



ENN 新奧

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

(Stock code 股份代號: 2688)

IN PURSUIT OF A
LOW-CARBON FUTURE
締造低碳未來

INTERIM REPORT 2021
二零二一年中期業績報告





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

^Δ Profit attributable to owners of the Company but stripping out other gains and losses (excluding net settlement amount realised from commodity derivative contracts) and share-based payment expenses.

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

MANAGEMENT DISCUSSION AND ANALYSIS



Financial Performance

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

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

Operation Highlights

Digitalised Safety Management

The Group is committed to providing safe and stable low-carbon energy to its customers and has always put operation safety as its top priority.

To ensure the operation safety of gas pipelines, the Group has a regular programme to maintain and replace its existing pipelines. A digitalised system is in place to manage the construction and operation of pipelines. The Group aims to develop high-quality projects and realise the visibility, control and traceability of key processes during the construction period via engineering digitalisation and IoT technology. This facilitates the project managers in checking construction progress and site conditions any time, hence effectively eliminating hidden quality problems and improving construction quality. During the operation period, the Group focuses on various operation scenarios and employ intelligent equipment, such as laser methane monitoring systems, inspection drones and intelligent inspection vehicles to strengthen traditional manual inspection methods. A SCADA system is used for real-time monitoring of pressure changes in pipeline facilities, plus automatic valves that can be opened and closed remotely at key pipeline junctions to ensure safe, stable and reliable operation of gas pipelines.



To ensure the safe use of gas by C/I customers and enhance service quality, the Group performs quarterly/monthly/weekly on-site safety checks according to customer's scale of usage. Furthermore, the Group also vigorously promoted the application of IoT meters to customers. To ensure an efficient, comprehensive and safe supply of gas, the Group through the IoT application will be in a position to obtain the gas consumption data of customers in different parts of the city in real-time, analyse the current operation status of the meters with data collected, promptly detect abnormalities such as high volume of gas flow which exceeds the cap, minor gas leakage, unmetered gas consumption and power underload, and directly issue valve shut-off instructions to the meters through the system to reduce the probability of gas accidents. Customers can also utilise the IoT application to receive accident alarms, pay gas bills by phone, conduct real-time monitoring and check gas usage condition, to ensure stable and safe gas consumption. The Group's penetration rate of IoT meters for C/I customers has gradually increased to 42%.

For residential customers, the Group conducts door-to-door safety inspections at least once a year for general users and twice a year for rural gas users, more frequent than the biennial safety inspection standard for urban residents as stipulated by the country. Following rigorous restrictions on social distancing and community entry imposed by various cities last year for the COVID-19 pandemic prevention and related control measures, not all physical inspections were feasible. As an alternative, the Group actively promoted the "Smart Safety Inspection System V2.0" which enabled the users to carry out online safety self-inspection and self-test programs and guide them to report the status of indoor gas in accordance with the safety inspection procedures. The Group's customer service officers followed up on the self-inspection results uploaded by users and contacted them in a timely manner to rectify any potential safety hazards, ensuring the safety of customers' facilities and the identification of potential hazards under all circumstances. Residential customers can also reach out to our customer service officers via multiple channels, including the Group's national customer service hotline 95158, mobile APP and social media. We are committed to ensuring the safety of customer-end gas facilities and conducting thorough safety checks under any circumstances, thus enhancing customer satisfaction.

While promoting digitalised safety management, we also value customer privacy and security of information and formulated Data Privacy Policy. By continuously optimising our information management systems, we standardise the scope and authority of the use of relevant information, enhance the awareness of information security and confidentiality of employees, and ensure that customers' privacy and information security are effectively protected. In order to ensure users' information has been stored, used and transmitted lawfully, we have also formulated a series of information security systems including organisational responsibilities, access specifications, construction, operation and maintenance, etc., and use various security technologies and programmes to protect data security, prevent information leakage and risks of illegal attacks, unauthorised access, modification, damage or loss, etc.



Natural Gas Sales Business

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

C/I Market

The government is committed to a clean energy transition, encouraging the use of multiple and complementary energy sources and improving energy efficiency to achieve the goals of carbon emissions peak and carbon neutrality (the "dual carbon goals"). Compared to other fossil energy sources, natural gas plays an important role in our journey to achieve carbon emissions peak by 2030 for its advantages of high combustion efficiency, low emission, and low cost. Most of the Group's projects are located in key areas for environmental management such as Beijing-Tianjin-Hebei, Guangdong, Henan, Shandong, Jiangsu, and Zhejiang, where local governments strictly implement environmental protection policies. At the same time, an increasing number of customers are paying attention to the green production and carbon content of their own products. The Group developed 13,858 C/I customers (gas appliances installed with daily designed capacity of 10,200,523 cubic meters) during the period. The installed daily designed capacity from "coal-to-gas conversion" was approximately 2.652 million cubic meters, accounting for 26% of newly developed C/I customers. The Group has implemented market-based pricing for C/I customers' installation fees, which the average price was steady compared with the previous year. As of 30 June 2021, the Group has served a total of 190,986 C/I customers (gas appliances installed with the daily designed capacity of 151,987,068 cubic meters). With the gradual consumption of gas by newly developed C/I customers and robust industrial production activities, coupled with the low base effect last year, the Group's total volume of natural gas sold to C/I customers reached 9,616 million cubic meters during the period. This represents an increase of 26.3% over the same period last year, and accounts for 77.4% of the retail gas sales volume sold in the period under review.



Residential Market

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 a quality life, will provide the Group with enormous opportunities for developing urban residential market.

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

Project Development

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

Integrated Energy Business

Seizing opportunities arising from carbon neutrality, industrial transformation, clean heating and energy reform, the Group kept “securing quality projects” and “pursuing execution excellence” to optimise and upgrade both existing projects and projects under construction, developing new projects tailored to local conditions. At the same time, the Group actively developed asset-light energy services, including managing and operating energy facilities for customers, installing smart energy management system “Serlink” to optimise customers' energy consumption, providing renewable energy application solutions, etc., in an effort to save energy and reduce carbon emissions for customers. During the period, the Group had carried out energy service projects to customers such as battery manufacturers, shoe manufacturers and resort parks, providing them with comprehensive energy solutions. It is believed that under the background of the national goals of carbon neutrality and emissions peak, energy services will have huge development potential to drive the growth of integrated energy business.



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

Value Added Business

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

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

Capital Market Recognition

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



Outlook

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

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

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

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

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



Interim Dividend and Closure of Register of Members

The Board announced the payment of an interim dividend of HK\$0.59 (equivalent to approximately RMB0.49) per share for the six months ended 30 June 2021 (six months ended 30 June 2020: nil) payable to shareholders of the Company whose names are on the register of members on Monday, 8 November 2021, the payout ratio is 15% of the Group's core profits for the period, and is expected to be paid to the shareholders on or before Tuesday, 30 November 2021.

For the determination of entitlement to the interim dividend of shareholders, the register of members of the Company will be closed on the day of Monday, 8 November 2021 and no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates should be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 5 November 2021.

Financial Resources Review

Financial Resources and Liquidity

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

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

	30 June 2021	31 December 2020	Increased/ (Decreased) by
	RMB million	RMB million	RMB million
Bank balances and cash (excluding restricted bank deposits)	8,651	8,630	21
Long-term debts (including bonds)	11,671	12,714	(1,043)
Short-term debts (including bonds)	6,600	6,970	(370)
Total debts	18,271	19,684	(1,413)
Net debts¹	9,620	11,054	(1,434)
Total equity	38,155	36,172	1,983
Net gearing ratio²	25.2%	30.6%	(5.4 ppt)
Net current liabilities	10,746	9,665	1,081
Unutilised credit facilities	12,061	12,001	60

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

² Net gearing ratio = Net debts/Total equity



Working Capital Management

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

As at 30 June 2021, the Group's operating cash inflow was RMB4,474 million, while the free cash flow³ increased significantly by RMB1,384 million to approximately RMB1,473 million compared with the same period last year. As the Group has high quality current assets and good credit ratings, and given that the cash on hand, unused bond quota of RMB5,000 million and standby credit facilities provided by corresponding banks have reached RMB12,061 million, the Group's capital expenditures, finance costs and external dividends payment will be sufficiently met.

In addition, the Company also prudently manages receivables, payables and inventory turnover days. As at 30 June 2021, the Group's receivable turnover days are 11 days (31 December 2020: 11 days) and inventory turnover days are 7 days (31 December 2020: 8 days), the turnover days for two periods are similar. During the period, some of our raw materials cost increased significantly, the Group negotiated with suppliers to shorten payable days in exchange for privileged procuring price, therefore, payable turnover days reduced by 8 days to 30 days.

Borrowings Structure

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

³ Free cash flow = Cash flow from operating activities – capital expenditure – finance cost + dividend income



Debt Repayment Schedule



Foreign exchange risk management

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



Debt Structure



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 2021, the Group's corporate bonds will be due within one year. As a result, ratio of the Group's short-term debt to total debt increased as compared to last year. The group will continue to monitor the market changes, take the opportunity to refinance the expiring corporate bonds by issuing long-term bonds. At that time, the net current liabilities will be significantly improved.



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 mainly comes from international LNG procurement business denominated in USD.

International LNG Sale and Purchase Agreements

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

The Group adopted hedge accounting policy since 1 January 2020 in order to better reflect the association of the hedging instruments and the exposure of physical trading in the financial statements, as well as minimises the volatility to the profit and loss statement arising from the fair value changes in hedging instruments. The Group has recognised realised gains on changes in fair value arising from commodity derivative contracts of RMB91 million (six months ended 30 June 2020: RMB149 million) and unrealised gain of RMB171 million (six months ended 30 June 2020: loss of RMB68 million).

The Group has implemented a world leading Energy Trading Risk Management (ETRM) System which enabled daily multi-dimensional and accurate digital management of derivatives and physical trading, with reports generating function. The Company developed a mobile APP – ETMO risk management platform corresponding to the ETRM System, which allowed portable monitoring of business fully. In addition, the Group will continue to monitor market and business conditions to optimise its existing hedging strategy, trading authorisation and risk management policies, so as to better manage the risks associated with the Group's international LNG procurement.



Credit Rating

During the period, the Group's credit ratings given by three international rating agencies (Standard & Poor's, Moody's and Fitch Ratings) remained 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.

Constrained by Standard & Poor's group rating methodology, the credit rating of the Company was lowered from BBB+(Stable) to BBB(Stable) by Standard & Poor's due to the reorganisation at the Company's controlling shareholder level. However, the Group's business still recorded double digit growth, with strong financial positions and healthy operating cash flow.

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	Stable	Stable	Stable

Contingent Liabilities

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

Financial Guarantee Liability

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

Capital Expenditures and Commitments

(a) Capital expenditures

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

**(b) Capital commitments**

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

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

(c) Other commitments

The Group has entered into medium to long-term sale and purchase agreements to acquire LNG from four international suppliers. The Group is obliged to make “take-or-pay” payment to suppliers for the quantity contracted but not delivered. In the opinion of the Directors, such agreements are entered into and continued to be held for the purpose of meeting the domestic LNG demands of the Group's customers. Accordingly, these own-use agreements are not considered as derivative financial instruments within the scope of financial instruments standards since initial recognition. In addition, the LNG pricing under these agreements are linked to certain oil and gas price indexes and are denominated in USD, of which the economic characteristics and risks of the embedded derivatives are closely related to the economic characteristics and risks of the relevant host contracts. Accordingly, the embedded derivatives are not separated from these agreements as derivative financial instruments recognised in the consolidated financial statements.



Compliance with the Corporate Governance Code

The Company is committed to high-quality corporate governance practices, so the board of directors of the Company (the “Board”) and the management of the Company have been continuously reviewing and enhancing the corporate governance practices with reference to local and international standards. Since its listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company has adopted the Code of Corporate Governance (the “CG Code”) as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as the main guideline for corporate governance practices. The Company also continues to monitor developments in the arena of corporate governance externally to ensure the suitability and robustness of its corporate governance framework in light of the rapidly changing business environment and to meet the expectations of stakeholders. The Company values shareholders’ opinion, chairman of the Board and chairman of the Board committees attended the Company’s annual general meeting (the “AGM”) held on 10 May 2021 to answer the questions raised by shareholders.

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the CG Code as contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

Environmental, Social and Governance Responsibilities

The Group has always adopted a proactive approach to Environmental, Social and Governance (“ESG”) responsibilities and has established an ESG Committee comprising four directors to review, formulate and update the Group’s ESG policies and practices so as to achieve the Company’s long-term ESG goals. Early July this year, the Group organised an internal seminar on the major safety incident that occurred in the community, explained and provided training to employees on the new “Production Safety Law” promulgated, as well as incorporating ESG training attendance and examination as part of the criteria in employees’ value assessment to cultivate and strengthen the awareness of sustainable development among employees. In order to further improve the Company’s ESG level, the Group has also formulated a new policy that unless there is a special reason or the low attendance rate due to a small number of meetings, the attendance rate of the directors in the Board meetings and major committees meetings of the Company should not be less than 75 percent, which is to ensure that the directors devote sufficient time to the Company’s affairs.

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 2021 in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The Company’s Audit Committee meeting was held on 20 August 2021 to review the Group’s unaudited interim results and interim financial report for the six months ended 30 June 2021.

The re-appointment of Deloitte Touche Tohmatsu as the Company’s independent auditor for the financial year ending 31 December 2021 was approved by shareholders with support of over 97% of the votes at the AGM.



Board of Directors

As at 30 June 2021, the composition of the Board is set out below:

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

The directors of the Company subject to re-election at the 2021 AGM, namely Mr. Wang Yusuo, Mr. Zheng Hongtao, Mr. Wang Zizheng, Mr. Ma Zhixiang and Mr. Yuen Po Kwong, all had more than 90% votes for their re-election as directors in the AGM.

Compliance with the Model Code

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) set out in Appendix 10 to the Listing Rules as the code of conduct for securities transactions by the directors of the Company. In response to a specific enquiry by the Company, all directors of the Company confirmed that they have complied with the required standards set out in the Model Code and its code of conduct during the six months ended 30 June 2021.

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 2021, the interests and short positions of each director and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules, were as follows:

(a) The Company

Name of Director	Capacity	Personal interests	Corporate interests	Interest in share options	Interest in awarded shares	Total interests	Approximate percentage of the Company's total issued shares
Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	-	369,175,534 (Note)	320,000	-	369,495,534	32.71%
Zheng Hongtao	Beneficial owner	-	-	-	360,000	360,000	0.03%
Zhang Yuying	Beneficial owner	-	-	200,525	120,000	320,525	0.03%
Wang Dongzhi	Beneficial owner	-	-	320,000	-	320,000	0.03%
Wang Zizheng	Beneficial owner	-	-	320,000	-	320,000	0.03%
Jin Yongsheng	Beneficial owner	10,000	-	-	-	10,000	0.00%
Ma Zhixiang	Beneficial owner	-	-	60,000	-	60,000	0.01%
Yuen Po Kwong	Beneficial owner	-	-	60,000	-	60,000	0.01%
Law Yee Kwan, Quinn	Beneficial owner	-	-	48,000	-	48,000	0.00%
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 their controlled corporations, including Langfang City Natural Gas Company Limited ("LCNG"), ENN Investment Holdings Company Limited ("EIH"), ENN Group International Investment Limited ("EGII"), ENN Natural Gas Co., Ltd. ("ENN-NG") and Xinneng (Hong Kong) Investment Limited ("Xinneng HK").

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



Disclosure of the Directors' Interests *(continued)*

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

(b) Associated corporations

Company Name	Name of director	Capacity	Number of shares	Subscribed share capital RMB	Percentage of share capital
LCNG*	Mr. Wang	Beneficial owner (Note)	–	64.39 million	100%
EIH*	Mr. Wang	Interest of controlled corporation	8,000,000,000	–	100%
EGII	Mr. Wang	Interest of controlled corporation	1,000	–	100%
ENN-NG	Mr. Wang	Beneficial owner and interest of controlled corporation	1,966,053,704	–	75.62%
Xinneng HK	Mr. Wang	Interest of controlled corporation	2,132,377,984	–	75.62%
Beijing Xinyi Aite Art Development Company Limited*	Mr. Wang	Beneficial owner and interest of controlled corporation	–	10 million	100%
Xinyi Theater (Langfang) Culture Development Company Limited*	Mr. Wang	Beneficial owner and interest of controlled corporation	–	10 million	100%
ENN Group Co., Ltd.*	Mr. Wang	Beneficial owner and interest of controlled corporation	4,987,770,000	–	99.76%
Yicheng Yijia Internet Technology Company Limited*	Wang Zizheng	Beneficial owner	–	80 million	20%
Xin'ao Data IT Company Limited*	Wang Zizheng	Beneficial owner	–	40 million	20%

* For identification purpose only

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



Disclosure of the Directors' Interests *(continued)*

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

Save as disclosed above, as at 30 June 2021, 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 scheme ("Share Options Scheme") and share award scheme ("Share Award Scheme") for the purpose of attracting, retaining and incentivising major employees. The eligible persons for the schemes are employees (including directors) and business consultants (if applicable) who contributed to the success of the Group. The company has also formulated Shares and Options Management Regulations as the Company's management guidelines for granting share options and Awarded Shares. The purpose of this management regulations refers to the implementation of the Company's concept of value sharing, co-creation and sharing, aligning the interests of selected participants and shareholders, focusing on the Company's medium and long-term business, and promoting the long-term sustainable development of the Group.

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

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



Share-based Compensation Scheme (continued)

Share Option Scheme

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

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

Scheme/Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK\$)	Outstanding as at 1 January 2021	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2021 (Note 2)
2012 Scheme – Batch 1							
Directors	09.12.2015	01.04.2017–08.12.2025	40.34	160,000	(145,000)	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	160,000	(145,000)	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	160,000	(145,000)	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	160,525	(145,000)	–	15,525
Employees	09.12.2015	01.04.2017–08.12.2025	40.34	131,100	(19,000)	(15,600)	96,500
	09.12.2015	01.04.2018–08.12.2025	40.34	151,924	(14,300)	(50)	137,574
	09.12.2015	01.04.2019–08.12.2025	40.34	230,550	(36,750)	–	193,800
	09.12.2015	01.04.2020–08.12.2025	40.34	441,911	(38,050)	(12,125)	391,736
Sub-total				1,596,010	(688,100)	(27,775)	880,135
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	528,200	(172,000)	(100,000)	256,200
	28.3.2019	01.04.2022–27.03.2029	76.36	528,400	–	–	528,400
	28.3.2019	01.04.2023–27.03.2029	76.36	528,400	–	–	528,400
Employees	28.3.2019	01.04.2020–27.03.2029	76.36	449,600	(111,100)	(78,075)	260,425
	28.3.2019	01.04.2021–27.03.2029	76.36	2,748,400	(266,367)	(796,800)	1,685,233
	28.3.2019	01.04.2022–27.03.2029	76.36	2,749,900	–	(122,667)	2,627,233
	28.3.2019	01.04.2023–27.03.2029	76.36	2,749,900	–	(122,500)	2,627,400
Business Consultants	28.3.2019	01.04.2020–27.03.2029	76.36	91,500	(8,500)	–	83,000
	28.3.2019	01.04.2021–27.03.2029	76.36	178,500	–	(13,500)	165,000
	28.3.2019	01.04.2022–27.03.2029	76.36	178,500	–	–	178,500
	28.3.2019	01.04.2023–27.03.2029	76.36	178,500	–	–	178,500
Sub-total				10,924,800	(557,967)	(1,233,542)	9,133,291
Total				12,520,810	(1,246,067)	(1,261,317)	10,013,426



Share-based Compensation Scheme (continued)

Share Option Scheme (continued)

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. A total number of 9,762,526 shares, representing 0.86% 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\$138.47.

Directors' rights to acquire share

Pursuant to the Company's Share Option Scheme, the Company has granted rights to subscribe for the Company's ordinary shares in favour of certain directors of the Company. The interest of each director and chief executive in the share options of the Company as at 30 June 2021 were as follows:

Name of director	Date of grant	Exercise period (Note 1)	Exercise price (HK\$)	Outstanding as at 1 January 2021	Exercised during the period (Note 2)	Lapsed during the period (Note 2)	Outstanding as at 30 June 2021
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
Zhang Yuying (Note 3)	09.12.2015	01.04.2020-08.12.2025	40.34	525	-	-	525
	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)	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



Share-based Compensation Scheme (continued)

Directors' rights to acquire share (continued)

Name of director	Date of grant	Exercise period (Note 1)	Exercise price (HK\$)	Outstanding as at 1 January 2021	Exercised during the period (Note 2)	Lapsed during the period (Note 2)	Outstanding as at 30 June 2021
Wang Zizheng	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	–	15,000
	28.03.2019	01.04.2021–27.03.2029	76.36	120,000	–	(100,000)	20,000
	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
Ma Zhixiang	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	20,000
Yuen Po Kwong	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	20,000
Law Yee Kwan, Quinn	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	(12,000)	–	8,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	20,000
Yien Yu Yu, Catherine	28.03.2019	01.04.2020–27.03.2029	76.36	15,000	–	–	15,000
	28.03.2019	01.04.2021–27.03.2029	76.36	15,000	–	–	15,000
	28.03.2019	01.04.2022–27.03.2029	76.36	15,000	–	–	15,000
	28.03.2019	01.04.2023–27.03.2029	76.36	15,000	–	–	15,000
Total				2,240,525	(752,000)	(100,000)	1,388,525

Notes:

- The vesting period of the share options is from the date of grant until the commencement of the exercise period.
- “Period” refers to the period from 1 January 2021 to 30 June 2021.
- The vesting of share options is partly or wholly subject to the fulfilment of performance target.

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



Share-based Compensation Scheme *(continued)*

Share Award Scheme

On 30 November 2018, the Company adopted the Share Award Scheme under which the shares of the Company (the “Awarded Shares”) may be granted to selected employees (including directors) of any members of the Group (the “Selected Employees”) pursuant to the terms of the Share Award Scheme and the trust deed of the Share Award Scheme. As discussed above, the Share Award Scheme is mainly used as a supplement to the Share Option Scheme. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from the date, i.e. till 29 November 2028.

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

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 Awarded Shares.

When a Selected Employee has satisfied all vesting conditions, which might include service and/or performance conditions, specified at the time of making the award, the Company shall grant to such Selected Employee the Awarded Shares at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

As at 30 June 2021, there were 2,685,100 shares of the Company held in the trust under the Share Award Scheme, approximately 0.24% of the issued share capital of the Company. During the period, the Company has granted notional gain of 866,600 Awarded Shares to certain outperformed directors and employees under the scheme to reflect their changes in roles and commitment subsequent to the grant of share options to them under the 2012 Scheme, the award price was also HK\$76.36, and the vesting of the notional gains (if any) were subject to the fulfillment of their respective performance targets.



Share-based Compensation Scheme (continued)

Share Award Scheme (continued)

The following table discloses details of the Company's Awarded Shares held by the selected employees (including directors), and their movement in such holdings:

Grantee	Financial year to which the performance targets relate (Note 1)	Award price (HK\$) (Note 2)	Outstanding	Granted	Vested	Lapsed	Outstanding
			as at 1 January 2021 (Note 3)	during the period	during the period	during the period	as at 30 June 2021
Directors	2020	76.36	–	160,000	–	–	160,000
	2021	76.36	–	160,000	–	–	160,000
	2022	76.36	–	160,000	–	–	160,000
Employees	2020	76.36	31,000	128,867	–	–	159,867
	2021	76.36	15,500	128,867	–	–	144,367
	2022	76.36	15,500	128,866	–	–	144,366
Total			62,000	866,600	–	–	928,600

Notes:

1. Awarded Shares act as a supplement to Share Options Scheme, the financial year to which the performance targets relate is consistent with respect to the Share Options Scheme.
2. The award price is the exercise price of vesting the Awarded Shares by the selected employees, which is consistent with the exercise price of share options granted in 2012 Scheme – Batch 2.
3. Notional gains of the Awarded Shares can be vested to the grantees as early as on 1 April in the year following the financial year to which the respective performance conditions relate, or they can opt for deferral of vesting of the notional gains.



Share-based Compensation Scheme *(continued)*

Share Award Scheme *(continued)*

The interest of each director and chief executive in the Awarded Shares of the Company as at 30 June 2021 were as follows:

Grantee	Financial year to which the performance targets relate	Award price (HK\$)	Outstanding	Granted during the period (Note 1)	Vested during the period (Note 1)	Lapsed during the period (Note 1)	Outstanding
			as at 1 January 2021				as at 30 June 2021
Zheng Hongtao (Note 2)	2020	76.36	–	120,000	–	–	120,000
	2021	76.36	–	120,000	–	–	120,000
	2022	76.36	–	120,000	–	–	120,000
Zhang Yuying (Note 2)	2020	76.36	–	40,000	–	–	40,000
	2021	76.36	–	40,000	–	–	40,000
	2022	76.36	–	40,000	–	–	40,000
Total			–	480,000	–	–	480,000

Notes:

1. “Period” refers to the period from 1 January 2021 to 30 June 2021.
2. The vesting of Awarded Shares is subject to the fulfilment of performance targets.

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



Disclosure of the Substantial Shareholders' Interests

As at 30 June 2021, the interests and short positions of every person, other than directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of Part XV of the SFO were as follows:

Name of shareholder	Capacity	Total interests in shares	Interests in shares pursuant to share options	Total aggregate interests in shares and underlying shares (Note 6)	Approximate percentage of the Company's total issued shares
Mr. Wang	Beneficial owner and interest of controlled corporation	369,175,534 (Notes 1,2,3,4&5)	320,000 (Note 5)	369,495,534 (L)	32.71%
Ms. Zhao	Interest of controlled corporation and interest of spouse	369,175,534 (Notes 1,2,3,4&5)	320,000 (Note 5)	369,495,534 (L)	32.71%
LCNG*	Interest of controlled corporation	369,175,534 (Notes 1,2&3)	–	369,175,534 (L)	32.68%
EIH*	Interest of controlled corporation	369,175,534 (Notes 1&2)	–	369,175,534 (L)	32.68%
EGII	Interest of controlled corporation	369,175,534 (Note 1)	–	369,175,534 (L)	32.68%
ENN-NG	Interest of controlled corporation	369,175,534 (Note 1)	–	369,175,534 (L)	32.68%
Xinneng HK	Beneficial owner	369,175,534 (Note 1)	–	369,175,534 (L)	32.68%
The Capital Group Companies, Inc.	Beneficial owner	158,124,176	–	158,124,176 (L)	14.00%
JPMorgan Chase & Co.	Interest of controlled corporation, investment manager, person having a security interest in shares, trustee and approved lending agent	106,113,502	–	106,113,502 (L) (including 1,671,493 (S) 83,457,251 (P))	9.39%
BlackRock, Inc.	Interest of controlled corporation	67,530,106	–	67,530,106 (L) (including 1,264,500 (S))	5.98%

* for identification purpose only.



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

Notes:

1. EGII holds 52.72% interests of ENN-NG, therefore it holds 32.68% of the issued share capital of the Company through Xinneng HK, a wholly owned subsidiary of ENN-NG. EGII is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.
2. On 30 November 2018, Mr. Wang and Ms. Zhao entered into an equity entrustment agreement with EIH, pursuant to which each of Mr. Wang and Ms. Zhao 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. In addition, EIH directly and indirectly holds 22.90% interests of ENN-NG.
3. EIH is a wholly owned subsidiary of LCNG, LCNG hence is deemed to be interested in the shares in which EIH is interested in (1) and (2) above.
4. LCNG is 100% 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. In addition, Mr. Wang directly holds 0.07% interests of ENN-NG.
5. As Mr. Wang's spouse, Ms. Zhao is deemed as holding Mr. Wang's interests in shares.
6. (L) represents Long Position; (S) represents Short Position; (P) represents Lending Pool.

Save for the shareholders as disclosed herein, the directors are not aware of any persons who, as at 30 June 2021, 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 2021, 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 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Public Float

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



Loan Agreements Imposing Specific Performance Obligations on Controlling Shareholders

The Company issued 5-year bonds on 24 July 2017 (the “2022 Unsecured Bonds”) which would be due in 2022. The terms and conditions of the bonds required Mr. Wang, Ms. Zhao and any affiliate of any of them, the controlling shareholder of the Company, to retain their interests in the Company of at least 20% of the total issued share capital of the Company throughout the terms of the bonds. The principal amounts of the bonds issued are USD600 million (equivalent to RMB4,066 million). As at 30 June 2021, the outstanding balances are USD565 million (equivalent to RMB3,646 million).

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 and Ms. Zhao 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 2021, the outstanding balances are USD150 million (equivalent to RMB969 million).

Moreover, the Company issued 10-year green senior notes on 17 September 2020 (the “Green Senior Notes”) in an aggregate amount of USD750 million (equivalent to RMB5,137 million). The terms and conditions of the Green Senior Notes requires Mr. Wang and Ms. Zhao, controlling shareholders of the Company, collectively to retain their interest in the Company of at least 20% of the total issued share capital of the Company throughout the terms of the notes. As at 30 June 2021, the outstanding balance is USD750 million (equivalent to RMB4,781 million).

By order of the Board

WANG Yusuo

Chairman

Hong Kong, 23 August 2021

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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 31 to 72, which comprise the condensed consolidated statement of financial position as of 30 June 2021 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
23 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021



	Notes	Six months ended 30 June	
		2021 RMB million (unaudited)	2020 RMB million (unaudited)
Revenue	3	41,232	31,543
Cost of sales		(34,190)	(25,941)
Gross profit		7,042	5,602
Other income	4	552	421
Other gains and losses	5	214	(234)
Distribution and selling expenses		(535)	(435)
Administrative expenses		(1,655)	(1,392)
Share of results of associates		166	166
Share of results of joint ventures		301	266
Finance costs	6	(304)	(320)
Profit before tax	7	5,781	4,074
Income tax expense	8	(1,351)	(909)
Profit for the period		4,430	3,165
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value (loss) gain of equity instruments at fair value through other comprehensive income ("FVTOCI"), net of tax		(3)	63
<i>Items that have been reclassified or may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		–	(1)
Fair value gain (loss) of hedging instruments during the period, net of tax		79	(230)
Other comprehensive income for the period, net of tax		76	(168)
Total comprehensive income for the period		4,506	2,997
Profit for the period attributable to:			
Owners of the Company		3,765	2,693
Non-controlling interests		665	472
		4,430	3,165
Total comprehensive income for the period attributable to:			
Owners of the Company		3,841	2,525
Non-controlling interests		665	472
		4,506	2,997
		RMB	RMB
Earnings per share	10		
Basic		3.34	2.40
Diluted		3.32	2.39

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021



	Notes	At 30 June 2021 RMB million (unaudited)	At 31 December 2020 RMB million (audited)
Non-current Assets			
Property, plant and equipment	11	43,439	41,861
Right-of-use assets	11	2,119	2,129
Investment properties		261	261
Goodwill		2,511	2,511
Intangible assets	12	4,309	4,446
Interests in associates		3,682	3,619
Interests in joint ventures		4,461	4,141
Other receivables	15	256	73
Derivative financial instruments	13	479	292
Investments in financial assets at fair value through profit or loss ("FVTPL")	14	4,734	4,760
Equity instruments at FVTOCI		249	211
Amounts due from associates	17	23	6
Amounts due from joint ventures	18	8	10
Deferred tax assets		1,350	1,370
Deposits paid for investments		51	1
Deposits paid for acquisition of property, plant and equipment, land use rights and right of operation		130	134
Restricted bank deposits	16	509	650
		68,571	66,475
Current Assets			
Inventories		1,195	1,285
Trade and other receivables	15	7,909	9,053
Contract assets		802	732
Derivative financial instruments	13	1,084	336
Investments in financial assets at FVTPL	14	77	70
Amounts due from associates	17	1,082	892
Amounts due from joint ventures	18	2,011	2,106
Amounts due from related companies	19	448	348
Restricted bank deposits	16	180	116
Cash and cash equivalents		8,651	8,630
		23,439	23,568

CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

At 30 June 2021



	Notes	At 30 June 2021 RMB million (unaudited)	At 31 December 2020 RMB million (audited)
Current Liabilities			
Trade and other payables	20	7,569	8,302
Contract liabilities		13,219	14,242
Deferred income		38	38
Amounts due to associates	17	349	319
Amounts due to joint ventures	18	723	976
Amounts due to related companies	19	1,185	925
Taxation payables		1,049	971
Dividend payable		2,273	–
Lease liabilities		79	89
Bank and other loans – due within one year	21	5,102	4,590
Corporate bonds	22	1,498	–
Senior notes	23	–	2,380
Derivative financial instruments	13	1,078	401
Share-based payment liabilities	25	23	–
		34,185	33,233
Net Current Liabilities		(10,746)	(9,665)
Total Assets less Current Liabilities		57,825	56,810
Capital and Reserves			
Share capital	24	117	117
Reserves		32,120	30,444
Equity attributable to owners of the Company		32,237	30,561
Non-controlling interests		5,918	5,611
Total Equity		38,155	36,172
Non-current Liabilities			
Contract liabilities		3,153	3,212
Deferred income		749	729
Amounts due to joint ventures	18	585	585
Lease liabilities		288	310
Bank and other loans – due after one year	21	2,645	2,078
Corporate bonds	22	599	2,097
Senior notes	23	4,781	4,827
Unsecured bonds		3,646	3,712
Derivative financial instruments	13	468	526
Deferred tax liabilities		2,732	2,562
Share-based payment liabilities	25	2	–
Financial guarantee liabilities	30	22	–
		19,670	20,638
		57,825	56,810

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021



Six months ended 30 June 2021 (unaudited)

	Equity attributable to owners of the Company												Non-controlling interests	Total equity
	Share capital	Treasury stocks	Share premium	Special reserve	Revaluation reserve	Share options reserve	Exchange reserve	Hedging reserve	Surplus reserve fund	Designated safety fund	Retained earnings	Total		
	RMB million (Note 24)	RMB million (Note 25)	RMB million	RMB million (note a)	RMB million	RMB million	RMB million	RMB million (Note 26)	RMB million (note b)	RMB million (note c)	RMB million	RMB million		
At 1 January 2021	117	(168)	1,134	(127)	72	147	1	(37)	3,126	67	26,229	30,561	5,611	36,172
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,765	3,765	665	4,430
Other comprehensive income for the period	-	-	-	-	(3)	-	-	79	-	-	-	76	-	76
Total comprehensive income for the period	-	-	-	-	(3)	-	-	79	-	-	3,765	3,841	665	4,506
Cumulative loss transferred to initial carrying amount of hedged items	-	-	-	-	-	-	-	30	-	-	-	30	-	30
Recognition of equity-settled share-based payment (Note 25)	-	-	-	-	-	18	-	-	-	-	-	18	-	18
Issue of ordinary shares on exercise of share options	-	-	83	-	-	(23)	-	-	-	-	-	60	-	60
Deregistration/disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	(8)	(8)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	7	7
Dividends appropriation (Note 9)	-	-	-	-	-	-	-	-	-	-	(2,273)	(2,273)	-	(2,273)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	-	(357)	(357)
Transfer to designated safety fund	-	-	-	-	-	-	-	-	-	10	(10)	-	-	-
Transfer to surplus reserve fund	-	-	-	-	-	-	-	-	64	-	(64)	-	-	-
At 30 June 2021	117	(168)	1,217	(127)	69	142	1	72	3,190	77	27,647	32,237	5,918	38,155

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021



Six months ended 30 June 2020 (unaudited)

	Equity attributable to owners of the Company														Total equity RMB million
	Share capital RMB million (Note 24)	Treasury stocks RMB million (Note 25)	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 26)	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		
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 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 25)	-	-	-	-	-	36	-	-	-	-	-	36	-	36	
Issue of ordinary shares on exercise of share options	-	-	16	-	-	(4)	-	-	-	-	-	12	-	12	
Purchase of shares under Share Award Scheme	-	(17)	-	-	-	-	-	-	-	-	-	(17)	-	(17)	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	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	

Notes:

- The balance represents the difference between the fair values of consideration paid and the carrying values of net assets attributable to the additional interests of subsidiaries acquired or disposal of with no change in control.
- In accordance with the People's Republic of China ("PRC") regulations, the surplus reserve fund retained by subsidiaries in the PRC is non-distributable.
- Pursuant to relevant PRC regulations, the Group is required to transfer 1.5% on revenue generated from construction and installation, transportation of gas or other dangerous chemical into a designated fund. The fund will be used for installation and repair and maintenance of safety facilities. The movement during the period represents the difference between the amount provided based on the relevant PRC regulations and the amount utilised during the period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021



	Note	Six months ended 30 June	
		2021 RMB million (unaudited)	2020 RMB million (unaudited)
Net cash generated from operating activities		4,474	3,213
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(2,528)	(2,237)
Purchases of wealth management products		(4,930)	(6,982)
Redemptions of wealth management products		4,923	6,998
Additions of restricted bank deposits		(1,449)	(609)
Release of restricted bank deposits		1,526	749
Net cash outflow on acquisition of subsidiaries and businesses		(166)	(294)
Net cash inflow on disposal/deregistration of subsidiaries	27	5	33
Investments in associates		(18)	(101)
Investments in joint ventures		(18)	(61)
Interest received		91	74
Settlement of derivative financial instruments		4	(133)
Dividends received from associates		112	43
Dividends received from joint ventures		44	12
Advances to joint ventures		(207)	(95)
Amounts repaid by joint ventures		325	35
Advances to associates		(221)	(178)
Amounts repaid by associates		61	117
Advances to third parties		(955)	(682)
Amounts repaid by third parties		870	134
Other investing activities		(27)	(119)
Net cash used in investing activities		(2,558)	(3,296)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021



	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
	(unaudited)	(unaudited)
FINANCING ACTIVITIES		
New bank loans raised	3,782	6,250
Repayment of bank loans	(2,686)	(4,944)
Amounts repaid to banks and other financial institutions by ENN Finance Company Limited ("ENN Finance")	(900)	(10,130)
Advances from banks and other financial institutions to ENN Finance	900	10,130
Net proceeds from ordinary shares issued on exercise of share options	60	12
Purchase of shares under Share Award Scheme	–	(17)
Repayment of lease liabilities	(55)	(55)
Dividends paid to non-controlling shareholders	(357)	(255)
Net cash outflow on acquisition of additional interest in subsidiaries	–	(49)
Capital contribution from non-controlling shareholders	7	44
Repayment of senior notes	(2,372)	–
Interest paid	(386)	(415)
Advances from joint ventures	216	175
Amounts repaid to joint ventures	(76)	(192)
Advances from associates	13	61
Amounts repaid to associates	(11)	(1)
Advances from related companies	20	31
Other financing activities	(47)	(1)
Net cash (used in) generated from financing activities	(1,892)	644
Net increase in cash and cash equivalents	24	561
Effect of foreign exchange rate changes	(3)	4
Cash and cash equivalents at beginning of the period	8,630	7,373
Cash and cash equivalents at end of the period	8,651	7,938

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



1. Basis of Preparation

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

In preparing the condensed consolidated financial statements for the six months ended 30 June 2021, the directors of the Company (the “Directors”) have given careful consideration of the Group’s net current liabilities of approximately RMB10,746 million on that date. A wholly-owned subsidiary of the Company was approved by the National Development and Reform Commission on 19 January 2020 to issue green bonds amounting to RMB5,000 million. In addition to the unused issuance quota, the Group had unutilised credit facilities aggregating to approximately RMB12,061 million as at 30 June 2021, which would be subject to renewal within twelve months therefrom. At the time of approving the condensed consolidated financial statements for the six months ended 30 June 2021, the Directors have a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future, and they therefore consider it appropriate to prepare these financial statements on a going concern basis.

2. Principal Accounting Policies

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

Other than the changes of accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2020.

Amendments to HKFRSs

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



3. Segment Information

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

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

Inter-segment sales are charged at prevailing market rates.

Disaggregation of revenue

	Six months ended 30 June 2021			Six months ended 30 June 2020		
	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	23,138	–	23,138	18,191	–	18,191
Integrated energy business	3,356	306	3,662	1,873	228	2,101
Wholesale of gas	9,768	–	9,768	7,919	–	7,919
Construction and installation	–	3,827	3,827	–	2,669	2,669
Value added business	749	88	837	551	112	663
Total	37,011	4,221	41,232	28,534	3,009	31,543

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



3. Segment Information (continued)

Disaggregation of revenue (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 2021

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

Six months ended 30 June 2020

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

Substantially all of the Group's revenue are generated from the PRC. For the six months ended 30 June 2021, the revenues from PRC and overseas were RMB41,112 million (six months ended 30 June 2020: RMB31,462 million) and RMB120 million (six months ended 30 June 2020: RMB81 million), respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



4. Other Income

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Other income mainly includes:		
Incentive subsidies (note)	157	140
Dividends income from investments in financial assets at FVTPL	138	48
Interest income on bank deposits	47	37
Interest income on loan receivables from joint ventures and associates	15	17
Interest income on loan receivables from third parties	29	20
Rental income from equipment	25	15
Rental income from investment properties	5	5

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



5. Other Gains and Losses

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Net fair value (loss) gain on:		
– Investments in financial assets at FVTPL (Note 14)	(22)	(5)
– Derivative financial instruments (Note 13)	248	85
Loss on repurchases of unsecured bonds	(1)	–
Gain (loss) on foreign exchange, net (note)	77	(138)
Impairment losses under expected credit loss model, net of reversal:		
– Trade and other receivables	(34)	(41)
– Contract assets	(1)	(1)
– Amounts due from associates/joint ventures/related companies	(4)	(1)
Impairment loss recognised in respect of property, plant and equipment	–	(48)
Net (loss) gain on disposal of:		
– Property, plant and equipment	(50)	(48)
– Right-of-use assets	3	5
– Subsidiaries (Note 27)	(2)	(42)
	214	(234)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021



6. Finance Costs

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Interest on:		
Bank and other loans	112	169
Senior notes	120	77
Corporate bonds	44	47
Unsecured bonds	62	72
Lease liabilities	11	15
	349	380
Less: Amount capitalised under construction in progress	(69)	(78)
	280	302
Amount reclassified from hedging reserve	24	18
	304	320

7. Profit Before Tax

	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Profit before tax has been arrived at after charging:		
Depreciation and amortisation:		
– property, plant and equipment	854	791
– intangible assets	160	148
– right-of-use assets	82	87
Total depreciation and amortisation (note)	1,096	1,026

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	
	2021	2020
	RMB million	RMB million
Depreciation and amortisation included in:		
Cost of sales	896	831
Administrative expenses	180	177
Distribution and selling expenses	20	18
	1,096	1,026

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8. Income Tax Expense

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

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

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

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

9. Dividend

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

The Directors announced the payment of an interim dividend of HK\$0.59 (equivalent to approximately RMB0.49) per share for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

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10. Earnings Per Share

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

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

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

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



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

During the six months ended 30 June 2021, the Group acquired property, plant and equipment and right-of-use assets amounting to approximately RMB2,597 million and RMB126 million (six months ended 30 June 2020: RMB2,324 million and RMB91 million) respectively.

In addition, no property, plant and equipment and right-of-use assets were acquired by the Group through acquisition of subsidiaries during the current period (six months ended 30 June 2020: RMB204 million and RMB35 million respectively).

During the six months ended 30 June 2021, the Group entered into several new agreements with lease terms from 1 year to 10 years. On lease commencement, the Group recognised right-of-use assets of RMB54 million (six months ended 30 June 2020: RMB29 million) and lease liabilities of RMB54 million (six months ended 30 June 2020: RMB29 million).

Impairment assessment

The Group regularly performs impairment assessment on the non-financial assets. The assessment includes the best estimates of the unknown future impacts of the global economic environment that is reasonably available as of the reporting date. During the current period, no impairment loss was recognised in respect of property, plant and equipment (six months ended 30 June 2020: RMB48 million).

12. Intangible Assets

During the six months ended 30 June 2021, the Group acquired intangible assets amounting to approximately RMB23 million (six months ended 30 June 2020: RMB50 million).

In addition, no intangible assets were acquired by the Group through acquisition of subsidiaries (six months ended 30 June 2020: RMB225 million).

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13. Derivative Financial Instruments

	At 30 June 2021 RMB million	At 31 December 2020 RMB million
Derivative financial assets		
Derivatives designated as cash flow hedges:		
Foreign currency derivative contracts (note a)	–	2
Commodity derivative contracts (note b)	54	–
Derivatives not designated in hedge accounting:		
Commodity derivative contracts (note b)	1,509	626
	1,563	628
Derivative financial liabilities		
Derivatives designated as cash flow hedges:		
Foreign currency derivative contracts (note a)	157	135
Commodity derivative contracts (note b)	–	62
Derivatives not designated in hedge accounting:		
Commodity derivative contracts (note b)	1,389	730
	1,546	927
Analysed for reporting purpose as:		
Assets		
Current portion	1,084	336
Non-current portion	479	292
Liabilities		
Current portion	1,078	401
Non-current portion	468	526

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13. Derivative Financial Instruments *(continued)*

For the six months ended 30 June 2021

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

For the six months ended 30 June 2020

	Commodity Derivatives RMB million	Foreign Currency Derivatives RMB million	Total RMB million
Net unrealised fair value loss (gain) included in other gains and losses			
Derivatives designated as cash flow hedges			
– ineffective portion	(18)	4	(14)
Derivatives not designated in hedge accounting	(50)	–	(50)
	(68)	4	(64)
Net realised fair value gain included in other gains and losses			
Derivatives not designated in hedge accounting	149	–	149
	149	–	149
	81	4	85

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13. Derivative Financial Instruments *(continued)*

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 has entered into various foreign currency derivative contracts (the “Foreign Currency Derivatives”) with certain financial institutions. As at 30 June 2021, the Foreign Currency Derivatives have a total notional amount of USD700 million (31 December 2020: USD750 million), of which the maturity dates match to the maturity dates of the corresponding hedged debts. The Foreign Currency Derivatives will enable the Group to buy USD at the predetermined RMB/USD exchange rates on maturity dates. The Foreign Currency Derivatives are designated as hedging instruments and accounted for under hedge accounting.
- b. The Group has entered into sale and purchase agreements to acquire LNG from certain international suppliers. The purchase prices of these agreements are linked to certain commodity price indexes. Details of these agreements are set out in Note 29.

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

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14. Investments in Financial Assets at FVTPL

	At 30 June 2021	At 31 December 2020
	RMB million	RMB million
Investments in financial assets at FVTPL		
Listed equity interest in Shanghai Dazhong Public Utilities (Group) Co., Ltd (“Shanghai Utilities”) (note a)	222	244
Unlisted equity interest in Sinopec Marketing Co., Ltd (“Sinopec Marketing”) (note b)	4,170	4,170
Unlisted wealth management products	77	70
Other unlisted equity securities (note c)	342	346
	4,811	4,830

	At 30 June 2021	At 31 December 2020
	RMB million	RMB million
Analysed for reporting purpose as:		
Assets		
Current portion	77	70
Non-current portion	4,734	4,760

	Six months ended 30 June 2021	2020
	RMB million	RMB million
Net unrealised fair value (loss) gain included in other gains and losses		
Listed equity interest in Shanghai Utilities (note a)	(22)	5
Other unlisted equity securities (note c)	–	(10)
	(22)	(5)

Notes:

- The above listed investment represents 4.38% of the total issued share capital of Shanghai Utilities (1635.HK).
- The above investment represents 1.13% unlisted equity interest in Sinopec Marketing. During the current period, the Group recognised a dividend income of approximately RMB138 million (six months ended 30 June 2020: RMB48 million) from Sinopec Marketing.
- The unlisted investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC.

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15. Trade and Other Receivables

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

	At 30 June 2021	At 31 December 2020
	RMB million	RMB million
0 to 3 months	1,519	1,418
4 to 6 months	305	301
7 to 9 months	143	181
10 to 12 months	155	16
More than one year	266	268
Total trade receivables	2,388	2,184
Bills receivables (note)	1,272	1,441
Other receivables	781	702
Loan receivables	464	379
Less: Allowance for credit losses	(21)	(22)
	2,496	2,500
Deductible input value added tax and prepayment of other taxes and charges	1,453	1,499
Advances to suppliers and prepayments	1,828	2,943
Total trade and other receivables	8,165	9,126
Analysed for reporting purpose as:		
Current portion	7,909	9,053
Non-current portion	256	73

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

16. Restricted Bank Deposits

The restricted bank deposits carry fixed interest rate ranging from 0.03% to 3.71% (31 December 2020: 0.03% to 3.71%) per annum. Except for the mandatory reserves in the People's Bank of China ("PBOC") amounting to RMB439 million (31 December 2020: RMB465 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.

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17. Amounts Due From/To Associates

Included in the amounts due from/to associates are trade receivables, amounting to RMB587 million (31 December 2020: RMB531 million) and trade payables amounting to RMB99 million (31 December 2020: RMB71 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 2021	At 31 December 2020
	RMB million	RMB million
Trade receivables		
0 to 3 months	257	229
4 to 6 months	88	130
7 to 9 months	84	64
10 to 12 months	74	14
More than one year	84	94
	587	531
Trade payables		
0 to 3 months	95	66
4 to 6 months	1	2
More than one year	3	3
	99	71

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18. Amounts Due From/To Joint Ventures

Included in the amounts due from/to joint ventures are trade receivables, amounting to RMB755 million (31 December 2020: RMB735 million) and trade payables amounting to RMB395 million (31 December 2020: RMB786 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 2021	At 31 December 2020
	RMB million	RMB million
Trade receivables		
0 to 3 months	536	533
4 to 6 months	41	40
7 to 9 months	22	24
10 to 12 months	20	7
More than one year	136	131
	755	735
Trade payables		
0 to 3 months	270	566
4 to 6 months	35	102
7 to 9 months	11	51
10 to 12 months	24	26
More than one year	55	41
	395	786

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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19. Amounts Due From/To Related Companies

Included in the amounts due from/to related companies are trade receivables, amounting to RMB304 million (31 December 2020: RMB209 million) and trade payables amounting to RMB1,108 million (31 December 2020: RMB861 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 2021	At 31 December 2020
	RMB million	RMB million
Trade receivables		
0 to 3 months	146	51
4 to 6 months	46	24
7 to 9 months	13	32
10 to 12 months	5	9
More than one year	94	93
	304	209
Trade payables		
0 to 3 months	740	577
4 to 6 months	134	98
7 to 9 months	129	53
10 to 12 months	10	34
More than one year	95	99
	1,108	861

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

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20. 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 2021	At 31 December 2020
	RMB million	RMB million
0 to 3 months	3,331	3,472
4 to 6 months	811	1,094
7 to 9 months	452	535
10 to 12 months	313	236
More than one year	696	849
Trade payables	5,603	6,186
Accrued charges and other payables	1,966	2,116
	7,569	8,302

21. Bank and Other Loans

During the six months ended 30 June 2021, the Group obtained new bank loans in the amount of RMB3,782 million (six months ended 30 June 2020: RMB6,250 million) and made repayments in the amount of RMB2,686 million (six months ended 30 June 2020: RMB4,944 million). The loans bear interest at the range from 0.63% to 4.80% (31 December 2020: 1.70% to 4.80%) per annum. These proceeds were used to finance the capital expenditure and general working capital of the Group.

At 30 June 2021, certain assets of the Group with aggregate carrying value of RMB544 million (31 December 2020: RMB556 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 RMB400 million granted to the Group, of which RMB400 million was utilised up to 31 December 2020. The facilities were expired during the period ended 30 June 2021.

At 30 June 2021, bank loans related to bills receivable discounted to the banks are amounting to RMB140 million (31 December 2020: RMB112 million).

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22. 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%

23. Senior Notes

a. 2021 Senior Notes

On 13 May 2011, the Company issued 6% senior notes with an aggregated nominal value of USD750 million (equivalent to approximately RMB4,863 million) (the “2021 Senior Notes”) at face value. The net proceeds, after deducting the issuance costs, amounted to USD735 million (equivalent to approximately RMB4,765 million). In September 2015 and December 2016, the Company repurchased in aggregate of principal amount of USD35,000,000 and USD349,457,000 (equivalent to approximately RMB222 million and RMB2,410 million) in the open market. The remaining balance of the 2021 Senior Notes was matured and fully repaid on 13 May 2021.

b. Green Senior Notes

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

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24. Share Capital

During the six months ended 30 June 2021, 688,100 shares and 557,967 shares (six months ended 30 June 2020: 147,500 shares and 37,500 shares) were issued at the exercise price of HK\$40.34 and HK\$76.36 per ordinary share under the share option scheme, respectively, in relation to the exercise of outstanding share options as set out in Note 25. These shares rank pari passu with the existing shares in all respects.

Save as disclosed above and in Note 25, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities up to 30 June 2021.

25. Share Based Payments Transactions

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

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

a. Scheme 2012

On 9 December 2015, the Company granted share options to the Directors and certain employees (the "2015 Grantees") to subscribe for a total of 12,000,000 ordinary shares of the Company under the Scheme 2012. Among the share options granted 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 targets.

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

2015 Grantees and 2019 Grantees should 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.

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25. Share Based Payments Transactions (continued)

a. Scheme 2012 (continued)

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

		Date of grant	Exercisable period	Exercise price	Number of options				Outstanding at 30.06.2021
					Outstanding at 1.1.2021	Exercised during the period	Forfeited during the period	Reclassified during the period	
Scheme 2012- batch 1									
Directors	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	HK\$40.34	160,000	(145,000)	-	-	15,000
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	HK\$40.34	160,000	(145,000)	-	-	15,000
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	HK\$40.34	160,000	(145,000)	-	-	15,000
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	HK\$40.34	160,525	(145,000)	-	-	15,525
Employees	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	HK\$40.34	131,100	(19,000)	(15,600)	-	96,500
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	HK\$40.34	151,924	(14,300)	(50)	-	137,574
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	HK\$40.34	230,550	(36,750)	-	-	193,800
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	HK\$40.34	441,911	(38,050)	(12,125)	-	391,736
Subtotal					1,596,010	(688,100)	(27,775)	-	880,135
Exercisable at the end of the period									880,135
Weighted average exercise price									HK\$40.34
Scheme 2012- batch 2									
Directors	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	HK\$76.36	15,000	-	-	-	15,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK\$76.36	528,200	(172,000)	(100,000)	-	256,200
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK\$76.36	528,400	-	-	-	528,400
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK\$76.36	528,400	-	-	-	528,400
Employees	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	HK\$76.36	449,600	(111,100)	(78,075)	-	260,425
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK\$76.36	2,748,400	(266,367)	(796,800)	-	1,685,233
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK\$76.36	2,749,900	-	(122,667)	-	2,627,233
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK\$76.36	2,749,900	-	(122,500)	-	2,627,400
Business Consultants	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	HK\$76.36	91,500	(8,500)	-	-	83,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK\$76.36	178,500	-	(13,500)	-	165,000
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK\$76.36	178,500	-	-	-	178,500
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK\$76.36	178,500	-	-	-	178,500
Subtotal					10,924,800	(557,967)	(1,233,542)	-	9,133,291
Exercisable at the end of the period									2,464,858
Weighted average exercise price									HK\$76.36
Total					12,520,810	(1,246,067)	(1,261,317)	-	10,013,426

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25. Share Based Payments Transactions (continued)

a. Scheme 2012 (continued)

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

		Date of grant	Exercisable period	Exercise price	Number of options				Outstanding at 30.06.2020
					Outstanding at 1.1.2020	Exercised during the period	Forfeited during the period	Reclassified during the period	
Scheme 2012- batch 1									
Directors	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	HK\$40.34	230,500	-	-	35,500	266,000
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	HK\$40.34	442,575	(6,700)	-	(97,500)	338,375
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	HK\$40.34	538,775	(15,000)	-	(97,500)	426,275
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	HK\$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	HK\$40.34	205,250	(22,900)	-	(35,500)	146,850
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	HK\$40.34	366,261	(28,750)	-	97,500	435,011
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	HK\$40.34	560,474	(30,650)	(17,750)	97,500	609,574
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	HK\$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	HK\$76.36	15,000	-	-	-	15,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK\$76.36	768,200	-	-	(120,000)	648,200
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK\$76.36	768,400	-	-	(120,000)	648,400
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK\$76.36	768,400	-	-	(120,000)	648,400
Employees	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	HK\$76.36	1,061,300	(37,500)	(246,000)	-	777,800
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK\$76.36	2,539,900	-	(250)	120,000	2,659,650
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK\$76.36	2,541,400	-	(250)	120,000	2,661,150
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK\$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	HK\$76.36	201,000	-	-	-	201,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	HK\$76.36	201,000	-	-	-	201,000
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	HK\$76.36	201,000	-	-	-	201,000
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	HK\$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



25. Share Based Payments Transactions *(continued)*

a. Scheme 2012 *(continued)*

As at 30 June 2021, the number of outstanding share options is 10,013,426 (31 December 2020: 12,520,810). During the current period, the Group recognised share-based payment expenses of RMB18 million (six months ended 30 June 2020: RMB36 million).

b. Share Award Scheme

Pursuant to the Share Award Scheme, the Company may from time to time at its absolute discretion grant shares of the Company (the “Awarded Shares”) at no consideration to selected employees of any members of the Group. Vesting of the Awarded Shares granted is conditional upon the fulfilment of vesting conditions as specified in the grant notice issued to each grantee.

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

As at 30 June 2021, 2,685,100 shares (31 December 2020: 2,685,100 shares) were held under the Trustee. During the six months ended 30 June 2021, no shares were purchased by the Trustee (six months ended 30 June 2020: 270,000 shares). The cost of the shares purchased was recognised in equity as treasury stocks.

During the period, 866,600 Awarded Shares with an award price of HK\$76.36 had been nominally granted to certain directors and employees in tranches. Vesting of such shares is subject to satisfying relevant performance conditions and a service condition requiring continuous service until the respective vesting dates, and can occur as early as on 1 April in the year following the financial year to which the corresponding performance conditions related. Hence, the vesting period of these shares is from the date of the grant to the respective vesting dates.

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

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25. Share Based Payments Transactions *(continued)*

b. Share Award Scheme *(continued)*

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

		Financial year to which the performance conditions relate	Exercise price	Number of Awarded Shares				Outstanding at 30.06.2021
				Outstanding at 1.1.2021	Granted during the period	Exercised during the period	Forfeited during the period	
Directors	Tranche 1	2020	HK\$76.36	-	160,000	-	-	160,000
	Tranche 2	2021	HK\$76.36	-	160,000	-	-	160,000
	Tranche 3	2022	HK\$76.36	-	160,000	-	-	160,000
Employees	Tranche 1	2020	HK\$76.36	31,000	128,867	-	-	159,867
	Tranche 2	2021	HK\$76.36	15,500	128,867	-	-	144,367
	Tranche 3	2022	HK\$76.36	15,500	128,866	-	-	144,366
Total				62,000	866,600	-	-	928,600
Exercisable at the end of the period								292,867
Weighted average exercise price								HK\$76.36

The Group recognised share-based payment expenses of RMB25 million during the period in respect of these Awarded Shares. As at 30 June 2021, the Group has recorded liabilities of RMB25 million. The fair values for these Awarded Shares granted were calculated using the Binomial Option Pricing Model.

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26. Hedging Reserve

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

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

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26. Hedging Reserve *(continued)*

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

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

	Foreign exchange risk RMB million	Commodity price risk RMB million	Total RMB million
Cash flow hedge reserve			
At 1 January 2020	–	–	–
Changes in fair value of hedging instruments	91	(224)	(133)
Reclassification to profit or loss – hedged items have affected profit or loss	(41)	–	(41)
At 30 June 2020	50	(224)	(174)
Of which:			
Balance related to continuing cash flow hedges	(174)		
Balance related to discontinuing cash flow hedges	–		
Cost of hedging reserve			
At 1 January 2020	–	–	–
Changes in fair value of time value of options/ foreign currency basis spread component of time period related hedged items	(15)	–	(15)
Changes in fair value of time value of options of transaction related hedged items	–	(30)	(30)
Amortisation to profit or loss of changes in fair value in relation to time period related hedged items	(11)	–	(11)
At 30 June 2020	(26)	(30)	(56)
	24	(254)	(230)

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27. Disposal of Subsidiaries

On 5 February 2021, the Group disposed of 100% equity interest in 東光縣新奧燃氣有限公司 at a cash consideration of RMB1 million.

On 15 March 2021, the Group disposed of 100% equity interest in 滕州新奧能源發展有限公司 at a cash consideration of RMB14 million.

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

	RMB million
Non-current assets	
Property, plant and equipment	1
Right-of-use assets	8
Current assets	
Trade and other receivables	12
Non-current liabilities	
Lease liabilities	(4)
Net assets attributable to the owners of the Company disposed of	17

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27. Disposal of Subsidiaries *(continued)*

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

	RMB million
Consideration received – current period	5
Consideration received – prior year	1
Consideration receivable	9
Total consideration	15
Less: Net assets attributable to owners of the Companies derecognised	(17)
Loss on disposal of subsidiaries	(2)
Net cash inflow arising from the disposal:	
Cash consideration received in current period	5
Less: Cash and bank balance disposed of	–
	5

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).

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28. Fair Value Measurement of Financial Instruments (continued)

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

	Fair value as at		Fair value hierarchy	Valuation technique and key input
	30 June 2021 RMB million	31 December 2020 RMB million		
Financial assets				
Derivative financial Instruments	1,563	628	Level 2	Discounted cash flow for swaps Present value of estimated future cash flows are based on forward rates and contract rates, discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable Black-Scholes Model for options Fair value estimated based on strike price, the price of the underlying, time to expiration, volatility and risk-free interest rate
Listed equity securities, equity interest in Shanghai Utilities	222	244	Level 1	Fair values are derived from quoted bid prices in an active market
Unlisted wealth management products	77	70	Level 3	Discounted cash flow Future cash flows are estimated based on the recoverable amount expected, discounted at a rate that reflects the credit risk of the counterparty
1.13% unlisted 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	342	346	Level 3	Fair values are derived from price multiples of similar assets that have been traded in the market
Listed equity securities – FVTOCI	97	62	Level 1	Fair values are derived from quoted bid prices in an active market
Unlisted equity securities – FVTOCI	152	149	Level 3	Fair values are derived from the fair values of the underlying assets and liabilities held by the investee

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28. Fair Value Measurement of Financial Instruments (continued)

	Fair value as at		Fair value hierarchy	Valuation technique and key input
	30 June 2021	31 December 2020		
	RMB million	RMB million		
Financial liabilities				
Derivative financial instruments	1,546	927	Level 2	Discounted cash flow for swaps Present value of estimated future cash flows are based on forward rates and contract rates, discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable Black-Scholes Model for options Fair value estimated based on strike price, the price of the underlying, 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 2021. The significant unobservable input is the liquidity discount rate. The higher liquidity discount rate will result in a lower fair value and vice versa. 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 2021.

	RMB million
Reconciliation of level 3 fair value measurements of financial assets	
At 1 January 2021 (audited)	4,735
Purchases	10
Disposals	(4)
At 30 June 2021 (unaudited)	4,741

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

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 2021		At 31 December 2020	
	Carrying amount RMB million	Fair value RMB million	Carrying amount RMB million	Fair value RMB million
Financial liabilities:				
Senior notes	4,781	4,838	7,207	7,345
Unsecured bonds	3,646	3,733	3,712	3,823
Corporate bonds	2,097	2,115	2,097	2,115

The fair values of the senior notes and unsecured bonds are derived from the quoted prices in over-the-counter market, and the fair value of corporate bonds is derived from the quoted prices in the Shanghai Stock Exchange.

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29. Commitments

a. Capital commitments

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

b. Other commitments

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

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

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

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30. Related Party Transactions

Apart from the related party balances as stated in Notes 17, 18 and 19, the Group had the following transactions with certain related parties:

Nature of transaction	Six months ended 30 June	
	2021	2020
	RMB million	RMB million
Associates		
– Sales of gas to	1,093	318
– Sales of materials to	49	82
– Purchase of gas from	441	184
– Purchase of equipment from	–	1
– Loan interest received from	4	8
– Deposit interest paid to	1	1
– Provision of supporting services by	–	8
– Provision of gas transportation services by	29	22
– Provision of construction and installation services to	6	1
– Provision of supporting services to	5	–
Joint ventures		
– Sales of gas to	1,312	878
– Sales of materials to	212	80
– Purchase of gas from	2,083	1,806
– Provision of gas transportation services to	247	189
– Loan interest received from	11	9
– Loan interest paid to	1	2
– Provision of supporting services to	26	4
– Provision of construction services by	19	11
– Provision of construction and installation services to	167	2
– Deposit interest paid to	1	1
– Provision of administrative services by	–	4
– Purchase of equipment from	1	2
– Lease of vehicles to	1	1
– Provision of technology services by	1	–
– Provision of transportation services by	20	–

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30. Related Party Transactions (continued)

Nature of transaction	Six months ended 30 June	
	2021 RMB million	2020 RMB million
Companies controlled by Mr. Wang		
Transactions exempt from shareholders' approval under Chapter 14A of the Listing Rules:		
– Provision of construction services by	417	373
– Purchase of equipment from	47	85
– Provision of information technology services by	106	54
– Purchase of LNG from	585	129
– Provision of LNG terminal usage services by	365	211
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	16	47
– Provision of construction and installation services to	27	2
– Provision of property management services by	8	9
– Provision of property management services to	1	1
– Provision of outsourcing services by	17	31
– Lease of premises from	3	3
– Lease of premises to	2	1
– Sales of materials to	17	39
– Provision of administrative services by	18	16
– Provision of supporting services to	26	27
– Provision of technology services to	31	36
– Provision of electronic business services by	5	5
– Loan interest received from	4	–
– Provision of transportation service to	56	–

The Company issued unsecured bonds on 24 July 2017, the Green Senior Notes on 17 September 2020 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.

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30. Related Party Transactions *(continued)*

Financial guarantee contracts

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

Compensation of key management personnel

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Short-term employee benefits	5,685	6,776
Post-employment benefits	62	87
Share-based payments	16,363	6,793
	22,110	13,656



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