2,579 million).

The Company issued 5-year bonds on 24 July 2017 (the "2022 Unsecured Bonds") which would be due on 2022. The terms and conditions of the bonds required Mr. Wang Yusuo, Ms. Zhao Baoju 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. The principal amounts of the bonds issued are USD600 million (equivalent to RMB4,066 million). As at 30 June 2020, the outstanding balances are USD600 million (equivalent to RMB4,234 million).

Moreover, the Company entered into a club loan agreement with various banks in the amount of USD300 million (equivalent to RMB2,059 million) on 23 November 2018 for a term of three years. The terms and conditions of the club loan agreement requires EGII, the controlling shareholder of the Company, to retain its interest in the Company of at least 20% of the total issued share capital of the Company throughout the terms of the loan agreement, or Mr. Wang Yusuo and Ms. Zhao Baoju collectively to retain their interest directly or indirectly in the Company of at least 20% of the total issued share capital of the Company throughout the terms of the loan agreement and remained as the single largest group of direct or indirect holder of the issued share capital of the Company. As at 30 June 2020, the outstanding balances are USD300 million (equivalent to RMB2,124 million).

By order of the Board

WANG Yusuo

Chairman

Hong Kong, 20 August 2020

Deloitte. 德勤

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 34 to 72, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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
20 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 RMB million (unaudited)	2019 RMB million (unaudited)
Revenue	3	**31,543**	35,344
Cost of sales		**(25,941)**	(29,746)
Gross profit		**5,602**	5,598
Other income	4	**421**	373
Other gains and losses	5	**(234)**	793
Distribution and selling expenses		**(435)**	(421)
Administrative expenses		**(1,392)**	(1,397)
Share of results of associates		**166**	190
Share of results of joint ventures		**266**	242
Finance costs	6	**(320)**	(375)
Profit before tax	7	**4,074**	5,003
Income tax expense	8	**(909)**	(1,058)
Profit for the period		**3,165**	3,945
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Fair value gain on equity instruments at fair value through other comprehensive income ("FVTOCI")		**63**	–
Items that have been reclassified or may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**(1)**	–
Release of exchange reserve to profit or loss upon deregistration of a subsidiary		**–**	3
Hedging instruments for cash flow hedges		**(230)**	–
Other comprehensive (expense) income for the period		**(168)**	3
Total comprehensive income for the period		**2,997**	3,948
Profit for the period attributable to:			
Owners of the Company		**2,693**	3,362
Non-controlling interests		**472**	583
		3,165	3,945
Total comprehensive income for the period attributable to:			
Owners of the Company		**2,525**	3,365
Non-controlling interests		**472**	583
		2,997	3,948

		RMB	RMB
Earnings per share	10		
Basic		**2.40**	2.99
Diluted		**2.39**	2.99

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	**At 30 June 2020 RMB million (unaudited)**	At 31 December 2019 RMB million (audited)
Non-current Assets			
Property, plant and equipment	11	**39,369**	37,955
Right-of-use assets	11	**2,117**	2,185
Investment properties		**268**	268
Goodwill		**2,427**	2,379
Intangible assets	12	**4,302**	4,175
Interests in associates		**3,532**	3,308
Interests in joint ventures		**4,137**	3,841
Other receivables	14	**35**	48
Financial assets at fair value	13	**6,060**	5,169
Equity instruments at FVTOCI		**200**	123
Amounts due from associates	16	**6**	345
Amounts due from joint ventures	17	**25**	12
Deferred tax assets		**1,292**	1,292
Deposits paid for investments		**86**	15
Deposits paid for acquisition of property, plant and equipment, land use rights and right of operation		**145**	169
Restricted bank deposits	15	**442**	446
		64,443	61,730
Current Assets			
Inventories		**1,359**	1,169
Trade and other receivables	14	**7,647**	7,492
Contract assets		**673**	757
Financial assets at fair value	13	**910**	361
Amounts due from associates	16	**929**	575
Amounts due from joint ventures	17	**1,043**	1,058
Amounts due from related companies	18	**211**	164
Restricted bank deposits	15	**430**	566
Cash and cash equivalents		**7,938**	7,373
		21,140	19,515

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	**At 30 June 2020 RMB million (unaudited)**	At 31 December 2019 RMB million (audited)
Current Liabilities			
Trade and other payables	19	**6,825**	7,635
Contract liabilities		**12,359**	12,613
Deferred income		**34**	33
Amounts due to associates	16	**224**	189
Amounts due to joint ventures	17	**1,032**	785
Amounts due to related companies	18	**761**	1,060
Taxation payables		**862**	962
Dividend payable		**1,719**	–
Lease liabilities		**92**	100
Bank and other loans – due within one year	20	**8,041**	7,495
Senior notes		**2,579**	–
Financial liabilities at fair value	13	**789**	416
		35,317	31,288
Net Current Liabilities		**(14,177)**	(11,773)
Total Assets less Current Liabilities		**50,266**	49,957
Capital and Reserves			
Share capital	22	**116**	116
Reserves		**26,587**	25,752
Equity attributable to owners of the Company		**26,703**	25,868
Non-controlling interests		**5,244**	5,152
Total Equity		**31,947**	31,020
Non-current Liabilities			
Contract liabilities		**2,976**	3,302
Deferred income		**675**	650
Amounts due to joint ventures	17	**585**	735
Lease liabilities		**340**	450
Bank and other loans – due after one year	20	**3,771**	2,848
Corporate bonds	21	**2,095**	2,094
Senior notes		**–**	2,539
Unsecured bonds		**4,234**	4,169
Financial liabilities at fair value	13	**1,546**	330
Deferred tax liabilities		**2,097**	1,820
		18,319	18,937
		50,266	49,957

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Six months ended 30 June 2020 (unaudited)

	Equity attributable to owners of the Company													
	Share capital RMB million (Note 22)	Treasury stocks RMB million (Note 23)	Share premium RMB million	Special reserve RMB million (note a)	Revaluation reserve RMB million	Share options reserve RMB million	Exchange reserve RMB million	Hedging reserve RMB million (Note 24)	Surplus reserve fund RMB million (note b)	Designated safety fund RMB million (note c)	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2020	116	(151)	2,690	(82)	23	128	–	–	2,648	59	20,437	25,868	5,152	31,020
Profit for the period	–	–	–	–	–	–	–	–	–	–	2,693	2,693	472	3,165
Other comprehensive (expense) income for the period	–	–	–	–	63	–	(1)	(230)	–	–	–	(168)	–	(168)
Total comprehensive income for the period	–	–	–	–	63	–	(1)	(230)	–	–	2,693	2,525	472	2,997
Recognition of equity-settled share-based payment (Note 23)	–	–	–	–	–	36	–	–	–	–	–	36	–	36
Issue of ordinary shares on exercise of share options (Note 23)	–	–	16	–	–	(4)	–	–	–	–	–	12	–	12
Purchase of shares under Share Award Scheme	–	(17)	–	–	–	–	–	–	–	–	–	(17)	–	(17)
Acquisition of subsidiaries and businesses (Notes 25 & 26)	–	–	–	–	–	–	–	–	–	–	–	–	11	11
Deregistration/disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(83)	(83)
Acquisition of additional interests in subsidiaries	–	–	–	(2)	–	–	–	–	–	–	–	(2)	(97)	(99)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	44	44
Dividends appropriation (Note 9)	–	–	(1,719)	–	–	–	–	–	–	–	–	(1,719)	–	(1,719)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(255)	(255)
Transfer to surplus reserve fund	–	–	–	–	–	–	–	–	345	–	(345)	–	–	–
Transfer from designated safety fund	–	–	–	–	–	–	–	–	–	(3)	3	–	–	–
At 30 June 2020	116	(168)	987	(84)	86	160	(1)	(230)	2,993	56	22,788	26,703	5,244	31,947

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Six months ended 30 June 2019 (unaudited)

	Equity attributable to owners of the Company													
	Share capital RMB million (Note 22)	Treasury stocks RMB million (Note 23)	Share premium RMB million	Special reserve RMB million (note a)	Revaluation reserve RMB million	Share options reserve RMB million	Exchange reserve RMB million	Hedging reserve RMB million	Surplus reserve fund RMB million (note b)	Designated safety fund RMB million (note c)	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2019	116	–	2,614	(92)	22	78	(3)	–	2,414	60	16,176	21,385	4,169	25,554
Profit for the period	–	–	–	–	–	–	–	–	–	–	3,362	3,362	583	3,945
Other comprehensive income for the period	–	–	–	–	–	–	3	–	–	–	–	3	–	3
Total comprehensive income for the period	–	–	–	–	–	–	3	–	–	–	3,362	3,365	583	3,948
Recognition of equity-settled share-based payment (Note 23)	–	–	–	–	–	26	–	–	–	–	–	26	–	26
Issue of ordinary shares on exercise of share options (Note 23)	–	–	16	–	–	(5)	–	–	–	–	–	11	–	11
Purchase of shares under Share Award Scheme	–	(151)	–	–	–	–	–	–	–	–	–	(151)	–	(151)
Acquisition of subsidiaries and businesses	–	–	–	–	–	–	–	–	–	–	–	–	170	170
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(1)	(1)
Acquisition of additional interests in a subsidiary	–	–	–	10	–	–	–	–	–	–	–	10	(110)	(100)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	55	55
Dividends appropriation (Note 9)	–	–	–	–	–	–	–	–	–	–	(1,176)	(1,176)	–	(1,176)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(325)	(325)
Transfer to surplus reserve fund	–	–	–	–	–	–	–	–	135	–	(135)	–	–	–
At 30 June 2019	116	(151)	2,630	(82)	22	99	–	–	2,549	60	18,227	23,470	4,541	28,011

Notes:

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

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

c. Pursuant to relevant PRC regulation, 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 2020

	Notes	Six months ended 30 June 2020 RMB million (unaudited)	2019 RMB million (unaudited)
Net cash generated from operating activities		**3,213**	4,294
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		**(2,237)**	(2,815)
Purchases of wealth management products		**(6,982)**	(11,126)
Redemptions of wealth management products		**6,998**	11,175
Additions of restricted bank deposits		**(609)**	(763)
Release of restricted bank deposits		**749**	1,005
Net cash outflow on acquisition of subsidiaries and businesses	25 & 26	**(294)**	(296)
Net cash outflow on acquisition of additional interest in subsidiaries		**(49)**	(100)
Net cash inflow on disposal/deregistration of subsidiaries		**33**	45
Investments in associates		**(101)**	(48)
Investments in joint ventures		**(61)**	(37)
Interest received		**74**	80
Settlement of financial assets/liabilities at fair value		**(133)**	387
Dividends received from associates		**43**	43
Dividends received from joint ventures		**12**	279
Advances to joint ventures		**(95)**	(12)
Advances to associates		**(178)**	(5)
Advances to third parties		**(682)**	(244)
Amounts repaid by joint ventures		**35**	819
Amounts repaid by associates		**117**	189
Amounts repaid by third parties		**134**	311
Other investing activities		**(119)**	(43)
Net cash used in investing activities		**(3,345)**	(1,156)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June 2020 RMB million (unaudited)	Six months ended 30 June 2019 RMB million (unaudited)
FINANCING ACTIVITIES		
New bank loans raised	**6,250**	5,408
Repayment of bank loans	**(4,944)**	(8,074)
Amounts repaid to banks and other financial institutions by ENN Finance Company Limited ("ENN Finance")	**(10,130)**	(7,324)
Advances from banks and other financial institutions by ENN Finance	**10,130**	7,324
Net proceeds from ordinary shares issued on exercise of share options	**12**	11
Purchase of shares under Share Award Scheme	**(17)**	(151)
Proceeds from issuance of corporate bonds	**–**	1,494
Repayment of lease liabilities	**(55)**	(49)
Dividends paid to non-controlling shareholders	**(255)**	(325)
Capital contribution from non-controlling shareholders	**44**	55
Interest paid	**(415)**	(373)
Advances from joint ventures	**175**	45
Advances from associates	**61**	1
Advances from related companies	**31**	3
Amounts repaid to joint ventures	**(192)**	(1,128)
Amounts repaid to associates	**(1)**	(229)
Other financing activities	**(1)**	(7)
Net cash generated from (used in) financing activities	**693**	(3,319)
Net increase (decrease) in cash and cash equivalents	**561**	(181)
Effect of foreign exchange rate changes	**4**	–
Cash and cash equivalents at beginning of the period	**7,373**	7,923
Cash and cash equivalents at end of the period	**7,938**	7,742

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 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, the directors of the Company (the "Directors") have given careful consideration of the Group's net current liabilities of approximately RMB14,177 million as at 30 June 2020. A wholly-owned subsidiary of the Company has been approved by China Securities Regulatory Commission on 10 December 2018 to issue corporate bonds amounting to RMB5,000 million. As at 30 June 2020, the unutilised issuance quota of the corporate bonds is RMB2,900 million. The wholly-owned subsidiary was also approved by the National Development and Reform Commission on 19 January 2020 to issue green bonds amounting to RMB5,000 million. Except for the unutilised issuance quota of the corporate bonds and green bonds, the Group has unutilised credit facilities of approximately RMB10,379 million as at 30 June 2020, which are subject to renewal within twelve months from the end of the reporting period. The Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements for the six months ended 30 June 2020 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 changes of accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and application of hedge accounting which became relevant to the Group, 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 2019.

Amendments to HKFRSs

In the current period, the Group has applied the Amendments to Reference to the Conceptual Framework in HKFRSs that are mandatorily effective for the current period and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRSs in the current 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.

2. Principal Accounting Policies *(continued)*

Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group reviews their critical terms.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

2. Principal Accounting Policies *(continued)*

Accounting policies newly applied by the Group *(continued)*

Hedge accounting (continued)

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. Segment Information

Information reported to the chief operating decision makers, being the chief executive officer of the Company (the "CEO"), 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 CEO 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 2020			Six months ended 30 June 2019		
	Sales of goods	**Provision of services**	**Total**	Sales of good	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	**18,191**	**–**	**18,191**	20,332	–	20,332
Sales of integrated energy and services	**1,873**	**228**	**2,101**	788	231	1,019
Wholesale of gas	**7,919**	**–**	**7,919**	9,330	–	9,330
Construction and installation	**–**	**2,669**	**2,669**	–	3,626	3,626
Value added business	**551**	**112**	**663**	897	140	1,037
Total	**28,534**	**3,009**	**31,543**	31,347	3,997	35,344

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

3. Segment Information *(continued)*

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

Six months ended 30 June 2020

	Retail gas sales business RMB million	Sales of integrated energy and services 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

Six months ended 30 June 2019

	Retail gas sales business RMB million	Sales of integrated energy and services RMB million	Wholesale of gas RMB million	Construction and installation RMB million	Value added business RMB million	Total RMB million
Segment revenue	26,787	1,148	15,523	4,341	3,397	51,196
Inter-segment sales	(6,455)	(129)	(6,193)	(715)	(2,360)	(15,852)
Revenue from external customers	20,332	1,019	9,330	3,626	1,037	35,344
Segment profit before depreciation and amortisation	3,262	264	41	2,039	660	6,266
Depreciation and amortisation	(488)	(58)	(3)	(118)	(1)	(668)
Segment profit	2,774	206	38	1,921	659	5,598

Substantially all of the Group's revenue are generated from the PRC. For the six months ended 30 June 2020, the revenues from PRC and overseas were RMB31,462 million (six months ended 30 June 2019: RMB35,251 million) and RMB81 million (six months ended 30 June 2019: RMB93 million), respectively.

4. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Other income mainly includes:		
Incentive subsidies (note)	**140**	120
Dividends income from financial assets at fair value through profit or loss ("FVTPL")	**48**	62
Interest income on bank deposits	**37**	18
Interest income on loan receivable from joint ventures and associates	**17**	45
Interest income on loan receivables from third parties	**20**	17
Rental income from equipment	**15**	21
Rental income from investment properties	**5**	5
Sale of proprietary technology	**–**	3

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

5. Other Gains and Losses

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Net gain of financial assets/liabilities at fair value (Note 13)	**80**	827
Loss on foreign exchange, net (note)	**(138)**	(23)
Impairment losses under expected credit loss model, net of reversal:		
– Trade and other receivables	**(41)**	(39)
– Contract assets	**(1)**	(2)
– Amounts due from associates/joint ventures/related companies	**(1)**	15
Impairment loss in respect of property, plant and equipment	**(48)**	–
Net (loss) gain on disposal of:		
– Property, plant and equipment	**(48)**	(16)
– Right-of-use assets	**5**	17
– Subsidiaries	**(42)**	–
– An associate	**–**	(16)
Bargain purchase gain on acquisition of businesses	**–**	15
Release of exchange reserve to profit or loss upon deregistration of a subsidiary	**–**	(3)
Gain on remeasurement of interests in joint ventures previously held	**–**	11
Change in fair value of investment properties	**–**	7
	(234)	793

Note: Included in the amount for the six months ended 30 June 2020 is an exchange loss of approximately RMB155 million (six months ended 30 June 2019: approximately RMB1 million) arising from the translation of senior notes, unsecured bonds and bank loans denominated in United States Dollar ("USD") and Hong Kong Dollar ("HK$") to RMB.

6. Finance Costs

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Interest on:		
Bank and other loans	**169**	207
Senior notes	**77**	77
Corporate bonds	**47**	69
Unsecured bonds	**72**	77
Lease liabilities	**15**	18
	380	448
Less: Amount capitalised under construction in progress	**(78)**	(73)
	302	375
Fair value loss reclassified from equity on foreign currency derivative designated as cash flow hedges for USD debts	**18**	–
	320	375

7. Profit Before Tax

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Profit before tax has been arrived at after charging:		
Depreciation and amortisation:		
– property, plant and equipment	**791**	637
– intangible assets	**148**	111
– right-of-use assets	**87**	86
Total depreciation and amortisation (note)	**1,026**	834

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	
	2020	2019
	RMB million	RMB million
Depreciation and amortisation included in:		
Cost of sales	**831**	668
Administrative expenses	**177**	142
Distribution and selling expenses	**18**	24
	1,026	834

8. Income Tax Expense

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Current tax	**758**	853
Withholding tax	**7**	40
Overprovision of withholding tax in prior years	**(71)**	–
	694	893
Deferred tax	**215**	165
	909	1,058

As the major operating income of the Group are sourced from the PRC, the tax charge substantially represents the PRC Enterprise Income Tax for both periods. According to the PRC Enterprise Income Tax Law and its implementation regulation, the PRC enterprise is subject to 25% tax rate.

Certain 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% of the estimated assessable profit as determined in accordance with relevant tax rules and regulations in the PRC. This preferential rate could be applied for three years and the subsidiaries are eligible to apply the tax concession again upon expiry of the three-year period.

9. Dividend

The final dividend in respect of fiscal year 2019 of HK$1.67 (equivalent to approximately RMB1.50) per ordinary share (six months ended 30 June 2019: final dividend in respect of fiscal year 2018 of HK$1.19 (equivalent to approximately RMB1.04) per ordinary share) amounting to approximately RMB1,719 million (six months ended 30 June 2019: RMB1,176 million) were declared on 16 March 2020 and paid on 22 July 2020.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: nil).

10. Earnings Per Share

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

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Earnings		
Earnings for the purpose of basic and diluted earnings per share	**2,693**	3,362

	Six months ended 30 June	
	2020	2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,122,988**	1,123,248
Effect of dilutive potential ordinary shares:		
– Share options	**2,313**	2,741
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,125,301**	1,125,989

Diluted earnings per share for the six months ended 30 June 2020 and 2019 are calculated assuming all dilutive potential ordinary shares were converted.

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

During the six months ended 30 June 2020, the Group acquired property, plant and equipment and right-of-use assets amounting to approximately RMB2,324 million and RMB91 million (six months ended 30 June 2019: RMB2,861 million and RMB158 million) respectively.

In addition, through acquisition of subsidiaries and businesses, the Group's property, plant and equipment and right-of-use assets increased by approximately RMB204 million and RMB35 million (six months ended 30 June 2019: RMB695 million and RMB92 million) respectively during the current period.

During the six months ended 30 June 2020, the Group entered into several new agreements with lease terms from 1 month to 20 years. On lease commencement, the Group recognised right-of-use assets of RMB29 million (six months ended 30 June 2019: RMB20 million) and lease liabilities of RMB29 million (six months ended 30 June 2019: RMB20 million).

Impairment assessment

The Group regularly performs impairment assessment on the non-financial assets and takes into account of the potential impact of the COVID-19 pandemic. The assessment includes the best estimates of the unknown future impacts of the pandemic that is reasonably available as of the reporting date. During the current period, the Group recognised an impairment loss of RMB48 million in respect of property, plant and equipment.

12. Intangible Assets

During the six months ended 30 June 2020, the Group acquired intangible assets amounting to approximately RMB50 million (six months ended 30 June 2019: RMB24 million).

In addition, through acquisition of subsidiaries and businesses, the Group's intangible assets increased by approximately RMB225 million (six months ended 30 June 2019: RMB351 million).

13. Financial Assets/Liabilities at Fair Value

	At 30 June 2020 RMB million	At 31 December 2019 RMB million
Financial assets under cash flow hedge		
Foreign currency derivative contracts (note a)	**221**	–
Financial assets at FVTPL		
Foreign currency derivative contracts (note a)	**–**	100
Commodity derivative contracts (note b)	**1,913**	573
Listed equity interest in Shanghai Dazhong Public Utilities (Group) Co., Ltd ("Shanghai Utilities") (note c)	**292**	287
1.13% equity interest in Sinopec Marketing Co., Ltd ("Sinopec Marketing") (note d)	**4,170**	4,170
Unlisted wealth management products	**–**	16
Other unlisted equity securities (note e)	**374**	384
	6,970	5,530
Financial liabilities under cash flow hedge		
Foreign currency derivative contracts (note a)	**(6)**	–
Commodity derivative contracts (note b)	**(201)**	–
Financial liabilities at FVTPL		
Commodity derivative contracts (note b)	**(2,128)**	(746)
	(2,335)	(746)
Analysed for reporting purpose as:		
Assets		
Current portion	**910**	361
Non-current portion	**6,060**	5,169
Liabilities		
Current portion	**789**	416
Non-current portion	**1,546**	330

13. Financial Assets/Liabilities at Fair Value *(continued)*

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Net unrealised gain (loss)		
Financial assets/liabilities under cash flow hedge		
Foreign currency derivative contracts (note a)	**4**	–
Commodity derivative contracts (note b)	**(18)**	–
Financial assets/liabilities at FVTPL		
Foreign currency derivative contracts (note a)	**–**	80
Commodity derivative contracts (note b)	**(50)**	647
Listed equity interest in Shanghai Utilities (note c)	**5**	23
1.13% equity interest in Sinopec Marketing (note d)	**–**	(41)
Other unlisted equity securities (note e)	**(10)**	22
	(69)	731
Net realised gain (loss)		
Financial assets/liabilities at FVTPL		
Foreign currency derivative contracts (note a)	**–**	(43)
Commodity derivative contracts (note b)	**149**	139
	149	96
	80	827

Notes:

a. The Group is exposed to exchange rate risk mainly arising from various bonds and bank loans 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 2020, the Foreign Currency Derivatives have a total notional amount of USD950 million (31 December 2019: USD785 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 from 1 January 2020. Accordingly, they are accounted for under hedge accounting.

b. Since 2016, the Group has commitments to acquire LNG from three international suppliers. The delivery of LNG under such arrangements commenced in 2018 and last for 5 to 10 years. 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 LNG purchase arrangements are entered into and continued to be held for the purpose of the receipt of a non-financial item in accordance with the Group's expected purchase, sale and usage.

   In order to manage and mitigate the commodity price risk, the Group entered into various commodity derivative contracts (the "Commodity Derivatives") against the underlying LNG contracts with certain financial institutions in order to stabilise its future LNG purchase costs. Certain Commodity Derivatives are designated as hedging instruments and accounted for under hedge accounting from 1 January 2020.

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

d. The above investment represents 1.13% unlisted equity interest in Sinopec Marketing. During the current period, the Group recognised a dividend income of approximately RMB48 million (six months ended 30 June 2019: RMB62 million) from Sinopec Marketing.

e. The above unlisted investments represent investments in unlisted equity securities issued by private entities.

14. 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 2020 RMB million	At 31 December 2019 RMB million
0 to 3 months	**1,462**	1,792
4 to 6 months	**382**	76
7 to 9 months	**194**	192
10 to 12 months	**39**	55
More than one year	**229**	247
Total trade receivables	**2,306**	2,362
Bills receivable (note)	**1,066**	1,413
Other receivables	**700**	472
Loan receivables	**730**	191
Less: Allowance for credit losses	**(21)**	(18)
Deductible input value added tax and prepayment of other taxes and charges	**1,481**	1,589
Advances to suppliers and prepayments	**1,420**	1,531
Total trade and other receivables	**7,682**	7,540
Analysed for reporting purpose as:		
Current portion	**7,647**	7,492
Non-current portion	**35**	48

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

15. Restricted Bank Deposits

The restricted bank deposits carry fixed interest rate ranging from 0.30% to 3.71% (31 December 2019: 0.30% to 3.71%) per annum. Except for the mandatory reserves in the People's Bank of China ("PBOC") amounting to RMB392 million (31 December 2019: RMB384 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, 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.

16. Amounts Due from/to Associates

Included in the amounts due from/to associates are trade receivables, net of impairment, amounting to RMB431 million (31 December 2019: RMB473 million) and trade payables amounting to RMB60 million (31 December 2019: RMB84 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 2020 RMB million	At 31 December 2019 RMB million
Trade receivables		
0 to 3 months	**220**	189
4 to 6 months	**40**	94
7 to 9 months	**85**	88
10 to 12 months	**63**	26
More than one year	**23**	76
	431	473
Trade payables		
0 to 3 months	**34**	81
4 to 6 months	**12**	2
7 to 9 months	**14**	–
More than one year	**–**	1
	60	84

17. Amounts Due from/to Joint Ventures

Included in the amounts due from/to joint ventures are trade receivables, net of impairment, amounting to RMB654 million (31 December 2019: RMB653 million) and trade payables amounting to RMB697 million (31 December 2019: RMB585 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 2020 RMB million	At 31 December 2019 RMB million
Trade receivables		
0 to 3 months	**449**	430
4 to 6 months	**17**	35
7 to 9 months	**35**	60
10 to 12 months	**18**	31
More than one year	**135**	97
	654	653
Trade payables		
0 to 3 months	**130**	500
4 to 6 months	**61**	35
7 to 9 months	**482**	6
10 to 12 months	**8**	3
More than one year	**16**	41
	697	585

18. Amounts Due from/to Related Companies

Included in the amounts due from/to related companies are trade receivables, net of impairment, amounting to RMB198 million (31 December 2019: RMB160 million) and trade payables amounting to RMB610 million (31 December 2019: RMB1,026 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 2020 RMB million	At 31 December 2019 RMB million
Trade receivables		
0 to 3 months	**88**	38
4 to 6 months	**9**	16
7 to 9 months	**15**	13
10 to 12 months	**4**	26
More than one year	**82**	67
	198	160
Trade payables		
0 to 3 months	**326**	674
4 to 6 months	**81**	137
7 to 9 months	**58**	62
10 to 12 months	**21**	36
More than one year	**124**	117
	610	1,026

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

19. Trade and Other Payables

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

	At 30 June 2020 RMB million	At 31 December 2019 RMB million
0 to 3 months	**2,946**	3,559
4 to 6 months	**889**	1,135
7 to 9 months	**471**	238
10 to 12 months	**138**	161
More than one year	**637**	605
Trade payables	**5,081**	5,698
Accrued charges and other payables	**1,744**	1,937
	6,825	7,635

20. Bank and Other Loans

During six months ended 30 June 2020, the Group obtained new bank loans in the amount of RMB6,250 million (six months ended 30 June 2019: RMB5,408 million) and made repayments in the amount of RMB4,944 million (six months ended 30 June 2019: RMB8,074 million). The loans bear interest at the range from 0.93% to 7.50% (31 December 2019: 2.32% to 7.50%) per annum. These proceeds were used to finance the capital expenditure and general working capital of the Group.

At 30 June 2020, certain assets of the Group with aggregate carrying value of RMB525 million (31 December 2019: RMB790 million) were pledged as security for bank and other loans, bills facilities and contracts granted to the Group, its associates and joint ventures.

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 RMB640 million (31 December 2019: RMB868 million) granted to the Group, of which RMB428 million (31 December 2019: RMB187 million) was utilised up to 30 June 2020.

At 30 June 2020, bank loans related to bills receivable discounted to the banks are amounting to RMB417 million.

21. Corporate Bonds

Details of the terms of the corporate bonds issued are set out below:

Date of issuance	**22 January 2019**	**8 March 2019**	**11 November 2019**
Principal amount	**RMB500 million**	**RMB1,000 million**	**RMB600 million**
Interest rate	**4.19%**	**4.20%**	**3.98%**
Maturity date	**22 January 2022**	**8 March 2022**	**12 November 2022**
Net proceeds after deducting issuance costs	**RMB498 million**	**RMB996 million**	**RMB599 million**
Date of listing on the Shanghai Stock Exchange	**20 February 2019**	**29 March 2019**	**22 November 2019**
Effective interest rate after the adjustment for transaction costs	**4.36%**	**4.36%**	**4.04%**

22. Share Capital

During the six months ended 30 June 2020, 200,000 shares were issued at the exercise price of HK$16.26 per ordinary share under Scheme 2002, 147,500 shares (six months ended 30 June 2019: 304,100 shares) and 37,500 shares were issued at the exercise price of HK$40.34 and HK$76.36 per ordinary share under Scheme 2012, respectively, in relation to the exercise of outstanding share options as set out in Note 23. These shares rank pari passu with the existing shares in all respects.

Save as disclosed above and in Note 23, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities up to 30 June 2020.

23. Share Based Payments Transactions

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

The Company has adopted share option schemes pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 21 May 2002 (the "Scheme 2002") and an annual general meeting of the Company held on 26 June 2012 (the "Scheme 2012"). The remaining 200,000 share options under the Scheme 2002 were exercised during the current period.

a. Share Award Scheme

Pursuant to the Share Award Scheme, the Company had contracted with a trustee to establish a trust (the "Trust") on 12 March 2019. The board of the Directors (the "Board") may from time to time during the effective period of the Share Award Scheme (a term of 10 years commencing on the adoption of this scheme or early terminated) 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 purchased and held by the Trust are non-transferrable and have no voting rights. Shares will be granted to selected employees of any members of the Group pursuant to the terms and trust deed of the Share Award Scheme. Vesting of the shares granted to selected employees is conditional upon the fulfilment of service and/or performance as specified by the Board.

During the six months ended 30 June 2020, the trustee, pursuant to the terms and trust deed of the Share Award Scheme, purchased a total of 270,000 shares (six months ended June 30 2019: 2,415,100 shares). The cost of the shares purchased was recognised in equity as treasury stocks. As at 30 June 2020, the Board had neither decided nor selected employee for the granting of awarded shares.

b. 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 above, 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 rating.

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 rating.

2015 Grantees and 2019 Grantees should continue in office and achieve the designated vesting conditions from the date of grant till the exercisable date. Thus, the vesting period of the share options is from the date of the grant until the commencement of the exercise period.

23. Share Based Payments Transactions *(continued)*

b. 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	Exercise period	Exercise price (HK$)	Number of options Outstanding at 1.1.2020	Exercised during the period	Forfeited during the period	Reclassified during the period	Outstanding at 30.6.2020
Scheme 2012 – batch 1									
Directors	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	40.34	230,500	–	–	35,500	266,000
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	40.34	442,575	(6,700)	–	(97,500)	338,375
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	40.34	538,775	(15,000)	–	(97,500)	426,275
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	40.34	581,250	(15,000)	(96,575)	(14,500)	455,175
Employees	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	40.34	205,250	(22,900)	–	(35,500)	146,850
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	40.34	366,261	(28,750)	–	97,500	435,011
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	40.34	560,474	(30,650)	(17,750)	97,500	609,574
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	40.34	1,425,000	(28,500)	(426,950)	14,500	984,050
Subtotal					4,350,085	(147,500)	(541,275)	–	3,661,310
Exercisable at the end of the period									3,661,310
Weighted average exercise price									HK$40.34
Scheme 2012 – batch 2									
Directors	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	15,000	–	–	–	15,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	768,200	–	–	(120,000)	648,200
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	768,400	–	–	(120,000)	648,400
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	768,400	–	–	(120,000)	648,400
Employees	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	1,061,300	(37,500)	(246,000)	–	777,800
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	2,539,900	–	(250)	120,000	2,659,650
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	2,541,400	–	(250)	120,000	2,661,150
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	2,541,400	–	(250)	120,000	2,661,150
Business Consultants	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	201,000	–	–	–	201,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	201,000	–	–	–	201,000
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	201,000	–	–	–	201,000
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	201,000	–	–	–	201,000
Subtotal					11,808,000	(37,500)	(246,750)	–	11,523,750
Exercisable at the end of the period									993,800
Weighted average exercise price									HK$76.36
Total					16,158,085	(185,000)	(788,025)	–	15,185,060

23. Share Based Payments Transactions *(continued)*

b. 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 prior period:

		Date of grant	Exercise period	Exercise price (HK$)	Number of options Outstanding at 1.1.2019	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at 30.6.2019
Scheme 2012 – batch 1									
Directors	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	40.34	230,750	–	(250)	–	230,500
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	40.34	538,750	–	(65,250)	(22,625)	450,875
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	40.34	538,750	–	–	–	538,750
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	40.34	538,750	–	–	–	538,750
Employees	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	40.34	406,900	–	(3,250)	–	403,650
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	40.34	1,030,850	–	(124,350)	(125,302)	781,198
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	40.34	1,727,750	–	(111,000)	(487,938)	1,128,812
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	40.34	1,727,750	–	–	(175,250)	1,552,500
Subtotal					6,740,250	–	(304,100)	(811,115)	5,625,035
Exercisable at the end of the period									3,533,785
Weighted average exercise price									HK$40.34
Scheme 2012 – batch 2									
Directors	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	–	105,000	–	–	105,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	–	791,600	–	–	791,600
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	–	791,700	–	–	791,700
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	–	791,700	–	–	791,700
Employees	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	–	1,061,300	–	–	1,061,300
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	–	2,606,500	–	–	2,606,500
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	–	2,608,100	–	–	2,608,100
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	–	2,608,100	–	–	2,608,100
Business Consultants	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	–	241,000	–	–	241,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	–	241,000	–	–	241,000
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	–	241,000	–	–	241,000
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	–	241,000	–	–	241,000
Subtotal					–	12,328,000	–	–	12,328,000
Exercisable at the end of the period									–
Weighted average exercise price									HK$76.36
Total					6,740,250	12,328,000	(304,100)	(811,115)	17,953,035

23. Share Based Payments Transactions *(continued)*

b. Scheme 2012 *(continued)*

Exercise price of the share options granted on 9 December 2015 is HK$40.34 per share. The total fair value of the options granted on 9 December 2015 calculated by using the binomial model was HK$194 million.

Exercise price of the share options granted on 28 March 2019 is HK$76.36 per share. The total fair value of the options granted on 28 March 2019 calculated by using the binomial model was HK$336 million.

As at 30 June 2020, the number of outstanding share options is 15,185,060 (31 December 2019: 16,158,085). During the current period, the Group recognised share-based payment expenses of RMB36 million (six months ended 30 June 2019: RMB26 million).

24. 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 risk during the six months ended 30 June 2020.

	Cash flow hedge reserve		Cost of hedging reserve		
	Foreign exchange risk	**Commodity risk**	**Foreign exchange risk**	**Commodity risk**	**Total**
	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2020	–	–	–	–	–
Amortisation/reclassified to profit or loss	(41)	–	(11)	–	(52)
Net fair value gain (loss) on hedging instruments	91	(224)	(15)	(30)	(178)
At 30 June 2020	50	(224)	(26)	(30)	(230)

25. Acquisition of Businesses

Acquisition date	**Company acquired**	**Registered capital acquired**	**Consideration**	**Nature of business**
			RMB million	
26 March 2020	浙江省浦江高峰管道燃氣有限公司 (“Gaofeng”)	90.00%	155	Retail gas sales business
31 March 2020	內蒙古華億能源股份有限公司 (“Huayi”)	100.00%	180	Retail gas sales business

Gaofeng and Huayi were acquired with the objective of expansion in market coverage of the Group’s business.

25. Acquisition of Businesses *(continued)*

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

	Gaofeng RMB million	**Huayi** RMB million	**Total** RMB million
Non-current assets			
Property, plant and equipment	67	124	191
Intangible assets	163	54	217
Right-of-use assets	13	22	35
Current assets			
Inventories	4	3	7
Trade and other receivables	38	37	75
Contract assets	2	–	2
Cash and cash equivalents	38	1	39
Current liabilities			
Trade and other payables	(87)	(34)	(121)
Contract liabilities	(10)	(25)	(35)
Bank and other loans – due within one year	(50)	(2)	(52)
Non-current liabilities			
Deferred tax liabilities	(41)	(21)	(62)
Net assets acquired	137	159	296
Goodwill arising on acquisition (determined on a provisional basis)			
Total consideration	155	180	335
Add: Non-controlling interests	9	–	9
Less: Fair value of identified net assets acquired	(137)	(159)	(296)
	27	21	48
Total consideration satisfied by:			
Cash	153	63	216
Consideration payables	2	117	119
	155	180	335
Net cash outflow arising on acquisition:			
Cash consideration paid	(153)	(63)	(216)
Less: Cash and cash equivalents acquired	38	1	39
	(115)	(62)	(177)

25. Acquisition of Businesses *(continued)*

Impact of acquisition on the results of the Group

The fair value of property, plant and equipment and intangible assets at the date of acquisition was provisional and pending for the valuation carried out by an independent firm of professional valuer.

Included in the profit for the six months ended 30 June 2020 was RMB5 million of profit attributable to the additional businesses generated by Gaofeng and Huayi. Revenue for the six months ended 30 June 2020 includes RMB68 million generated from Gaofeng and Huayi.

Had the acquisitions of Gaofeng and Huayi been completed on 1 January 2020, the revenue of the Group for the six months ended 30 June 2020 would have been approximately RMB31,609 million, and the profit for the period would have been approximately RMB3,162 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 acquisitions been completed on 1 January 2020, nor is intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group, had Gaofeng and Huayi been acquired on 1 January 2020, the Directors have calculated the depreciation and amortisation of 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.

26. 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 2020, the Group has acquired assets through the acquisitions of the following subsidiary:

On 7 January 2020, the Group acquired 80% of the equity interest of 澄城縣華興燃氣有限公司 at a consideration of RMB6 million.

The transaction was accounted for as acquisition of asset through acquisition of a subsidiary 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	13
Intangible assets	8
Current assets	
Trade and other receivables	2
Current liabilities	
Trade and other payables	(14)
Contract liabilities	(1)
Net assets acquired	8
Less: Non-controlling interests	(2)
Total consideration	6
Total consideration satisfied by:	
Cash	5
Consideration payables	1
	6
Net cash outflow arising on acquisition:	
Cash consideration paid	(5)

27. Disposal of Subsidiaries

On 30 April 2020, the Group disposed of 100% equity interest in 溫縣新奧交通清潔能源有限公司 at a cash consideration of RMB2 million.

On 5 June 2020, the Group disposed of 55% equity interest in 東莞市新奧車用燃氣發展有限公司 at a cash consideration of RMB55 million.

On 10 June 2020, the Group disposed of 98.18% equity interest in 邢台新奧車用燃氣有限公司 at a cash consideration of RMB13 million.

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

	RMB million
Non-current assets	
Property, plant and equipment	163
Right-of-use assets	12
Interests in a joint venture	13
Current assets	
Inventories	1
Trade and other receivables	17
Cash and cash equivalents	3
Current liabilities	
Trade and other payables	(17)
Contract liabilities	(2)
Net assets	190
Less: Non-controlling interests	(78)
Net assets attributable to the owners of the Company disposed of	112

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

	RMB million
Consideration received	40
Consideration receivable	30
Less: Net assets attributable to owners of the Company derecognised	(112)
Loss on disposal of subsidiaries	(42)
Net cash inflow arising from the disposal:	
Cash consideration received	40
Less: Cash and cash equivalents disposed of	(3)
	37

28. 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 (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

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

	Fair value as at			
	30 June 2020 RMB million	31 December 2019 RMB million	**Fair value hierarchy**	**Valuation technique and key input**
Financial assets				
Derivative financial instruments	**2,134**	673	Level 2	Discounted cash flow for swap Future cash flows are estimated based on forward commodity price and forward exchange rates at settlement date, contracted strike rate, cap rate and premium payment, discounted at the swap curves expected by various counterparties Black-Scholes Model for option 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	**292**	287	Level 1	Fair values are derived from quoted bid prices in an active market
Unlisted wealth management products	**–**	16	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

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

	Fair value as at 30 June 2020 RMB million	Fair value as at 31 December 2019 RMB million	Fair value hierarchy	Valuation technique and key input
Financial assets *(continued)*				
1.13% equity interest in Sinopec Marketing	**4,170**	4,170	Level 3	Estimated based on the P/B ratio of comparable listed companies and a liquidity discount rate
Other unlisted equity securities – FVTPL	**374**	384	Level 3	Fair values are derived from price multiples of similar assets that have been traded in the market
Listed equity securities – FVTOCI	**65**	–	Level 1	Fair values are derived from quoted bid prices in an active market
Unlisted equity securities – FVTOCI	**135**	123	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	**2,335**	746	Level 2	Discounted cash flow for swap Future cash flows are estimated based on forward commodity price and forward exchange rates at settlement date, contracted strike rate, cap rate and premium payment, discounted at the swap curves expected by various counterparties Black-Scholes Model for option 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 2020. The significant unobservable input is the liquidity discount rate. The higher liquidity discount rate, the lower fair value of the financial assets at FVTPL 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 2020.

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

	RMB million
Reconciliation of level 3 fair value measurements of financial assets	
At 1 January 2020 (audited)	**4,693**
Net losses in profit or loss	**(10)**
Purchased	**15**
Disposals	**(16)**
Transfers out of level 3	**(3)**
At 30 June 2020 (unaudited)	**4,679**

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

	At 30 June 2020		At 31 December 2019	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Financial liabilities:				
Fixed-rate bank and other loans	**8,092**	**7,852**	7,277	7,079
Senior notes	**2,579**	**2,671**	2,539	2,655
Unsecured bonds	**4,234**	**4,331**	4,169	4,216
Corporate bonds	**2,095**	**2,123**	2,094	2,105

In the above table, other than the fair values of bank 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 inactive quoted prices in the Shanghai Stock Exchange. The fair values of the rest of the financial liabilities at amortised cost are derived from discounted cash flow technique by reference to the market interest rate of the loans with comparable maturity and credit risk of the respective group entities at the end of the reporting period.

29. Commitments

	At 30 June 2020 RMB million	At 31 December 2019 RMB million
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
– acquisition of property, plant and equipment	**939**	1,021
– investments in joint ventures	**580**	495
– investments in associates	**424**	518
– other equity investments	**5**	259

30. Related Party Transactions

Apart from the related party balances as stated in Notes 16, 17 and 18, the Group had the following transactions with certain related parties:

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Nature of transaction		
Associates		
– Sales of gas to	**318**	226
– Sales of materials to	**82**	123
– Purchase of gas from	**184**	179
– Purchase of equipment from	**1**	1
– Loan interest received from	**8**	15
– Deposit interest paid to	**1**	1
– Provision of supporting services by	**8**	–
– Provision of gas transportation services by	**22**	23
– Provision of construction and installation services to	**1**	3
Joint ventures		
– Sales of gas to	**878**	788
– Sales of materials to	**80**	120
– Purchase of gas from	**1,806**	2,085
– Provision of gas transportation services to	**189**	211
– Loan interest received from	**9**	30
– Loan interest paid to	**2**	3
– Provision of supporting services to	**4**	1
– Provision of construction services by	**11**	11
– Provision of construction and installation services to	**2**	–
– Deposit interest paid to	**1**	12
– Provision of administrative services by	**4**	–
– Purchase of equipment from	**2**	–
– Lease of vehicles to	**1**	1
– Provision of supporting services by	**–**	2

30. Related Party Transactions *(continued)*

	Six months ended 30 June	
	2020	2019
	RMB million	RMB million
Nature of transaction		
Companies controlled by Mr. Wang		
Transactions exempt from shareholders' approval under Chapter 14A of the Listing Rules:		
– Provision of construction services by	**373**	557
– Purchase of equipment from	**85**	29
– Provision of information technology services by	**54**	56
– Purchase of LNG from	**129**	596
– Provision of LNG terminal usage services by	**211**	–
– Purchase of equity interests from (note)	**–**	100
Transactions fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules:		
– Sales of gas, gasoline and diesel to	**47**	5
– Provision of construction and installation services to	**2**	2
– Provision of property management services by	**9**	8
– Provision of property management services to	**1**	–
– Provision of outsourcing services by	**31**	16
– Lease of premises from	**3**	1
– Lease of premises to	**1**	2
– Sales of materials to	**39**	33
– Provision of administrative services by	**16**	16
– Provision of supporting services to	**27**	19
– Provision of technology services to	**36**	27
– Provision of electronic business services by	**5**	2
– Provision of research and development services to	**–**	4

Note: During the prior period, the Group completed the acquisition of the additional 4.5% equity interest in ENN Finance from a related company controlled by Mr. Wang. The consideration for the acquisition amounted to approximately RMB100 million.

The Company issued senior notes on 13 May 2011 and unsecured bonds on 23 October 2014 and 24 July 2017 and entered into a club loan agreement with various banks on 23 November 2018. The terms and conditions of these debts require Mr. Wang to retain certain percentage of shareholding over the Company, failing which the Company would be required to repay or repurchase all outstanding debts at predetermined prices.

30. Related Party Transactions *(continued)*

Financial guarantee contracts

As at 30 June 2020, the loan facilities utilised by an associate and the joint ventures guaranteed by the Group were approximately RMB633 million (31 December 2019: RMB726 million).

As at 30 June 2020, a related company has provided guarantees to the Group to the extent of RMB40 million (31 December 2019: RMB140 million), of which RMB18 million (31 December 2019: RMB120 million) were utilised by the Group.

Compensation of key management personnel

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Short-term employee benefits	**6,776**	6,702
Post-employment benefits	**87**	176
Share-based payments	**6,793**	4,596
	13,656	11,474

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