PUBLICATION OF OFFERING MEMORANDUM

ENN Clean Energy International Investment Limited

(incorporated with limited liability in the British Virgin Islands)
(the "**Issuer**")

US$800,000,000 3.375% Guaranteed Senior Notes due 2026 (the "Notes")

(Stock Code: 40678)

unconditionally and irrevocably guaranteed by

ENN 新奥 | 新奥天然气股份有限公司 ENN Natural Gas Co., Ltd.

ENN Natural Gas Co., Ltd.
新奥天然氣股份有限公司

(incorporated with limited liability in the People's Republic of China and listed on the Shanghai Stock Exchange under stock code 600803)
(the "**Guarantor**")

Morgan Stanley **Citigroup** **Standard Chartered Bank** **Natixis** **Deutsche Bank**

as the Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

China CITIC Bank International **BNP PARIBAS** **UBS** **China Everbright Bank Hong Kong Branch**

CMB International **Mizuho Securities** **J.P. Morgan** **BOCOM International** **CCB International**

as the Joint Bookrunners and Joint Lead Managers

This announcement is issued pursuant to Rule 37.39A of the Listing Rules.

Please refer to the offering memorandum dated 6 May 2021 (the "**Offering Memorandum**") appended herein in relation to the issuance of the Notes. The Offering Memorandum is published in English only. No Chinese version of the Offering Memorandum has been published.

The Offering Memorandum is for information purposes only and does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The Offering Memorandum must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer of the Guarantor, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Memorandum.

Hong Kong, 13 May 2021

As at the date of this announcement, the board of directors of the Guarantor comprises Mr. Wang Yusuo, Mr. Yu Jianchao, Mr. Han Jishen, Mr. Zheng Hongtao, Mr. Jiang Chenghong, Ms. Zhang Jin, Mr. Wang Zizheng and Mr. Zhao John Huan as directors and Mr. Li Xingang, Mr. Qiao Gangliang, Mr. Tang Jiasong and Mr. Zhang Yu as independent directors.

As at the date of this announcement, the sole director of the Issuer is Mr. Wang Yusuo.

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS (AS DEFINED BELOW) OR (2) ADDRESSEES OUTSIDE OF THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum (the "**Offering Memorandum**"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached. In accessing the attached, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of your Representation: You have accessed the attached document on the basis that you have confirmed your representation to Morgan Stanley & Co., International plc, Citigroup Global Markets Inc., Standard Chartered Bank, Natixis, Deutsche Bank AG, Singapore Branch, China CITIC Bank International Limited, BNP Paribas, UBS AG Hong Kong Branch, China Everbright Bank Co., Ltd., Hong Kong Branch, CMB International Capital Limited, Mizuho Securities Asia Limited, J.P. Morgan Securities plc, BOCOM International Securities Limited and CCB International Capital Limited (collectively, the "**Initial Purchasers**") that (1) either (i) you and any customers you represent are outside the United States and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and, to the extent you purchase the securities described in the attached Offering Memorandum you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or (ii) you are acting on behalf of, or you are, a qualified institutional buyer ("**QIB**"), as defined in Rule 144A under the Securities Act, and (2) you consent to delivery of the attached Offering Memorandum and any amendments or supplements thereto by electronic transmission.

The attached document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Initial Purchasers nor any of their respective employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Memorandum. You are reminded that the information in the attached document is not complete and may be changed.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either the issuer of the securities or any Initial Purchaser to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere.

Prohibition of sales to EEA retail investors — The securities described in the attached Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the securities described in the attached Offering Memorandum or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities described in the attached Offering Memorandum or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors — The securities described in the attached Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 of the United Kingdom, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**") — the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

You are reminded that you have accessed the attached Offering Memorandum on the basis that you are a person into whose possession this Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

THE ATTACHED OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

STRICTLY CONFIDENTIAL

ENN Clean Energy International Investment Limited

(incorporated with limited liability in the British Virgin Islands)

US$800,000,000 3.375% Guaranteed Senior Notes due 2026
unconditionally and irrevocably guaranteed by

ENN 新奥 | 新奥天然气股份有限公司 ENN Natural Gas Co., Ltd.

ENN Natural Gas Co., Ltd.
(新奥天然氣股份有限公司)

(incorporated with limited liability in the People's Republic of China and listed on the Shanghai Stock Exchange under stock code 600803)

Issue Price: 99.658%

ENN Clean Energy International Investment Limited (the "**Issuer**"), a subsidiary of ENN Natural Gas Co., Ltd. (新奥天然氣股份有限公司) (formerly known as ENN Ecological Holdings Co., Ltd. (新奥生態控股股份有限公司)) (the "**Company**" or the "**Parent Guarantor**"), is offering US$800,000,000 aggregate principal amount of 3.375% Guaranteed Senior Notes due 2026 (the "**Notes**"). The Notes will bear interest at a rate of 3.375% per annum, payable semi-annually and in arrears on May 12 and November 12 of each year, beginning on November 12, 2021. The Notes will mature on May 12, 2026.

The Notes are senior obligations of the Issuer, guaranteed by the Parent Guarantor. We refer to the guarantee by the Parent Guarantor as the Parent Guarantee.

At any time and from time to time on or after May 12, 2024, the Issuer may at its option redeem the Notes, in whole or in part, at the redemption prices set forth in this offering memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. The Issuer may at its option redeem the Notes, in whole but not in part, at any time prior to May 12, 2024, at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this Offering Memorandum as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to May 12, 2024, the Issuer may at its option redeem up to 35% of the aggregate principal amount of the Notes, at a redemption price of 103.375% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of capital stock of the Parent Guarantor.

Upon the occurrence of a Change of Control Triggering Event (as defined in the Indenture), either the Parent Guarantor or the Issuer will make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to (but not including) the date of repurchase. If the SAFE Completion Event (as defined in the Indenture) with respect to the Notes shall not have occurred on or prior to the 120th Hebei Business Day (as defined in the Indenture) after May 12, 2021 (such non-occurrence, a "**SAFE Non-compliance Event**"), the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes with respect to which the SAFE Non-compliance Event has occurred at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (as defined in the Indenture).

The Notes will be (1) at least *pari passu* in right of payment against the Issuer with respect to all other unsecured, unsubordinated indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated indebtedness pursuant to applicable law); (2) senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes; (3) effectively subordinated to the existing and future secured obligations of the Issuer and the Parent Guarantor, to the extent of the value of the assets serving as security therefor; and (4) effectively subordinated to all existing and future obligations of the Restricted Subsidiaries (as defined in the Indenture) (other than the Issuer) and the Unrestricted Subsidiaries (as defined in the Indenture). In addition, applicable law may limit the enforceability of the Parent Guarantee. See *"Risk Factors — Risks Relating to the Notes and the Parent Guarantee."*

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號), the "**NDRC Circular**") on September 14, 2015, which came into effect on the same day, we have completed the pre-issuance registration of the Notes with the NDRC (the "**Pre-Issuance Registration**") and obtained a certificate from the NDRC dated November 11, 2020 evidencing such registration, which at the date of this Offering Memorandum remains valid and in full force and effect. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within 10 PRC working days after the issue date of the Notes.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 20.

Application will be made to The Stock Exchange of Hong Kong Limited ("**HKSE**") for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only and such permission is expected to become effective on May 13, 2021. This document is for distribution to Professional Investors only.

HKSE has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Notes on HKSE is not to be taken as an indication of the commercial merits or credit quality of the Notes, the Issuer, the Parent Guarantor or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and HKSE take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Notice to Hong Kong investors: With respect to Notes to be listed on the HKSE, the Issuer and the Parent Guarantor confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the HKSE on that basis. Accordingly, the Issuer and the Parent Guarantor confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Company has been assigned a long-term corporate credit rating of "Ba1" with a stable outlook by Moody's Investors Service ("**Moody's**") and a long-term issuer default rating of "BBB-" with a stable outlook by Fitch Ratings Inc. ("**Fitch**"). The Issuer expects the Notes to be assigned a rating of "Ba1" by Moody's and "BBB-" by Fitch. A suspension, reduction or withdrawal of the rating assigned to the Notes may adversely affect the market price of the Notes. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. These ratings do not constitute a recommendation to buy, sell or hold the Notes and may be subject to suspension, reduction or withdrawal at any time by Moody's and Fitch.

The Notes and the Parent Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any other jurisdiction. The Notes and the Parent Guarantee may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes and the Parent Guarantee may be offered and sold only to (1) persons who are qualified institutional buyers ("**Qualified Institutional Buyers**") (as defined in Rule 144A under the Securities Act) purchasing for their own account or the account of a Qualified Institutional Buyer as to which the purchaser exercises sole investment discretion, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A; or (2) in offshore transactions in reliance on Regulation S under the Securities Act, and in accordance with any other applicable law. Prospective purchasers are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on resales and transfers, see "*Plan of Distribution*" and "*Transfer Restrictions.*"

The Notes will be represented by beneficial interests in one or more permanent global notes (the "**Global Notes**") in registered form, without interest coupons attached, which will be registered in the name of a nominee of Cede & Co., as nominee of The Depository Trust Company. It is expected that delivery of the Notes will be made to investors in book-entry form through the facilities of The Depository Trust Company on or about May 12, 2021.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley **Citigroup** **Standard Chartered Bank** **Natixis** **Deutsche Bank**

Joint Bookrunners and Joint Lead Managers

China CITIC Bank International **BNP PARIBAS** **UBS** **China Everbright Bank Hong Kong Branch**

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The date of this Offering Memorandum is May 6, 2021

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IMPORTANT NOTICE

THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE THE OFFER OR SOLICITATION IN SUCH JURISDICTION. NEITHER THE DELIVERY OF THIS OFFERING MEMORANDUM NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES IMPLY THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY OR ANY OF ITS SUBSIDIARIES OR THAT THE INFORMATION SET FORTH IN THIS OFFERING MEMORANDUM IS CORRECT AS AT ANY DATE SUBSEQUENT TO THE DATE HEREOF.

This Offering Memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Parent Guarantor. The Issuer and the Parent Guarantor accept full responsibility for the accuracy of the information contained in this Offering Memorandum and confirm, having made all reasonable enquiries, that to the best of our knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

We, having made all reasonable inquiries, confirm that: (i) this Offering Memorandum contains all information with respect to us, our subsidiaries and affiliates referred to in this Offering Memorandum and the Notes and the Parent Guarantee that is material in the context of the issue and offering of the Notes (including the information which is required by applicable laws and according to the particular nature of us and the Notes and is necessary to enable investors and their investment advisers to make an informed assessment of our assets and liabilities, financial position, profits and losses, and prospects and of the rights attaching to the Notes); (ii) the statements contained in this Offering Memorandum relating to us and our subsidiaries and our affiliates are in every material respect true and accurate and not misleading; (iii) the opinions and intentions expressed in this Offering Memorandum with regard to us and our subsidiaries and affiliates are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to us, our subsidiaries and affiliates, or the Notes and the Parent Guarantee, the omission of which would, in the context of the issue and offering of the Notes, make any statement in this Offering Memorandum, as a whole, misleading in any material respect; (v) we have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements in this Offering Memorandum; and (vi) the statistical, industry and market related data and forward looking statements included in this Offering Memorandum (if any) are based on or derived or extracted from sources which we believe to be accurate and reliable in all material respects. We accept full responsibility for the accuracy of the information contained in this Offering Memorandum.

We are providing it solely for the purpose of enabling you to consider a purchase of the Notes. You should read this Offering Memorandum before making a decision whether to purchase the Notes. You must not use this Offering Memorandum for any other purpose, or disclose any information in this Offering Memorandum to any other person. The distribution of this Offering Memorandum and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by us, Morgan Stanley & Co. International plc, Citigroup Global Markets Inc., Standard Chartered Bank, Natixis, Deutsche Bank AG, Singapore Branch, China CITIC Bank International Limited, BNP Paribas, UBS AG Hong Kong Branch, China Everbright Bank Co., Ltd., Hong Kong Branch, CMB International Capital Limited, Mizuho Securities Asia Limited, J.P. Morgan Securities plc, BOCOM International Securities Limited and CCB International Capital Limited (collectively, the "**Initial Purchasers**", and each a "**Initial Purchaser**"), the Trustee and the Paying Agent, the Registrar or the Transfer Agent (collectively, the "**Agents**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Memorandum or any offering or publicity material relating to the Notes in any jurisdiction where action would be required for such purposes. There are restrictions on the offer, sale and resale of the Notes, and the circulation of documents relating thereto, in certain jurisdictions including, without limitation, the United States, the United Kingdom, Hong Kong, PRC, Singapore and Japan, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Notes and distribution of this Offering Memorandum, see "*Plan of Distribution.*" This Offering Memorandum does not constitute an offer of, or an invitation to purchase, any of the Notes in any jurisdiction in which such offer or invitation would be unlawful. By purchasing the Notes, investors represent and agree to all of those provisions contained in that section of this Offering Memorandum.

No person has been or is authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates and the Notes other than as contained in this Offering Memorandum and, if given or made, such other information or representation must not be relied upon as having been authorized by or on behalf of any of us, our subsidiaries and affiliates, the Initial Purchasers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them or their respective advisers). Neither the delivery of this Offering Memorandum nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change, or development reasonably likely to involve a change, in the affairs of us, our subsidiaries and affiliates since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of us, the Initial Purchasers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them or their respective advisers) to subscribe for or purchase any Notes and this document may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful.

This Offering Memorandum is being furnished by us in connection with the offering of the Notes exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider purchasing the Notes. Investors must not use this Offering Memorandum for any other purpose, make copies of any part of this Offering Memorandum or give a copy of it to any other person, or disclose any information in this Offering Memorandum to any other person. The information contained in this Offering Memorandum has been provided by us and other sources identified in this Offering Memorandum. Any reproduction or distribution of this Offering Memorandum, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Notes offered by this Offering Memorandum is prohibited. Each offeree of the Notes, by accepting delivery of this Offering Memorandum, agrees to the foregoing.

Prohibition of sales to EEA retail investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**") o. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of sales to UK retail investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 of the United Kingdom, as amended (the "**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

MiFID II product governance/Professional investors and ECPs only target market – Solely for the purposes of any manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only (each as defined in MiFID II); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "Distributor") should take into consideration the manufacturer's target market assessment; however, a Distributor subject to MiFID II is responsible for undertaking is own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

UK MiFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Singapore Securities and Futures Act Product Classification — Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the SFA, we have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA) that the Notes are "prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

You are responsible for making your own examination of us and your own assessment of the merits and risks of investing in the Notes. By purchasing the Notes, you will be deemed to have made certain acknowledgements, representations and agreements as set forth under the section entitled "*Plan of Distribution*" below.

No representation or warranty, express or implied, is made by the Initial Purchasers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them or their respective advisers) as to the accuracy, completeness or sufficiency of the information contained in this Offering Memorandum, and nothing contained in this Offering Memorandum is, or shall be relied upon as, a promise, representation or warranty by the Initial Purchasers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them or their respective advisers).

None of the Initial Purchasers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, representatives, agents or advisers or any person who controls any of them or their respective advisers) has independently verified the information contained in this Offering Memorandum and can give no assurance that this information is accurate, truthful or complete. Accordingly, no representation, warranty or undertaking, express or implied, is made or given and no responsibility or liability is accepted, by the Initial Purchasers, the Trustee or the Agents (or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them or their respective advisers), as to the accuracy, completeness or sufficiency of the information contained in this Offering Memorandum or any other information supplied in connection with the Notes.

This Offering Memorandum is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Initial Purchasers, the Trustee or the Agents that any recipient of this Offering Memorandum should purchase the Notes. Each potential purchaser of the Notes should determine for itself the relevance of the information contained in this Offering Memorandum, and its purchase of the Notes should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, none of the Initial Purchasers, the Trustee or the Agents accepts any responsibility for the contents of this Offering Memorandum or for any other statement made or purported to be made by the Initial Purchasers, the Trustee or the Agents or on any of their behalf in connection with the Company, its subsidiaries (together with the Company, the "**Group**"), or the Notes. Each of the Initial Purchasers, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Memorandum or any such statement.

Listing of the Notes on the HKSE is not to be taken as an indication of the merits of the Company or the Notes. In making an investment decision, investors must rely on their own examination of the Company and the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Notes.

Each person receiving this Offering Memorandum acknowledges that no person has been authorized to give any information or to make any representation concerning the Company or the Notes (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company, Initial Purchasers, the Trustee or the Agents. Neither the delivery of this Offering Memorandum nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitutes a representation that there has been no material change or development reasonably likely to involve a change in the affairs of the Company since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof.

We are not, and the Initial Purchasers are not, making an offer to sell the Notes in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Memorandum and the offering of the Notes may be restricted by law in certain jurisdictions. Persons who are in possession of this Offering Memorandum are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Notes and distribution of this Offering Memorandum, see "*Plan of Distribution*" below.

IN CONNECTION WITH THE ISSUE OF THE NOTES, ANY OF THE INITIAL PURCHASERS APPOINTED AND ACTING IN SUCH CAPACITY (THE "STABILIZATION MANAGER") OR ANY PERSON ACTING ON BEHALF OF THE STABILIZATION MANAGER MAY OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL, BUT IN SO DOING, THE STABILIZATION MANAGER OR ANY PERSON ACTING ON BEHALF OF THE STABILIZATION MANAGER SHALL ACT AS PRINCIPAL AND NOT AS AGENT OF THE COMPANY. HOWEVER, STABILIZATION MAY NOT OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZATION MANAGER(S) (OR PERSON(S) ACTING ON BEHALF OF ANY STABILIZATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. ANY LOSS OR PROFIT SUSTAINED AS A CONSEQUENCE OF ANY SUCH OVERALLOTMENT OR STABILIZATION SHALL BE FOR THE ACCOUNT OF THE INITIAL PURCHASERS.

This Offering Memorandum summarizes certain material documents and other information, and we refer you to them for a more complete understanding of what we discuss in this Offering Memorandum. In making an investment decision, you must rely on your own examination of us and the terms of the offering, including the merits and risks involved. We are not making any representation to you regarding the legality of an investment in the Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this Offering Memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the Notes.

We reserve the right to withdraw the offering of Notes at any time, and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of the Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes.

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

This Offering Memorandum is prepared using a number of conventions, which you should consider when reading the information contained herein.

In this Offering Memorandum, references to "we", "us", "our," and words of similar import, and "the Company", "the Parent Guarantor" and "the Group" are to ENN Natural Gas Co., Ltd. (新奥天然氣股份有限公司) (formerly known as ENN Ecological Holdings Co., Ltd. (新奥生態控股股份有限公司)) itself, or to ENN Natural Gas Co., Ltd. together with its consolidated subsidiaries, or to its predecessors, as the context requires. References to "the Issuer" are to ENN Clean Energy International Investment Limited, a company incorporated with limited liability in the British Virgin Islands. References to the "Original Group" are to the Group without consolidating ENN Energy Holdings Limited in which we held 32.8% of the shares upon completion of the acquisition in September 2020 and references to the "Enlarged Group" are to the Group having consolidated ENN Energy Holdings Limited.

Market data, industry forecast and PRC and relevant industry statistics in this Offering Memorandum have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe these sources to be reliable, neither the sources nor the information extracted from any of those sources has been independently verified by us or the Initial Purchasers or our or their respective directors, officers or advisors, and neither we, the Initial Purchasers nor our or their respective directors, officers and advisors make any representation as to the accuracy or completeness of that information. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. Due to possibly flawed or ineffective calculation and different collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts or statistics produced for other economies. You should not unduly rely on such market data, industry forecast and PRC and relevant industry statistics. Furthermore, we cannot assure investors that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

We prepare and publish our consolidated financial statements in Renminbi. Unless otherwise stated in this Offering Memorandum, all translations from Renminbi to U.S. dollars and from Hong Kong dollars to U.S. dollars were made at the rates of RMB6.5250 to US$1.00 and HK$7.7534 to US$1.00, respectively, the noon buying rate in effect on December 31, 2020 set forth in the H.10 statistical release of the Federal Reserve Board, and the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.84164 to HK$1.00, the median rate released by the China Foreign Exchange Trading Center on December 31, 2020. All such translations in this Offering Memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or Hong Kong dollar amounts, as the case may be, or vice versa, at any particular rate or at all.

References to "PRC" and "China," in the context of statistical information and description of laws and regulations in this Offering Memorandum, except where the context otherwise requires, do not include Hong Kong, Macau Special Administrative Region of the People's Republic of China ("**Macau**"), or Taiwan. References to "PRC government" or "State" means the central government of the PRC, together with all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them. References to the "BVI" are to the British Virgin Islands.

References to "U.S. dollars," "US$" or "USD" are to United States dollars, the official currency of the United States of America (the "**United States**" or "**U.S.**"). References to "Renminbi" or "RMB" are to

Renminbi, the official currency of the People's Republic of China ("**China**" or the "**PRC**"). References to "Hong Kong dollars" or "HK$" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the People's Republic of China ("**Hong Kong**").

In this Offering Memorandum, where information has been presented in thousands, millions or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the actual totals of the individual items and actual numbers may differ from those contained herein due to such rounding.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

Unless the context otherwise requires, references to "2018" and "2020" in this Offering Memorandum are to the Group's financial years ended December 31, 2018 and 2020, respectively, and reference to "2019" is to the Group's financial year ended December 31, 2019 in the Historical Financial Statements of 2018 and 2019 of the Original Group or the Financial Statements of 2019 and 2020 of the Enlarged Group, as the case may be.

FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements that, by their nature, involve risks and uncertainties. All statements other than statements of historical fact contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “plan,” “aim,” “anticipate,”, “future”, “going forward,” “ought to,” “seek,” “project,” “forecast,” “believe,” “estimate,” “predict,” “potential”, “ongoing”, “targets”, “guidance” or “continue” or similar expressions or the negative thereof, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies;
- our capital expenditure and acquisition plans;
- the nature and amount of, and potential for, future development of our business;
- our operations and business prospects;
- various business opportunities that we may pursue;
- our ability to expand and manage our growth;
- supplier issues, including, but not limited to, variations in price, available quantity or delivery;
- our marketing and sales efforts and new business initiatives;
- the prospective financial information regarding our businesses;
- availability and costs of bank loans and other forms of financing;
- general economic conditions, including those related to the natural gas industry, the PRC and the jurisdictions in which we operate our business;
- government regulations, restrictions and approval processes in the jurisdictions in which we operate our business, including the PRC and local government’s measures to curb air pollution and their promotion of the natural gas industry;
- demand for natural gas over alternative fuels;
- development and continued effect of COVID-19;

- changes in competitive conditions of the industry where we operate and our ability to compete under these conditions;

- the performance of the obligations and undertakings of the third-party contractors under various coal mining contracts and logistics arrangement contracts;

- fluctuations in currency exchange rates;

- possible disruptions to commercial activities due to natural and human-induced disasters, including, but not limited to, flood, earthquakes, epidemics, pandemics, terrorist attacks and armed conflicts; and

- other factors beyond our control.

The forward-looking statements reflect the current views of our management with respect to future events, operations, results, liquidity and capital resources and are not a guarantee of future performance and may not materialize or may change. Although we believe that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that those expectations will prove to be correct, and you are cautioned not to place undue reliance on such statements. New factors emerge from time to time and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Important factors that could cause actual results to differ materially from our expectations are disclosed under "*Risk Factors*" in this Offering Memorandum. Except as required by law, we undertake no obligation to update or otherwise revise any forward-looking statements contained in this Offering Memorandum, whether as a result of new information, future events or otherwise after the date of this Offering Memorandum. All forward-looking statements contained in this Offering Memorandum are qualified by reference to the cautionary statements set forth in this section.

ENFORCEMENT OF CIVIL LIABILITIES

We are a joint stock company incorporated in the PRC with limited liability. The Issuer is a limited liability company incorporated in the BVI. The PRC and the BVI have different bodies of securities laws from the United States and protections for investors may differ.

Substantially all of our operations are conducted in China and a substantial portion of our assets and all assets of the Issuer are located outside the United States. In addition, substantially all of our directors and officers and all of the Issuer's directors and officers are nationals or residents of countries other than the United States (principally, the PRC), and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us, the Issuer or such persons or to enforce against us, the Issuer or such persons judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

The Notes, the Parent Guarantee and the Indenture are each governed by the laws of the State of New York. Under the Notes, the Parent Guarantee and the Indenture, we and the Issuer will irrevocably submit to the non-exclusive jurisdiction of any United States federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Parent Guarantee and the Indenture or any transaction contemplated thereby.

We and the Issuer have appointed Law Debenture Corporate Services Inc. as the agent to receive service of process with respect to any action brought against us or the Issuer in the United States federal courts located in the Borough of Manhattan, The City of New York under the federal securities laws of the United States or of any state of the United States or any action brought against us or the Issuer in the courts of the State of New York in the Borough of Manhattan, The City of New York under the securities laws of the State of New York.

We have been advised by our BVI legal counsel, Maples and Calder (Hong Kong) LLP, that any final and conclusive monetary judgment obtained against the Issuer in the New York state or United States federal court sitting in the Borough of Manhattan in the City of New York (the "**Foreign Court**"), for a definite sum, may be treated by the courts of the BVI as a cause of action in itself so that no retrial of the issues would be necessary provided that in respect of the foreign judgment:

(a) the Foreign Court issuing the judgment had jurisdiction in the matter and the Issuer either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process;

(b) the judgment given by the Foreign Court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the Issuer;

(c) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court;

(d) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and

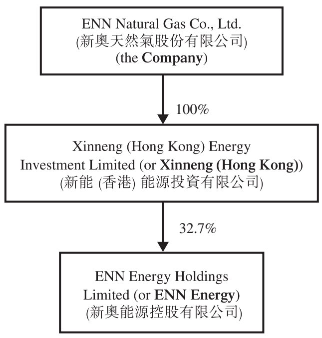
(e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

We have been advised by our PRC legal advisors, Commerce & Finance Law Offices, that there is uncertainty as to whether the PRC courts would (i) recognize or enforce judgments of U.S. courts obtained against us, our directors or officers, the Issuer or its directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, the Issuer or its directors or officers predicated upon the U.S. federal or state securities laws.

Commerce & Finance Law Offices has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties or similar arrangements between mainland China and the jurisdiction where the judgment is made or on principles of reciprocity between jurisdictions. Mainland China does not have any treaties with the United States or the British Virgin Islands and there are only limited reciprocity arrangements between mainland China and other jurisdictions governing the reciprocal recognition and enforcement of foreign judgments as of the date of this Offering Memorandum. In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or in the British Virgin Islands.

Our consolidated financial statements are prepared in accordance with PRC GAAP, which differ in certain respects from generally accepted accounting principles in certain other countries. See "*Summary of Certain Differences between PRC GAAP and IFRS*." In making an investment decision, investors must make their own judgment in assessing our financial statements. You should consult your own professional advisors for an understanding of the differences between PRC GAAP and IFRS and how such differences might affect our financial statements and your investment in the Notes. We prepare and publish our consolidated financial statements in Renminbi. Unless otherwise stated in this Offering Memorandum, all translations from Renminbi to U.S. dollars were made at the rates of RMB6.5250 to US$1.00, the noon buying rate in effect on December 31, 2020 set forth in the H.10 statistical release of the Federal Reserve Board. All such translations in this Offering Memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars, or vice versa, at any particular rate or at all.

In September 2019, we entered into an agreement with ENN International and Essential Investment Holding Company Limited for the acquisition of 369,175,534 shares in ENN Energy, representing approximately 32.8% of the then total issued common shares of ENN Energy (the "**ENN Energy Acquisition**"). Upon completion of the ENN Energy Acquisition in September 2020, we held 32.8% of the shares in ENN Energy. Although we hold less than 50% of the shares of ENN Energy, based on the PRC Accounting Standard for Business Enterprises No. 33 — Consolidated Financial Statements (中國企業會計準則第33號 — 合併財務報表), we have since then consolidated ENN Energy as a subsidiary. As of the date of this Offering Memorandum, we continue to hold 369,175,534 shares in ENN Energy, representing approximately 32.7% of its total issued and outstanding shares:



As both sellers are under the control of Mr. Wang Yusuo, who is also the de facto controller of our Original Group, the ENN Energy Acquisition is regarded as a business combination under common control of Mr. Wang Yusuo. Accordingly, our financial statements as of and for the year ended December 31, 2020 were prepared using the principles of merger accounting as prescribed in the PRC Accounting Standard for Business Enterprises No. 33 — Consolidated Financial Statements (中國企業會計準則第33號 — 合併財務報表) as if the Enlarged Group had been in existence, and the accounts of ENN Energy Group had been consolidated into the accounts of the Group, since January 1, 2020 (the "**Enlarged Group 2020 Accounts**"). For the purposes of presenting a meaningful comparison with the Enlarged Group 2020 Accounts, the financial statements of our Enlarged Group as of and for the year ended December 31, 2019 have been also prepared and adjusted, which include the consolidated balance sheets, consolidated statements of comprehensive income, changes in equity and cash flows of our Enlarged Group, as if the accounts of ENN Energy Group had been consolidated into those of our Group since January 1, 2019 (the "**Adjusted Enlarged Group 2019 Accounts**" and, together with the Enlarged Group 2020 Accounts, the "**Financial Statements of 2019 and 2020**"). In addition, our independent auditor, Zhongxi CPAs (Special General Partnership) ("**Zhongxi**"), also prepared the consolidated historical financial statements of our Original Group as of and for the years ended December 31, 2018 and 2019 (the "**Historical Financial Statements of 2018 and 2019**") without consolidating the financial statements of ENN Energy Group.

Both of the Historical Financial Statements of 2018 and 2019 and the Financial Statements of 2019 and 2020 have been prepared and presented in accordance with the PRC GAAP and audited by Zhongxi. The audited consolidated financial information of the Enlarged Group as at and for the years ended December 31, 2019 and 2020 and the audited consolidated financial information of the Original Group as at and for the years ended December 31, 2018 and 2019 included in this Offering Memorandum have been derived from the Financial Statements of 2019 and 2020 and the Historical Financial Statements of 2018 and 2019, respectively, which are included elsewhere in this Offering Memorandum.

Assumptions underlying the adjustments with respect to the ENN Energy Acquisition in the Adjusted Enlarged Group 2019 Accounts are described in the accompanying notes in the Financial Statements of 2019 and 2020. Such adjustments and assumptions are difficult to make with complete accuracy. As a result, the actual financial condition and results of operations following the ENN Energy Acquisition may not be consistent with, or evident from, such adjusted financial statements. In addition, the assumptions with respect to the ENN Energy Acquisition for the adjustments made to the Adjusted Enlarged Group 2019 Accounts may not prove to be accurate, and other factors may also affect the Group's financial condition and results of operations. As such, investors are cautioned not to place undue reliance on such adjusted financial information. Please refer to "*Risk Factors — Risks Relating to Our Business in General — Our historical financial information may not be indicative of our current or future results of operations and investors should exercise caution in comparing financial data between periods due to material acquisition, disposals or material changes to the list of our consolidated subsidiaries*".

Pursuant to the "Notice of the Ministry of Finance on Revising and Issuing the 2019 Format of Financial Statements of General Enterprises (Cai Kuai [2019] No. 6) (財會[2019]6號《財政部關於修訂印發2019年度一般企業財務報表格式的通知》)" issued by the MOF on April 30, 2019, we had adjusted the presentation of our financial statements and had made corresponding retrospective adjustments to certain line items in our audited consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the new reporting requirements on financial statements. For details of such adjustments, see Note III 29. (1) of our audited consolidated financial statements of our Original Group for the year ended December 31, 2019 which are included elsewhere in this Offering Memorandum.

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such consolidated financial results for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results.

The consolidated financial information of the Group included in this Offering Memorandum has been prepared in accordance with PRC GAAP, which differs in certain respects from IFRS and generally accepted accounting principles in other jurisdictions. See "*Summary of Certain Differences between PRC GAAP and IFRS*".

GLOSSARY

In this Offering Memorandum, unless otherwise indicated or the context otherwise requires, references to:

- "**BOG**" are to boil-off gas;
- "**CAGR**" are to compound annual growth rate;
- "**C&I customer(s)**" are to commercial & industrial customer(s);
- "**CBM**" are to coalbed methane;
- "**CH_4**" are to methane;
- "**CNG**" are to compressed natural gas;
- "**CNOOC**" are to China National Offshore Oil Corporation;
- "**CNOOC Beihai**" are to CNOOC Gas & Electricity Beihai Gas Co., Ltd. (中海油氣電北海燃氣有限公司) (which was previously known as CNOOC ENN (Beihai) Gas Co., Ltd. (中海油新奧(北海)燃氣有限公司));
- "**CNPC**" are to China National Petroleum Corporation;
- "**CO**" are to carbon monoxide;
- "**CO_2**" are to carbon dioxide;
- "**COG**" are to coke oven gas;
- "**CSRC**" are to the China Securities Regulatory Commission;
- "**Daqi Phase II Project**" are to our 200,000 tons of stable and light hydrocarbon project located in Dalad Economic Development Zone, Erdos City, Inner Mongolia, which is expected to produce stable and light hydrocarbon with output equivalent to approximately 200,000 tons and jointly produce approximately 200.0 million cubic meters of LNG feed gas and 600,000 tons of methanol when fully utilized, with 600,000 tons of methanol as intermediary products;
- "**EIT Law**" are to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), which came into effect on January 1, 2008, as amended, supplemented or otherwise modified from time to time;
- "**ENC Digital**" are to ENC Digital Technology Co., Ltd. (新智認知數字科技股份有限公司), which is a listed company on the SSE under stock code 603869 and formerly known as Beibu Gulf Tourism Corporation Limited (北部灣旅游股份有限公司), a related entity of us;
- "**ENN Energy**" are to ENN Energy Holdings Limited (新奧能源控股有限公司), a listed company on the HKSE under stock code 2688.HK;

- "**ENN Energy Acquisition**" are to our acquisition of 369,175,534 shares in ENN Energy from ENN Group International Investment Limited and Essential Investment Holding Company Limited, representing approximately 32.8% of the then total issued common shares of ENN Energy;

- "**ENN Energy Group**" are to ENN Energy and its subsidiaries;

- "**ENN Holdings**" are to ENN Holdings Investment Co., Ltd. (新奧控股投資股份有限公司);

- "**ENN International**" are to ENN Group International Investment Limited (新奧集團國際投資有限公司), which is our controlling shareholder;

- "**EPC**" are to engineering, procurement and construction;

- "**Fourteenth Five-Year Plan**" are to the Fourteenth Five-Year Plan Guidelines for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十四個五年規劃綱要》);

- "**GAQSIQ**" are to General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局);

- "**GDP**" are to gross domestic product;

- "**H_2**" are to hydrogen;

- "**IFRS**" are to International Financial Reporting Standards;

- "**IIT Law**" are to the PRC Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法), as amended, supplemented or otherwise modified from time to time;

- "**Inner Mongolia**" are to Inner Mongolia Autonomous Region;

- "**kg**" are to kilogram(s);

- "**LIBOR**" are to London Interbank Offered Rate;

- "**LNG**" are to liquefied natural gas;

- "**LPG**" are to liquefied petroleum gas;

- "**m^3**" are to cubic meter(s).

- "**MOF**" are to the Ministry of Finance of the PRC;

- "**MOFCOM**" are to the Ministry of Commerce of the PRC;

- "**MOHURD**" are to the Ministry of Housing and Urban-Rural Development of the PRC;

- "**NDRC**" are to the National Development and Reform Commission of the PRC;

- "**New Veyong**" are to Inner Mongolia New Veyong Biochemical Co., Ltd. (內蒙古新威遠生物化工有限公司);

- "**Nm³**" are to normal cubic meter;

- "**PBOC**" are to People's Bank of China;

- "**%**" are to a percentage of a specified amount;

- "**PipeChina**" are to China Oil & Gas Pipeline Network Corporation;

- "**PM2.5**" are to fine inhalable particles, with diameters that are generally 2.5 micrometers and smaller;

- "**PRC GAAP**" are to generally accepted accounting principles in the PRC;

- "**Qinshui ENN**" are to Shanxi Qinshui ENN Clean Energy Co., Ltd. (山西沁水新奧清潔能源有限公司), which was previously known as Shanxi Qinshui ENN Gas Co., Ltd. (山西沁水新奧燃氣有限公司);

- "**R&D**" are to research & development;

- "**SAFE**" are to State Administration of Foreign Exchange of the PRC;

- "**Santos**" are to Santos Limited;

- "**SAT**" are to the State Administration of Taxation of the PRC;

- "**sq.m.**" are to square meter(s);

- "**SSE**" are to the Shanghai Stock Exchange;

- "**syngas**" are to synthesis gas;

- "**Thirteenth Five-Year Plan**" are to the Thirteenth Five-Year Plan Guidelines for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十三個五年規劃綱要》);

- "**Tibet Tourism**" are to Tibet Tourism Co., Ltd. (西藏旅游股份有限公司), which is a listed company on the SSE under stock code 600749, our related entity;

- "**Twelfth Five-Year Plan**" are to the Twelfth Five-Year Plan Guidelines for National Economic and Social Development of the PRC (《中華人民共和國國民經濟和社會發展第十二個五年規劃綱要》);

- "**VAT**" are to value-added tax;

- "**Veyong Animal Pharmaceutical**" are to Hebei Veyong Animal Pharmaceutical Co., Ltd. (河北威遠動物藥業有限公司);

- "**Veyong Biochemical**" are to Hebei Veyong Biochemical Co., Ltd. (河北威遠生物化工有限公司) (formerly known as Hebei Veyong Biochemical Pesticide Co., Ltd. (河北威遠生物農藥有限公司));

- "**Xinao (China) Gas Investment**" are to Xinao (China) Gas Investment Limited (新奧(中國)燃氣投資有限公司);

- "**Xinao Group**" are to Xinao Group Co., Ltd. (新奥集團股份有限公司), a related entity of us;

- "**Xinao LNG**" are to Xinao (Zhoushan) LNG Co. Ltd. (新奥(舟山)液化天然氣有限公司);

- "**Xindi Engineering**" are to Xindi Energy Engineering Technology Co., Ltd. (新地能源工程技術有限公司);

- "**Xinneng Energy**" are to Xinneng Energy Co., Ltd. (新能能源有限公司);

- "**Xinneng (Hong Kong)**" are to Xinneng (Hong Kong) Energy Investment Limited (新能(香港)能源投資有限公司).

- "**Xinneng Mining**" are to Xinneng Mining Industry Co., Ltd. (新能礦業有限公司);

- "**Xinneng Zhangjiagang**" are to Xinneng (Zhangjiagang) Energy Co., Ltd. (新能(張家港)能源有限公司); and

- "**Zhoushan LNG Receiving Terminal**" are to the LNG receiving terminal in Zhoushan, Zhejiang under the Zhejiang Zhoushan LNG Receiving and Filling Station Project (浙江舟山LNG 接收及加注站項目).

SUMMARY

The summary below is only intended to provide a limited overview of information described in more detail elsewhere in this Offering Memorandum. As it is a summary, it does not contain all of the information that may be important to investors and terms defined elsewhere in this Offering Memorandum shall have the same meanings when used in this Summary. Prospective investors should therefore read this Offering Memorandum in its entirety.

OVERVIEW

We are a leading privately-owned clean energy company in China with an integrated upstream and downstream business portfolio. Our shares were listed on the SSE (stock code: 600803) in 1994. After the ENN Energy Acquisition completed in September 2020, our business currently primarily comprises (i) natural gas retail business, (ii) integrated energy business, (iii) natural gas wholesale, (iv) natural gas direct sales, (v) extended business, (vi) construction and installation, and (vii) energy production business.

Since September 2020, ENN Energy has been our consolidated subsidiary. ENN Energy is one of the largest privately-owned gas operators and clean energy distributors in China and its shares were listed on the Main Board of the HKSE (stock code: 2688) in 2002. Pursuant to the ENN Energy Acquisition, we consolidated our upstream energy resources with the downstream energy distribution network and end customer access of ENN Energy, which enhances our position as an integrated clean energy products and service provider and also enables us to pursue new business opportunities along and across the entire clean energy value chain.

We believe our future growth will be underpinned by favorable government policies in the development of the natural gas industry, strong demand for clean energy products and China's initiatives to enhance environmental protection. In recent years, the Chinese government has provided strong support to the development of clean energy led by natural gas. China's President Xi recently stated at the General Assembly of the United Nations that China's emissions would peak around 2030 and China would strive to achieve carbon neutrality by 2060. Local governments in China also promoted policies on energy structure optimization, energy conservation and emission reduction, as well as increasing the use of clean energy. As such, we believe the momentum for natural gas resources will continue to boom in China. We believe that enhanced government endeavors to pursue energy transformation will provide significant room for the growth of natural gas and related clean energy businesses.

Moreover, rapid growth of the natural gas industry also requires continuous infrastructure construction. Important government plans in China such as the Fourteenth Five-Year Plan and "Opinions on Accelerating Use of Natural Gas" (《加快推進天然氣利用的意見》) require rapid development of natural gas transmission and distribution pipeline network, LNG receiving terminals as well as storage and peak supply facilities. The national reforms of welcoming private enterprises in the gas industry has also fostered the rapid development of the industry in recent years. Our acquisition of ENN Energy Group follows the trend of such national policies and reforms and we believe our Enlarged Group will continue to benefit from these favorable government policies for the development of our construction and installation business.

- *Natural gas retail business.* We procure natural gas from our suppliers and after the process of gasification, pressure regulating, gas sweetening, dehydration and odorization, we distribute the natural gas through pipelines to our end customers including C&I customers, residential customers and vehicle customers. As of December 31, 2020, we operated 235 city-gas projects in China, covering a connectable urban population of 112 million and supplying piped gas to approximately 23.21 million residential households and 177,128 C&I customers in China.

- *Integrated energy business.* In our integrated energy business, we utilize our technological know-how on clean energy to develop tailor-made integrated energy solutions for our clients. Integrated energy projects possess better peak shaving ability and allow for the more efficient utilization of energy resources. They are therefore more cost-efficient for consumers and less harmful to the environment compared to conventional energy sources. We supply a variety of energy products under our integrated energy business, such as electricity, cooling, heating and steam.

- *Natural gas production, wholesale and direct sales.* Our LNG is primarily produced through the separation, purification, liquefaction and other further processing of the raw gas. The annual designed production capacity of our LNG production plant was approximately 100,000 tons per year. We also procure natural gas from upstream suppliers including overseas gas suppliers, natural gas liquefaction plants, and gas fields. Leveraging our extensive access to natural gas resources, our intelligent operation system and strong transportation capability, we supply LNG to our customers on wholesale and direct sale basis. Such customers include gas distributors, industrial customers and LNG refueling stations.

- *Extended business.* Benefiting from our extensive customer base, we sell gas appliances and also provide retrofitting services and repair and maintenance services for the gas appliance facilities we have supplied. We operate an online platform "greatgas.cn" which provides integrated services to customers featuring online transaction, offline payment and offline delivery, as well as other value-added services including intelligent logistic service, trading facilitation, and price index and industry insight updates.

- *Construction and installation.* Our construction and installation business mainly comprise (i) energy engineering business, and (ii) construction and installation of pipelines and related facilities. Our energy engineering business primarily adopts a EPC business model, which primarily involves technology research and development, project design and consultation, equipment and materials procurement, equipment installation, integration and testing, engineering construction and project management in relation to municipal engineering, petrochemical, coal chemical, energy conservation and environmental protection. Our energy projects mainly include long distance pipeline projects, gas storage and peak shaving stations, LNG receiving terminals and LNG liquefaction plants. The construction and installation of pipelines and related facilities is mainly provided to our residential customers and C&I customers of our natural gas retail business.

- *Energy production business.* Our energy production business comprises the production and sale of (i) coal products, mainly mixed coal and washed coal, and (ii) coal-based methanol. We conduct our coal production and sale business mainly through Xinneng Mining, which possesses the mining right of the Wangjiata Coal Mine. The Wangjiata Coal Mine is a first-class coal mine under national standards and is located in the coal-rich region of Inner Mongolia and also in proximity to established railway and highway transportation networks. In addition, we also engage in the production and sale of coal-based methanol, which generally uses coal as the primary raw material. Our coal-based methanol is generally sold as chemical raw materials to our downstream customers, such as olefins and formaldehyde terminal production enterprises and large and medium-sized chemical trading companies.

As a listed company in China, our business success, strong financial performance and achievements have been recognized in the fields. For example, we have received multiple awards and honors in recent years, such as the Most Innovative Enterprise in 2020 in Green Energy Sector (2020年綠色能源領域最具創新力企業), Top 100 Promising Stocks in 2019 for A Shares (2019年A股"漂亮100"潛力榜), the Most Influential Enterprise of Coal-based Methanol in China in 2018 (2018年中國煤制甲醇最具影響力企業), the Best Investment Value Award for Listed Companies 2017 (2017 年最具投資價值上市公司), Top 100 Chinese Listed Companies of Credibility and Integrity 2017 (2017年中國上市公司誠信企業百佳), Chinese Listed Company Corporate Governance Practice Excellence Award 2017 (2017年中國上市公司傑出公司治理實踐獎), amongst others.

Our business has been generating steady income. The operating revenue of our Original Group was RMB13,632.5 million and RMB13,544.1 million for the years ended December 31, 2018 and 2019, respectively, and after the consolidation of ENN Energy, the operating revenue of our Enlarged Group was RMB88,652.2 million and RMB88,098.8 million (approximately US$13,501.7 million) for the years ended December 31, 2019 and 2020, respectively. As of December 31, 2020, we had total assets of RMB109,523.9 million (approximately US$16,785.3 million) and our market capitalization reached RMB35,333.8 million (approximately US$5,415.1 million).

COMPETITIVE STRENGTHS

We believe that our continuous business success is largely attributable to the following competitive strengths:

- Rapid Growth of Natural Gas and Integrated Energy Markets Driven by China's National Policies
- Integrated Upstream and Downstream Clean Energy Businesses with Extensive Customer Base
- Integrated and Diversified Business Portfolio
- Strong Potential of Organic Growth Driven by Customers' Demands
- Long-standing and Proven Track Record and Steadily Improved Credit Profile
- Experienced Management Team with Strong Execution Capability

BUSINESS STRATEGIES

We seek to strengthen our position as an integrated clean energy products and services provider and to achieve our goals, we intend to pursue the following strategies:

- Recognition of Customers' Needs from Various Aspects of the Value Chain
- Strengthen our Position as an Integrated Upstream and Downstream Clean Energy Company
- Implement Sustainable Development Strategies and Commitments

RECENT DEVELOPMENTS

Repayment of 2019 Guaranteed Senior Notes

In February and September 2019, the Issuer issued an aggregate principal amount of US$500,000,000 guaranteed senior notes due 2021 with a coupon rate of 7.50% which were unconditionally and irrevocably guaranteed by the Parent Guarantor under an indenture dated February 27, 2019 (the "**2019 Guaranteed Senior Notes**"). We have fully repaid the 2019 Guaranteed Senior Notes by March 1, 2021.

Proposed Payment of Dividends

On March 22, 2021, our board of directors approved the proposed payment of cash dividends of RMB1.9 per 10 shares to our shareholders in the total amount of RMB537.2 million. Such proposed payment of dividends is subject to the approval of our shareholders at a general meeting expected to be held in June 2021.

Adoption of 2021 Restricted Shares Incentive Scheme

On January 21, 2021, our board of directors approved the draft of 2021 restrictive incentive shares scheme (the "**2021 Restrictive Incentive Shares Scheme**"), which later has been approved by our shareholders at the general meeting held on March 26, 2021. The 2021 Restrictive Incentive Shares Scheme proposes to grant 18,340,068 restrictive shares to the grantees, which comprise directors, senior management and core management and business personnel of the Company and its branches and subsidiaries. The restrictive shares to be granted under the 2021 Restrictive Incentive Shares Scheme are our ordinary shares listed on the SSE to be purchased from the secondary market, which will be granted to the grantees at the price of RMB7.03 per share. The 2021 Restrictive Incentive Shares Scheme will be valid for a maximum of 72 months commencing from the date of completion of registration of the first batch of restrictive shares to be granted and ending on the date of release of sale restrictions, or the date of buyback or cancelation, of all restrictive shares granted under the 2021 Restrictive Incentive Shares Scheme.

Completion of Non-public Issuance of Shares

To raise fund for cash payment as part of the consideration of the ENN Energy Acquisition, we completed a non-public issuance of 245,871,156 shares in February 2021. The shares were issued at the price of RMB12.50 per share to 18 investors which include ENN Holdings, who is one of our existing shareholders controlled by Mr. Wang Yusuo and subscribed 24,587,116 shares in the issuance. We received net proceeds of RMB3,026.98 million from such issuance. Following completion of such issuance and as of the date of this Offering Memorandum, we had 2,845,853,619 ordinary shares issued and outstanding.

Divesture of Equity Interests in Xinneng Tengzhou

To focus on the development of our natural gas business and gradually exit from the methanol-based dimethyl ether and methanol related businesses, on February 18, 2021, we entered into a share transfer framework agreement with Langfang Huayuan Energy Technology Co. (廊坊華源能源技術有限公司) and Lianhong New Material Technology Co., (聯泓新材料科技股份有限公司, "**Lianhong Xinke**"), being the other two shareholders of Xinneng Phoenix (Tengzhou) Energy Chemical Co., Ltd. (新能鳳凰(滕州)能源

化工有限公司, "**Xinneng Tengzhou**"), for the proposed sale of the 40% equity interests in Xinneng Tengzhou held by us to Lianhong Xinke (the "**Divesture of Xinneng Tengzhou**"). On March 29, 2021, we further entered into a share transfer agreement with Lianhong Xinke in relation to the Divesture of Xinneng Tengzhou. Lianhong Xinke is listed on the SSE (stock code: 003022) and is controlled by Legend Holdings Corporation (聯想控股股份有限公司) where our directors Mr. Wang Yusuo and Mr. Zhao John Huan also serve as directors. Such proposed transaction with Lianhong Xinke constitutes a connected transaction of us and has been approved by our shareholders at the general meeting held on April 15, 2021.

Announcement of Financial Results of the Three Months ended March 31, 2021

On April 29, 2021, we published our unaudited and unreviewed financial information as of and for the three months ended March 31, 2021 to satisfy our continuing disclosure obligation relating to our listing on the SSE. Such financial information has not been subject to an audit or review by our auditors, and does not form part of this Offering Memorandum. It should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. For more details, please also see "*Risk Factors — Risks Relating to Our Business in General — We publish and may continue to publish periodical financial information and other financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Memorandum.*"

For the three months ended March 31, 2021, the total revenue of our Enlarged Group was RMB25,848.7 million, representing an increase of 47.8% compared to RMB17,466.7 million for the corresponding period in 2020, primarily due to the increase in our sales of natural gas, our improved performance in the construction and installation segment, and that our business in the corresponding period of 2020 was temporarily disrupted by the COVID-19 pandemic. The net profit of our Enlarged Group increased significantly to RMB1,834.8 million for the three months ended March 31, 2021 from RMB1,023.4 million for the corresponding period in 2020, primarily due to (i) the increase in our gross profit in line with our increased sales in the first three months of 2021, and (ii) the decrease in our financial expenses, primarily attributable to (a) the decrease in our interest payment as the amount of our incurred loans and the overall interest rate of our loans both decreased, and (b) that exchange gains generated by the 2019 Guaranteed Senior Notes have been recognized due to the repayment of such notes in February 2021. As of March 31, 2021, our total assets was RMB109,174.4 million, remaining stable compared to RMB109,523.9 million as of December 31, 2020, and our total borrowings (including short-term and long-term borrowings, notes payable, and non-current liabilities maturing within one year) was RMB31,710.5 million as of March 31, 2021 representing a 1.5% decrease compared to RMB32,189.7 million as of December 31, 2020, due to our repayment of borrowings.

THE COMPANY

As one of the first listed companies in China, our shares were listed on the SSE (stock code: 600803) in 1994. We changed our name to ENN Natural Gas Co., Ltd. (新奥天然氣股份有限公司) in December 2020. Our registered office is located at 383 Heping East Road, Shijiazhuang, Hebei, PRC. Our website is http://www.enn-ec.com.cn. Information contained on our website does not constitute part of this Offering Memorandum.

THE ISSUER

The Issuer was incorporated as a BVI business company with limited liability under the BVI Business Companies Act, 2004 (as amended) in the BVI on August 22, 2018. Its BVI company number is 1989987 and its registered office is located at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The Issuer is directly and wholly-owned by Xinneng (Hong Kong), which is a Hong Kong incorporated limited liability company, directly and wholly-owned by us. The Issuer's primary purpose is to act as one of our financing subsidiaries to issue the Notes. The Issuer has, and will have, no material assets apart from advances made to affiliated companies through intercompany loans. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The Issuer has no subsidiaries.

THE OFFERING

The following summary is provided solely for your convenience. This summary is not intended to be complete and it is subject to important limitations and exceptions. You should read the full text and more specific details contained elsewhere in this Offering Memorandum. For a more detailed description of the Notes and the Parent Guarantee, see "Description of the Notes." The information contained in "Description of the Notes" shall prevail to the extent of any inconsistency with the information set forth in this section. Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Issuer	ENN Clean Energy International Investment Limited.
Parent Guarantor	ENN Natural Gas Co., Ltd. (新奧天然氣股份有限公司) (formerly known as ENN Ecological Holdings Co., Ltd. (新奧生態控股股份有限公司)).
Notes Offered	US$800,000,000 aggregate principal amount of 3.375% guaranteed senior notes due 2026.
Offering Price	99.658% of the principal amount of the Notes.
Original Issue Date	May 12, 2021.
Maturity Date	May 12, 2026.
Interest	The Notes will bear interest at a rate of 3.375% per annum, payable semi-annually in arrears on May 12 and November 12 of each year, commencing November 12, 2021.
Ranking of the Notes	The Notes are:

- general obligations of the Issuer;
- senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Parent Guarantor on a senior basis, subject to the limitations described below under "*Description of the Notes — The Parent Guarantee*" and in "*Risk Factors — Risks Relating to the Notes and the Parent Guarantee*" of this Offering Memorandum;
- effectively subordinated to all existing and future obligations of the Restricted Subsidiaries (other than the Issuer) and the Unrestricted Subsidiaries; and

	• effectively subordinated to the existing and future secured obligations (if any) of the Issuer and the Parent Guarantor, to the extent of the value of the assets securing such obligations.
Parent Guarantee	The Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.
Ranking of the Parent Guarantee	The Parent Guarantee is: • a general obligation of the Parent Guarantor; • senior in right of payment to all existing and future obligations of the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee; • effectively subordinated to the existing and future secured obligations (if any) of the Parent Guarantor, to the extent of the value of the assets securing such obligations; • at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Parent Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and • effectively subordinated to all existing and future obligations of any Restricted Subsidiary and any Unrestricted Subsidiary. See "*Risk Factors — Risks Relating to the Notes and the Parent Guarantee*."
Use of Proceeds	The net proceeds of this offering, after deducting the underwriting discounts, commissions and other estimated expenses payable in connection with this offering, are estimated to be approximately US$793.2 million. We intend to use the net proceeds for the repayment of certain existing indebtedness.

Optional Redemption of the Notes	At any time and from time to time on or after May 12, 2024, the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve-month period beginning on May 12 of each of the years indicated below.

Period	**Redemption Price**
2024	101.688%
2025 and thereafter	100.844%

At any time prior to May 12, 2024, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to May 12, 2024, the Issuer may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 103.375% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Additional Amounts	All payments of principal of, and premium (if any) and interest on the Notes or under the Parent Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, the Parent Guarantor or a Surviving Person is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein (each, as applicable, a "**Relevant Taxing Jurisdiction**") or any jurisdiction through which payment is made by or on behalf of the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the "**Relevant Jurisdictions**"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. Subject to certain exceptions, in the event that any such withholding or deduction

	is so required, the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, will pay such additional amounts ("**Additional Amounts**") as will result in receipt by the Holder of each Note, of such amounts as would have been received by such Holder had no such withholding or deduction been required. See "*Description of the Notes — Additional Amounts.*"
Repurchase of Notes Upon a Change of Control Triggering Event	No later than 30 days following a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See "*Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event.*"
Repurchase of Notes Upon a SAFE Non-compliance Event	Upon completion of registration of the Parent Guarantee with the Hebei Branch of the SAFE, the Parent Guarantor is required to deliver to the Trustee an Officer's Certificate attaching a copy of the relevant certificate of registration from the Hebei Branch of the SAFE and certifying that such copy is a true and correct copy. If the registration with respect to the Notes is not completed on or prior to the 120th Hebei Business Day after the Original Issue Date, the Issuer and the Parent Guarantor will be required under the Indenture to make an Offer to Purchase all outstanding Notes at a price equal to 100% of the principal amount of the Notes purchased, plus accrued and unpaid interest to but excluding the date of purchase. See "*Description of the Notes — Repurchase of Notes Upon a SAFE Non-compliance Event.*"
Redemption for Taxation Reasons	Subject to certain exceptions, the Notes may be redeemed, at the option of the Issuer or an Issuer Surviving Person, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer or the Issuer Surviving Person, as the case may be, for redemption, if the Issuer, the Parent Guarantor or a Surviving Person would become obliged to pay certain Additional Amounts as a result of certain changes in specified tax laws. See "*Description of the Notes — Redemption for Taxation Reasons.*"

Covenants	The Notes, the Indenture governing the Notes and the Parent Guarantee will limit the ability of the Parent Guarantor and any Restricted Subsidiaries to, among other things: • incur or guarantee additional indebtedness or issue disqualified or preferred stock; • declare dividends on its capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness by Restricted Subsidiaries; • enter into transactions with shareholders or affiliates; • create liens; • enter into sale and leaseback transactions; • sell assets; • enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "*Description of the Notes — Certain Covenants.*"
Transfer Restrictions	The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "*Transfer Restrictions.*"
Denomination, Form and Book Entry	The Notes will be issued in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. The Notes will be represented by one or more permanent global notes in fully registered form without interest coupons deposited with the custodian for, and registered in the name of, Cede & Co., as nominee of The Depository Trust Company ("**DTC**"). See "*Description of the Notes — Book-Entry; Delivery and Form.*"

Delivery of the Notes	The Issuer expects to make delivery of the Notes against payment in same-day funds on or about May 12, 2021, which the Issuer expects will be the fourth business day following the date of the pricing of the Notes referred to as "T+4." You should note that initial trading of the Notes may be affected by the T+4 settlement. See "*Plan of Distribution.*"
Trustee	Citicorp International Limited.
Paying Agent and Transfer Agent and Registrar	Citibank, N.A., London Branch.
Listing and Trading	Application will be made to HKSE for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. HKSE takes no responsibility for the correctness of any statements made on opinions or reports contained in this Offering Memorandum. Admission of the Notes to the official list of HKSE is not to be taken as an indication of the merits of the Notes or us.
Ratings	The Notes are expected to be rated "Ba1" by Moody's and "BBB-" by Fitch. The Company is rated "Ba1" by Moody's with a stable outlook and "BBB-" by Fitch with a stable outlook. These ratings do not constitute a recommendation to buy, sell or hold the Notes and are subject to suspension, reduction or withdrawal at any time by Moody's and Fitch. See "*Ratings.*"
Governing Law	The Notes and the Indenture are governed by and are construed in accordance with the laws of the State of New York.
CUSIP	Rule 144A: 268733 AA0
	Regulation S: G3065H AB7
ISIN	Rule 144A: US268733AA05
	Regulation S: USG3065HAB71
Common Code	Rule 144A: 233131504
	Regulation S: 233131539
Legal Entity Identifier of the Issuer	3003009YZ3S5V395NR77.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

Our summary consolidated income statements of the Original Group for the years ended December 31, 2018 and 2019, and of the Enlarged Group for the years ended December 31, 2019 and 2020 and our summary consolidated balance sheets of the Original Group as of December 31, 2018 and 2019, and of the Enlarged Group as of December 31, 2019 and 2020 set forth below are extracted from our Historical Financial Statements of 2018 and 2019 and Financial Statements of 2019 and 2020, respectively, which are included elsewhere in this Offering Memorandum. Our Historical Financial Statements of 2018 and 2019 and Financial Statements of 2019 and 2020 have been prepared and presented in accordance with PRC GAAP and have been audited by Zhongxi, our independent auditors. You should read the summary financial data below in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our audited consolidated financial statements and the related notes included elsewhere in this Offering Memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period.

Assumptions underlying the adjustments with respect to the ENN Energy Acquisition in the Financial Statements of 2019 and 2020 are described in the accompanying notes in the Financial Statements of 2019 and 2020. Such adjustments and assumptions are difficult to make with complete accuracy. As a result, the actual financial condition and results of operations following the ENN Energy Acquisition may not be consistent with, or evident from, such adjusted financial statements. In addition, the assumptions with respect to the ENN Energy Acquisition for the adjustments made to the Financial Statements of 2019 and 2020 may not prove to be accurate, and other factors may also affect the Group's financial condition and results of operations. As such, investors are cautioned not to place undue reliance on such adjusted financial information. Please refer to "*Risk Factors — Risks Relating to Our Business in General — Our historical financial information may not be indicative of our current or future results of operations and investors should exercise caution in comparing financial data between periods due to material acquisition, disposals or material changes to the list of our consolidated subsidiaries*".

None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers makes any representation or warranty, express or implied, regarding the sufficiency of such consolidated financial results for an assessment of, and potential investors must exercise caution when using such data to evaluate the Group's financial condition, results of operations and results.

Our audited consolidated financial statements have been prepared and presented in accordance with PRC GAAP, which differ in certain respects from generally accepted accounting principles in other jurisdictions. See "*Summary of Certain Differences between PRC GAAP and IFRS*."

Summary Consolidated Income Statements

	Original Group		Enlarged Group		
	Historical Financial Statements of 2018 and 2019		Financial Statements of 2019 and 2020		
	For the year ended December 31,				
	2018	2019	2019	2020	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (US$ in '000)*
Total revenue	13,632,479	13,544,053	88,652,184	88,098,771	13,501,727
Including: Operating revenue	13,632,479	13,544,053	88,652,184	88,098,771	13,501,727
Less: Total costs	12,503,678	12,896,434	80,269,572	77,833,572	11,928,516
Including: Cost of sales	10,696,874	11,161,587	73,221,449	71,782,441	11,001,140
Taxes and surcharges	247,223	295,545	539,729	569,363	87,259
Selling expenses	189,140	153,067	1,321,418	1,210,195	185,470
Administrative expenses	520,495	521,708	3,292,483	3,309,395	507,187
R&D expenses	145,657	127,991	504,316	585,077	89,667
Financial expenses	704,289	636,536	1,390,177	377,101	57,793
Add: Other income	11,202	15,549	247,262	389,711	59,726
Investment income	584,480	588,609	1,351,630	404,382	61,974
Including: Investment income from associates and joint ventures	583,957	513,551	1,013,422	252,426	38,686
(Losses)/ gains on changes in fair value	(1,603)	—	805,729	(81,044)	(12,421)
Credit impairment gains / (losses)[1]	—	19,238	(58,806)	(204,803)	(31,387)
Asset impairment losses[1]	(96,702)	(16,160)	(19,358)	(63,149)	(9,678)
Gains /(losses) on disposal of assets	582	7,073	(30,199)	(125,425)	(19,222)
Operating profit	1,626,760	1,261,928	10,678,870	10,584,871	1,622,203
Add: Non-operating income	30,947	148,070	243,367	83,201	12,751
Less: Non-operating expenses	36,520	13,132	130,286	233,430	35,775
Total profit	1,621,187	1,396,866	10,791,951	10,434,642	1,599,179
Less: Income tax expenses	215,460	213,024	2,438,006	2,601,575	398,709
Net profit	1,405,727	1,183,842	8,353,945	7,833,067	1,200,470
Net profit attributable to equity owners of the parent company	1,321,230	1,204,645	2,905,590	2,106,957	322,905
Minority interests	84,497	(20,803)	5,448,355	5,726,110	877,565
Net after-tax of other comprehensive income	45,464	24,698	29,266	81,734	12,526
Total comprehensive income	1,451,191	1,208,540	8,383,211	7,914,801	1,212,996

	Original Group		Enlarged Group		
	Historical Financial Statements of 2018 and 2019		Financial Statements of 2019 and 2020		
	For the year ended December 31,				
	2018	2019	2019	2020	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (US$ in '000)*
Total comprehensive income attributable to owners of the parent company	1,366,694	1,229,343	2,931,585	2,178,608	333,886
Total comprehensive income attributable to minority shareholders	84,497	(20,803)	5,451,626	5,736,193	879,110

Note:

(1) Pursuant to the "Notice of the Ministry of Finance on Revising and Issuing the 2019 Format of Financial Statements of General Enterprises (Cai Kuai [2019] No. 6) (財會[2019]6號《財政部關於修訂印發2019年度一般企業財務報表格式的通知》)" issued by the MOF on April 30, 2019, we had adjusted the presentation of our financial statements and had made corresponding retrospective adjustments to certain line items in our audited consolidated financial statements of our Original Group as of and for the year ended December 31, 2018 in accordance with the new reporting requirements on financial statements. For details of such adjustments, see Note III 29 (1) of our Historical Financial Statements of 2018 and 2019, which are included elsewhere in this Offering Memorandum. Our summary consolidated income statements information as of and for the periods indicated above is presented in accordance with such new accounting standard.

Summary Consolidated Statements of Financial Position

	Original Group		Enlarged Group		
	Historical Financial Statements of 2018 and 2019		Financial Statements of 2019 and 2020		
	As of December 31,				
	2018	2019	2019	2020	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (US$ in '000)*
Current assets					
Monetary funds	1,957,280	2,495,125	11,680,172	12,628,672	1,935,429
Transactional financial assets	—	—	16,000	70,000	10,728
Derivative financial assets	—	—	345,010	335,765	51,458
Contract assets	—	—	—	2,587,044	396,482
Non-current assets due within one year	—	—	143,493	148,133	22,702
Notes receivable[(1)]	185,648	361,253	597,152	329,994	50,574
Accounts receivable[(1)]	1,637,905	1,544,973	4,232,107	3,805,912	583,281
Financing receivables	—	75,822	636,871	880,393	134,926
Prepayments	351,353	330,890	2,083,817	3,403,430	521,598
Other receivables[(1)]	60,964	87,371	1,236,293	2,007,520	307,666
Inventories	1,775,315	1,834,711	3,956,789	1,998,611	306,301
Other current assets	316,281	263,870	2,799,047	2,747,126	421,016
Total current assets	6,284,746	6,994,015	27,726,751	30,942,600	4,742,161

	Original Group		Enlarged Group		
	Historical Financial Statements of 2018 and 2019		Financial Statements of 2019 and 2020		
	As of December 31,				
	2018	2019	2019	2020	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (US$ in '000)*
Non-current assets					
Long-term receivables	45,377	39,447	51,247	223,039	34,182
Long-term equity investments	5,831,322	6,121,080	10,665,123	5,559,717	852,064
Investment properties	—	5,520	268,080	260,874	39,981
Debt investment	—	—	52,901	16,483	2,526
Investment in other equity instruments	—	2,520	126,340	281,257	43,105
Other non-current financial assets	—	—	5,168,937	5,051,558	774,185
Development expenditure	—	—	11,333	3,234	496
Goodwill	—	—	429,927	565,013	86,592
Fixed assets	8,002,824	7,676,917	43,358,024	48,207,032	7,388,051
Construction in progress(1)	1,769,217	2,023,563	8,763,080	7,823,413	1,198,991
Intangible assets	1,049,964	1,023,005	7,134,942	8,145,099	1,248,291
Long-term prepaid expenses	348,362	342,029	561,780	604,749	92,682
Deferred income tax assets	61,730	62,392	1,598,255	1,793,952	274,935
Other non-current assets	120,919	62,137	245,778	45,838	7,025
Total non-current assets	17,229,715	17,358,610	78,435,747	78,581,258	12,043,106
Total assets	23,514,461	24,352,625	106,162,498	109,523,858	16,785,267
Current liabilities					
Short-term borrowings	1,990,600	2,712,258	11,252,482	9,605,123	1,472,050
Financial liabilities measured at fair value through current profit or loss	1,603	—	—	—	—
Notes payable(1)	225,593	91,975	612,144	975,403	149,487
Accounts payable(1)	2,753,889	3,582,140	9,588,508	9,245,856	1,416,989
Advances from customers	854,288	787,337	14,550,424	—	—
Employee benefits payable	246,515	187,266	853,663	1,007,650	154,429
Taxes and surcharges payable	99,313	30,924	1,680,286	2,027,547	310,735
Derivative financial liabilities	—	—	416,146	404,926	62,058
Other payables(1)	408,765	246,682	2,032,663	3,853,182	590,526
Contract liabilities	—	—	—	15,454,185	2,368,457
Other current liabilities	—	—	—	1,398,708	214,361
Non-current liabilities maturing within one year	2,741,971	547,687	718,476	7,082,258	1,085,403
Total current liabilities	9,322,537	8,186,269	41,704,792	51,054,838	7,824,495

	Original Group		Enlarged Group		
	Historical Financial Statements of 2018 and 2019		Financial Statements of 2019 and 2020		
	As of December 31,				
	2018	2019	2019	2020	
	(Audited) *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(US$ in '000)*
Non-current liabilities					
Long-term borrowings	3,267,797	1,895,240	4,888,252	4,718,040	723,071
Bonds payable	149,266	3,633,043	12,434,605	10,784,241	1,652,757
Long-term payables	1,211,010	416,104	452,450	144,570	22,156
Deferred revenue	171,531	12,416	4,490,773	882,614	135,266
Deferred income tax liabilities	55,655	82,032	1,962,416	2,783,875	426,647
Other non-current liabilities	—	—	329,879	3,883,866	595,228
Total non-current liabilities	4,855,259	6,038,835	24,558,375	23,197,206	3,555,125
Total liabilities	14,177,796	14,225,104	66,263,167	74,252,044	11,379,620
Owners' equity					
Share capital	1,229,356	1,229,356	1,229,356	2,599,982	398,465
Capital reserves	1,793,648	1,779,064	1,873,857	—	—
Less: Treasury stock	59,741	199,582	199,582	199,582	30,587
Other comprehensive income	192,290	216,988	224,291	295,942	45,355
Special reserves	62,993	54,046	73,412	84,492	12,949
Surplus reserves	80,123	144,207	144,207	—	—
Undistributed profits	5,243,226	6,129,474	13,357,898	5,351,462	820,152
Total equity attributable to owners of parent company	8,541,895	9,353,553	16,703,439	8,132,296	1,246,334
Minority shareholders' equity	794,770	773,968	23,195,892	27,139,518	4,159,313
Total owners' equity	9,336,665	10,127,521	39,899,331	35,271,814	5,405,647
Total liabilities and owners' equity	23,514,461	24,352,625	106,162,498	109,523,858	16,785,267

Note:

(1) Pursuant to the "Notice of the Ministry of Finance on Revising and Issuing the 2019 Format of Financial Statements of General Enterprises (Cai Kuai [2019] No. 6) (財會[2019]6號《財政部關于修訂印發2019年度一般企業財務報表格式的通知》)" issued by the MOF on April 30, 2019, we had adjusted the presentation of our financial statements and had made corresponding retrospective adjustments to certain line items in our audited consolidated financial statements of our Original Group as of and for the year ended December 31, 2018 in accordance with the new reporting requirements on financial statements. For details of such adjustments, see Note III 29. (1) of our Historical Financial Statements of 2018 and 2019, which are included elsewhere in this Offering Memorandum. Our summary consolidated income statements information as of and for the periods indicated above is presented in accordance with such new accounting standard.

Other Financial Data

	Original Group		Enlarged Group		
	As of/For the year ended December 31,				
	2018	2019	2019	2020	
	(Unaudited) (RMB in '000)	*(Unaudited) (RMB in '000)*	*(Unaudited) (RMB in '000)*	*(Unaudited) (RMB in '000)*	*(Unaudited) (US$ in '000)*
EBITDA[1]	2,408,865	1,956,770	12,662,674	14,087,659	2,159,028
EBITDA margin[2] (%)	17.7	14.4	14.3	16.0	16.0
EBITDA/ Interest expenses (x)	5.0	3.2	9.3	11.7	11.7
Total indebtedness/ EBITDA (x)	3.9	4.7	2.3	2.3	2.3
Net indebtedness/ EBITDA(x)	3.1	3.4	1.4	1.4	1.4
Total indebtedness[3]/ Total assets (%)	40.2	37.8	28.0	29.5	29.5
Total indebtedness/ Total capital[4] (%)	50.3	47.6	42.7	47.8	47.8
Net indebtedness[5]/ Total capital (%)	39.9	34.7	25.9	29.1	29.1

Note:

(1) EBITDA represents total revenue minus cost of sales, taxes and surcharges, selling expenses and administration expenses, plus depreciation and amortization.

EBITDA is not a standard measure under PRC GAAP. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to service its debt and tax obligations. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies and the components of our EBITDA may not be comparable to similarly named components presented by other companies whose financial statements were prepared under generally accepted accounting principles other than PRC GAAP. Investors should not compare our EBITDA or components of our EBITDA to EBITDA or components of EBITDA presented by other companies. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See "*Description of the Notes — Definitions*" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture. The following table reconciles our EBITDA to our total revenue for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,				
	2018	2019	2019	2020	
	(Audited) *(RMB in ’000)*	*(Audited)* *(RMB in ’000)*	*(Audited)* *(RMB in ’000)*	*(Audited)* *(RMB in ’000)*	*(Unaudited)* *(US$ in ’000)*
Total revenue	13,632,479	13,544,053	88,652,184	88,098,771	13,501,727
Less: Cost of sales	10,696,874	11,161,587	73,221,449	71,782,441	11,001,140
Taxes and surcharges	247,223	295,545	539,729	569,363	87,259
Selling expenses	189,140	153,067	1,321,418	1,210,195	185,470
Administrative expenses (excluding R&D expenses)	520,495	521,708	3,292,483	3,309,395	507,187
Add: Depreciation of fixed assets, depreciation of oil and gas assets and depreciation of productive biological assets	379,600	485,340	2,062,083	2,278,232	349,154
Amortization of intangible assets	22,980	23,308	284,330	463,154	70,981
Amortization of long-term deferred expenses	27,538	35,976	39,156	118,896	18,222
EBITDA	2,408,865	1,956,770	12,662,674	14,087,659	2,159,028

(2) EBITDA margin is calculated as EBITDA divided by total revenue and multiplied by 100%.

(3) Total indebtedness is equal to the sum of short-term indebtedness and long-term indebtedness. See “*Capitalization and Indebtedness.*”

(4) Total capital represents the sum of total indebtedness and total owners’ equity.

(5) Net indebtedness is calculated as total indebtedness minus monetary funds.

You should carefully consider the risks and uncertainties described below and other information contained in this Offering Memorandum before making an investment decision in relation to the Notes. The risks and uncertainties described below may not be the only ones that exist. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also materially and adversely affect our business, prospects, financial condition or results of operations. If any of the possible events described below occur, our business, prospects, financial condition or results of operations could be materially and adversely affected and the market price of the Notes may decline. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.

Risks Relating to Our Business in General

Our operations are extensively regulated by the PRC government.

Our operations are subject to extensive regulation by the PRC government. Central governmental authorities, such as the NDRC, the Ministry of Ecology and Environment, the MOFCOM, the Ministry of the Natural Resources, the National Coal Mine Safety Administration, and the SAT, as well as provincial and local authorities and agencies, regulate various aspects of China's energy and engineering industries, including, among others, the following aspects:

- the granting and renewal of coal exploration rights and mining rights;
- the granting of production licenses and gas operation licenses;
- resource recovery rate requirements;
- allocation of the coal transportation capacity on the national railway system;
- pricing of natural gas and coal transport services;
- export quotas, permits and VAT rebates;
- the adoption of temporary measures to limit increases in natural gas and coal prices;
- regulation of tariffs;
- taxes, duties and fees; and
- environmental, safety and health standards.

Given the volume and complexity of these regulations, compliance may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. There is no assurance that we will be able to comply with all applicable requirements or obtain the requisite approvals and permits on a timely basis, or at all. In addition, PRC laws and regulations are constantly evolving. Moreover, there can be no assurance that the PRC government will not impose additional or stricter laws or regulations, which may increase our compliance costs. The compliance costs, liabilities and requirements associated with existing and any new regulations can have a significant impact on our business, results of operations and financial condition. We cannot give any assurance that our business, results of operations and profitability will not be materially adversely affected by any future changes in government regulations and policies.

We are subject to various environmental, safety, health and planning regulations in China, compliance with which may be difficult or costly, and any failure to comply with such regulations may subject us to penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business.

The PRC government has published extensive environmental, safety, health and planning regulations with which we are required to comply. Our various business segments produce waste water, gas emissions, solid waste materials and other waste and pollution. As a result, we are subject to extensive and increasingly stringent environmental protection laws and regulations. These laws and regulations may impose fees for the discharge of waste substances, require provisions for land reclamation and rehabilitation, or impose fines and other penalties for serious environmental offenses, such as suspension of any operation that causes excessive environmental damage. Failure to comply with these regulations may result in penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business, or even criminal liabilities. For example, in April and May 2018, Xinneng Mining was imposed administrative penalties of RMB500,000 and RMB200,000 for excessive emission of water pollutants and air pollutants, respectively. Given the comprehensiveness and complexity of such regulations, as well as the uncertainties in certain procedural matters, compliance with them may be difficult and take a prolonged period or involve significant financial and other resources. In addition, these regulations are continually evolving. There can be no assurance that the PRC government will not impose additional or more stringent laws or regulations, which may require significant costs or time for compliance which we may be unable to pass on to our customers and may result in delays to our projects and operation schedule.

Due to the increasing awareness of environmental issues, the PRC government has tightened its enforcement of environmental protection laws and regulations and adopted more stringent environmental standards. The PRC government may also impose temporary adjustment policies to regulate the energy supply for the purposes of energy conservation and supply-demand balancing. For example, per request of the Shanxi Provincial Government's Leading Supervision Group for Peak Winter Emergency Supply, we suspended our LNG production at Qinshui, Shanxi from December 24, 2017 to January 4, 2018 to support the short-term adjustment policies by the relevant government authorities for the conservation of natural gas.

In addition, the PRC government has issued several plans relating to renewable energy development, energy conservation and emissions reduction. According to the Fourteenth Five-Year Plan, the PRC government intends to continue to enhance the supply of natural gas, build new natural gas production facilities, natural gas pipeline network, and accelerate the utilization of deep-sea, deep-seated and other unconventional gas resources. Any delay in implementation of these policies or programs could have a detrimental effect on the continued development of the PRC natural gas industry, which, in turn, could adversely affect our LNG related business.

If we fail to obtain or maintain the approvals, permits, licenses and certificates required for our operations, our business, financial condition and results of operations may be materially and adversely affected.

We are required to obtain appropriate licenses, certificates and permits from relevant regulatory authorities for our operations and any failure to obtain may result in penalties, fines, being ordered to cease production, governmental sanctions and other legal proceedings. For example, we are required to obtain pollutants discharge licenses and permits which are subject to periodic review. The relevant regulatory authorities will carry out regular inspections to ascertain our compliance with applicable laws and regulations. There is no assurance that we will be able to renew such licenses, certificates and permits upon their expiration. In addition, eligibility criteria for these licenses, certificates and permits may change from time to time and additional licenses, certificates and permits may be required and higher compliance standards may have to be observed. In the event of the introduction of any new law or regulation, or change in the interpretation of any existing law or regulation that may increase compliance costs for us or make it more expensive for us to continue operating any part of our business, and financial condition and results of operations may be adversely affected. Please also see "— *Our operations are extensively regulated by the PRC government*" for details about the impact of present and future regulations promulgated by the PRC government.

Our business, financial condition and results of operations have been materially and adversely affected, and may continue to be affected by the COVID-19 pandemic.

Our business is subject to global market fluctuations and general economic conditions in the PRC and the global economy. Any prolonged downturn, recession or other condition that adversely affects our business and economic environment, including the ongoing COVID-19 pandemic, could materially and adversely impact our business, financial condition and results of operations.

The global outbreak of COVID-19, which was declared a pandemic by the World Health Organization in March 2020, has spread to almost every country in the world. The global impact of the outbreak continues to rapidly evolve, and many countries, including the PRC, have instituted quarantines, restrictions on travel, closed financial markets and/or restricted trading, and closed or limited hours of operations of non-essential businesses. Such actions are creating severe economic contraction and adversely impacting many industries. While most cities in the PRC begun to gradually lift the public health restrictions from mid-2020, recurring COVID-19 outbreaks have to led to the re-introduction of such restrictions in several major cities for certain periods of time. Moreover, even where restrictions have been lifted, self-imposed social distancing and isolation measures may continue for a more prolonged period. Accordingly, it remains to be seen how quickly economic activity will resume to the pre-COVID-19 levels in the PRC.

The COVID-19 pandemic has already impacted, and may continue to impact, our business and results of operations materially. For example, due to public health restrictions in many cities, we were unable to provide services in our extended business sector, such as the sale of piped gas appliances and installation services, to end customers. Furthermore, lock-down imposed in many PRC provinces and cities resulted in the closure of a large number of roads and railway lines. We faced difficulties in transporting our methanol and coal products to customers in a timely manner. While we expect the demand for our products and services are likely to remain robust, if our counterparties do not fulfill their contractual obligations or settle liabilities to us due to disruptions to their businesses or liquidity as a result of the continued effect of the COVID-19 pandemic, we may in the future suffer losses and our financial condition may be adversely affected. In addition, there can be no assurance that we can recover money owed to us without a time-consuming, costly and protracted process.

The PRC government's efforts to counter the economic effects of COVID-19 through liquidity and stimulus programs may be insufficient or ineffective in preventing or reducing the effects of a recession. It is difficult to determine the full extent of the PRC economic and market impacts from COVID-19 and the many ways in which they may negatively affect our business, financial condition and results of operation.

The growth opportunities and synergies that are anticipated from the ENN Energy Acquisition may not be fully realized.

We completed the ENN Energy Acquisition in September 2020. We plan to expand our natural gas business to the downstream sectors, leveraging on ENN Energy Group's extensive market reach in the

PRC. The growth opportunities that are expected to result from our acquisition of ENN Energy Group will depend, in part, on our ability to realize the anticipated benefits and synergies as a result of the acquisition. Our success in realizing these anticipated benefits and synergies, and the timing of this realization, depends on the successful integration of ENN Energy Group's business, operation and assets that permits, among other things, enhanced revenues and revenue synergies and an expanded market reach, and does not materially disrupt the existing customer relationships of our Company and ENN Energy Group, respectively. Failure to realize such anticipated benefits could result in decreases in the amount of expected revenues and diversion of management's time and energy, and could consequently have an adverse effect on our business, operating results and prospects.

The process of managing and integrating the acquisition into our existing operations may result in unforeseen operating difficulties and may require considerable financial, operational and managerial resources that would otherwise be available for the operation, development and organic expansion of our existing operation. Even if we are able to integrate ENN Energy Group and its business, operation and assets successfully, this integration may not result in the full realization of the growth opportunities that we currently expect, nor can we give assurances that the benefits and synergies as a result of the acquisition will be achieved within anticipated time frames or at all. Moreover, we may incur substantial expenses in connection with the integration. Accordingly, the benefits from the ENN Energy Acquisition may be offset by costs incurred or delays in integrating the businesses.

Our historical financial information may not be indicative of our current or future results of operations and investors should exercise caution in comparing financial data between periods due to material acquisition, disposals or material changes to the list of our consolidated subsidiaries.

Our historical financial information included in this Offering Memorandum is not indicative of our future financial results. Such financial information is not intended to represent or predict the results of operations of any future periods. Our future results of operations may change materially if our future growth does not follow the historical trends for various reasons, including factors beyond our control, such as changes in economic environment, PRC environmental rules and regulations and the domestic and international competitive landscape of the industries in which we operate our business.

In addition, we establish, as well as acquire and dispose of equity interests in, our subsidiaries from time to time in accordance with our business objectives. In particular, we completed the acquisition of ENN Energy and consolidated it as a subsidiary in September 2020. We have prepared the Adjusted Enlarged Group 2019 Accounts (for our Enlarged Group) taking into account of the effect of ENN Energy Acquisition, as if this had taken place on January 1, 2019. Accordingly, the financial trends and performance as demonstrated in the Adjusted Enlarged Group 2019 Accounts (for our Enlarged Group) differs significantly, and may not be directly comparable with, our Historical Financial Statements of 2018 and 2019 (for our Original Group), which do not reflect the effect of the ENN Energy Acquisition. Period-to-period comparisons of our historical operating results and financial positions must be evaluated in light of the impact of such transactions. Investors should exercise caution in comparing financial data between periods due to material acquisition, disposals or material changes to the list of our consolidated subsidiaries.

The Adjusted Enlarged Group 2019 Accounts are based on estimates and assumptions which may not be indicative of actual future results. The actual future results of the business of the Group could vary materially and adversely from those reflected in the Adjusted Enlarged Group 2019 Accounts included in this Offering Memorandum. The Adjusted Enlarged Group 2019 Accounts are based upon a number of assumptions that the Group believes to be reasonable, and have been prepared by the Group in accordance with PRC GAAP, adjusted to give pro forma effect as if the ENN Energy Acquisition had happened on January 1, 2019. The adjustments and assumptions used in preparing the such adjusted financial information are difficult to make with complete accuracy. The Adjusted Enlarged Group 2019 Accounts are based upon available information and certain estimates that the Group believes are reasonable, and statements of income prepared by the Group by using certain adjustments, assumptions and allocations which have not been independently verified and are not fully set out herein. There can be no assurance that the adjustments, assumptions or allocation principles applied in deriving the Adjusted Enlarged Group 2019 Accounts are accurate or appropriate or that they are necessarily indicative of business, financial condition and the results of operations of the Group that would have actually transpired had the ENN Energy Acquisition taken effect on January 1, 2019. As a result, Adjusted Enlarged Group 2019 Accounts may only provide limited assistance to investors in understanding the Group's current financial condition, results of operations, and in particular, prospects. Investors are cautioned not to place undue reliance on the Adjusted Enlarged Group 2019 Accounts.

Our business development and investment plans have significant capital expenditure and financing requirements, which are subject to a number of risks and uncertainties.

Our ability to maintain and increase our revenue, net profit and cash flows depends upon continued capital spending. Our capital expenditures may vary significantly due to various factors, including, among others, our ability to generate sufficient cash flows from operations to finance capital expenditures, our ability to finance such expenditures through borrowings and other factors that are beyond our control. We may also encounter unforeseen costs and expenses in the process of carrying out our investment plans. In addition, we cannot assure as to whether, or at what cost, capital projects will be completed or that such projects will be successful if completed.

Operating losses may be incurred if we do not have adequate capital resources to complete our investment plans or if actual expenditures exceed planned expenditures. We cannot assure you that any required additional financing, either on a short-term or long-term basis, will be available to us on satisfactory terms, or at all. If adequate funds are not available on satisfactory terms, we may be forced to curtail expansion plans, which could result in an inability to successfully implement our business strategies and limit our business growth.

Our ability to make payments on our debt, fund our other liquidity needs and make planned capital expenditures will depend on our ability to generate cash in the future. Our historical financial results have been, and it is anticipated that our future financial results will continue to be, subject to fluctuations. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory environment and other factors that are beyond our control. We cannot assure you that we will generate cash flows from operations or our future borrowings will be sufficient for us to make payments on our debt, fund our other liquidity needs and make planned capital expenditures.

Our operations and productions are exposed to inherent risks and occupational hazards, which could cause us to incur substantial costs, damage to our reputation and loss of future business.

Our operations and the manufacturing of our products involves complex, precise and often dangerous processes, requiring production in tightly controlled environments. For example, the production of our coal products and energy chemical products involves the use of volatile, hazardous, toxic or flammable raw materials and intermediate products. The storage of such materials and products near our production facilities and the handling and transportation of these materials and products in the production process pose inherent risks. Construction sites of our engineering projects are potentially dangerous workplaces that are in close proximity with heavy duty construction machinery and equipment, moving motor vehicles, highly regulated and volatile materials, and chemical processes.

Our coal mining operations also involve inherent risks, such as deterioration in the quality or variations in the thickness of faults and/or coal seams, pressure in mine openings, mine water discharge, weather, flooding and other natural disasters. See "— *Safety and environmental accidents may occur at our mines or neighboring coal mines*" for more details.

As a result, our operations and productions are subject to various inherent risks and occupational hazards. An accident could materially disrupt our manufacturing operations and could lead to death or personal injuries. Any such accident may subject us to adverse publicity and damage to our brand name and reputation. Certain inherently dangerous activities undertaken in the course of our operations expose us to a number of additional risks, including the risk of fire, explosion, leakage, release of toxic fumes or other unexpected or hazardous conditions causing personal injuries or death, property damage, environmental damage or interruption of operations. Any damage to persons, equipment or property or other disruption of our ability to produce or distribute our products could result in a decrease in operating results and significant additional cost to replace or repair the relevant assets, which could materially and adversely affect our business, results of operations and financial condition. See "— *Our insurance coverage may be insufficient to cover all associated risks of loss*."

Our business operations, which consists of a number of companies operating in multiple business lines, expose us to challenges not found in companies with a single business line.

We operate through a number of subsidiaries in multiple industries. Due to the diverse characteristics of our subsidiaries, joint venture partners and business segments, we face challenges not found in companies with a single business line. In particular:

- We are exposed to business, market and regulatory risks relating to different industries. Substantial resources will need to be devoted to monitor changes in different operating environments so that we can react with appropriate strategies that fit the needs of the subsidiaries affected.

- Due to the number of companies involved, successful operation of our business requires an effective management system that emphasizes accountability, imposes financial discipline on subsidiaries, and creates value-focused incentives for management. As we may continue to grow through acquisitions of business and expand our business lines, our operations may become more complex, which increases the difficulty of implementing our management system.

- A portion of the borrowings of our subsidiaries are guaranteed by the Company. As of December 31, 2020, the outstanding guarantee provided for our subsidiaries amounted to RMB9,969.1 million (approximately US$1,527.8 million). If a subsidiary defaults on any such borrowings, the relevant lender may exercise its right under the guarantee to demand payment from the Company. This may result in a funding shortage and adversely affect the financial support that the Company may offer to our subsidiaries in other segments.

- As a result of the ENN Energy Acquisition, we now have a large number of PRC subsidiaries as well as overseas subsidiaries. We strive to implement our corporate governance and operational and safety standards across our subsidiaries in or outside the PRC in a uniform manner. Implementing and monitoring these standards in each of our subsidiaries may be difficult and failure to do so may result in violations of local regulations or our own internal policies. There can be no assurance that we can effectively monitor each subsidiary and prevent all non-compliance. Any violation or non-compliance could affect our reputation and business prospects in or outside the PRC, which could materially and adversely affect our financial condition and results of operations.

- A substantial portion of our subsidiaries are not wholly owned. We also conduct our business through certain joint ventures with PRC partners which we do not control. For those non-wholly owned operating subsidiaries and joint ventures, certain important corporate actions for many subsidiaries typically require supermajority or unanimous board or shareholder approval. We cannot assure you that our subsidiaries or joint ventures will not engage in certain of these corporate actions in the future or that, if they do, that they will be able to cause our PRC partners to consent to such actions. In addition, there is a possibility that the PRC partners of these operating subsidiaries may have economic or business interests or goals which are inconsistent with our own, and are unable or unwilling to fulfill their obligations under the relevant joint venture or shareholders' agreements, or have financial difficulties.

- With respect to our Sino-foreign equity joint ventures, we also rely on shareholding entrustment agreements which may not be as effective in providing operational control as direct or indirect ownership. As these shareholding entrustment agreements have not been submitted or approved by authorities in China, there is also a risk that the relevant PRC authorities may consider these shareholding entrustment agreements to be invalid or unenforceable. We cannot assure you that our partners will not have economic or business interests or goals which are inconsistent with our own, or will be able or willing to fulfill their obligations under the relevant joint venture or shareholders' agreements, or have financial difficulties.

Shortages of raw materials or volatility of raw material prices may adversely affect our business and operations.

The cost of raw materials represents a significant portion of our cost of sales. The nature of our operations require us to obtain sufficient quantities of high-quality raw materials in a timely manner and at acceptable prices. As a result, our operations are vulnerable to changes in the supply and price of raw materials. Any inability to obtain high-quality raw materials in a timely and cost effective manner may cause delays in our production and delivery schedules, which may result in loss of customers and revenues. Large amounts of raw materials are required in our manufacturing processes. Although we have not experienced any significant difficulties in obtaining raw materials to satisfy our production requirements in the past, we cannot assure you that we will be able to continue to meet our raw materials requirements in the future.

Any significant increase in the prices of raw materials could also materially affect our businesses, results of operations and financial condition if such price increases cannot be passed on to customers by way of higher selling prices. Raw materials prices depend on a variety of factors beyond our control, including, among others, the global and PRC economy, related government policies and commodity prices. There can be no assurance that the prices of our raw materials will not rise from their current levels and that our cost of sales will not thereby increase. Our ability to pass on cost increases to our customers is dependent on market conditions and the bargaining power of those customers.

We are dependent upon subcontractors and other third parties for various services and products in our business.

We may from time to time subcontract portions of our production or services to independent third-party subcontractors. In addition, if we need extra manpower due to a shortage of labor, or in order to accelerate the progress of project work, we may need to subcontract labor services internally, hire short-term temporary workers, or engage independent third-party subcontractors. We also rely on third-party manufacturers or other service providers for production and supply of certain parts, components and services in connection with our operations. For example, we engage third-party contractors for the coal mining and refining activities of our coal products through public tender and bidding processes considering a number of factors, such as the reputation of the contractors, track records in similar projects, creditworthiness, technical capabilities, proposed production blueprint and price. We typically enter into cooperation agreements with our third-party contractors, which set forth principal terms including the scope of work, project timetable, fees and payment terms and warranties with respect to quality and timely completion of the project. We also engaged a third-party service provider to provide technical services under our Daqi Phase II Project and partially outsourced the designing works of our EPC projects to optimize resource allocation.

We may not be able to monitor the performance of our subcontractors and other third parties as directly and efficiently as our own staff. In addition, qualified subcontractors and other third parties may not always be readily available when our needs for outsourcing arise. If we are unable to hire qualified subcontractors and other third parties, our ability to complete projects or other contracts could be impaired. If the amounts that we are required to pay to subcontractors and other third parties exceed what we have estimated, especially in the case of customer contracts with a pre-agreed price, we may suffer losses on those contracts. Outsourcing also exposes us to risks associated with non-performance, delayed performance or substandard performance by subcontractors or other third parties. As a result, we may experience a deterioration in the quality or late delivery of our construction projects, incur additional costs due to delays or higher prices in sourcing the services, equipment or supplies, or be subject to liability under the relevant contract for the non-performance, delayed performance or substandard performance of our subcontractors or other third parties. Such events could have a material and adverse impact upon our profitability, financial performance and reputation, and may result in litigation or damage claims against us.

Fluctuations in the average selling prices of our products and commodity prices may adversely affect our results of operations.

The average selling prices of most of our products are subject to fluctuation. Fluctuations in the average selling prices of our products are primarily caused by change of global and domestic economic conditions, intense market competition, changes in raw material costs and other factors that are beyond our control. For example, due to the impact of the COVID-19 pandemic, the average selling prices of many of our major products, including coal and coal-based methanol declined in the first half of 2020 and rebounded in the second half of the year. We believe that fluctuations in the prices of our products reflect the changes in the global and domestic economic conditions, and are particularly due to the persistently weak oil prices and the slowdown of the PRC economy. We cannot assure you that we will not continue to experience volatile or declining average selling prices for our products in the future. If we cannot increase our sales volume to compensate for the loss of revenue caused by volatile or declining average selling prices for our products, our results of operations could be adversely affected.

Moreover, our exposure to commodity price risk relates principally to the market price fluctuations in crude oil, coal and LNG which can affect our business, financial condition and results of operations. Commodity prices in the PRC are highly influenced by fluctuations of international commodity prices. Commodity prices may be influenced by numerous factors. These factors include global demand, forward-selling activities and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates as well as general global economic conditions. There is no assurance that the commodity prices will not fluctuate significantly in the future. Volatility in commodity prices may have an adverse effect on our business, financial condition and results of operations.

We are exposed to the credit risk of our C&I customers, and any increase in the level of non-payment by our customers may adversely affect our business and financial condition.

Non-payment by C&I customers could materially and adversely affect our business. For example, for our sale of piped gas, we charge our C&I customers gas usage charges either in advance or in arrears. For those charged in advance, we require the customers to deposit gas charges into magnetic cards which are connected to the gas meters. Gas meters that record actual gas consumption are installed at the customers' premises and where smart meters are used, meter readings will be automatically transferred to our system in real-time, corresponding value of deposit will be charged in line with the volume of gas consumed at pre-determined unit. For those charged in arrears, monthly bills based on prior month's actual usage will be sent to the customer. In the event a customer defaults on the payment of gas usage charges, the customer's gas supply will be suspended at our discretion. Due to the COVID-19 pandemic, we have allowed for additional grace period for a limited number of clients on a case-by-case basis. In addition, we collect construction and installation fees from our C&I customers in advance in installments based on the percentage-of-completion of the pipeline construction work. In general, a C&I customer is required to pay a deposit of the construction and installation fee upon signing of supply contract. In the event a customer defaults on the payment of construction and installation fees, we will not start the supply of gas to the customer until the construction and installation fees are fully paid. Although we have the ability to terminate or suspend service to customers who do not pay, any material increase in non-payment by our customers would increase our accounts receivables considerably without the corresponding financing to fund our working capital, which may materially and adversely affect our financial condition and results of operation.

The performance and results of our integrated energy business depend upon our ability to remain competitive in a highly competitive market and upon successful execution of our projects.

Our results of operations in the integrated energy business could be materially and adversely affected by keen competition resulting from relatively low barriers to entry into the integrated energy market. The pricing of energy sales and services provided under the integrated energy business is unregulated. Therefore, the profitability of integrated energy business will depend largely on the operating efficiency and energy consumption level of the Company, as well as whether the Company is able to benefit from the synergies across its integrated energy projects. There is no guarantee that we will be able to maintain our competitiveness in this highly competitive market and continue to grow our customer base. An increase in the market entrants with better know-how and resources may potentially have a material adverse effect on our business, financial condition and results of operations.

The execution of integrated energy projects requires expertise and technological know-how so as to be able to devise customized energy solution for customers' needs. The design of energy solution will depend on the availability of energy sources, consumption level, customers' nature of business, capability to coordinate and dispatch energy among customers. Although we have accumulated expertise and have been improving our technological know-how to stay competitive in the market, there is no guarantee that we will be able to excel as a market leader in terms of technology and innovation or that our expertise will be directly relevant to the smooth execution of integrated energy projects. The risks associated with project development and execution can impact the viability and economic feasibility of our projects and may accordingly negatively affect our results of operations, financial condition and reputation.

Any interruption, shortage of utilities or fluctuation in utility prices may adversely affect operations of us.

Our production processes require a consistent and large supply of utilities, especially electricity, gas and water. As a result, our production processes may be interrupted if there is an insufficient supply of utilities or a suspension of such supply. Also, we anticipate that our reliance on such utilities will further increase as we seek to expand our production capacities. Any shortage of supply may, therefore, adversely affect our production and prevent us from satisfying demands or obligations under purchase contracts of our customers during the affected period.

Our results of operations could be adversely affected by seasonality or severe weather conditions.

Our various business segments are affected by seasonality. For example, the sale of our coal products is subject to the seasonal changes in demand for coal, which is generally higher in winter and summer. Methanol, which is traditionally being applied in the production or processing of wood and sheet metal as well as real estate construction, is subject to the seasonal changes in weather and is generally lower in terms of sales during summer when the production or processing of wood and sheet metal is low. Demand for natural gas is subject to the seasonal changes in gas consumption and is generally lower in summer and higher in winter. Sale of our LNG products can also be affected by extreme weather conditions such as heat waves or winter storms as development of domestic natural gas-related infrastructure is still in its preliminary stage and gas storage capacity is still insufficient to moderate the mismatch between industrial supply and demand during such seasonal fluctuations. As such, there can be no assurance that these seasonal factors will not adversely affect the sale of our products, which could in turn have a material adverse effect on our business, results of operations and financial position.

Our products may be susceptible to product liability claims.

In line with industry practice, we currently do not maintain any product liabilities insurance to cover any claims in respect of personal injury or defects in, or deterioration of, our products. We cannot assure you that we will not be subject to product liability claims in the future. Any product liability claim and any legal proceedings, arbitration or administrative sanctions or penalties arising therefrom could have an adverse effect on our financial condition, results of operations and reputation. Even if we are able to successfully defend against any such claims, we cannot assure you that customers will not lose confidence in our products as a result of the claims, which may adversely affect our future business and reputation. Furthermore, any product liability claim, even one without merit, could result in our management expending significant time and resources and incurring significant expenses in defending such claim.

Our products may not be able to meet certain new and more stringent standards as defined by evolving regulations.

Our products must meet certain standards as defined by the relevant PRC authorities. These standards may evolve and become more stringent. Our products may not be able to meet the new standard immediately, or at all. If our products fail to meet new standards, we may be required to stop the production and marketing of these products, which may disrupt our growth and have a material adverse effect on our business, results of operations and financial position.

We incur significant expenses to maintain our manufacturing equipment and facilities and any interruption in the operations of our facilities may harm our operating performance.

We regularly incur significant expenses to maintain our manufacturing equipment and facilities. The machines and equipment that we use to produce our products are complex, have many parts and may be run on a continuous basis. We must perform routine maintenance on our equipment and will have to periodically replace a variety of parts such as motors, pumps, pipes and electrical parts. In addition, some of our facilities require periodic shutdowns to perform major maintenance. These scheduled shutdowns of facilities may result in decreased sales and increased costs in the periods in which a shutdown occurs and could result in unexpected operational disruptions in future periods as a result of changes to equipment and operational and mechanical processes made during the shutdown period. Any prolonged disruption in operations at any of our facilities could cause significant lost production, which would have a material adverse effect on our business, financial condition, results of operations and cash flows.

Some of our production facilities are highly technical. Our ability to shift production or sourcing to other facilities in the event of an accident is limited at such facilities. If a production facility was shut down temporarily, we would likely experience production delays and, to the extent that facility was used to produce input material for our downstream products, we could incur additional costs in sourcing alternative supplies, either of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

Our indebtedness and interest payment obligations could limit our funds available for various business purposes, and the availability of cash to service our debts depend on many factors beyond our control.

As of December 31, 2020, our total indebtedness (which comprise short-term borrowings, non-current liabilities maturing within one year, long-term borrowings, bonds payable and certain lease payment obligations derived from the Group's financial leasing arrangements and recognized under long-term payables) amounted to approximately RMB32,334.2 million (approximately US$4,955.4 million), among which 51.6% of our total indebtedness were short-term indebtedness . We may incur additional indebtedness in the future, including through the issuance of medium-term notes, private placements and corporate bonds offerings. Due to the size of our borrowings, our results of operations will be affected by the interest rate of these borrowings.

For the years ended December 31, 2018 and 2019 (for our Original Group) and December 31, 2019 and 2020 (for our Enlarged Group), the interest incurred on our interest-bearing bank loans and other borrowings was approximately RMB480.1 million, RMB607.0 million, RMB1,357.6 million and RMB1,205.5 million, respectively Certain of our loans bear floating interest rates. In periods of rising interest rates, our interest repayments for our floating interest loans would increase. Our repayments of interests reduce funds available for our working capital, capital expenditure, acquisitions and other business purposes. A shortage of funds could limit our ability to respond to changing market conditions or to expand through acquisitions, increase our vulnerability to adverse economic and industry conditions, and place us at a competitive disadvantage compared with our competitors with lower debt levels. Our future liquidity, the payment of notes and other payables and the repayment of outstanding debt obligations when they become due will depend primarily on our ability to maintain adequate cash inflows from operating activities and adequate external financing. If we fail to generate sufficient turnover from our operations, or if we fail to maintain sufficient cash and financing, we may not be able to fund our business, operations and capital expenditure or to meet our needs or refinance our loans on commercially acceptable terms, or at all, which may, in turn, adversely affect our business and financial position.

Substantially all of our operations are conducted through our subsidiaries. As a result, our ability to generate sufficient cash flow for our needs is largely dependent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from them. Our subsidiaries are separate and independent legal entities. They have no obligation to pay any amounts due on our debt or to provide us with funds to meet our cash flow needs, whether in the form of dividends, distributions, loans or advances. In addition, any payment of dividends, loans or advances by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries is also contingent upon such subsidiaries' earnings and business considerations. Our rights to receive any assets of any of our subsidiaries upon liquidation or reorganization will be effectively subordinated to the claims of the subsidiaries' creditors, including trade creditors. Even if we are a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries held by them that is senior to ours. For example, certain of our subsidiaries' equity interests have been pledged to obtain financings from financial institutions. Furthermore, changes in the laws of foreign jurisdictions in which our subsidiaries operate may adversely affect the ability of some of our foreign subsidiaries to repatriate funds to us.

Finally, we provided certain guarantees for our subsidiaries in connection with their financial indebtedness and contractual liability. See "*— Our business operations, which consists of a number of companies operating in multiple business lines, expose us to challenges not found in companies with a single business line*." The default of any of those subsidiaries on those guaranteed debts or contractual liability may lead to our obligation to repay the outstanding amount due and payable. Such obligations to repay under guarantees may materially affect our financial condition and ability to service our own debts. In such circumstances, we cannot assure you that our assets and cash flows would be sufficient to fulfill our obligations or guarantees or that we would be able to find alternative financing.

Our business may be adversely affected if we are unable to extend or refinance our short-term borrowings.

As of December 31, 2018 and 2019 (for our Original Group) and December 31, 2019 and 2020 (for our Enlarged Group), our short-term indebtedness (primarily including short-term borrowings and non-current liabilities maturing within one year) were RMB4,834.0 million, RMB3,259.9 million, RMB11,971.0 million and RMB16,687.4 million (approximately US$2,557.5 million), respectively, representing 51.1%, 35.4%, 40.2% and 51.6% of our total indebtedness for the same periods.

We may fund capital expenditures with internally generated cash flow and long-term bank loans in the future. Our future liquidity, repayment of our outstanding debt obligations and payment of other payables when they become due will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. In addition, the tightening of the national credit policies towards the industries in which we operate our businesses may make it even more difficult for us to obtain bank credits. We may not be able to renew or refinance our existing short-term borrowings or secure additional external financing and, in that event, our business may be materially and adversely affected.

We engage in, and plan to continue to engage in, hedging transactions, which expose us to certain risks.

Our business is exposed to fluctuations in exchange rates. See "*— We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the U.S. dollar*". We have therefore entered into, and plan to continue to enter into, various hedging transactions to enhance our ability to manage such risks brought by such fluctuations. When used, the hedging transactions are intended to reduce, but not eliminate, the impact of foreign currency exchange rate movements. Therefore, there is no guarantee that we are completely protected from risks associated with fluctuations in exchange rates. Furthermore, we have also entered into, and plan to continue to enter into, hedging transactions to limit our exposure to raw material and energy price risks. If our strategies prove to be ineffective or if we or the professional financial institutions that manage certain of our hedging transactions on our behalf, fail to effectively monitor and manage our hedging activities, we could incur significant losses which could adversely affect our financial position and results of operations. Factors that could affect the impact and effectiveness of our hedging activities may be beyond our control. Such factors include the accuracy of our operational forecasts of raw material and energy needs and volatility of the commodities and raw materials pricing markets.

A reduction in or elimination of government grants and preferential tax treatments could affect our results of operations and cash flow.

We and certain of our subsidiaries receive government grants in the form of, among others, subsidies, land rebates, incentive funds and loan discounts. For the years ended December 31, 2018 and 2019 (for our Original Group) and the years ended December 31, 2019 and 2020 (for our Enlarged Group), we received government grants of RMB25.1 million, RMB158.7 million, RMB158.7 million and RMB236.8 million, respectively. Government grants primarily include (i) grants relating to assets, which are recognized under deferred income when received and amortized under other income over the useful life of such related assets in each subsequent reporting period; (ii) grants relating to our daily operations, which are recognized either under deferred income or other income; and (iii) grants not relating to our daily operations, which are recognized under non-operating income. The form and amount of such government grants vary according to current government policies with respect to the relevant industry in China. The amounts of and conditions attached to such grants are determined at the sole discretion of relevant government authorities. We cannot assure you that we will continue to be eligible to receive such government grants or that the amount of any such grants will not be reduced in the future, and even if we continue to be eligible, we cannot assure you that any conditions attached to such grants will be as favorable to us as they have historically been. If we are no longer eligible to receive such government grants or in similar amounts in the future, and are not able to arrange for alternative funding on similar terms, our financial condition and results of operations may be adversely affected.

In addition, certain of our subsidiaries currently enjoy preferential tax treatments due to the nature of their respective business activities and the location of their projects. For example, our wholly-owned subsidiary, Xindi Engineering currently enjoy a high-tech enterprise preferential tax rate of 15.0%. Our wholly-owned subsidiary, Xinneng Mining, and our indirectly partially-owned subsidiary, Xinneng Energy, also enjoy a western region development preferential enterprise tax rate of 15.0%. If we are no longer eligible for such preferential tax treatments, or that our eligible preferential tax treatments are terminated or revised, our financial condition and results of operations may be adversely affected.

We may not be able to implement our strategies for future growth and realize the anticipated opportunities or returns expected through acquisitions.

Our success in the future will depend on, among other things, our ability to implement our business strategies for future growth. Our business strategies include, among others, strengthening our position as an integrated clean energy products and services provider, expanding our coverage of downstream customer and access to upstream resources, upgrading our service and production capabilities, as well as maintaining sustainable development. The successful implementation of such business strategies may be affected by a number of factors, including fluctuations in demand from domestic and global markets, changes in customer preference and demand, the availability of resources suitable for our future product diversification into different industries, increasing competition, our ability to obtain any necessary approvals to enter into any markets in the future and changes in government policies. We may also require additional funds and other resources from time to time to pursue our future business strategies. We cannot assure you that our business strategies can be implemented successfully or that the resources required to implement such business strategies will be available. If we could not pursue our business development strategies due to the lack of available funds or other resources, our future growth or profitability might be adversely affected.

We engage in related party transactions with our controlling shareholder and other related parties from time to time.

We have engaged in and will continue to engage in a variety of transactions with our controlling shareholder and other related parties, including sale of products, provision of services, extending loans and providing guarantees. Please refer to Note X to our audited consolidated financial statements of our Original Group for the years ended December 31, 2018 and 2019 and Note VIII to our audited consolidated financial statements of our Enlarged Group for the years ended December 31, 2019 and 2020 in this Offering Memorandum for certain details relating to related party transactions between us and our related parties for the relevant periods. We need to comply with strict rules regulating related-party transactions as a listed company in China and any rules or regulations in other jurisdictions that our related parties are subject to. Nevertheless, we cannot assure you that those transactions would be deemed as arm's-length, or our related parties will not take actions that favor their interests over ours, or allocate their corporate opportunities and resources based on considerations that are not in our best interests.

We may not be able to meet regulatory requirements imposed by the governments of our export destinations and governments may impose taxes or penalties on our export products.

Although we do not currently export our products, we may in the future sell our products to customers outside the PRC. Certain countries to which we export our products may impose technical, hygienic or environmental requirements on our products that may be higher than the standards imposed by the PRC government. These countries may also require us to obtain various permits, licenses and approvals before we can import our products. We cannot assure you that we will be able to meet the relevant standards or obtain the requisite permits, licenses and approvals. If we fail to meet the standards adopted by such countries or to obtain the requisite permits, licenses and approvals now or in the future, our ability to export to these markets could be materially and adversely affected.

We are in the process of applying land use right certificates and/or building ownership certificates for certain of our properties in China.

We currently do not hold land use right certificates and/or building ownership certificates in respect of several of our buildings or land in China. We are in the process of applying for such building ownership certificates and land use right certificates. As of December 31, 2020, we are in the process of applying for ownership certificates for our buildings in the PRC and for the land use right certificates for the land in the PRC, together amounting to approximately RMB956.6 million. Our rights as owner of such properties may be adversely affected as a result of the absence of formal title certificates, as we will not be able to transfer our interest in the land or the building for such land and/or buildings until we have obtained any land use right certificates and/or building ownership certificates. Some of the entities from which we leased land may not possess valid title to their properties. In addition, we have leased land from individual villagers or village committees and applicable PRC law may be interpreted as prohibiting such land to be used for non-agricultural purposes. If there are disputes over the legal title to any of these leased properties or if the relevant authorities determine that our use of such properties violates PRC law and our leases are deemed to be invalid, we may be required to vacate such sites, which could disrupt our business operations in those locations and our business, financial condition and results of operations may be adversely affected.

We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the U.S. dollar.

The Notes are denominated in U.S. dollars, while substantially all of our revenue are generated by our PRC operating subsidiaries and are denominated in Renminbi. As of December 31, 2020, we also had U.S. dollar-denominated loans in total outstanding principal amounts of US$3,078.2 million (equivalent to approximately RMB20,085.3 million). Therefore, a portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including debt service of foreign currency-denominated debt, future overseas acquisition, purchases of imported equipment or materials and interest payment on the Notes.

Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the interbank foreign exchange market of the Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 33.0% from July 21, 2005 to December 31, 2014. On March 17, 2014, the PBOC further widened the floating band against the U.S. dollar to 2.0%. On August 11, 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the rate change at primary international currencies. On December 11, 2015, the China Foreign Exchange Trade System (the "**CFETS**"), a sub-institutional organization of the PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in depreciation of the Renminbi against the U.S. dollar, our financial condition and results of operations could be materially and adversely affected because of our relatively substantial U.S. dollar-denominated indebtedness and other obligations after the issuance of the Notes. Such depreciation could also materially and adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes. There are significant uncertainties regarding the long-term value of the Renminbi, and there is no assurance that the Renminbi will not experience significant depreciation or (as the case may be) appreciation against U.S. dollars or against any other currency in the future.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Any hedging obligation entered into or to be entered into by us or our subsidiaries may contain terms and conditions that may result in the early termination, in whole or in part, of such hedging obligation upon the occurrence of certain termination or analogous events or conditions (howsoever described), including such events relating to us and/or any of our subsidiaries, and the terms and conditions of such hedging obligation(s) may provide that, in respect of any such early termination, limited or no payments may be due and payable to, or that certain payments may be due and payable by, us and/or any of our subsidiaries (as relevant) in respect of any such early termination. Any such early termination, in whole or in part, of any such hedging obligation(s), and the payment and any other consequences and effects of such early termination(s), may materially and adversely affect our financial condition and/or any of our subsidiaries and may materially and adversely affect the performance of our obligations under or in relation to the Notes, any indebtedness or any other present or future obligations and commitments.

We may not be able to successfully develop or adopt new technologies in a timely manner. In particular, our investments in R&D may not yield any positive results as we expect, which could affect our ability to maintain our leading position in technologies and meet the changing demands of our clients.

Our future business success will partly depend on our ability to achieve continual technology innovation and meet changing market trends and evolving client demand. Accordingly, we need to understand, predict and adapt to changing market trends, develop or adopt competitive technologies and apply our technological innovations to the development of our services and products in a timely manner. There is no assurance that our efforts in this regard will succeed. If we fail to develop or adopt new technologies in a timely manner to meet the changing industry trends in the future, or if our clients or competitors have developed or adopted advanced technologies which are more effective or more commercially attractive, our business may be adversely affected. For example, substitute products which can provide similar or better qualities and substitute technologies and production processes which are more cost-efficient or environment friendly may be developed in the future. If any such substitute product gains wider application and popularity than our products or any such substitute technologies and production processes are successfully developed for commercial use, we may not respond adequately to these changes. If any of these risks materialize, our business, financial condition, results of operations and future development may be adversely and materially affected.

We attach great importance to the R&D in our operations. For the years ended December 31, 2018 and 2019 (for our Original Group) and the years ended December 31, 2019 and 2020 (for our Enlarged Group), our R&D expenditure, including R&D expenses and other relevant expenses, amounted to approximately RMB287.5 million, RMB274.0 million, RMB650.3 million and RMB685.0 million, respectively. We strive to enhance our existing products by expanding our productivity or improving or replacing existing technologies and processes with more cost-efficient or environment friendly technologies and processes. We may face risks related to our R&D efforts, including delays, cost overruns and unanticipated technical difficulties. There can be no assurance that our substantial investment in R&D will yield any positive results as we expect, in which case, our business and financial condition may be adversely affected.

We may not be able to protect our patents or other intellectual property.

We believe that developing innovative products, processes and technologies is important in differentiating our business from that of our competitors and is critical to the success of our business. We rely heavily on patents to protect certain advanced technical features of our products. In the future, however, we may not be able to successfully apply for such patents to protect our intellectual property. Furthermore, patent applications in certain countries may not be published until more than 18 months after they are first filed and, therefore, we cannot be certain that we will be the first creator of technologies covered by pending patent applications or the first to file patent applications on these inventions. For details of our intellectual properties, please see the section headed "*Business — Research & Development*".

In addition, we could lose our exclusive rights to use the proprietary processes and technologies that are covered by patents and patent applications. Our patents may be subject to challenges as to their scope or may be found to be invalid or otherwise unenforceable. Statutory differences in patentable subject matter depending on the jurisdiction may also limit the protection we obtain on certain of the technologies we develop. Complicated factual and legal issues could introduce uncertainty as to the validity, scope and enforceability of our patents and other intellectual property rights. We may not be able to exclude competitors from using the technologies we seek to protect if patent applications are not granted, patents were to expire or patents were successfully challenged. In addition, the enforcement of patent rights through administrative action in China involves a higher level of uncertainty than may exist in other countries where we operate our business, meaning that in order to enforce our rights against infringing third parties, we may have to resort to costly and prolonged litigation. Any failure to protect, maintain and enforce our intellectual property could, therefore, impair our competitiveness, divert our management's attention and have a material adverse effect on our business, financial condition or results of operations.

Moreover, patent protections are subject to geographic restrictions and are limited to the countries in which the patents were granted. As a result, if we have a patent in one jurisdiction in relation to a particular technology, we may not be able to exclude competitors from using that technology in another jurisdiction where we do not have a patent. Furthermore, we may also be unable to use such technology in a jurisdiction (including exporting and selling products that are the direct result of that technology into that jurisdiction) if a third-party owns a similar patent in that jurisdiction. This could be the case even when we have independently developed the technology in question. This may jeopardize our strategy of expanding exports of our products into new markets, and could, therefore, have a material adverse effect on our competitiveness, financial condition or results of operations.

Our operations may be adversely affected by cyber-attacks or similar disruptions.

We devote resources to protecting our digital infrastructure and data against cyber-attacks. If our systems against cyber-security risk prove to be ineffective, we could be adversely affected by, among other things, disruptions to our business operations, and loss of proprietary information, including intellectual property, financial information and employer and customer data, injury to people, property, environment and reputation. As cyber-security attacks continue to evolve, we may be required to expend additional resources to enhance our protective measures against cyber-security breaches.

We rely on trade secrets and proprietary technology and processes and any unauthorized disclosure of such intellectual property could adversely affect our business.

We rely on a combination of patents, trade secrets and other unpatented proprietary know-how to maintain our competitive position. We have developed several proprietary production processes. Our management and certain key personnel have entered into employment contracts with us containing confidentiality and non-compete obligations as well as provisions acknowledging that all intellectual property, trade secrets, products and other processes that are developed by them during the course of their employment are our property. However, we cannot assure you that agreements we use to protect our trade secrets and other proprietary know-how will not be breached, or that, in the event of a breach, we will be able to adequately remedy or offset resulting losses. Any unauthorized disclosure of our trade secrets or other unpatented proprietary know-how, or any disputes with our collaborators regarding the ownership of patents or other forms of intellectual property, could negatively affect our business.

We seek to protect our intellectual property across various jurisdictions including the PRC, where intellectual property protection has historically been difficult to enforce. Further, in practice, it may be difficult to enforce rights in trade secrets and unpatented proprietary know-how due to the difficulty of identifying the confidential aspects of relevant trade secrets and know-how. In the event we decide to enforce our intellectual property rights, through litigation or otherwise, such enforcement could require substantial costs and may divert the attention and resources of our senior management from their day-to-day responsibilities in the operation of our business. In addition, if the ownership of our intellectual property is disputed, we cannot assure you that we will prevail. Existing or potential competitors may also independently develop similar technology or obtain other proprietary rights, which could impose restrictions on our activities or provide them with a competitive advantage. Any of these factors could adversely affect our research and product development, which could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to claims of infringement of third-party intellectual property rights.

In the process of implementing new technologies and process, we may not be aware of third-party intellectual property rights and, accordingly, may be unable to assess the scope and validity of such rights in relation to our products and operations. In addition, product development is inherently uncertain in a rapidly evolving technology environment as there may be numerous patent applications pending, many of which are confidential when filed and relate to similar technologies. Accordingly, we may become subject to lawsuits for infringement on third-party intellectual property rights. Intellectual property litigation could adversely affect the development or sale of the challenged product or technology and require us to pay substantial damages or royalties to license proprietary rights from third parties. Such licenses may not be available to us on acceptable terms, if at all. Given the rapid technological change that characterizes our industries, we cannot assure you that our current measures are adequate and that we will not be subject to claims of infringement by third parties, both within China or elsewhere. Any intellectual property litigation could cause us reputational damage and to incur significant expenses or divert our personnel's attention and efforts, any of which could have a material adverse effect on our business, financial condition or results of operation.

If we become a party to litigations, legal disputes, claims or administrative proceedings, such involvement may divert our management's attention and result in costs and liabilities.

We may from time to time become a party to various litigations, legal disputes, claims or administrative proceedings arising in the ordinary course of our business. On-going litigations, legal disputes, claims or administrative proceedings may divert our management's attention and consume their time and our other resources. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

Negative publicity arising from litigations, legal disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Our growth depends on our ability to continue to attract and retain qualified personnel, including senior management members.

The success of our business depends on our ability to continue to attract and retain qualified personnel, such as skilled workers, equipment operators, engineers, R&D personnel and other technical personnel, for our daily operations and business expansion. We cannot assure you that we will be able to continue to attract and retain sufficient skilled and experienced employees in the future. Due to the rapidly growing demand for qualified personnel in China, competition for such personnel is intense. If we fail to retain or hire qualified personnel, we may experience difficulties in developing or applying new technologies, expanding our capacities, maintaining service quality, providing our customers with quality after-sales services or managing our operations and continuous expansion, which may in turn have a material and adverse effect on our business and reputation. Additionally, a significant increase in the wages paid by competing employers could result in a reduction in our skilled labor force or increases in our expenses for employee wages.

In addition, the industry expertise and extensive contributions of our directors and other members of our senior management are essential to our continuing success. As we continue to grow our business, we will increasingly require employees and executives who have industry-related experience and expertise. However, our senior management and key employees may voluntarily terminate employment with us or leave their positions for reasons beyond our control. We cannot assure you that we will not lose the services of any of our senior management members or directors. If this occurs, we may not be able to recruit and retain replacement personnel with equivalent qualifications on a timely or cost-effective basis, which could have a material adverse effect on our business, financial condition or results of operation.

Our de facto controller has significant influence in the determination of major corporate actions which generally requires shareholder approvals and may take actions that conflict with the interest of the holders of the Notes.

As of the date of this Offering Memorandum, Mr. Wang Yusuo is the Company's de facto controller and is holding, through direct and indirect shareholding and together with his immediate family members, 69.95% of our issued share capital. Mr. Wang Yusuo is also the Chairman of the Company's Board. Subject to the articles of association of the Company and applicable laws and regulations, Mr. Wang Yusuo will continue to have the ability to exercise a substantial influence on our management, policies and business by impacting the composition of our Board, the timing and amount of our dividend payments, the approvals of significant corporate transactions, including mergers and acquisitions and the approvals of our annual budgets. We cannot assure you that under the influence of our de facto controller, we will not enter into transactions or take, or fail to take, other actions or make decisions that may conflict with the best interests of the holders of the Notes.

We face strong competition from domestic and foreign competitors, and our business and prospects may be adversely affected if we are not able to compete effectively.

Competition in the coal chemical, coal-related energy and trading industry is based on many factors, including, among others, price, production capacity, coal quality and characteristics, transportation capability and costs, blending capability, brand name and diversified operations. Competition in construction and installation services largely focuses on advancement of technology, price of services, quality and variety of services provided, financial capacity, and creditworthiness. We also compete with other natural gas producers on the basis of natural gas resources, product quality, pipeline construction and storage capabilities. Our business competes in the domestic and international markets with other large domestic and international companies. In addition, some of our overseas competitors may have greater production capacity as well as greater financial, marketing, distribution and other resources than we do, and may enjoy more established brand names in international markets. See "*Business — Competition*" for details about the competition we face for our various business segments. We cannot assure you we can continue to compete effectively in light of increased competition in the future, which would have a material adverse effect on our business, results of operations and financial condition.

Furthermore, natural gas production and sale, coal mining and chemical production industries are all capital intensive and requires substantial investments to meet both consumer demands and regulatory requirements. Large companies are able to benefit from economies of scale by leveraging their investments and activities across brands and platforms. If our competitors consolidate or enter into strategic alliances, they may be able to benefit from larger economies of scale. In addition, our competitors could use consolidation or alliance as a mean of enhancing their competitiveness or liquidity position. Any such consolidation or strategic alliance by our competitors could materially and adversely affect our business and prospects.

Any force majeure events, including future occurrence of natural disasters or outbreaks of contagious diseases in China or other locations where we operate our business, may have a material adverse effect on our business operations, financial condition and results of operations.

Any future force majeure events, such as occurrence of natural disasters or outbreaks of health epidemics and contagious diseases, may materially and adversely affect our business and results of operations. An outbreak of a health epidemic or contagious disease could result in a widespread health crisis and restrict the level of business activity in affected areas, which may in turn adversely affect our business. For example, in 2020, there were severe floods in various parts of China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in China or other locations where we operate our business may adversely affect the economy and in turn our business. There is no guarantee that any future occurrence of natural disasters or outbreaks of contagious diseases, or the response measures taken by the PRC government or other countries, will not seriously interrupt our operations or those of our customers, which may have a material and adverse effect on our results of operations. See also "— *Our business, financial condition and results of operations have been materially and adversely affected, and may continue to be affected by the COVID-19 pandemic*".

Our insurance coverage may be insufficient to cover all associated risks of loss.

We have purchased insurance coverage for our major products, certain real properties, machinery and equipment, automobiles and other assets owned, operated or deemed important to us. The main kinds of insurance policies we have purchased and maintained include property all risks insurance, machinery breakdown insurance, all risks construction insurance, public liability insurance and accidental pollution liability insurance. We have also purchased pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance for our employees according to the relevant laws and regulations. We maintain insurance coverage in amounts that we believe are commensurate with our risk of loss and industry practice. We cannot, however, guarantee that our insurance policies will provide adequate compensation for all potential losses. Consistent with what we believe to be customary practice in the PRC, we do not carry any business interruption insurance, key-man insurance, insurance covering potential environmental damage claims and contractors all-risk and third-party liability insurance. Accidents or natural disasters may also result in significant property damage, disruption to our operations and personal injuries, and our insurance coverage may be inadequate to cover such losses. In the case of an uninsured loss or a loss in excess of insured limits, we could suffer reputational damage or lose all or a portion of our production capacity as well as future revenue contribution from the relevant facilities.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, or other third parties.

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, or other third parties that could subject it to litigation, financial losses and sanctions imposed by governmental authorities, which in turn affects our reputation.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, such internal control procedures may be unable to identify all incidents of noncompliance or suspicious transactions in a timely manner if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may cause negative publicity as a result.

Our consolidated financial statements have been prepared and presented in accordance with PRC GAAP, which are different from IFRS in certain respects.

Our consolidated financial statements included in this Offering Memorandum have been prepared and presented in accordance with PRC GAAP. PRC GAAP are substantially in line with IFRS, except for certain modifications which reflect PRC's unique circumstances and environment. See "*Summary of Certain Differences Between PRC GAAP and IFRS*" for details. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between the PRC GAAP and other GAAPs. Each investor should consult its own professional advisors for an understanding of the differences between PRC GAAP and IFRS and/or between PRC GAAP and other generally accepted accounting principles, and how those differences might affect the financial information contained herein.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may adversely affect our business operations.

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Investment and Financing and Round Trip Investment via Special Purpose Vehicles (the "**Circular 37**") and its implementation guidelines in July 2014, which abolishes and supersedes the SAFE's Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Financing and Round Trip Investment via Overseas Special Purpose Vehicles (the "**Circular 75**") and its related implementation rules and guidelines. Pursuant to the Circular 37 and its implementation guidelines, PRC residents (including PRC institutions and individuals) must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle ("**SPV**") directly established or indirectly controlled by PRC residents for the purpose of offshore investment and financing with their legally owned asset or interests in domestic enterprises, or their legally owned offshore assets or interests. Such PRC residents are also required to amend their registration with SAFE when there is a significant change to the registered SPV, such as changes of its PRC resident individual shareholder, name, operation period or other basic information, the increase or decrease in the capital contribution by such PRC individuals in the SPV, any share transfer or exchange, merger or division of the SPV. Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and its settlement of foreign exchange capital, and may also subject the relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

The beneficial owners of ENN Energy, Mr. Wang Yusuo and Ms. Zhao Baoju, who are PRC residents, have made their individual overseas investment registrations required under Circular 75 with Hebei Branch of the SAFE on June 4, 2012. However, if Mr. Wang Yusuo or Ms. Zhao Baoju fail to update such individual overseas investment registration as required by Circular 37, or any other shareholder as PRC resident or controlled by a PRC resident is unable or fails to comply with Circular 37, such shareholder may be subject to fines and legal sanctions, the consequence of which may affect our business operations, particularly with respect to the ability of our PRC subsidiaries to remit foreign currency payments out of China, which could affect our ability to service our offshore indebtedness, including the Notes.

We publish and may continue to publish periodical financial information and other financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Memorandum.

We are a listed company on the SSE and therefore are subject to applicable disclosure requirement of a listed company. We may also from time to time issue corporate bonds and short-term notes in the domestic capital markets in the PRC. According to applicable PRC listing rules and securities regulations on debt capital markets, we are required to publish our quarterly, semi-annual and annual financial information, which may not be audited or reviewed, to satisfy our continuing disclosure obligations under the PRC listing rules or relating to corporate bonds and short-term notes. As such, this financial information published in the PRC should not be referred to or relied upon by potential purchasers to provide the same quality of information associated with any audited information. For example, as of the date of this Offering Memorandum, we have published our unaudited financial results for the first quarter of 2021. We are not responsible to holders of the Notes for the unaudited and unreviewed financial information from time to time published in the PRC and therefore investors should not place any reliance on any such financial information.

Furthermore, failure to comply with such disclosure requirements may result in fines and other penalties and may harm our reputation. For example, in April 2018, the SSE imposed a disciplinary penalty on us for non-compliance with disclosure requirements in relation to our asset restructuring.

Our auditor has limited international capital markets experience and has been issued warning notices by relevant PRC authorities.

Zhongxi, our independent auditor, is a registered accounting firm in the PRC supervised by relevant PRC regulatory agencies, including the MOF and the CSRC. Although Zhongxi has significant audit experience in the PRC, it has limited international capital markets experience.

Various branches of the CSRC issued 20 warning notices to Zhongxi and relevant accounting personnel from March 2015 till February 2021 (the "**CSRC Warning Notices**"), all resulting from Zhongxi's negligence in performing its audit services for PRC companies. The Chinese Institute of Certified Public Accountants ("**CICPA**") also imposed disciplines in November 2017 on Zhongxi regarding certain deficiencies in its quality control system and relevant accounting personnel due to deficiencies in Zhongxi's audit services for a PRC company. The chief partner of Zhongxi was criticized in the disciplinary decision letter from CICPA. That chief partner was not involved in the preparation nor signing of the audit reports issued in connection with our consolidated financial statements as of and for the year ended December 31, 2018 (for our Original Group) and for the year ended December 31, 2020 (for our Enlarged Group). However, that chief partner was one of the signing partners of the consolidated financial statements as of and for the year ended December 31, 2019 of our Original Group. According to Zhongxi, the CSRC Warning Notices are not related to the Zhongxi team serving as our auditor. The CSRC Warning Notices and the industrial disciplines imposed by CICPA do not (i) disqualify the Zhongxi team from participating in this offering as our auditor, (ii) have any impact on Zhongxi's unqualified audit opinions for the consolidated financial statements as of and for the year ended December 31, 2019 of our Original Group, (iii) have any impact on Zhongxi in continuing to provide audit services to us, or (iv) have any impact on Zhongxi's ability to provide services to us in relation to any future bond issuance by us in the PRC and outside the PRC.

We cannot assure you that these regulatory actions would not subject Zhongxi or any of its management, officers or employees to further sanctions imposed by other PRC authorities or suspension of business operations by the MOF and/or the CSRC. Such further sanctions, revocations and suspensions may restrict Zhongxi from providing audit services or other services to us. In that case, we may have to discontinue our engagement with Zhongxi.

Risks Relating to Our Natural Gas Business

Continued success and growth of our natural gas business depends on other factors beyond our control.

A significant portion of our revenue is derived from our natural gas businesses. For the years ended December 31, 2019 and 2020 for our Enlarged Group, revenue generated from our natural gas business, which comprises our Enlarged Group's natural gas retail, wholesale and direct sale businesses, was approximately RMB64,180.4 million and RMB65,066.0 million, respectively, representing approximately 72.4% and 73.9%, respectively, of our Enlarged Group's total revenue for the same periods. There are numerous factors beyond our control that could adversely affect the profitability and growth rate of our natural gas business including, but are not limited to:

- competition from other natural gas companies in areas where we currently operate or seek to expand, particularly from companies with more capital resources or stronger support from local governments than we have;

- lack of success in securing and developing new markets including the integration and operation of our upstream business;

- decreased expansion opportunities as a result of increasing penetration rates in existing markets;

- regulatory or economic changes affecting our margins on the natural gas we sell to our customers;

- our ability to pass through any increase in our procurement cost to end customers, whether due to market supply and demand, government regulation or otherwise;

- changes in the PRC government policies to promote the use of natural gas;

- shifts in consumer preferences from natural gas to competing forms of energy;

- slowdown in urbanization rate, real estate development or industrial and commercial business activities; and

- discontinuation of any government subsidies or favorable tax rates that we currently enjoy.

For our sale of piped gas, we are subject to price controls in certain markets and may not be able to pass through increased costs to end-customers.

Gas procurement cost of our city-gas projects is agreed between us and the suppliers with reference to the city-gate price regulated by the NDRC. The NDRC sets city-gate prices as a benchmark price instead of a ceiling price and permits it to be adjusted upward from November 20, 2016. On June 20, 2017, in order to strengthen the regulation of gas distribution tariff and maintain the healthy development of downstream distribution industry, the NDRC published the Guidelines to Strengthen the Gas Distribution Tariff Regulation (the "**Guidelines**"). The Guidelines stipulated the principle of "permitted costs plus reasonable returns" governing the return on assets of gas distribution with a 7% cap for natural gas distributors which is calculated based on the domestic gas prices. Furthermore, the NDRC's local branches and pricing bureaus shall formulate detailed implementation rules pursuant to the Guidelines, including the detailed calculation method of the gas distribution-related assets, costs and returns, by June 2018. Certain local branches of NDRC have issued their corresponding implementation rules in accordance with the Guidelines. If in certain regions the distribution tariff charged by us would result in return ratio above the 7% cap, we would be required to lower our tariff. We remain unable to assess whether and to what extent the implementation of the Guidelines would result in future price drops of the gas tariff we charge, which may cause our profit margin and other business and financial condition to suffer. We cannot assure you that the Guidelines and future implementation rules would not materially and adversely affect our business prospects, financial condition, and results of operations.

Local pricing bureaus determine indicative end-user tariffs. Any tariffs adjustment affecting residential end-users can only be approved after a hearing, while for non-residential end-users we established an automatic pass-through mechanism where no separate government approval is needed if the price adjustment is lower than the government's indicative price. In relation to residential end-users, even if the adjustments sought by us are approved, such approval process and hearing can cause substantial delay. We may not be able to completely and quickly pass through future increases in natural gas costs to end-users and may face margin pressure if the NDRC makes adjustments to reduce gas prices. In addition, as the end-user tariffs increase, we may encounter a slow-down in the growth of our sales of natural gas to certain most price-sensitive C&I customers as they may cease or reduce their natural gas consumption by utilizing other alternative fuels with lower costs.

In addition, the NDRC published the Circular on Strengthening the Regulation of Natural Gas Transmission and Distribution Prices on July 4, 2020, which further strengthened the supervision of the calculation of the gas distribution-related costs and the costs not related to gas transmission and distribution shall be deducted from such calculation. We cannot assure you that we will continue to charge pipeline construction and installation fees and gas tariffs in our existing markets at the levels currently enjoyed by us, or that the relevant local pricing bureaus will allow us to charge similar construction and installation fees in new markets. We cannot assure you that we will be able to obtain the required approval from the relevant local pricing bureaus for an increase in pipeline construction and installation fees or gas tariffs if our costs increase significantly. Any reduction in construction and installation fees and end-user tariffs, failure of or delay in passing through the increased costs, and any potential slow-down of consumption growth will have an adverse impact on our results of operations and financial condition. If we are unable to obtain approval for passing through any increased input costs in pipeline construction and installation fees or gas tariffs, our profits may be materially and adversely affected.

Our LNG business is susceptible to fluctuations in crude oil prices as well as overseas LNG prices.

We are subject to volatility of crude oil prices and overseas LNG prices. Fluctuations of crude oil prices may affect long-term LNG prices in China. Prices for crude oil may fluctuate widely in response to relatively minor changes in the supply and demand for oil, market uncertainty and various other factors that are beyond our control. Such factors include overall economic conditions, consumer demand for crude oil, political developments, the ability of petroleum producing nations to set and maintain production levels and prices, the price and availability of other energy sources, domestic and foreign government regulations and weather conditions. On the other hand, spot LNG prices in China may respond to changes in key overseas LNG price benchmarks, such as the Japan-Korea-Marker (JKM) price. Similar to crude oil prices, such price benchmarks may fluctuate due to changes in the demand for LNG, global economic condition, and political developments. Any downturn in overseas

LNG prices could therefore affect the selling price of our spot LNG products in China, negatively affecting our revenue, profit and financial condition.

Our natural gas business may be negatively affected if the operation of PipeChina is disrupted.

China established PipeChina, a national pipeline company, in December 2019. See also "*Industry Overview — Natural Gas — PipeChina*". PipeChina's operations mainly include transporting natural gas through pipelines that it owns, which span throughout China. PipeChina's operations may be disrupted by a variety of factors, many of which are out of our control. For example, natural disasters such as earthquake may damage the pipelines and other infrastructure. Also, since a large number of the pipelines that PipeChina operates were acquired from other PRC pipeline operators, and PipeChina has only been operating them for around one year, we cannot guarantee you that PipeChina has acquired the know-how or the capacity to handle operation disruptions in an efficient manner. Any disruption to PipeChina's operations could negatively affect our natural gas business. For example, we rely on some of PipeChina's pipelines to take delivery of imported natural gas. In the event of operation disruptions, we may not be able to take delivery in a timely manner.

Natural gas operations entail inherent safety and environmental risks that may result in substantial liability to us.

Natural gas operations entail inherent risks, including equipment defects, malfunctions and failures, human error, accidents, and natural disasters, which could result in uncontrollable flows of natural gas, fires, explosions, property damage, damage to the environment, injury or death. For example, natural gas pipelines, if damaged or improperly maintained, may rupture or cause leakage and any explosion or combustion resulting from the leakage may cause death or serious injuries. According to the National Gas Accident Analysis Report (3rd Quarter of 2020) released by the Safety Management Committee of China City Gas Association, there were 182 natural gas accidents (representing 80 user accidents and 102 pipeline accidents), 22 deaths and 129 injuries relating to natural gas operations and usage in the first three quarters of 2020.

The location of natural gas pipelines near populated areas, including residential areas, commercial business centers, industrial sites and other public gathering places, could increase the level of damage resulting from these risks, including the loss of human life, significant damage to property, environmental damage, impairment of our operations and substantial loss to us. We may incur substantial liability and cost if damages are not covered by insurance or are in excess of policy limits.

We may purchase LNG from suppliers that are the subject of sanctions of the U.S. or other countries

Chinese gas companies import piped gas and LNG from suppliers in a numbers of countries, some of which are currently subject to sanctions of the U.S. or other countries. For example, China has been importing gas from Russia since December 2019, after the Power of Siberia Pipeline was brought into operation. Since July 2014, the U.S. has adopted sectoral sanctions against certain entities operating in the energy sectors of the Russian economy identified by the U.S. Secretary of the Treasury pursuant to Executive Order 13662.

We may engage in the purchase of LNG from suppliers that are subject to certain U.S. sanctions. For example, one of our potential supplier in Russia is subject to sanctions under Directive 2 of Executive Order 13662 issued by the United States Department of the Treasury's Office of Foreign Assets Control, which prohibits U.S. persons from transacting in, providing financing for or otherwise dealing in debt issuance by the sanctioned entities including our potential supplier, their property, or their interest in property. Our potential purchase of LNG from such supplier will not involve any sanctioned activity. However, we cannot guarantee you that the scope of sanctions and the relevant regulations applicable to such supplier will not expand in the future or that our other suppliers will not become the subject of sanctions. If the purchase of LNG from any supplier becomes a sanctioned activity, we may have to stop such purchase. If so, we may need to seek alternative supply sources, and may have to purchase LNG that is more expensive and/or logistically more difficult to obtain.

Our extended business may be subject to product liability claims which may adversely affect our business, financial condition and results of operations.

For our extended business, we mainly sell gas appliances and provide relevant installation services. We may be subject to product liability claims if consumers are injured or otherwise harmed by the products or services provided by us. Concerns regarding the safety of gas appliances and household products that are sourced from a variety of suppliers could cause shoppers to avoid purchasing certain products from us, even if the basis for the concern may be outside of our control.

Claims, recalls or actions could be based on allegations that, among other things, the products sold are misbranded, provide inadequate instructions regarding their use or misuse, include inadequate warnings or in the case of any electrical devices that we sell, are not fit for purpose or pose a safety hazard. While we maintain product liability insurance coverage in amounts and with deductibles that we believe are prudent, there can be no assurance that the coverage will be applicable and adequate to cover all possible adverse outcomes of claims and legal proceedings against us. Any material shortfall in coverage may have an adverse impact on the results of our operations. In addition, any lost confidence on the part of our customers would be difficult and costly to re-establish. As such, any material issue regarding the safety of any gas appliances and/or household products we sell, regardless of the cause, could materially and adversely affect our business, financial condition and results of operations. See also "*— Natural gas operations entail inherent safety and environmental risks that may result in substantial liability to us.*"

Our ability to maintain our current level of profitability for our sale of piped gas business depends on our continued success in securing connections to new piped gas customers and other factors which are outside of our control.

Our ability to maintain revenue generated from sales of piped gas depends on our continued success in maintaining ongoing and securing new connections to piped gas customers. Any decline in our pipeline connection operations and failure to maintain the number of end-users connected to our gas pipeline networks will have an adverse impact on our piped gas sales. Accordingly, there is no assurance that we will be able to sustain our current level of profitability and growth rates. Factors that could adversely affect our business and growth include, but are not limited to, competition from other gas distribution companies in areas that we seek to expand into, particularly those with more capital resources than us, and lack of success in securing and developing new operational locations, as well as increasing penetration rates in existing operational locations; reduction of the fees we can charge end-users for gas pipeline connections, whether due to market supply and demand, government regulation or otherwise; changes in the PRC government policy to promote the use of gas; significant increase in average gas purchasing costs and our potential failure to pass on the increased costs to end-customers in a timely manner; shifts in consumer preferences from piped gas to competing forms of energy; the increasing penetration rate of electric vehicles that do not consume natural gas; slowdown in real estate development; and discontinuation of any government subsidies that we currently enjoy.

For our sale of piped gas business, we are dependent on a limited number of suppliers of natural gas, which may affect our ability to supply natural gas to our customers.

We currently purchase a substantial portion of our natural gas from oil and gas exploration and production companies, primarily, PetroChina, Sinopec, and CNOOC, or their distributors, pursuant to gas purchase agreements with terms that typically range from 15 to 25 years. While we have entered into take-or-pay or other long-term gas purchase contracts to secure long-term natural gas supply for certain of our projects, many of our other projects do not have similar arrangements. Therefore, we cannot assure you that we will be able to continue to purchase natural gas from suppliers on similar terms or on terms otherwise acceptable to us, in which case our business and profitability may be materially and adversely affected. In addition, we cannot assure you that unforeseen events will not prevent the timely delivery of, or affect the quality of, natural gas supplied by our suppliers. We obtain natural gas directly from suppliers via pipelines. In the event of an unforeseen disruption to natural gas pipeline supplies, whether due to accidents, commercial reasons, technical difficulties, natural disasters, war or terrorism, we may be unable to obtain an immediately available supply of natural gas for our piped gas customers. If the required natural gas cannot be purchased as scheduled or on terms acceptable to us, our sale of piped gas business, financial condition and results of operations may be adversely affected.

Our piped gas distribution projects rely on concessions rights granted by local governments, which will expire, or may be terminated early or not be renewed upon expiration, and may contain restrictions on our transfer of interests in the project.

We operate our piped gas distribution projects typically on an exclusive basis for periods ranging from 25 to 30 years pursuant to the relevant concession rights we have obtained or are in the process of obtaining from local governments as we continue to expand our operations. Some concession rights agreements of our projects contain restrictions on our ability to transfer our interests to third parties without prior consent from the relevant local government. Furthermore, concession rights are subject to regulatory controls.

Cancelation or early termination of any such concessions or imposition of restrictive regulatory controls or failure to renew any concession upon its expiration or failure to obtain any concession right, if at all, may interrupt the operations of such projects which may have a material adverse effect on the financial condition and results of operations of such projects.

We currently procure primary raw materials for production of our LNG mainly from a limited number of suppliers.

CBM is the primary raw materials for our LNG production. Purchase of CBM accounted for 82.6%, 79.05%, 79.05% and 75.2% of our costs for LNG production for the years ended December 31, 2018 and 2019 (for our Original Group) and the years ended December 31, 2019 and 2020 (for our Enlarged Group), respectively. Currently, we have been procuring CBM from a limited number of suppliers. We cannot assure you that our suppliers will not terminate or modify such purchasing arrangements due to unforeseeable reasons or the volumes supplied will be sufficient to meet our customer increasing demand. There can be no assurance that we will be able to continue to purchase natural gas from our suppliers on similar terms or on terms otherwise acceptable to us or at all, once the supply agreement terminates, in which case our business and results of operations may be materially and adversely affected.

In addition, we cannot assure you that our suppliers will always deliver natural gas to us on a timely basis, with consistent quality acceptable to us and our customers or at all. We obtain natural gas directly from our suppliers through pipelines. In the event of any disruption to natural gas pipeline supplies, whether due to accidents, commercial reasons, technical difficulties, natural disasters, war or terrorism, we may be unable to obtain an immediately available supply of natural gas for our piped gas customers. If the required natural gas cannot be purchased as scheduled or on terms acceptable to us, our business, financial condition and results of operations may be materially and adversely affected.

Production, processing and transporting of LNG involve numerous risks that may result in accidents and other operating risks and costs.

LNG is highly flammable and explosive. There is a significant risk of either accidents or leakage causing damage and/or injury. There can be no assurance that these accidents will not occur during our production, processing and transportation of the LNG and any significant accidents that arise could have a material adverse effect on our business operation. These risks could result in loss of human life, significant damage to property, environmental pollution, impairment of our business operations and substantial financial and reputational losses. Although we maintain insurance coverage for certain real properties, machinery and equipment, automobiles and other assets owned, operated or deemed important to us, the occurrence of any of these events not fully covered by insurance could have a material adverse effect on our financial position and results of operations.

We may be subject to risks of potential shortfall on committed take-or-pay volume if we fail to increase the number of connected residential households and C&I customers in the operational locations which are subject to take-or-pay obligations.

We have entered into take-or-pay contracts with, among others, PetroChina, Sinopec and CNOOC, or their distributors, for gas supplied through the West-East Pipelines, the Zhong-Wu Pipelines, the Sichuan East Pipelines and other pipelines. In order to fully utilize our committed volume, we will need to increase the number of connected residential households and C&I customers in our operational locations that are subject to take-or-pay obligations and their usage volume in the next few years. Since 2016, we have commitments to acquire LNG from certain international natural gas suppliers. The delivery of LNG under such arrangements commenced in 2018 and last for 5 to 10 years. We are obliged to make "take-or-pay" payment to suppliers for the quantity contracted but not delivered. We may be subject to risks of potential shortfall on committed take-or-pay volume and may suffer losses if we fail to generate sufficient demand.

Risks Relating to Our Construction and Installation Business

Our construction and installation business may be adversely affected by changes to PRC government's policy, the performance of the PRC real estate markets and other factors that are out of our control.

Our construction and installation business mainly comprise (i) energy engineering business and (ii) construction and installation of pipelines and related facilities. For the years ended December 31, 2018 and 2019 for our Original Group, revenue generated from our energy engineering business was approximately RMB3,177.5 million and RMB3,546.6 million, respectively, representing approximately 23.3% and 26.2%, respectively, of our total revenue for the same periods. For the years ended December 31, 2019 and 2020 for our Enlarged Group, revenue generated from our construction and installation business, which mainly comprise (i) energy engineering business and (ii) construction and installation of pipelines and related facilities, was approximately RMB9,729.0 million and RMB9,614.0 million, respectively, representing approximately 11.0% and 10.9%, respectively, of our total revenue for the same periods. For our energy engineering business, we mainly construct natural gas infrastructure, including natural gas pipelines and LNG receiving terminals. We also provide integrated LNG solutions to our customers, such as consultation, planning and providing EPC services. Our energy engineering business heavily depends on the PRC government's continued efforts to promote the building of new natural gas infrastructure. See "*Industry Overview — Natural Gas — Domestic Natural Gas Pipeline Network*". A number of municipalities and cities in China have promulgated government policies to subsidize coal-to-gas transformation due to China's lack-of-gas energy structure, which has created substantial need for LNG importation and huge growth potential for natural gas related business. If the PRC government decreases its spending on natural gas infrastructure development, our business, financial condition, results of operations and prospects may be materially and adversely affected. There are many factors affecting the amount, time and priority of the PRC government's spending on natural gas infrastructure development. Such factors include national and regional policies affecting the development of different industries and fiscal and monetary policies. Government spending is also affected by government income and the general economic conditions in the PRC. Any slowdown in the economic growth in the PRC may adversely affect the financial condition and fiscal income of the PRC government, which may in turn cause the PRC government to reduce its spending on natural gas infrastructure development. In addition, energy engineering projects may be materially and adversely affected by a number of factors, including shortage of equipment or materials, price fluctuations, bad weather, natural disasters, accidents, operational conditions and other unforeseeable situations or matters. Should any of these events occur, the completion of the whole or part of the project may be postponed and, consequently, the receipt of construction and installation fees may be delayed. We may not be compensated for construction and installation fees not received as a result of any such delays.

For construction and installation of pipelines and related facilities, we normally act as the project manager for the laying of gas pipelines in property development projects and we receive construction and installation fees in stages based on our percentage-of-completion of pipeline construction work. As a large portion of our construction and installation fee income is generated from new residential property development projects, the results of our pipeline connection operation may be affected by the performance of the PRC real estate markets. The timing and cost of the gas pipeline connections will depend on a number of factors, including the cost and availability of financing to property developers, conditions in the PRC real estate markets and the general economic conditions in China. In recent years, the PRC government and PRC fiscal regulatory bodies have imposed various policies designed to limit or restrict the rate of growth of real estate development in the PRC. While we believe that our geographic coverage, with operational locations spread across 20 provinces, municipalities and autonomous regions in China and the relatively low penetration rate of LNG in China, suggest a potential significant future growth of residential gas consumption and helps mitigate the risks of adverse property market conditions in individual cities, we cannot assure you that we will not be adversely affected if further fiscal and credit-tightening measures are introduced. In addition, any industry policy seeking to regulate connection fee imposed at a national or local level could have an adverse impact on our construction and installation fee income. For example, on June 27, 2019, NDRC published its Policy Paper No. 1131 regarding "Guiding Opinions on Regulating City Connection Fee" which stipulated that, among others, the connection fee in certain regions where the connection fee is not liberalized will be capped in principle at 10% return on cost plus basis set by NDRC, with costs to be assessed by local pricing bureaus. We cannot assure you that there will be no future decline in our revenue from construction and installation of pipelines and related facilities. There is no guarantee that we will not be adversely affected if further industry policies are introduced.

Our construction and installation business may be materially and adversely affected if we fail to obtain or renew our engineering qualification certificates.

A significant portion of revenue from our construction and installation business is derived from provision of energy engineering business.

We hold a number of top-grade qualifications in engineering design, consulting and construction, enabling us to undertake various types of engineering work and service local governments and other corporate client in a broad range of industries. These top engineering qualifications generally impose high standards on the applicants and can only be granted on a selective basis. For example, our class A consultancy certificates and design qualifications are typically reviewed on the basis of technicality, work years and personal performance record of our technical personnel, and are generally subject to strict review process and require three to five years of track record after meeting the minimum application requirements. Moreover, in recent years, the PRC government has imposed stricter review and higher requirement on technical personnel for petrochemical types of qualification certificates and the passing rate for such qualification certificates has remained low. For details of our qualifications in energy engineering business as of December 31, 2020, see "*Business — Our Business — Construction and Installation — Energy Engineering Business — Qualifications and Achievements in Energy Engineering*." To maintain our engineering qualifications and licenses, we must comply with certain restrictions and conditions imposed by various levels of government. For instance, application for our construction certificates requires a track record of projects that are registered on the National Construction Market Supervision Public Service Platform of MOHURD. If we fail to comply with any of the conditions required for obtaining and maintaining these engineering qualifications, our qualifications and licenses could be canceled or revoked, or the renewal of our licenses, upon expiry of their original terms, may be delayed, which could directly and adversely impact our business operations.

The performance, quality and safety of our construction and installation projects depends on the effectiveness of our quality control system.

The performance, quality and safety of our construction and installation projects are critical to our customers, our reputation and, ultimately, our success. Accordingly, we have established and maintained quality control procedures, including inspection and testing of products purchased from our suppliers such as equipment, parts and components. The effectiveness of our quality control system is determined by various factors, including, implementation of quality standards, effectiveness of training programs, our employees' compliance with our quality control policies and guidelines, and is especially dependent upon our ability to supervise and manage the project construction and operation. Failure to maintain an effective quality control system may result in defective projects that could cause us to incur substantial costs and to face contractual claims or litigations. Such risk exposure could undermine our reputation and relationships with our customers, thereby materially and adversely affecting our business.

If we are unable to accurately estimate the overall costs or revenues of our projects, we may gain lower than anticipated profits or even incur losses on our contracts.

We cannot assure you that we are able to accurately estimate the overall costs or revenues of our projects. Costs of projects may increase due to a number of factors, such increase in the costs to procure raw material or skilled personnel. It is therefore difficult for us to accurately estimate the profits we may derive from our projects. Moreover, when we set prices for our services, we have to consider how competitors have set prices for the same or similar projects. When our competitors cut prices or offer additional benefits to compete with us, we may have to lower our own prices accordingly or offer matching benefits. Such price competition may further lower our profit margin. Although we have spent great efforts in cost control and have adopted differentiated pricing strategies for different types of projects, there can be no assurance that these pricing strategies will effectively help us control costs and raise maintain profit margin.

Moreover, certain of our energy engineering contracts regarding are either fixed-price or fixed unit price in nature. Terms of these contracts require us to complete a project at a fixed price or a fixed unit price and therefore expose us to cost overruns. Cost overruns, whether due to inefficiency, inaccurate estimates or other factors, may result in a lower profit or a loss on a project. As a result, we will only achieve profits on these contracts if we could accurately estimate our project costs and avoid cost overruns. Unforeseen factors, such as changes in construction conditions, variations in labors and equipment productivity during the term of a contract and unexpected increases in costs of materials may cause the revenue, cost and gross profit realized or incurred from a fixed-price or fixed unit price contract to be lower than our originally estimated amounts, despite any buffer we may have built into our bids for increases in labor and materials costs.

Our customers may make claims against us and/or terminate our services in whole or in part prematurely should we fail to implement projects on time or fully satisfy their agreement provisions or requirements.

We cannot assure you that the development of our construction and installation projects under uncompleted contracts will not be delayed or that these projects will meet all the requirements under the relevant agreements. A project can be delayed for a number of reasons, including those relating to market conditions, policies and regulations of the PRC, availability of funding, disputes with business partners, technology and equipment suppliers and other contractors, employees, local governments and communities, natural disasters, power and other energy supplies, and availability of technical or human resources. Some of these factors are beyond our control. Failure to implement or complete projects to the satisfaction of our customers or failure to comply with relevant governmental policies and standards, or defective systems may lead to claims against us and/or termination of our services in whole or in part prematurely. This may arise from unsatisfactory design or workmanship, staff turnover, human errors, untimely delivery of services, default by our subcontractors, misinterpretation of and failure to comply with regulations and procedures. Any claim brought by our customers against us or termination of our services may adversely affect our reputation and business operation, which may in turn affect our financial condition and profitability.

We may experience delays in the settlement of accounts receivables and progress payments or releases of retention funds by our customers.

Our EPC contracts typically provide for progress payments received from customers with reference to the value of work completed at specific milestone dates. Our customers generally pay us an advance representing a small portion of the total contract value, and once the project reaches a certain stage as specified in the relevant contract, we will receive payments for the remaining portion of the contract value based on the progress of work completed. As a result, we may need to commit cash and other resources to projects prior to receiving payments from customers to cover certain project expenditures as they are incurred. In addition, upon the completion of a project, an amount equal between 5.0% and 10.0% of the contract price is usually retained by our customers and will generally be released after the guaranteed performance period. Due to the foregoing and other factors, we may have a large amount of receivables at any given date.

Delays in the settlement of accounts receivables and progress payments or release of such retention funds from our customers may increase our working capital needs or cash flow pressure. If a customer defaults in making its payments on a project to which we have devoted significant resources, it could also affect our liquidity and decrease the capital resources that are otherwise available for other uses. We may file a claim for compensation of the loss that we incurred pursuant to our contracts but settlement of disputes generally takes significant time and financial and other resources, and the outcome is often uncertain. In general, we make provisions for accounts receivables, progress payments or releases of retention funds, based primarily on special circumstances relating to specific projects. There can be no assurance that the accounts receivables, progress payments and retention funds will be remitted by our customers to us on a timely basis or at all or that we will be able to efficiently manage bad debts.

Risks Relating to Our Energy Production Business

Our business, results of operations and financial condition are susceptible to the cyclical and volatile nature of the energy chemical and coal industries and are vulnerable to fluctuations in coal, methanol and crude oil prices.

Historically, the energy chemical and coal industries have experienced fluctuations and cyclicality due to a combination of numerous factors beyond our control, which include, but are not limited to:

- global and domestic economic and political conditions, including GDP growth, inflation and interest rates;

- the rate of growth and expansion in industries with high energy demand, such as power generation and manufacturing;

- the development and increasing use of alternative sources to generate power such as oil, hydropower, solar power, wind power and nuclear power;

- quality of coal reserves and coal products;

- the indirect influence of the PRC government on domestic coal prices through its regulation of on-grid tariffs and the allocation of coal transportation capacity of the national railway system;

- the regulation of coal prices by the PRC government; and

- environmental protection laws and regulations.

We derived a significant portion of revenue from the production and sale of energy chemical and coal products. For the years ended December 31, 2018 and 2019 for our Original Group, revenue from production, sale and trading of energy chemical products and coal products amounted to approximately RMB3,558.7 million and RMB4,044.2 million, respectively, representing approximately 26.1% and 29.8%, respectively, of our total revenue for the same periods. For the years ended December 31, 2019 and 2020 for our Enlarged Group, revenue from coal product business and energy chemical product business amounted to approximately RMB4,006.6 million and RMB3,537.8 million, respectively, representing approximately 4.5% and 4.0%, respectively, of our total revenue for the same periods. Such businesses depend heavily upon supply and demand for coal and methanol in the domestic and international markets. Accordingly, we are vulnerable to cyclicality and volatility in the demand for coal, coal chemical products and crude oil, increases in supply of coal or methanol through new or expanded production of our competitors, and declines in their prices. Downturns in the pricing or demand for our products could materially and adversely affect our business, results of operations and financial condition. Furthermore, some of the industries in which our customers participate, such as the automotive, electronics, building and construction, are also cyclical in nature, thus exposing us to risks beyond our control. These markets are highly competitive, are driven to a large extent by end-use markets and may experience overcapacity, all of which may affect demand for and pricing of our products and result in volatile operating results and cash flows over the business cycles.

Safety and environmental accidents may occur at our mines or neighboring coal mines.

Similar to all mining operations, our operations are subject to certain inherent risks, such as deterioration in the quality or variations in the thickness of faults and/or coal seams, pressure in mine openings, mine water discharge, weather, flooding and other natural disasters. Additionally, we are exposed to operational risks associated with industrial or engineering operations, such as unexpected maintenance problems and equipment failures. There can be no assurance that the occurrence of any adverse mining conditions would not increase our operating costs, reduce our coal output or result in a temporary suspension of certain of our operations. In November 2019, an accident occurred in one of our coal mines, Wangjiata Coal Mine, located in Inner Mongolia, PRC. A malfunction in the electromechanical transportation system of the mine caused the accident, which resulted in one casualty. As a result, production in Wangjiata Coal Mine was suspended for more than three months. The suspension resulted in loss of coal production quantity and revenue for our coal product business.

High concentrations of methane gas in our mines may result in explosions caused by sparks. We cannot assure you that the safety measures we currently implement in our mines are sufficient to prevent all possible accidents, including methane gas explosions. An accident at any of our underground mines may result in a suspension of certain of our operations, which will have a material adverse effect on our business, results of operations and financial condition, as well as on our corporate image.

Mining accidents occurring at neighboring coal mines could have a severe impact on our coal mining operations and even create safety hazards at our coal mines. Governmental authorities may order the suspension of production at the coal mines where the mining accidents occurred as well as at neighboring coal mines in order to conduct safety and environmental inspections, and may promulgate new safety and environmental regulations, which may lead to increases in our compliance costs.

Our business, results of operations and financial condition may be materially and adversely affected by the PRC government's efforts to reduce greenhouse gas emissions and the development of alternative energy sources.

Coal combustion generates significant greenhouse gas, such as CO_2 and methane. Any effects of climate change resulting from global warming and increased levels of greenhouse gas may provide incentives for governments to promote or invest in "green" energy technologies such as hydroelectric, wind, solar, nuclear and biomass power plants, or to reduce or regulate the use of conventional energy sources such as coal through the use of restrictions, caps, emissions trading mechanisms, taxes and other controls. Over the years, the PRC government has entered into agreements and understandings with other governments and implemented policies, which aim to reduce greenhouse gas emissions by imposing more stringent environmental controls. For example, China is a signatory to the United Nations Framework Convention on Climate Change, the Kyoto Protocol, and the Paris Agreement. In December 2015, China agreed at the United Nations Climate Change Conference 2015 to reduce CO_2 emissions per unit of GDP by 60.0% to 65.0% by 2030, compared with 2005 levels. In 2016, the State Council unveiled the "Opinions on Reducing Overcapacity in the Steel Industry to Achieve Development by Solving the Difficulties", which required, in principle, to stop approving new coal projects, technological upgrading projects with added capacity, and capacity-expansion projects in three years from 2016 onwards, and where new mines are indeed needed, implement replacement at a reduced amount. Besides, NDRC issued the "Circular on Improving Work to Reduce Coal Consumption by Using Alternatives" in 2016, which required strict law enforcement to slash the coal consumption of overcapacity industries, including strict control (ban) on new capacity, accelerated elimination of backward capacity and reduction of overcapacity in (potential) overcapacity industries, such as iron and steel, coal, cement clinker, plate glass, and coal power. In 2017, NDRC released the "Plan for Clean Heating in Winter Season in Northern Areas (2017-2021)", proposing to increase the clean heating rate for northern areas to 50% by 2019 and 70% by 2021, and forming a clean heating pattern in which scattered coal is substituted by natural gas and electricity in Beijing-Tianjin-Hebei region and air pollution transmission channels including "2+26" cities. Back in 2015, China committed to peak carbon emissions by 2030. Moreover, China's President Xi pledged in 2020 that China will achieve net-zero emissions by 2060. Both these targets were reiterated both in the Fourteenth Five-Year Plan. To achieve these target, the PRC government may implement new policies that aim to reduce carbon emission, which could result in a decrease in market demand for coal products.

Moreover, while the majority of global energy consumption is from conventional energy sources, alternative energy industries are rapidly developing and are gradually gaining widespread acceptance. In particular, the PRC government plans to continue to encourage the development of non-fossil fuel energy sources, such as wind power, solar power, biomass and geothermal energy. As such, alternative energy industries may continue to develop and gain mainstream acceptance in the PRC and the rest of the world. If the PRC or other governments increase their efforts to reduce greenhouse gas emissions, or if alternative energy technologies prove suitable for widespread commercial application in the PRC and overseas, demand for and use of conventional energy sources could decrease, which could have a material adverse effect on our business operations and the demand for coal products and, consequently, on our business, results of operations and financial condition.

If the end markets for our energy chemical products and coal products decline or do not grow as quickly as we anticipate, our business prospects and results of operations could be affected.

Demand for our energy chemical products and coal products is dependent on demand for the end products that incorporate or utilize our products. Such end markets are industries such as iron and steel, building and construction. Our future success depends on the continued growth of these markets as well as the growth, viability and financial stability of our customers and end-users and the end-market demand for our customers' products. If the end markets for our energy chemical products and coal products decline or do not grow as quickly as we anticipate, or if our customers do not succeed in increasing their market shares in those markets, our business prospects, financial condition and results of operations could be affected.

The demand for our coal products is affected by the transportation costs to transport our products.

Coal products are bulky, heavy and difficult to transport in large quantities. We deliver our coal products to customers primarily by railways and highway, including a railway line designated for Xinneng Mining. Fluctuations in transportation costs may have a detrimental effect on the demand for our coal products. In the event that we increase our coal production, we cannot guarantee that the transportation networks that serve our mines would be adequate to support increased transportation volume. Transportation may also be disrupted by a number of factors that are beyond our control, such as traffic accidents and bad weather conditions. If transportation to and from our mines is reduced or cut off entirely for a long period of time, our customers may seek to purchase coal from other coal mines. Any difficulties experienced in transporting our products may reduce demand for our products and as a result, our business, financial condition and results of operations may be materially and adversely affected.

Our coal mining operations are currently concentrated at one mining site and the operation of which depends on our ability to obtain, maintain and renew necessary permits and approvals for our coal mining operations.

Our coal mining operations are currently focused at the Wangjiata Coal Mine. Any significant operational or other difficulties in the mining, processing, storage or transportation of coal at or from the Wangjiata Coal Mine could reduce, disrupt or halt our coal production, which would materially and adversely affect our business, prospects, financial condition and results of operations.

We are required to obtain, maintain and renew various permits and approvals from the PRC government for our coal mining operations. The licenses and permits from the PRC government required for operations of a coal mining business generally include general corporate, mining, exploration, production safety, capital investment, labor, environmental, land utilization and other licenses. Most of these licenses and permits are subject to different validity periods, ranging from 30 years from the date of issue to the date on which the license-holding company ceases to exist. We possess the mining right of the Wangjiata Coal Mine through our wholly-owned subsidiary, Xinneng Mining, and such coal mining concession is valid until 2040. We must renew all of our licenses and permits before they expire, as well as obtain new licenses and permits when required. We cannot assure you that the relevant government authorities will not revoke or renew our existing licenses or permits or refuse to issue new licenses or permits to us. The relevant governmental authorities may issue licenses or permits that conflict with our coal mining concession at the Wangjiata Coal Mine, and they could impose unfavorable terms and conditions when renewing our concession, licenses or permits. A loss of, or failure to obtain or renew, any licenses, permits, agreements and approvals necessary for our coal mining business operations could materially and adversely affect our business, prospects, financial condition and results of operations.

Risks Relating to Doing Business in the PRC

China's economic, political and social conditions, as well as government policies, could affect our business, financial condition and results of operations.

A substantial majority of our businesses, assets and operations are located in China. Accordingly, our business, prospects, financial condition and results of operations are, to a significant degree, affected by the economic, political and legal developments in China. China's economy differs from the economies of most developed countries in many respects, including, among other things, government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. The economy of the PRC has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC government has implemented a series of measures emphasizing market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a large portion of productive assets in the PRC remain owned by the PRC government. The PRC government continues to play a significant role in regulating industrial development, the allocation of resources, production, pricing and management, and there can be no assurance that the PRC government will continue to pursue the economic reforms or that any such reforms will not have an adverse effect on our business.

Our operations and financial results could also be affected by changes in political, economic and social conditions or the relevant policies of the PRC government, such as changes in laws and regulations (or the interpretation thereof). For example, we have been fined for breaches of PRC's environmental protection related laws and regulations, and have in the past had to suspend production due to environmental protection reasons. See also "— *We are subject to various environmental, safety, health and planning regulations in China, compliance with which may be difficult or costly, and any failure to comply with such regulations may subject us to penalties, fines, governmental sanctions, proceedings and/or suspension or revocation of our licenses or permits to conduct our business.*" On the other hand, our operations and financial results, as well as our ability to satisfy our obligations under the Notes, could also be materially and adversely affected by changes to or introduction of measures to control changes in the rate or method of taxation and the imposition of additional restrictions on currency conversion.

Interpretation of the PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to us and investors.

Our business is primarily conducted in China and our principal operating subsidiaries are primarily located in China. Consequently, our operations are governed principally by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty. Depending on the governmental agency or the presentation of an application or case to such agency, we may receive less favorable interpretations of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention and it may be difficult to obtain a swift and equitable enforcement of laws in the PRC, or the enforcement of judgments by a court of another jurisdiction. These uncertainties relating to the interpretation and implementation of PRC laws and regulations may limit the legal protections and remedies that are available to us and to the holders of the Notes.

Changes in international trade policies, trade disputes, barriers to trade, or the emergence of a trade war may dampen growth in China and may have a material adverse effect on our business.

Political events, international trade disputes, and other business interruptions could harm or disrupt international commerce and the global economy, and could have a material adverse effect on us and our customers, service providers, and other partners. International trade disputes could result in tariffs and other protectionist measures that could adversely affect our business. Tariffs could increase the cost of the goods and products which could affect customers' spending levels. In addition, political uncertainty surrounding international trade disputes and the potential of the escalation to trade war and global recession could have a negative effect on customer confidence, which could adversely affect our business. We may have also access to fewer business opportunities, and our operations may be negatively impacted as a result. In addition, the current and future actions or escalations by either China or other countries (for example, the United States) that affect trade relations may cause global economic turmoil and potentially have a negative impact on our markets, our business, or our results of operations, and we cannot provide any assurances as to whether such actions will occur or the form that they may take.

Increases in labor costs in the PRC may adversely affect our business and our profitability.

China's economy has experienced increases in labor costs in recent years, which is expected to continue to grow. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers by increasing prices for our products or services, our profitability and results of operations may be materially and adversely affected.

Pursuant to the PRC Labor Contract Law, or the Labor Contract Law, that became effective in January 2008 and was amended in July 2013, with its implementing rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practice does not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Inflation in China may have a material adverse effect on our business, financial condition and results of operations.

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographic areas of the country. Rapid economic growth can lead to growth in money supply and inflation. If the increase in cost of raw materials outpaces the increase in the contracting fees we charge our customers, our business, financial condition and results of operation may be materially and adversely affected. To control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such austerity measures can lead to a slowdown in the economic growth and may materially and adversely affect our business, financial condition and results of operations.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

The Company is a limited liability company incorporated under the laws of the PRC, and a substantial majority of our business, assets and operations are located in the PRC. In addition, a majority of our directors, supervisors and executive officers reside in the PRC, and substantially all of the assets of such directors, supervisors and executive officers are located in the PRC. Therefore, it may be difficult or impossible for investors to effect service of process upon the Company or those persons outside the PRC.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of other requirements. However, the PRC does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of many jurisdictions. Hence, the recognition and enforcement in the PRC of judgments of a court in any other jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible. For example, the Notes and the Indenture are each governed by the laws of the State of New York. The PRC does not have any treaties or other agreements that provide for reciprocal recognition and enforcement of foreign judgments with the United States. As a result, there is uncertainty as to whether the courts of China would enforce judgments of U.S. courts or entertain original actions brought in China.

The Issuer and other non-PRC entities in our Group may be deemed to be PRC resident enterprises under the EIT Law.

Under the EIT Law, an enterprise established outside of the PRC with a "de facto management organization" located within China will be considered a "resident enterprise," and, consequently, will be treated in a manner similar to a PRC enterprise for enterprise income tax ("**EIT**") purposes. The implementing rules of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. However, it is unclear how the PRC tax authorities will determine whether an entity will be classified as a "resident enterprise."

If the PRC tax authorities determine that the Issuer is a "resident enterprise" for EIT purposes, a number of unfavorable PRC tax consequences could follow. The Issuer will be subject to EIT at a rate of 25.0% on its worldwide taxable income as well as PRC EIT reporting obligations if it is considered as a "resident enterprise" for EIT purposes. In the present case, this would mean that income such as interest from any investment of any portion of offering proceeds and other income sourced from outside the PRC would be subject to PRC EIT at a rate of 25.0%. In addition to the uncertainty relating to the Issuer's status as a "resident enterprise," the PRC government could amend the tax laws, rules and regulations to impose stricter tax requirements, higher tax rates or otherwise revise the EIT Law in a way that has an adverse impact on our business, financial condition and results of operations. Interest payable to the "non-resident enterprise" holders of the Notes may be treated as income derived from sources within the PRC and be subject to PRC withholding tax at a rate of 10.0% and capital gains realized by holders of the Notes may be treated as income derived from sources within China and be subject to a 10.0% PRC tax, in each case, subject to the provisions of any applicable tax treaty. Furthermore, if the Issuer is considered a "resident enterprise," interest or gains earned by non-resident individuals may be subject to PRC income tax at a rate of 20%, in each case, subject to the provisions of any applicable tax treaty.

As the Company is a resident enterprise, payments under the Company will be subject to PRC withholding tax at the rates described above.

The replacement of business tax with VAT in the PRC could have an adverse effect on our financial condition and results of operations.

Pursuant to the Notice on Adjustment of Transfer Business Tax to Value-added Tax issued on March 23, 2016 and implemented on May 1, 2016 ("**Circular 36**") by the MOF and SAT, effective from May 1, 2016, partly amended on July 1, 2017, December 25, 2017 and March 20, 2019, PRC tax authorities have started imposing VAT on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, to replace the business tax that co-existed with VAT for over 20 years. Since the issuance of Circular 36, the MOF and the SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of VAT on revenues from construction, real estate, financial services and lifestyle services.

Replacing business tax with VAT is a structural tax-cutting arrangement that the PRC plans to promote, and its main purpose is to solve double taxation and reduce the tax burdens of enterprises by allowing for the deduction of input tax on VAT. However, due to reasons such as differences in different industries in the deductible amount of the input tax and the deduction method thereof, the tax burden of enterprises in some industries has increased in practice while the tax burden of enterprises in some other industries has decreased. Since the replacement of business tax by VAT is relatively recent and the detailed implementation rules under Circular 36 are still being formulated by the relevant authorities, we are still in the process of assessing the comprehensive impact of the VAT regime on our tax burden, revenue and results of operations, which remains uncertain.

Government control of currency conversion may adversely affect the value of investors' investments.

Substantially a majority of our revenue is denominated in Renminbi. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including interest payments on the Notes.

Currently, Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to Chinese foreign exchange laws and regulations which would affect exchange rates and our foreign exchange transactions. Although transactions conducted through our current account are not subject to prior approval by the SAFE under the current foreign control system in China, the Chinese Government may restrict future access to foreign currencies for current account transactions at its discretion. If this were to occur, we might not be able to settle payments owed to overseas suppliers or pay interests to the holders of the Notes in foreign currencies. On the other hand, foreign exchange transactions under the capital account in China continue to be not freely convertible and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities or designated banks. These limitations could affect our ability to obtain foreign currencies through equity financing, or to obtain foreign currencies for capital expenditures.

There can be no assurance that China's policies regarding foreign exchange transactions under the current account and the capital account will continue in the future. These foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an effect on our foreign exchange transactions and the fulfillment of our other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange where such needs arise, our business, financial condition and results of operations could be adversely affected.

The payment of dividends by our operating subsidiaries in the PRC is subject to restrictions under the PRC law.

The PRC laws require that dividends be paid only out of net profit, calculated according to the PRC accounting principles, which differ from generally accepted accounting principles in other jurisdictions. In addition, the PRC law requires enterprises set aside part of their net profit as statutory reserves before distributing the net profit for the current financial year. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund our operations and to service our indebtedness depends upon dividends received from these subsidiaries, any legal restrictions on the availability and usage of dividend payments from our subsidiaries may impact our ability to fund our operations and to service our indebtedness.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the PRC economy and the selected PRC regional data contained in this Offering Memorandum.

Facts, forecasts and other statistics in this Offering Memorandum relating to China, the PRC economy and the selected PRC regional data have been derived from various official or other publications available in China and may not be consistent with other information compiled within or outside China. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Initial Purchasers or any of our or their affiliates or advisors (including legal advisors), or other participants in this offering and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics. We have, however, taken reasonable care in the reproduction and/or extraction of the official and other publications for the purpose of disclosure in this Offering Memorandum. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this Offering Memorandum may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics with respect to China, the PRC economy and the selected PRC regional data contained in this Offering Memorandum.

Risks Relating to the Notes and the Parent Guarantee

The Issuer currently does not have operating activities or revenue, and payments with respect to the Notes are dependent upon cash flow from other members of our Group.

The Issuer currently does not have any operating activities or revenue and therefore depends upon the receipt of sufficient funds from other members in our Group to meet its obligations under the Notes. We conduct our operations primarily through our certain subsidiaries in the PRC which do not provide guarantees for the Notes. The Issuer's primary assets will be intergroup loans to our other subsidiaries. Accordingly, the Issuer's ability to pay principal, premium and interest on the Notes will depend upon its receipt of principal and interest payments on the intergroup loans from such borrowing subsidiaries and the ability of the Parent Guarantor to honor its obligations under the Parent Guarantee. As a result, any weakening of financial performance and cash flow of our Group may adversely affect our ability to make punctual payment of interest and principal on the Notes, and may make it difficult for us to repurchase the Notes upon the occurrence of certain triggering events.

"Unrestricted Subsidiaries" will not be subject to various covenants under the indenture governing the Notes and ENN Energy and each of its subsidiaries are initially designated as Unrestricted Subsidiaries.

Under the terms of the Notes, ENN Energy and each of its subsidiaries (the "**ENN Energy Unrestricted Subsidiaries**") are initially designated as Unrestricted Subsidiaries. The assets, revenue and net profit of ENN Energy and its subsidiaries contributed more than half of the assets, revenue and net profit of the Enlarged Group, respectively, as of and for the year ended December 31, 2020. The Company may also designate any other subsidiary (other than the Issuer) to be an Unrestricted Subsidiary under the terms of the Notes. The effects of designation of an entity as an "Unrestricted Subsidiary" include, but are not limited to:

- any entity designated as an Unrestricted Subsidiary will not be subject to the covenants under the indenture governing the Notes;
- the business, assets and liabilities of such Unrestricted Subsidiaries will not be part of the credit underlying the Notes or be subject to various covenants under the indenture governing the Notes; and
- with respect to an entity designated as an Unrestricted Subsidiary, to the extent such an entity is not an ENN Energy Unrestricted Subsidiary as defined in the indenture governing the Notes, the interest expenses on Indebtedness (as defined in the indenture governing the Notes) of any entity designated as an Unrestricted Subsidiary will not be included in the calculation of our Consolidated Interest Expense (as defined in the indenture governing the Notes), other than such interest expenses on Indebtedness that is Guaranteed by the Parent Guarantor, the Issuer or a Restricted Subsidiary.

Although the ENN Energy Unrestricted Subsidiaries are not subject to the covenants under the indenture governing the Notes, certain financial metrics in various covenants under the indenture governing the Notes will include not only the financial contribution of the Restricted Subsidiaries, but also that of the ENN Energy Unrestricted Subsidiaries. The Parent Guarantor and any Restricted Subsidiary therefore may be allowed to incur additional debt, make restricted payments or conduct certain other activities to an extent that may not be allowed otherwise.

The Notes may not be a suitable investment for all investors.

Each potential investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Memorandum or any applicable supplement to the Offering Memorandum;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

- understand thoroughly the terms of the Notes and be familiar with the behavior of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to the purchaser's overall portfolios. A potential investor should not invest in the Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio. Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

Payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.

We conduct a portion of our business operations through our subsidiaries. The Notes will not be guaranteed by any of our current or future subsidiaries. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of our subsidiaries, and all claims of creditors of our subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. Our secured creditors or those of any of our subsidiaries would have priority as to our assets or the assets of such subsidiary securing the related obligations over claims of holders of the Notes.

As of December 31, 2020, our subsidiaries had total borrowings of approximately RMB12,880.4 million (approximately US$1,974.0 million). The Notes and the Indenture permit us and our subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt obligations including the Notes.

We now have, and may continue to have after the offering of the Notes, a substantial amount of indebtedness. Although the Indenture restricts the Issuer, the Parent Guarantor and any Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. If we incur additional debt, the risks that we face as a result of our already incurred substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We may not be able to generate sufficient cash flow to meet our anticipated operating expenses and to service our debt obligations as they become due. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all. See also "— *Our indebtedness and interest payment obligations could limit our funds available for various business purposes, and the availability of cash to service our debts depend on many factors beyond our control*".

Our subsidiaries are subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

We may, to a certain extent, depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from its subsidiaries, including PRC subsidiaries, to satisfy its obligations under the Parent Guarantee. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders, including us, is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, restrictions contained in relevant debt instruments, the shareholder agreements or joint venture agreements with our subsidiaries and applicable laws. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to satisfy our obligations under the Parent Guarantee. Further, certain loan agreements in relation to bank loans entered into by our PRC subsidiaries from PRC lender banks may contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of turnover and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserve funds that are not distributable as cash dividends by the board of directors. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to the *Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income* signed in February 1998, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5% subject to approval by relevant PRC tax authorities, although there is uncertainty regarding whether intermediate Hong Kong holding companies will be eligible for benefits under this arrangement. As a result of such limitations, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or obligations under the Parent Guarantee, and there could be restrictions on payments required to pay off the Notes at maturity or as required for any early redemption.

According to the Announcement of the SAT on Promulgating the Administrative Measures for Non-resident Taxpayers' Enjoyment of Treaty Benefits (the "**Administrative Measures**"), effective as of January 1, 2020, any non-resident taxpayer satisfies the conditions for the preferential treatment under the tax treaties may be entitled to enjoy the preferential treatment by itself/himself when filing a tax return or making a withholding declaration through a withholding agent, while such non-resident taxpayer shall collect and retain relevant materials for review in accordance with the Administrative Measures and be subject to the subsequent administration by the tax authorities. Where a competent tax authority, in the course of subsequent administration, deems that a non-resident taxpayer was not eligible for treaty benefits but nonetheless was subject to a lower treaty rate or otherwise underpaid tax in the PRC, unless it is the withholding agent that failed to file a withholding return in accordance with the Administrative Measures, it shall recover the taxes according to law and hold the non-resident taxpayer liable for its deferred tax payment.

Furthermore, the market interest rate that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. Our PRC subsidiaries are also required to pay a 10.0% (or 7.0% if the interest is paid to a Hong Kong resident) withholding tax on the interest paid under any non-PRC shareholders' loans. PRC regulations require registration with SAFE for any of our non-PRC subsidiaries making shareholder loans in foreign currencies to our PRC subsidiaries. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries must present a tax filing form and/or other documents as required by tax authorities on the interest payable under any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require. Dividends received by our non-PRC entities from the direct equity investment in PRC resident enterprises shall be subject to EIT (withholding tax) at the rate of 10.0% unless a preferential rate is provided by tax treaties or arrangements entered into between the country or region where such non-PRC entity is established and the PRC.

As a result of the foregoing, we may not have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy the Issuer's obligations under the Notes and our obligations under the Parent Guarantee.

The Issuer or we may not be able to repurchase the Notes upon a Change of Control Triggering Event.

The Issuer or we must offer to purchase all outstanding Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See "*Description of the Notes — Repurchase of Notes upon a Change of Control Triggering Event*."

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of outstanding Notes. Any failure by us to offer to purchase or purchase the outstanding Notes would constitute an Event of Default under the Notes. The Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause such indebtedness to be accelerated after any applicable notice or grace periods. If other debt of ours were to be accelerated, we may not have sufficient funds to purchase the Notes and repay the debt.

In addition, the definition of Change of Control Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancing, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control for purposes of the Indenture also includes a phrase relating to the sale of "all or substantially all" of the consolidated assets of the Parent Guarantor. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition under applicable law.

Accordingly, our obligation to make an offer to purchase the Notes, and the ability of a holder of the Notes to require us to purchase its Notes, pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

Investors should note that our equity interests have been, and may from time to time be, pledged by our shareholders to secure financing provided by third party banks or financial institutions to us or our shareholders. If we or our shareholders default on such financing, it may result in enforcement of such pledges by such third party banks or financial institutions, which may result in the occurrence of a Change of Control Triggering Event (as defined in the "*Description of the Notes*"). Investors should note that according to our public announcement on the website of the SSE, as of January 4, 2021, 6.08% equity interest of the Parent Guarantor, accounting for 38.90% of the equity interest held by ENN Holdings, was pledged by ENN Holdings.

The Issuer or we may not be able to repurchase the Notes upon the occurrence of a SAFE Non-compliance Event.

Following the occurrence of a SAFE Non-compliance Event (as defined in the "*Description of the Notes*"), we must offer to repurchase all of the outstanding Notes with respect to which the SAFE Non-compliance Event has occurred at a price in cash equal to 100% of the principal amount of the Notes repurchased, plus accrued and unpaid interest on the principal amount of the Notes being repurchased to but excluding the date of repurchase. If such an event were to occur, the Issuer or the Parent Guarantor may not have sufficient cash in hand and may not be able to arrange financing to redeem the Notes in time, or on acceptable terms, or at all. There is also no assurance that we or the Issuer would have sufficient liquidity at such time to make the required redemption of the Notes. The ability to redeem the Notes in such event may also be limited by the terms of other debt instruments. The Issuer's or our failure to repurchase the Notes could constitute an Event of Default under the Notes, which may also constitute a default under the terms of the Issuer's or our other indebtedness.

The Issuer may elect to redeem the Notes prior to their maturity.

Pursuant to terms of the Notes, the Issuer may elect to redeem the Notes prior to their maturity in whole or in part at the price specified in the section entitled "*Description of the Notes — Optional Redemption*."

The optional redemption feature is likely to limit the market value of the Notes. During any period when we may elect to redeem the Notes, the market value of the Notes will generally not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

We are likely to redeem the Notes when the cost of borrowing is lower than the interest rate on the Notes. At those times, an investor would generally not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Interest payments and gain on the sale of the Notes may be subject to withholding tax under PRC tax laws.

Under the EIT Law, if the Issuer is deemed a PRC resident enterprise, as described under "— *The Issuer and other non-PRC entities in our Group may be deemed to be PRC resident enterprises under the EIT Law*," the interest paid on the Notes may be considered to be sourced within China. In that case, PRC income tax at the rate of 10.0% would be withheld at source from interest paid by the Issuer to holders that are "non-resident enterprises" if such "non-resident enterprise" holders do not have an establishment or place of business in China or if, despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by such non-resident enterprise holders may be subject to a 10.0% PRC income tax if the Issuer is treated as a PRC resident enterprise and such gain is regarded as income derived from sources within China.

Furthermore, if the Issuer is considered a PRC resident enterprise and the PRC tax authorities consider interest the Issuer pays with respect to the Notes, or any gains realized from the transfer of Notes, to be income derived from sources within the PRC, such interest or gains earned by non-resident individuals may be subject to the PRC income tax (which, in the case of interest, may be withheld at source by the Issuer) at a rate of 20.0%. It is uncertain whether the Issuer will be considered a PRC "resident enterprise" and whether in that case interest paid to non-resident holders, or the gain non-resident holders may realize from the transfer of the Notes, would be treated as income sourced within China and be subject to the PRC tax. In addition, if holders are required to pay the PRC income tax on the transfer of the Notes, the value of an investment in the Notes may be materially and adversely affected. It is unclear whether, if the Issuer is considered a PRC "resident enterprise", holders of the Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

Payments under the Parent Guarantee of the Notes will be subject to withholding tax at the above-mentioned rates, as the Parent Guarantor is a PRC incorporated company.

As the Company is a resident enterprise, payments under the Company will be subject to PRC withholding tax at the rates described above.

Effective from May 1, 2016, China's tax authorities impose VAT on revenues from various service sectors, including financial services. According to Circular 36 issued on March 23, 2016, persons providing loans within the PRC or to PRC persons are subject to VAT. It is further clarified under Circular 36 that "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Therefore, because the Parent Guarantor is a PRC company, it may be required to withhold VAT at the rate of 6.0% and certain surcharges on VAT from any interest it pays under the Parent Guarantee. In addition, it is not clear whether the Issuer may also be required to withhold VAT if the PRC tax authorities view the interest they pay as income arising within the territory of the PRC.

The Issuer and the Company have agreed to pay, subject to certain exceptions, such additional amounts as will result in the holders' receipt of the amounts that would have been received in the absence of any withholding of taxes by the Issuer or the Company. If the Issuer is required to withhold PRC taxes from payments on the Notes, or if payments are made under the Parent Guarantee, the requirement to pay additional amounts with respect to any PRC tax withheld will increase the cost of servicing the Notes and will adversely affect our cash flows and financial position.

The Issuer may be able to redeem the Notes, as a whole but not in part, upon certain changes in the tax laws or official positions with respect thereto.

As described above, the Issuer may be required to withhold PRC taxes from payments on the Notes if the Issuer is treated as a PRC tax resident enterprise. As described, and subject to the limitations set forth in "*Description of the Notes — Redemption for Taxation Reasons*," in the event that either the Issuer or the Parent Guarantor as the case may be, is required to pay Additional Amounts (as defined in the "*Description of the Notes*") with respect to any PRC withholding taxes as a result of (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined in the "*Description of the Notes*"), excluding any applicable treaty with the Relevant Taxing Jurisdiction, affecting taxation, or (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), the Issuer may be able to redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest (including any Additional Amounts).

The insolvency laws of the BVI and the PRC may differ from United States bankruptcy law or any other jurisdiction with which Holders of the Notes are familiar.

As the Issuer is incorporated under the laws of the BVI, an insolvency proceeding relating to us, even if brought in the United States, would likely involve the insolvency laws of the BVI, the procedural and substantive provisions of which may differ from comparable provisions of United States federal bankruptcy law.

We conduct a substantial portion of our business operations in China through PRC-incorporated subsidiaries. We and certain of our PRC subsidiaries, as equity holders of our PRC subsidiaries, are necessarily subject to the bankruptcy and insolvency laws of China in a bankruptcy or insolvency proceeding involving any of such PRC subsidiaries. The PRC laws and regulations relating to bankruptcy and insolvency and the legal proceedings in that regard may significantly differ from those of the United States and other jurisdictions with which the holders of the Notes are familiar. You should analyze these risks and related uncertainties carefully before you invest in the Notes.

The Parent Guarantee may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Parent Guarantee.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in China and Hong Kong, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Parent Guarantor under the Parent Guarantee will be limited to the maximum amount that can be guaranteed by the Parent Guarantor without rendering the guarantee, as it relates to the Parent Guarantor voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids the Parent Guarantee, subordinates such guarantee to other indebtedness of the Parent Guarantor, or holds the Parent Guarantee unenforceable for any other reason, holders of the Notes would cease to have a claim against the Parent Guarantor based upon such guarantee, would be subject to the prior payment of all liabilities (including trade payables) of the Parent Guarantor, and would solely be creditors of us and the Parent Guarantor. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Notes.

We may be unable to obtain and remit foreign exchange. If we fail to complete the SAFE registration in connection with the Parent Guarantee within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Parent Guarantee.

The Issuer is a company incorporated in the BVI. The Issuer's ability to satisfy its obligations under the Notes depends upon, among other things, our ability to obtain and remit sufficient foreign currency to the Issuer. We must present certain documents to SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC including evidence that the relevant PRC taxes have been paid. If we for any reason fail to satisfy any of the PRC legal requirements for remitting foreign currency, the Issuer's ability to satisfy its obligations under the Notes would be adversely affected.

Pursuant to the Parent Guarantee executed by the Parent Guarantor, the Parent Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Notes. The Parent Guarantor is required to submit the Parent Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by, the Foreign

Exchange Administration Rules on Cross-border Security. Although the non-registration does not render the Parent Guarantee ineffective or invalid under the PRC law, SAFE may impose penalties on the Parent Guarantor if registration is not carried out within the stipulated time frame. The Parent Guarantor intends to register the Parent Guarantee with respect to the Notes as soon practicable and in any event on or prior to the 120th Hebei Business Day (as defined in the "*Description of the Notes*") after the issue date of the Notes. In addition, if the Parent Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Parent Guarantor under the Parent Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Parent Guarantee in order to effect such remittance, although this does not affect the validity of the Parent Guarantee itself.

If the Parent Guarantor fails to complete the post-issuance report to the NDRC in connection with the Notes, NDRC may impose penalties or other administrative procedures on the Parent Guarantor.

On September 14, 2015, the NDRC promulgated the NDRC Circular pursuant to which if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue notes outside of the PRC with a maturity of more than one year, such PRC enterprise must in advance of issuing such notes, file certain prescribed documents with the NDRC and procure a registration certificate from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission. The enterprise must also report certain details of the notes to the NDRC within ten business days upon the completion of the note issue.

The NDRC Circular is silent on the legal consequences of noncompliance with the pre-issue registration requirement. In the worst case scenario, it might become unlawful for the Issuer to perform or comply with any of its obligations under the Notes. Similarly, there is no clarity on the legal consequences of noncompliance with the post-issue notification requirement under the NDRC Circular. Additional guidance has been issued by the NDRC, the "**NDRC Circular Guidelines**") on December 18, 2015, which states that companies, investment banks, law firms and other intermediaries involved in debt securities issues which do not comply with the registration requirement under the NDRC Circular will be subject to a blacklist and sanctions. The NDRC Circular Guidelines are silent as to how such blacklist will be implemented or the exact sanctions that will be enacted by the NDRC, or any impact on the Holders, in the event of a noncompliance by the Parent Guarantor with the NDRC Circular. The Parent Guarantor has undertaken to notify the NDRC of the particulars of the issue of the Notes within the prescribed period under the NDRC Circular.

Since the NDRC Circular has no detailed implementation procedures, there is no assurance that the NDRC will not issue further implementation rules or notices which may require additional steps in terms of the registration or provide sanctions or other administrative procedures the NDRC may impose in case of failure of such pre-issuance registration with, or post issuance report to, the NDRC. There is also no assurance that the Pre-Issuance Registration with the NDRC will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the performance or validity and enforceability of the Notes in the PRC. The Parent Guarantor has completed the Pre-Issuance Registration and obtained a certificate from the NDRC dated November 11, 2020 evidencing such registration and permitting a certain amount of bonds to be issued. If the Parent Guarantor does not report the post issuance information with respect to the Notes within the timeframe as provided under the NDRC Circular, the NDRC may impose sanctions or other administrative procedures on the Parent Guarantor which may have a material adverse impact on its business, financial condition or results of operations.

If we are unable to comply with the restrictions and covenants in our debt agreements or the Indenture, there could be a default under the terms of these agreements or the Indenture, which could cause repayment of our debt to be accelerated.

From time to time, we may be required to seek amendments, waivers and consents in connection with financial and other covenants under each of our debt facilities. Such amendments, waivers and consents have all been granted by the applicable creditors and such incidents have not caused any material adverse impact on our operation and financial condition. There is no assurance that we will not need to seek such amendments, waivers or consents in the future.

We are subject to restrictions and covenants in the Indenture governing the Notes and certain of our prior debt obligations. If we are unable to comply with the restrictions and covenants in the Indenture or each of our current or future debt and other agreements, there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to us, accelerate the debt repayment and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, including the Indenture, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of other debt, including the Notes, or result in a default under our other debt agreements, including the Indenture. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us. Furthermore, we are permitted to incur indebtedness pursuant to the Indenture if, among other options, we are able to meet the Fixed Charge Coverage Ratio (as defined in "*Description of the Notes*").

Our operations are restricted by the terms of the Notes and other debt agreements, which could limit our ability to plan for or to react to market conditions or meet our capital needs, which could increase your credit risk.

The Indenture and other debt agreements include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of any of our Restricted Subsidiaries, to:

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell the capital stock of Restricted Subsidiaries;
- guarantee the indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;

- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

These covenants could limit our ability to plan for or react to market conditions or to meet our capital needs. Our ability to comply with these covenants may be affected by events beyond our control, and we may have to curtail some of our operations and growth plans to maintain compliance.

The terms of the Notes permit us to make a substantial amount of Restricted Payments.

The covenant described under "*Description of the Notes — Certain Covenants — Limitation on Restricted Payments*" generally prohibits us from making any "Restricted Payments" (as defined in the "*Description of the Notes*"), subject to certain exceptions. One of the exceptions is that we could make restricted payments if (i) no Default (as defined in the "*Description of the Notes*") has occurred and is continuing or would occur as a result of the proposed Restricted Payment, (ii) the Parent Guarantor could incur at least US$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under "*Description of the Notes — Certain Covenants — Limitation on Indebtedness*", and (iii) the proposed Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Parent Guarantor and the Restricted Subsidiaries after the issue date of the Notes, does not exceed a numerical basket. As a result, if other conditions are satisfied, we will be able to make a substantial amount of Restricted Payments despite the restrictions under the terms of the Notes, including dividend payments to our shareholders as well as substantial minority investments.

We are allowed to pay dividends of up to 35% of our distributable profit without restrictions.

Although the Indenture will impose restrictions on our ability to pay dividends to our shareholders or minority shareholders of our non-wholly-owned Restricted Subsidiaries, unlike market practice and consistent with best practices promulgated by China Securities and Regulatory Commission and our Articles of Association, the Indenture will allow us to pay dividends to our shareholders of up to 35% of our distributable profit for that year.

A trading market for the Notes may not develop and there are restrictions on resale of the Notes.

The Notes are a new issue of securities for which there is currently no trading market. Application will be made to the HKSE for listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. None of the Joint Lead Managers is obligated to make a market in the Notes, and if the Joint Lead Managers do so they may discontinue such market-making activity at any time without notice. Further, the Notes may be allocated to a limited number of investors, in which case liquidity may be limited. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled "*Transfer Restrictions*." No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the Notes could be adversely affected.

The ratings assigned to the Company and the Notes may be lowered or withdrawn in the future.

The Company has been assigned a long-term corporate credit rating of "Ba1" with a stable outlook by Moody's and a long-term issuer default rating of "BBB-" with a stable outlook by Fitch. The Notes are expected to be assigned a rating of "Ba1" by Moody's and "BBB-" by Fitch. The ratings assigned to us and expected to be assigned to the Notes address our ability to perform our obligations under the Notes respectively and the associated credit risks in determining the likelihood that payments will be made when due. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that the ratings will be confirmed or they will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Company or the Notes may adversely affect the market price of the Notes.

The liquidity and price of the Notes following the offering may be volatile.

The price and trading volume of the Notes may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

We will follow the applicable corporate disclosure standards for debt securities listed on HKSE, which standards may be different from those applicable to debt securities listed in certain other countries.

We will be subject to continuing listing obligations in respect of the Notes to be listed and quoted on HKSE. The disclosure standards imposed by HKSE may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchasers or their respective advisors.

Facts and statistics in this Offering Memorandum relating to China's economy and the industry in which we operate are derived from publicly available sources. While we have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by us, the Initial Purchasers or our or their respective advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, such facts and statistics may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

Since the Notes will initially be issued in book-entry form, holders must rely on DTC's procedures to receive communications relating to the notes and exercise their rights and remedies.

We will initially issue the Notes in the form of one or more global notes registered in the name of Cede & Co., as nominee of DTC. Beneficial interests in global notes will be shown on, and transfers of global notes will be effected only through, the records maintained by DTC. Except in limited circumstances, we will not issue certificated notes. See "*Description of the Notes — Notes; Delivery and Form.*" Accordingly, if you own a beneficial interest in a global note, then you will not be considered an owner or holder of the Notes. Instead, DTC or its nominee will be the sole holder of global notes. Unlike persons who have certificated notes registered in their names, owners of beneficial interests in global notes will not have the direct right to act on our solicitations for consents or requests for waivers or other actions from holders. Instead, those beneficial owners will be permitted to act only to the extent that they have received appropriate proxies to do so from DTC or, if applicable, a DTC participant. The applicable procedures for the granting of these proxies may not be sufficient to enable owners of beneficial interests in global notes to vote on any requested actions on a timely basis. In addition, notices and other communications relating to the Notes will be sent to DTC. We expect DTC to forward any such communications to DTC participants, which in turn would forward such communications to indirect DTC participants. But we can make no assurances that you will receive any such communications in a timely manner.

The Issuer or the Parent Guarantors may make amendments to and seek waivers from certain provisions of the Indenture.

Under certain circumstances as described below under "*Description of the Notes — Amendments and Waiver — Amendments Without Consent of Holders*," the Issuer or the Parent Guarantor may, from time to time, and without prior consultation with the Holders of Notes, make certain amendments to the Indenture. Further, under certain circumstances as described below under "*Description of the Notes — Amendments and Waiver — Amendments With Consent of Holders*," the Issuer or the Guarantors may, from time to time, and with the consent of the Holders of Notes of not less than a majority in aggregate principal amount of the outstanding Notes, make certain amendments to the Indenture or waive future compliance by the Issuer and the Parent Guarantor with certain provisions of the Indenture. If the requisite consents are obtained (if required) and/or the relevant conditions are satisfied (or waived) and such amendments or waivers become operative, all Holders of Notes will be bound by the terms of the Indenture as amended, whether or not a holder of Notes delivered such a consent. Such amendments or waivers could materially increase the credit risks faced by Holders of Notes or could otherwise be materially adverse to the interests of the Holders of Notes.

The Trustee may request that the Holders of Notes provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may (at its sole discretion) request the Holders of Notes to provide an indemnity and/or security, and/or prefunding to its satisfaction before it takes actions on behalf of Holders of Notes. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured, and/or prefunded to its satisfaction. Negotiating and agreeing to any indemnity and/or security, and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Indenture (as subsequently supplemented and/or amended) and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of Notes to take such actions directly.

USE OF PROCEEDS

The net proceeds of this offering, after deducting the underwriting discounts, commissions and other estimated expenses payable in connection with this offering, are estimated to be approximately US$793.2 million. We intend to use the net proceeds for the repayment of certain existing indebtedness.

CAPITALIZATION AND INDEBTEDNESS

The table below sets forth our consolidated indebtedness and capitalization of the Enlarged Group as of December 31, 2020:

- on an actual basis; and
- on an adjusted basis to give effect to the issuance of the Notes and receipt of the net proceeds from this offering after deducting the underwriting discounts, commissions and other estimated expenses in connection with this offering payable by us.

You should read this table in conjunction with the section headed "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our audited consolidated financial statements and the related notes included elsewhere in this Offering Memorandum.

	As of December 31, 2020			
	Actual		As adjusted	
	(Audited) (RMB in '000)	*(Audited) (US$ in '000)*	*(Unaudited) (RMB in '000)*	*(Unaudited) (US$ in '000)*
Short-term indebtedness				
Short-term borrowings	9,605,123	1,472,050	9,605,123	1,472,050
Non-current liabilities maturing within one year	7,082,258	1,085,403	7,082,258	1,085,403
Short-term indebtedness	16,687,381	2,557,453	16,687,381	2,557,453
Long-term indebtedness				
Long-term borrowings[(1)]	4,718,040	723,071	4,718,040	723,071
Bonds payable	10,784,241	1,652,757	10,784,241	1,652,757
Long-term payables[(2)]	144,570	22,156	144,570	22,156
Notes to be issued	—	—	5,176,093	793,271
Long-term indebtedness	15,646,851	2,397,984	20,822,944	3,191,255
Total indebtedness[(3)]	32,334,232	4,955,437	37,510,325	5,748,708
Total owners' equity	35,271,815	5,405,642	35,271,815	5,405,642
Total capitalization[(4)]	67,606,047	10,361,079	72,782,140	11,154,350

Notes:

(1) Excludes the current portion of long-term borrowings.

(2) Long-term payables represents the lease payment obligations under the Group's financial leasing arrangements as of December 31, 2020.

(3) Total indebtedness is equal to the sum of short-term indebtedness and long-term indebtedness.

(4) Total capitalization is equal to the sum of total indebtedness and total owners' equity.

Except as otherwise disclosed in this Offering Memorandum, there has been no material change in our indebtedness or capitalization since December 31, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

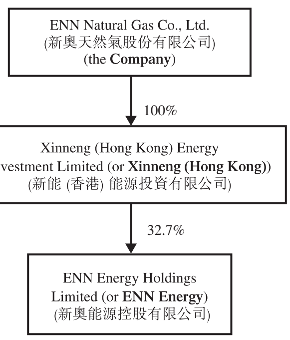
The following discussion should be read in conjunction with the section entitled "Summary Consolidated Financial and Other Data" and our consolidated financial statements, including the notes thereto, included elsewhere in this Offering Memorandum. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

This section includes forward-looking statements that involve risks and uncertainties. All statements, other than statements of historical facts, included in this section that address activities, events or developments which we expect or anticipate will or may occur in the future are forward-looking statements. These statements are based on assumptions and analyses we made in light of experience and its perception of historical trends, current conditions and expected future developments, as well as other factors it believes are appropriate under the circumstances.

Our consolidated financial statements were prepared in accordance with PRC GAAP, which differ in certain respects from generally accepted accounting principles in other jurisdictions. In this section of the Offering Memorandum, references to "2018" and "2020" refer to the Group's financial years ended December 31, 2018 and 2020, respectively; reference to "2019" refers to the Group's financial year ended December 31, 2019 in our Historical Financial Statements of 2018 and 2019 of the Original Group or Financial Statements of 2019 and 2020 of the Enlarged Group, as the case may be.

Basis of Presentation

In September 2019, we entered into an agreement with ENN International and Essential Investment Holding Company Limited for the acquisition of 369,175,534 shares in ENN Energy, representing approximately 32.8% of the then total issued common shares of ENN Energy. Upon completion of the ENN Energy Acquisition in September 2020, we held 32.8% of the shares in ENN Energy. Although we hold less than 50% of the shares of ENN Energy, based on the PRC Accounting Standard for Business Enterprises No. 33 — Consolidated Financial Statements (中國企業會計準則第33號 — 合併財務報表), we have since then consolidated ENN Energy as a subsidiary. As of the date of this Offering Memorandum, we continue to hold 369,175,534 shares in ENN Energy, representing approximately 32.7% of its total issued and outstanding shares:



In this Offering Memorandum, we have also included the consolidated financial statements of our Group for the years ended December 31, 2018 and 2019 that were prepared without consolidating ENN Energy Group, which is being referred to as "our Original Group". For the years ended December 31, 2019 and 2020, where the financial statements are prepared on the basis of having consolidated the accounts of ENN Energy Group, our Group is referred to as the "Enlarged Group".

As both sellers are under the control of Mr. Wang Yusuo, who is also the de facto controller of our Original Group, the ENN Energy Acquisition is regarded as a business combination under common control of Mr. Wang Yusuo. Accordingly, our financial statements as of and for the year ended December 31, 2020 were prepared using the principles of merger accounting as prescribed in the PRC Accounting Standard for Business Enterprises No. 33 — Consolidated Financial Statements (中國企業會計準則第33號 — 合併財務報表) as if the Enlarged Group had been in existence, and the accounts of ENN Energy Group had been consolidated into the accounts of the Group, since January 1, 2020. For the purposes of presenting a meaningful comparison with the Enlarged Group 2020 Accounts, the financial statements of our Enlarged Group as of and for the year ended December 31, 2019 have been also prepared and adjusted, which include the consolidated balance sheets, consolidated statements of comprehensive income, changes in equity and cash flows of our Enlarged Group, as if the accounts of ENN Energy Group had been consolidated into those of our Group since January 1, 2019. In addition, Zhongxi also prepared the consolidated historical financial statements of our Original Group as of and for the years ended December 31, 2018 and 2019 without consolidating the financial statements of ENN Energy Group. See also "*Presentation of Financial Information*".

Overview

We are a leading privately-owned clean energy company in China with an integrated upstream and downstream business portfolio. Our shares were listed on the SSE (stock code: 600803) in 1994. After the ENN Energy Acquisition completed in September 2020, our business currently primarily comprises (i) natural gas retail business, (ii) integrated energy business, (iii) natural gas wholesale, (iv) natural gas direct sales, (v) extended business, (vi) construction and installation, and (vii) energy production business.

Since September 2020, ENN Energy has been our consolidated subsidiary. ENN Energy is one of the largest privately-owned gas operators and clean energy distributors in China and its shares were listed on the Main Board of the HKSE (stock code: 2688) in 2002.

Pursuant to the ENN Energy Acquisition, we consolidated our upstream energy resources with the downstream energy distribution network and end customer access of ENN Energy, which enhances our position as an integrated clean energy products and service provider and also enables us to pursue new business opportunities along and across the entire clean energy value chain.

Our business has been generating steady income. The operating revenue of our Original Group was RMB13,632.5 million and RMB13,544.1 million for the years ended December 31, 2018 and 2019, respectively, and after the consolidation of the accounts of ENN Energy Group, the operating revenue of our Enlarged Group was RMB88,652.2 million and RMB88,098.8 million (approximately US$13,501.7 million) for the years ended December 31, 2019 and 2020, respectively. As of December 31, 2020, we had total assets of RMB109,523.9 million (approximately US$16,785.3 million) and as of the same day, our market capitalization reached RMB35,333.8 million (approximately US$5,415.1 million).

Key Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and financial condition are affected by a number of factors, many of which are beyond our control. Set forth below are some of the key factors:

Government policies encouraging the development of the natural gas industry

Chinese government has provided strong support to the development of clean energy led by natural gas. China's President Xi recently stated at the General Assembly of the United Nations that China's emissions would peak around 2030 and China would strive to achieve carbon neutrality by 2060. Under the Energy Production and Consumption Revolution Strategy《能源生產及消費革命戰略》(2016-2030), the PRC government targets to increase the proportion of natural gas in China's total primary energy consumption to 15% by 2030. In addition, local governments in China also promoted policies on energy structure optimization, energy conservation and emission reduction, as well as increasing the use of clean energy. The PRC government will implement additional regulations and programs encouraging the use of natural gas, the implementation of which is expected to be favorable for the development of the PRC natural gas industry. However, any delay or suspension in the implementation of these regulations or programs could have a detrimental effect on the continued development of the PRC natural gas industry, which, in turn, could adversely affect our business.

Natural gas, a clean and efficient fossil fuel, is one of the major types of clean energy specifically promoted by the PRC government and has been explicitly prescribed as the main source of energy for urban gas utilization. As a result of the priority given by the PRC government and increased urbanization in China, China's natural gas consumption volume increased from 10.5 billion cubic feet per day in 2010 to 29.7 billion cubic feet per day in 2019, representing a CAGR of 12.2%, according to BP Statistical Review of World Energy June 2020. In order to promote the natural gas industry, the PRC government has made significant investment in developing natural gas infrastructure. The PRC government plans to complete and launch various natural gas transmission pipeline projects. The establishment of PipeChina is also expected to further liberalize natural gas infrastructure and encourage higher volume of gas supply to China. These policies have benefited and will continue to benefit our results of operations by encouraging the demand for our natural gas products. As we focus on increasing gas penetration rates across all of our operational locations and boosting connections between all of our existing gas projects, we anticipate that our results of operations will continue to be affected by government policies encouraging the adoption of cleaner burning fuels.

General economic conditions

We operate substantially all of our business in the PRC. Thus, our results of operations and performance are substantially affected by and dependent on the overall economic growth in China. We believe that the general economic growth of China is directly correlated with the amount of natural gas consumed in China and thus greatly affects our results of operation and financial condition. Natural gas consumption in China has grown significantly in the last decade, mainly as a result of strong GDP growth in China. According to the National Bureau of Statistics of China, China's GDP has grown from RMB41.2 trillion in 2010 to RMB99.1 trillion in 2019, representing a CAGR of 10.2% in nominal terms. Further, China reported a GDP growth of 2.3% in 2020. As China's GDP is expected to continue to grow, this growth should further drive increase in energy demand in China.

Our ability to increase our natural gas sales volume and maintain and increase penetration rates in operational locations

As natural gas sales volume significantly affects our results of operations and financial condition, we are committed to promoting the use of natural gas in the areas that we operate. We also aim to expand into new markets where we have not yet established an operational presence. To increase our customer base, we aim to promote the benefits of natural gas, in terms of price, convenience, safety, cleanliness and environmental friendliness. Our promotional activities include broadcasting advertisements through media and distributing brochures and posters, and our campaigns (which may include joint promotional campaigns with the local government) to promote the benefits of natural gas and energy-saving equipment to reduce the overall costs of using natural gas, among other activities. Our ability to maintain and increase our customer penetration rate in existing and new markets remains crucial to our financial performance and condition.

Purchase price of natural gas as a raw material

Natural gas constitutes the most important raw material for our business and the purchase price of natural gas significantly affects our results of operations and financial condition. In our retail business segment, we mainly source natural gas with reference to the benchmark city-gate prices, and sell to end users at prices set by the local governments. The NDRC determines the benchmark city-gate price as well as the transportation cost for national long-distance transmission pipelines, but also permits natural gas purchasers and sellers to contractually agree on the specific city-gate price based on the benchmark city-gate price. On February 22, 2020, the NDRC published a notice outlining the periodical reduction of non-residential customers' gas cost and supporting enterprises in the resumption of work and production. Provincial price control bureaus determine the transportation costs for provincial gas pipelines, including provincial long-distance transmission pipelines, based on the distance from the gas wellhead. We currently purchase a majority of our natural gas from PetroChina, Sinopec and CNOOC, or their distributors, with reference to city-gate prices. The city-gate prices for our natural gas purchases are affected by factors which are outside of our control. As we expand our natural gas business into other locations, we expect our results of operations to continue to be affected by the regulation of natural gas prices in China. We also have commitments to acquire LNG from certain international natural gas suppliers. The delivery of LNG from such international suppliers is under a "take-or-pay" arrangement whereby we are obliged to make payment to suppliers for the quantity contracted but not delivered and the contracts last for 5 to 10 years.

Retail price of natural gas

In 2019 and 2020, natural gas retail sales accounted for 51.6% and 52.1% of the total revenue of our Enlarged Group, respectively. Our revenue generated from retail sales of natural gas correlates directly with the price of natural gas we sell to our customers.

We are required to obtain approval from the relevant local pricing authorities for the retail price of the piped natural gas sold in a particular region, as well as any adjustment to the retail price. As retail prices are set by local pricing bureaus, rather than the PRC central government, they can vary significantly between cities. Specifically, in cities with established price linkage mechanisms, retail prices to downstream residential users of natural gas will be adjusted in line with adjustments in prices for upstream purchases of natural gas supply. In cities without established price linkage mechanisms, any adjustments in retail prices to residential users will be determined following hearings held by the local pricing bureaus. Indicative prices for C&I customers, and CNG vehicle refueling station customers are set by the local governments. We will confirm the final price with customers based on the indicative price set by the local government. As a result of these factors, the average selling prices at each of our operational locations could vary significantly depending on the locality.

Moreover, there is typically a time lag for us to pass through any increase in our city-gate prices to residential users because any adjustment in end user prices is subject to approval by the local pricing bureau through a public hearing. The time lag to pass on any increase in our city-gate prices to our C&I customers is often shorter than that for residential users because our C&I customer prices are often based on contract terms. These contract terms are typically based on an indicative price set by local governments that is adjustable within a negotiated range so it can be renegotiated faster after any increase in wellhead prices.

We maintain our relationships with the NDRC and local authorities to ensure they receive adequate feedback with respect to the sales prices of natural gas. Our ability to maintain or increase the sale price of natural gas remains a crucial factor in our revenue and margins.

Our ability to maintain our supply of natural gas

Our ability to maintain an adequate supply of natural gas for sale and distribution significantly affects our results of operations and financial performance. Specifically, our sales of natural gas and profitability are contingent on our ability to continue to purchase natural gas from these suppliers on similar or acceptable terms, and on the timely delivery of, and quality of natural gas supplied by our suppliers. We have entered into agreements to purchase natural gas from three major gas suppliers in China, namely PetroChina, Sinopec and CNOOC. We have also entered into long-term LNG import contracts with international suppliers which allows us to diversify our gas sources more effectively. In addition, we have access to a variety of gas suppliers in the market through our access to the Zhoushan LNG Receiving Terminal. The quantity of natural gas to be supplied to us by our suppliers is usually stated in our gas purchase agreements. Our ability to maintain our supply of natural gas remains critical to satisfy the needs of our customers and maintain our financial performance.

Acquisition and integration of new businesses

Since the inception of our predecessor in 1992, we have experienced rapid growth and distinct development stages through strategic expansion into diversified business segments. We primarily focused on the pesticide and veterinary medicine sector during our early development stage. We commenced our energy chemical business in 2010 and coal production business in 2013. To capitalize on the industry trends and particularly the energy transition initiatives of the PRC government, we set foot on LNG industry in 2014. Moreover, we commenced our energy engineering business in 2015 and we completed the ENN Energy Acquisition in September 2020. Over the years, we have established our integrated business model through acquisition and reorganization. How we manage our acquisitions and new businesses will continue to have a significant impact on our results of operations in the future. We expect to face a range of challenges in managing our diversified business portfolios, such as the need to consolidate our upstream resources with downstream distribution network and customer access, to deal with new government regulations governing different products, and to create synergies cross our business segments.

The availability and cost of adequate financing for our capital expenditures

It is essential that we have enough financing alternatives or cash flow to support our business expansion in the future. Our capital expenditures are generally comprised of the construction of city gas pipeline networks, investment in the facilities of integrated energy projects and new city gas project acquisitions. Therefore, periodically we require large amounts of capital expenditures to finance these projects. During the year ended December 31, 2020, we spent approximately RMB10.7 billion on capital expenditures, primarily consisting of part of the consideration for the ENN Energy Acquisition, expansion relating to new city-gas projects acquisition, investment in integrated energy projects and investment in certain joint venture companies.

Our strategy is to finance our business and other capital expenditures primarily through business operations, financing, investment income and equity. As of December 31, 2020, our total interest-bearing debt amounted to RMB32.3 billion. The balance of our borrowings and the total amount raised through other financing methods, as well as any interest rate fluctuations and other borrowing costs, will materially affect our finance costs, results of operations and financial condition.

The COVID-19 pandemic

Our business is subject to global market fluctuations and general economic conditions in the PRC and the global economy. Any prolonged downturn, recession or other condition that adversely affects our business and economic environment, including the ongoing COVID-19 pandemic, could materially and adversely affect us. The COVID-19 pandemic has already impacted, and may continue to impact, our business and results of operations materially. For example, due to public health restrictions in many cities, we were unable to provide services in our extended business sector, such as the sale of piped gas appliances and installation services, to end customers. Furthermore, lock-down imposed in many PRC provinces and cities resulted in the closure of a large number of roads and railway lines. We faced difficulties in transporting our methanol and coal products to customers in a timely manner. While we expect the demand for our products and services are likely to remain robust, if our counterparties do not fulfill their contractual obligations or settle liabilities to us due to disruptions to their businesses or liquidity as a result of the continued effect of the COVID-19 pandemic, we may in the future suffer losses and our financial condition may be adversely affected. In addition, there can be no assurance that we can recover money owed to us without a time-consuming, costly and protracted process.

Critical Accounting Policies, Judgments and Estimates

Critical accounting policies are those accounting policies that are reflective of significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions.

When reviewing our consolidated financial information, you should consider (i) its selection of critical accounting policies; and (ii) the judgment and other uncertainties affecting the application of such policies. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of its consolidated financial information. We are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. For more information regarding its significant accounting policies and the summary of significant accounting judgments and estimates, see Note III to our Historical Financial Statements of 2018 and 2019 and Financial Statements of 2019 and 2020 audited consolidated financial statements included elsewhere in this Offering Memorandum.

We regularly evaluate the critical accounting estimates and key judgments based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

Revenue Recognition

Revenue recognition principles applied since January 1, 2020

Our Enlarged Group derived revenue primarily from our principal businesses, which are (i) natural gas retail business, (ii) integrated energy business, (iii) natural gas wholesale, (iv) natural gas direct sales, (v) extended business, (vi) construction and installation, and (vii) energy production business (comprising of (x) energy chemical product business, (y) coal product business and (z) chemical product trading business). We recognize revenue when, or as, a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Control of the goods and services may be transferred over time or at a point in time. Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the economic benefits provided by our performance as we perform;

- the customer controls the goods under construction in the process of our performance; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services. Below sets out our performance obligations and timing of revenue recognition principles that apply to some of our businesses in more detail:

(1) Natural gas retail business

The Enlarged Group sells natural gas through pipelines to customers, including residential, commercial, and industrial customers. Revenue is recognized when piped natural gas is delivered to and consumed by customers. The volume of gas sold is measured by gas meters installed at customers' premises.

The Enlarged Group also operates vehicle gas refueling stations to refuel vehicles with LNG and CNG. Revenue is recognized when the refueling is completed at the refueling stations, being the time when LNG or CNG is transferred to customers.

(2) Integrated energy business

The Enlarged Group supplies a variety of energy products, such as gas, electricity, cooling, heating and steam. Revenue is recognized when the energy product is transferred to and consumed by the customers. Revenue from energy services is recognized over the contract period according to the progress of service provision.

(3) Extended business

The Enlarged Group sells gas appliances such as cooking stoves, centralized heating systems, range hoods and heating stoves to residential customers. In addition, the Enlarged Group also sells construction materials and other energy products to commercial and industrial customers. Revenue is recognized when the customer obtains control of the goods.

(4) Construction and installation

Construction and installation business mainly includes engineering design, equipment manufacturing and integration, engineering construction and installation in relation to natural gas, new chemicals, energy conservation and environmental protection. Revenue is generally recognized over the contract period according to the progress of obligation performance.

(5) Energy production business

The Enlarged Group is engaged in the production and sale of coal, methanol and other products, as well as the sale of trading products. Depending on specific nature of the business and contract terms, revenue is recognized when control of the goods is transferred to the purchaser.

Revenue recognition principles applied prior to December 31, 2019

We recognize our revenue based on the following revenue recognition principles:

(1) Recognition of revenue from sales of goods

Revenue from sales of goods is recognized when: major risks related to and returns from the title of the goods are transferred to the buyer; we retain neither actual rights to management nor effective control over the goods sold; the amount of revenue can be reliably measured; the relevant economic benefits from the transaction are highly likely to flow into us; and the relevant costs incurred or to be incurred can be reliably measured.

Revenue from the sale of coal, carbinol, dimethyl ether, pesticide, animal remedy, engineering equipment and engineering materials is recognized when: we have transferred significant risks and rewards of ownership of the goods to the buyer and we retain neither the right of continuous management nor effective control over the goods sold.

Revenue from the sale of coal is recognized when: we have transferred significant risks and rewards of ownership of the goods to the buyer (after delivery at the mine site or freight yard if transported by truck; after delivery of wagons if transported by train) and we retain neither the right of continuous management nor effective control over the goods sold.

(2) Recognition of revenue from rendering of services

Revenue from rendering of services is recognized if the outcome of rendering of services can be reliably measured on the balance sheet date. The outcome of rendering of services can be reliably measured on the balance sheet date when: the amount of revenue from rendering of services can be reliably measured, the relevant economic interests from the transaction are likely to flow into us, the services transaction is completed and can be reliably determined and the cost of such transaction incurred or to be incurred can be reliably measured.

If the outcome of rendering of services cannot be reliably measured on the balance sheet date and the cost of services that has incurred is expected to be fully compensated, the revenue from rendering of services are recognized at the amounts recovered or expected to be recovered and the cost of services that has incurred shall be carried over as costs.

If the outcome of rendering of services cannot be reliably measured on the balance sheet date and it is expected that the cost of services that has incurred cannot be compensated, such cost of services that has incurred are recognized as expenses in the current period and the revenue from rendering of services are not recognized.

(3) Recognition of revenue from alienating the right to use assets (including interest revenue and royalty income)

We recognize revenue from alienating the right to use assets (including interest income and royalty income) when the relevant economic benefits are highly likely to flow into us and the amount of revenue can be reliably measured.

(4) Recognition of revenue from construction contracts

If the outcome of the construction contract can be reliably estimated on the balance sheet, we recognize contract income and contract costs using the percentage-of-completion method. If the outcome of the construction contract cannot be reliably estimated on the balance sheet and contract costs can be recoverable, contract income are recognized according to actual contract costs recoverable and contract costs are recognized as contract expenses during the current period when they occur. If the outcome of the construction contract cannot be reliably estimated on the balance sheet and contract costs cannot be recoverable, contract costs are recognized as contract expenses immediately when they occur and no corresponding contract income is recognized.

The outcome of a fixed price construction contract can be reliably estimated when: total income of the contract can be reliably measured; economic benefits associated with the contract are likely to flow into us; actual contract costs can be clearly identified and reliably measured; and the percentage-of-completion and costs required for completion of the contract that can be reliably determined.

The percentage-of-completion of a construction project is determined in accordance with the proportion of accumulated actual contract costs to total expected contract costs. If total expected contract costs were to exceed total contract income, expected loss shall be recognized as expenses in the current period of the balance sheet date.

For construction contracts under execution, provision for inventory depreciation is made in accordance with the expected differences in value. For contract losses that are pending execution, accrued liabilities are recognized based on the expected differences in contract value.

Accounting Method of Foreign Currency Transaction

(1) Determination of exchange rate for foreign currency transaction translation

At the time of initial recognition, a foreign currency transaction shall be translated into the functional currency at the spot exchange rate or at an exchange rate approximate to the spot exchange rate on the date of transaction.

(2) Translation of foreign currency monetary items on the balance sheet date

On the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate. The balance of exchange arising from the difference between the spot exchange rate on the balance sheet date and the spot exchange rate at the time of initial recognition or prior balance sheet date shall be recorded into current profit and loss.

(3) Converted method in foreign currency statements

Before translating overseas business operations, it is necessary to adjust accounting periods and policies for overseas business operations to ensure its consistency with the enterprise' accounting periods and policies, and then prepare financial statements in a proper currency (other than functional currency) on the basis of adjusted accounting periods and policies, and subsequently, financial statements thus prepared for overseas business operations shall be translated as follows:

A. Asset and liability items in the balance sheets shall be translated at the spot exchange rate on the balance sheet date, and except for undistributed profit, other items of owner's equity shall be translated at the spot exchange rate at the time when they are incurred.

B. Income and expense items in the profit statement shall be converted according to the spot rate or approximate exchange rate of spot exchange rate on the transaction date.

C. The foreign currency conversion difference in financial statement shall be separately listed under "other comprehensive income" in the consolidated balance sheet.

D. Cash flows in foreign currencies and cash flows of overseas subsidiaries shall be converted according to the spot rate or approximate exchange rate of spot exchange rate on the period in which those cash flows occur. The difference of cash caused by change of exchange rate shall be separately presented in the cash flow statement.

Long-term Equity Investments

Long-term equity investments refer to the equity investment made by an investor in an investee by which the investor exercises control of or has a significant impact on the investee and the equity investment in its joint ventures.

(1) Determination of investment costs

Long-term equity investments derived from business combinations determine the investment cost according to the following regulations:

A. For business combination under common control, if the consideration is paid in cash or by transfer of non-cash assets or assumption of debts, we shall, on the date of merger, regard the share of the book value of the combined party's owner's equity in the ultimate controlling party's consolidated financial statements as the initial cost of the long-term equity investment. The difference between the initial cost for the long-term equity investment and the book values of cash paid, non-cash asset transferred and debt assumed is justified in the capital surplus and, if the capital surplus is insufficient for the justification, the balance is further justified in the retained earnings.

If the consideration is paid in the form of equity securities, the share of the shareholders' equity of the combined party in the book value of the owners' equity in the consolidated financial statements of the ultimate controlling party on the date of combination is taken as the investment cost of the long-term equity investment. The face value of the shares issued is taken as the equity and the capital surplus is adjusted by the difference between the investment cost of the long-term equity investment and the total face value of the shares issued. If the capital surplus is inadequate to cover the difference, the retained income is adjusted to cover the remaining difference.

B. In case of combination of businesses not under common control, the fair value of the assets paid, the liabilities incurred or assumed, and the equity securities are issued as the investment cost on the acquisition date. When fair value of purchase cost is greater than the net fair value of the identifiable assets obtained from the acquiree on the date of acquisition, the difference shall be recognized as goodwill. If verified, the difference shall be recorded into current profit and loss.

For long-term equity investment not formed by business combination, if obtained by payment in cash, the cost of investment shall be the purchase price actually paid; if obtained by issuing equity securities, the cost of investment shall be the fair value of the equity securities issued; if invested by an investor, the cost of investment shall be the value stipulated in the investment contract or agreement except that the value stipulated in such contract or agreement is unfair; if obtained by the exchange of non-monetary assets that are commercial in nature and the fair value of which can be reliably measured, the cost of investment shall be the sum of its fair value and relevant payable taxes; the difference between the fair value and the book value of the asset surrendered shall be recorded into current profit and loss; if obtained by recombination of liabilities, the cost of investment shall be its fair value, and the difference between the fair value and the book value of recombined liabilities shall be recorded into current profit and loss.

(2) Subsequent measurement and profit/loss recognition

A long-term equity investment that grants control over the investee is accounted using the cost method. The equity method shall be employed for a long-term equity investment with joint control or significant influence over the invested entity. For an equity investment in a joint venture that is indirectly held through venture capital, mutual fund, trust or other similar entities, including investment-linked insurance fund, it shall be measured at fair value and the variation shall be recorded into profit and loss.

A. Under the cost method, a long-term equity investment is measured at the initial investment cost, which is adjusted by the increased or recovered investment. Cash dividend or profit declared to be distributed by the investee shall be recorded into current investment income.

B. If the long-term equity investment is accounted using the equity method and the initial cost for the investment is greater than the share of the total fair value of the identifiable assets of the invested entity, the initial cost for the investment is not adjusted. If the former is less than the latter, the difference is recognized in the "non-operating income" of the current period and the cost for the long-term equity investment is justified accordingly.

   After obtaining long-term equity investment, the share in the net gains or losses that have been realized by the invested entity and which we are entitled to receive or obliged to assume and the share in other comprehensive income are recognized in income from investments and other comprehensive income, respectively, and the book value of the long-term equity investment is adjusted according to the portion of the profit or cash dividend declared and distributed by the invested entity. In case of any change in the owners' equity in the invested equity, except the net gains or losses, other comprehensive income and profit distribution, the book value of the long-term equity investment is adjusted and such balance is recognized in the capital reserves (other capital reserves). The share in the net gains or losses of the invested entity is recognized after adjustment is made on the basis of the fair values of all identifiable assets of the invested entity upon the investment is realized.

   If the accounting policies and accounting periods adopted by the invested entity are inconsistent with those adopted by the parent company, the financial statements of the invested entity is adjusted in accordance with the accounting policies and accounting period of the parent company and the investment income and other comprehensive income from the invested entity is recognized according to such adjustment. Net losses of the invested entity shall be recognized until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the parent company has an obligation to undertake extra losses. If the investee realizes net profit subsequently, the share in the profit payable to the parent company is recognized as a share of income after the unrecognized loss arising from such investment.

   When determining the attributable profit or loss of the invested entity, investment income shall be recognized after eliminating the unrealized profit or loss of intragroup transactions between joint ventures and associated enterprises attributable to the parent company. Unrealized loss of transactions between the parent company and the invested entity, if it is an asset impairment loss, shall be fully recognized.

(3) Disposal of long-term equity investments

When disposing of a long-term equity investment, the difference between its book value and the actual purchase price shall be included into current profit and loss. When disposing a long-term equity investment for which the equity method is employed, the part originally recorded into other comprehensive income shall be treated pro rata on the same basis as if the invested entity directly disposes relevant assets or liabilities.

(4) Basis for determining joint control and significant influence over the invested entity

Joint control refers to the control we share with other entities over certain arrangement following relevant agreement by which any activity under the arrangement may be conducted only with unanimous agreement of all participants sharing the power of control. Where an investing enterprise and other parties have joint control over and are entitled to net assets of an invested entity, the invested entity shall be their joint venture.

Significant influence refers to the power of an investor to participate in decision-making on the financial and business policies of an investee, but not to control or jointly control together with other parties the development of these policies. When ascertaining whether or not it is able to control or have significant influences on an invested entity, an enterprise shall take into consideration the invested enterprises' current convertible corporate bonds and current executable warrants held by the investing enterprise and other parties, as well as other potential factors concerning the voting rights. Where an investing enterprise is able to have significant influences on an invested entity, the invested entity shall be its associated entity.

Fixed Assets

(1) Our fixed assets refer to tangible assets held for production of goods, provision of labor services, lease or business with a service life over a fiscal year. A fixed asset is recognized only when the related economic benefit is likely to flow in and the cost can be reliably measured.

(2) Initial measurement of fixed assets: fixed assets shall be measured initially in accordance with actual cost at the time of acquisition and construction.

(3) Depreciation: a fixed asset shall be subject to depreciation from the month after it is ready for intended use on the basis of the straight line method (except for mine buildings) The table below sets forth expected services life, net residual ratio and depreciation rate of fixed assets by type:

Type of fixed assets	**Expected service life**	**Net residual ratio**	**Depreciation rate**
	(Years)	*(%)*	*(%)*
Houses & buildings	30-40	5-10	2.38-3.17
Machinery equipment	6-30	5-10	3.17-15.83
Office equipment and electronic communication equipment	6-8	5-10	11.88-15.83
Transport vehicles	6-8	5-10	11.88-15.83
Gas pipeline	20-30	10	3.00-4.50

Pursuant to the Ministry of Finance Document [89] No. 302, mine buildings shall be depreciated on the basis of the output method at RMB2.5 per ton.

(4) Fixed assets acquired through financial lease

A fixed asset acquired shall be recognized as a financial lease when it has transferred in substance all risks and rewards related to the ownership of the asset.

The cost of a fixed asset acquired through financial lease shall be the lower of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date.

The depreciation policy adopted for leased fixed assets shall be consistent with that for fixed assets which are owned by us. If it is reasonably expected that we will acquire the title to the leased asset upon the expiry of the lease, the depreciation provision is retained over the serviceable life of the leased asset. If it is not reasonably expected that we will acquire the title to leased asset upon the expiry of the lease, the depreciation provision is retained over the shorter of the lease and serviceable life of the leased asset.

Description of Selected Line Items of Consolidated Income Statements

Total Revenue

Total Revenue of the Enlarged Group

For the years ended December 31, 2019 and 2020, we derived the total revenue of our Enlarged Group primarily from our principal businesses including (i) natural gas retail business, (ii) natural gas wholesale business, (iii) construction and installation, (iv) integrated energy business, (v) energy chemical product business, (vi) chemical product trading, (vii) extended business, (viii) natural gas direct sale business, (ix) coal product business and (x) pesticides and veterinary medicine business. The following table sets forth a breakdown of revenue of our Enlarged Group by business segments, and each expressed as a percentage of our total revenue, for the periods indicated:

	For the year ended December 31,				
	2019		2020		
	Revenue	%	Revenue		%
	(Audited) *(RMB in '000)*		*(Audited)* *(RMB in '000)*	*(Unaudited)* *(US$ in '000)*	
Natural gas retail business	45,774,793	51.6	45,871,996	7,030,191	52.1
Natural gas wholesale business	18,070,123	20.4	17,610,063	2,698,860	20.0
Construction and installation	9,728,980	11.0	9,614,001	1,473,410	10.9
Integrated energy business	3,034,696	3.4	5,712,732	875,514	6.5
Energy chemical product business	2,487,921	2.8	1,998,173	306,233	2.3
Chemical product trading	4,290,446	4.8	2,051,295	314,375	2.3
Extended business	1,856,883	2.1	1,591,108	243,848	1.8
Natural gas direct sale business	335,512	0.4	1,583,972	242,754	1.8
Coal product business	1,518,667	1.7	1,539,578	235,952	1.7
Pesticides and veterinary medicine business[(1)]	1,119,185	1.3	—	—	—
Others	434,978	0.5	525,853	80,590	0.6
Total:	**88,652,184**	**100.0**	**88,098,771**	**13,501,727**	**100.0**

Note:

(1) On June 24, 2019, we completed the asset disposal of our pesticides and veterinary medicine business. We recognized revenue generated until May 31, 2019 from the production and sale of pesticides and veterinary medicine business for the year ended December 31, 2019.

Revenue generated from our natural gas retail business accounted for 51.6% and 52.1% of total revenue of our Enlarged Group for the years ended December 31, 2019 and 2020, respectively. We generate income under this business segment primarily through selling natural gas to end-users through pipelines, including residential households and C&I customers, and operating vehicle gas refueling stations to refuel vehicles with LNG and CNG.

Revenue generated from our natural gas wholesale business accounted for 20.4% and 20.0% of total revenue of our Enlarged Group for the years ended December 31, 2019 and 2020, respectively. We generate income under this business segment primarily through supplying LNG to wholesale customers such as small-scale gas distributors and LNG trading companies.

Revenue generated from our construction and installation business accounted for 11.0% and 10.9% of total revenue of our Enlarged Group for the years ended December 31, 2019 and 2020, respectively. Our construction and installation business mainly comprise (i) energy engineering business and (ii) construction and installation of pipelines and related facilities. We generate income under this business segment primary from (i) the contract revenue of our energy engineering projects and (ii) the construction and installation fees from property developers, residential customers and C&I customers. See "*Business — Our Business — Construction and Installation — Energy Engineering Business*" for details.

Revenue generated from our integrated energy business accounted for 3.4% and 6.5% of total revenue of our Enlarged Group for the years ended December 31, 2019 and 2020, respectively. We generate income under this business segment primarily through supplying various energy products, such as gas, electricity, cooling, heating and steam.

Revenue generated from our energy chemical product business accounted for 2.8% and 2.3% of total revenue of our Enlarged Group for the years ended December 31, 2019 and 2020, respectively. We generate income under this business segment primarily through the production and sale of our own energy chemical products.

Revenue generated from our chemical product trading business accounted for 4.8% and 2.3% of total revenue of our Enlarged Group for the years ended December 31, 2019 and 2020, respectively. We generate income under this business segment primarily through the procurement of energy chemical products from other domestic suppliers which we on sell to our downstream customers.

Revenue generated from our natural gas direct sale business accounted for 0.4% and 1.8% of total revenue of our Enlarged Group for the years ended December 31, 2019 and 2020, respectively. We generate income under this business segment primarily through direct sales of natural gas to our large C&I customers, such as gas refueling stations and power stations, and natural gas trading companies.

Revenue generated from our extended business accounted for 2.1% and 1.8% of total revenue of our Enlarged Group for the years ended December 31, 2019 and 2020, respectively. We generate income under this business segment primarily through selling gas appliances such as cooking stoves, centralized heating systems, range hoods and space heaters to residential customers as well as selling construction materials and other energy products to C&I customers.

Revenue generated from our coal product business accounted for 1.7% and 1.7% of total revenue of our Enlarged Group for the years ended December 31, 2019 and 2020, respectively. We generate income under this business segment primarily through the production and sale of our coal products, under which we engage third-party contactors to carry out coal mining and refining. We also generate income from the distribution and sale of coal products from our Wangjiata Coal Mine.

Revenue generated from our pesticides and veterinary medicine business accounted for 1.3% and nil of the total revenue of our Enlarged Group for the years ended December 31, 2019 and 2020, respectively. We generated income under this business segment through the production and sale of pesticides and veterinary medicine in various countries and regions around the world. On June 24, 2019, we completed the asset disposal of our production and sale of pesticides and veterinary medicine business as part of our strategic plan to focus in the development of our clean energy related and energy engineering businesses. For more details, see "*Business — Our Business — Energy Production Business — Production and Sale of Pesticides and Veterinary Medicine*".

Total Revenue of the Original Group

For the years ended December 31, 2018 and 2019, we derived the total revenue of our Original Group primarily from our principal businesses including (i) trading business, (ii) energy engineering business, (iii) energy and chemical product business, (iv) coal product business, (v) pesticides and veterinary medicine business and (vi) LNG business. The following table sets forth a breakdown of revenue of our Original Group by business segments, and each expressed as a percentage of our total revenue, for the periods indicated:

	For the year ended December 31,			
	2018		2019	
	Revenue	%	Revenue	%
	(Audited) *(RMB in '000)*		*(Audited)* *(RMB in '000)*	
Trading business	4,559,606	33.4	4,290,446	31.7
Energy engineering business	3,177,462	23.3	3,546,551	26.2
Energy chemical product business	1,984,601	14.6	2,525,553	18.6
Coal product business	1,574,140	11.5	1,518,667	11.2
Pesticides and veterinary medicine business(1)	1,870,242	13.8	1,119,185	8.3
LNG business	396,376	2.9	335,512	2.5
Others	70,052	0.5	208,139	1.5
Total revenue	**13,632,479**	**100.0**	**13,544,053**	**100.0**

Note:

(1) On June 24, 2019, we completed the asset disposal of our pesticides and veterinary medicine business. We recognized revenue generated until May 31, 2019 from the pesticides and veterinary medicine business segment for the year ended December 31, 2019.

Revenue generated from our trading business accounted for 33.4% and 31.7% of the total revenue of our Original Group for the years ended December 31, 2018 and 2019, respectively. We generated income under this business segment primarily through procurement of energy and chemical products and coal products from other domestic suppliers which we on sell to our downstream customers.

Revenue generated from our energy engineering business accounted for 23.3% and 26.2% of total revenue of our Original Group for the years ended December 31, 2018 and 2019, respectively. We generated income under this business segment primarily from the contract revenue of our energy engineering projects. See "*Business — Our Business — Construction and Installation — Energy Engineering Business*" for details.

Revenue generated from our energy chemical product business accounted for 14.6% and 18.6% of the total revenue of our Original Group for the years ended December 31, 2018 and 2019, respectively. We generated income under this business segment primarily through the production and sale of our own energy chemical products.

Revenue generated from our coal product business accounted for 11.5% and 11.2% of the total revenue of our Original Group for the years ended December 31, 2018 and 2019, respectively. We generated income under this business segment primarily through the production and sale of our own coal products, under which we engage third-party contactors to carry out coal mining and refining.

Revenue generated from our pesticides and veterinary medicine business accounted for 13.8% and 8.3% of the total revenue of our Original Group for the years ended December 31, 2018 and 2019, respectively. We generated income under this business segment through the production and sale of pesticides and veterinary medicine in various countries and regions around the world. On June 24, 2019, we completed the asset disposal of our production and sale of pesticides and veterinary medicine business as part of our strategic plan to focus in the development of our clean energy related and energy engineering businesses. For more details, see "*Business — Our Business — Energy Production Business — Production and Sale of Pesticides and Veterinary Medicine*".

Revenue generated from our LNG business accounted for 2.9% and 2.5% of the total revenue of our Original Group for the years ended December 31, 2018 and 2019, respectively. We generated income under this business segment primarily through the production and processing of LNG which is sold to our customers in the domestic market, as well as our equity investments in CNOOC Beihai and Santos. As part of the consideration for the ENN Energy Acquisition, we disposed of all shares we held in Santos in September 2020. For more details, see "*Business — Our Business — Natural Gas Production, Wholesale and Direct Sales — Investments in Natural Gas Producers*".

Cost of Sales

Cost of Sales of the Enlarged Group

The following table sets forth a breakdown of our cost of sales of our Enlarged Group by business segments, and each expressed as a percentage of our cost of sales, for the periods indicated:

	For the year ended December 31,				
	2019		2020		
	Cost of sales	%	Cost of sales		%
	(Audited) *(RMB in '000)*		*(Audited)* *(RMB in '000)*	*(Unaudited)* *(US$ in '000)*	
Natural gas retail business	38,821,725	53.0	38,084,648	5,836,728	53.1
Natural gas wholesale business	17,903,909	24.5	17,230,161	2,640,638	24.0
Construction and installation	5,051,891	6.9	5,413,439	829,646	7.5
Integrated energy business	2,474,597	3.4	4,618,901	707,878	6.4
Energy chemical product business	2,138,306	2.9	1,884,210	288,768	2.6
Chemical product trading	4,245,511	5.8	2,032,692	311,524	2.8
Extended business	566,399	0.8	264,558	40,545	0.4
Natural gas direct sale business	289,610	0.4	1,435,742	220,037	2.0
Coal product business	644,332	0.9	705,782	108,164	1.0
Pesticides and veterinary medicine business(1)	908,536	1.2	—	—	—
Others	176,633	0.2	112,308	17,212	0.2
Cost of sales	**73,221,449**	**100.0**	**71,782,441**	**11,001,140**	**100.0**

Note:

(1) On June 24, 2019, we completed the asset disposal of our pesticides and veterinary medicine business. We recognized revenue generated until May 31, 2019 from the pesticides and veterinary medicine business for the year ended December 31, 2019.

Cost of sales of the natural gas retail, wholesale and direct sale businesses of our Enlarged Group primarily comprise purchase of natural gas and natural gas operating costs. Purchase of natural gas is the key component of our cost of sales, representing 98.5% and 98.1% of the cost of sales of these business segments of our Enlarged Group for the years ended December 31, 2019 and 2020, respectively, and 76.7% and 77.6% of the total cost of sales of our Enlarged Group for the same periods, respectively.

Cost of sales of the construction and installation business of our Enlarged Group primarily comprise costs of raw materials, equipment and labor costs. Raw materials represent a major portion of the cost of sales of our construction and installation business and accounted for 31.2% and 29.7% of our Enlarged Group's cost of sales for this business segment for the years ended December 31, 2019 and 2020, respectively.

Cost of sales of the energy chemical product business of our Enlarged Group primarily comprise costs of raw materials, depreciation, utilities, manufacturing expenses and labor costs. Costs of raw materials represent a major portion of the cost of sales of our energy chemical product business and accounted for 60.5% and 60.0% of our Enlarged Group's cost of sales for this business segment for the years ended December 31, 2019 and 2020, respectively. Costs of raw materials for the production of our coal-based methanol and methanol-based dimethyl ether primarily include thermal coal and raw coal, in which their prices are generally affected by the selling price of coal and energy prices.

Cost of sales of the coal product business of our Enlarged Group primarily comprise costs of manufacturing expenses, depreciation, labor costs, utilities and raw materials. Manufacturing expenses represent a major portion of the cost of sales of our coal product business and accounted for 57.5% and 60.4% of our Enlarged Group's cost of sales for this business segment for the years ended December 31, 2019 and 2020, respectively. Manufacturing expenses for our coal product business primarily comprise of labor costs of the management personnel for coal mining, depreciation expenses, material consumption expenses, inspection fees and safety and maintenance expenses.

Cost of sales of the pesticides and veterinary medicine business of our Enlarged Group primarily comprise costs of raw materials, manufacturing expenses, labor costs, utilities and depreciation. Costs of raw materials for the production of our pesticides and veterinary medicine products, which include all costs of raw materials and supplies used in the production of our products, represent a major portion of the cost of sales of our production and sale of pesticides and veterinary medicine business and accounted for 84.1% of our Enlarged Group's cost of sales of this business segment for the years ended December 31, 2019. On June 24, 2019, we completed the asset disposal of our production and sale of pesticides and veterinary medicine business as part of our strategic plan to focus in the development of our clean energy related and energy engineering businesses. For more details, see "*Business — Our Business — Energy Production Business — Production and Sale of Pesticides and Veterinary Medicine*".

Cost of Sales of the Original Group

The following table sets forth a breakdown of our cost of sales of our Original Group by business segments, and each expressed as a percentage of our cost of sales, for the periods indicated:

	For the year ended December 31,			
	2018		2019	
	Cost of sales	%	Cost of sales	%
	(Audited) *(RMB in '000)*		*(Audited)* *(RMB in '000)*	
Trading business	4,518,613	42.2	4,245,511	38.0
Energy engineering business	2,427,461	22.7	2,735,714	24.5
Energy chemical product business	1,354,890	12.7	2,158,941	19.3
Coal product business	605,008	5.7	644,331	5.8
Pesticides and veterinary medicine business(1)	1,441,898	13.5	908,536	8.1
LNG business	304,665	2.8	289,610	2.6
Others	44,339	0.4	178,944	1.7
Cost of sales	**10,696,874**	**100.0**	**11,161,587**	**100.0**

Note:

(1) On June 24, 2019, we completed the asset disposal of our pesticides and veterinary medicine business. We recognized revenue generated until May 31, 2019 from the pesticides and veterinary medicine business segment for the year ended December 31, 2019.

Costs of raw materials were the key component of our cost of sales, representing 20.4% and 20.5% of the cost of sales of our Original Group for the years ended December 31, 2018 and 2019. Labor costs primarily comprised salaries, allowances and subsidies paid to employees directly engaged in the operation of our businesses. Depreciation primarily comprised the recognition of depreciation expenses over fixed assets used in the production and operations, such as real properties and buildings, mechanical equipment, office equipment, electronic communication equipment, transportation tools and other equipment. Utilities primarily comprised water and electricity expenses. Manufacturing expenses primarily comprised water and electricity charges of the production workshops, amortization of intangible assets, salaries of our management staff, labor protection fees, national environmental protection fees, seasonal and downtime losses during repairs.

Construction costs and cost of sales for equipment accounted for a significant portion of the cost of sales of the energy engineering business of our Original Group. Construction costs, which included all costs for the construction of a project, such as payments to third-party contractors and costs of construction materials, accounted for 71.0% and 72.5% of the cost of sales of our Original Group's energy engineering business for the years ended December 31, 2018 and 2019, respectively. Cost of sales for equipment, including that for gasifiers, gasification units, CNG refueling units and small LNG natural gas utilization system, accounted for 14.7% and 14.2% of the cost of sales of our Original Group's energy engineering business for the years ended December 31, 2018 and 2019, respectively.

Costs of raw materials represented a major portion of the cost of sales of our energy chemical product business and accounted for 56.5% and 60.0% of our Original Group's cost of sales for this business segment for the years ended December 31, 2018 and 2019, respectively. Costs of raw materials for the production of our coal-based methanol and methanol-based dimethyl ether primarily included thermal coal and raw coal, in which their prices are generally affected by the selling price of coal and energy prices.

Manufacturing expenses represented a major portion of the cost of sales of our coal product business and accounted for 64.5% and 57.5% of our Original Group's cost of sales for this business segment for this business segment for the years ended December 31, 2018 and 2019, respectively. Manufacturing expenses for our coal product business primarily comprised labor costs of the management personnel for coal mining, depreciation expenses, material consumption expenses, inspection fees and safety and maintenance expenses.

Costs of raw materials for the production of our pesticides and veterinary medicine products represented a major portion of the cost of sales of our pesticides and veterinary medicine business and accounted for 80.2% and 84.1% of our Original Group's cost of sales of this business segment for the years ended December 31, 2018 and 2019, respectively.

Costs of raw materials represented a major portion of the cost of sales of our LNG business and accounted for 82.6% and 79.1% of our Original Group's cost of sales for this business segment for the years ended December 31, 2018 and 2019, respectively. Costs of raw materials for our LNG business primarily included the procurement costs of CBM from our major suppliers.

Gross Profit and Gross Profit Margin

Gross profit represents revenue less cost of sales. Gross profit margin equals to gross profit divided by revenue and multiplied by 100%. Our gross profit margin is affected many factors, such as our product mix and pricing policies. The following table sets forth a breakdown of gross profit and gross profit margin of our Enlarged Group by business segments for the periods indicated:

	For the year ended December 31,				
	2019		2020		
	Gross Profit	Gross Profit Margin	Gross Profit		Gross Profit Margin
	(Audited) *(RMB in '000)*	*(%)*	*(Audited)* *(RMB in '000)*	*(Unaudited)* *(US$ in '000)*	*(%)*
Natural gas retail business	6,953,068	15.2	7,787,348	1,193,463	17.0
Natural gas wholesale business	166,214	0.9	379,902	58,222	2.2
Construction and installation	4,677,089	48.1	4,200,562	643,764	43.7
Integrated energy business	560,099	18.5	1,093,831	167,636	19.1
Energy chemical product business	349,615	14.1	113,963	17,465	5.7
Chemical product trading	44,935	1.0	18,603	2,852	0.9
Extended business	1,290,484	69.5	1,326,550	203,303	83.4
Natural gas direct sale business	45,902	13.7	148,230	22,717	9.4
Coal product business	874,335	57.6	833,796	127,785	54.2
Pesticides and veterinary medicine business[(1)]	210,649	18.8	—	—	—
Others	258,345	59.4	413,545	63,378	78.6
Total	**15,430,735**	**17.4**	**16,316,330**	**2,500,587**	**18.5**

Note:

(1) On June 24, 2019, we completed the asset disposal of our pesticides and veterinary medicine business. We recognized revenue generated until May 31, 2019 from the pesticides and veterinary medicine business for the year ended December 31, 2019.

The following table sets forth a breakdown of gross profit and gross profit margin of our Original Group by business segments for the periods indicated:

	For the year ended December 31,			
	2018		2019	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(Audited) *(RMB in '000)*	*(%)*	*(Audited)* *(RMB in '000)*	*(%)*
Trading business	40,993	0.9	44,935	1.0
Energy engineering business	750,001	23.6	810,837	22.9
Energy chemical product business	629,711	31.7	366,612	14.5
Coal product business	969,132	61.6	874,336	57.6
Pesticides and veterinary medicine business(1)	428,344	22.9	210,649	18.8
LNG business	91,711	23.1	45,902	13.7
Others	25,713	36.7	29,195	14.0
Total revenue	**2,935,605**	**21.5**	**2,382,466**	**17.6**

Note:

(1) On June 24, 2019, we completed the asset disposal of our pesticides and veterinary medicine business. We recognized revenue generated until May 31, 2019 from the pesticides and veterinary medicine business segment for the year ended December 31, 2019.

Taxes and Surcharges

Our taxes and surcharges consist of business tax, urban maintenance and construction tax, education surcharge, resource tax, real estate tax, land use tax, stamp duty, environmental protection tax, water resource tax, levies by the local government, goaf farmland use tax and others. The following table sets forth details of our taxes and surcharges for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Unaudited)* *(US$ in '000)*
Business tax	(1,486)	(36)	—	—	—
Urban maintenance and construction tax	17,156	15,941	74,232	80,572	12,348
Education surcharge	14,202	13,382	61,402	61,387	9,408
Resource tax	128,134	123,828	123,828	138,735	21,262
Real estate tax	15,839	14,426	42,364	40,180	6,158
Land use tax	20,723	15,613	47,971	45,132	6,917
Stamp duty	9,690	9,762	54,763	89,946	13,785
Environmental protection tax	4,219	3,695	3,695	4,234	649
Water resource tax	3,177	7,195	7,195	8,003	1,227
Levies by the local government	4,633	5,274	24,030	24,535	3,760
Goaf farmland use tax	25,900	82,182	82,182	61,651	9,449
Others	5,036	4,283	18,067	14,988	2,296
Total	**247,223**	**295,545**	**539,729**	**569,363**	**87,259**

Selling Expenses

Our selling expenses consist of employee compensation, transport expenses, travel expenses, advertising and promotion fees, entertainment expenses, rental fees, maintenance fees, depreciation, commission for sale, telecommunication fee and others. The following table sets forth details of our selling expenses for the periods indicated:

	Original Group		**Enlarged Group**		
	For the year ended December 31,		**For the year ended December 31,**		
	2018	**2019**	**2019**	**2020**	
	(Audited) *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Unaudited)* *(US$ in '000)*
Employee compensation	92,299	73,016	869,255	772,345	118,367
Transport expenses	42,096	50,687	50,504	—	—
Travel expenses	14,418	8,018	33,976	17,300	2,651
Advertising and promotion fees	1,336	290	51,065	48,634	7,454
Entertainment expenses	7,339	7,343	7,343	5,990	918
Rental fees	—	—	18,380	15,160	2,323
Maintenance fees	—	—	138,152	182,279	27,936
Depreciation	—	—	70,374	100,287	15,370
Commission for sale	—	—	9,566	9,094	1,394
Telecommunication fee	—	—	3,253	3,537	542
Others	31,652	13,713	69,550	55,569	8,515
Total	**189,140**	**153,067**	**1,321,418**	**1,210,195**	**185,470**

Administrative Expenses

Our administrative expenses consist of employee compensation, repair expenses, office and travel expenses, entertainment expenses, automobile expenses, transport expenses, agent hiring, water and electricity expenses, property insurance, lease expenses, depreciation and amortization, intangible asset amortization, amortization of long-term deferred expenses, amortization of share options, shutdown losses and others. The following table sets forth details of our administration expenses for the periods indicated:

	Original Group		**Enlarged Group**		
	For the year ended December 31,		**For the year ended December 31,**		
	2018	**2019**	**2019**	**2020**	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Unaudited) (US$ in '000)*
Employee compensation	264,759	264,668	1,708,088	1,808,615	277,182
Repair expenses	51,208	64,461	137,075	129,206	19,802
Office and travel expenses	18,950	14,377	162,969	142,326	21,812
Entertainment expenses	11,466	11,044	173,842	178,744	27,394
Automobile expenses	—	—	68,803	74,359	11,396
Transport expenses	3,549	10,188	—	—	—
Agent hiring	36,656	48,313	202,948	197,786	30,312
Water and electricity expenses	1,797	1,732	22,911	16,399	2,513
Property insurance	4,482	5,863	22,888	23,306	3,572
Lease expenses	6,164	5,290	83,704	70,016	10,730
Depreciation and amortization	—	—	349,428	408,248	62,567
Depreciation	15,861	20,379	—	—	—
Intangible asset amortization	18,168	19,624	—	—	—
Amortization of long-term deferred expenses	2,778	5,271	—	—	—
Amortization of share options	—	—	74,428	69,996	10,727
Shutdown losses	46,199	12,224	12,224	48,865	7,489
Others	38,458	38,274	273,175	141,529	21,691
Total	**520,495**	**521,708**	**3,292,483**	**3,309,395**	**507,187**

R&D Expenses

Our R&D expenses consist of employee compensation, depreciation, materials, test and inspection, water and electricity expenses, consultation fee and others. The following table sets forth details of our R&D expenses for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Unaudited) (US$ in '000)*
Employee compensation	50,294	64,456	228,573	190,815	29,244
Depreciation	16,797	4,572	49,762	44,287	6,787
Materials	52,107	50,682	160,052	264,578	40,548
Test and inspection	11,758	18	18	28	4
Water and electricity expenses	—	—	2,311	9,419	1,444
Consultation fee	—	—	819	1,249	191
Others	14,701	8,263	62,781	74,701	11,449
Total	145,657	127,991	504,316	585,077	89,667

Financial Expenses

Our financial expenses consist of interest expenses, exchange losses/(gains), commission charges, international loan service fee, etc. and others, partially offset by interest revenue. The following table sets forth details of our financial expenses for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Unaudited) (US$ in '000)*
Interest expenses	480,095	606,980	1,357,599	1,205,478	184,748
Less: Interest revenue	13,587	31,895	274,809	166,035	25,446
Add: Exchange losses/(gains)	213,935	50,252	251,035	(719,684)	(110,296)
Commission charges	5,645	10,457	55,610	53,810	8,247
International loan service fee, etc.	17,438	—	—	—	—
Others	763	742	742	3,532	540
Total	**704,289**	**636,536**	**1,390,177**	**377,101**	**57,793**

Other Income

Our other income includes, among others, special funds and government subsidies we received for certain designated purposes and deferred income amortization. The following table sets forth details of our other income for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Unaudited)* *(US$ in '000)*
Tax refund	261	200	25,592	117,603	18,023
Government subsidies directly included in profit and loss	—	—	187,650	233,603	35,802
Deferred income amortization	—	—	34,020	38,505	5,901
Land refund	491	2,615	—	—	—
High and new-tech industrialization demonstration project of new Eprinomectin BPCs and preparations	625	260	—	—	—
Special fund for foreign trade and economic development	634	—	—	—	—
Patent subsidy	862	310	—	—	—
Subsidy for induced-draft fans and integrated electrostatic fabric filter devices	295	295	—	—	—
Fiscal subsidy for special fund for technical renovation	656	376	—	—	—
Science and technology award fund	—	6,929	—	—	—
Government support fund	1,319	1,837	—	—	—
Compensation fund for guaranteed supply	2,709	—	—	—	—
Municipal special fund for application technology R&D	2,220	—	—	—	—
Enterprise development policy fund	800	—	—	—	—
Technology research for key livestock & bird diseases and new animal drugs	150	—	—	—	—
Fund for enhanced capacity of international operations	91	—	—	—	—
Employment stability subsidy	33	879	—	—	—
Prize from Work Safety Administration	30	20	—	—	—
Subsidy for networked monitoring of enterprises for hazardous goods and major hazards	16	—	—	—	—
Subsidy for advanced enterprises in dual prevention mechanism building	10	—	—	—	—
Special subsidy for power supply side	—	80	—	—	—
Credit insurance subsidy	—	412	—	—	—
Funds for R&D expenses from Education Bureau	—	700	—	—	—
Deduction of input tax	—	348	—	—	—
Tax handling fee refund	—	117	—	—	—
Water pollution prevention and control funds	—	29	—	—	—
Industrial Internet Innovation and Development Project Demonstration Project	—	2	—	—	—
Disabled protection fund refund	—	140	—	—	—
Total	**11,202**	**15,549**	**247,262**	**389,711**	**59,726**

Investment Income

Our investment income consists of, among others, income from long-term equity investments under the equity method, settlement gains arising from derivative financial instruments and investment income of other non-current financial assets. The following table sets forth details of our investment income for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Unaudited) (US$ in '000)*
Income from long-term equity investments under the equity method	583,957	513,551	1,013,422	252,426	38,686
Remeasurement of the gains /(losses) from previous equity holdings	—	—	10,568	(22,472)	(3,444)
Investment (losses)/ income from disposal of long-term equity investments	(5,546)	85,825	70,980	(27,126)	(4,157)
Settlement gains arising from derivative financial instruments	—	—	118,778	132,462	20,301
Investment losses from transactional financial assets during the holding period	—	(508)	—	—	—
Dividend income from other equity instrument investments during the holding period	—	—	8,001	2,514	385
Investment income of other non-current financial assets	—	—	139,290	73,113	11,205
Losses from debt restructuring	—	—	—	(8,592)	(1,317)
Investment income /(losses) from disposal of trading financial assets	6,069	(10,259)	(9,409)	297	45
Others	—	—	—	1,760	270
Total	**584,480**	**588,609**	**1,351,630**	**404,382**	**61,974**

Gains/(Losses) on Changes in Fair Value

Our gains/(losses) on changes in fair value consist of gains from changes in fair value generated by derivative financial instruments, unrealized losses on the ineffective portion of cash flow hedges, income /(losses) from changes in fair value of financial assets measured at fair value, investment income (or losses) of real estate measured at fair value and financial liabilities measured at fair value and the variation of which is recorded into current profit and loss. The following table sets forth details of our losses on changes in fair value for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Unaudited) (US$ in '000)*
Gains from changes in fair value generated by derivative financial instruments	—	—	794,944	40,812	6,254
Unrealized losses on the ineffective portion of cash flow hedges	—	—	—	(67,491)	(10,343)
Income/(losses) from changes in fair value of financial assets measured at fair value	—	—	5,016	(44,200)	(6,774)
Investment income/(losses) of real estate measured at fair value	—	—	5,769	(10,165)	(1,558)
Financial liabilities measured at fair value and the variation of which is recorded into current profit and loss	(1,603)	—	—	—	—
Total	**(1,603)**	**—**	**805,729**	**(81,044)**	**(12,421)**

Credit Impairment Gains/(Losses)

Our credit impairment gains/(losses) consist of bad debt losses recognized from various receivables and impairment gains/(losses). The following tables set forth details of our credit impairment gains for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Unaudited) (US$ in '000)*
Bad debt losses/recovery from accounts receivables	—	22,512	(68,404)	(189,528)	(29,046)
Bad debt losses/recovery from notes receivables	—	(34)	7,412	5,258	806
Bad debt losses/recovery from other receivables	—	(3,240)	8,914	(11,919)	(1,827)
Bad debt losses of long-term receivables	—	—	—	(1,743)	(267)
Impairment losses of other current asset	—	—	(5,222)	(6,884)	(1,055)
Impairment (losses)/ gains of debt investment	—	—	(871)	656	101
Impairment losses of non-current assets due within one year	—	—	(635)	(643)	(99)
Total	**—**	**19,238**	**(58,806)**	**(204,803)**	**(31,387)**

Asset Impairment Losses

Our asset impairment losses consist of bad debt loss, loss from decline in value of inventories, loss from impairment of long-term equity investments, loss from impairment of fixed assets, loss from impairment of construction materials, loss from impairment of construction in progress, loss from impairment of assets held for sale and others. The following table sets forth details of our asset impairment losses for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Unaudited)* *(US$ in '000)*
Bad debt losses	(54,679)	—	—	—	—
Losses/recovery from decline in value of inventories	(6,824)	(16,160)	(19,015)	8,159	1,250
Losses from impairment of long-term equity investments	(13,069)	—	—	—	—
Losses from impairment of fixed assets	(14,174)	—	—	(64,675)	(9,911)
Losses from impairment of construction materials	(7,956)	—	—	(6,633)	(1,017)
Others	—	—	(343)	—	—
Total	**(96,702)**	**(16,160)**	**(19,358)**	**(63,149)**	**(9,678)**

Gains/(Losses) on Disposal of Assets

Our gains/(losses) on disposal of assets consist of total income from disposal of non-current assets and income/(losses) from assets/liabilities held for sale. The following table sets forth details of our gains/(losses) on disposal of assets for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Unaudited)* *(US$ in '000)*
Total income from disposal of non-current assets					
Including: income /(losses) from disposal of fixed assets	1,020	7,073	(66,592)	(146,336)	(22,427)
Income from disposal of intangible assets	—	—	36,393	20,911	3,205
Losses from assets/liabilities held for sale	(438)	—	—	—	—
Total	**582**	**7,073**	**(30,199)**	**(125,425)**	**(19,222)**

Non-operating Income

Our non-operating income consists of income from inventory profit, government subsidies, income from disposal of waste materials, compensation income, acquisition premium, unpayable dues, income from penalties and others. The following table sets forth details of our non-operating income for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Unaudited)* *(US$ in '000)*
Inventory profit	—	—	3,418	2,422	371
Government subsidies	13,898	143,118	143,118	—	—
Income from disposal of waste materials	—	—	14,564	11,022	1,689
Compensation income	—	—	14,534	20,022	3,068
Penalty income	—	—	11,856	26,703	4,092
Acquisition premium	—	—	15,685	—	—
Unpayable dues	11,169	450	23,070	5,147	789
Income from penalties	2,067	1,262	—	—	—
Others	3,813	3,240	17,122	17,885	2,742
Total	**30,947**	**148,070**	**243,367**	**83,201**	**12,751**

Non-operating Expenses

Our non-operating expenses consist of total losses from damages and abandonment of non-current assets, donations given, expenses for penalties, payment of economic compensation, losses from disposal loss of waste materials and others. The following table sets forth details of our non-operating expenses for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Audited)* *(RMB in '000)*	*(Unaudited)* *(US$ in '000)*
Total losses from damages and abandonment of non-current assets	10,235	2,050	2,050	42,448	6,505
Including: Losses from damages and abandonment of fixed assets	10,235	2,050	2,050	42,448	6,505
Donations given	18,750	10,191	55,350	74,335	11,392
Expenses for penalties	5,320	643	3,823	10,643	1,631
Payment of economic compensation	1,386	—	17,662	32,245	4,942
Losses from disposal loss of waste materials	—	—	25,431	40,656	6,231
Others	829	248	25,970	33,103	5,074
Total	**36,520**	**13,132**	**130,286**	**233,430**	**35,775**

Income Tax Expenses

Income tax expenses represents our total current and deferred income tax expense. Income tax expenses mainly consist of tax expenses incurred by our subsidiaries. As of December 31, 2020, we were subject to taxes in the PRC and Hong Kong.

Under the EIT Law and the implementation regulations of the EIT Law, the tax rate of subsidiaries in the PRC has been 25.0% from January 1, 2008, which is applicable to all of our PRC subsidiaries, except for certain subsidiaries that enjoy tax exemption or a preferential income tax rate as granted by the tax authorities. The preferential tax policies that we are entitled to mainly consist of (i) a high-tech enterprise preferential tax policy, and (ii) the western China development preferential enterprise tax policy, which is a preferential tax promulgated by the SAT for qualified corporations carrying out business activities in certain provinces in Western China. According to such preferential tax policies, certain of our qualified subsidiaries were granted preferential tax treatment of 15.0% income tax rate during the relevant period. See "*Risk Factors — Risks Relating to our Business in General — A reduction in or elimination of government grants and preferential tax treatments could affect our results of operations and cash flow.*"

For the years ended December 31, 2018 and 2019 (for our Original Group) and the years ended December 31, 2019 and 2020 (for our Enlarged Group), our effective tax rate was 13.3%, 15.3%, 22.6%, and 24.9%, respectively. The following table sets forth details of our income tax expenses for the periods indicated:

	Original Group		**Enlarged Group**		
	For the year ended December 31,		**For the year ended December 31,**		
	2018	**2019**	**2019**	**2020**	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Unaudited) (US$ in '000)*
Current income tax expenses	211,636	191,812	1,753,145	1,975,813	302,807
Deferred income tax expenses	3,824	21,212	684,861	625,762	95,902
Total	**215,460**	**213,024**	**2,438,006**	**2,601,575**	**398,709**

Net Profit and Net Profit Margin

Our net profit for the years ended December 31, 2018 and 2019 (for our Original Group) and the years ended December 31, 2019 and 2020 (for our Enlarged Group) was RMB1,405.7 million, RMB1,183.8 million, RMB8,353.9 million and RMB7,833.1 million (approximately US$1,200.5 million), respectively, representing a net profit margin of 10.3%, 8.7%, 9.4% and 8.9% for the same periods.

Results of Operations

The table below sets forth our results of operations for the periods indicated:

	Original Group		Enlarged Group		
	For the year ended December 31,		For the year ended December 31,		
	2018	2019	2019	2020	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Unaudited) (US$ in '000)*
Total revenue	13,632,479	13,544,053	88,652,184	88,098,771	13,501,727
Including: Operating revenue	13,632,479	13,544,053	88,652,184	88,098,771	13,501,727
Less: Total costs	12,503,678	12,896,434	80,269,572	77,833,572	11,928,516
Including: Cost of sales	10,696,874	11,161,587	73,221,449	71,782,441	11,001,140
Taxes and surcharges	247,223	295,545	539,729	569,363	87,259
Selling expenses	189,140	153,067	1,321,418	1,210,195	185,470
Administrative expenses	520,495	521,708	3,292,483	3,309,395	507,187
R&D expenses	145,657	127,991	504,316	585,077	89,667
Financial expenses	704,289	636,536	1,390,177	377,101	57,793
Add: Other income	11,202	15,549	247,262	389,711	59,726
Investment income	584,480	588,609	1,351,630	404,382	61,974
Including: Investment income from associates and joint ventures	583,957	513,551	1,013,422	252,426	38,686
(Losses)/ gains on changes in fair value	(1,603)	—	805,729	(81,044)	(12,421)
Credit impairment gains / (losses)(1)	—	19,238	(58,806)	(204,803)	(31,387)
Asset impairment losses(1)	(96,702)	(16,160)	(19,358)	(63,149)	(9,678)
Gains /(losses) on disposal of assets	582	7,073	(30,199)	(125,425)	(19,222)
Operating profit	**1,626,760**	**1,261,928**	**10,678,870**	**10,584,871**	**1,622,203**
Add: Non-operating income	30,947	148,070	243,367	83,201	12,751
Less: Non-operating expenses	36,520	13,132	130,286	233,430	35,775
Total profit	**1,621,187**	**1,396,866**	**10,791,951**	**10,434,642**	**1,599,179**
Less: Income tax expenses	215,460	213,024	2,438,006	2,601,575	398,709
Net profit	**1,405,727**	**1,183,842**	**8,353,945**	**7,833,067**	**1,200,470**

Note:

(1) Pursuant to the "Notice of the Ministry of Finance on Revising and Issuing the 2018 Format of Financial Statements of General Enterprises (Cai Kuai [2019] No. 6) (財會[2019]6號《財政部關於修訂印發2019年度一般企業財務報表格式的通知》)" issued by the MOF on April 30, 2019 we had adjusted the presentation of our financial statements and had made corresponding retrospective adjustments to certain line items in our audited consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the new reporting requirements on financial statements. For details of such adjustments, see Note III 29 (1) of our Historical Financial Statements of 2018 and 2019, which are included elsewhere in this Offering Memorandum.

Discussion of Results of Operations

Year Ended December 31, 2020 Compared with Year Ended December 31, 2019

Total Revenue

Our Enlarged Group's total revenue remained stable from RMB88,652.2 million in 2019 to RMB88,098.8 million (approximately US$13,501.7 million) in 2020. The below sets forth details regarding the changes in revenue of our Enlarged Group's various major business segments:

- Revenue from our Enlarged Group's natural gas retail business remained stable from RMB45,774.8 million in 2019 to RMB45,872.0 million (approximately US$7,030.2 million) in 2020.

- Revenue from our Enlarged Group's natural gas wholesale business decreased by 2.6% from RMB18,070.1 million in 2019 to RMB17,610.1 million (approximately US$2,698.9 million) in 2020, primarily due to the decrease in natural gas prices in the PRC in 2019.

- Revenue from our Enlarged Group's construction and installation business remained stable from RMB9,729.0 million in 2019 to RMB9,614.0 million (approximately US$1,473.4 million) in 2020, primarily due to the decrease in revenue from our installation business, partially offset by the increase in revenue from our construction business.

- Revenue from our Enlarged Group's integrated energy business increased by 88.3% from RMB3,034.7 million in 2019 to RMB5,712.7 million (approximately US$875.5 million) in 2020, primarily due to the twenty-one new integrated energy projects we put into operation in 2020 as well as an increase in the utilization of our existing integrated energy projects .

- Revenue from our Enlarged Group's energy chemical product business decreased by 19.7% from RMB2,487.9 million in 2019 to RMB1,998.2 million (approximately US$306.2 million) in 2020, primarily due to a decrease in the average selling price of our methanol products.

- Revenue from our Enlarged Group's chemical product trading business decreased by 52.2% from RMB4,290.4 million in 2019 to RMB2,051.3 million (approximately US$314.4 million) in 2020, primarily due to adoption of net method for revenue recognition of part of our chemical product trading business according to the new PRC accounting standard on revenue effective on January 1, 2020.

- Revenue from our Enlarged Group's extended business decreased by 14.3% from RMB1,856.9 million in 2019 to RMB1,591.1 million (approximately US$243.8 million) in 2020, primarily due to an increase in the portion of certain products sold on a commission basis, where only the commission is recognized as revenue according to our accounting policy.

- Revenue from our Enlarged Group's natural gas direct sale business increased significantly from RMB335.5 million in 2019 to RMB1,584.0 million (approximately US$242.8 million) in 2020, primarily due to an increase in the sales volume of natural gas imported from overseas.

- Revenue from our Enlarged Group's coal product business remained stable from RMB1,518.7 million in 2019 to RMB1,539.6 million (approximately US$236.0 million) in 2020.

- Revenue from our Enlarged Group's pesticides and veterinary medicine business decreased from RMB1,119.2 million in 2019 to nil in 2020, primarily due to the asset disposal of our pesticides and veterinary medicine business in June 2019.

Cost of Sales

Our Enlarged Group's cost of sales slightly decreased by 2.0% from RMB73,221.4 million in 2019 to RMB71,782.4 million (approximately US$11,001.1 million) in 2020, primarily due to (i) the decrease in costs of procurement of natural gas and (ii) adoption of net method for revenue recognition of part of our trading business according to the new PRC accounting standard on revenue effective on January 1, 2020. The below sets forth details regarding the changes in operating costs of our Enlarged Group's various major business segments:

- Cost of sales from our Enlarged Group's natural gas retail business remained stable from RMB38,821.7 million in 2019 to RMB38,084.6 million (approximately US$5,836.7 million) in 2020.

- Cost of sales from our Enlarged Group's natural gas wholesale business decreased by 3.8% from RMB17,903.9 million in 2019 to RMB17,230.2 million (approximately US$2,640.6 million) in 2020, primarily due to the decrease in sales of our wholesale natural gas products, which is largely due to the decrease in natural gas prices in the PRC in 2019.

- Cost of sales from our Enlarged Group's construction and installation business increased by 7.2% from RMB5,051.9 million in 2019 to RMB5,413.4 million (approximately US$829.6 million) in 2020, primarily due to the increase in the number of projects we undertook for our construction business, the cost of sales of which were higher than cost of sales of our installation business projects.

- Cost of sales from our Enlarged Group's integrated energy business increased by 86.7% from RMB2,474.6 million in 2019 to RMB4,618.9 million (approximately US$707.9 million) in 2020, primarily due to the increase in costs corresponding to the increase in business volume under this business segment.

- Cost of sales from our Enlarged Group's energy chemical product business decreased by 11.9% from RMB2,138.3 million in 2019 to RMB1,884.2 million (approximately US$288.8 million) in 2020, primarily due to the decrease in prices of raw materials.

- Cost of sales from our Enlarged Group's chemical product trading business decreased by 52.1% from RMB4,245.5 million in 2019 to RMB2,032.7 million (approximately US$311.5 million) in 2020, primarily due to adoption of net method for revenue recognition of part of our chemical product trading business according to the new PRC accounting standard on revenue effective on January 1, 2020.

- Cost of sales from our Enlarged Group's extended business decreased by 53.3% from RMB566.4 million in 2019 to RMB264.6 million (approximately US$40.5 million) in 2020, primarily because we ceased to sell gasoline, diesel and styrene products in 2020.

- Cost of sales from our Enlarged Group's natural gas direct sale business increased significantly from RMB289.6 million in 2019 to RMB1,435.7 million (approximately US$220.0 million) in 2020, primarily due to the increase in costs corresponding to the increase in business volume under this business segment.

- Cost of sales from our Enlarged Group's coal product business increased by 9.5% from RMB644.3 million in 2019 to RMB705.8 million (approximately US$108.2 million) in 2020, primarily due to the increase in the amount of coal products that we sold.

- Cost of sales from our Enlarged Group's pesticides and veterinary medicine business decreased from RMB908.5 million in 2019 to nil in 2020, primarily due to the asset disposal of our pesticides and veterinary medicine business in June 2019.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our Enlarged Group's gross profit increased by 5.7% from RMB15,430.7 million in 2019 to RMB16,316.3 million (approximately US$2,500.6 million) in 2020. Our Enlarged Group's gross profit margin increased from 17.4% in 2019 to 18.5% in 2020.

Taxes and Surcharges

Our Enlarged Group's taxes and surcharges increased by 5.5% from RMB539.7 million in 2019 to RMB569.4 million (approximately US$87.3 million) in 2020. This increase was primarily due to the increase in our Enlarged Group's gross profit.

Selling Expenses

Our Enlarged Group's selling expenses decreased by 8.4% from RMB1,321.4 million in 2019 to RMB1,210.2 million (approximately US$185.5 million) in 2020. This decrease was primarily due to (i) the elimination of selling expenses of our pesticides and veterinary medicine business in 2020, which resulted from the asset disposal of our pesticides and veterinary medicine business in June 2019 as well as (ii) a decrease in employee compensation.

Administrative Expenses

Our Enlarged Group's administrative expenses remained stable from RMB3,292.5 million in 2019 to RMB3,309.4 million (approximately US$507.2 million) in 2020.

R&D Expenses

Our Enlarged Group's R&D expenses increased by 16.0% from RMB504.3 million in 2019 to RMB585.1 million (approximately US$89.7 million) in 2020. This increase was primarily due to our increased effort to facilitate the application of informatized and industrialized standards in our production process and develop smart production facilities enabling intelligent control and automatic equipment monitoring.

Financial Expenses

Our Enlarged Group's financial expenses decreased by 72.9% from RMB1,390.2 million in 2019 to RMB377.1 million (approximately US$57.8 million) in 2020. This decrease was primarily due to (i) exchange gains generated by our U.S. dollar-denominated borrowings, which was attribute to the general trend of appreciation of Renminbi against U.S. dollars in 2020, as well as (ii) a decrease in our financing costs in general as our business expands.

Other Income

Our Enlarged Group's other income significantly increased by 57.6% from RMB247.3 million in 2019 to RMB389.7 million (approximately US$59.7 million) in 2020, primarily due to an increase in our receipt of government subsidies and tax funds.

Investment Income

For our Enlarged Group, we had an investment income decreased by 70.1% from RMB1,351.6 million in 2019 to RMB404.4 million (approximately US$62.0 million) in 2020, primarily due to (i) our investment losses from Santos recognized in 2020 and (ii) investment income recognized in 2019 resulting from the asset disposal of our pesticides and veterinary medicine business in June 2019. As part of the consideration for the ENN Energy Acquisition, we transferred out all shares we held in Santos in September 2020. For more details, see "*Business — Our Business — Natural Gas Production, Wholesale and Direct Sales — Investments in Natural Gas Producers*".

Gains/(Losses) on Changes in Fair Value

For our Enlarged Group's, we had losses on changes in fair value of RMB81.0 million (approximately US$12.4 million) in 2020, while we had gains on changes in fair value of RMB805.7 million in 2019, primarily due to (i) our application of hedge accounting and (ii) a decrease in gains from changes in fair value generated by derivative financial instruments, which was primarily attributable to a decline in crude oil prices.

Credit Impairment Gains /(Losses)

Our Enlarged Group's credit impairment losses increased significantly from RMB58.8 million in 2019 to RMB204.8 million (approximately US$31.4 million) in 2020, primarily due to an increase in the accrued credit impairment losses resulting from a corresponding increase in our aged accounts receivables.

Asset Impairment Losses

Our Enlarged Group's asset impairment losses increased significantly from RMB19.4 million in 2019 to RMB63.1 million (approximately US$9.7 million) in 2020, primarily due to our loss from impairment of fixed assets of RMB64.7 million (approximately US$9.9 million) in 2020, which was primarily attributable to the impairment of certain of our LNG refueling stations that were being closed down due to the decrease in LNG sales by such refueling stations, partially offset by the decrease in our loss from decline in value of inventories of RMB8.2 million (approximately US$1.3 million) in 2020, which was primarily attributable to the decrease in value of certain of our back-up equipment.

Gains/(Losses) on Disposal of Assets

For our Enlarged Group, we had losses on disposal of assets of RMB125.4 million (approximately US$19.2 million) in 2020 as compared to RMB30.2 million in 2019, primarily due to our losses from disposal of fixed assets of RMB146.3 million (approximately US$22.4 million) in 2020, which was primarily attributable to the disposal of certain natural gas pipelines, partially offset by our income from disposal of intangible assets of RMB20.9 million (approximately US$3.2 million) in 2020, which was primarily attributable to the sale of certain of our land use rights.

Non-operating Income

Our Enlarged Group's non-operating income decreased by 65.8% from RMB243.4 million in 2019 to RMB83.2 million (approximately US$12.8 million) in 2020. This decrease was primarily due to a decrease in our government subsidies of RMB143.1 million in 2019, which primarily consisted of the relocation subsidies paid to us in 2019 due to the asset disposal of our pesticides and veterinary medicine business in June 2019, to nil in 2020.

Non-operating Expenses

Our Enlarged Group's non-operating expenses significantly increased by 79.2% from RMB130.3 million in 2019 to RMB233.4 million (approximately US$35.8 million) in 2020. This increase was primarily due to (i) certain expenditure for donations and (ii) losses from abandonment and damages of certain fixed assets.

Income Tax Expenses

Our Enlarged Group's income tax expenses increased by 6.7% from RMB2,438.0 million in 2019 to RMB2,601.6 million (approximately US$398.7 million) in 2020. Our Enlarged Group's effective income tax rate increased from 22.6% in 2019 to 24.9% in 2020.

Net Profit and Net Profit Margin

As a result of the foregoing, our Enlarged Group's net profit decreased by 6.2% from RMB8,353.9 million in 2019 to RMB7,833.1 million (approximately US$1,200.5 million) in 2020. Our Enlarged Group's net profit margin decreased from 9.4% in 2019 to 8.9% in 2020.

Year Ended December 31, 2019 Compared with Year Ended December 31, 2018

Total Revenue

Our Original Group's total revenue remained stable from RMB13,632.5 million in 2018 to RMB13,544.1 million in 2019. The below sets forth details regarding the changes in revenue of our Original Group's various major business segments:

- Revenue from our Original Group's trading business decreased by 5.9% from RMB4,559.6 million in 2018 to RMB4,290.4 million in 2019. This decrease was primarily due to a decrease in the average selling price of methanol.

- Revenue from our Original Group's energy engineering business increased by 11.6% from RMB3,177.5 million in 2018 to RMB3,546.6 million in 2019. This increase was primarily due to increases in contracts with other parties with a focus on EPC business and in our business volumes derived from our large-scale projects under construction, comprehensive projects and underpass projects.

- Revenue from our Original Group's energy chemical product business increased by 27.3% from RMB1,984.6 million in 2018 to RMB2,525.6 million in 2019, primarily due to a substantial increase in business volume of our production and sales of methanol, which was primarily attributable to an increase in the sales volume of methanol generated through its increased production volume under the Daqi Phase II Project, partially offset by a decrease in the average selling price of methanol in 2020.

- Revenue from our Original Group's coal product business decreased by 3.5% from RMB1,574.1 million in 2018 to RMB1,518.7 million in 2019, which was primarily attributable to a decrease in our production volume of coal due to an incident that occurred at Wangjiata Coal Mine in November 2019 and its subsequent suspension for more than three months.

- Revenue from our Original Group's pesticides and veterinary medicine business decreased by 40.2% from RMB1,870.2 million in 2018 to RMB1,119.2 million in 2019, primarily due to the asset disposal of our pesticides and veterinary medicine business in June 2019 (in result of which we recognized revenue generated from this business segment until May 31, 2019 for the year ended December 31, 2019 as compared with the corresponding period in the previous year where we recognized revenue for the full twelve months until December 31, 2018).

- Revenue from our Original Group's LNG business decreased by 15.4% from RMB396.4 million in 2018 to RMB335.5 million in 2019, primarily due to a decrease in the sales volume of our LNG.

Cost of Sales

Our Original Group's cost of sales increased by 4.3% from RMB10,696.9 million in 2018 to RMB11,161.6 million in 2019, primarily due to (i) the increase in costs corresponding to the business growth in our coal trading, methanol trading, energy engineering and pesticides businesses and (ii) an increase in costs of raw coal and thermal coal for our production of methanol, costs of raw materials for the production of pesticides and production costs of our coal products. The below sets forth details regarding the changes in operating costs of our Original Group's various major business segments:

- Cost of sales from our Original Group's trading business decreased by 6.0% from RMB4,518.6 million in 2018 to RMB4,245.5 million in 2019. This decrease was primarily due to the asset disposal of our pesticides and veterinary medicine business in June 2019.

- Cost of sales of our Original Group's energy engineering business increased by 12.7% from RMB2,427.5 million in 2018 to RMB2,735.7 million in 2019. This increase was primarily attributable to the increase in costs corresponding to the increase in business volume under this business segment.

- Cost of sales of our Original Group's energy chemical product business increased by 59.3% from RMB1,354.9 million in 2018 to RMB2,158.9 million in 2019, primarily due to the increase in costs corresponding to the increase in business volume under this business segment.

- Cost of sales of our Original Group's coal product business increased by 6.5% from RMB605.0 million in 2018 to RMB644.3 million in 2019, primarily due to the increase in the amount of coal products that we sold.

- Cost of sales of our Original Group's pesticides and veterinary medicine business decreased by 37.0% from RMB1,441.9 million in 2018 to RMB908.5 million in 2019, primarily due to the asset disposal of our pesticides and veterinary medicine business in June 2019 (in result of which we recognized cost of sales for this business segment until May 31, 2019 for the year ended December 31, 2019 as compared with the corresponding period in the previous year where we recognized cost of sales for the full twelve months until December 31, 2018).

- Cost of sales of our Original Group's LNG business decreased by 4.9% from RMB304.7 million in 2018 to RMB289.6 million in 2019, primarily due to the decrease in costs corresponding to the decrease in business volume under this business segment.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our Original Group's gross profit decreased by 18.8 % from RMB2,935.6 million in 2018 to RMB2,382.5 million in 2019. Our Original Group's gross profit margin decreased from 21.5% in 2018 to 17.6% in 2019.

Taxes and Surcharges

Our Original Group's taxes and surcharges increased by 19.5% from RMB247.2 million in 2018 to RMB295.5 million in 2019. This increase was primarily due to an increase in goaf farmland use tax in relation to the mining areas occupied by Xinneng Mining.

Selling Expenses

Our Original Group's selling expenses decreased by 19.1% from RMB189.1 million in 2018 to RMB153.1 million in 2019. This decrease was primarily due to a decrease in selling expenses relating to our pesticides and veterinary medicine business as a result of the asset disposal of such business in June 2019.

Administrative Expenses

Our Original Group's administrative expenses remained stable from RMB520.5 million in 2018 to RMB521.7 million in 2019. Such administrative expenses in 2019 were primarily attributable to the increases in equipment maintenance expenses and agent-related expenses, while the administrative expenses in 2018 were primarily due to the losses from the temporary shutdown of our wholly-owned subsidiary, Veyong Biochemical, which was attributable to certain improper technical reformation and VOC waste gas treatment activities.

R&D Expenses

Our Original Group's R&D expenses decreased by 12.1% from RMB145.7 million in 2018 to RMB128.0 million in 2019. This decrease was primarily due to a decrease in R&D expenses relating to our pesticides and veterinary medicine business as a result of the asset disposal of such business in June 2019.

Financial Expenses

Our Original Group's financial expenses decreased by 9.6% from RMB704.3 million in 2018 to RMB636.5 million in 2019. This decrease was primarily due to the exchange losses generated in 2018 by our U.S. dollar-denominated borrowings compared with 2019.

Other Income

Our Original Group's other income significantly increased by 38.8% from RMB11.2 million in 2018 to RMB15.5 million in 2019, primarily due to the increase in the sales of by-products of our energy chemical and coal products.

Investment Income

Our Original Group's investment income increased by 0.7% from RMB584.5 million in 2018 to RMB588.6 million in 2019.

Gains/(Losses) on Changes in Fair Value

For our Original Group, we had losses on changes in fair value of nil in 2019 as compared to RMB1.6 million in 2018, primarily due to certain foreign exchange transactions that we conducted in 2018 only.

Credit Impairment Gains /(Losses)

For our Original Group, we had credit impairment gains of RMB19.2 million in 2019 as compared to nil in 2018, primarily due to (i) the reclassification of impairment losses derived from various financial instruments into a new accounting line item as credit impairment gains (or losses) pursuant the "Notice of the Ministry of Finance on Revising and Issuing the 2019 Format of Financial Statements of General Enterprises (Cai Kuai [2019] No. 6)" promulgated on April 30, 2019, and (ii) the recognition of bad debts in relation to the settlement of certain long-term receivables by Xindi Engineering.

Asset Impairment Losses

Our Original Group's asset impairment losses decreased by 83.3% from RMB96.7 million in 2018 to RMB16.2 million in 2019, primarily due to (i) a decrease in bad debt loss from RMB54.7 million in 2018 to nil in 2019, which was primarily attributable to an adjustment made pursuant to the new reporting requirements on financial statements under the "Notice of the Ministry of Finance on Revising and Issuing the 2019 Format of Financial Statements of General Enterprises (Cai Kuai [2019] No. 6)" issued by the MOF on April 30, 2019; (ii) a decrease in impairment loss of fixed assets from RMB14.2 million in 2018 to nil in 2019, which was primarily attributable to the accrual of impairment loss of fixed assets in relation to the underutilized fixed assets of our partially-owned subsidiary, Xinneng Zhangjiagang in 2018; (iii) a decrease in impairment loss of long-term equity investments from RMB13.1 million in 2018 to nil in 2019, which was primarily attributable to accrual of impairment loss in connection with the disposal of a joint business operation in Dongguan by Xindi Engineering in 2018; (iv) a decrease in impairment loss of construction materials from RMB8.0 million in 2018 to nil in 2019, which was primarily attributable to the accrual of impairment loss of construction materials by Xinneng Energy in 2018; and partially offset by an increase in loss from decline in value of inventories from RMB6.8 million in 2018 to RMB16.2 million in 2019, which was primarily attributable to the decline in value of inventories that had not been fully utilized in certain construction projects of Xinneng Energy.

Gains/(Losses) on Disposal of Assets

For our Original Group, we had gains on disposal of assets of RMB7.1 million in 2019 as compared to RMB0.6 million in 2018, primarily due to the disposal of land use rights by New Veyong.

Non-operating Income

Our Original Group's non-operating income significantly increased by 378.5% from RMB30.9 million in 2018 to RMB148.1 million in 2019. This increase was primarily due to an increase in government subsidies recognized through the amortization of deferred income from relocation subsidies in effect of the asset disposal of our pesticides and veterinary medicine business in June 2019.

Non-operating Expenses

Our Original Group's non-operating expenses significantly decreased by 64.0% from RMB36.5 million in 2018 to RMB13.1 million in 2019. This decrease was primarily due to an increase in donations by Xinneng Energy and Xinneng Mining.

Income Tax Expenses

Our Original Group's income tax expenses decreased by 1.1% from RMB215.5 million in 2018 to RMB213.0 million in 2019. Our Original Group's effective income tax rate increased from 13.3% in 2018 to 15.3% in 2019.

Net Profit and Net Profit Margin

As a result of the foregoing, our Original Group's net profit decreased by 15.8% from RMB1,405.7 million in 2018 to RMB1,183.8 million in 2019. Our Original Group's net profit margin decreased from 10.3% in 2018 to 8.7% in 2019.

Cash Flows

Our primary use of cash is to fund our working capital needs, capital expenditures and repayment of our indebtedness. We have utilized a combination of cash flows generated from our operating activities, investment activities, bank borrowings, issuance of bonds and other loans and capital contributions made by our shareholders. The following table sets forth a selected summary of our consolidated cash flow statements for the periods indicated:

	Original Group		**Enlarged Group**		
	For the year ended December 31,		**For the year ended December 31,**		
	2018	**2019**	**2019**	**2020**	
	(Audited) (RMB in '000)	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Audited) (RMB in '000)*	*(Unaudited) (US$ in '000)*
Net cash flows from operating activities	1,222,087	1,408,468	14,310,726	12,447,677	1,907,690
Net cash flows from investing activities	(1,298,230)	303,496	(8,020,494)	(7,209,061)	(1,104,837)
Net cash flows from financing activities	(406,430)	(1,141,694)	(6,030,125)	(4,209,670)	(645,160)
Effect of foreign exchange rate changes on cash	(13,856)	14,733	17,349	25,424	3,896
Net (decrease) / increase in cash and cash equivalents	(496,429)	585,003	277,456	1,054,370	161,589
Cash and cash equivalents balance at the beginning of the period year	2,318,263	1,821,834	10,299,161	10,576,617	1,620,937
Closing balance of cash and cash equivalents at the end of the period year	1,821,834	2,406,837	10,576,617	11,630,987	1,782,526

Net Cash Flows from Operating Activities

For the year ended December 31, 2020, our Enlarged Group had net cash flows from operating activities of RMB12,447.7 million (approximately US$1,907.7 million). Such cash inflows were attributable to (i) cash received from sales of goods and rendering of services of RMB103,565.9 million (approximately US$15,872.2 million) relating to, among others, our natural gas retail, wholesale and direct sale businesses, construction and installation business, integrated energy business, coal and energy chemical products businesses and extended business, (ii) refunds of taxes and surcharges of RMB143.7 million (approximately US$22.0 million) and (iii) cash received relating to other operating activities of RMB745.3 million (approximately US$114.2 million) primarily relating to government subsidies as well as certain cash received from refund of guarantee deposits we paid and guarantee deposits we received from other parties, partially offset by (i) cash paid for procurement of commodities and services of RMB80,774.5 million (approximately US$12,379.2 million) primarily relating to our natural gas retail, wholesale and direct sale businesses as well as coal and energy chemical products business segments, (ii) cash paid to and on behalf of employees of

RMB4,630.7 million (approximately US$709.7 million), (iii) cash paid for taxes and surcharges of RMB4,518.8 million (approximately US$692.5 million) and (iv) cash paid relating to other operating activities of RMB2,083.2 million (approximately US$319.3 million) including the payment of guarantee deposits, administrative expenses, selling expenses, R&D expenses and transaction fees paid to financial institutions.

For the year ended December 31, 2019, our Enlarged Group had net cash flows from operating activities of RMB14,310.7 million. Such cash inflows were attributable to (i) cash received from sales of goods and rendering of services of RMB104,303.0 million relating to, among others, our natural gas retail, wholesale and direct sale businesses, construction and installation business, integrated energy business, coal and energy chemical products businesses, extended business and pesticide and veterinary medicine business, (ii) refunds of taxes and surcharges of RMB49.1 million and (iii) cash received relating to other operating activities of RMB900.7 million primarily relating to government subsidies as well as certain cash received from refund of guarantee deposits we paid and guarantee deposits we received from other parties, partially offset by (i) cash paid for procurement of commodities and services of RMB79,981.0 million primarily relating to our natural gas retail, wholesale and direct sale businesses as well as coal and energy chemical products business segments, (ii) cash paid to and on behalf of employees of RMB4,531.9 million, (iii) cash paid for taxes and surcharges of RMB4,381.8 million and (iv) cash paid relating to other operating activities of RMB2,047.4 million including the payment of guarantee deposits, administrative expenses, selling expenses, and R&D expenses and transaction fees paid to financial institutions.

For the year ended December 31, 2019, our Original Group had net cash flows from operating activities of RMB1,408.5 million. Such cash inflows were attributable to (i) cash received from sales of goods and rendering of services of RMB12,930.0 million relating to, among others, the sale and trading of our coal products, the sale of our methanol, pesticides, veterinary medicines and LNG products, (ii) refunds of taxes and surcharges of RMB23.5 million and (iii) cash received relating to other operating activities of RMB232.6 million primarily relating to certain cash received from refund of guarantee deposits we paid and guarantee deposits we received from other parties, partially offset by (i) cash paid for procurement of commodities and services of RMB9,698.8 million primarily relating to our coal and energy chemical products business segments, (ii) cash paid to and on behalf of employees of RMB838.1 million, (iii) cash paid for taxes and surcharges of RMB823.5 million and (iv) cash paid relating to other operating activities of RMB417.2 million including, among others, the payment of guarantee deposits, personal loans and advanced payments on behalf of others, administrative expenses, selling expenses and manufacturing expenses.

For the year ended December 31, 2018, our Original Group had net cash flows from operating activities of RMB1,222.1 million. Such cash inflows were attributable to (i) cash received from sales of goods and rendering of services of RMB12,305.0 million relating to, among others, the sale and trading of our coal products, the sale of our methanol, pesticides, veterinary medicines and LNG products, (ii) refunds of taxes and surcharges of RMB93.8 million and (iii) cash received relating to other operating activities of RMB212.1 million primarily relating to certain cash received from refund of guarantee deposits we paid and guarantee deposits we received from other parties, partially offset by (i) cash paid for procurement of commodities and services of RMB9,146.5 million primarily relating to our coal and energy chemical products business segments, (ii) cash paid to and on behalf of employees of RMB848.0 million, (iii) cash paid for taxes and surcharges of RMB882.5 million and (iv) cash paid relating to other operating activities of RMB511.8 million including, among others, the payment of guarantee deposits, administrative expenses, selling expenses, manufacturing expenses and personal loans and advanced payments on behalf of others.

Net Cash Flows from Investing Activities

For the year ended December 31, 2020, our Enlarged Group had net cash flows used in investing activities of RMB7,209.1 million (approximately US$1,104.8 million). Such cash outflows were attributable to (i) cash paid to acquire and construct fixed assets, intangible assets and other long-term assets of RMB6,922.0 million (approximately US$1,060.8 million), which was primarily due to investments relating to production and operation cycles, (ii) cash paid relating to other investing activities of RMB2,051.6 million (approximately US$314.4 million),(iii) cash paid for investment of RMB10,782.1 million (approximately US$1,652.4 million) and (iv) net cash paid by subsidiaries and other business units of RMB705.2 million (approximately US$108.1 million) partially offset by (i) cash received from investments of RMB10,370.4 million (approximately US$1,589.3 million), (ii) cash received from returns on investments of RMB616.8 million (approximately US$94.5 million), (iii) net cash received from disposal of fixed assets, intangible assets and other long-term assets of RMB230.5 million (approximately US$35.3 million), (iv) net cash received from disposal of subsidiaries and other business units of RMB359.8 million (approximately US$55.1 million), and (v) cash received relating to other investing activities of RMB1,674.3 million (approximately US$256.7 million).

For the year ended December 31, 2019, our Enlarged Group had net cash flows used in investing activities of RMB8,020.5 million. Such cash outflows were attributable to (i) cash paid to acquire and construct fixed assets, intangible assets and other long-term assets of RMB8,910.9 million, which was primarily due to investments relating to production and operation cycles, (ii) cash paid relating to other investing activities of RMB1,186.4 million,(iii) cash paid for investment of RMB20,791.3 million and (iv) net cash paid by subsidiaries and other business units of RMB1,285.4 million partially offset by (i) cash received from investments of RMB21,007.0 million, (ii) cash received from returns on investments of RMB664.7 million, (iii) net cash received from disposal of fixed assets, intangible assets and other long-term assets of RMB410.8 million, (iv) net cash received from disposal of subsidiaries and other business units of RMB700.4 million, and (v) cash received relating to other investing activities of RMB1,370.6 million.

For the year ended December 31, 2019, our Original Group had net cash flows gained from investing activities of RMB303.5 million. Such cash inflows were attributable to (i) cash received from returns on investments of RMB296.4 million, (ii) net cash received from disposal of fixed assets, intangible assets and other long-term assets of RMB5.6 million, (iii) net cash received from disposal of subsidiaries and other business units of RMB654.5 million, (iv) cash received relating to other investing activities of RMB15.0 million, and (vi) cash received from recovery of investments of RMB1.0 million, partially offset by(i) cash paid to acquire and construct fixed assets, intangible assets and other long-term assets of RMB592.7 million, which was primarily due to investments relating to production and operation cycles, (ii) cash paid for investment of RMB42.3 million and (iii) cash paid relating to other investing activities of RMB34.0 million.

For the year ended December 31, 2018, our Original Group had net cash flows used in investing activities of RMB1,298.2 million. Such cash outflows were attributable to (i) cash paid to acquire and construct fixed assets, intangible assets and other long-term assets of RMB1,342.2 million, which was primarily due to an increase in investment in the Daqi Phase II Project and investments relating to production and operation cycles, and (ii) cash paid relating to other investing activities of RMB47.2 million, partially offset by (i) cash received from returns on investments of RMB53.8 million, (ii) net cash received from disposal of fixed assets, intangible assets and other long-term assets of RMB3.0 million, (iii) net cash received from disposal of subsidiaries and other business units of RMB12.0 million, and (iv) cash received relating to other investing activities of RMB22.4 million.

Net Cash Flows from Financing Activities

For the year ended December 31, 2020, our Enlarged Group had net cash flows used in financing activities of RMB4,209.7 million (approximately US$645.2 million). Such cash outflows were attributable (i) cash repayments of borrowings of RMB20,680.8 million (approximately US$3,169.5 million), which was primarily relating to repayments of our bank loans and corporate bonds, (ii) cash payments for distribution of dividends, profits and interest expenses of RMB4,413.2 million (approximately US$676.4 million) and (iii) cash payments relating to other financing activities of RMB14,749.3 million (approximately US$2,260.4 million), which was primarily due to (a) the repayments of interbank borrowing of RMB10,830 million, (b) the consideration paid for the ENN Energy Acquisition in 2020 and (c) the repayments of the principal amounts and interests under certain financial leasing of approximately RMB629.8 million by ENN Energy Group, respectively, partially offset by (i) cash received from capital contributions of RMB200.1 million (approximately US$30.7 million), (ii) cash received from borrowings of RMB24,143.1 million (approximately US$3,700.1 million), and (iii) cash received relating to other financing activities of RMB11,290.4 million (approximately US$1,730.3 million), respectively.

For the year ended December 31, 2019, our Enlarged Group had net cash flows used in financing activities of RMB6,030.1 million. Such cash outflows were attributable to (i) cash repayments of borrowings of RMB24,282.9 million, which was primarily relating to repayments of our bank loans and corporate bonds, (ii) cash payments for distribution of dividends, profits and interest expenses of RMB3,798.3 million and (iii) cash payments relating to other financing activities of RMB10,937.6 million, which was primarily due to (a) the repayments of interbank borrowing of RMB8,854 million and (b) the repayments of the principal amounts and interests under certain financial leasing of approximately RMB1,350 million by ENN Energy Group, partially offset by (i) cash received from capital contributions of RMB165.5 million, (ii) cash received from borrowings of RMB22,964.9 million, and (iii) cash received relating to other financing activities of RMB9,858.3 million.

For the year ended December 31, 2019, our Original Group had net cash flows used in financing activities of RMB1,141.7 million. Such cash outflows were attributable to (i) cash repayments of borrowings of RMB8,642.7 million, which was primarily relating to the repayments of (a) certain working capital loans and project loans in the total amount of approximately RMB4,103.3 million, (b) the principal amount of certain bonds of approximately RMB1,550.3 million and (c) an acquisition loan of approximately RMB2,989.3 million, (ii) cash payments for distribution of dividends, profits and interest expenses of RMB777.6 million and (iii) cash payments relating to other financing activities of RMB1,542.4 million, which was primarily due to the advanced settlement of certain financial leasing obligations by Xinneng Mining and Xinneng Energy and the cash paid for a repurchase of our stocks during the corresponding period, partially offset by (i) cash received from borrowings of RMB9,160.5 million and (ii) cash received relating to other financing activities of RMB660.5 million, which was primarily due to the receipts of the principal amount of certain financial leasing by Xinneng Mining.

For the year ended December 31, 2018, our Original Group had net cash flows used in financing activities of RMB406.4 million. Such cash outflows were attributable to (i) cash repayments of borrowings of RMB7,474.6 million, which was primarily relating to the repayments of (a) an acquisition loan of approximately RMB3,633.8 million by Xinneng (Hong Kong) and the Parent Guarantor, (b) the 2015 ENN MTN of approximately RMB800.0 million and (c) certain working capital loans and project loans in the total amount of approximately RMB3,040.0 million, (ii) cash payments for distribution of dividends, profits and interest expenses of RMB600.2 million and (iii) cash payments relating to other financing activities of RMB1,076.9 million, which was primarily due to the repayments of the principal amounts and interests under certain financial leasing of approximately RMB271.5 million and RMB690.2 million by Xinneng Mining and Xinneng Energy, respectively, partially offset by (i) cash received from capital contributions of RMB2,242.8 million, which was primarily relating to the receipt of proceeds of approximately RMB2,242.8 million raised through our rights issuance in February 2018, (ii) cash received from borrowings of RMB5,546.5 million and (iii) cash received relating to other financing activities of RMB956.0 million, which was primarily due to the receipts of the principal amount of certain financial leasing of approximately RMB742.8 million and RMB200.0 million by Xinneng Mining and Xinneng Energy, respectively.

For details regarding the line items of our cash flow statements, see Note V-54 to our Historical Financial Statements of 2018 and 2019 and Note V-64 to our Financial Statements of 2019 and 2020 included elsewhere in this Offering Memorandum.

Contingent Liabilities

As of December 31, 2018, 2019 and 2020, we did not have any outstanding guarantee to third parties nor any contingent liabilities. See Note XI to our Historical Financial Statements of 2018 and 2019 and Note IX to our Financial Statements of 2019 and 2020 included elsewhere in this Offering Memorandum.

We also provide various quality warranties to our customers, of terms between one to two years, in accordance with the relevant PRC laws and regulations. Such warranties are normally covered by back-to-back warranties provided to us by the respective suppliers and sub-contractors. In addition, we have, from time to time, also been party to lawsuits and other legal proceedings in our ordinary course of business.

Off-balance Sheet Arrangements

Except for the contingent liabilities set forth above, we have not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us. As of December 31, 2020, we did not have any material off-balance sheet arrangements.

Financial Risks

In our normal course of business, we are exposed to various risks arising from our operations, including market risks (which primarily consist of interest rate risk and exchange rate risk), credit risk and liquidity risk. Our overall risk management plan is to develop risk management policies that minimize the possible adverse effect of such risks on our financial results.

Market Risks

We are, in the normal course of business, exposed to market risks primarily relating to fluctuations in interest rates and foreign exchange rates.

Exchange Rate Risk

Our operations are mainly located in China and substantially all of our revenue are generated by our PRC operating subsidiaries and are denominated in Renminbi. We are exposed to U.S. dollar/Renminbi exchange rate risk as our revenue is principally generated in Renminbi and we have issued debt obligations that require us to make interest and principal payments in U.S. dollars. As of December 31, 2020, we had U.S. dollar-denominated loans, senior notes and unsecured bonds, convertible bonds in total outstanding principal amounts of US$3,078.2 million (equivalent to approximately RMB20,085.3 million).

The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar and the HK dollar, has been based on rates set by the PBOC. On July 21, 2005, China's government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on China's government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. For example, if the value of Renminbi appreciates, the Group would record foreign exchange losses on bank balances and other assets the Group maintains in non-Renminbi currencies. See "*Risk Factors — Risks Relating to Our Business in General — We may be subject to risks presented by fluctuations in exchange rates between the Renminbi and other currencies, particularly the U.S. dollar.*"

We may, from time to time, undertake appropriate measures such as adopting hedging activities and other measures to minimize our foreign exchange risk exposure.

Interest Rate Risk

Our interest rate risk arises mainly from interest bearing debts such as bank loans. Financial liabilities at floating rates expose us to cash flow interest rate risk and financial liabilities at fixed rates expose us to fair value interest rate risk. We determine the relative proportion of contracts carrying fixed and floating rates according to prevailing market conditions. As of December 31, 2018, 2019 and 2020, our interest-bearing debts mainly relate to a portfolio of floating-rate bank loans denominated in Renminbi and U.S. dollar, fixed-rate bank loans denominated in Renminbi and U.S. dollar and bonds payable.

An increase in interest rate will increase the cost of any new interest-bearing debts and the interest expenses of our unpaid interest-bearing debts calculated at floating interest rates, which may adversely affect our financial performance. Our management continuously monitors our interest rate level and will make adjustments in a timely manner based on prevailing market conditions.

Commodity Price Risk

We are exposed to commodity price risk relating principally to the market price fluctuations in natural gas and crude oil. Commodity prices in the PRC are highly influenced by fluctuations of international commodity prices. Commodity prices may be influenced by numerous factors. These factors include global demand, forward-selling activities and other macro-economic factors such as expectations regarding inflation, interest rates, currency exchange rates as well as general global economic conditions. Fluctuations in the market prices of such commodities may have significant impact on our financial performance and results of operations.

Credit Risks

We manage our credit risks by portfolio categories. Credit risk primarily arises from cash, bank deposits, accounts receivable, other receivables and notes receivable. Our bank deposits are primarily made in banks with high credit ratings. We consider that there will be no material credit risk relating to cash and bank deposits, nor will any material related losses be incurred due to default of the counterparts.

In addition, we have relevant policies in place to control credit risk in relation to accounts receivable, other receivables and notes receivables. Our management has designated a team to be responsible for evaluating the creditworthiness of clients and approving credit amounts provided to the clients. We monitor clients' credit records and take follow-up actions to collect overdue receivables. We also test our receivables for impairment and maintain allowance for expected credit losses.

Liquidity Risks

Our liquidity is primarily dependent on our ability to maintain adequate cash inflows from operations to meet our debt obligations as they fall due, and our ability to obtain external financing to meet our committed future capital expenditure. Due to the nature of our businesses, we maintain flexibility in funding by maintaining adequate cash and cash equivalents and credit lines. In order to improve liquidity, we also issued corporate bonds and entered into long-term borrowings with major commercial banks in China. Our management regularly monitors our use of bank loans and takes measures to ensure our compliance with relevant loan agreements.

*The information set forth in this section is based on publicly available information from the BP Statistical Review of World Energy 2020, the United States Energy Information Administration ("**EIA**"), the International Energy Agency ("**IEA**"), the National Bureau of Statistics of China, and the NDRC, unless stated otherwise. These data have not been independently verified by any of the Company, the Issuer or the Initial Purchasers. Note that some independent sources provide their data in metric tons and cubic feet; and for convenience the Company and the Issuer have converted such data from metric tons to barrels, using a conversion factor of one metric ton per 7.33 barrels and converted from cubic feet to cubic meters using a conversion factor of one cubic meter per 35.315 cubic feet. All the absolute numbers are rounded off and percentages are calculated based on the actual numbers.*

Overview of the China Economy

China is the world's largest economy with an estimated population of 1.40 billion as of July 2021, according to the CIA World Factbook, February 2021. According to EIA, China had an estimated GDP (in Purchasing Power Parity terms) of approximately US$18,160 billion in 2015. China's GDP has grown at an average rate of 6.6% over the last three years (from 2016 to 2019). China is expected to record a CAGR in GDP of 4.9% from 2015 to 2030.

GDP in Purchasing Power Parity Terms (at 2010 Prices)

	2015	2020	2025	2030	CAGR 2015-2030
		(US$ in billions)			*(%)*
World	104,692	123,122	144,727	167,083	3.17%
Organization for Economic Cooperation and Development ("**OECD**") countries	47,582	51,982	57,136	61,756	1.75%
Non-OECD countries	57,110	71,140	87,591	105,327	4.17%
China	18,160	24,063	30,470	37,365	4.93%

The Energy Scenario

China is the world's largest consumer of energy, with a consumption of 141.70 exajoules in 2019.

Top Ten Primary Energy Consuming Countries[(1)]

Countries	2014	2015	2016	2017	2018	2019
	For the year ended December 31,					
	(exajoules)					
China	124.20	125.38	126.95	130.83	135.77	141.70
United States	93.05	92.15	92.02	92.33	95.60	94.65
India	27.86	28.77	30.07	31.33	33.30	34.06
Russia	28.71	28.14	28.76	28.87	30.04	29.81
Japan	19.24	18.97	18.65	18.89	18.84	18.67
Canada	14.03	13.99	13.94	14.11	14.35	14.21
Germany	13.17	13.40	13.62	13.78	13.44	13.14
Brazil	12.40	12.23	11.92	12.06	12.13	12.40
South Korea	11.64	11.87	12.16	12.37	12.55	12.37
Iran	10.28	10.22	10.79	11.30	11.83	12.34

Note:

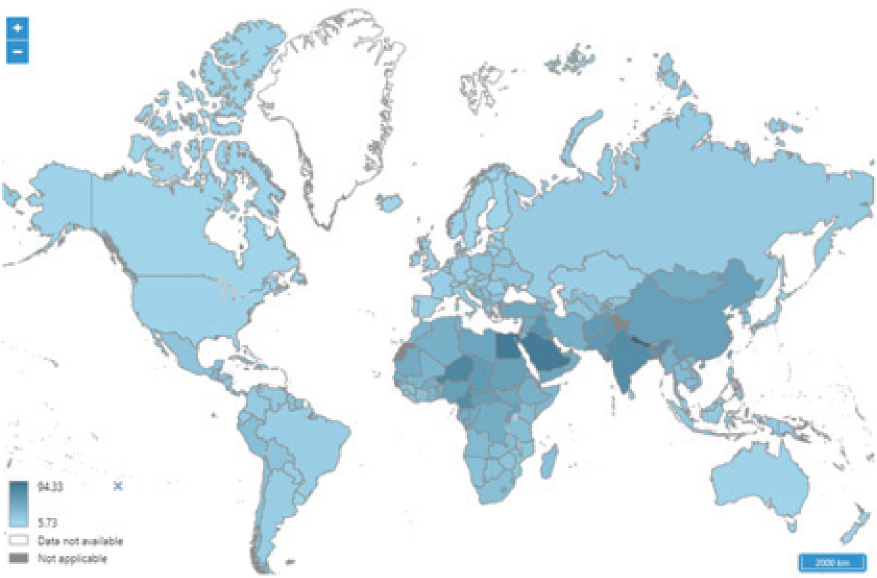
(1) According to the BP Statistical Review of World Energy, primary energy comprises commercially traded fuels, including modern renewable used to generate electricity.

Coal has been the dominant energy source in China, representing 57.6% of total primary energy consumption in 2019. In recent years, the proportion of coal as an energy source has gradually declined and the proportion contributed by cleaner natural gas and renewables has concurrently increased. Since 2008, China's use of natural gas as a proportion of total domestic primary energy consumption has more than doubled from 3.2% to 7.8% in 2019. Despite the shift in energy mix, China's use of coal is still high compared to the global average where coal contributes approximately 27.0% of the total energy consumption.

Evolution of the Chinese Energy Sector

The Chinese energy sector has historically been heavily reliant on coal for its domestic energy consumption, with use of alternative clean and renewable products, such as natural gas, remaining relatively low. This has contributed to severe air pollution in most parts of China. According to Environment International, PM2.5 pollution has both social and economic consequences, which has caused 1.355 million deaths in 2016, representing approximately 9.98% of total deaths in the country, and an estimated economic loss of 0.91% of the national GDP. In recent years, there has been growing political pressures to improve the country's air quality and reduce its reliance on coal for domestic energy consumption.

Annual Mean PM2.5 (ug/m^3), 2021



Source: WHO Global Ambient Air Quality Database

From the mid-2000s, demand for natural gas started accelerating as the energy mix shifted away from coal. However, domestic gas production and supply sources were not able to keep up with this demand growth. China addressed this gap between supply and demand by importing pipeline gas from Turkmenistan, Uzbekistan, and Kazakhstan via the Central Asia Gas Pipeline that was commissioned in 2009. China also imports gas from neighboring Myanmar since 2013. Gas imports from Russia have been transported through the Power of Siberia pipeline since 2019. In 2006, China began LNG imports servicing key southwest centers which were too far away from pipeline gas sources.

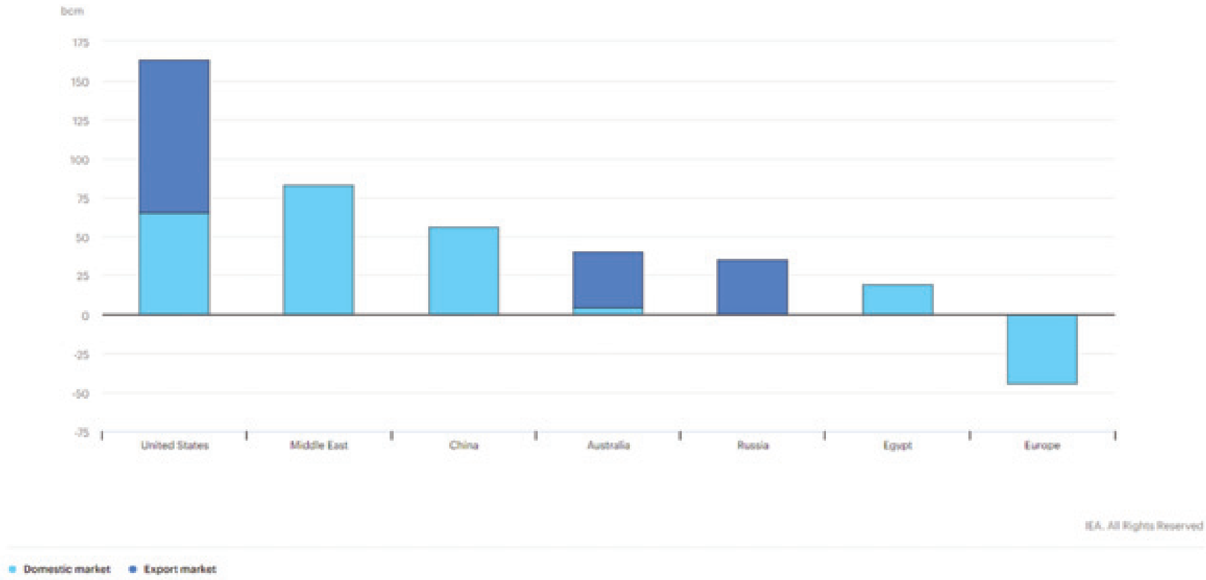
According to the Fourteenth Five-Year Plan, the PRC government intends to continue to enhance the consumption of cleaner energy alternatives, including natural gas. Under the Fourteenth Five-Year Plan, the PRC government plans to build new natural gas production facilities, natural gas pipeline network, and accelerate the utilization of deep-sea, deep-seated and other unconventional gas resources. The PRC government targets that by 2025, air quality in cities of prefecture-level or above should be "very good or good (優良)" on at least 87.5% of the days in a year. Meanwhile, for cities of prefecture-level or above, the PRC government targets to lower PM2.5 (ug/m^3) levels by 10%, and eliminate the number of days of heavy air pollution.

Natural Gas

Domestic Production

The majority domestic gas production in China originates from three onshore regions, namely the Sichuan Basin in Southwest China, the Xinjiang Province and Qinghai Province with the Tarim, Junggar, and Qaidam Basins in Northwest China, and the Ordos Basin in Shanxi Province to the North. In 2020, China produced 188.8 bcm of gas, representing a year-on-year growth of 9.8%. From 2017 to 2023, domestic gas production in China is expected to increase by more than 50.0 bcm and will be dedicated to the domestic market.

Natural Gas Production Growth in Selected Countries and Regions, 2017-2023

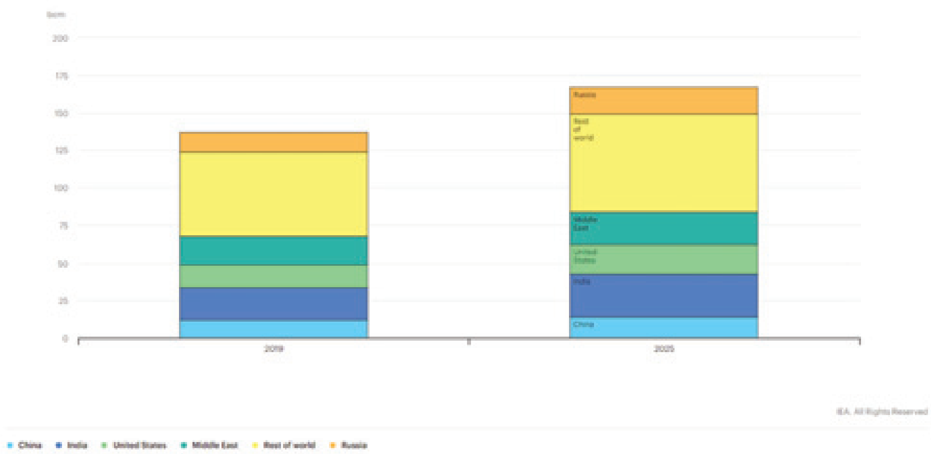


Source: IEA, Gas 2018, Analysis and Forecasts to 2023

Domestic Consumption

In recent years, gas consumption has been growing rapidly. According to BP Statistical Review 2020, domestic gas consumption in 2019 grew by 8.6% year-on-year, amounting to 307.3 bcm accelerating with supply not able to keep pace. Such growth was partly driven by strong economic growth and the PRC government's initiatives to curb air pollution by reducing reliance on coal and moving to the cleaner gas alternative. By 2030, domestic demand for gas is expected to grow to 500 bcm, mainly driven by increased demands from industrial, households and commercial public service sectors. Over the next five years, global natural gas demand is expected to increase at an average of 1.5%, driven principally by the development of gas in China and India.

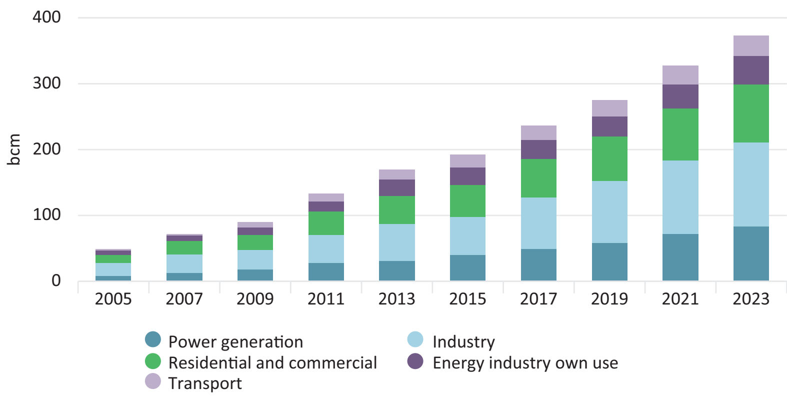
Global Natural Gas Consumption Growth, 2019 — 2025



Source: IEA, Gas 2020, Analysis and Forecasts to 2025

The industrial sector is expected to be the main driver for China's gas consumption growth, supported by gas demand from the residential and commercial sectors and from power generation.

Chinese Natural Gas Consumption by Sector, 2005-2023



Source: IEA, Gas 2018, Analysis and Forecasts to 2023

Domestic Gas Deficit

In China, domestic production of gas lags domestic consumption, which results in a reliance on imports. Over the past ten years, domestic gas consumption has grown significantly in absolute terms, from approximately 81.9 bcm in 2008 to 240.4 bcm in 2017, representing a CAGR of 12.7%. On the other hand, over the same period, domestic gas production only grew from approximately 80.9 bcm to 149.2 bcm, representing a CAGR of 7.0%. This has widened the domestic production deficit of natural gas from 1.2% of domestic consumption in 2008 to 37.9% by 2017. The below table sets forth certain information about domestic gas production and domestic gas consumption for the periods indicated:

For the year ended December 31,	**Gas Production**	**Gas Consumption**	**Deficit**	**Deficit**
		(BCM)		*(%)*
2010	97	109	12	11.3
2011	106	135	29	21.5
2012	112	151	39	26.1
2013	122	172	50	29.1
2014	131	188	57	30.4
2015	136	195	59	30.3
2016	138	209	71	34.1
2017	149	240	91	37.9
2018	162	283	121	42.9
2019	178	307	129	42.2

Despite the increasing domestic production, it is expected that this growth, together with pipeline gas, would not be able to keep up with the demand growth. The substantial gap between supply and demand in the China energy sector is a major obstacle to the PRC government's efforts on energy mix transformation. The PRC government is committed to narrowing such gap by increasing domestic production. In 2020, although the quantity of imported gas grew by 5.3% year-on-year, the interdependency on imported gas decreased by 40.4% in the first half of the year. Nevertheless, it is expected that China will continue to rely on gas imports in addition to creating additional growth potential for domestic natural gas production.

Gas Imports of China

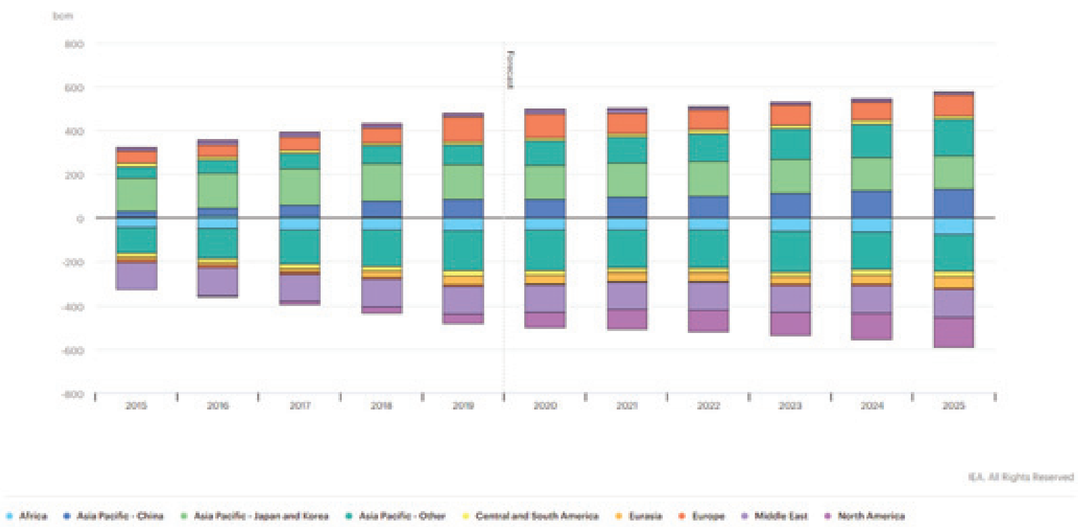
China is an importer of gas as a mean to bridge the domestic gap between supply and demand. Gas is primarily transported globally via pipeline or as LNG. From 2018 to 2019, China's total gas imports increased by 9.2% from approximately 121.3 bcm to 132.5 bcm. The majority of China's increase in imports was from LNG, which increased by 11.3 bcm, from 73.5 bcm to 84.8 bcm, representing an increase of 15.4%. China has overtaken South Korea and becomes the second largest LNG importer globally, and the country is also expected to overtake Japan as the world's largest LNG market within the next five years. China's pipeline gas imports also increased during the period from 2017 to 2019 by 7.8 bcm, from 39.9 bcm to 47.7 bcm, representing an increase of 19.5%. In 2017, China's LNG gas imports exceeded its pipeline gas imports.

Global Gas Imports

	2018		2019	
Countries	**Pipeline imports**	**LNG imports**	**Pipeline imports**	**LNG imports**
	(BCM)		*(BCM)*	
Japan	—	113.0	—	105.5
China	47.9	73.5	47.7	84.8
South Korea	—	60.2	—	55.6
Total of world	507.9	430.6	499.4	485.1

The trade of LNG is expected to be a key driver of global trade growth, with emerging Asian markets as the driving force behind the expansion of LNG imports. Supported by growing domestic demand for natural gas, China is expected to widen its lead as the world's largest natural gas importer, with combined pipeline and LNG imports increasing from 134 bcm per year to 210 bcm per year in 2019-2025.

LNG Imports and Exports by Region, 2015-2025



Source: IEA, Gas 2020, Analysis and Forecasts to 2025

Global Gas Exports

	2018		2019	
Countries	**Pipeline exports**	**LNG exports**	**Pipeline exports**	**LNG exports**
	(BCM)		*(BCM)*	
Qatar	20.2	104.9	21.5	107.1
Australia	—	91.8	—	104.7
Indonesia	7.6	20.8	7.4	16.5
Total of world	805.4	430.67	801.5	485.1

Globally, Qatar is the largest exporter of LNG, followed by Australia, both of whom are key exporters to China. In 2019, Australia's global exports of LNG increased by 12.9 bcm, from 91.8 bcm to 104.7 bcm, representing an increase of 14.1%. Australia is also the largest exporter of LNG to China, exporting 39.8 bcm of LNG in 2019. It is followed by Qatar, which exported 11.4 bcm of LNG to China.

Key LNG Exporters to China

Countries	2019 LNG exports to China (BCM)
Australia	39.8
Qatar	11.4
Malaysia	10.0
Indonesia	6.2
Papua New Guinea	3.9
Others	13.5
Total LNG imports of China	84.8

Key Pipeline Gas Exporters to China

Countries	2019 Pipeline gas exports to China (BCM)
Turkmenistan	31.6
Kazakhstan	6.5
Uzbekistan	4.9
Myanmar	4.7
Total pipeline gas imports of China	47.7

Domestic Natural Gas Pipeline Network

China is continuously investing in its domestic network of pipelines. Under the Fourteenth Five-Year Plan, the PRC government plans to build new natural gas pipelines, including the domestic pipelines connecting the Power of Siberia Pipeline and a second pipeline for the Sichuan-to-East Gas Project. PipeChina will replace the traditional operators of the domestic pipeline network such as CNOOC, PetroChina and Sinopec, and will operate the majority of natural gas pipelines in China.

West-East Pipeline Project

The West-East Pipeline Project accounts for approximately 80.0% of the total domestic gas transmissions in China. First operational in 2004, the West-East Pipeline project stretches across China, consisting of trunk and branch pipelines and gas storages. The network of its pipelines services natural gas demand in the southern and eastern parts of China with production from the western provinces as well as imported gas from Central Asia.

Domestic Pipelines Connecting the Power of Siberia Pipeline

The Power of Siberia Pipeline has connected north-eastern China to the eastern Siberian gas fields and Sakhalin Island in Russia. See "— *Imported Gas Pipeline — Power of Siberia Pipeline*". Three sections of domestic pipelines, namely the Northern, Central and Southern sections, transport natural gas imported through the Power of Siberia Pipeline to eastern Chinese provinces including Heilongjiang, Hebei, Liaoning, Shandong and Jiangsu. The Northern and Central sections of the domestic pipelines have already been operating. Construction of the Southern section, which will connect the pipelines to as far as Shanghai, is expected to complete in 2025.

Sichuan-to-East Gas Project

The Sichuan-to-East Gas Project was commissioned in 2009 and includes approximately 1,700 km of pipelines to transport gas from Sichuan to the east coast, supplying gas along the way to Sichuan, Chongqing, Hubei, Jiangxi, Anhui, Jiangsu, Zhejiang, and Shanghai. According to the Fourteenth Five Year Plan, the PRC government plans to build a second pipeline under this project. Such new pipeline is under preliminary planning stage.

PipeChina

China established PipeChina, a national pipeline company, in December 2019. PipeChina was created to incentivize gas exploration and production investment in China. Since its incorporation, it has acquired LNG pipeline assets from major PRC domestic oil and gas companies. For example, it acquired the Yulin-Jinan pipeline from Sinopec in July 2019 for RMB3.22 billion. Furthermore, in September 2020, CNOOC, PetroChina and Sinopec transferred their oil and gas infrastructure (including pipelines) and personnel to PipeChina. After the transfer, such oil and gas infrastructure is operated by PipeChina as a whole.

Imported Gas Pipeline

Pipeline imports have remained a key supply source of natural gas for China with continuously improving gas pipelines and infrastructure. In 2019, China imported 47.9 bcm of gas via pipeline. The PRC government continues to explore infrastructure projects in order to further increase its gas imports.

China currently imports gas via the Central Asian Gas Pipeline, the China-Myanmar pipeline, and the Power of Siberia Pipeline. The Power of Siberia Pipeline was brought into operation on December 2, 2019 and the first-ever pipeline supplies of Russian gas to China that were launched.

Central Asia Gas Pipeline

The Central Asia Gas Pipeline transports gas from Turkmenistan, Uzbekistan, and Kazakhstan to the western border of China, with a current capacity of 55.0 bcm per year as of 2020. It is approximately 1,833 km long and consists of three parallel lines, with the first line commissioned in 2009, and the two other lines following in 2010 and 2014. A fourth line is currently being constructed with expected commissioning in 2022, and will run from Turkmenistan to China via Uzbekistan, Tajikistan, and Kyrgyzstan.

China-Myanmar Pipeline

In 2008, CNPC signed a deal with Myanmar for the financing and construction of a pipeline linking two offshore blocks in Myanmar to Yunnan and Guangxi provinces in Southwest China. The pipeline was commissioned in 2013 with export gas delivered to Kunming in Yunnan Province, while the Myanmar Oil and Gas Enterprise off took the domestic gas. The pipeline was built with excess capacity to provide for additional potential gas sales.

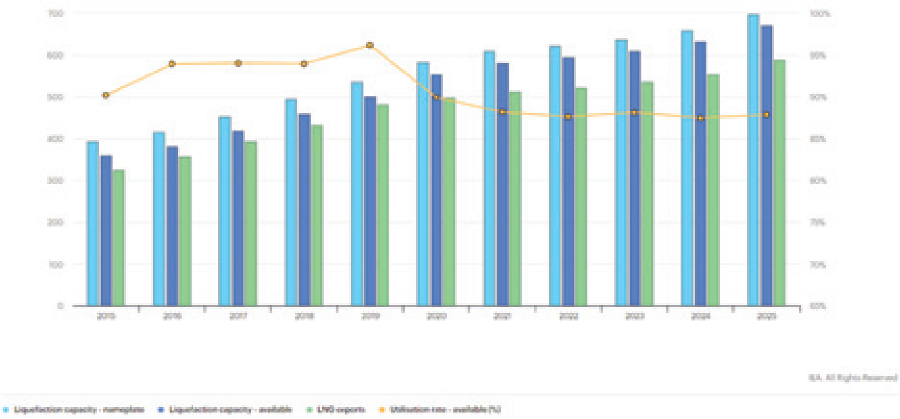
Power of Siberia Pipeline

The Power of Siberia Pipeline has connected north-eastern China to the eastern Siberian gas fields and Sakhalin Island in Russia. In 2014, Gazprom and CNPC signed a memorandum of understanding to import 38.0 bcm per year of gas for a period of 30 years. In 2017, after nearly three years of construction delays, a supplemental agreement was signed, with the pipeline expected to start receiving gas in 2019. The pipeline has been brought into operation in December 2019 with excess capacity to allow for additional gas volumes in the future. A new Russia-China pipeline, Power of Siberia 2, is under preliminary planning and designing stage.

LNG Infrastructure

With the expected increase in global LNG trade volumes, 140.0 bcm of liquefaction capacity is expected to be added between 2018 and 2023, with global capacity expected to increase by approximately 30.0%. More than half of this expansion capacity will be in the United States, with China's key LNG exporter, Australia, contributing approximately 30.0 bcm of such capacity.

LNG Liquefaction Capacity and Utilization, 2015 — 2025



Source: IEA, Gas 2020, Analysis and Forecasts to 2025

China imports its LNG via regasification terminals located near seaports along the south, east, and north coasts. A majority of its regasification capacity (approximately 45.0%) is located along its southern coast, which serves the demand in Guangdong, Shandong, Hainan and Guangxi provinces, Zhejiang, and Shenzhen. This is followed by its eastern coast (approximately 35.0%) serving Shanghai, Fujian, Jiangsu and Liaoning provinces, and Lianyungang, and the northern coast (approximately 16.0%) serving Hebei Province and Tianjin. Additional capacity is expected along the south-eastern coast as it is located in proximity to key LNG exporters, such as Australia, New Zealand and Middle East countries.

Energy Engineering Services

Gas pipelines, storage facilities and LNG receiving terminals

China relies on its LNG terminals, storage facilities and pipelines to process, store and transport the LNG that imports as well as LNG that it produces domestically. As of August 2019, there were 22 LNG terminals in operation in the PRC, with an aggregate annual receiving capacity of over

88 million tons. The majority of these terminals are owned and operated by CNPC, Sinopec or other non-national oil companies. On the other hand, the vast majority of major gas pipelines are owned by CNPC.

In recent years, the PRC government has implemented several policies that aim to encourage the construction of new LNG terminals and gas pipelines. For example, the NDRC, the MOF, the Ministry of Natural Resources, the Ministry of Housing and Urban-Rural Development, and the National Energy Administration jointly published "Implementation Opinions on Accelerating the Construction of Natural Gas Reserve Capacity" (關于加快推進天然氣儲備能力建設的實施意見), committing RMB1.692 billion of the central budget to encourage building of local gas storage capacity and urging the relevant places to speed up the progression of construction project in 2018 and 2019.

Coal and Methanol Products

Coal

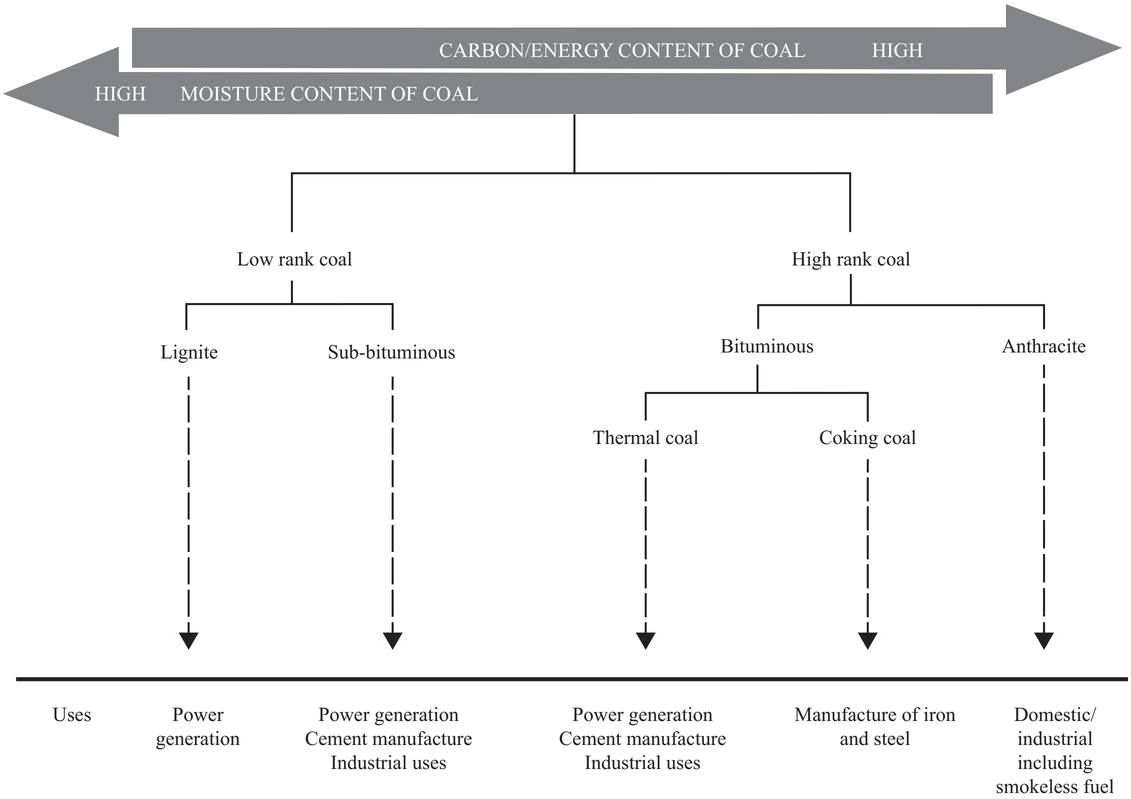
Coal is one of the key sources of primary energy, mainly used in electricity generation and in steel production. According to China Electricity Council, coal-fired power plants generated 57.6% of China's electricity in 2019 Coal's dominance as an energy source can be attributed to several factors. Coal is cheaper than oil and natural gas on a per British thermal unit basis and is believed to provide greater reliability of supply from a wide range of geographic locations than either wind or hydropower. Coal can be conveniently and safely stored and can be conveniently transported by land and water. In addition, coal has generally been regarded as the world's most abundant and cost-effective fossil fuel, with ample global reserves. As of the end of 2019, total global proven coal reserves amounted to an aggregate of 1,070 billion tons and, at the current rates of mining, are able to support approximately 132 years of production. In comparison, global proven reserves of oil and natural gas are able to support production for 54.9 years and 52.8 years, respectively.

Coal Characteristics

Coal is a combustible, sedimentary, organic rock composed of carbon, H_2 and oxygen. Coal is a fossil fuel, formed through vegetation and other organic resources, which has been consolidated between other rock strata and altered by the combined effects of pressure and heat over millions of years to form the coal seams mined today.

Generally, coal of all geological composition is further characterized as either thermal coal (or steam coal) or metallurgical coal (or coking coal). Coal has a variety of uses, including electricity generation, coke production for steel making, and industrial uses such as cement manufacture. Thermal coal is primarily used in combustion processes to produce steam for power generation, heating and industrial applications such as cement manufacture. Metallurgical coal is primarily used in steel production. It is used either to produce coke, which is then fed into the top of the blast furnace along with the iron ore; or for pulverized coal injection, where the coal is injected directly into the base of the blast furnace.

The properties of coal depend on organic composition and the "coalification" process. Other than by end use as thermal or metallurgical coal, coal is also ranked by stage of coalification: lignite, sub-bituminous, bituminous and anthracite. The table below shows these stages and how they correlate to end-uses.



Source: World Coal Association

Lignite and sub-bituminous coals are characterized by high moisture levels and low carbon content and, as such, have lower energy content. Lignite is the softest coal with high moisture content, while sub-bituminous coal is medium soft with a moisture content lower than lignite. Lignite and subbituminous coal are each used primarily in electricity generation. Bituminous coal and anthracite have higher energy content and are primarily used in the chemical and electricity generation industries. Bituminous coal includes thermal coal, which is primarily used for electricity generation, as well as metallurgical coal, which is primarily used to produce the coke that is consumed in blast furnaces to produce pig iron, the principal component of steel. Anthracite is the hardest coal with the highest carbon content and the lowest moisture and ash content, and is used primarily as a heating fuel and in electricity generation.

Coal Reserves

Coal reserves are widely distributed with a large proportion of worldwide reserves situated in the United States, Russia, Australia, China and India. As of December 31, 2019, by region, Asia Pacific holds the most proved reserves (42.7% of total), split mainly between Australia, China and India. The U.S. remains the largest single reserve holder (23.3% of total), according to the BP Statistical Review 2020. The following chart sets forth the global distribution of global proven coal reserves as of December 31, 2019:

Countries	**Anthracite and Bituminous**	**Subbituminous and Lignite**	**Total**	**Percentage of Total**
	(ton in millions, except for percentages)			
North America	225,040	32,290	257,330	24.1%
Central & South America	8,616	5,073	13,689	1.3%
Europe	56,953	78,156	135,109	12.6%
Commonwealth of Independent States (“**CIS**”)	100,208	90,447	190,665	17.8%
Middle East and Africa	15,974	66	16,040	1.5%
Asia Pacific	342,376	114,437	456,813	42.7%
Total of world	749,167	320,469	1,069,646	100.0%

Source: BP Statistical Review 2020

Coal Mining Techniques

Coal mining operations generally use three distinct techniques to extract coal from the ground. The most appropriate technique is usually determined by coal seam characteristics such as location and recoverable reserve base. Before committing to a specific extraction technique, geological and technical data are used to define the size, depth and quality of the coal reserve area. Most coal mining techniques rely heavily on machinery and technology, and recent technological improvements have resulted in increased productivity. The three most common mining techniques are continuous mining, longwall mining and open-pit mining.

Continuous Mining (Room-and-pillar Mining)

Continuous mining method, also called room-and-pillar mining, is an underground mining method that cuts coal through a series of parallel roads and cross-cuts called “rooms,” leaving columns or “pillars” of coal to support the roof. This method cuts coal by using machines called “continuous miners,” which excavate a square-shaped roadway by extracting coal from a coal seam and delivering it to a “shuttle car,” which then transfers coal to a belt conveyor system for transport to the surface. As soon as the extracted coal has been gathered, the roof over the excavated area is reinforced for support.

Longwall mining

Longwall mining is an underground mining method that uses hydraulic roof supports to support the roof of the mine while a mobile-cutting shearer or roadheader advances through the coal seam. Longwall mining generally involves the sequential removal of rectangular-shaped “panels” of coal, which are first created by excavating a pair of parallel tunnels called “gateroads,” generally spaced 150 to 250 meters apart. When the gateroads have traveled a certain distance, they are joined together by a cross-cut at right angles in order to form the longwall coal face. The extracted coal and other rock debris will be moved via chain belts to an armored-face conveyor for delivery to the surface. Longwall mining is highly productive but is effective generally only for large blocks of thicker coal seams. High capital costs are generally associated with longwall mining, primarily due to the complexity of the integrated coal mining systems that are deployed.

Open-pit Mining

Open-pit mining involves an open-cast method that uses large electric-powered shovels or large capacity electric-powered draglines to remove overburden, which is used to backfill pits after coal removal. Shovels load coal into haul trucks for transportation to a preparation processing plant. The productivity of open-pit mining will depend on equipment, geological features and the ratio of overburden to coal.

Demand and Consumption

Thermal Coal

Thermal coal demand is dominated by power generation in North Asia, India, Europe and a growing cohort of other regions. And thermal coal demand looks to be close to peak levels on most measures from international energy agencies. The PRC's increased demand for electricity generation has been primarily driven by its rapid development and growing economy.

The international coal trade was seriously disrupted was seriously disrupted in 2020 by the COVID-19 pandemic. Exports contracted by around 11%, with more than two-thirds of the decline coming from thermal coal. A combined reduction of over 25 million tonnes of thermal coal exports from the U.S. and Colombia balanced the Atlantic Basin market. It took more time to balance the Asia Pacific market, which came at the expense of Indonesian and Australian producers. Longer term, the thermal coal market is expected to be uncertain, especially with regard to the evolution of Chinese import policies and developments in India's indigenous thermal coal production.

Metallurgical Coal

Metallurgical coal demand is driven predominantly by steel production, which in turn is primarily dependent on metallurgical coal and iron ore supplies. According to the WCA, approximately 70% of total global steel production relies directly on the use of metallurgical coal. China, Japan, the United States, India and Russia consume the most metallurgical coal due to significant domestic steel production.

Coal Prices

Coal is classified as a bulk commodity and is commonly traded by contract or on a relatively small spot market. International coal purchase contracts will typically be made through tender, negotiated tender, invitations to bid and commercial negotiation processes. A purchaser will assess alternative thermal coal sources by considering the competitiveness of the delivered prices, the coal's quality and its consistency, supply security and diversification, proven coal reserves, infrastructure capacity and availability, market reputation as well as the political stability of supply countries.

Globally, coal export contract negotiations are typically held quarterly/annually to establish the benchmark prices for certain types of coal, although there are regional variations and some contracts are linked to indices. In Europe, the coal market is highly commoditized and market indices are well established, whereas Asia Pacific coal markets have been moving from a system denominated by contracted supply toward a more balanced one involving purchase by contract, tender and spot market. Global coal prices are generally subject to the following factors:

- prevailing supply and demand conditions in the global coal market;

- general economic conditions, including the conditions of global and local economies, which affect the downstream industries utilizing coal, such as electricity generation and steel production;

- the coal type, net calorific value and the content level of impurities, such as sulfur and ash. For example, thermal coal prices are dependent on the energy level of the coal, while metallurgical coal prices are dependent on the metallurgical coal characteristics of the coal; and

- the cost of transportation, which comprises a large proportion of the price of coal.

Coal Prices in China

China's coal prices experienced significant fluctuations in 2020. In the first quarter of 2020, coal prices suffered downturn, predominantly due to decreased demand from the industrial sector, as production in many industrial facilities across the country was suspended because of public health restrictions imposed to curb the spread of the COVID-19 pandemic. Since May, coal prices began to rise, which was mainly driven by increased demand from commercial power generators and increased demand from downstream sectors. The growth continued into July and August, which are typically the months that see higher seasonal demand for coal from power generators. In the fourth quarter of 2020, there was a further rise in coal prices, mainly due to the underproduction in Inner Mongolia and the uneven distribution of imported coal in the preceding months.

Methanol

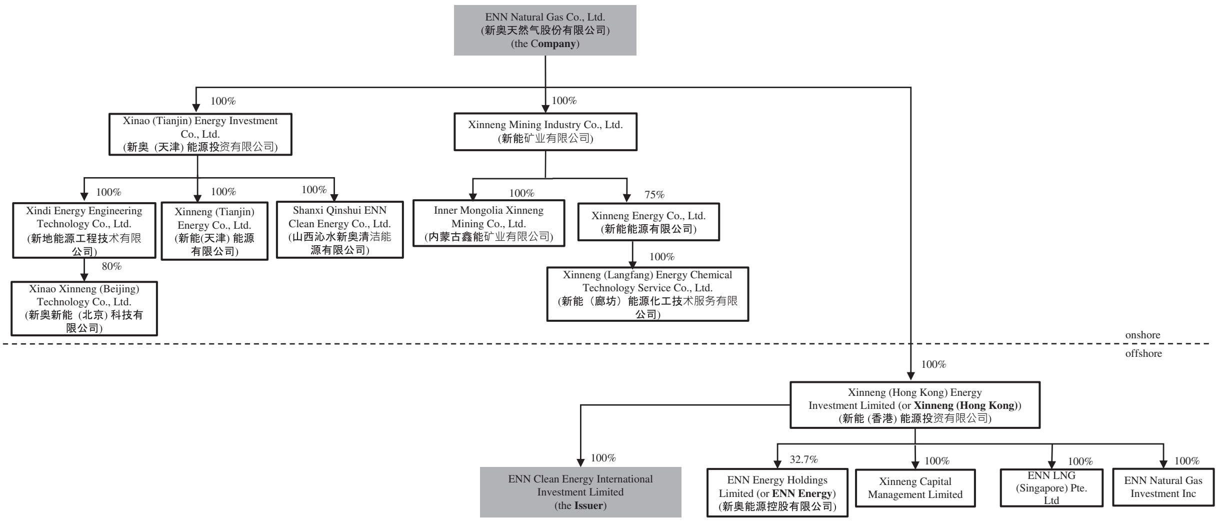
Methanol is the basic raw material for the petrochemical, basic chemical and fine chemicals industries. China is not only a major producer of methanol but also a major consumer. Methanol is produced from coal-based or natural gas-based syngas. Approximately 80.0% of the world's methanol is produced from natural gas. However, due to China's rich coal reserves and lack of oil and natural gas reserves, coal serves as the major raw material for domestic methanol production.

Methanol Prices in China

China's methanol prices experienced material fluctuations in 2020. In the first half of 2020, methanol prices suffered downturn given the decreased demand from the industrial sector arising out of the COVID-19 pandemic, since the production activities across the country were delayed and the spring inspection plan of many enterprises was unduly postponed. The Chinese methanol market however has emerged from the pandemic with a V-shaped recovery in the second half of the year as supply tightened. The fall in supply was due to lowered domestic production from gas curtailment in winter, as well as unexpected shutdowns and delayed restarts in southeast Asian plants. Chinese buyers also faced strong competition from Europe, which was also facing supply tightness.

CORPORATE STRUCTURE

The following diagram sets forth the Group's corporate structure as of the date of this Offering Memorandum[(1)]:



Note:

(1) This chart includes only significant subsidiaries of the Group.

DESCRIPTION OF THE ISSUER

The Issuer was incorporated as a BVI business company with limited liability under the BVI Business Companies Act, 2004 (as amended) in the BVI on August 22, 2018. Its BVI company number is 1989987 and its registered office is located at Kingston Chambers, PO Box 173, Road Town, Tortola, British Virgin Islands. The Issuer is directly and wholly-owned by Xinneng (Hong Kong), which is a Hong Kong incorporated limited liability company, directly and wholly-owned by us.

Under the Issuer's memorandum of association, the Issuer may carry on or undertake any business or activity, and do any act or enter into any transaction that is not prohibited under any law for the time being in force in the BVI. The Issuer's primary purpose is to act as one of the Company's financing subsidiaries to issue and hold the Notes. However, so long as the Notes are outstanding, the Issuer will limit its permitted activities as described under "*Description of the Notes — Certain Covenants — Limitation on Issuer's Activities*." The Issuer will remain as the Company's wholly-owned subsidiary as long as the Notes are outstanding. The Issuer has, and will have, no material assets apart from advances made to affiliated companies through intercompany loans.

The sole director of the Issuer is Wang Yusuo. As of the date of this Offering Memorandum, no part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing or permission to deal in such securities is being or is proposed to be sought. The Issuer has no subsidiaries.

As of the date of this Offering Memorandum, the Issuer has not published, and does not propose to publish, any of its accounts since it is not required to do so under the laws of the BVI. However, the Issuer is required to keep such records and underlying documentation, as are sufficient to show and explain the Issuer's transactions and will, at any time, enable the financial position of the Issuer to be determined with reasonable accuracy.

Overview

We are a leading privately-owned clean energy company in China with an integrated upstream and downstream business portfolio. Our shares were listed on the SSE (stock code: 600803) in 1994. After the ENN Energy Acquisition completed in September 2020, our business currently primarily comprises (i) natural gas retail business, (ii) integrated energy business, (iii) natural gas wholesale, (iv) natural gas direct sales, (v) extended business, (vi) construction and installation, and (vii) energy production business.

Since September 2020, ENN Energy has been our consolidated subsidiary. ENN Energy is one of the largest privately-owned gas operators and clean energy distributors in China and its shares were listed on the Main Board of the HKSE (stock code: 2688) in 2002. Pursuant to the ENN Energy Acquisition, we consolidated our upstream energy resources with the downstream energy distribution network and end customer access of ENN Energy, which enhances our position as an integrated clean energy products and service provider and also enables us to pursue new business opportunities along and across the entire clean energy value chain.

We believe our future growth will be underpinned by favorable government policies in the development of the natural gas industry, strong demand for clean energy products and China's initiatives to enhance environmental protection. In recent years, the Chinese government has provided strong support to the development of clean energy led by natural gas. China's President Xi recently stated at the General Assembly of the United Nations that China's emissions would peak around 2030 and China would strive to achieve carbon neutrality by 2060. Local governments in China also promoted policies on energy structure optimization, energy conservation and emission reduction, as well as increasing the use of clean energy. As such, we believe the momentum for natural gas resources will continue to boom in China. We believe that enhanced government endeavors to pursue energy transformation will provide significant room for the growth of natural gas and related clean energy businesses.

Moreover, rapid growth of the natural gas industry also requires continuous infrastructure construction. Important government plans in China such as the Fourteenth Five-Year Plan and "Opinions on Accelerating Use of Natural Gas" (《加快推進天然氣利用的意見》) require rapid development of natural gas transmission and distribution pipeline network, LNG receiving terminals as well as storage and peak supply facilities. The national reforms of welcoming private enterprises in the gas industry has also fostered the rapid development of the industry in recent years. Our acquisition of ENN Energy Group follows the trend of such national policies and reforms and we believe our Enlarged Group will continue to benefit from these favorable government policies for the development of our construction and installation business.

- *Natural gas retail business.* We procure natural gas from our suppliers and after the process of gasification, pressure regulating, gas sweetening, dehydration and odorization, we distribute the natural gas through pipelines to our end customers including C&I customers, residential customers and vehicle customers. As of December 31, 2020, we operated 235 city-gas projects in China, covering a connectable urban population of 112 million and supplying piped gas to approximately 23.21 million residential households and 177,128 C&I customers in China.

- *Integrated energy business.* In our integrated energy business, we utilize our technological know-how on clean energy to develop tailor-made integrated energy solutions for our clients. Integrated energy projects possess better peak shaving ability and allow for the more efficient utilization of energy resources. They are therefore more cost-efficient for consumers and less harmful to the environment compared to conventional energy sources. We supply a variety of energy products under our integrated energy business, such as electricity, cooling, heating and steam.

- *Natural gas production, wholesale and direct sales.* Our LNG is primarily produced through the separation, purification, liquefaction and other further processing of the raw gas. The annual designed production capacity of our LNG production plant was approximately 100,000 tons per year. We also procure natural gas from upstream suppliers including overseas gas suppliers, natural gas liquefaction plants, and gas fields. Leveraging our extensive access to natural gas resources, our intelligent operation system and strong transportation capability, we supply LNG to our customers on wholesale and direct sale basis. Such customers include gas distributors, industrial customers and LNG refueling stations.

- *Extended business.* Benefiting from our extensive customer base, we sell gas appliances and also provide retrofitting services and repair and maintenance services for the gas appliance facilities we have supplied. We operate an online platform "greatgas.cn" which provides integrated services to customers featuring online transaction, offline payment and offline delivery, as well as other value-added services including intelligent logistic service, trading facilitation, and price index and industry insight updates.

- *Construction and installation.* Our construction and installation business mainly comprise (i) energy engineering business, and (ii) construction and installation of pipelines and related facilities. Our energy engineering business primarily adopts a EPC business model, which primarily involves technology research and development, project design and consultation, equipment and materials procurement, equipment installation, integration and testing, engineering construction and project management in relation to municipal engineering, petrochemical, coal chemical, energy conservation and environmental protection. Our energy projects mainly include long distance pipeline projects, gas storage and peak shaving stations, LNG receiving terminals and LNG liquefaction plants. The construction and installation of pipelines and related facilities is mainly provided to our residential customers and C&I customers of our natural gas retail business.

- *Energy production business.* Our energy production business comprises the production and sale of (i) coal products, mainly mixed coal and washed coal, and (ii) coal-based methanol. We conduct our coal production and sale business mainly through Xinneng Mining, which possesses the mining right of the Wangjiata Coal Mine. The Wangjiata Coal Mine is a first-class coal mine under national standards and is located in the coal-rich region of Inner Mongolia and also in proximity to established railway and highway transportation networks. In addition, we also engage in the production and sale of coal-based methanol, which generally uses coal as the primary raw material. Our coal-based methanol is generally sold as chemical raw materials to our downstream customers, such as olefins and formaldehyde terminal production enterprises and large and medium-sized chemical trading companies.

As a listed company in China, our business success, strong financial performance and achievements have been recognized in the fields. For example, we have received multiple awards and honors in recent years, such as the Most Innovative Enterprise in 2020 in Green Energy Sector (2020年綠色能源領域最具創新力企業), Top 100 Promising Stocks in 2019 for A Shares (2019年A股"漂亮100"潛力榜), the Most Influential Enterprise of Coal-based Methanol in China in 2018 (2018年中國煤制甲醇最具影響力企業), the Best Investment Value Award for Listed Companies 2017 (2017 年最具投資價值上市公司), Top 100 Chinese Listed Companies of Credibility and Integrity 2017 (2017年中國上市公司誠信企業百

佳), Chinese Listed Company Corporate Governance Practice Excellence Award 2017 (2017年中國上市公司傑出公司治理實踐獎), amongst others.

Our business has been generating steady income. The operating revenue of our Original Group was RMB13,632.5 million and RMB13,544.1 million for the years ended December 31, 2018 and 2019, respectively, and after the consolidation of ENN Energy, the operating revenue of our Enlarged Group was RMB88,652.2 million and RMB88,098.8 million (approximately US$13,501.7 million) for the years ended December 31, 2019 and 2020, respectively. As of December 31, 2020, we had total assets of RMB109,523.9 million (approximately US$16,785.3 million) and our market capitalization reached RMB35,333.8 million (approximately US$5,415.1 million).

Competitive Strengths

We believe that our continuous business success is largely attributable to the following competitive strengths:

Rapid Growth of Natural Gas and Integrated Energy Markets Driven by China's National Policies

We are one of the leading clean energy companies in China and have strategically focused our business on the clean energy sector. Our strategic positioning in the clean energy industry enables us to take advantage of the rapid growth of natural gas and integrated energy markets in China.

Natural gas consumption in China has been growing rapidly. According to statistics published by the NDRC, natural gas consumption in China has grown from 193 billion m^3 in 2015 to 326 billion m^3 in 2020, representing a CAGR of 11.0%. Despite such strong growth, natural gas accounted for approximately only 7.8% in 2019 of China's primary energy consumption which is lower than the international average of 24.2%, according to BP Statistical Review of World Energy 2019.

In recent years, the Chinese government has provided strong support to the development of clean energy led by natural gas. China's President Xi recently stated at the General Assembly of the United Nations that China's emissions would peak around 2030 and China would strive to achieve carbon neutrality by 2060. Under the Energy Production and Consumption Revolution Strategy《能源生產及消費革命戰略》(2016-2030), the PRC government targets to increase the proportion of natural gas in China's total primary energy consumption to 15% by 2030. In addition, local governments in China also promoted policies on energy structure optimization, energy conservation and emission reduction, as well as increasing the use of clean energy.

In a move aimed at optimizing the allocation of pipeline infrastructure and market-based pricing in China, PipeChina was established in December 2019 to hold and operate the gas transmission infrastructures that were previously solely operated by China's three state-owned oil and gas companies. PipeChina offers third party access to spare capacity at its LNG terminals, natural gas pipeline network and storage facilities, which is expected to improve the liquidity of the upstream natural gas market and also increase the supply of natural gas in China.

We believe that enhanced government endeavors to pursue energy transformation and to strengthen the transparency, liquidity and competitiveness of natural gas market in China will provide significant room for the growth of natural gas and related clean energy businesses, including our natural gas and integrated energy businesses. Leveraging our extensive access to upstream gas sources and the receiving capacities of Zhoushan LNG Receiving Terminal, we would be able to increase our gas transmission volume, diversify our gas supply resources and reduce gas procurement costs. We will also cooperate with PipeChina to further expand the capacity of our pipeline network, innovate our distribution model and match supply with demand more efficiently.

Integrated Upstream and Downstream Clean Energy Businesses with Extensive Customer Base

Our business covers various segments of the natural gas value chain from upstream to downstream, which generates substantial synergies. Leveraging our integrated business structure, we offer a variety of natural gas products, including piped gas supplied on retail basis and imported and domestic LNG sold on wholesale and direct sale basis, allowing us to meet customers' diversifying demands and maintain a stable profit margin. As of December 31, 2020, we operated 235 city-gas projects in China, covering a connectable urban population of 112 million and supplying piped gas to approximately 23.21 million residential households and 177,128 C&I customers in China.

Our business integrates the upstream gas resources and downstream customer base. Based on our extensive downstream distribution and sale network, we are able to attract and access more upstream gas sources. On the other hand, leveraging our access to the upstream sources, especially our access to Zhoushan LNG Receiving Terminal which in turn allows us to have access to a variety of gas suppliers in the market, we are better positioned to lower our overall natural gas procurement costs as we are able to secure stable gas supply from more competitive sources. Such cost savings can in turn improve our gas sales margin, or be passed on to our customers in terms of lowering their energy usage costs, which puts us in a better position to attract more customers. For example, we have lowered the selling price per unit of our retail natural gas from RMB3.14 per m^3 in 2019 to RMB2.79 per m^3 in 2020, while the difference between our procurement cost per unit and selling price per unit was maintained stable at RMB0.59 per m^3 in 2019 and RMB0.60 per m^3 in 2020. Benefiting from such integrated structure, our bargaining position is strengthened in sourcing, pricing and cost control.

In addition to the natural gas products, we have also developed a diversified portfolio of value-added, extended and integrated products and services. Focusing on the needs of residential and C&I customers, we provide tailor-made integrated energy solutions for large end-users, which allow for the more efficient utilization of energy resources. As of December 31, 2020, we had 119 integrated energy projects in operation, serving customers including airport, railway stations, industrial parks and municipal areas. We have also been developing our value-added business by providing a variety of products and services such as safe home, smart kitchen, one-stop heating and security system, as well as retrofitting services and repair and maintenance services for the gas appliance facilities. We operate an online platform "greatgas.cn" which provides integrated services to customers featuring online transaction, offline payment and offline delivery, as well as other value-added services including intelligent logistic service, trading facilitation, and price index and industry insight updates. In addition, in our energy engineering business, we provide our customers with one-stop services which include technology research and development, equipment and materials procurement, equipment installation, integration and testing, engineering construction and project management in relation to municipal engineering, petrochemical, coal chemical, energy conservation and environmental protection.

Integrated and Diversified Business Portfolio

After years of development and business transformation, we developed a diversified business portfolio comprising various business segments and covering a wide range of customers. We also secured a diversified and stable natural gas supply from domestic and international suppliers. Our diversified business portfolio and customer base enable us to lower the risks in relation to industry cyclical fluctuation and maintain a stable profitability.

For the year ended December 31, 2020, we derived revenue primarily from our principal businesses including (i) natural gas retail business, (ii) integrated energy business, (iii) natural gas wholesale, (iv) natural gas direct sales, (v) extended business, (vi) construction and installation, and (vii) energy production business. The following table sets forth a breakdown of our revenue and gross profit for the year ended December 31, 2020 by business segments, and each expressed as a percentage of our total revenue and total gross profit, respectively, for the period indicated:

	For the year ended December 31,			
	2020		2020	
	Revenue	%	Gross Profit	%
	(Audited) *(RMB in '000)*		*(Audited)* *(RMB in '000)*	
Natural gas retail business	45,871,996	52.1	7,787,348	47.7
Integrated energy business	5,712,732	6.5	1,093,831	6.7
Natural gas wholesale business	17,610,063	20.0	379,902	2.3
Natural gas direct sale business	1,583,972	1.8	148,230	0.9
Extended business	1,591,108	1.8	1,326,550	8.1
Construction and installation	9,614,001	10.9	4,200,562	25.8
Energy production business	6,114,899	6.9	1,379,907	8.5
Total:	**88,098,771**	**100.0**	**16,316,330**	**100.0**

Our business covers a diversified composition of customers. For example, we supply piped gas to three major categories of customers in our retail natural gas sales business, including residential customers, C&I customers and vehicle customers. In 2020, the sales volume of natural gas sold to residential customers, C&I customers and vehicle customers accounted for 19%, 77% and 4% of the total sales volume of our retail gas sales business, respectively.

In addition, we secured a diversified and stable natural gas supply with competitive prices. In 2020, we produced and procured approximately 2.5 million tons of LNG from a number of suppliers. For example, we have signed long-term LNG import contracts with suppliers such as Chevron U.S.A. INC., Origin Energy LNG Portfolio Pty Ltd. and Total Gas & Power Asia Private Limited with an annual capacity of 1.44 million tons in total, under which we purchased approximately 1.07 million tons of LNG in 2020. Meanwhile, we procured approximately 1.31 million tons of LNG spot from other overseas suppliers, and produced approximately 100,000 tons of LNG in our own facilities and procured approximately 20,000 tons of LNG from domestic PRC suppliers. We have also entered into a two-year procurement agreement with British Petroleum with an annual capacity of 300,000 tons, which became effective from the beginning of 2021. Our access to upstream gas sources has been further expanded by our access to Zhoushan LNG Receiving Terminal pursuant to entrustment arrangements with Xinao LNG, which owns Zhoushan LNG Receiving Terminal and entrusted us with the full authority to manage the daily operations of Zhoushan LNG Receiving Terminal. We are also able to obtain LNG sources with competitive prices by trading window slots of Zhoushan LNG Receiving Terminal with other LNG terminals.

Strong Potential of Organic Growth Driven by Customers' Demands

The growing demand of natural gas represents significant growth potential for us. Our sales volume of natural gas has been increasing in recent years. For the year ended December 31, 2020, our sales volume of natural gas sold on retail and wholesale basis was 21.95 billion m^3 and 7.62 billion m^3, respectively, representing an increase of 10.2% and 8.2%, respectively, compared with the respective sales volume of 19.9 billion m^3 and 7.03 billion m^3 in 2019. The volume of natural gas sold on direct sale basis also increased significantly from 0.14 billion m^3 in 2019 to 0.94 billion m^3 in 2020. Meanwhile, the average piped gas penetration rate in China is still relatively low. As of December 31, 2020, the average piped gas penetration rate was only 62.0%. Based on our experience, however, piped gas penetration rates in certain PRC cities can reach levels as high as 90%. As such, there is substantial potential for our future growth of natural gas sales.

Our businesses providing high added value also have strong growth potential. Our integrated energy business experienced rapid growth. The number of our integrated energy projects in operation increased from 98 as of December 31, 2019 to 119 as of December 31, 2020. Sales of integrated energy solutions, including electricity, heating, cooling and steam, amounted to 12,042 million kWh, representing an increase of 75.9% as compared to that of 2019. In addition, the penetration rate of customers of our value-added business is also increasing.

While our business is growing, we have maintained an effective control over our capital expenditure management. Our capital expenditures were RMB7,904 million in 2020 (which excluded the capital expenditure of RMB2,799 million in relation to the ENN Energy Acquisition), representing a decrease of 24.2% from RMB10,422 million in 2019.

Long-standing and Proven Track Record and Steadily Improved Credit Profile

After years of development and business transformation, we have developed into a leading privately-owned clean energy company in China with an integrated upstream and downstream business portfolio. We have a proven track record in business growth, profitability, customer service and safety. Our shares were listed on the SSE (stock code: 600803) in 1994. See *"— History and Development."* As of December 31, 2020, our market capitalization reached RMB35,333.8 million (approximately US$5,415.1 million).

Our consolidated subsidiary, ENN Energy, commenced operations in 1993 and has since developed into one of the leading privately-owned gas operators in the PRC. ENN Energy's shares were listed on the Main Board of the HKSE (stock code: 2688) in 2002. As of December 31, 2020, ENN Energy's market capitalization reached HKD127,392.4 million (approximately US$16,430.5 million).

We have steadily improved our credit profile since we obtained our first international credit rating in 2018. In 2020, Fitch upgraded our long-term issuer default rating to "BBB-" with a stable outlook, and in 2021, Moody's raised our long-term corporate credit rating to "Ba1" with a stable outlook. Our subsidiary ENN Energy also has been continuously improving its credit profile. ENN Energy has obtained an issuer rating of "Baa2" with stable outlook by Moody's, a rating of "BBB" by Fitch with stable outlook and a rating of "BBB" by S&P.

Experienced Management Team with Strong Execution Capability

We have a highly experienced senior management team composed of well-regarded experts in their relevant fields. Our senior management team has an average of more than 25 years of relevant experience. Moreover, a majority of our current board members hold doctoral or master degrees.

Our senior management team is led by our founder and board chairman, Mr. Wang Yusuo, who has a doctorate degree in business management and over 30 years of experience in energy sector. He was a vice chairman of the 9^{th} executive committee of the All-China Federation of Industry and Commerce. In light of the rapid expansion of our business operations, especially the consolidation of ENN Energy, we adopted a joint CEO model with Mr. Yu Jianchao and Mr. Han Jishen, each of whom has extensive experience in energy industries and business management, serving as joint CEOs of the Company. Mr. Zheng Hongtao, being one of the directors and the president of the Company, has extensive experience in various fields including international LNG procurement and trading and domestic natural gas sales. Our CFO, Mr. Wang Dongzhi is a certified public accountant in the PRC and has accumulated more than 20 years of experience in natural gas industry. For details regarding the profile of our directors and senior management team, see "*Management*."

We believe our experienced and professional management team has contributed to our success. By virtue of the implementation of their visionary development strategy, we have been able to capture business opportunities and ride the tide of growing clean energy market in China. We also benefit from their prudent management, which has ensured our stable and balanced growth and guarded us against business risk and adverse market conditions.

Business Strategies

We seek to strengthen our position as an integrated clean energy products and services provider and to achieve our goals, we intend to pursue the following strategies:

Recognition of Customers' Needs from Various Aspects of the Value Chain

We will further develop our business by enhancing our understanding and recognition of customers' needs from various aspects of the value chain. In order to achieve such goal, we will not only expand our downstream coverage, but also enhance our upstream and midstream operations. In the upstream operations, we aim to attract and retain more upstream gas suppliers by providing stable sales channels and transmission capacities to them and optimizing the matching of upstream supply and downstream demand. With respect to the midstream transmission and storage of natural gas, we plan to improve our transmission and storage capacity by increasing the utilization rate of our self-owned pipeline networks and also obtaining more transmission capacities from third party partners. We also plan to establish an innovative platform for the trading of storage capacities based on market price to further enhance the utilization of storage capacities of the market. Most importantly, we will continue to expand our downstream customer coverage by improving our service capabilities and continuously extending the breadth of our products and depth of our services based on our understanding and recognition of customers' needs. We will adopt different expansion strategies which will cater to the diversified demands of different types of customers.

Strengthen our Position as an Integrated Upstream and Downstream Clean Energy Company

We will continue to strengthen our position as an integrated upstream and downstream clean energy company and build up a smart platform covering all usage scenarios across the clean energy value chain. We will further expand our customer coverage and upstream supply, improve the efficiency and utilization of transmission and storage capacities, as well as enhance our production and service capabilities through application of innovative technologies.

We will continue to develop our natural gas retail business to expand the customer coverage and increase gas sales. For the year ended December 31, 2020, our total sales volume of natural gas was 30.51 billion m^3, representing an increase of 12.6% compared with the total sales volume in 2019. As of December 31, 2020, we operated 235 city-gas projects in China, covering a connectable urban population of 112 million and supplying piped gas to approximately 23.21 million residential households and 177,128 C&I customers in China, and the total length of our existing intermediate and main pipelines reached 63,096 km as of December 31, 2020. While we believe the PRC government's policies promoting energy conservation and emission reduction will continue to facilitate the growth of natural gas and related clean energy businesses, we will capture such market trends and optimize the scale and coverage of our downstream sales. We also intend to expand our customer coverage by extending the breadth of our products and depth of our services under the integrated energy business and extended business segments. We plan to develop more products that integrate the supply of clean energy products and provision of power management services to cater to customers' needs of integrated energy solutions and to further boost the sales volumes of our integrated energy products.

In terms of upstream resources, we have access to gas resources supplied by both domestic and international suppliers. We will optimize the proportion of our domestic and international procurements to match the needs of our downstream customers. On the one hand, we will enhance our ability to procure conventional and unconventional gas resources in domestic market through increasing cooperation with third party partners. On the other hand, we will diversify our procurements in the international LNG market to secure both short-term and long-term supply of imported LNG and minimize our risk exposure in relation to fluctuations in LNG prices by combining the procurements of LNG spot and futures.

We will continue to leverage our access to Zhoushan LNG Receiving Terminal to gain access to more gas suppliers in the market and secure stable LNG supply from more competitive sources. We may also obtain LNG supply with competitive prices by trading window slots of Zhoushan LNG Receiving Terminal with other LNG terminals. Moreover, we will deepen our cooperation with PetroChina, Sinopec, CNOOC, as well as PipeChina to secure a stable supply of natural gas. We also seek to further expand our pipeline capacity. We will cooperate with PipeChina and other state-owned provincial pipeline companies to expand our capacity of pipelines and storage facilities.

In addition, we have been innovating our pipeline operation model by applying data-based intelligence technologies in the operation of our supply and distribution system, which is expected to enhance the economics and efficiency of gas distribution and enable us to realize intelligent management of matching supply and demand, as well as gas transmission and storage.

We also plan to apply more innovative technologies in our energy engineering business to upgrade the business model, improve construction efficiency and further expand our presence into more industries and markets.

Implement Sustainable Development Strategies and Commitments

We see ourselves as a corporate citizen that is charged with the social responsibility to promote sustainable economic development.

We plan to establish an environmental, social and governance ("**ESG**") committee and an ESG working group to implement our sustainable development strategies and commitments. The ESG committee will be responsible for the overall management and supervision of ESG related matters at the board level. The ESG committee will be chaired by our CEO and will consist of our board members including executive directors, non-executive directors and independent non-executive directors. The ESG working group will be responsible for executing the strategies and plans and will consist of our CFO, company secretary and the head of the quality, health, safety and environment department, human resources department and investor relations department. We will also introduce ESG performance metrics into executive compensation determinations.

Recent Developments

Repayment of 2019 Guaranteed Senior Notes

In February and September 2019, the Issuer issued an aggregate principal amount of US$500,000,000 guaranteed senior notes due 2021 with a coupon rate of 7.50% which were unconditionally and irrevocably guaranteed by the Parent Guarantor under an indenture dated February 27, 2019 (the "**2019 Guaranteed Senior Notes**"). We have fully repaid the 2019 Guaranteed Senior Notes by March 1, 2021.

Proposed Payment of Dividends

On March 22, 2021, our board of directors approved the proposed payment of cash dividends of RMB1.9 per 10 shares to our shareholders in the total amount of RMB537.2 million. Such proposed payment of dividends is subject to the approval of our shareholders at a general meeting expected to be held in June 2021.

Adoption of 2021 Restricted Shares Incentive Scheme

On January 21, 2021, our board of directors approved the draft of 2021 restrictive incentive shares scheme (the "**2021 Restrictive Incentive Shares Scheme**"), which later has been approved by our shareholders at the general meeting held on March 26, 2021. The 2021 Restrictive Incentive Shares Scheme proposes to grant 18,340,068 restrictive shares to the grantees, which comprise directors, senior management and core management and business personnel of the Company and its branches and subsidiaries. The restrictive shares to be granted under the 2021 Restrictive Incentive Shares Scheme are our ordinary shares listed on the SSE to be purchased from the secondary market, which will be granted to the grantees at the price of RMB7.03 per share. The 2021 Restrictive Incentive Shares Scheme will be valid for a maximum of 72 months commencing from the date of completion of registration of the first batch of restrictive shares to be granted and ending on the date of release of sale restrictions, or the date of buyback or cancelation, of all restrictive shares granted under the 2021 Restrictive Incentive Shares Scheme.

Completion of Non-public Issuance of Shares

To raise fund for cash payment as part of the consideration of the ENN Energy Acquisition, we completed a non-public issuance of 245,871,156 shares in February 2021. The shares were issued at the price of RMB12.50 per share to 18 investors which include ENN Holdings, who is one of our existing shareholders controlled by Mr. Wang Yusuo and subscribed 24,587,116 shares in the issuance. We received net proceeds of RMB3,026.98 million from such issuance. Following completion of such issuance and as of the date of this Offering Memorandum, we had 2,845,853,619 ordinary shares issued and outstanding.

Divesture of Equity Interests in Xinneng Tengzhou

To focus on the development of our natural gas business and gradually exit from the methanol-based dimethyl ether and methanol related businesses, on February 18, 2021, we entered into a share transfer framework agreement with Langfang Huayuan Energy Technology Co. (廊坊華源能源技術有限公司) and Lianhong New Material Technology Co., (聯泓新材料科技股份有限公司, "**Lianhong Xinke**"), being the other two shareholders of Xinneng Phoenix (Tengzhou) Energy Chemical Co., Ltd. (新能鳳凰(滕州)能源化工有限公司, "**Xinneng Tengzhou**"), for the proposed sale of the 40% equity interests in Xinneng Tengzhou held by us to Lianhong Xinke (the "**Divesture of Xinneng Tengzhou**"). On March 29, 2021, we further entered into a share transfer agreement with Lianhong Xinke in relation to the Divesture of Xinneng Tengzhou. Lianhong Xinke is listed on the SSE (stock code: 003022) and is controlled by Legend Holdings Corporation (聯想控股股份有限公司) where our directors Mr. Wang Yusuo and Mr. Zhao John Huan also serve as directors. Such proposed transaction with Lianhong Xinke constitutes a connected transaction of us and has been approved by our shareholders at the general meeting held on April 15, 2021.

Announcement of Financial Results of the Three Months ended March 31, 2021

On April 29, 2021, we published our unaudited and unreviewed financial information as of and for the three months ended March 31, 2021 to satisfy our continuing disclosure obligation relating to our listing on the SSE. Such financial information has not been subject to an audit or review by our auditors, and does not form part of this Offering Memorandum. It should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. For more details, please also see "*Risk Factors – Risks Relating to Our Business in General — We publish and may continue to publish periodical financial information and other financial information in the PRC pursuant to applicable PRC regulatory rules. Investors should be cautious and not place any reliance on the financial information other than that disclosed in this Offering Memorandum*."

For the three months ended March 31, 2021, the total revenue of our Enlarged Group was RMB25,848.7 million, representing an increase of 47.8% compared to RMB17,466.7 million for the corresponding period in 2020, primarily due to the increase in our sales of natural gas, our improved performance in the construction and installation segment, and that our business in the corresponding period of 2020 was temporarily disrupted by the COVID-19 pandemic. The net profit of our Enlarged Group increased significantly to RMB1,834.8 million for the three months ended March 31, 2021 from RMB1,023.4 million for the corresponding period in 2020, primarily due to (i) the increase in our gross profit in line with our increased sales in the first three months of 2021, and (ii) the decrease in our financial expenses, primarily attributable to (a) the decrease in our interest payment as the amount of our incurred loans and the overall interest rate of our loans both decreased, and (b) that exchange gains generated by the 2019 Guaranteed Senior Notes have been recognized due to the repayment of such notes in February 2021. As of March 31, 2021, our total assets was RMB109,174.4 million, remaining stable compared to RMB109,523.9 million as of December 31, 2020, and our total borrowings (including short-term and long-term borrowings, notes payable, and non-current liabilities maturing within one year) was RMB31,710.5 million as of March 31, 2021 representing a 1.5% decrease compared to RMB32,189.7 million as of December 31, 2020, due to our repayment of borrowings.

History and Development

The table below sets forth selected key milestones in our history and development:

Year	Events
1992	• On December 29, 1992, our predecessor was established under the name of Hebei Veyong Industrial Co., Ltd. (河北威遠實業股份有限公司) pursuant to approval from Hebei Provincial Government with initial registered capital of RMB37.2 million. Our predecessor changed its name to Hebei Veyong Bio-chemical Co., Ltd. (河北威遠生物化工股份有限公司) in March 1999.
1994	• On January 3, 1994, our predecessor became a listed company on the SSE (stock code: 600803).
1999	• In April 1999, our wholly-owned subsidiary Xindi Engineering, which is primarily engaged in the engineering R&D, EPC project in the energy industry and engineering consultation and design work, was incorporated with initial registered capital of RMB125.0 million.
2002	• In May 2002, our wholly-owned subsidiary Veyong Animal Pharmaceutical was incorporated with initial registered capital of RMB50.0 million, which was primarily engaged in the production and sale of veterinary drugs.
2004	• In December 2004, Xinao Group, through the acquisition of 80.0% shareholding of Hebei Veyong Group Co., Ltd. (河北威遠集團有限公司), became the indirect controlling shareholder of Veyong Biochemical.

Year	Events
2006	• In July 2006, our indirectly partially-owned subsidiary Xinneng Energy was incorporated with initial registered capital of RMB120.0 million, which was primarily engaged in the production and sale of energy chemical products.
2008	• In January 2008, our wholly-owned subsidiary Qinshui ENN was incorporated with initial registered capital of RMB90.0 million, which was primarily engaged in the production and sale of LNG.
	• The Qinshui Phase I project commenced construction in April 2008 and commenced operation in full capacity in April 2009.
	• In May 2008, our wholly-owned subsidiary Xinneng Mining was incorporated with initial registered capital of RMB790.0 million, which was primarily engaged in the production and sale of coal. Xinneng Mining holds mining rights of Wangjiata Coal Mine located in Inner Mongolia.
2010	• In January 2010, Xinneng Mining acquired the mining right of the Wangjiata Coal Mine.
2011	• The Qinshui Phase II project commenced construction in June 2011 and launched trial operation in September 2012.
2013	• In March 2013, through shares issuance and supporting financing, we acquired 100.0% shareholding of Xinneng Mining with a consideration of RMB7.2 billion.
	• In July 2013, our wholly-owned subsidiary Veyong Biochemical was incorporated with initial registered capital of RMB257.23 million, which was primarily engaged in the production and sale of pesticides.
	• In November 2013, our wholly-owned subsidiary Xinneng (Hong Kong) was incorporated with initial registered capital of HK$10,000, which was primarily engaged in investment businesses.
2014	• To expand our domestic LNG production capability, in September 2014, our wholly-owned subsidiary, Xinneng Mining, acquired 45.0% shareholding of CNOOC Beihai held by Xinao (China) Gas Investment with an investment amount of RMB68.6 million.
	• In December 2014, our predecessor changed its name from Hebei Veyong Bio-chemical Co., Ltd. (河北威遠生物化工股份有限公司) to ENN Ecological Holdings Co., Ltd. (新奥生態控股股份有限公司) and on January 16, 2015, our stock name was changed from "Veyong Biochemical" (威遠生化) to "ENN Shares" (新奥股份) (stock code: 600803).
2015	• In April 2015, we completed our acquisition of 100.0% shareholding of Xindi Engineering through the acquisition of 60.0% shareholding from the Xinao Group and 40.0% shareholding from Xinao Photovoltaic Energy Co., Ltd. (新奥光伏能源有限公司) with a total consideration of RMB1,770.0 million.

Year	Events
2016	• In March 2016, our wholly-owned subsidiary Xinneng (Tianjin) Energy Co., Ltd. (新能(天津)能源有限公司) was incorporated with initial registered capital of RMB80.0 million, which primarily operates our trading businesses of coal and energy chemical products.
2018	• On November 8, 2018, we entered into a purchase and sale agreement (the "**PSA**") for the proposed acquisition of 100.0% equity interest in Toshiba America LNG Corporation from Toshiba America, Inc., a subsidiary of Toshiba Corp. In April 2019, we had decided not to proceed with such acquisition and had terminated the PSA.
2019	• On June 24, 2019, we completed the asset disposal of our production and sale of pesticides and veterinary medicine business through the transfer of our entire equity interests in Veyong Animal Pharmaceutical and New Veyong to the acquirees, including Limin Chemical Co., Ltd. (利民化工股份有限公司), Xinjiang Xinrong Renhe Equity Investment Co., Ltd. (新疆欣榮仁和股權投資有限公司) and Jiaxing Jinyu Xinwei Equity Investment Partnership (Limited Partnership) (嘉興金榆新威股權投資合夥企業(有限合夥)), with an equity transfer price of RMB758.6 million. Such asset disposal of our production and sale of pesticides and veterinary medicine business is part of our strategic planning to focus on the development of our clean energy related and energy engineering businesses and to capture business opportunities of the rapidly growing clean energy market in China.
2020	• In September 2019, we entered into an acquisition agreement with ENN International and Essential Investment Holding Company Limited in September 2019 for acquisition of 369,175,534 shares in ENN Energy, representing approximately 32.8% of the then total issued common shares of ENN Energy (the "**ENN Energy Acquisition**"). Pursuant to the acquisition agreement, we settled consideration for the ENN Energy Acquisition by a combination of cash payment, issuance of new shares and asset swap. As part of the consideration, we transferred to ENN International with 100% equity interest of United Faith Ventures Limited, which is a holding company and held approximately 10.07% of Santo's issued shares as of the date of the Acquisition Agreement.
	• In October 2020, we entered into an entrusted management agreement with Xinao LNG, pursuant to which Xinao LNG entrusted us full authority to manage the daily operations of Xinao LNG, including the operation of Zhoushan LNG Receiving Terminal, for one year.
	• In December 2020, we changed our name to ENN Natural Gas Co., Ltd. (新奧天然氣股份有限公司).
	• To focus on the development of our natural gas business and gradually exit from the methanol-based dimethyl ether and methanol related businesses, in December 2020, we completed the disposal of 100% equity interests in Xinneng (Zhangjiagang) Energy Co., Ltd. (新能(張家港)能源有限公司, "**Xinneng Zhangjiagang**") and in April 2021, our shareholders approved the proposed divesture of the 40% equity interests in Xinneng Tengzhou held by us.

Awards and Recognition

We have received numerous honors and awards in recognition of, among others, our overall strengths and reputation in the industries in which we operate. The table below sets forth certain major honors and awards we have received:

Year	Awards	Relevant project	Awarding body
2020	Ranked 26th in China's Top 500 Privately-owned Companies in 2020 (2020中國民營企業500強)	—	The All-China Federation of Industry and Commerce (中華全國工商業聯合會)
	Most Innovative Enterprise in 2020 in Green Energy Sector (2020年綠色能源領域最具創新力企業)	—	China Business Journal (中國經營報)
	Leading Tech Company of Hebei Province (河北省科技領軍企業)	—	Hebei Department of Science and Technology (河北省科學技術廳)
	Shanxi Province High-tech Enterprise Certificate	—	Shanxi Department of Science and Technology, Shanxi Department of Finance and Shanxi Provincial Tax Bureau (山西省科學技術廳、山西省財政廳、山西省税務局)
	Company of Credibility and Integrity in Hebei (河北省誠信企業)	—	Committee of Companies of Credibility and Integrity in Hebei (河北省誠信企業委員會)
2019	Chemical Industrial Quality Project (化學工業優質工程)	Zhejiang Zhoushan LNG Receiving and Filling Program Phase I Receiving and Filling Project (浙江舟山LNG接收及加注站項目一期接收與加注工程)	China Association of Chemical Construction Enterprise (中國化工施工企業協會)
	Chemical Industrial Quality Project (化學工業優質工程)	200,000 tons of Stable and Light Hydrocarbon Project (年產20萬噸穩定輕烴項目)	China Association of Chemical Construction Enterprise (中國化工施工企業協會)
	First Class Prize for Survey & Design of Hebei Industrial Projects (河北省工程勘察設計工業項目一等獎)	New Material Project with Annual Production Capacity of 5400 tons of Zhongchuan Zhonggong (Handan) Pairui Special Gas Co. Ltd. (中船	Hebei Survey and Design Association (河北省勘察設計協會)

Year	Awards	Relevant project	Awarding body
		重工(邯鄲)派瑞特種氣體有限公司年產5400噸新材料項目)	
	Third Class Prize for Achievement Award by Hebei Survey and Design Association (河北省工程勘察設計協會成果獎三等獎)	270 million Nm3/a COG Synthesis Natural Gas Project of Shanxi Huayang Gas Co. Ltd. (山西華陽燃氣有限公司2.7億Nm3/a焦爐煤氣制合成天然氣項目)	Hebei Survey and Design Association (河北省勘察設計協會)
	Third Class Prize for Achievement Award by Hebei Survey and Design Association (河北省工程勘察設計協會成果獎三等獎)	Qingdao Digital Media Center Energy Supply System and Other Extended Infrastructure Supporting Projects (青島數字媒體中心供能系統等延伸基礎設施配套工程)	Hebei Survey and Design Association (河北省勘察設計協會)
	Government Quality Award for Advanced Units (政府質量獎先進單位)	—	Langfang Government Quality Award Committee (廊坊市政府質量獎評審委員會) and Leading Group of Langfang Quality Strong City Strategy (廊坊市質量強市戰略領導小組)
	Gold Wisdom Award for Future Companies in New Energy Sector (新能源領域未來公司金智獎)	—	JRJ.com (金融界)
	Gold Wisdom Award for Most Promising Listed Companies (傑出成長性上市公司金智獎)	—	JRJ.com (金融界)
	Top 100 Promising Stocks in 2019 for A Shares (2019 A股"漂亮100"潛力榜)	—	Securities Times (證券時報)
	2019 Safe Production Month Advanced Enterprise (2019年"安全生產月"先進企業)	—	General Office of Production Safety Committee of Ejin Horo Banner (伊金霍洛旗安全生產委員會辦公室)
	Excellent Private Enterprise (優秀民營企業)	—	People's Government of Dalad Banner

Year	Awards	Relevant project	Awarding body
	2018 City-wide Advanced Collective in Statistical Work (2018年度全市統計工作先進集體)	—	Ordos Bureau of Statistics
2018	The Most Influential Enterprise of Coal-based Methanol in China in 2018 (2018年中國煤制甲醇最具影響力企業)	—	China Petrochemical Industry Annual Meeting Organizing Committee (中國石化行業年會組委會) and Jinlianchuang Network Technology Co., Ltd. (金聯創網絡科技有限公司)
	Second Class Prize for Survey & Design of Hebei Excellent Projects (河北省優秀工程勘察設計行業獎二等獎)	Supercritical Oxidation Treatment Industrial Solid Waste Project for Nanjing ENN Environmental Protection Technology Ltd. (南京新奧環保技術有限公司超臨界氧化處理工業固體廢物項目)	Hebei Engineering Survey and Design Consulting Association (河北省工程勘察設計諮詢協會)
2017	National Qualify Project Award (國家優質工程獎)	COG-to-LNG Project for Shandong Zaozhuang Xueneng Natural Gas Co., Ltd. (山東棗莊薛能天然氣有限公司焦爐煤氣制液化天然氣項目)	China Association of Construction Enterprise Management (中國施工企業管理協會)
	First Class Prize for Survey & Design of Hebei Excellent Projects (河北省優秀工程勘察設計一等獎)	Hainan PetroChina LNG Terminal Project (海南中石油接收站項目)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)
	2017 Best Investment Value Award for Listed Companies (2017最具投資價值上市公司)	—	China-Listed Company Chengxin Gaofeng Forum
	2017 Top 100 Listed Companies of Credibility and Integrity in China (2017中國上市公司誠信企業百佳)	—	China-Listed Company Chengxin Gaofeng Forum
	Hebei Province Quality and Benefit Enterprise (河北省質量效益型企業)	Xindi Energy Engineering Technology Co., Ltd. — Enterprise Honor (新地能源工程技術有限公司—企業榮譽)	Hebei Provincial Administration of Quality and Technical Supervision (河北省質量技術監督局)

Year	Awards	Relevant project	Awarding body
	Second Class Prize for Survey & Design of Hebei Excellent Projects (河北省優秀工程勘察設計行業獎二等獎)	COG-to-LNG Project for Hegang Jiarun Energy Co., Ltd. (鶴崗市嘉潤能源有限公司焦爐煤氣制液化天然氣項目)	Hebei Engineering Survey and Design Consulting Association (河北省工程勘察設計諮詢協會)
	2017 Best Social Responsibility Practice Award (2017社會責任最佳實踐獎)	—	China Business Journal (《中國經營報》)
	Top 20 National Methanol Producers by Production Volume in 2017 (2017年全國甲醇產量20強)	—	China Nitrogen Fertilizer Industry Association (中國氮肥工業協會)
	Top 15 Chinese Methanol Producers in 2017 (2017年度中國甲醇生產企業15強)	—	JLC Internet Technology Co., Ltd. (金聯創網絡科技有限公司)
2016	First Class Prize for Consultation Achievements of Hebei Excellent Projects (河北省優秀工程諮詢成果獎一等獎)	Special Planning for Urban Fuel Gas in Luoyang City (洛陽市天然氣利用工程劃)	Heibei Association of Engineering Consultation (河北省工程諮詢協會)
	First Class Prize for Survey & Design of Hebei Excellent Projects (河北省優秀工程勘察設計一等獎)	Storage & Distribution Station for Changsha Natural Gas Utility Station (長沙市天然氣利用工程儲配站)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)
	2016 Top 100 Listed Companies of Credibility and Integrity in China (2016) (2016中國上市公司誠信企業百佳)	—	China-Listed Company Chengxin Gaofeng Forum
	2016 Award for Responsible Enterprise in Chinese Capital Market (2016中國資本市場年度責任企業獎)	—	Chinese Capital Markets IRM Gaofeng Forum (中國資本市場IRM高峰論壇)

Our Business

Our Enlarged Group derives revenue primarily from our principal businesses including (i) natural gas retail business, (ii) integrated energy business, (iii) natural gas wholesale, (iv) natural gas direct sales, (v) extended business, (vi) construction and installation, and (vii) energy production business. Our business has been generating steady income. The operating revenue of our Original Group was

RMB13,632.5 million and RMB13,544.1 million for the years ended December 31, 2018 and 2019, respectively, and after the consolidation of ENN Energy, the operating revenue of our Enlarged Group was RMB88,652.2 million and RMB88,098.8 million (approximately US$13,501.7 million) for the years ended December 31, 2019 and 2020, respectively. The following table sets forth a breakdown of our revenue for the year ended December 31, 2020 by business segments and each expressed as a percentage of our total revenue and total gross profit, respectively, for the period indicated:

	For the year ended December 31, 2020	
	Revenue	**%**
	(Audited) *(RMB in '000)*	
Natural gas retail business	45,871,996	52.1
Integrated energy business	5,712,732	6.5
Natural gas wholesale business	17,610,063	20.0
Natural gas direct sale business	1,583,972	1.8
Extended business	1,591,108	1.8
Construction and installation	9,614,001	10.9
Coal product business	1,539,578	1.7
Energy production business	6,114,899	6.9
Total:	**88,098,771**	**100.0**

Natural Gas Retail Business

Overview

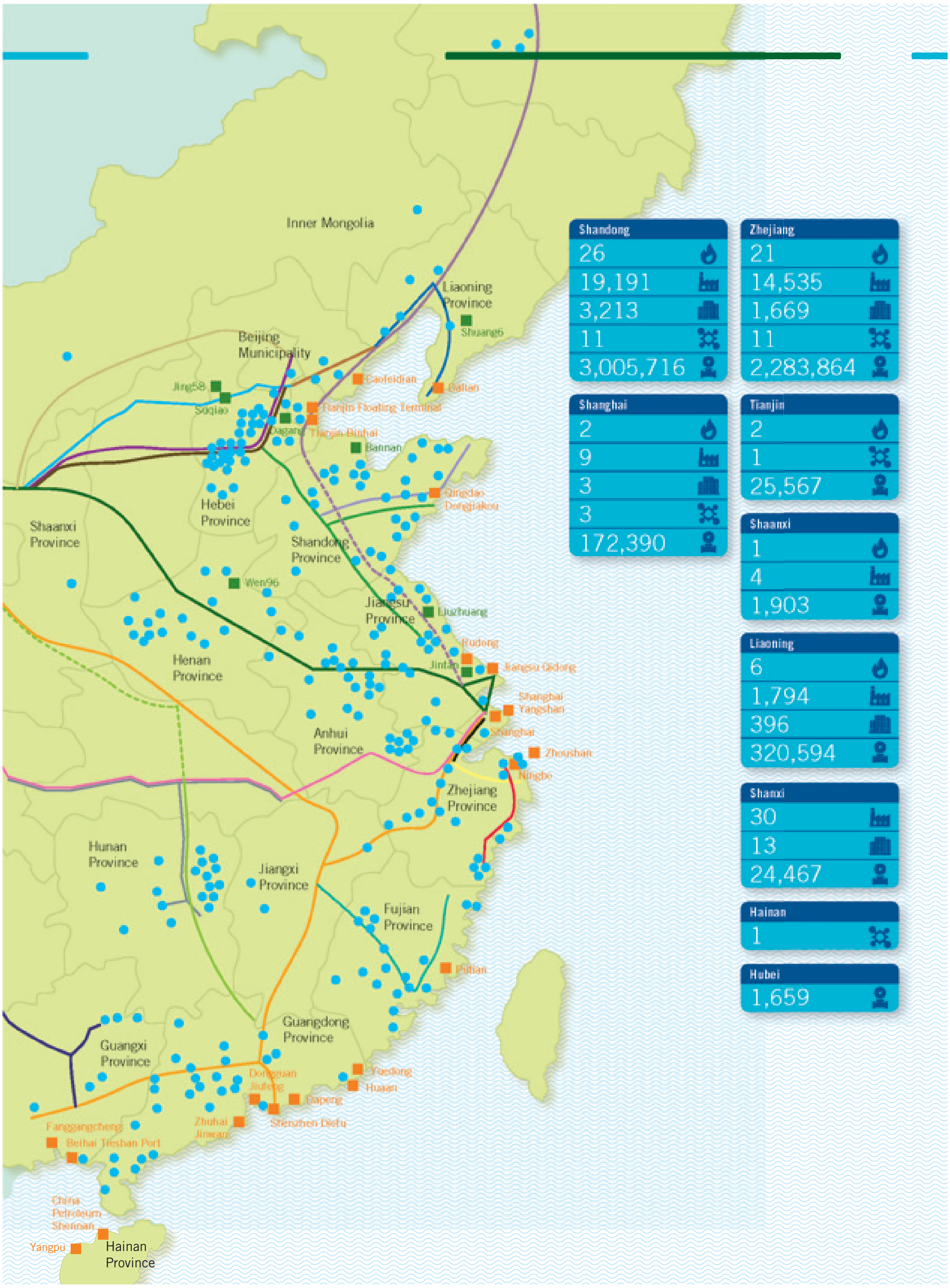
As of December 31, 2020, we operated 235 city-gas projects in China, covering a connectable urban population of 112 million and supplying piped gas to approximately 23.21 million residential households and 177,128 C&I customers in China. For the year ended December 31, 2020, our revenue generated from natural gas retail sales was RMB45,872.0 million, accounted for 52.1% of the total revenue of our Enlarged Group in 2020.

We have obtained exclusive rights from local governments to supply piped gas to substantially all of our existing operational locations including cities and urban areas in Anhui, Guangdong, Guangxi, Hebei, Henan, Hunan, Sichuan, Beijing Municipality, Fujian, Jiangxi, Yunnan, Inner Mongolia, Heilongjiang, Jiangsu, Shanghai, Tianjin, Shaanxi, Shanxi, Shandong, Zhejiang and Liaoning. The table and the map below shows, as of December 31, 2020, the locations in the PRC in which we have exclusive rights to supply natural gas and their respective contributions to our total retail sales of natural gas. We intend to grow both by increasing our penetration rate and the number of customers for our existing operational locations and by continuing to develop new projects.

	Natural gas sales volume for the year ended December 31, 2020
	% of total
Hebei	13.06%
Shandong	13.69%
Zhejiang	10.40%
Guangdong	15.18%
Fujian	10.71%
Jiangsu	9.36%
Hunan	7.61%
Henan	6.85%
Anhui	7.14%
Other provinces	6.00%
	100.00%

OUR BUSINESS PROFILE

Province	City Gas Projects	Installed Designed Daily Capacity for Connected C/I Customers ('000 m³)	Connected Residential Customers ('000 household)	IE Projects	Retail Gas Sales Volume ('000 m³)
Anhui	26	10,295	2,172	15	1,567,524
Guangdong	27	18,031	2,097	21	3,333,085
Guangxi	7	1,364	438	4	349,990
Sichuan	2	3			73,934
Heilongjiang	3	431	27	1	30,689
Hebei	33	19,675	3,561	14	2,866,205
Henan	16	11,414	2,424	14	1,503,508
Jiangxi	4	1,240	27		92,811
Yunnan	3	268	76		84,081
Jiangsu	20	17,941	2,691	5	2,055,405
Beijing Municipality	1	535	82		45,135
Fujian	17	12,129	807	5	2,351,706
Hunan	16	12,595	3,315	11	1,671,510
Inner Mongolia	2	303	202	2	90,702



Procurement and Suppliers

We have established strong business relationships with a diversified range of major suppliers, including pipeline and non-pipeline (including CNG and LNG) suppliers, to secure our long-term supply of gas in a cost efficient manner. We have not experienced any material difficulty in the sourcing of natural gas or any other major supplies and we believe our scale has given us bargaining power in securing more favorable terms relative to many other piped gas companies.

Our supply contracts include take-or-pay contracts, guaranteed gas supply contracts and other long-term supply contracts and are generally entered into by individual project companies with our upstream natural gas suppliers. We have entered into renewable agreements to purchase natural gas from three major upstream natural gas suppliers in the PRC, namely PetroChina, Sinopec and CNOOC, or their distributors. Additionally, in 2016, we entered into long-term LNG sale and purchase agreements, which last for 5 to 10 years, with Chevron U.S.A. INC., Origin Energy LNG Portfolio Pty Ltd. and Total Gas & Power Asia Private Limited, pursuant to which we are obliged to progressively import up to 1.44 million tons of LNG per year. We also benefit from long-term gas supply contracts between the local government of each operational location and upstream gas suppliers, who guarantee to the local government an adequate supply of gas for between 15 and 25 years.

In addition to the contracts described above, our long-term stable supply of natural gas is assured by the Chinese government's recent expansion of investment in natural gas supply infrastructure and the open-up of state-owned infrastructure to privately-owned companies. In recent years, the Chinese government has constructed onshore and offshore infrastructure, including connecting pipelines, LNG important terminals and LNG processing plants. In 2019, a number of national long-distance pipelines were put into operation, including the third West-East Pipeline. In 2020, major pipelines including West-East Natural Gas Pipeline, Yulin-Jinan Pipeline and Taian-Qingdao-Weihai Pipeline and six LNG terminals in Beihai, Tianjin, Shenzhen, Fangchenggang, Guangdong and Hainan released part of their capacities to the market.

The gas supply cost for our city-gas projects is agreed between us and the suppliers and may vary depending on the supplier and the location of the relevant operations. It is subject to upward or downward adjustment from the applicable city-gate price set by the NDRC. In the case of upward adjustments, the adjustment is capped at a 20% premium to the applicable city-gate price. We may have to pay a higher price if our natural gas needs exceed the amount contracted for and the price may vary depending on whether the gas will be supplied for industrial use or any other use. The gas supply cost is generally also subject to adjustment according to any new PRC government pricing policies. We believe that these arrangements are beneficial to us because they enable the relevant projects to secure a long-term guaranteed gas supply at a predictable price level. This is of strategic importance to us in the long run because we believe that demand for natural gas in China will continue to increase.

We are generally only required to pay for the quantity of natural gas actually purchased from our upstream suppliers, except for those projects located in areas surrounding long-distance pipelines (such as the West-East Pipeline Project) and in relation to which we have entered into long-term take-or-pay gas purchase contracts. We believe that the quantities of natural gas stated in our gas purchase agreements are sufficient for the potential demand of gas by the relevant project companies.

Any delivery of piped gas is recorded by a meter installed at the point where our intermediate pipeline connect with the relevant supplier's long-distance pipeline. We usually pay for piped gas supplied to us on a weekly basis and each weekly payment is composed partly by payment in arrears for actual use and partly by payment in advance for estimated use. We usually pay for gas by cheque, bank draft or remittance, denominated in Renminbi.

Sale and Customers

In the retail natural gas sales business, our customers can be classified into three broad categories: (i) residential customers, (ii) C&I customers (including owners of hotels, restaurants, office buildings, shopping malls, hospitals, educational establishments, sports and leisure facilities and exhibition halls); and (iii) vehicle customers. Gas is primarily used for cooking, water heating and space heating and, in the case of commercial customers, for air conditioning as well. The following table sets forth, for the periods indicated, the number of customers and volume of gas sales for each category of customer in our retail and wholesale sales of natural gas business:

	As of, or for the year ended December 31,	
	2019	**2020**
Customer base		
Number of residential customers (thousand)	20,920	23,213
Units of natural gas sold to residential customers (billion m^3) . .	3.8	4.2
Number of C&I customers (sites)	148,761	177,128
Units of natural gas sold to C&I customers (thousand m^3)	14,879,404	16,882,284
Total installed designed daily capacity for C&I customers (thousand m^3)	124,709	141,787
Units of natural gas sold to vehicle operators (thousand m^3)	1,276,484	909,712

Generally, we adopt different marketing strategies for different categories of customer. For new projects, the project company sales and marketing team would implement a promotional campaign (sometimes jointly with the local government) to increase public awareness of piped gas in the relevant location (amongst both residential and C&I target customers) and we would commence negotiations on the terms of supply contracts with target customers with the aim of entering into supply contracts with them as soon as possible. In the case of residential customers, we focus on marketing to property developers (which can include government departments and SOEs) or, in the case of existing buildings, to owners' committees as these entities can enter into master supply contracts with us for the connection of gas to all the units within a residential development. We enter into contracts under which customers usually pay both construction and installation fees and gas usage charges. For more details regarding construction and installation fees, refer to the section entitled "*Construction and Installation — Construction and Installation of Pipelines and Related Facilities*" below.

As to gas usage fees, such fees are based on actual usage (on a per m^3 basis) and vary between operational locations. The setting of gas usage fees is subject to regulation. Gas usage fees for residential end-users must be approved by the relevant local pricing bureau following a hearing. This includes any adjustment to such fees, unless the adjustment is automatically linked to upstream costs. For C&I customers and CNG/LNG refueling station customers, only indicative prices are set by local governments. This follows a trend of liberalization in the regulation of non-residential gas prices. On November 18, 2015, the NDRC issued the Notice on Reducing Non-Residential Natural Gas City-Gate Prices and Further Promoting the Reform toward Market-Oriented Prices, pursuant to which (i) the maximum city-gate price for non-residential users was reduced by RMB0.7 per m3 and (ii) suppliers and buyers were permitted to negotiate prices, subject to a cap of a 20% premium to the relevant city-gate price (and without any price floor). On November 20, 2016, the NDRC made city-gate prices a mere benchmark (as opposed to a ceiling price) and permitted upwards adjustments. On June 20, 2017, the NDRC published Guidelines articulating the principle of "permitted costs plus reasonable returns" and specifying a 7% cap on the return ratio for suppliers. On March 13, 2020, the NDRC published the Central Pricing Catalogue, which removes the natural gas city-gate prices from the scope of national pricing while maintains the pipeline transportation tariff of the piped natural gas. We may offer discounts on the indicative prices set by local governments to any C&I customer with a large gas usage volume.

The manner in which gas usage fees is paid varies between different categories of customer. Generally speaking, gas usage charges are paid in advance by all residential customers and by some of our C&I customers. Residential customers typically purchase gas units in cash at our points of sale and details of the prepaid gas units are stored electronically in a stored value card. The stored value card is inserted into a stored value card gas meter installed at a customer's premises to activate the customer's gas supply and units of gas used are then deducted from the stored value card as they are used. When the level of prepaid gas units drops to a certain level (currently pre-set at 3 m^3), the gas meter will produce a sound signal to remind the customer to replenish the value stored in the stored value card. The stored value prepaid card system minimizes the risk of payment default by our residential customers and saves significant administrative expenses, thus enhancing our cash flow. For commercial and industrial customers, gas meters are installed at a customer's premises and meter readings are automatically transferred to our operations platform on a daily basis. Weekly, bi-weekly or monthly bills based on the customer's actual usage for the preceding period are then sent to the customer. In general, settlements are received by us about one week from the date of billing. In the event the customer defaults on the payment of gas usage charges, the customer's gas supply will generally be suspended within one month of billing.

During the years ended December 31, 2019 and 2020, we completed piped natural gas connections to approximately 2,397,000 and 2,293,000 of residential households, respectively. As of December 31, 2020, we had connected piped gas to a total of 23.2 million residential customers in China thereby raising the average piped gas penetration rate to 62.0%, compared with 60.4% as of December 31, 2019. Compared with the year ended December 31, 2019, we increased our volume of natural gas sold to residential customers by 10.1% to 4.2 billion m^3 in 2020, accounting for 19.1% of the total sales volume of our retail gas sales business in 2020. During the years ended December 31, 2019 and 2020, (i) we completed piped natural gas connections to approximately 27,656 and 28,367 C&I customers, respectively, and (ii) the accumulated installed designed daily capacity for C&I customers was 124,709 million m^3 and 141,787 million m^3, respectively. As of December 31, 2020, we had connected piped gas to a total of 177,128 C&I customers in China and, compared with the year ended December 31, 2019, we increased our volume of natural gas sold to C&I customers by 13.5% to 16.9 billion m^3 in 2020, accounting for 76.9% of the total sales volume of our retail gas sales business in 2020.

Although the existing number of C&I customers is less than the number of residential customers, these customers are more important to us as they are much higher volume gas users than residential customers and their demand for natural gas tends to be less seasonal. Moreover, as most of our projects are located in areas in which local governments strictly implement air pollution prevention other environmental protection policies, we plan to further tap the potential of the C&I market by actively promoting the replacement of coal-fired boilers. We also intend to capitalize on the benefits arising from prospective C&I customers relocating their industrial facilities to industrial park concessions which we own.

Integrated Energy Business

The mission of our integrated energy business to "build a modern energy system and co-build a better ecology". With continued economic growth in China and the accompanying high levels of energy consumption, pollution and greenhouse gas emissions, China's energy sources have come under significant pressure and the environment has come under significant threat. Against this backdrop, the PRC government is aiming to reduce the energy intensity per unit of GDP growth and our customers' demand for energy is gradually shifting from a single source of energy to an integrated solution with diversified energy sources. China's President Xi recently stated at the General Assembly of the United Nations that China would strive to achieve carbon neutrality by 2060.

In our integrated energy business, we utilize our technological know-how on clean energy to develop tailor-made integrated energy solutions for our clients. Integrated energy projects possess better peak shaving ability and allow for the more efficient utilization of energy resources. They are therefore more cost-efficient for consumers and less harmful to the environment compared to conventional energy sources. Through the energy savings and emissions reductions arising from integrated energy projects, we reduce the harm to the environment caused by economic growth: in 2020, consumption of integrated energy resulted in the avoidance of the burning of approximately 1.5 million tons of standard coal and the consequent emission of approximately 4.4 million tons of CO_2.

Our integrated energy solutions business involves the delivery of two key services to our customers. Firstly, we endeavor to expand our services to existing C&I customers of our retail gas sales business by offering them refitting services so as to enhance the efficiency of their energy utilization and thus reduce their energy consumption costs. Secondly, we distribute energy other than natural gas, including electricity, to existing residential, C&I and vehicle customers of our retail gas sales business.

As of December 31, 2020, we had 119 integrated energy projects in operation, serving customers including airport, railway stations, industrial parks and municipal areas, and we also had 24 integrated energy projects under construction. In 2020, sales of integrated energy solutions, including electricity, heating, cooling and steam, amounted to 12,042 million kWh, representing an increase of 75.9% as compared to that of 2019. For the year ended December 31, 2020, our revenue generated from integrated energy business was RMB5,712.7 million, accounted for 6.5% of the total revenue of our Enlarged Group in 2020. We intend to grow our integrated energy business to both generate a new recurring revenue stream alongside our retail gas sales business and boost our gas sales volumes. We are currently actively developing the integrated energy business in key regions in both municipal and industrial settings. We believe the prospects of our integrated energy business will be aided by the development of large-scale infrastructure projects such as airports and hospitals, which have stable energy consumption levels throughout the year, and industrial parks, which have relatively high energy consumption levels and a diversified customer base.

Natural Gas Production, Wholesale and Direct Sales

We operate our natural gas production, wholesale and direct sales primarily through our wholly-owned subsidiary, Qinshui ENN. Qinshui ENN is located in the coal-rich region of Shanxi Province, which provides us with rich resources, including, among others, coal and CBM, for our LNG production. In 2014, we acquired Qinshui ENN to commence our LNG production business line. In the same year, we acquired a 45.0% shareholding in CNOOC Beihai to expand our domestic operation in LNG. In 2016, we then acquired an interest in Santos, one of the largest oil and gas producers in Australia. As part of the consideration for the ENN Energy Acquisition, we transferred out all shares we held in Santos in September 2020.

Natural Gas Production

Our LNG is primarily produced through the separation, purification, liquefaction and other further processing of the raw gas, which is mainly CBM. We receive the raw gas of CBM from our upstream supplier through pipelines. See *"— Procurements and Suppliers."* After a series of processes to remove water, CO_2 and other unwanted materials from the raw gas, the raw gas is liquefied using refrigerants in a pressurized environment. The annual designed production capacity of our LNG production plant was approximately 100,000 tons per year. For the year ended December 31, 2020, our production volume of LNG was approximately 145.0 million m^3.

Our Representative Projects

- The LCBM Project

In 2014, we acquired Qinshui ENN to commence our natural gas production business line. The LCBM Project is one of the key projects in Shanxi Province.

- The CNOOC Beihai LNG Project

As part of the CNOOC Beihai LNG Project, our processing plant in the Weizhou Island of Beihai processed offshore oil associated gas provided by CNOOC into natural gas. Such natural gas was primarily sold to the Pearl River Delta Region. The project was commenced in 2014 and was completed in 2016.

- The Daqi Phase II Project

The Daqi Phase II Project, located in Dalad Economic Development Zone, Erdos City, Inner Mongolia, is an industrial demonstration project developed by Xinneng Energy. It utilizes certain innovative technologies, including catalytic gasification and hydrogenation, developed by the Xinao Group and our self-developed technologies, such as coal gasification technology. The project, when fully utilized, is expected to produce stable and light hydrocarbon with an output equivalent to approximately 200,000 tons and to produce approximately 200.0 million cubic meters of LNG feed gas (with 600,000 tons of methanol as byproducts), expanding the annual production capacity of our LNG production plants to approximately 240,000 tons per year. The project promotes the industrial application of technologies while opening up economical channels for the recycling and utilization of clean coal and coal-based natural gas. The project was commenced in December 2015 and commenced operation in October 2018. The project currently produces methanol and stable and light hydrocarbon.

The following sets forth a summary of two core technologies that we leveraged in our Daqi Phase II Project:

- Catalytic Gasification (催化氣化). The catalytic gasification technology developed and patented to the Xinao Group is the catalytic gasification of crushed coal through a pressurized fluidized-bed to achieve the direct synthesis of methane and is applicable to low-grade coal with a high ash fusion point. Its core technologies include: pressurized fluidized-bed, catalyst and key internals.

- Hydrogasification (加氫氣化). The hydrogasification technology developed and patented to the Xinao Group is the hydrogasification of pulverized coal through entrained flow and direct conversion into aromatic hydrocarbon and methane. It is applicable to high volatile and low rank coal. Its core elements include: dense-phase delivering of pulverized coal with H_2, hydrogen oxygenation nozzle and sensible heat recovery of semi-coke. The key advantages of this technology include: (i) a high direct yield of aromatic hydrocarbon and methane with aromatic hydrocarbon yields of between 10.0% and 15.0% (dry basis) and methane between 0.5 and 0.8 Nm^3 per kg (as well as economic benefits deriving from the low cost of methane); (ii) a flexible process and easy-to-control end product that eliminates the tar and dust separation issue that arises in the traditional method; and (iii) a reduction in waste water, no volatile phenols, low Chemical Oxygen Demand (COD) content and a simple treatment process.

Procurements and Suppliers

CBM is the primary raw material for our natural gas production, and we procure CBM from a limited number of suppliers. Other ancillary materials are generally procured from domestic suppliers nearby to ensure the smooth production of LNG. See also "*Risk Factors — Risks Relating to Our Natural Gas Business — We currently procure primary raw materials for production of our LNG mainly from a limited number of suppliers.*"

Sale and Customers

Our sale plans are generally developed and determined in accordance with our estimated production volume and we generally price our natural gas in accordance with market prices. Leveraging our extensive access to natural gas resources, our intelligent operation system and strong transportation capability, we supply natural gas to our customers on wholesale and direct sale basis. Such customers include gas distributors, industrial customers and LNG refueling stations. In 2020, our gas sales volume on wholesale basis and direct sale basis achieved 7.62 billion m^3 and 0.94 billion m^3, respectively.

Investments in Natural Gas Producers

In addition to our own LNG production facilities, to further capitalize on the industry trend and national policies in promoting clean energy, we have further expanded our natural gas business through investment in other natural gas producers, such as CNOOC Beihai. We also leverage the receiving capacities of Zhoushan LNG Receiving Terminal to expand our access to imported natural gas.

- CNOOC Beihai

In 2014, we acquired a 45.0% shareholding in CNOOC Beihai held by Xinao (China) Gas Investment through Xinneng Mining for an investment amount of RMB68.6 million. CNOOC Beihai is located in the Weizhou Island of Beihai, where its production plant processes the offshore oil associated gas provided by CNOOC to produce LNG. The LNG produced by the production plant of CNOOC Beihai is primarily sold to the Pearl River Delta Region.

- Santos

Santos is one of the largest Australian energy pioneers and is specialized in the exploration, production, processing, supply, transportation and storage of oil and natural gas. In 2016, we acquired an 11.82% shareholding in Santos through the acquisition of a 100.0% shareholding in United Faith Ventures Limited by our wholly-owned subsidiary, Xinneng (Hong Kong), for an investment amount of approximately US$754.8 million. As part of the consideration for the ENN Energy Acquisition, in September 2020, we transferred out all shares we held in Santos by transferring 100% equity interest of United Faith Ventures Limited held by Xinneng (Hong Kong).

Extended Business

Our customer base has been expanding rapidly with increasing penetration rate. As of December 31, 2020, we had connected piped gas to a total of 177,128 C&I customers and 23.2 million residential customers in China. Our extensive customer network creates great opportunities for us to expand our product offering and provide extended services. Benefiting from such customer base, we engage in the extended business which mainly comprise the sales of gas appliances and provision of retrofitting services and repair and maintenance services for the gas appliance facilities we have supplied. In the extended business segment, we also operate an online platform "greatgas.cn" which provides integrated services to customers featuring online transaction, offline payment and offline delivery, as well as other value-added services including intelligent logistic service, trading facilitation, and price index and industry insight updates. In 2020, we expanded our online user base through the development of mobile applications, online service platform and various social media channels. For the year ended December 31, 2020, our revenue generated from extended business was RMB1,591.1 million, accounted for 1.8% of the total revenue of our Enlarged Group in 2020.

Construction and Installation

Our construction and installation business mainly comprise (i) energy engineering business, and (ii) construction and installation of pipelines and related facilities. Our energy engineering business primarily adopts a EPC business model, which primarily involves technology research and development, project design and consultation, equipment and materials procurement, equipment installation, integration and testing, engineering construction and project management in relation to municipal engineering, petrochemical, coal chemical, energy conservation and environmental protection. Our energy projects mainly include long distance pipeline projects, gas storage and peak shaving stations, LNG receiving terminals and LNG liquefaction plants. The construction and installation of pipelines and related facilities is mainly provided to our residential customers and C&I customers of our natural gas retail business. For the year ended December 31, 2020, our revenue generated from construction and installation business was RMB9,614.0 million, accounted for 10.9% of the total revenue of our Enlarged Group in 2020. The gross profit generated from energy engineering business and construction and installation of pipelines and related facilities contributed to 15% and 85% of the total gross profit of our construction and installation business in 2020, respectively.

Energy Engineering Business

With a team of high-caliber professionals, proprietary technologies and extensive experience in the energy engineering sector, we are able to provide one-stop engineering services to our customers. Our energy engineering business primarily adopts an EPC business model. Under this business model, we typically enter into a project contract with our customer, act as the primary contractor and are mainly responsible for the design of the customer's project with our industry-leading technologies from R&D; procurement and selection of equipment and materials from domestic and overseas suppliers; construction or design subcontracting and overseeing of the project construction and equipment installment work; testing, inspection and trial operation of the facilities and equipment; and delivery of finished project to the client upon its completion after inspection by the competent government authority or independent third parties or customers. Our energy engineering projects can be categorized into five types, including (i) design, (ii) equipment integration, (iii) conventional projects, (iv) underpass projects and (v) comprehensive projects.

We operate our energy engineering business primarily through our wholly-owned subsidiary, Xindi Engineering. Xindi Engineering is our professional research institute specializing in the field of clean energy utilization, energy conservation and environmental protection and provides our customers with comprehensive one-stop energy EPC services. Xindi Engineering holds a number of industry-leading technologies in relation to natural gas purification, natural gas cryogenic liquefaction, coal-based clean energy utilization, LNG receiving terminals, energy saving and environmental protection and equipment integration. See "— *Our Technologies*" and "— *Qualifications and Achievements in Energy Engineering*." Industrialization of our industry-leading technologies and our comprehensive EPC services have led to rapid growth in and the sustained business development of our energy engineering services, while enabling us to provide convenient, effective and efficient business solutions and services to our customers. Some of our landmark projects include the CNPC LNG Storage Site and Supporting Dock Project in Hainan (中石油海南LNG儲存庫及配套碼頭項目), the Zhejiang Zhoushan LNG Receiving Terminal and Fueling Station Project (浙江舟山LNG接收及加注站項目), the CNPC Hebei Huaqi Liquefaction Plant Project in Kangxianzhuang, Bazhou (中石油河北華氣霸州康仙莊液化工廠項目) and the Jincheng Coalbed Methane Liquefaction Plant Project (晉城煤層氣液化工廠項目).

Our Engineering Business Model

We engage our energy engineering business primarily through the EPC business model which is driven by the concept of "technology+equipment." Under the EPC model, we are responsible for the initial project planning and design through comprehensive analysis of market circumstances and the individual business needs of our customers, as well as full utilization of our innovative R&D capabilities. We normally pass the completed projects to our customers after the obtaining the preliminary certificate of acceptance upon completion of a 72-hour trial period of operation, and the project will enter into the quality guarantee period after it passes the inspection by the competent authority or independent third party. The quality guarantee period generally ranges from 12 to 24 months. We may also adjust our typical EPC model to cater to our customers' different business needs.

Typically, the major stages of our engineering services include, project initiation and contract signing, project design and consultation, equipment procurement, project sub-contracting, construction and project management, trial operation, final acceptance and after-sale services.

The flow chart below sets out general description for the major scope of our EPC services:

Technology research and development

- Leverage our R&D achievements in technologies to carry out market applications and continuous development
- Facilitate the comprehensive integration between our industry-leading technologies and design applications with our professional research center and research and development team
- Collaborate with downstream engineering operation to improve market responsiveness
- Improve project quality and safety, expedite construction progress, save energy consumption and costs and protect core technologies

Design and consultation

- Provide initial project planning and design through comprehensive analysis on market circumstances and individual business needs of our customers as well as full utilization of our innovative technology research and development achievements
- Provide continuous consultation to our customers to accommodate their business needs
- Leverage our online designing platform (www.17yunyi.com) to accommodate business needs of our customers by taking independent orders for the provision of planning, designing, feasibility studies and other technological services and thus creating an industrial ecosystem
- Partially outsource our designing works to optimize resource allocation
- Deepen understanding of our customers' needs and enhance designing capacity to provide customized solutions

Procurement

- Carry out procurement, inspection and transportation for project equipment and materials
- Lower purchasing costs through economies of scale among various operations such as equipment integration and project management
- Specialize in equipment procurement for fuel gas and the energy industry
- Ensure quality and purchasing costs of equipment and materials through excellent business relations with over 100 domestic and overseas equipment suppliers, inspection prior to acceptance as well as customs clearance for imported equipment
- Fully leverage our research and development and designing resources to carry out tendering for procurement

Equipment integration

- Facilitate industrialization for equipment integration to speed up project construction and lower costs
- Collaborate among our professional teams for market development, research and development, project construction, quality inspection and after-sale services
- Comprehensive utilization of our key equipment integration technologies in natural gas purification and liquefaction, pressure / cold energy and coke oven gas
- Promote designing and manufacturing capacity for core products such as vaporizers, regulator devices, LNG air feeders, LNG/L-CNG/CNG filling devices

Engineering construction and project management

- Effectively control the progress, quality, safety and costs of projects through networked and visualized management and close collaboration with engineering construction carried out by our professional team
- Enhance standardization of project planning and management via the Primavera P6 management software
- Promote information communication, manage schedule control and resources by leveling and improving capability of project portfolio management
- A professional management team consists of 30 EPC project managers, 750 technicians and engineers, 400 project management staff and 50 skilled workers

Our Technologies

The following table sets forth certain details of our core energy engineering technologies classified by technological areas:

Type of technologies	Description
Natural gas purification	We have developed multiple mature natural gas purification technologies that are applicable to the dehydration, gas sweetening and heavy ends removal processes for pipeline gas, synthetic natural gas and CBM. Such natural gas purification technologies include methyldiethanolamine ("**MDEA**") gas sweetening, three-tower isobaric dehydration, three-tower variable pressure dehydration, combined-bed

Type of technologies	Description
	heavy hydrocarbon removal and low temperature washing heavy hydrocarbon removal, which can be combined when utilized depending on the quality of the gas. These natural gas purification technologies had been applied successfully in our natural gas liquefication plant projects in Changsha, Jincheng, Hegang and Xuecheng. • Natural gas sweetening technology (天然氣脫酸技術). The MDEA gas sweetening technology is suitable for the removal of acid gas such as CO_2 and H_2 sulfide from the mixture of natural gas, shift gas, refinery gas, city gas and COG. The purification process adds in an activating agent developed by Xindi Engineering into the MDEA, which both physically and chemically absorbs CO_2 and is characterized by a high degree of purification and a high absorption ratio, normal pressure of desorption and regeneration and low energy consumption. With the unique formula of the MDEA absorbing agent, the filling height can be lowered by approximately 30.0% in comparison with a similar absorbent. Our self-developed defoamer (in which its concentration is less than one in 10,000) can effectively solve the foaming problem caused by the amine solution, and the entire unit can also be skid-mounted as per our customers' request. • Natural gas dehydration technology (天然氣脫水技術). Xindi Engineering has developed glycol absorption dehydration technology, absorption dehydration technology and low temperature dehydration technology, which can be optimized for design based on the particular oil and gas field development scheme, oil and gas gathering and transportation process, and the pressure, composition and dehydration degree of natural gas.
Natural gas cryogenic liquefaction	The natural gas cryogenic liquefaction technologies use natural gas or synthetic natural gas as the feeding gas to produce LNG after the process of gas sweetening, dehydration, heavy ends removal and liquefaction through the accommodation of individual project scale and characteristics of gas sources. Such technologies also enable us to develop a small scale universal modularized LNG production line. The national 863 program of "Synthetic Natural Gas Liquefaction Technology" has received international advanced recognition by experts. Such technologies had been applied successfully in our energy engineering projects such as Changsha Natural Gas Peak Shaving Liquefaction Plant Project (長沙天然氣應急調峰液化工廠項目) and Jingbao COG-to-LNG project (京寶焦爐氣制LNG項目). • CBM liquefaction technology (煤層氣液化技術). CBM liquefaction employs a nitrogen expansion refrigeration process independently developed by Xindi Engineering, which is a new technology that is simple, requires less equipment, convenient and stable in operation and low in energy consumption. The primary equipment comprises a purification unit (including a feed gas compressor and a

Type of technologies	Description
	purification unit), a refrigeration unit (including a recycle compressor, a cold box and an expander), a storage unit (including a LNG tank and certain accessories) and a control unit. Xindi Engineering has invested in the construction of CBM liquefaction plants as a general contractor in the Jincheng and Yangcheng counties of Shanxi Province.
	• <u>Natural gas liquefaction technologies (天然氣液化技術)</u>. Xindi Engineering has developed various mature natural gas liquefaction technologies including nitrogen expansion refrigeration liquefaction process, natural gas expansion refrigeration liquefaction process, mixed refrigeration liquefaction process and cascade refrigeration liquefaction process. The mixed refrigeration liquefaction process particularly avoids liquid accumulation at the bottom of the cold box of the refrigeration system and promotes unit energy saving and stability. Its unique dehydration design for the refrigeration system greatly reduces start-up time and cost; the unique refrigerant makeup system design also reduces start-up time.
	• <u>LNG plant pressurized liquid transformation technology (液化天然氣工廠壓力液改造技術)</u>. Through a technical breakthrough for BOG recovery in the LNG storage tank and a compressor system in the original natural gas liquefaction unit, this technology turns "high temperature and high pressure state" into "low temperature low pressure state" for LNG products and effectively reduces the loss of gas during transportation and the LNG filling process. The LNG plant pressurized liquid transformation technology had been applied successfully in the LNG liquefaction plant of Qinshui ENN.
Natural gas utilization	• <u>Large-diameter-pipeline-storage and peak-shaving-based urban natural gas utilization technology (基於大口徑管道儲氣調峰的城市天然氣利用技術)</u>. The technology is our industry-leading technology and has received national recognition in China, creatively applying large diameter and high pressure gas pipeline technology to resolve the urban gas storage and peak shaving issue. This technology has been applied successfully in the natural gas utilization project in Luoyang, which is the first project in China that applies a large diameter pipeline in the field of urban natural gas storage and peak shaving, meeting the functional requirements for large city gas storage and peak shaving.
	• <u>Natural gas liquefaction plant gas storage and peak shaving technology (天然氣液化工廠儲氣調峰技術)</u>. This technology utilizes the difference in gas consumption between winter and summer and on the basis of natural gas liquefaction technology, combined with LNG storage and regasification station and gate station technologies, it is a comprehensive technology to resolve the urban gas storage and peak shaving issue. This technology has been

Type of technologies	Description
	applied successfully in various projects, including the storage and distribution station of the Changsha natural gas utilization project, the Shijiazhuang Xinao Gas Co., Ltd. LNG Emergency Reserve Station Project and the Xinao Gas LNG Storage Station Project.
	• Gas distribution pipeline design technology (輸氣管線設計技術). This technology includes gas pipeline route selection, design for gas pipelines and gas distribution stations. The technology can accommodate gas pipeline design with large pipe diameter, high pressure and complex terrain. In the past, we completed the design for several long distance gas pipelines such as the Dingfeng Pipeline, Baoba Pipeline and Anzhu Pipeline and the design for onshore gas distribution pipelines for the Zhejiang Zhoushan LNG Receiving Terminal and Fueling Station Project (浙江舟山LNG接收及加注站項目).
Coal-based clean energy utilization	• COG-to-SNG technology (焦爐氣制合成天然氣技術). Xindi Engineering has successfully developed COG-to-LNG pre-reduction catalyst and process technologies, which allow multiple nickel-based catalysts with good anti-hydration, high temperature resistance, sulfur tolerance, carbon deposit resistance, high activity and high selectivity properties, and represents the first combined catalyst filling technology in China. The technology has passed the appraisal organized by the Science and Technology Achievements Transformation Service Center of Hebei Province in 2010 with its overall technology achieving an internationally advanced level. Our COG-to-LNG technology has been applied in our design projects such as the Shanxi Huayang COG-to-LNG Project, Shaanxi Beiqiang Energy Co., Ltd. Project, Wuhai Huaxin Coal Coking Co., Ltd. 30,000 Nm^3 per hour COG-to-LNG Project, Shanxi Yunjin Natural Gas Co., Ltd. 23,000 Nm^3 per hour COG-to-LNG Project, Qujing Yuntou Xinao Energy Development Co., Ltd. COG-to-LNG Project, Henan Jingbao COG-to-LNG Project and Tangshan Tang Steel Gas Co., Ltd. COG-to-LNG project.
	• COG purification process (焦爐氣淨化工藝). This purification process utilizes activated carbon adsorption technology to remove tar and naphthalene from the COG, and uses the drying method (the reaction between metal oxide and sulfur) to remove almost completely the sulfur content from the COG.
	• COG synthesis methane catalyst (焦爐氣合成甲烷催化劑). Our COG synthesis methane catalyst is a nickel-based catalyst that converts the CO, CO_2 and H_2 in the COG into CH_4.
	• Underground coal gasification gas to methanol technology (地下氣化采煤煤氣制甲醇技術). Our underground coal gasification gas to methanol technology realizes non-well underground coal gasification industrialization for methanol/ methane co-production.

Type of technologies	Description
	The technology produces qualified methanol and methane synthetic gas with gas composition, flow regulation, pollutant control and purification process optimization. It skips primitive processes such as coal mining, transportation, crushing and on-ground gasification and thus reduces the cost of per ton methanol significantly in comparison with those produced by a traditional medium-sized methanol plant, providing a feasible way for on-site coal resource conversion.
LNG receiving terminal	• BOG gas recovery process technology based on normal temperature compressor (基於常溫壓縮機的BOG氣體回收工藝技術). This technology uses a normal temperature compressor that can achieve full BOG recovery and thus significantly reduces investment costs for LNG receiving, transmission and distribution. This technology has been put into operation since 2014 and has been applied in the CNPC LNG Storage Site and Supporting Dock Project in Hainan (中石油海南LNG儲備庫及配套碼頭項目).
Energy saving and environmental protection	• Pressure energy utilization technology (壓力能利用技術). The pressure energy utilization technology utilizes an innovative and efficient recovery process to recover pressure energy released during the natural gas pressure adjusting process, liquefy a portion of natural gas into LNG, or use the pressure for power generation. This technology has been applied successfully in the pressure energy liquefaction project in Litun, Luoyang and the power generation project for the pressure adjusting station of south gate station in Langfang, Hebei.
	• LNG cold energy comprehensive utilization technology (LNG冷能綜合利用技術). The LNG cold energy comprehensive utilization technology is a technology that uses the rankine cycle to liquefy intermediate refrigerants (such as propane and ethylene) so as to recover the low temperature of LNG. This technology can be widely used in power generation, ice making, freezing, single point direct supply and seawater desalination. It is also an important technical advancement for LNG cold energy recycling and the utilization of large LNG receiving stations, storage and distribution stations and other energy engineering projects. Our first domestic LNG cold energy power generation testing device, which is developed by Xindi Engineering, has been operated successfully at the south gate station of Langfang, Hebei. The LNG cold energy comprehensive utilization technology is also use in the Zhejiang Zhoushan LNG Receiving and Filling Station Project (浙江舟山LNG接收及加注站項目), phase one of which commenced operation in August 2018.
Equipment integration technologies	• Small-scale universal modularized LNG production line (小型通用模塊化LNG生產線). The small-scale universal modularized LNG production line is developed based on our existing core technology of natural gas liquefaction, which separates the traditional natural

Type of technologies	Description
	gas liquefaction process into various individual functional modules and uses skid-mounted design and manufacturing for the natural gas liquefaction plant. It matches the entire liquefaction production line by adding, removing or substituting the modules based on different requirements and qualities of gas such as CBM, pipeline gas and biomass gas. It can also provide a single modularized unit product to accommodate our customers' needs, thereby quickly providing an effective solution for the LNG liquefaction market.
	• Skid-mounted L-CNG filling unit (撬裝式L-CNG加氣裝置). The skid-mounted L-CNG filling unit is a safe and energy saving filling unit that can fill vehicles through LNG boosting gasification, which greatly reduces electricity consumption. The filling unit can be used in multi-functional LNG filling stations and the first demonstration unit has commenced operation at the Langfang test site.
	• Skid-mounted loading arm (撬裝式裝車臂). The skid-mounted loading arm utilizes modular production and standardized design and is manufactured according to the technological process of the liquefaction plant as well as LNG receiving terminal and station design conditions. The first generation unit was used in a COG-to-LNG project and the updated second generation project is used in the Zhejiang Zhoushan LNG Receiving and Filling Station Project (浙江舟山LNG接收及加注站項目).

Our Qualifications and Achievements in Energy Engineering

We hold a number of qualifications in engineering design, consulting and construction, many of which are top-class, enabling us to service local governments and other clients in a broad range of industries. These top engineering qualifications generally impose stringent standards on the applicants and are only granted on a selective basis. The following table sets forth certain top-grade qualifications of our energy engineering business as of December 31, 2020:

Name and class of certificate	Type of certificate
Class A Consultation Qualification for Municipal Public Works (Gas, Heating) (市政行業(城鎮燃氣產熱力工程)專業甲級)	Consultancy certificate
Class A Design Qualifications for Chemical, Petrochemical and Pharmaceutical Industries (化工石化醫藥行業設計甲級資質)	Design certificate
Class A Design Qualification for (Pipeline Transmission) Specialty of Oil and Gas (Offshore Oil) Industry (石油天然氣(海洋石油)行業(管道輸送)專業甲級)	Design certificate
Class A Design Qualifications for Municipal Utilities (Gas, Heating) (市政行業(城鎮燃氣工程產熱力工程)專業甲級)	Design certificate
Class A License for Manufacturing of Pressure Pipeline Components (A級壓力管道元件製造許可證)	Manufacturing certificate
First Class Qualification for EPC of Public Works (市政公司工程施工總承包一級資質)	Construction certificate

Name and class of certificate	Type of certificate
First Class Qualification for EPC of Petrochemical Projects (石油化工施工總承包一級資質)	Construction certificate
First Class Qualification for EPC of Mechanical and Electrical Projects (機電工程施工總承包一級資質)	Construction certificate

For details of awards we have received as of December 31, 2020, in recognition of our strengths in energy engineering, see "*Business — Awards and Recognition.*"

Representative Projects

LNG Receiving Terminal Projects

- Zhejiang Zhoushan LNG Receiving Terminal and Fueling Station Project (浙江舟山LNG接收及加注站項目)

The project is the first large scale domestic LNG receiving terminal invested by private enterprises approved by the National Energy Administration and is being constructed under two phases in Zhoushan, Zhejiang. The project utilizes our LNG cold energy comprehensive utilization technology (LNG冷能綜合利用技術) and equipment integration technology of skid-mounted loading arm (撬裝式裝車臂) and comprises the construction of one LNG unloading dock, two LNG shipping berths, two roller shipping berths, supporting processes, public utility works and auxiliary engineering facilities. Construction for phase one of the project was completed in August 2018 with an annual processing capacity of LNG of 3.0 million tons per year. The project is also concurrently carrying out pipeline construction applying our gas distribution pipeline design technology.

- CNPC LNG Storage Site and Supporting Dock Project in Hainan (中石油海南LNG儲備庫及配套碼頭項目)

The project is the first small-scale LNG receiving station constructed with domestic processes and equipment. The construction site of the project is located in Chengmai County of Hainan Province. The project was completed independently by Xindi Engineering from project design and consultation, to equipment and materials procurement, equipment installation, integration and testing, engineering construction and project management, utilizing our self-developed BOG gas recovery process technology (BOG氣體回收工藝技術). The project commenced operation in November 2014.

Natural Gas Liquefying Projects

- CNPC Hebei Huaqi Liquefaction Plant Project in Kangxianzhuang, Bazhou (中石油河北華氣霸州康仙莊液化工廠項目)

The project comprises the construction of a liquefaction plant in Bazhou of Hebei Province. The project is one of our representative projects that utilizes our industry-leading LNG cold energy comprehensive utilization technology (LNG冷能綜合利用技術). The plant commenced operation in March 2013.

- Jincheng Coalbed Methane Liquefaction Plant Project (晉城煤層氣液化工廠項目)

The project comprises the construction of a liquefaction plant in Jincheng of Shanxi Province. The project utilizes our industry-leading technologies such as natural gas sweetening, natural gas dehydration, nitrogen expansion refrigeration process, MRC mixed refrigeration process and LNG cryogenic spherical tank storage to optimize stability while reducing energy consumption. The project received the 10th China Civil Engineering Zhan Tianyou Award (中國土木工程學會詹天佑獎) granted by China Civil Engineering Society (中國土木工程學會) in 2011. The plant commenced operation in September 2012.

- Changsha Natural Gas Emergency Peaking Liquefaction Plant Project (長沙天然氣應急調峰液化工廠項目)

The project comprises the construction of a liquefaction plant in Changsha of Hunan Province. This project is one of our representative projects that utilizes our industry-leading natural gas cryogenic liquefaction technologies using synthetic natural gas as the feeding gas to produce LNG after the process of gas sweetening, dehydration, heavy ends removal and liquefaction.

Comprehensive Utilization of COG Projects

- Henan Jingbao COG-to-LNG Project (河南京寶焦爐氣制LNG項目)

The project is located in Pingdingshan of Henan Province and applies our self-developed COG-to-LNG technologies, COG purification, methane synthesis and liquefaction separation processes with complete support on process, design and installation by Xindi Engineering to produce LNG from COG. The project was granted the First Class Prize for Survey & Design of Hebei Excellent Projects by Hebei Department of Housing and Urban-Rural Development in 2015. The project successfully commenced operation in May 2013 on its first attempt.

- Shanxi Huayang COG-to-LNG Project (山西華陽焦爐氣制LNG項目)

The project is located in Huayang of Shanxi Province and is an "Engineering Industrialization" demonstration project, which highlights a short project period and high quality. The project applies our self-developed COG-to-SNG technology to produce cleaner and more efficient LNG. The project was completed in January 2017.

Energy Saving and Environmental Protection Projects

- Luoyang Pressure Energy-to-LNG Project (洛陽壓力能制LNG項目)

The project is located in Luoyang of Henan Province and applies our pressure energy utilization technology. The pressure energy utilization technology utilizes an innovative and efficient recovery process to recover pressure energy released during natural gas pressure adjusting process, liquefy a portion of natural gas into LNG, or use the pressure for power generation. The project was completed in April 2016.

- Supercritical Oxidation Treatment Industrial Solid Waste Project for Nanjing ENN Environmental Protection Technology Ltd. (南京新奥環保技術有限公司超臨界氧化處理工業固體廢物項目)

The project aims to degrade and process high water content and organic hazardous wastes in the Nanjing Chemical Industrial Park using our supercritical oxidation technology. The project was completed in January 2017. The successful launch and operation of the project has greatly deepened our influence in the environmental protection industry.

Underpass Projects

- Hunan Changsha Xiangjiang Underpass Project (湖南長沙湘江穿越工程)

The steel pipeline layout of this underpass project has an underpass length of 1,450.0 meters. The project was successfully completed within five months from its commencement in October 2010, overcoming numerous hurdles such as path stratum which were primarily mid-weathered, slightly weathered shale slate and the existence of a five meter wide fault within 400 meters from the entry point.

- Anhui Bangbu Underpassing Huaihe Project (安徽蚌埠穿越淮河項目)

The pipeline of this underpass project has an underpass length of approximately 650.0 meters, crossing the south bank of the Huai River. The project commenced construction in November 2017 and was completed ahead of schedule despite the technical difficulties.

Long Distance Pipeline Projects

- Zhejiang Zhoushan Liquefied Natural Gas (LNG) Receiving and Filling Station Connecting Pipeline Project (浙江舟山液化天然氣(LNG)接收及加注站連接管道項目)

Traveling a length of approximately 94.45 kilometers, this long distance pipeline project connects the Zhoushan LNG receiving and filling station and the Zhenhai Power Center Station of Ningbo Hangyong Natural Gas Pipeline Project, and will eventually be connected to the Zhejiang Natural Gas Pipeline Network through the Zhenhai Power Center Station.

Construction and Installation of Pipelines and Related Facilities

The construction and installation of pipelines and related facilities is mainly provided to our residential customers and C&I customers of our natural gas retail business. The level of construction and installation fees varies among operational locations and are approved by the relevant local state pricing bureau.

An individual residential customer is required to pay the construction and installation fee in full prior to commencement of connection work. Construction and installation fees are generally paid by the real estate developers constructing a new residential development. In respect of new residential developments, construction and installation fees are collected in advance by installments based on the percentage-of-completion of the pipeline construction work. We generally provide property developers with a credit period of 60 to 90 days after construction is completed irrespective of whether the units are sold or occupied. However, the actual supply of gas will only commence after all construction and installation fees are settled. In the event supply contracts are entered into for the connection of gas to a large number of households within a residential development (e.g. staff quarters of SOEs or governmental organizations), we may offer discounts of the approved fee payable, the extent of which will be subject to negotiation and agreement of the contract parties. Our customers are usually required to provide 30% of the construction and installation fee as deposit upon signing of the supply contract, 40% to 50% of the construction and installation fee during the construction period and the remaining 20% to 30% upon completion. In 2020, we had 2.29 million of new residential customers and the average construction and installation fee charged by us was RMB2,492 per household, remaining stable as compared to the past few years. As of December 31, 2020, we had connected piped gas to a total of 23.2 million residential customers in China thereby raising the average piped gas penetration rate to 62.0%, compared with 60.4% as of December 31, 2019.

For C&I customers, the construction and installation fee is determined based on the designed capacity of the gas appliance facilities (on a per m^3 per day basis) installed at the customers' premises. If any additional appliance is installed subsequently, additional construction and installation fees will be charged to reflect the additional capacity installed. Discounts of the approved fee payable may be offered to high gas usage volume C&I customers, subject to negotiation and agreement of the contract parties. Construction and installation fees are collected in advance by installments based on the percentage-of-completion of the pipeline construction work. In general, a C&I customer is required to provide 30% of the construction and installation fee as deposit upon signing of supply contract, 40% to 50% of the construction and installation fee during the construction period and the remaining 20% to 30% upon completion. In the event customers default in the payment of construction and installation fees, we will not start the supply of gas to these customers until the construction and installation fees are fully paid. The deposits received from customers upon the signing of supply contracts would normally cover our costs. During the years ended December 31, 2019 and 2020, we completed piped natural gas connections to 27,656 and 28,367 C&I customers, respectively.

Energy Production Business

Coal

Our coal related business comprises the production and sale of coal products. Our coal production and sale business is primarily operated through our wholly-owned subsidiary, Xinneng Mining, which is located in the coal-rich region of Inner Mongolia. We own the mining right of the Wangjiata Coal Mine and our major coal products include mixed coal (混煤) and washed coal (洗煤). Our mixed coal products are generally sold to customers as thermal coal, and the washed coal products are generally sold as raw materials for the coal and chemical industry. We generally engage third-party contactors to carry out coal mining and refining, which involves the extraction, washing and processing of coal; and we generally market and sell our coal products to end-user customers in China. Our sales volume of coal products reached 6.33 million tons in 2020. We generated a revenue of RMB1,539.6 million from the coal product business in 2020.

Wangjiata Coal Mine

Wangjiata Coal Mine, locating in the coal-rich region of Ejin Horo Banner in Ordos, Inner Mongolia, is a first-tier coal mine under national standards and operates with high degree of safety to provide high-quality coal. The Wangjiata Coal Mine is also located in proximity to established national or regional transportation networks which enables the convenient transportation of coal products and supplies. As of December 31, 2020, Wangjiata Coal Mine had an annual designed capacity of approximately 8.0 million tons per year and the total proved and probable reserves of Wangjiata Coal Mine was approximately 1.017 billion tons.

The following table sets forth a summary of the characteristics of the Wangjiata Coal Mine:

Name of coal mines	The Wangjiata Coal Mine
Location	Ejin Horo Banner in Ordos, Inner Mongolia
Mining Right	100.0% held by Xinneng Mining
Status	Commercial production
Year of initial commercial production	2011
Major types of coal	Mixed coal and clean coal
Calorific value of coal	Mixed coal: 4,500 — 4,800 kcal per kg Clean coal: 5,200 — 5,400 kcal per kg
Designed annual production capacity as of December 31, 2020 (in million tons)	8.0 million tons per year
Total proved and probable reserves as of December 31, 2020 (in million tons)	1.017 billion tons
Transportation network	Baotou-Shenmu Railway, National Highways No. 210 and 109, Rongwu (G18) Expressway, Zhunge'er-Dongshen Railway, Baotou-Fugu Railway

The following table sets forth a summary of the key advantages of the Wangjiata Coal Mine:

Advantageous geographical conditions for coal mining	• The mining area is distinguished by a simple geological structure. The coal seams in the coalfield are flat and stable, with relatively shallow depth, thick coal seams, stable top and bottom plates, low sulfur content, good coal quality, low gas content and low water inflow, which allows simple underground operation, a high degree of safety and low mining cost
Automated production and scale	• The designed production capacity of Wangjiata is 8.0 million tons. It is a modern high-yield and high-efficiency coal mine with low construction and mining costs.
Supporting coal washing facilities	• It has a supplementary coal washing plant, which can help increase the proportion of washed clean coal in total sales, thereby raising selling prices and enhancing profitability. • Through further production experience, the output of clean coal will be further improved.
Advantageous traffic condition	• Wangjiata Coal Mine enjoys very convenient rail and road transportation connections, with branches and trunks extending in all directions. The mining road is connected with the ring road of Ordos, National Highway 109, National Highway 210, Provincial Highway 213 and Baofu Highway. The Tonglichuan Railway of Wanli Mining Area, passing through the Baoxi Railway Line, passes through the north of the mine field. There is a fast loading station for the electrified railway with a capacity of 10,000 tons.
Mature Safety Management	• The Wangjiata Coal Mine is a nationally recognized first-class mine with high-yield and high-efficiency. The coal mine has been maintaining high standards and a high commitment to safety management for many years, with controllable risks and a mature emergency management system. Such safety and emergency management measures include, among others, downhole monitoring and control, personnel positioning, emergency hedging, wind pressure self-help, rescue for water supply and communication channels in the event of an emergency.

Our Coal Products

We focus on the production and sale of mixed coal (混煤) and washed coal (洗煤). The most important characteristics for coal products include calorific value, sulphur content, ash content, moisture content and volatile matter content. Our coal products exhibit commercially attractive characteristics, including medium to high calorific value and medium to low ash, sulphur, phosphorous and chlorine content. We also engage in coal preparation and blending through our third-party contractors in order to adjust the characteristics of our coal in accordance with customer specifications.

Our Coal Production Process

- Outsourcing coal mining and refining

We engage third-party contractors for coal mining and refining activities through public tender and bidding processes, which consider a number of factors, such as the reputation of the contractors, track records in similar projects, creditworthiness, technical capabilities, proposed production blueprint and price. We typically enter into cooperation agreements with our third-party contractors, which set forth principal terms including the scope of work, project timetable, fees and payment terms and warranties with respect to quality and timely completion of the project.

- Coal mining

Our third-party contractors carry out raw coal production utilizing manual longwall mining, semi-mechanical longwall mining or mechanical longwall mining methods. Longwall mining refers to extracting coal from long rectangular blocks of the coal seams. Manual longwall mining refers to drilling holes in the mining face, placing explosives and detonating the explosives to extract the coal. Mechanical and semi-mechanical longwall mining involve using mechanical shearers in coal extraction. Coal that has been extracted by the mechanical shearer is then loaded on to a mine conveyor system for delivery to the surface. In mechanical longwall mining, the mine roof is held up during the extraction process by automatic hydraulic roof supports, while in semi-mechanical longwall mining, the mine roof is held up by hydraulic roof supports that are operated manually. The time required for coal extraction depends primarily on the nature of the mine, including the amount of coal reserves, the mining method adopted, the geological conditions of the mine and the size of the mining face. Our third-party contractors generally transport the coal extracted from our mines to the ground surface on a daily basis.

- Coal refining

Our third-party contractors then carry out coal refining of the extracted raw coals through further washing and processing to produce mixed coal and washed coal.

Procurements and Suppliers

The main raw materials required for our coal products production include low-value consumables such as oil, cable, miner steel, steel wire rope, chain and other spare parts. Xinneng Mining generally procures the raw materials required for our coal production through three types of procurement methods: bidding, fixed purchases and market purchases. Our major suppliers for such raw materials are mostly intermediate trading companies.

Sale and Customers

We currently adopt a direct sale model for the sale of our coal products to end-user customers in China and the majority of our coal sales are in the provinces of Inner Mongolia, Hebei and Shandong. We price our coal products based on the prevailing market prices in the relevant local coal markets, the Bohai-Rim Steam-Coal Price Index, the grade and quality of the coal, the sale volume and the length of our relationship with the relevant customer. However, the price of some of our coal products may be affected by pricing guidelines announced by the PRC government from time to time, or may otherwise be subject to temporary price controls. The market prices of our coal products may have a significant effect on our average sales price. Our principal settlement method is prepayment and we generally settle payment with our customers prior to the delivery of products. We deliver our coal products to customers primarily by railways and highway transportation, including a railway line designated for Xinneng Mining.

Methanol

We primarily produce coal-based methanol, which are generally sold as chemical raw materials to our downstream customers such as olefins and formaldehyde terminal production enterprises and large and medium-sized chemical trading companies. Due to China's specific energy structure, which is rich in coal reserves but lacking in oil and natural gas, domestic methanol production generally uses coal as the primary raw material. The total amount of methanol production in coal-rich regions such as Inner Mongolia, Shandong Province, Henan Province, Shanxi Province, and Shaanxi Province accounts for approximately 60.0% of the total methanol production capacity in China. The prices of methanol also reflects strong regional characteristics, with relatively higher prices in East China, where coal resources are relatively scarce, and relatively lower prices in North China.

We engage in the production and sale of coal-based methanol through our indirectly partially-owned subsidiary, Xinneng Energy, which is located in the coal-rich region of Inner Mongolia. Xinneng Energy employs advanced and mature technologies in the production of coal-based methanol. Our sales volume of coal-based methanol reached 1.48 million tons in 2020.

Leveraging Xinneng Energy, we enjoy significant advantages in our methanol production operations in the following respects:

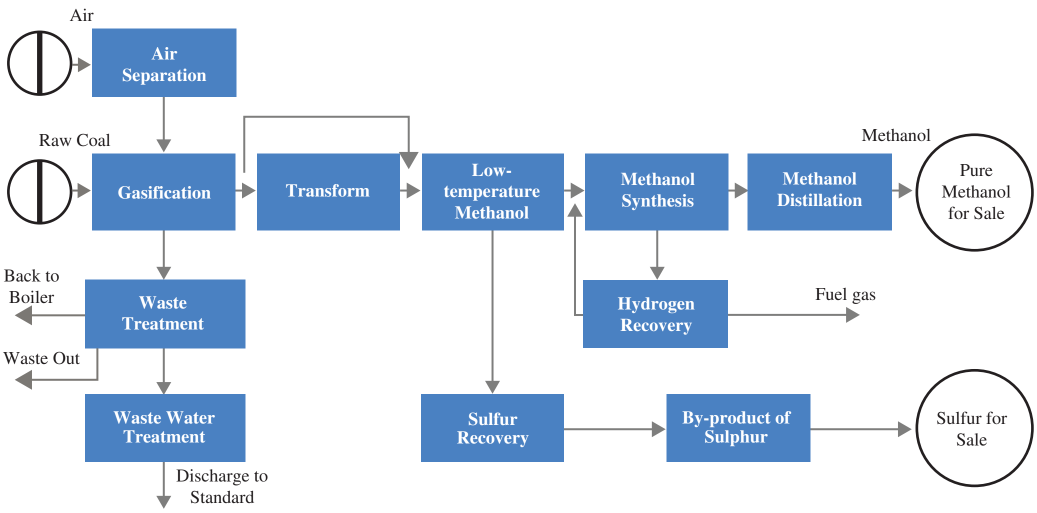
Advanced Technologies	•	The GE Hydro-gasification technology we have adopted is one of the most advanced coal gasification technologies in China
	•	Unique advantages including high adaptability to various sources of coal, high gasification efficiency with high-quality gas output, low emissions, together with high level of automation which can be implemented with a high degree of safety
Rich Coal Reserves	•	Ordos region's rich coal reserves and relatively low coal price ensures a stable and low-cost supply of raw materials
	•	The region's coal supply is particularly suitable for the production of water-coal-slurry, which has a high gasification efficiency level
Refined Intelligence Operation	•	Adopted an early warning system to monitor potential risks in our production lines, reduce maintenance time and enhance maintenance efficiency
	•	Through technological optimization and refined management, we are able to increase our daily production volume by 10%-15% above the standard capacity, and increase the standard annual production days from 300 days to 345-348 days, resulting in an increase in output of an additional 10%-15%
	•	As result, we have reached an annual output of 1,480,000 tons and effectively reduced unit fixed costs such as depreciation, administrative and finance expenses, further demonstrating our scale advantage
Innovation	•	Through continuous technological innovation and R&D investment over the years, we have further improved production, optimized operations, and enhanced energy efficiency by reducing the consumption of coal and electricity
Cost Control	•	Achieved low-cost operation with efficient use of coal, water and electricity through optimization of coal mix ratio, water usage and the balancing of electricity consumption versus production
	•	Reduced the procurement cost of coal by leveraging our deep market knowledge, increasing R&D activities to choose the most cost-efficient coal source, and closely tracking market information of alternative coal sources
	•	Further reduced procurement and storage costs while enhancing the life span of equipment by cooperating with nearby companies to collectively store and procure equipment

We previously engaged in the production and sale of methanol-based dimethyl ether through our subsidiary, Xinneng Zhangjiagang. As part of our strategic planning to focus on the development of our natural gas business and gradually exit from the methanol-based dimethyl ether and methanol related businesses, we completed the disposal of 100% equity interests in Xinneng Zhangjiagang in December 2020.

The table below sets forth certain information about our coal-based methanol product:

Product	**Primary raw material used**	**Primary downstream applications**	**Primary influencing factors for prices**
Coal-based methanol	Raw coal and coal water slurry additives	• Widely used in the fields of fine chemicals and plastics, including for the manufacturing of various organic products such as formaldehyde, acetic acid, methyl chloride, methylamine and dimethyl sulfate. • It is also one of the important raw materials for pesticides and medicines.	Coal chemical industry policy, crude oil price, methanol supply and demand, new capacity in downstream industries, methanol import capacity, weather, logistics and futures effects

Methanol is the basic raw material for the petrochemical, basic chemical and fine chemicals industries. It is widely used in almost all sub-sectors of the economy. China is both a major global producer and consumer of methanol and provides both supply and demand. Such demand of methanol has been continuously increasing during recent years, as indicated by the increasing imports of methanol into China. See "*Business — Competitive Strengths — Integrated and Diversified Business Portfolio*." Methanol is produced from coal-based or natural gas-based syngas. Due to China's energy structure, which is rich in coal reserves but lacking in oil and natural gas, domestic methanol production generally uses coal as the primary raw material. The methanol we produce uses primarily raw coal and thermal coal as the raw materials. The flow chart below illustrates the production process of our coal-based methanol:



Primary downstream applications of methanol include serving as a raw material for fine chemicals, plastics, pesticides and medicines, including various organic products such as formaldehyde, acetic acid, methyl chloride, methylamine and dimethyl sulfate. Its downstream applications are highly relevant to various industrial fields, such as construction, real estate, automotive, consumer durables, industrial investment, environmental and healthcare. The methanol market has expanded with the release of the national standards for methanol fuel and methanol gasoline during the Thirteenth Five-Year period, which has continuously boosted the domestic demand for methanol and has thus created vast market opportunities for our energy chemical products production and sale business.

Production

We carry out production for our energy chemical products in accordance with the initial production plan determined at the beginning of each year and regular inspections and maintenance cycles. The total designed annual production capacity of our methanol plants is 1.2 million tons. As of the date of this Offering Memorandum, some of our new methanol production plants have commenced operation of an advanced control automatic system, which generally enables our production facilities to be fully utilized while operating stably and safely and optimizes product quality.

Procurement and Suppliers

The primary raw materials for our coal-based methanol production are raw coal and thermal coal, which Xinneng Energy mainly procures from third-party trading companies and surrounding coal enterprises in Inner Mongolia. We also procure thermal coal from our wholly-owned subsidiary, Xinneng Mining, as fuel for our coal-based methanol production.

Sale and Customers

Our coal-based methanol is generally sold as chemical raw materials to our downstream customers, such as olefins and formaldehyde terminal production enterprises and large and medium-sized chemical trading companies. Our downstream customers are located throughout Northwest China, Northern China, East China and Northeast China and our downstream customer network has also gradually expanded to include methanol gasoline producers and other end-user customers.

We currently adopt a direct sales model through the entering into of sales contracts with our customers. We generally price our energy chemical products based on prevailing market prices and average selling prices provided by certain third-party sources. We adopt a monthly fixed pricing sales strategy and carry out a single negotiation for each individual contract to ensure the most competitive pricing for our customers.

Production and Sale of Pesticides and Veterinary Medicine

We previously engaged in the R&D, production and sale of biopharmaceutical products and preparations through our wholly-owned subsidiaries, Veyong Animal Pharmaceutical and Veyong Biochemical, and our partially-owned subsidiary, New Veyong. On June 24, 2019, we completed the asset disposal of our production and sale of pesticides and veterinary medicine business through the transfer of our entire equity interests in Veyong Animal Pharmaceutical and New Veyong to the acquirees, including Limin Chemical Co., Ltd. (利民化工股份有限公司), Xinjiang Xinrong Renhe Equity Investment Co., Ltd. (新疆欣榮仁和股權投資有限公司) and Jiaxing Jinyu Xinwei Equity Investment Partnership (Limited Partnership) (嘉興金榆新威股權投資合夥企業(有限合夥)), for an equity transfer price of RMB758.6 million. Such asset disposal of our production and sale of pesticides and veterinary medicine business is part of our strategic planning to focus on the development of our clean energy-related and energy engineering businesses and to capture the business opportunities associated with the rapidly growing clean energy market in China.

Production and Sale of Methanol-based Dimethyl Ether

We previously engaged in the production and sale of methanol-based dimethyl ether through our subsidiary, Xinneng Zhangjiagang. On December 29, 2020, we completed the disposal of 100% equity interests in Xinneng Zhangjiagang and we recognized revenue generated until December 29, 2020 from the production and sale of methanol-based dimethyl ether for the year ended December 31, 2020.

Internal Control

As an integral part of overall risk management, we place great importance on internal control. We formulated a comprehensive internal control system to effectively monitor the various aspects of our operations. Our internal control measures include the following:

- Investment and Financing. We have formulated investment and financing control measures to monitor (i) the justification for and approval of our investment projects, along with the financing and establishment of such projects; (ii) the management and performance evaluation of our holding companies; and (iii) the disposal or liquidation of such projects.

- Information Disclosure. We have established a series of information disclosure and communications guidelines for internal and external communications, which include rules to (i) clarify how information and data may be collected, processed and transmitted (so as to ensure smooth and effective exchanges of information); and (ii) ensure that the assigned duties of personnel assigned with administering our information systems (including financial personnel, marketing personnel and administrative staff) are performed effectively and with due diligence.

These internal control procedures, which were established in accordance with the ISO9001 Quality Management System and the ISO14001 Environmental Management System, regulate the preparation, approval and circulation of documents, as well as the type of information which may be disclosed and the corresponding approval requirements, in accordance with relevant PRC laws.

- Budget Management. The preparation of budgets is carried out by the responsible business unit, which will provide the basis for formulating and implementing its own budget. We also adhere to the principles of efficiency, priority and balancing of the budget to promote comprehensive budget management.

- Related Party Transaction. We have established a series of internal control measures to deal with related party transactions in an appropriate and timely manner so as to effectively safeguard our overall interests.

- Guarantee Provision. We have formulated internal control polices to control the provision of guarantees to external parties and our subsidiaries. Such policies aim to strictly control the joint liability risks that can be triggered by excessive guarantees.

- Safety Control. Our Health, Safety and Environmental Office ("**HSE Office**") is responsible for safety and environmental management in all of our businesses, including the formulation, implementation and enforcement of internal guidelines and policies to effectively implement national regulations on safety, chemical production, energy consumption, energy utilities operators, labor protection, environmental protection, occupational health, product quality and after-sales guarantees.

- Internal Control Measures for Assets, Personnel and Finance of Subsidiaries. We require: (i) the finance department of our subsidiaries to operate under the supervision and guidance of the finance department at the headquarters; (ii) the implementation of uniform control over the personnel of our subsidiaries; (iii) the implementation of employment plans, staffing and changes to the number of employees strictly in accordance with our internal approval procedures; (iv) strict control over the assets of our subsidiaries through the stipulation of approval authorities for asset purchases and funding limits for our subsidiaries and the Company; and (v) internal regulation over the management and approval authority for the disposal of assets.

Quality Control

We recognize the importance of stringent quality control in the production of our products or delivery of services and have established departments responsible for implementing and monitoring quality-control measures and procedures, such as the Technical Quality Department. Quality-control measures are in place throughout the production and distribution process to ensure that the finished products or services meet the standards of quality expected from our customers. For example, in our natural gas retail business, our quality control team would make regular inspection visits to check that work on the construction of gas pipeline infrastructure meets our required standards. We also have strict quality control procedures for the sourcing of raw materials. Accordingly, we only purchase from our internally approved list of qualified suppliers, where such suppliers are required to have satisfied the relevant national standards. We also obtain gas composition reports to monitor the quality of gas we purchase.

Research & Development

We see R&D as a key to our competitiveness and continue to increase investment in R&D. We coordinate our R&D activities at our R&D center in Beijing. Our R&D efforts focus on technologies that can be applied to our operations, including, among others, improving production efficiency, environmental protection and safe operations.

In 2020, our R&D expenditure amounted to approximately RMB585.1 million (approximately US$89.7 million).

Competition

Natural Gas Retail Business

Competition with our peers in the retail gas sales segment largely focuses on competition from other distribution companies in obtaining rights to distribute gas in any given location and competition from providers of alternative energy sources (e.g. bottled LPG, coal and, to a lesser extent, electricity). Generally, we do not face competition from other gas distribution companies during the concession period because substantial capital investment is required for the installation of gas pipeline infrastructure, and, as a result, local governments typically grant exclusive distribution rights to a single distribution company. We have a solid track record in supplying gas to consumers and believe we are therefore well position to obtain exclusive rights to supply gas to new locations. Moreover, in recent years, the Chinese government has provided strong support to the development of clean energy led by natural gas, due to its severe pollution issues and low rate of clean energy consumption. China's President Xi recently stated at the General Assembly of the United Nations that China would strive to achieve carbon neutrality by 2060. Local governments in China also promoted policies on energy structure optimization, energy conservation and emission reduction, as well as increasing the use of clean energy. As such, we believe the momentum for natural gas resources will continue to boom in China.

Natural Gas Production, Wholesale and Direct Sales

Competition with our peers (i.e. other LNG producers) in the natural gas production, wholesale and direct sales business largely focuses on quality and quantity of natural gas resources, pipeline construction and storage capabilities. While the natural gas market in China is highly competitive, the strategic location of Qinshui ENN in Shanxi enables us to access abundant source gas. In addition, our advanced production facilities and strong distribution network give us significant competitive advantages compared to other market participants.

Energy Engineering Services

Competition with our peers in the energy engineering sector largely focuses on the areas of technology and qualifications; pricing, quality and variety of services provided, and financial strength and creditworthiness. We believe there are significant entry barriers for the energy engineering industry in China, including difficulty in (i) obtaining top-grade technology and qualifications (which are highly selective); (ii) accruing substantial project experience and a client base; and (iii) attracting and retaining technical personnel. We enjoy strong competitive advantages over other engineering companies in these areas.

Production, Sale and Trading of Coal and Methanol Products

Competition with our peers in the coal production and sale business largely focuses on the areas of coal quality and price, mine resources, infrastructure and transportation facilities. In this respect, our mining rights to Wangjiata Coal Mine entitle us access to abundant coal resources in Inner Mongolia. We also enjoy low operating costs by virtue of the strategic location of, and transportation network supporting, Wangjiata Coal Mine. Competition in the methanol business largely focuses on the areas of technology, production capacity and distribution network. In terms of production capacity, we possess advanced and mature technologies for production of coal-based methanol. In terms of distribution, we are able to utilize our integrated coal-chemical value chain businesses and extensive distribution network.

Health, Safety and Environmental Protection

We view health, safety and environmental protection as an important social responsibility. The health, safety and environmental supervision and management systems of our major operating subsidiaries have obtained the relevant certifications, such as the "ISO9001 Quality Management System", the "ISO14001 Environmental Management System" and the "GB/T28001 Occupational Health and Safety Management System". The health, safety and environmental protection measures we employ include the following:

Safety Measures

- Our HSE Office assigns at least one safety officer to conduct safety supervision over each project.
- All our management personnel are obliged to sign a "production safety responsibility undertaking" which sets out their duties as regards supervision of safety.
- We organize safety training for our employees to ensure that they are aware of safety matters and are encouraged to report potential risks in a timely fashion.
- We educate customers about safety concerns applicable to the product or service being supplied to them (including through seminars and brochures).
- We operate a 24-hour hotline for enquiries regarding safety and the reporting of emergencies.
- We have implemented policies for the prevention and detection of accidents in the facilities of our various businesses, in accordance with industry standards.
- We carry out routine inspection of our physical assets (e.g. our gas pipeline infrastructure) and take remedial action immediately in the event irregularities are detected.
- In addition to physical inspection, we use information technologies to collect and analyze information concerning the safe operation of our various businesses.
- In particular, with respect to our coal mine operation, we have adopted a safety management system and implemented various safety and emergency management measures include, among others, regular safety training, downhole monitoring and control, personnel positioning, emergency hedging, wind pressure self-help, rescue for water supply and communication connection in emergency. As we outsource part of the production process to third party suppliers, we also require such suppliers to adhere to our requirements in relation to safety management and control.

Occupational and Public Health Measures

- We organize regular health checkups for employees.

- We conduct regular analysis and evaluation of occupational hazards in our workplaces.

- We continuously improve our system for the prevention and management of occupational diseases. For example, in response to the outbreak of COVID-19 in China at the beginning of 2020, we formed an epidemic prevention and control team and implemented measures such as regular disinfection of office areas, canteens, apartments and official vehicles; daily monitoring of employees' health and quarantine status (including the use of the iCome platform); and ensuring that frontline employees were provided with personal protective equipment.

Environmental Protection Measures

- We formulate our own emissions management policies and dispose of pollutants emitted during our operations in accordance with these policies and applicable local standards, so as to reduce waste water, waste gas, solid waste and other pollutants.

- Prior to the commencement of projects, we set up a garbage disposal system and noise prevention measures and arrange for dust reduction equipment to be in place.

- We continuously improve our environmental protection system through R&D so as to allow for energy conservation throughout our production processes.

- We plan to establish an ESG committee and an ESG working group to implement our sustainable development strategies and commitments. The ESG committee will be responsible for the overall management and supervision of ESG related matters at the board level. The ESG committee will be chaired by our CEO and will consist of our board members including executive directors, non-executive directors and independent non-executive directors. The ESG working group will be responsible for executing the strategies and plans and will consist of our CFO, company secretary and the head of the quality, health, safety and environment department, human resources department and investor relations department. We will also introduce ESG performance metrics into executive compensation determinations.

Our operations may generate air or water pollution, noise and solid waste (including hazardous materials) and we are subject to laws and regulations on environmental protection as well as those on health and safety. See the section entitled "*Regulations*" for further details. We believe that as of the date of this Offering Memorandum, our business operations comply in all material respects with applicable environment and occupational health and safety laws and regulations.

Employees

In recent years, our workforce has been steadily expanded to support our new projects and business development. As of December 31, 2020, we had 39,282 full-time employees. The following table sets forth the number of full-time employees, by function, as of the date indicated:

	As of December 31, 2020	
	Number of employees	% of total
Production	24,925	63.4
Sales	2,713	6.9
Technical	6,640	16.9
Finance and accounting	2,152	5.5
Administrative	2,852	7.3
Total	**39,282**	**100.0**

The following table sets forth the total number of our employees, by education level, as of the date indicated:

	As of December 31, 2020	
	Number of employees	**% of total**
Master's degree or above	963	2.5
Bachelor's degree	11,471	29.2
Diploma or below	26,848	68.3
Total	**39,282**	**100.0**

We sign individual employment agreements with our employees, covering, among other things, salaries, benefits, training, workplace safety and hygiene, confidentiality obligations relating to trade secrets and grounds for termination.

The remuneration package for our employees includes salaries, bonuses and allowances. Our employees are entitled to a variety of benefits, including medical care, housing subsidies, retirement and other benefits. They may also be entitled to participate in share option schemes or share award schemes. In accordance with applicable laws and regulations, we have made contributions to various social insurance schemes for our employees, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident funds.

We take various measures to enhance our employees' skill and expertise. We provide training specific to all of our employees at different levels and functions on a regular basis, including on-the job training and mentorship, project-based training and training by external professionals and consultants.

We consider our relations with our employees to be good and we have not experienced any strikes or disruptions due to labor disputes.

Property

We both own and lease properties for our operations. When we state that we own certain properties in China, we own the relevant long-term land use rights. In China, with very few exceptions, industrial land is owned by the state.

As of the date of this Offering Memorandum, we had not obtained land use right certificates and/or building ownership certificates in respect of several of our plants or land in China. See "*Risk Factors — Risks relating to Our Business in General — We are in the process of applying land use right certificates and/or building ownership certificates for certain of our properties in China*".

Insurance

We maintain insurance coverage commensurate with what we believe to be the industry practice in China and our assessment of our risk of loss. The main kinds of insurance policies we have purchased and maintained include all-risk construction insurance and liability insurance, property all-risk insurance, machinery breakdown insurance, employer liability insurance and environmental liability insurance. These insurance policies cover those assets (including, for example, real estate and fixed assets) that we deem to be most important to us and subject to significant operating risks. We do not maintain any business interruption insurance, key-man insurance or contractors all-risk insurance. Accordingly, there is a risk that we do not have sufficient insurance coverage for losses, damages and liabilities which may arise from our business operations. See "*Risk Factors — Risks Relating to Our Business in General — Our insurance coverage may be insufficient to cover all associated risks of loss*" in this Offering Memorandum.

Legal Proceedings

We are from time to time involved in disputes and legal proceedings arising in the ordinary course of our business. To the best of our knowledge, there are no pending litigation, arbitration or administrative proceedings against us as of the date of this Offering Memorandum that could have a material adverse effect on our business, results of operations or financial condition.

The following discussion summarizes the principal laws, regulations, policies and administrative directives to which the Group is subject.

The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, rules, regulations and local laws, regulations and policies, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. Court rulings do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC, or the NPC, and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws of the PRC. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest authority of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the authority of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable within their own administrative areas. These local laws and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws passed in June 1981, the Supreme People's Court, the State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative bodies which promulgate such laws.

The PRC Judicial System

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts. The local courts comprise the basic courts, the intermediate courts and the high courts. The basic courts are organized into civil, criminal, economic and administrative divisions. The intermediate courts are organized into divisions similar to those of the basic courts, and are further organized into other special divisions, such as the intellectual property division. The high level court supervises the basic and intermediate courts. The People's Procuratorates also have the right to exercise legal supervision over the proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in China. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal from a judgment or order of a local court to the court at the next higher level. First judgments or orders of the Supreme People's Court are final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given in any court at a lower level, or the presiding judge of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC adopted in April 1991, amended in October 2007, August 2012 and June 2017, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the location of the object of the action. However, such selection shall not violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request the enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. If a party fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognized and enforced by the court according to the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principal of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles, sovereignty or security of the PRC, or for reasons of social and public interests.

PRC Regulations relating to Natural Gas Industry

Natural Gas Industry Policies

On October 14, 2012, the NDRC promulgated Policies on Natural Gas Utilization, which became effective on December 1, 2012. Under the policy, the users of natural gas are categorized into users of city gas, industrial fuel, power generation by natural gas, chemical engineering using natural gas, and other users. Balancing factors such as its social, environmental and economic benefits, and the different profiles of its users, natural gas users are also divided into the following categories: prioritized, permitted, restricted and prohibited.

Gas Operation License

The Administrative Licensing Law was adopted by the Standing Committee of the NPC on August 27, 2003, amended and became effective on April 23, 2019, pursuant to which local governments are empowered to grant licenses to privately owned entities to engage in specified businesses. On June 29, 2004, the State Council issued the Decision of the State Council to Implement Administrative Licensing for Reserved Administrative Approved Items, which amended in January 2009 and August 2016, together with the Administrative Licensing Law, the Administrative Licensing Regulations. Pursuant to the Administrative Licensing Regulations, an enterprise which operates in the gas distribution business in China is required to obtain a gas operation license from the local government in charge of construction.

On October 15, 2004, pursuant to the Administrative Licensing Regulations, the MOHURD issued the Provisions Regarding the Conditions for the Fifteen Administrative Approval Items Adopted by the State Council, or the Condition Provisions, which was amended in January and September 2011.

On October 19, 2010, the Regulations on the Administration of Urban Gas were promulgated by the State Council and became effective on March 1, 2011, which was further amended and became effective on February 6, 2016. The Regulations on the Administration of Urban Gas applies to urban gas development plans and emergency safeguards, gas operation and service, gas use, gas facilities protection, prevention and disposal of gas safety accidents and the relevant administrative activities. Pursuant to the Regulations on the Administration of Urban Gas, an enterprise which carries on gas operation in China must meet the following requirements to obtain a gas operation license from the local government at or above the county level in charge of gas administration:

(i) conform to the fuel gas development planning requirements;

(ii) have gas sources and gas facilities that meet national standards;

(iii) have fixed business premises, a safety management system and a sound management plan;

(iv) assign a principal responsible person from the enterprise, personnel for the administration of production safety and operation and personnel for maintenance and repair who have received professional training and passed relevant examinations; and

(v) other requirements provided by PRC laws, rules and regulations.

Concession Rights

On March 19, 2004, the MOHURD issued the Measures for the Administration on the Concession of Municipal Public Utilities, or the Concession Measures, effective on May 1, 2004, which was further amended and became effective on May 4, 2015, to promote concession systems in utility industries including the pipeline gas distribution industry. Pursuant to the Concession Measures, local governments will normally grant concession rights to operate piped gas distribution businesses in a specified area. Such specified area may be part or all of the city or county, depending on the terms of the concession rights granted. The PRC government authorities in charge of utilities at the city or county level are responsible for the implementation of the Concession Measures. Pursuant to the Concession Measures, the concession period normally will not exceed 30 years.

In September 2004, the MOHURD published a standard form of concession contract with respect to piped gas distribution for guidance. The form of concession contract has specific provisions mainly in respect of:

(i) granting, revocation and termination of the concession;

(ii) construction, maintenance and improvement of the gas distribution facilities;

(iii) gas distribution safety;

(iv) quality of the gas and standards of services;

(v) fees;

(vi) default liabilities; and

(vii) dispute resolution.

Hazardous Chemical Operation License

The Regulations on the Safety Administration of Hazardous Chemicals were promulgated by the State Council on January 26, 2002 and last amended on December 7, 2013. Pursuant to the Regulations on the Safety Administration of Hazardous Chemicals, entities engaging in the road transportation of hazardous chemicals shall obtain the road transportation license for hazardous chemicals pursuant to the relevant laws and administrative regulations on road transport, and complete registration procedures with the industry and commerce department.

The Measures for the Administration of Hazardous Chemical Operation License were promulgated by the State Administration of Work Safety on May 27, 2015 and became effective on July 1, 2015. The Measures for the Administration of Hazardous Chemical Operation License established a licensing system for the operation and sale of hazardous chemicals. Entities engaged in the operation and sale of hazardous chemicals must obtain a hazardous chemical operation license pursuant to the aforesaid measures after registration with the administrative bureaus for industry and commerce. No entity or individual may operate or sell hazardous chemicals without obtaining the hazardous chemical operation license and registering with the administrative bureau for industry and commerce.

Gas Cylinder Filling Permit

The Regulations on Safety Supervision of Special Equipment were promulgated by the State Council on March 11, 2003, became effective as of June 1, 2003 and amended on January 24, 2009 and effective from May 1, 2009). The "special equipment" referenced in the regulations refers to boilers, pressure vehicles (including gas cylinders), pressure pipelines, elevators, lifting alliances, yard (factory) special motor vehicles, passenger ropeways, and large amusement devices, which impact the safety of human lives or involve high risk. Pursuant to the Rules on Gas Cylinders Filling Permit promulgated by the GAQSIQ on June 21, 2006 and became effective on October 1, 2006, enterprises operating gas cylinders filling shall obtain a gas cylinders filling permit issued by the provisional quality supervision department.

Pricing

The price of natural gas has two components: ex-works price and pipeline transportation tariff. Prior to December 26, 2005, ex-works prices varied depending on whether or not the natural gas sold was within the government-formulated natural gas supply plan. For natural gas sold within the government-formulated supply plan, the NDRC fixed ex-works prices according to the nature of the customers. Most of these customers were fertilizer producers. For natural gas sold to customers not subject to the government-formulated supply plan, the NDRC published median guidance ex-works prices, and allowed natural gas producers to adjust prices upward or downward within a margin of 10%.

On December 26, 2005, the NDRC reformed the mechanism for setting the ex-works prices of domestic natural gas by using governmental guidance prices, and dividing domestic natural gas into two categories. On the basis of the ex-works price set by the government, subject to the negotiations between the seller and the buyer, the actual ex-works price of the first category may float upward or downward within a margin of 10.0%; the actual ex-works price of the second category may float upward up to 10.0%, with no floor for downward adjustment. The price of the first category will be adjusted to align with the second category within three to five years. On November 10, 2007, the NDRC increased the ex-works price of the natural gas for industrial use by RMB400 per thousand cubic meters.

On June 1, 2010, the NDRC raised the median ex-works prices of natural gas and as a result, the ex-works price of natural gas for non-residential use from all of the oil and gas fields in China increased by RMB0.23 per cubic meter. In addition, the NDRC expanded the floating range of the median ex-works price by allowing the median ex-works price to float upward to 10.0%, with no floor for downward adjustment. The NDRC sets the tariff for the natural gas transported by pipelines constructed prior to 1991. On April 25, 2010, the NDRC adjusted the flat pipeline transportation tariff. As a result of such adjustment, CNPC's average tariff for the natural gas transported by pipelines increased from RMB0.06 per cubic meter to RMB0.14 per cubic meter.

On December 26, 2011, the NDRC issued the Circular on the Pilot Reform of Natural Gas Price Formation Mechanism in Guangdong Province and Guangxi Zhuang Autonomous Region, which became effective in those areas as of the same date. This pilot reform aims to establish a dynamic price adjustment mechanism for the promotion of nationwide natural gas price reform. The NDRC's objective is to relax control of the ex-works price of natural gas and promote price formation by market competition, wherein the government will only manage pipeline transportation tariffs. The NDRC determined the gate station tariffs for natural gas by choosing the Shanghai market as a pricing reference point and establishing a price linkage mechanism between natural gas and alternative energy. In addition, the gate station price of natural gas shall be initially adjusted in accordance with price changes of alternative energy once per year and later on a semi-annual or quarterly basis. Under this approach, the gate station prices of natural gas in Guangdong Province and Guangxi Zhuang Autonomous Region shall not exceed RMB2.74 per cubic meter and RMB2.57 per cubic meter, respectively.

On June 28, 2013, the NDRC issued the Notice Concerning the Adjustment of the Price of Natural Gas, which was put into effect nationwide on July 10, 2013. The new program is considered to be a key tool in the government's efforts to promote a healthy and sustainable natural gas industry and market in China. The new program consists of (i) changing the mechanism administering the price of natural gas from ex-factory control to citygate control, and no longer differentiating the prices payable by the users in different provinces by reference to the difference in gas sources and transportation routes; (ii) establishing a mechanism whereby the citygate price of natural gas is linked to the price of alternative energy thereby achieving a completely market-driven pricing for natural gas; and (iii) adopting differential pricing approaches towards existing usage and incremental usage of natural gas so as to establish as soon as practicable a new pricing mechanism for natural gas while reducing the impact that the pricing reform will have on existing gas users. Under this program, the adjustment to the price of the incremental usage will be implemented in one step while the adjustment to the price of the existing usage will be implemented in multiple steps and is targeted to be fully implemented by 2015, which will coincide with the end of the Twelfth Five-Year Plan.

On November 18, 2015, the NDRC issued the Circular on Lowering the Gate Station Prices of Natural Gas Used for Non-residential Purpose and Further Accelerating the Market-oriented Price Reform (Fa Gai Jia Ge 2015 No. 2688), which became effective on November 20, 2015. Under the circular, the upper limit of gate station prices of natural gas used for non-residential purposes shall be lowered by RMB0.7 per cubic meter. However, the price for the natural gas used for fertilizer remains unchanged. In addition, according to the circular, the pricing mechanism of natural gas used for non-residential purposes shall be transformed into a market-oriented pricing system. The seller and buyer may negotiate the price with a limit on upward adjustment of 20% from the benchmark price and no limit on downward adjustment.

On March 13, 2020, the NDRC published the Central Pricing Catalogue, which removes the natural gas city-gate prices from the scope of national pricing while maintains the pipeline transportation tariff of the piped natural gas.

Project Approval

Pursuant to the PRC Urban and Rural Planning Law implemented on January 1, 2008, and amended on April 24, 2015 and further amended on April 23, 2019, and the PRC Construction Law implemented on March 1, 1998, amended on April 22, 2011 and further amended on April 23, 2019, and the Administrative Regulation of Construction Work Quality implemented on January 30, 2000, amended on October 7, 2017 and further amended on April 23, 2019, a construction planning permit and a construction permit must be obtained in relation to the engagement in the planning and construction of facilities and pipelines.

Petroleum and Natural Gas Pipeline Protection

The PRC Petroleum and Natural Gas Pipeline Protection Law was promulgated on June 25, 2010 and implemented on October 1, 2010. The PRC Petroleum and Natural Gas Pipeline Protection Law regulates the protection of pipelines for transportation of petroleum and natural gas in China as well as their ancillary facilities. The Energy Department of the State Council regulates the national pipeline protection in China in accordance with the PRC Petroleum and Natural Gas Pipeline Protection Law and other relevant departments of the State Council are responsible for the related work on protection of pipelines within their respective functions. The energy departments of provinces, autonomous regions and municipalities and departments designated by the governments of the municipalities and counties regulate the protection of pipelines of the administrative areas according to the law, and the other relevant departments of the local governments above county level are responsible for the related work on protection of pipelines within their respective functions in accordance with relevant laws and administrative regulations.

Coal Policy

On November 23, 2007, the NDRC issued the Coal Industrial Policy, which took effect on the same day. The Coal Industrial Policy regulates the planning of targeted development, industry layout, industry entry requirements, industry structure, industry technology, production safety, transportation, trade, energy efficiency and environmental protection.

The Coal Law of the PRC (the "**Coal Law**"), which was promulgated on August 29, 1996, became effective on December 1, 1996 and was amended on August 27, 2009, April 22, 2011, June 29, 2013 and November 7, 2016 respectively, sets forth certain requirements relating to coal production, including requirements relating to the exploration of mineral resources, the approval of new mines, the implementation of safety standards, the coal trading, the protection of mining areas from destructive exploitation, the protection of miners and the administration and supervision of coal mining operations.

Other Laws and Regulations

Labor Laws and Regulations

Pursuant to the Labor Law of the PRC, issued on July 5, 1994 and amended and newly effective on August 27, 2009, further amended and became effective on December 29, 2018, companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, prevent work-related accidents and reduce occupational hazards. Companies must also pay for their employees' social insurance premium.

Labor Contract

Pursuant to the Labor Contract Law of the PRC that became effective in January 2008 and was amended in July 2013, with its implementing rules that became effective in September 2008, employers shall establish employment relationships with employees on the date that they start working. To establish employment relationship, a written employment contract shall be concluded, or employers will be liable for the illegal action. Furthermore, the probation period and liquidated damages shall be restricted by law to safeguard employees' rights and interests.

Social Security and Housing Provident Fund

The PRC has established a social security system providing people with basic pension insurance, unemployment insurance, basic medical insurance, maternity insurance, and work-related injury insurance, and housing funding by promulgating the Social Security Law of the PRC, the Provisional Regulations on the Collection and Payment of Social Insurance Premiums, Regulations on Work Injury Insurance, Regulations on Unemployment Insurance, Decision on Establishing a Unified Basic Pension Insurance System for Enterprise Employees, Regulations on Management of Housing Provident Fund and many other regulations. Any employer who fails to pay its social insurance premiums or withhold the employee's portion may be ordered by the PRC Ministry of Human Resources and Social Security or the PRC Tax Bureau to make such payments within a stipulated period, and may be liable for a penalty.

Rehiring Retirees

Pursuant to the Notice of the Ministry of Labor on Several Issues Concerning the Implementation of the Labor Contract System, issued and effective on October 31, 1996, if retirees who have enjoyed pension benefits are rehired, the employers should conclude a written agreement with them. Such agreement should include the clear content of the job, compensation, medical care, labor protection treatment, other rights and obligations.

Laws and Regulations Relating to Intellectual Property

The Trademark Law

Pursuant to the Trademark Law of the PRC, issued on August 23, 1982, last amended on April 23, 2019 and newly effective on November 1, 2019, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years from the day the registration is approved. According to the Trademark Law of the PRC, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damages.

The Patent Law

Pursuant to the Patent Law of the PRC, issued on March 12, 1984, last amended on December 27, 2008 and newly effective on October 1, 2009, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law of the PRC, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. After a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damages.

Civil Code

On May 28, 2020, the NPC approved the Civil Code of the PRC, which came into effect on January 1, 2021 and replaced the Contract Law of the PRC, the Property Law of the PRC and several other basic civil laws in the PRC.

NDRC Rules Regarding Overseas Financing

According to the NDRC Circular, which was issued by the NDRC on September 14, 2015 and came into effect on the same day, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must, prior to issuing such bonds, file certain prescribed documents with the NDRC and procure an enterprise foreign debt pre-issuance registration certificate from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission.

According to the NDRC Circular, such an enterprise is also required to report certain details of the bonds to the NDRC within ten working days after the closing date of the offering.

MANAGEMENT

Directors

Our board of directors currently consists of 12 members, including a chairman, seven directors and four independent directors. Our board of directors is primarily responsible for convening the board meetings, reporting to the general meeting of shareholders, implementing the solutions of the general meeting of shareholders, formulating our business and investment plans, annual financial budget plans and profit distribution plans.

The table below sets forth certain information regarding our board of directors as of the date of this Offering Memorandum:

Name	Age	Title
Mr. Wang Yusuo (王玉鎖)	57	Chairman
Mr. Yu Jianchao (于建潮)	53	Director, Vice Chairman and Joint Chief Executive Officer
Mr. Han Jishen (韓繼深)	57	Director and Joint Chief Executive Officer
Mr. Zheng Hongtao (鄭洪弢)	46	Director and President
Mr. Jiang Chenghong (蔣承宏) . .	46	Director
Ms. Zhang Jin (張瑾)	48	Director
Mr. Wang Zizheng (王子崢)	33	Director
Mr. Zhao John Huan (趙令歡) . . .	58	Director
Mr. Li Xingang (李鑫鋼)	60	Independent Director
Mr. Qiao Gangliang (喬鋼梁) . . .	60	Independent Director
Mr. Tang Jiasong (唐稼松)	47	Independent Director
Mr. Zhang Yu (張餘)	63	Independent Director

Mr. Wang Yusuo (**王玉鎖**), aged 57, has been the Chairman of our Company since November 2008. Mr. Wang is the founder of Xinao Group and has over 30 years of experience in the investment in, and the management of, gas business in China. Mr. Wang also currently serves as the chairman of the board of directors of Xinao Group, ENN Holdings, Langfang Natural Gas Co., Ltd. (廊坊市天然氣有限公司), Xinao Photovoltaic Energy Co., Ltd. (新奧光伏能源有限公司), Langfang ENN Energy Development Co., Ltd. (廊坊新奧能源發展有限公司) and ENN Science & Technology Development Co., Ltd. (新奧科技發展有限公司), a director of ENN International and ENC Digital, the chairman of the board of directors and an executive director of ENN Energy and the sole director of the Issuer. Mr. Wang was previously a member of the 12th Chinese People's Political Consultative Conference ("**CPPCC**"), the vice chairman of the 9th All-China Federation of Industry and Commerce ("**ACFIC**") and the vice president of ACFIC, a member of the Standing Committee of the 12th CPPCC Hebei Provincial Committee, the vice chairman of Hebei Provincial ACFIC and the vice chairman of CPPCC Langfang City Committee. Mr. Wang obtained his doctorate degree in enterprises management from Tianjin University of Finance and Economics. He is the father of Mr. Wang Zizheng, a Director of our Company.

Mr. Yu Jianchao (**于建潮**), aged 53, has been a Director of our Company since February 2017, the Vice Chairman of our Company since November 2017 and the Joint Chief Executive Officer of our Company since September 2020. Mr. Yu also currently serves as the chairman of board of directors of Hebei Veyong Group Co., Ltd. (河北威遠集團有限公司) and Xinao LNG. Mr. Yu served as the Chief Executive Officer of our Company from November 2017 to September 2020 and the Vice President of our Company from January 2017 to November 2017. Mr. Yu previously served successively as the deputy general accountant, the general accountant, the chairperson of the inspection committee, the chief financial officer, the chairperson of the finance and audit committee and vice president of Xinao Group and the vice president of ENN Energy. Mr. Yu has extensive experience in corporate management and capital operation. Mr. Yu received his Executive Master of Business Administration (EMBA) from China Europe International Business School and Wudaokou Tsinghua School of Finance.

Mr. Han Jishen (韓繼深), aged 57, has been a Director and the Joint Chief Executive Officer of our Company since September 2020. Mr. Han joined ENN Energy in 1993 and had worked at the senior managerial level in various subsidiaries of ENN Energy. Mr. Han previously served as the president, chief executive officer, joint vice chairman and an executive director of ENN Energy and has extensive experience in market research, business development and operation management in the energy industry. Mr. Han obtained his Executive Master of Business Administration (EMBA) from the Nanyang Technological University in Singapore.

Mr. Zheng Hongtao (鄭洪弢), aged 46, has been a Director and the President of our Company since September 2020. Mr. Zheng is currently the vice chairman and an executive director of ENN Energy and a director of Xinao LNG. Upon joining Xinao Group in January 2019, Mr. Zheng was responsible for international and domestic natural gas trading and served as chief gas business director. Mr. Zheng previously served as the deputy general manager and the executive deputy general manager of CNOOC Gas & Power Group International Trading Branch (中海石油氣電集團國際貿易分公司). Mr. Zheng has extensive experience in international LNG procurement and trading, LNG shipping, domestic natural gas sales and mergers and acquisitions of related asset. Mr. Zheng graduated from Tsinghua University and holds a doctor's degree.

Mr. Jiang Chenghong (蔣承宏), aged 46, has been a Director of our Company since November 2020. Mr. Jiang joined Xinao Group in September 2017 and currently serves as a director of ENN International, the chief financial officer of Xinao Group and a director of Tibet Tourism. Mr. Jiang previously served successively as deputy general manager of treasury department, general manager of treasury department and director of the finance department of Sinochem Group Co., Ltd. (中國石化集團公司), a director of Sinochem Finance Co., Ltd. (中化集團財務有限責任公司) and a director of China Foreign Economy & Trade Trust Co., Ltd. (中國對外經濟貿易信托有限公司). Mr. Jiang has extensive experience in financial management and assets mergers and acquisitions. Mr. Jiang received his Executive Master of Business Administration (EMBA) from Xiamen University.

Ms. Zhang Jin (張瑾), aged 48, has been a Director of our Company since November 2020. Ms. Zhang joined Xinao Group in September 2016 and currently serves as the executive vice president and chief human resources officer of Xinao Group, the chief human resources officer of ENN Energy and a director of ENC Digital. Ms. Zhang previously served as the senior vice president of Shanda Network Group, the vice president of human resources of Shanda Group and the vice president of human resources of Lenovo Group. Ms. Zhang has extensive experience in talent motivation and corporate management. Ms. Zhang graduated from Renmin University of China with a bachelor's degree in Economics and a master's degree in Management.

Mr. Wang Zizheng (王子峥), aged 33, has been a Director of our Company since June 2018. Mr. Wang also currently serves as a director of ENN International, ENN Holdings, Xinzhi Holdings Investment Co., Ltd. (新智控股投資有限公司) and ENN Digital Energy Technology Co., Ltd. (新奧數能科技有限公司), the chairman of board of directors and general manager of Echeng Ejia Network Technology Co., Ltd. (一城一家網絡科技有限公司) and a non-executive director of ENN Energy. Mr. Wang is a member of CPPCC Hebei Provincial Committee, a member of the Executive Committee of Hebei Provincial ACFIC, a member of the Standing Committee of CPPCC Langfang City Committee and the vice chairman of Langfang City ACFIC. Prior to joining us, Mr. Wang previously served as an assistant to the president of ENN Group Intelligent Energy Co., Ltd. (新奧集團智能能源有限公司), a director of green transportation and energy strategic planning of Transfuels LLC, a deputy general manager of

ENN Science & Technology Development Co., Ltd. (新奧科技發展有限公司), the vice president of ENN Energy and the president of ENC Digital. Mr. Wang has extensive experience in the investment in, mergers and acquisitions, and operation management of overseas LNG refueling stations. Mr. Wang obtained his bachelor's degree in urban planning from Tongji University. He is the son of Mr. Wang Yusuo, the Chairman of our Company.

Mr. Zhao John Huan (趙令歡), aged 58, has been a Director of our Company since December 2017. Mr. Zhao joined Legend Holdings Corporation (聯想控股股份有限公司) in 2003 and founded Hony Capital (弘毅投資). Mr. Zhao is a director and executive vice president of Legend Holdings Corporation and the chairman and president of Hony Capital and has extensive experience in project investment and corporate management. Mr. Zhao also currently serves as the director of other famous enterprises including Lenovo Group Ltd. (聯想集團有限公司), Zoomlion Heavy Industry Science and Technology Co., Ltd. (中聯重科) and Shanghai Jin Jiang International Hotels (Group) Company Limited (上海錦江國際酒店集團股份有限公司). Mr. Zhao undertakes a variety of roles including the vice president of Asset Management Association of China (中國證券投資基金協會), the chairperson of Private Equity and M&A Fund Professional Committee (私募股權及併購基金會), a director of China Development Research Foundation (中國發展研究基金會), a director of Our Hong Kong Foundation (團結香港基金會) and a director of China-United States Exchange Foundation (中美交流基金會). Mr. Zhao holds a master's degree.

Mr. Li Xingang (李鑫鋼), aged 60, has been an Independent Director of our Company since October 2016. Mr. Li previously served successively as a lecturer and associate professor at Tianjin University and the deputy head of Tianjin University National Engineering Research Center of Distillation Technology (天津大學精餾技術國家工程研究中心). Mr. Li has profound knowledge and experience in chemical research. Mr. Li also currently serves as a professor at Tianjin University, the head of Tianjin University National Engineering Research Center of Distillation Technology (天津大學精餾技術國家工程研究中心) and the general manager of Beiyang National Distillation Technology Engineering Development Co., Ltd. (北洋國家精餾技術工程發展有限公司). Mr. Li holds a doctor's degree.

Mr. Qiao Gangliang (喬鋼梁), aged 60, has been an Independent Director of our Company since July 2019. Mr. Qiao also currently serves as a vice president and the general counsel of China and North Asia Region of Danaher Corporation since November 2013 and a foreign arbitrator of Beijing Arbitration Commission (北京仲裁委員會), China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會), Shenzhen Court of International Arbitration (深圳國際仲裁委員會) and Dalian Arbitration Commission (大連仲裁委員會). Prior to joining us, Mr. Qiao previously served as an executive vice president and the general counsel of the Northeastern Asia Region of Siemens AG and a vice president and the general counsel of the Greater China Region of GE Capital and GE Healthcare from 2000 to 2013. Mr. Qiao has extensive professional knowledge and experience in legal field. Mr. Qiao is admitted to the District of Columbia Bar of the Washington state of the United States and a PRC qualified lawyer. Mr. Qiao holds a juris doctor from Georgetown University.

Mr. Tang Jiasong (唐稼松), aged 47, has been an Independent Director of our Company since July 2019. Mr. Tang has profound knowledge and extensive experience in financial statements auditing and financial management. Mr. Tang also currently serves as the financial director of Jiangsu Xinlihua Corporation Group Co., Ltd. (江蘇新麗華企業集團有限公司). Mr. Tang previously worked at Deloitte Touche Tohmatsu Certified Public Accountants LLP (德勤華永會計師事務所(特殊普通合夥)) from September 1995 to August 2015 and became its equity partner in June 2007. Mr. Tang previously provided auditing services to numerous Chinese state-owned enterprises, privately owned enterprises and other multinational corporations in the PRC in relation to regular audits of consolidated financial statements and the audits for initial public offerings of Chinese A-shares and on the HKSE. Mr. Tang is a certified public accountant and holds a post-secondary degree.

Mr. Zhang Yu (張餘), aged 63, has been an Independent Director of our Company since November 2020. Mr. Zhang has been engaged in areas, among others, including oil production technology research, oil and gas field development, oil and gas storage and transportation production management as well as natural gas pipeline construction for years. Mr. Zhang has extensive experience in corporate management and project infrastructure management and holds the title of Senior Engineer. Mr. Zhang previously served as deputy general manager, safety director, general manager and a director of PetroChina Beijing Natural Gas Pipeline Co., Ltd. (中石油北京天然氣管道有限公司). Mr. Zhang obtained his Executive Master of Business Administration (EMBA) from Peking University.

Supervisors

Our board of supervisors consists of three members, including a Chairperson and two Supervisors. Our board of supervisors is primarily responsible for reviewing the periodic reports produced by our board of directors, monitoring our financial matters, overseeing the conduct of the directors and senior management, proposing to the convening of the general meeting of shareholders, and submitting proposals to the general meeting of shareholders.

The table below sets forth certain information regarding our board of supervisors as of the date of this Offering Memorandum:

Name	Age	Title
Ms. Cai Fuying (蔡福英)	55	Chairperson of the board of supervisors
Ms. Wang Xi (王曦)	49	Supervisor
Mr. Dong Yuwu (董玉武)	59	Supervisor (Employee Representative)

Ms. Cai Fuying (蔡福英), aged 55, has been the Chairperson of the board of supervisors of our Company since July 2013. Ms. Cai also currently serves as the assistant to director general to shareholder affairs council of Xinao Group, a supervisor of Hebei Veyong Group Co., Ltd. (河北威遠集團有限公司) and the chairperson of supervisory committee of ENC Digital. Ms. Cai previously served successively as a deputy general manager and vice president of ENN Gas Holdings Limited (新奧燃氣控股有限公司), and the deputy chairperson of the inspection committee of the board of directors and the secretary general to shareholder affairs council of Xinao Group. Ms. Cai holds a master's degree and obtained her Executive Master of Business Administration (EMBA) from China Europe International Business School.

Ms. Wang Xi (王曦), aged 49, has been a Supervisor of our Company since June 2013. Ms. Wang also currently serves as the executive vice president and a director of ENC Digital, the chairperson of supervisory committee of Tibet Tourism and a supervisor of ENN Holdings. Ms. Wang previously served as a deputy general manager of Changsha ENN Gas Co., Ltd. (長沙新奧燃氣有限公司) and the general manager of the financial management department of Xinao Group. Ms. Wang holds a master's degree and obtained her Executive Master of Business Administration (EMBA) from Peking University.

Mr. Dong Yuwu (董玉武), aged 59, has been a Supervisor of our Company since June 2013. Mr. Dong previously served successively as the chief finance officer and a deputy general manager of Xinneng Mining. Mr. Dong has been the supervisory director of audit and risk management department of our Company since July 2014. Mr. Dong holds a bachelor's degree.

Senior Management

The table below sets forth information regarding our senior management team as of the date of this Offering Memorandum:

Name	Age	Title
Mr. Yu Jianchao (于建潮)	53	Joint Chief Executive Officer
Mr. Han Jishen (韓繼深)	57	Joint Chief Executive Officer
Mr. Zheng Hongtao (鄭洪弢)	46	President
Mr. Zheng Wenping (鄭文平) . . .	52	Executive Vice President
Mr. Wang Guiqi (王貴歧)	59	Vice President
Mr. Huang Baoguang (黃保光) . .	51	Vice President
Mr. Zhang Xiaoyang (張曉陽) . . .	46	Vice President
Mr. Wang Shihong (王世宏)	57	Vice President
Mr. Men Jijun (門繼軍)	42	Assistant to the President
Mr. Wang Dongzhi (王冬至)	53	Chief Financial Officer
Mr. Liu Jianjun (劉建軍)	57	Chief Accountant
Ms. Wang Shuo (王碩)	42	Secretary of the board of directors

Mr. Yu Jianchao (于建潮) has been the Joint Chief Executive Office of our Company since September 2020. For Mr. Yu's biography, see "*Directors*" above.

Mr. Han Jishen (韓繼深) has been the Joint Chief Executive Officer of our Company since September 2020. For Mr. Han's biography, see "*Directors*" above.

Mr. Zheng Hongtao (鄭洪弢) has been the President of our Company since September 2020. For Mr. Zheng's biography, see "*Directors*" above.

Mr. Zheng Wenping (鄭文平), aged 52, has been the Executive Vice President of our Company since February 2021. Mr. Zheng joined our Company in October 2020. Prior to joining us, Mr. Zheng previously worked at companies affiliated with Sinopec Group, including serving as deputy director of project management department of Beijing Petrochemical Engineering Co., Ltd. (北京石油化工工程有限公司), director of PMC project of Sinopec Engineering Incorporation Co., Ltd. (中國石化工程建設有限公司) and deputy chief engineer of general manager of project management center of Sinopec Engineering (Group) Co., Ltd. (中石化煉化工程(集團)股份有限公司), and companies affiliated with Shaanxi Yanchang Petroleum (Group) Co., Ltd. (陝西延長石油(集團)有限責任公司), including serving as deputy general manager of Beijing Petrochemical Engineering Co., Ltd. (北京石油化工工程有限公司) and deputy general manager of Beijing Zhonghui Technology Co., Ltd. (北京中揮科技有限公司). Mr. Zheng has extensive experience in business development, project operation and corporate operations in the energy industry. Mr. Zheng obtained his Executive Master of Business Administration (EMBA) from University of International Business and Economics.

Mr. Wang Guiqi (王貴歧), aged 59, has been a Vice President of our Company since December 2017. Mr. Wang also has been the general manager and the president of Xindi Engineering since January 2009. Mr. Wang previously served as the general manager and the chief economist at a branch of China Light Industry Construction Co., Ltd. (中國輕工建設工程總公司) and a deputy general manager of Xindi Engineering. Mr. Wang has extensive experience in energy engineering market development, engineering project management and corporate operations. Mr. Wang obtained his Executive Master of Business Administration (EMBA) from Tsinghua University.

Mr. Huang Baoguang (黃保光), aged 51, has been a Vice President of our Company since December 2018. Mr. Huang previously served as the contract manager of the legal department, the director of the cooperation division of the legal department (cooperation manager), the director of the information division of the legal department (consultation manager) of CNOOC, the general manager of legal department of CNOOC Gas & Power Group Co., Ltd. (中海石油氣電集團有限責任公司) and the general legal counsel, the general manager of legal department and the general manager of equity management department of CNOOC Gas & Power Group Co., Ltd.. Mr. Huang also previously served as the vice president and the executive vice president of ENN Energy between July 2016 and December 2018. Mr. Huang has extensive experience in mergers and acquisitions, and legal risk control, of energy projects. Mr. Huang holds a master's degree.

Mr. Zhang Xiaoyang (張曉陽), aged 46, has been a Vice President of our Company since December 2019. Prior to joining us, Mr. Zhang previously served successively as assistant to general manager and member of the party committee of Shanxi Zhangshan Power Co., Ltd. (山西漳山發電有限公司), deputy director and director of chemical market and strategic performance department of ENN Energy, general manager of Xinneng Mining, general manager of Zhuzhou ENN Gas Co., Ltd. (株洲新奧燃氣有限公司) and general manager of Xinneng Tengzhou. Mr. Zhang has extensive experience in chemical industry research, chemical assets and corporate management. Mr. Zhang graduated from Wuhan University with a master's degree in industrial engineering.

Mr. Wang Shihong (王世宏), aged 57, has been a Vice President of our Company since February 2021. Mr. Wang joined Xinao Group in September 2012 and served as its senior vice president. Mr. Wang previously worked in governmental bodies including the Enterprise Management Bureau of the former State Economic and Trade Commission (國家經濟委員會), the General Office of the former State Planning Commission (國家計劃委員會) and the Advisory Office of the NDRC; and served as assistant to general manager of China SDIC Gaoxin Industrial Investment Corp. Ltd. (中國高新投資集團公司) and deputy general manager of Shandong Chenming Paper Holdings Limited (山東晨鳴紙業集團股份有限公司). Mr. Wang has extensive experience in corporate strategic planning and corporate operations. Mr. Wang graduated from Renmin University of China with a bachelor's degree in industrial economic management.

Mr. Men Jijun (門繼軍), aged 42, has been the assistant to the President of our Company since December 2019. Mr. Men has over 17 years' experience in engineering and project management. Mr. Men served as general manager of engineering market development of our Company from November 2018 to December 2019. Mr. Men previously served successively as project manager and director of material management department of ENN Gas Engineering Co., Ltd. (新奧燃氣工程有限公司), deputy general manager of the material procurement branch, the crossing branch and the project management branch of Xindi Engineering and general manager of Hunan branch of ENN Gas Engineering Co., Ltd... Mr. Men holds a bachelor's degree.

Mr. Wang Dongzhi (王冬至), aged 53, has been the Chief Financial Officer of our Company since September 2020. Mr. Wang joined Xinao Group in August 2000 and served as deputy director of the finance department, general manager of the financial management department and chief financial officer of Xinao Group as well as the chief financial officer of ENN Energy. Mr. Wang has extensive experience in accounting and financial management. Mr. Wang also currently serves as a director of ENN International and ENN Holdings, and an executive director of ENN Energy. Mr. Wang holds a bachelor's degree and is a certified public accountant in the PRC. Mr. Wang received his Executive Master of Business Administration (EMBA) from China Europe International Business School in 2016.

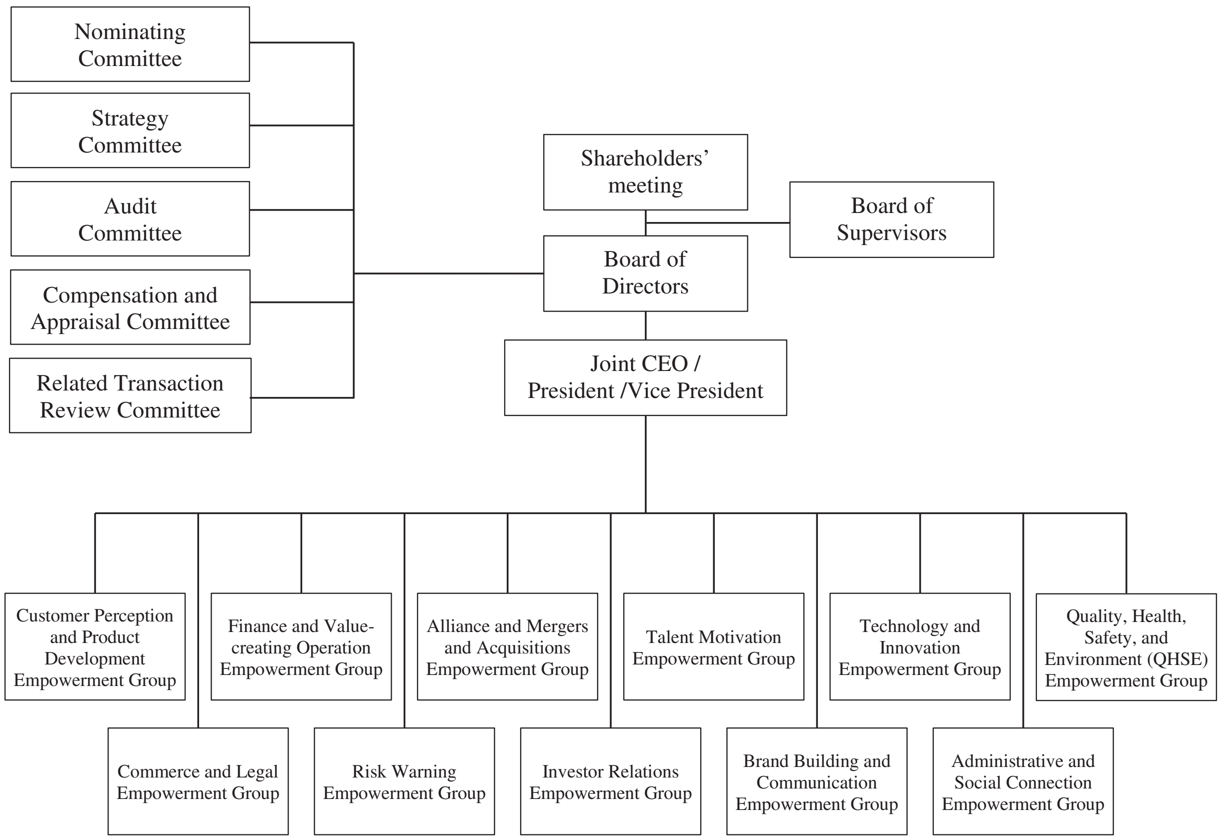
Mr. Liu Jianjun (劉建軍), aged 57, has been the Chief Accountant of our Company since July 2013. Mr. Liu previously served as the deputy head of the finance and audit department of Kaifeng ENN Gas Co., Ltd. (開封新奧燃氣有限公司), the chief accountant and the head of the finance and audit department of Xinxiang ENN Gas Co., Ltd. (新鄉新奧燃氣有限公司) and the deputy chief finance officer of ENN

Energy Service Co., Ltd. (新奧能源服務有限公司); and the head of the finance department and the deputy chief finance officer of our Company. Mr. Liu has extensive experience in financial management and financial statements auditing. Mr. Liu is a senior certified public accountant and holds a bachelor's degree.

Ms. Wang Shuo (王碩), aged 42, has been the Secretary of the board of directors of our Company since March 2019. Ms. Wang served as the director for investor relationships of our Company from November 2018 to March 2019. Ms. Wang previously served as a director of the North America business operations, a director of investment and a senior director of the foreign affairs of Xinao Group, a subcontractor of the United States Department of Energy in relation to China-U.S. Energy Collaboration Programs from 2006 to February 2013 and a lecturer at Renmin University of China. Ms. Wang has extensive experience in energy industry research, project investment and mergers and acquisitions, investor relationship management, and corporate compliance management. Ms. Wang obtained her dual master's degree from Middlebury Institute of International Studies at Monterey and University of Westminster.

Corporate Governance

We believe we have implemented a sound and mature corporate governance structure. Our board of directors, board of supervisors and the internal governance bodies operate collegially while independently. Further, Mr. Wang Yusuo, our de facto controlling shareholder, has been exercising his shareholder rights in accordance with the laws and regulations and the relevant provisions of our Articles of Association to achieve the effective and efficient operation of us as a listed company. The chart below sets forth our corporate governance structure as at the date of this Offering Memorandum:



Board Committees

Nominating Committee

Our Nominating Committee consists of five members, including Mr. Qiao Gangliang, Mr. Yu Jianchao, Ms. Zhang Jin, Mr. Tang Jiasong and Mr. Zhang Yu. Our Nominating Committee is primarily responsible for reviewing the structure, size and composition of our board of directors, making recommendations on any proposed changes to our board of directors to complement corporate strategy, making recommendations in relation to appointment and re-appointment of Directors and succession planning for Directors, and assessing the independence of our Independent Directors.

Strategy Committee

Our Strategy Committee consists of 12 members, including Mr. Wang Yusuo, Mr. Yu Jianchao, Mr. Han Jishen, Mr. Jiang Chenhong, Ms. Zhang Jin, Mr. Wang Zizheng, Mr. Zhao John Huan, Mr. Zheng Hongtao, Mr. Li Xingang, Mr. Qiao Gangliang, Mr. Tang Jiasong and Mr. Zhang Yu. Our Strategy Committee is primarily responsible for determining our development plans, strengthening the investment decision-making process, improving the efficiency and quality of major investment decisions and improving our corporate governance structure to enhance our core competitiveness.

Audit Committee

Our Audit Committee consists of five members, including Mr. Tang Jiasong, Mr. Han Jishen, Mr. Jiang Chenghong, Mr. Qiao Gangliang and Mr. Zhang Yu. Our Audit Committee is primarily responsible for reviewing our financial approval process, reviewing our interim and annual financial statements, reviewing our internal control and risk management system, engaging external auditors and overseeing the audit process.

Compensation and Appraisal Committee

Our Compensation and Appraisal Committee consists of five members, including Mr. Qiao Gangliang, Mr. Wang Zizheng, Ms. Zhang Jin, Mr. Tang Jiasong and Mr. Zhang Yu. Our Compensation and Appraisal Committee is primarily responsible for making recommendations to our board of directors on remuneration policies and structure for all directors and senior management, establishing a formal and transparent procedure for developing remuneration policies, and proposing remuneration packages of individual Directors and senior management to our board of directors.

Related Transaction Review Committee

Our Related Transaction Review Committee consists of five members, including Mr. Tang Jiasong, Mr. Jiang Chenghong, Mr. Li Xingang, Mr. Qiao Gangliang and Mr. Zhang Yu. Our Related Transaction Review Committee is primarily responsible for formulating and improving our rules and operating procedures for related party transactions, monitoring the regulation of our related party transactions and limiting the risks of related party transactions to protect our legitimate rights and interests.

In addition to our board committees, we have established 11 empowerment groups at the head quarter level as sets forth below which are primarily responsible for various functions to implement our corporate governance:

- Our Customer Perception and Product Development Empowerment Group is primarily responsible for establishing the mechanisms, methods and tools for customer perception in the natural gas industry, precipitating and innovating business models, promoting the development and commercialization of core products, and empowering self-driven organizations to carry out business development plans.

- Our Finance and Value-creating Operation Empowerment Group is primarily responsible for strengthening and improving financial professional capabilities, promoting strategy execution and monitoring, persistently improving resource allocation efficiency and enhancing internal risk control by focusing on data management to promote the healthy and orderly development of the Company's value-creating operations; formulating project investment standards and managing the invested projects as well as coordinating the ecosystems between capital and financial resources to ensure fund safety and continuous improvement of capital value.

- Our Alliance and Mergers and Acquisitions Empowerment Group is primarily responsible for establishing channels for alliance cooperation, promoting resources integration in the industry ecosystem, and handling alliance cooperation, optimization and mergers and acquisitions of major businesses.

- Our Talent Motivation Empowerment Group is primarily responsible for creating and operating talent ecosystem by adhering to customer-driven, talent-centered and value-oriented guidelines, persistently motivating and developing talents through identification-assessment-sharing of value creation, connecting and realizing mutual stimulation of ecological partners via productization and digitalization to satisfy business abilities and create value for customers.

- Our Technology and Innovation Empowerment Group is primarily responsible for formulating technological innovation system, implementing technical plans and productization of technical standards, accelerating the construction of digital technology innovation platforms, cultivating core technological capabilities, and creating a think tank ecosystem for technical experts.

- Our Quality, Health, Safety, and Environment (QHSE) Empowerment Group is primarily responsible for persistently improving and implementing QHSE systems, rules and the management mechanism for fronted and safe operation, accelerating the development and application of safe-and-digital products, and strengthening key capabilities improvement of self-driven organizations in safety supervision.

- Our Commerce and Legal Empowerment Group is primarily responsible for persistently improving commerce and legal systems construction, building commerce and legal capabilities that support business innovation, strengthening key compliance risk management, accelerating empowerment products development as well as building and implementing the legal digital and intelligent platform.

- Our Risk Warning Empowerment Group is primarily responsible for ensuring identification and mitigation of system-wide risks, persistently improving the internal audit and supervision mechanism, accelerating the construction of the risk management and early warning intelligent platform, effectively preventing major risks and promoting the internal control system implementation of self-driven organizations.

- Our Investor Relations Empowerment Group is primarily responsible for strengthening maintenance and improvement of market value and promoting value-added investments; ensuring the compliance operation, governance level improvement and healthy capital market image of the Company by establishing and maintaining good communication and relationship with investors and regulatory agencies.

- Our Brand Building and Communication Empowerment Group is primarily responsible for accelerating brand building, promotion and communication management, creating an excellent brand image, deeply promoting the promotion and implementation of corporate culture and assisting in the implementation of new cultural behaviors.

- Our Administrative and Social Connection Empowerment Group is primarily responsible for establishing and operating professional and efficient decision-making support systems by playing the central role, persistently innovating administrative service model, improving service quality and efficiency, creating new social information and affairs connection system and maintaining favorable external environment.

PRINCIPAL SHAREHOLDERS

The following table sets forth information regarding shareholding information of the Company's ordinary shares as of the date of this Offering Memorandum by (i) the Company's directors, supervisors and senior management as a group and (ii) each person known to the Company to beneficially own 5% or more of the Company's outstanding shares:

Name of Shareholders	Number of Shares Owned	Approximate percentage of the issued share capital of our Company
		(%)
Directors, supervisors and senior management as a group		
Mr. Wang Yusuo[(1)]	1,911,750	0.07
Greater than 5% Beneficial Owners		
ENN International[(2)]	1,370,626,680	48.16
ENN Holdings[(3)]	430,737,451	15.14

Notes:

(1) Mr. Wang Yusuo is the only person among our directors, supervisors and senior management who beneficially owns our shares and he directly holds 1,911,750 shares of our Company as at the date of this Offering Memorandum. Mr. Wang Yusuo holds, directly or indirectly and together with his immediate family members, 69.95% of our issued share capital and is the Company's de facto controller as of the date of this Offering Memorandum.

(2) Mr. Wang Yusuo together with his spouse Ms. Zhao Baoju beneficially own 100% equity interest in ENN International as of the date of this Offering Memorandum.

(3) Mr. Wang Yusuo together with his spouse Ms. Zhao Baoju beneficially own 100% equity interest in ENN Holdings as of the date of this Offering Memorandum.

RELATED PARTY TRANSACTIONS

From time to time, we have entered into a number of transactions with our related parties. We believe that each of our related party transactions was entered into in the ordinary course of business on fair and reasonable commercial terms in our interest and the interest of our shareholders as a whole. For further information, see our Historical Financial Statements of 2018 and 2019 and to our Financial Statements of 2019 and 2020 included elsewhere in this Offering Memorandum.

We finance our operations primarily through cash generated from operating activities, interest-bearing bank and other borrowings and funds raised from the capital markets such as the issuance of corporate bonds. As of December 31, 2020, we had total indebtedness of approximately RMB32,334.2 million (approximately US$4,955.4 million). See "*Capitalization and Indebtedness*." From time to time, we may enter into additional financing agreements in ordinary course of business to fund the capital needs of its operations and expansion and to replenish our working capital. Set forth below is a summary of the material terms and conditions of such material indebtedness and other obligations.

Our Debt Structure

As of December 31, 2020, out of our total indebtedness, approximately 51.0% is due in less than one year, 29% is due in one to five years, and 20% is due in over five years. As of December 31, 2020, U.S. dollar-denominated indebtedness accounted for approximately 62% of our total indebtedness, while the rest of our indebtedness (approximately 38%) was RMB-denominated. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Risks — Market Risks — Exchange Rate Risk*". The average effective interest rate of our indebtedness for the year ended December 31, 2020 was 4.00%, representing a decrease of 283 basis points from our average effective interest rate of 6.83% for the year ended December 31, 2019.

Onshore and Offshore Bank Financings

We have entered into loan agreements with local branches of various PRC banks as well as foreign banks, including but not limited to Bank of China, Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China, Bank of Communications, China Citic Bank, China Everbright Bank, Shanghai Pudong Development Bank, Standard Chartered Bank, Postal Savings Bank of China, China Merchants Bank, Industrial Bank Co., Ltd., China Minsheng Bank, BNP Paribas, Standard Chartered Banks and Natixis. As of December 31, 2020, the aggregate outstanding amount under these loans amounted to approximately RMB15,554.0 million (approximately US$2,383.8 million), of which RMB10,835.9 million (approximately US$1,660.7 million) would mature within one year. These loans are mainly used to replenish our working capital. As of December 31, 2020, our total credit facilities amounted to approximately RMB36,960.0 million (approximately US$5,664.4 million), out of which approximately RMB19,600.0 million (approximately US$3,003.8 million) were unused.

Interest

The principal amounts outstanding under our bank loans generally bear interest at fixed rates Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these loans, many of our subsidiary borrowers have agreed, among other things, not to take some of the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;

- granting guarantees to any third parties that may adversely affect their ability to repay their loans;

- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of their liabilities under the loans to a third-party;
- prepaying the loans;
- declaring or paying dividends;
- selling or disposing of assets that may adversely affect their ability to repay their loans; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

Events of Default

The relevant loan agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval and material breach of the terms of the loan agreement. The banks are entitled to terminate their respective agreements and/ or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

We and certain of our PRC subsidiaries have entered into guarantee agreements in favor of certain banks in connection with some of the loans, pursuant to which we or these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, some of these loans are secured by our assets such as fixed assets and equity interests of certain subsidiaries.

2020 ENN Energy Green Notes

On September 17, 2020, ENN Energy entered into an indenture (as amended and supplemented from time to time) pursuant to which ENN Energy issued the US$750,000,000 aggregate principal amount of 2.625% Green Notes due on September 17, 2030. The Green Notes are listed on HKSE. As of the date of this Offering Memorandum, the entire principal amount of the Green Notes remains outstanding.

2019 Syndicated Loan

On November 27, 2019, our wholly-owned subsidiary, Xinneng (Hong Kong), entered into a US$200,000,000 facility agreement with a major commercial bank, which subsequently entered into a syndication agreement with several other commercial banks (the "**2019 Syndicated Loan**"). The entire principal amount of the 2019 Syndicated Loan is due on December 12, 2022. The amount of interest to be paid on the outstanding amount of the 2019 Syndicated Loan is the aggregate of LIBOR and the applicable margin of 1.95 per cent. per annum. The margin is subject to adjustment according to the credit rating of Xinneng (Hong Kong). As of the date of this Offering Memorandum, the entire principal amount under the 2019 Syndicated Loan remains outstanding.

2019 PRC Corporate Bonds

In 2019, one of our PRC subsidiaries, Xinao (China) Gas Investment, issued SSE-listed unsecured corporate bonds in three tranches (the "**2019 PRC Corporate Bonds**"). The first tranche was issued on

January 22, 2019, with a principal amount of RMB500 million carrying an annual interest rate of 4.19%, due on January 22, 2022. The second tranche was issued on March 8, 2019, with a principal amount of RMB1,000 million carrying an annual interest rate of 4.20%, due on March 8, 2022. The third tranche was issued on November 11, 2019, with a principal amount of RMB600 million carrying an annual interest rate of 3.98%, due on November 12, 2022. As of the date of this Offering Memorandum, the entire principal amounts of all three tranches of corporate bond issued by Xinao (China) Gas Investment remain outstanding.

2017 Bonds

On July 24, 2017, ENN Energy entered into a trust deed pursuant to which ENN Energy issued an aggregate principal amount of US$600 million senior bonds with an annual interest of 3.25%, due on July 24, 2022 (the "**2017 Bonds**"). The 2017 Bonds are listed on the HKSE. As of the date of this Offering Memorandum, we had a total amount of US$565 million principal amount of 2017 Bonds outstanding.

2011 Senior Notes

On May 13, 2011, ENN Energy entered into an indenture pursuant to which ENN Energy issued an aggregate principal amount of US$750 million senior notes with an annual interest rate of 6%, due on May 13, 2021 (the "**2011 Senior Notes**"). The 2011 Senior Notes are listed on the Singapore Exchange Securities Trading Limited. As of the date of this Offering Memorandum, we had a total amount of US$366 million principal amount of the 2011 Senior Notes outstanding.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes", the term "Issuer" refers only to ENN Clean Energy International Investment Limited, and any successor obligor on the Notes, and the term "Parent Guarantor" refers only to ENN Natural Gas Co., Ltd. (新奥天然氣股份有限公司) or any successor thereto and not to any of its Subsidiaries. The Parent Guarantor's guarantee of the Notes is referred to as the "Parent Guarantee." For the avoidance of doubt, as of the Original Issue Date, none of the Parent Guarantor's Subsidiaries will guarantee the Notes.

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Issuer, the Parent Guarantor and Citicorp International Limited as trustee (the "Trustee").

The following is a summary of certain provisions of the Indenture, the Notes and the Parent Guarantee. This summary does not purport to be complete and is subject to and qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Parent Guarantee. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture, upon request and on satisfactory proof of Holders' ownership and identity, will be available on or after the Original Issue Date during normal office hours at the corporate trust office of the Trustee at Citicorp International Limited, 20/F, Citi Tower 1, North Wall, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

BRIEF DESCRIPTION OF THE ISSUER

The Issuer is a special purpose financing vehicle and currently has no operating activities other than acting as issuer of indebtedness, including the Notes. See "Risk Factors — Risks Relating to the Notes and the Parent Guarantee — The Issuer currently does not have operating activities or revenue, and payments with respect to the Notes are dependent upon cash flow from other members of our Group."

BRIEF DESCRIPTION OF THE NOTES

The Notes are:

- general obligations of the Issuer;
- senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Parent Guarantor on a senior basis, subject to the limitations described below under "— The Parent Guarantee" and in "Risk Factors — Risks Relating to the Notes and the Parent Guarantee" of this offering memorandum;
- effectively subordinated to all existing and future obligations of the Restricted Subsidiaries (other than the Issuer) and the Unrestricted Subsidiaries; and
- effectively subordinated to the existing and future secured obligations (if any) of the Issuer and the Parent Guarantor, to the extent of the value of the assets securing such obligations.

As of December 31, 2020, the Parent Guarantor and its consolidated subsidiaries had total consolidated assets of approximately RMB109,523.9 million (US$16,785.3 million) and total consolidated indebtedness of approximately RMB32,334.2 million (US$4,955.4 million), of which RMB1,033.9 million (US$158.5 million) was secured.

The Notes will mature on May 12, 2026, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued.

The Notes will bear interest at 3.375% per annum from and including the Original Issue Date or from and including the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on May 12 and November 12 of each year (each an "Interest Payment Date") in equal installments, commencing November 12, 2021. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Notwithstanding the foregoing, so long as the Global Note is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Note will be made to the person shown as the Holder in the Note register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1.

Interest on the Notes will be paid to the Holders of record at the close of business on April 27 or October 28 immediately preceding an Interest Payment Date (each, a "Record Date"), notwithstanding any transfer, exchange or cancelation thereof after a Record Date and prior to the immediately following Interest Payment Date. In any case in which the date of the payment of principal of, premium (if any) on, or interest on, the Notes is not a Business Day in the relevant place of payment, then payment of principal, premium (if any) or interest need not be made in such place on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Issuer at the office or agency of the Issuer maintained for that purpose (which initially will be an office of the Paying Agent, currently located at Citibank N.A., London Branch, One North Wall Quay, Dublin 1, Ireland); *provided* that, at the option of the Issuer, payment of interest may be made by wire transfer. Interest payable on the Notes held through DTC will be available to DTC participants (as defined herein) on the Business Day following payment thereof.

THE PARENT GUARANTEE

The Parent Guarantee is:

- a general obligation of the Parent Guarantor;

- senior in right of payment to all existing and future obligations of the Parent Guarantor expressly subordinated in right of payment to the Parent Guarantee;

- effectively subordinated to the existing and future secured obligations (if any) of the Parent Guarantor, to the extent of the value of the assets securing such obligations;

- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Parent Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and

- effectively subordinated to all existing and future obligations of any Restricted Subsidiary and any Unrestricted Subsidiary.

Under the Indenture, the Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Parent Guarantor will (1) agree that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture (other than in respect of the Parent Guarantee) and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Parent Guarantee. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Parent Guarantee will be reinstated with respect to such payments as though such payment had not been made. All payments under the Parent Guarantee are required to be made in U.S. dollars.

Release of the Parent Guarantee

The Parent Guarantee may be released in certain circumstances, including:

- upon repayment in full of the Notes; and

- upon a defeasance as described under "— Defeasance — Defeasance and Discharge."

Registration of the Parent Guarantee

Guarantees by a PRC-incorporated entity of foreign indebtedness arising from offshore bond issuances are subject to registration by the SAFE.

The Parent Guarantor understands from its discussion with the SAFE that under PRC law:

(i) the Parent Guarantee will be a legal, valid and binding obligation of the Parent Guarantor upon execution;

(ii) the Parent Guarantor is required to register the Parent Guarantee with the Hebei Branch of the SAFE as soon as possible and in any event on or prior to the date 15 Hebei Business Days after the execution of the Parent Guarantee on the Original Issue Date. The Parent Guarantee will be enforceable within the PRC against the assets of the Parent Guarantor only upon the completion of administrative registration procedures with the Hebei Branch of the SAFE. See "Risk Factors — Risks Relating to the Notes and the Parent Guarantee;" and

(iii) the Parent Guarantee will cover all sums due under the Notes (including principal, interest and any related financial obligations).

Pursuant to the Notice on the Promulgation of the Provisions on Foreign Exchange Administration of Cross- border Guarantee issued by the SAFE on May 12, 2014, which became effective on June 1, 2014 (the "Cross- border Guarantee Provisions"), without obtaining the SAFE's approval, no proceeds raised by the Issuer under the Notes outside the PRC may be remitted into the PRC for any use directly or indirectly through any means, including without limitation, through any loan, equity investment or securities investment. Pursuant to the Cross- border Guarantee Provisions, if the SAFE's approval has not been obtained, the Parent Guarantor is responsible for ensuring that the proceeds obtained by the Issuer under the Notes will be used outside the PRC. In addition, the Cross-border Guarantee Provisions provide that, without obtaining the SAFE's approval, proceeds raised by the Issuer under the Notes may only be used for the purposes of overseas projects and may not be used to support the Issuer to engage in transactions beyond its normal scope of business, to fabricate a scope of business for the purposes of interest arbitrage, or for other forms of speculative transactions.

Under the Indenture, upon completion of registration of the Parent Guarantee with the Hebei Branch of the SAFE, the Parent Guarantor is required to deliver to the Trustee an Officers' Certificate attaching a copy of the relevant certificate of registration from the Hebei Branch of the SAFE and certifying that such copy is a true and correct copy. If the registration with respect to the Notes is not completed on or prior to the 120th Hebei Business Day after the Original Issue Date, the Issuer and the Parent Guarantor will be required under the Indenture to make an Offer to Purchase all of the Notes at a price equal to 100% of the principal amount of the Notes purchased, plus accrued and unpaid interest to but excluding the date of purchase, as described below under "— Repurchase of Notes Upon a SAFE Non-compliance Event."

The Parent Guarantor intends to execute the Parent Guarantee with respect to the Notes on the Original Issue Date and register the Parent Guarantee with respect to the Notes with the Hebei Branch of the SAFE as soon as reasonably practicable after the Original Issue Date.

The Parent Guarantor has completed the registration of foreign debt in respect of the offering described in this offering memorandum and obtained a certificate of registration from the NDRC in accordance with the NDRC Notice on November 11, 2020.

The Parent Guarantor will report or cause to be reported with the NDRC or its local branch information concerning the offering described in this offering memorandum after the Original Issue Date in accordance with and within the time period prescribed by the NDRC Notice.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Parent Guarantee) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them (or the date thereof, as the case may be) and, to the extent necessary, certain temporary securities law transfer restrictions and the timing, as elected by the Issuer, for compliance with the undertaking associated with the registration of the Parent Guarantee with the Hebei Branch of the SAFE as described under "— The Parent Guarantee — Registration of the Parent Guarantee" and the associated notifications) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes will then be permitted under the "Limitation on Indebtedness" covenant described below; *provided further* that the Parent Guarantor shall comply with the undertakings described under "— The Parent Guarantee — Registration of the Parent Guarantee" with respect to the Further Issue and the "Original Issue Date" as used therein and under "— Repurchase of Notes Upon a SAFE Non-compliance Event" shall be deemed to mean the issue date of the applicable Further Issue or, if the SAFE Completion Event has not occurred with respect to the previously issued Notes and the Issuer so elects, the Original Issue Date; *provided further* that any Additional Notes that have the same CUSIP, ISIN, Common Code or other identifying number as the outstanding Notes must be fungible with the outstanding Notes for U.S. federal income tax purposes. The Additional Notes may not have the same CUSIP, ISIN, Common Code or other identifying number as the outstanding Notes and may initially be represented by temporary global notes (i) unless the SAFE Completion Event with respect to the previously issued Notes has not occurred yet and the Issuer has elected the Original Issue Date as the "Original Issue Date" as used in the undertaking described under "— The Parent Guarantee — Registration of the Parent Guarantee" and "— Repurchase of Notes Upon a SAFE Non-compliance Event" with respect to the Additional Notes, in which case the Parent Guarantor registers the Parent Guarantee relating to the previously issued Notes and the Additional Notes together and the SAFE Completion Event with respect to both the previously outstanding Notes and such Additional Notes shall be completed at the same time, (ii) until the SAFE Completion Event has occurred with respect to both the previously issued Notes and such Additional Notes, or (iii) if the SAFE Non-compliance Event has occurred with respect to both the previously outstanding Notes and such Additional Notes, until the expiration of the SAFE Non-compliance Offer for both the previously issued Notes and such Additional Notes.

OPTIONAL REDEMPTION

At any time and from time to time on or after May 12, 2024, the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on May 12 of each of the years indicated below.

Period	Redemption price
2024	101.688%
2025	100.844%

The Issuer may at its option redeem the Notes, in whole but not in part, at any time prior to May 12, 2024, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to May 12, 2024, the Issuer may at its option redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 103.375% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

The Issuer will give not less than 30 days' nor more than 60 days' notice of any optional redemption. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

(1) if the Notes are listed on any securities exchange and/or held through any clearing system, in compliance with the requirements of the principal securities exchange on which the Notes are listed and/or in compliance with the requirements of the clearing system; or

(2) if the Notes are not listed on any securities exchange or held through any clearing system, on a pro rata basis, by lot or by such other method as the Trustee in its sole and absolute discretion shall deem to be fair and appropriate unless otherwise required by law.

No Note of US$200,000 in principal amount or less shall be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any Certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancelation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

REPURCHASE OF NOTES UPON A SAFE NON-COMPLIANCE EVENT

Upon completion of registration of the Parent Guarantee with the Hebei Branch of the SAFE, the Parent Guarantor will be required to deliver an Officers' Certificate to the Trustee in a form set forth in the Indenture attaching a copy of the relevant certificate of registration from the Hebei Branch of the SAFE and certifying that such copy is true and correct (such registration and delivery of an Officers' Certificate attaching the certificate from the Hebei Branch of the SAFE are referred to collectively as the "SAFE Completion Event"). If the SAFE Completion Event with respect to the Notes shall not have occurred on or prior to the 120th Hebei Business Day after the Original Issue Date (such non-occurrence, a "SAFE Non-compliance Event"), the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes with respect to which the SAFE Non-compliance Event has occurred (a "SAFE Non-compliance Offer") at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (as defined in clause (2) of the definition of "Offer to Purchase").

Within 15 Hebei Business Days following a SAFE Non-compliance Event, the Issuer will give written notice of the SAFE Non-compliance Offer to Holders to redeem all of the Notes on the Offer to Purchase Payment Date.

Each of the Issuer and the Parent Guarantor will agree in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under or terminate, agreements or instruments that would otherwise prohibit a SAFE Non-compliance Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Issuer and the Parent Guarantor, it is important to note that if the Issuer or the Parent Guarantor is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a SAFE Non-compliance Offer, it would continue to be prohibited from purchasing the Notes. In that case, the failure of the Issuer and the Parent Guarantor to purchase tendered Notes would constitute an Event of Default under the Indenture.

Future debt of the Issuer or the Parent Guarantor may also (1) prohibit the Issuer or the Parent Guarantor from purchasing Notes in the event of a SAFE Non-compliance Event; (2) provide that a SAFE Non-compliance Event is a default; or (3) require repurchase of such debt upon a SAFE Non-compliance Event. Moreover, the exercise by the Holders of their right to require the Issuer or the Parent Guarantor to purchase the Notes could cause a default under other Indebtedness, even if the SAFE Non-compliance Event itself does not, due to the financial effect of the purchase on the Issuer or the Parent Guarantor. The ability of the Issuer or the Parent Guarantor to pay cash to the Holders following the occurrence of a SAFE Non-compliance Event may be limited by the Issuer's and the Parent Guarantor's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors —

Risks Relating to the Notes and the Parent Guarantee — The Issuer or we may not be able to repurchase the Notes upon the occurrence of a SAFE Non-compliance Event."

The Trustee shall have no obligation or duty to monitor or ensure the filing or completion of the SAFE Compliance Event before the relevant deadlines specified. The Trustee may rely on any Officers' Certificate as referred to above as conclusive evidence of a SAFE Completion Event without liability to any Holder or any other person for the accuracy, validity and/or genuineness of any matters or facts stated therein, unless it has received written notice to the contrary from the Issuer or the Parent Guarantor.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

Not later than 30 days following a Change of Control Triggering Event, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (as defined in paragraph (2) of the definition of "Offer to Purchase").

Each of the Issuer and the Parent Guarantor will agree in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Issuer and the Parent Guarantor, it is important to note that if the Issuer or the Parent Guarantor is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit the repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the failure of the Issuer and the Parent Guarantor to purchase tendered Notes would constitute an Event of Default under the Indenture. Notwithstanding the foregoing, the Issuer and the Parent Guarantor will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer or the Parent Guarantor and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Future debt of the Issuer or the Parent Guarantor may also (1) prohibit the Issuer or the Parent Guarantor from purchasing Notes in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer or the Parent Guarantor to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer or the Parent Guarantor. The ability of the Issuer or the Parent Guarantor to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Issuer's and the Parent Guarantor's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes and the Parent Guarantee — The Issuer or we may not be able to repurchase the Notes upon a Change of Control Triggering Event" of this offering memorandum.

The definition of Change of Control includes a phrase relating to the sale of "all or substantially all" the assets of the Parent Guarantor. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Issuer or the Parent Guarantor to repurchase such Holder's Notes as a result of a sale of less than all the assets of the Parent Guarantor to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Parent Guarantor has occurred.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to the occurrence of a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Issuer or the Parent Guarantor purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

NO MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption or sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) and interest on the Notes or under the Parent Guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, the Parent Guarantor or a Surviving Person is organized or resident for tax purposes or any political subdivision or taxing authority thereof or therein (each, as applicable, a "Relevant Taxing Jurisdiction") or any jurisdiction through which payment is made by or on behalf of the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the "Relevant Jurisdictions"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note, of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

    (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

        (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction other than merely holding such Note or the receipt of payments thereunder or under the Parent Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

        (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period; or

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, the Parent Guarantor or a Surviving Person, addressed to the Holder, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, duty, assessment or other governmental charge to the extent that such tax, duty, assessment or other governmental charge results from the presentation of the Note (where presentation is required) for payment in a Relevant Jurisdiction and the payment can be made without such withholding or deduction by the presentation of the Note for payment elsewhere;

(d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any current or future Treasury regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted or promulgated in any jurisdiction implementing such an intergovernmental agreement or FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

The Issuer, the Parent Guarantor or a Surviving Person, as the case may be, will (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Issuer, the Parent Guarantor or a Surviving Person, as the case may be, will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. The Issuer, the Parent Guarantor or a Surviving Person, as the case may be, will furnish to the Holders and the Trustee, within 90 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments reasonably available to it.

In addition, the Issuer (failing whom, the Parent Guarantor) will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under the Parent Guarantee, such mention shall be deemed to include payment of

Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Issuer or an Issuer Surviving Person, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer or the Issuer Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction, excluding any applicable treaty with the Relevant Taxing Jurisdiction, affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective or, in the case of an official position, is announced (i) with respect to the Issuer or the Parent Guarantor, on or after the Original Issue Date, or (ii) with respect to any Surviving Person, after the date such Surviving Person becomes a Surviving Person, with respect to any payment due or to become due under the Notes, the Parent Guarantee or the Indenture, the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Issuer, the Parent Guarantor or a Surviving Person, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Notwithstanding anything to the contrary herein, the Issuer or a Surviving Person may not redeem the Notes in the case that Additional Amounts are payable in respect of PRC withholding tax at a rate of (i) 10% or less if the withholding is imposed in respect of PRC income taxes, (ii) 6.72% or less in the case of withholding of PRC value added tax (including any related local levies), or (iii) 16.72% or less if the withholding is imposed in respect of both PRC income tax and value added tax (including any related local levies).

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in this section entitled "Redemption for Taxation Reasons" has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer, the Parent Guarantor or a Surviving Person, as the case may be, taking reasonable measures; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment or stating of an official position referred to in this section entitled "Redemption for Taxation Reasons."

The Trustee shall accept such certificate and opinion as conclusive evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders.

Any Notes that are redeemed for taxation reasons will be canceled.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness

(1) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness); *provided* that, the Issuer and the Parent Guarantor may Incur Indebtedness (including Acquired Indebtedness), any Finance Subsidiary may Incur Finance Subsidiary Indebtedness, and any Restricted Subsidiary (other than the Issuer) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness or Permitted Subsidiary Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would not be less than 3.0 to 1.0 with respect to any Incurrence of Indebtedness.

Notwithstanding the foregoing, the Parent Guarantor will not permit any Restricted Subsidiary (other than the Issuer) to Incur any Disqualified Stock (other than Disqualified Stock held by the Issuer or the Parent Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Parent Guarantor and any Restricted Subsidiary may Incur, to the extent provided below, each and all of the following ("Permitted Indebtedness") *provided* that, on the date of the Incurrence of any Indebtedness Incurred pursuant to clauses (2)(k), (2)(o), (2)(p), (2)(s), (2)(t), (2)(u), (2)(v) and (2)(x) and after giving effect thereto, the sum of the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses (2)(k), (2)(o), (2)(p), (2)(s), (2)(t), (2)(u), (2)(v) and (2)(x), (together with any refinancings thereof, but excluding any Contractor Guarantee or guarantee Incurred under such clauses to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 20.0% of Total Assets:

(a) Indebtedness under the Notes (excluding any Additional Notes) and the Parent Guarantee;

(b) Indebtedness of the Parent Guarantor or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (c) below;

(c) Indebtedness of the Parent Guarantor or any Restricted Subsidiary owed to the Parent Guarantor or any Restricted Subsidiary; *provided* that, (i) any event which results in (x) any Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or (y) any subsequent transfer of such Indebtedness (other than to the Parent Guarantor or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (c), and (ii) if the Issuer is the obligor on such Indebtedness, such Indebtedness (other than any intercompany loan from a Finance Subsidiary to the Issuer to transfer the proceeds of any Indebtedness) must expressly be subordinated in right of payment to the Notes and if the Parent Guarantor is the obligor on such Indebtedness (and the Issuer is not an obligee), such Indebtedness (other than any intercompany loan from a Finance Subsidiary to the Parent Guarantor to transfer the proceeds of any Indebtedness) must expressly be subordinated in right of payment to the Parent Guarantee;

(d) Indebtedness ("Permitted Refinancing Indebtedness") of the Parent Guarantor or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the proviso in paragraph (1) above or clause (a), (b), (d), (f), (k), (n) (o), (p), (s), (t), (u) and (x) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or the Parent Guarantee shall only be permitted under this clause (d) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or the Parent Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or the Parent Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or the Parent Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or the Parent Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or the Parent Guarantee, as the case may be, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, and (iii) in no event may Indebtedness of the Issuer or the Parent Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not the Issuer (other than a Finance Subsidiary);

(e) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Parent Guarantor or any of its Restricted Subsidiaries to fluctuations in interest rates, currencies or the price of commodities and not for speculation;

(f) any Pari Passu Guarantee;

(g) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument, drawn against insufficient funds in the ordinary course of business; *provided* that this Indebtedness is extinguished within five Business Days;

(h) Indebtedness of the Parent Guarantor or any Restricted Subsidiary in respect of workers' compensation claims and claims arising under similar legislation, regulation or rule, or in connection with self-insurance or bid, performance or surety bonds or similar requirements, in each case in the ordinary course of business;

(i) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price, earn-out or other similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Parent Guarantor or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred or assumed in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of

Indebtedness Incurred by any Person acquiring all or any portion of any of such business, assets or Restricted Subsidiary for the purpose of financing an acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Parent Guarantor and/or the relevant Restricted Subsidiary from the sale of such business, assets or Restricted Subsidiary;

(j) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to trade letters of credit, performance and surety bonds, completion guarantees, cash management arrangements, and similar instruments and reimbursement or indemnification obligations with respect to letters of credit, bankers' acceptances or similar instruments, entered into in the ordinary course of business, to the extent the letters of credit, bonds or guarantees, or instruments are not drawn upon or if drawn upon, to the extent such drawing, if to be reimbursed, is reimbursed no later than 30 days following receipt of a demand for reimbursement following payment on the letter of credit, bond, guarantee or instrument;

(k) Indebtedness of the Parent Guarantor or any Restricted Subsidiary Incurred in the ordinary course of business:

(i) representing Capitalized Lease Obligations; or

(ii) constituting purchase money Indebtedness incurred to finance or refinance all or any part of the purchase price of equipment, property or assets to be used in the ordinary course of business of the Parent Guarantor or any Restricted Subsidiary (including the purchase of Capital Stock of any Person holding such equipment, property or assets that is, or will upon such purchase become, a Restricted Subsidiary) or the cost of development, construction or improvement of equipment, property or assets to be used in the ordinary course of business by the Parent Guarantor or a Restricted Subsidiary; *provided* that, (A) such purchase money Indebtedness shall not exceed the purchase price of such equipment, property or assets so acquired and (B) such purchase money Indebtedness shall be Incurred no later than 180 days after the latest of (x) the completion of the acquisition of such equipment, property or assets, (y) the completion of development, construction or improvement of such equipment, property or asset and (z) the due date of the respective payments in connection with such acquisition, development, construction or improvement;

(l) Guarantees by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of the Parent Guarantor or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject in each case to the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;

(m) Indebtedness of the Parent Guarantor or any Restricted Subsidiary with a maturity of one year or less used for working capital purposes; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (m) at any time outstanding (together with refinancing thereof) does not exceed US$50.0 million (or the Dollar Equivalent thereof);

(n) Indebtedness of the Parent Guarantor or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with any refinancings thereof) not to exceed US$50.0 million (or the Dollar Equivalent thereof);

(o) Bank Deposit Secured Indebtedness Incurred by the Parent Guarantor or any of its Restricted Subsidiaries;

(p) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition);

(q) Indebtedness of the Parent Guarantor or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement;

(r) Indebtedness of the Parent Guarantor or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement;

(s) Indebtedness incurred by the Parent Guarantor or any Restricted Subsidiary under Credit Facilities;

(t) Indebtedness Incurred or Preferred Stock issued by the Parent Guarantor or any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in any PRC Restricted Subsidiary, and Indebtedness of the Parent Guarantor or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of the Parent Guarantor or any PRC Restricted Subsidiary in favor of a Financial Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Financial Company Investor on Capital Stock of such Restricted Subsidiary;

(u) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting a guarantee of Indebtedness of any Person (other than the Parent Guarantor or any Restricted Subsidiary) by the Parent Guarantor or such Restricted Subsidiary;

(v) Indebtedness of the Parent Guarantor or any Restricted Subsidiary in respect of Non-recourse Receivable Financing;

(w) Indebtedness Incurred by the Parent Guarantor constituting a Subordinated Shareholder Loan; and

(x) Public Indebtedness Incurred by the Parent Guarantor or any PRC Restricted Subsidiary.

(3) For purposes of determining compliance with this "Limitation on Indebtedness" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Permitted Indebtedness, or of Indebtedness described in the proviso in paragraph (1) of this covenant and one or more types of Permitted Indebtedness, the Parent Guarantor, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above and/or as Indebtedness described in the proviso in paragraph (1) of this covenant.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, *provided* that such Indebtedness was permitted to be Incurred at the time of such Incurrence. For purposes of determining compliance with any U.S. dollar-denominated restriction

on the Incurrence of Indebtedness, the Dollar Equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; provided that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currency in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Parent Guarantor's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid in shares of the Parent Guarantor's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Parent Guarantor or any Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Parent Guarantor or any Restricted Subsidiary or any direct or indirect parent of the Parent Guarantor (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than the Parent Guarantor or any Restricted Subsidiary other than (i) the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement permitted to be entered into under the Indenture or (ii) the purchase of Capital Stock of a Restricted Subsidiary held by any Financial Company Investor in connection with Indebtedness Incurred under clause (2)(t) of the covenant described under the caption "— Limitation on Indebtedness;"

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Parent Guarantor and any Restricted Subsidiary); or

(4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

(a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(b) the Parent Guarantor could not Incur at least US$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under "— Limitation on Indebtedness;" or

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Parent Guarantor and its Restricted Subsidiaries after the Original Issue Date, shall exceed the sum (without duplication) of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Parent Guarantor (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on September 1, 2020 and ending on the last day of the Parent Guarantor's most recently ended fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner and which may be internal financial statements) are available; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Parent Guarantor after the Original Issue Date as a capital contribution to its common equity by, or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to, a Person who is not a Subsidiary of the Parent Guarantor, including any such Net Cash Proceeds received upon (A) the conversion by a Person who is not a Subsidiary of the Parent Guarantor of any Indebtedness (other than Subordinated Indebtedness) of the Parent Guarantor into Capital Stock (other than Disqualified Stock) of the Parent Guarantor, or (B) the exercise by a Person who is not a Subsidiary of the Parent Guarantor of any options, warrants or other rights to acquire Capital Stock of the Parent Guarantor (other than Disqualified Stock), in each case after deducting (without double counting) the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Parent Guarantor or any Restricted Subsidiary; plus

(iii) the amount by which Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries is reduced on the Parent Guarantor's consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Parent Guarantor) subsequent to the Original Issue Date of any Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Parent Guarantor (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Parent Guarantor upon such conversion or exchange); *provided*, however, that the foregoing amount shall not exceed the Net Cash Proceeds received by the Parent Guarantor or any of its Restricted Subsidiaries from the Incurrence of such Indebtedness; plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income), (B) the unconditional release of a Guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date in any such Person; plus

(v) US$20.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within three months after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor or the Issuer with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Parent Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Parent Guarantor) of, shares of Capital Stock (other than Disqualified Stock) of the Parent Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that, the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Parent Guarantor) of, shares of Capital Stock (other than Disqualified Stock) of the Parent Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, *provided however* that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Parent Guarantor, to all holders of any class of Capital Stock of such Restricted Subsidiary, *provided* that, with respect to a Restricted Subsidiary of which less than a majority of the Voting Stock is directly or indirectly owned by the Parent Guarantor, such dividend or distribution shall be declared, paid or made on a pro rata basis or on a basis more favorable to the Parent Guarantor, as determined by the ownership of the voting power of the Voting Stock;

(6) any dividends or distribution declared, paid or made by a Restricted Subsidiary not on a pro-rata basis to all holders of any class of Capital Stock of such Restricted Subsidiary, at least a majority of which is held, directly or indirectly through Restricted Subsidiaries, by the Parent Guarantor, provided that the aggregate amount of such payments minus the amounts that the minority shareholders of such Restricted Subsidiaries would otherwise be entitled to if such payments are made on a pro-rata basis may not exceed 5.0% of Total Assets;

(7) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Parent Guarantor; *provided* that any such cash payment shall not be for the purpose of evading the limitation of this “Limitation on Restricted Payments” covenant (as determined in good faith by the Board of Directors of the Parent Guarantor);

(8) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor or any Restricted Subsidiary held by an employee benefit plan of the Parent Guarantor or any Restricted Subsidiary, any current or former officer, director, consultant or employee of the Parent Guarantor or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing), *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed US$50.0 million (or the Dollar Equivalent thereof) in any calendar year;

(9) the purchase of Capital Stock of a Person, and payments made, pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement, *provided* that on the date that such Staged Acquisition Agreement or Minority Staged Acquisition Agreement was entered into, such payments would have complied with the preceding paragraph;

(10) so long as the Common Stock of the Parent Guarantor is listed on the Shanghai Stock Exchange or as otherwise required by the Shanghai Stock Exchange following a general change of policy, the declaration and payment of dividends by the Parent Guarantor and/or the repurchase of the Parent Guarantor's Common Stock with respect to any financial year, *provided* that such declaration and payment of dividends by the Parent Guarantor pursuant to this clause (10), together with such repurchase of the Parent Guarantor's Common Stock pursuant to this clause (10), shall not in the aggregate exceed 35.0% of the Consolidated Profit for such financial year of the Parent Guarantor;

(11) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by, any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under clause (2)(t) under the caption "Limitation on Indebtedness", *provided* that such amounts have been included in the calculation of Consolidated Fixed Charges;

(12) distributions or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture;

(13) the purchase by the Parent Guarantor or any Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Parent Guarantor from an Independent Third Party, provided that the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock; or

(14) the payment by the Parent Guarantor of a dividend in respect of its Capital Stock, which dividend is declared on or prior to the Original Issue Date, in an amount as announced on the Shanghai Stock Exchange,

provided that, in the case of clauses (2), (3), (4), (10) or (12) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein. Each Restricted Payment made pursuant to clauses (1) and (6) of this paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this "— Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent Guarantor or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or an appraisal issued by an appraisal or investment banking firm of recognized standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment (other than those made pursuant to clauses (5) through (14) of the second paragraph of this "— Limitation on Restricted Payments" covenant) in excess of US$10.0 million (or the Dollar Equivalent thereof), the Parent Guarantor will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

   (a) pay dividends or make any other distribution on any Capital Stock of such Restricted Subsidiary owned by the Parent Guarantor or any other Restricted Subsidiary;

   (b) pay any Indebtedness or other obligation owed to the Parent Guarantor or any other Restricted Subsidiary;

   (c) make loans or advances to the Parent Guarantor or any other Restricted Subsidiary; or

   (d) sell, lease or transfer any of its property or assets to the Parent Guarantor or any other Restricted Subsidiary,

   provided that, for the avoidance of doubt, the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Parent Guarantor or any Restricted Subsidiary to other Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Parent Guarantor and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

(2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:

   (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Parent Guarantee, the Indenture, or under any Pari Passu Guarantee, or any Indebtedness Guaranteed by any such Pari Passu Guarantee, or any extensions, amendments, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, amendments, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced;

   (b) existing under or by reason of applicable law, rule, regulation or order;

   (c) with respect to any Person or the property or assets of such Person acquired by the Parent Guarantor or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, amendments, refinancings, renewals or replacements thereof; *provided* that, the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of the Parent Guarantor or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Parent Guarantor or any Restricted Subsidiary in any manner material to the Parent Guarantor or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries", "— Limitation on Indebtedness" and "— Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clauses (2)(d), (k), (m), (n), (o), (p), (s), (t), (u), (v) and (x) of the "— Limitation on Indebtedness" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such type of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer or the Parent Guarantor to make required payment on the Notes or the Parent Guarantee, as the case may be, and any extensions, amendments, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, amendment, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced;

(g) existing in customary provisions in shareholders' agreements, joint venture agreements and other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a shareholders, joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Issuer to make the required payments on the Notes, or (y) the ability of the Parent Guarantor to make required payments under the Parent Guarantee; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Unrestricted Subsidiary or its subsidiaries or the property or assets of such Unrestricted Subsidiary or its subsidiaries, and any extensions, amendments, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, amendment, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, amended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Parent Guarantor will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Parent Guarantor or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, pro rata to its shareholders or incorporators or on a basis more favorable to the Parent Guarantor and its Restricted Subsidiaries;

(2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Parent Guarantor or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that, the Parent Guarantor or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant to the extent required thereunder; and

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer be a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale; and *provided* that the Parent Guarantor complies with the "— Limitation on Asset Sales" covenant to the extent required thereunder.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Parent Guarantor will not permit any Restricted Subsidiary that is not the Issuer, directly or indirectly, to Guarantee any Indebtedness of the Issuer, the Parent Guarantor or any Finance Subsidiary Incurred by the Issuer, the Parent Guarantor or such Finance Subsidiary, as the case may be ("Guaranteed Indebtedness"), unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers to the Trustee a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives, and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Parent Guarantor or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full, (2) such Guaranteed Indebtedness is permitted by clause (2)(b), (2)(c), (2)(l) (in the case of clause (2)(l), other than a guarantee by a PRC Restricted Subsidiary of the Indebtedness of the Parent Guarantor, the Issuer or a Finance Subsidiary) or (2)(o) (in the case of clause (2)(o), with respect to the Guarantee provided by the Parent Guarantor or any Restricted Subsidiary through the creation of any Liens over one or more bank accounts to secure, directly or indirectly, any Bank Deposit Secured Indebtedness) under the "Limitation on

Indebtedness" covenant or (3) such Restricted Subsidiary is organized under the laws of the PRC and such Guaranteed Indebtedness is Incurred by the Parent Guarantor within the PRC.

Limitation on Transactions with Shareholders and Affiliates

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Parent Guarantor or (y) any Affiliate of the Parent Guarantor (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary, as the case may be, than those that would have been obtained in a comparable transaction by the Parent Guarantor or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Parent Guarantor; and

(2) the Parent Guarantor delivers to the Trustee:

  (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$15.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

  (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$20.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Parent Guarantor or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and compensation to directors and officers of the Parent Guarantor or any Restricted Subsidiary;

(2) transactions between or among the Parent Guarantor and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clause (1) or (2) of the first paragraph of the covenant described above under "— Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Parent Guarantor;

(5) the payment of compensation to officers and directors of the Parent Guarantor or any Restricted Subsidiary pursuant to an employee stock or share option scheme;

(6) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor or any Restricted Subsidiary pursuant to clause (8) of the second paragraph of the covenant described under "— Limitation on Restricted Payments"; and

(7) for so long as the Common Stock of ENN Energy remains listed on The Stock Exchange of Hong Kong Limited and ENN Energy remains a Subsidiary of the Parent Guarantor, any Affiliate Transaction between or among the Parent Guarantor or any Restricted Subsidiary on the one hand and any ENN Energy Unrestricted Subsidiary on the other hand in compliance with the listing rules of The Stock Exchange of Hong Kong Limited.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than Permitted Investments) not prohibited by the "Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Parent Guarantor and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, and (iii) any transaction between or among (A) the Parent Guarantor, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or (B) the Parent Guarantor or a Restricted Subsidiary and any Jointly Controlled Entity or Associate; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the other shareholders or other partners of or in such Restricted Subsidiary, Jointly Controlled Entity or Associate, as the case may be, is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary, Jointly Controlled Entity or Associate, as the case may be).

Furthermore, the requirements of clause (2)(b) of the first paragraph of this covenant shall not apply to any purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement, and any purchase of Capital Stock of a Restricted Subsidiary held by a Financial Company Investor.

Limitation on Liens

The Parent Guarantor shall not, and shall procure that none of its Significant Subsidiaries will, create or permit to subsist or arise any Lien upon the whole or any part of their respective present or future assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or to secure any guarantee or indemnity in respect of any Relevant Indebtedness except for Liens existing with respect to any Person or the property or assets of such Person acquired by the Parent Guarantor or any of its Significant Subsidiaries, at the time of such acquisition and not incurred in contemplation thereof, which liens or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof without, in any such case, making effective provision whereby the Notes will be secured at least equally and rateably with such Relevant Indebtedness (or any guarantee or indemnity in respect of such Relevant Indebtedness).

Limitation on Sale and Leaseback Transactions

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Parent Guarantor or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Parent Guarantor or such Restricted Subsidiary, as the case may be, could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under "— Limitation on Indebtedness" and (b) incurred a Lien to secure such Attributable Indebtedness pursuant to the covenant described above under "— Limitation on Liens", in which case, the corresponding Indebtedness will be deemed Incurred and the corresponding Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Parent Guarantor or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described below under "— Limitation on Asset Sales."

Limitation on Asset Sales

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Parent Guarantor or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets (as defined below); *provided* that in the case of an Asset Sale in which the Parent Guarantor or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$15.0 million (or the Dollar Equivalent thereof), the Parent Guarantor shall deliver to the Trustee an opinion as to the fairness to the Parent Guarantor or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized standing. For purposes of this provision, each of the following will be deemed to be cash:

    (a) any liabilities, as shown on the Parent Guarantor's most recent consolidated balance sheet, of the Parent Guarantor or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or the Parent Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Parent Guarantor or such Restricted Subsidiary, as the case may be, from further liability; and

    (b) any securities, notes or other obligations received by the Parent Guarantor or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Parent Guarantor or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Parent Guarantor or any Restricted Subsidiary may apply such Net Cash Proceeds to:

(1) permanently repay unsubordinated Indebtedness of the Parent Guarantor or any Restricted Subsidiary (and, if such unsubordinated Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Parent Guarantor or a Restricted Subsidiary; or

(2) acquire properties and assets (other than current assets), including any shares of Capital Stock in a Person holding such properties or assets, that will be used in the ordinary course of business of the Parent Guarantor and the Restricted Subsidiaries ("Replacement Assets");

provided that, pending the application of Net Cash Proceeds in accordance with clause (1) or (2) of this paragraph, such Net Cash Proceeds may be temporarily invested only in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$20.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$20.0 million (or the Dollar Equivalent thereof), within ten days thereof, the Issuer or the Parent Guarantor must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the related Asset Sale,

rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes and such other *pari passu* Indebtedness plus accrued and unpaid interest to the Offer to Purchase Payment Date, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Parent Guarantor or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes to be purchased on a pro rata basis based on the principal amount of the Notes and such other *pari passu* Indebtedness tendered. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Issuer's Activities

The Issuer is and will remain to be a Wholly Owned Restricted Subsidiary. The Issuer will not conduct any business or other activities other than the activities in connection with issuance of the Notes or incurrence of any other Indebtedness. Such activities shall, for the avoidance of doubt, include (i) the offering, sale or issuance of the Notes and the incurrence of Indebtedness represented by the Notes; (ii) the incurrence of any other Indebtedness; (iii) the on-lending of the proceeds of the offering, sale or issuance of the Notes or incurrence of any other Indebtedness to the Parent Guarantor or any Subsidiary of the Parent Guarantor; (iv) the activities directly related to the establishment and/or maintenance of the Issuer's corporate existence; and (v) any other activities in connection therewith.

Limitation on Use of Proceeds

The Issuer will not, and the Parent Guarantor will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) as specified under "Use of Proceeds" in this offering memorandum (or, in the case of any Additional Notes, the offering documents relating to the sale of such Additional Notes), including any adjustment in response to changing market conditions, including changes in acquisition or development plans, as contemplated, and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in cash or Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

On the Original Issue Date, each of the ENN Energy Unrestricted Subsidiaries shall be an Unrestricted Subsidiary.

The Board of Directors may designate any Restricted Subsidiary (other than the Issuer) to be an Unrestricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) such Restricted Subsidiary does not own any Disqualified Stock of the Parent Guarantor or Disqualified or Preferred Stock of a Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Parent Guarantor or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "— Limitation on Indebtedness" or such Lien would violate the covenant described under "— Limitation on Liens;" (3) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; (4) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Parent Guarantor or any other Restricted Subsidiary and none of the Parent Guarantor or any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary (other than any Guarantee in compliance with clause (5) below); and (5) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under "— Limitation on Restricted Payments."

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under "— Limitation on Indebtedness;" (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under "— Limitation on Liens;" and (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary).

Government Approvals and Licenses; Compliance with Law

The Parent Guarantor will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the ordinary course of business of the Parent Guarantor and the Restricted Subsidiary; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Liens not prohibited by the covenant described under "— Limitation on Liens;" and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Issuer or the Parent Guarantor to perform its obligations under the Notes, the Parent Guarantee or the Indenture, as the case may be.

Anti-Layering

Neither of the Issuer or the Parent Guarantor will Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Issuer or the Parent

Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the Parent Guarantee, as the case may be, on substantially identical terms; *provided* that this requirement does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

SUSPENSION OF CERTAIN COVENANTS

If on any date following the date of the Indenture, the Parent Guarantor has a rating of Investment Grade from two of the three Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Parent Guarantor ceases to have a rating of Investment Grade from two of the three Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness;"

(2) "— Certain Covenants — Limitation on Restricted Payments;"

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;"

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries;"

(5) "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries;"

(6) "— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates;"

(7) "— Certain Covenants — Limitation on Sale and Leaseback Transactions;"

(8) "— Certain Covenants — Limitation on Asset Sales;" and

(9) clauses (3), (4), (5) and (6) under the first paragraph and clauses (3), (4) and (5) under the second paragraph under "— Consolidation, Merger and Sale of Assets."

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant summarized under "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Parent Guarantor or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant summarized under "— Certain Covenants — Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Parent Guarantor will ever achieve a rating of Investment Grade from two of the three Rating Agencies or that any such rating will be maintained.

PROVISION OF FINANCIAL STATEMENTS AND REPORTS

(1) So long as any of the Notes remain outstanding, the Parent Guarantor will file with the Trustee and furnish to the Holders upon request, (x) as soon as they are available but in any event not more than 30 calendar days after they are filed with the Shanghai Stock Exchange or any other recognized exchange on which the Parent Guarantor's common shares are at any time listed for trading, true and correct copies of any financial or other report filed with such exchange, and (y) to the extent any of the Annual Financial Statements, the Semi-annual Financial Information or the Quarterly Financial Information (each as defined below) made available to the Holders pursuant to (x) above is in the Chinese language, an English translation thereof within (in respect of the Annual Financial Statements) 75 calendar days or (in respect of the Semi-annual Financial Information or the Quarterly Financial Information) 45 calendar days after the relevant information is first filed with the relevant exchange; *provided* that if at any time the Common Stock of the Parent Guarantor ceases to be listed for trading on a recognized stock exchange, the Parent Guarantor will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 150 calendar days after the end of the fiscal year of the Parent Guarantor, copies of the financial statements (on a consolidated basis) of the Parent Guarantor in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by either the auditing firm of the Parent Guarantor as of the Original Issue Date or a member firm of a recognized firm of independent accountants in the PRC (the "Annual Financial Statements"), in each case together with an English translation thereof;

(b) as soon as they are available, but in any event within 120 calendar days after the end of the second financial quarter of the Parent Guarantor, copies of the unaudited financial statements (on a consolidated basis) of the Parent Guarantor, including a statement of income, balance sheet and cash flow statement prepared on a basis consistent with the audited financial statements of the Parent Guarantor (the "Semi-annual Financial Information"), together with a certificate signed by the person then authorized to sign financial statements on behalf of the Parent Guarantor to the effect that such financial statements are true in all material respects and present fairly the financial position of the Parent Guarantor as at the end of, and the results of its operations for, the relevant semi-annual period, together with an English translation thereof; and

(c) as soon as they are available, but in any event within 90 calendar days after the end of each of the first and third financial quarters of the Parent Guarantor, copies of the unaudited financial statements (on a consolidated basis) of the Parent Guarantor, including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Parent Guarantor (the "Quarterly Financial Information"), together with a certificate signed by the person then authorized to sign financial statements on behalf of the Parent Guarantor to the effect that such financial statements are true in all material respects and present fairly the financial position of the Parent Guarantor as at the end of, and the results of its operations for, the relevant quarterly period, in each case together with an English translation thereof.

(2) In addition, so long as any Note remains outstanding, the Parent Guarantor will provide to the Trustee (a) within 150 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the most recent fiscal year and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio,

with a certificate from the Parent Guarantor's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Parent Guarantor shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Parent Guarantor becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Parent Guarantor proposes to take with respect thereto.

Further, the Issuer and the Parent Guarantor will agree that, so long as the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Parent Guarantor, during any period in which it is not subject to and in compliance with Section 13 or 15(d) of the Exchange Act or it is not exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b) under the Exchange Act, will furnish, upon the request of any holder of a Note or of a beneficial interest in a Note, such information as is specified in paragraph (d)(4) of Rule 144A, to such holder or beneficial owner or to a prospective purchaser of a Note or a beneficial interest in a Note who is a qualified institutional buyer within the meaning of Rule 144A, in order to permit compliance by the holder or beneficial owner with Rule 144A in connection with the resale of the Note or beneficial interest in the Note in reliance on Rule 144A.

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenant described under "— Consolidation, Merger and Sale of Assets", or the failure by both the Issuer and the Parent Guarantor to make or consummate an Offer to Purchase in the manner described under "— Repurchase of Notes Upon a Change of Control Triggering Event", "— Certain Covenants — Limitation on Asset Sales" or "— Repurchase of Notes Upon a SAFE Non-compliance Event;"

(4) the Parent Guarantor or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes then outstanding;

(5) there occurs (i) with respect to any Indebtedness of the Parent Guarantor or any Restricted Subsidiary having an outstanding principal amount of US$25 million (or the Dollar Equivalent thereof) or more or (ii) for so long as ENN Energy remains a Subsidiary of the Parent Guarantor, with respect to any Indebtedness of any ENN Energy Group Company having an outstanding principal amount of US$70 million (or the Dollar Equivalent thereof) or more, in each case of (i) or (ii), in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) a failure to pay principal of such Indebtedness when the same becomes due;

(6) (i) one or more final judgments or orders for the payment of money are rendered against the Parent Guarantor or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$25 million (or the Dollar Equivalent thereof) (in excess of amounts which the insurance carriers of the Parent Guarantor or any Restricted Subsidiary have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect, or (ii) for so long as ENN Energy remains a Subsidiary of the Parent Guarantor, a distress, attachment, execution, seizure before judgment or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of ENN Energy Group Company aggregating in excess of US$70 million (or the Dollar Equivalent thereof) and is not discharged or stayed within 30 days;

(7) an involuntary case or other proceeding is commenced against the Parent Guarantor or any Significant Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Subsidiary or for any substantial part of the property and assets of the Parent Guarantor or any Significant Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Parent Guarantor or any Significant Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Parent Guarantor or any Significant Subsidiary, other than in connection with a solvent liquidation or reorganization (except for any solvent liquidation or reorganization of the Issuer or the Parent Guarantor), (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Subsidiary or for all or substantially all of the property and assets of the Parent Guarantor or any Significant Subsidiary or (c) effects any general assignment for the benefit of creditors;

(9) for so long as ENN Energy remains a Subsidiary of the Parent Guarantor, ENN Energy or any ENN Energy Principal Subsidiary is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a material part of its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of its debts (or of a material part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or a material part of the debts of ENN Energy or any ENN Energy Principal Subsidiary or an administrator or liquidator of ENN Energy, or any ENN Energy Principal Subsidiary or the whole or a material part of the assets and revenue of ENN Energy or any ENN Energy Principal Subsidiary is appointed;

(10) for so long as ENN Energy remains a Subsidiary of the Parent Guarantor, an order is made or an effective resolution passed for the liquidation, winding-up or dissolution, judicial management or administration of ENN Energy or any ENN Energy Principal Subsidiary (other than a voluntary winding-up on a solvent basis), or ENN Energy or any ENN Energy Principal Subsidiary ceases or threatens to cease to carry on all or substantially all of its business or operations, except in each case for the purpose of and followed by a reconstruction, amalgamation, reorganization, merger or

consolidation whereby the assets or undertakings of such ENN Energy Principal Subsidiary are vested in or otherwise transferred to ENN Energy or any ENN Energy Principal Subsidiary; or

(11) the Parent Guarantor denies or disaffirms its obligations under the Parent Guarantee or, except as permitted by the Indenture, the Parent Guarantee is determined to be unenforceable or invalid or will for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7), (8), (9) or (10) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer and the Parent Guarantor (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders, subject to being indemnified, pre-funded and/or secured to its satisfaction, shall declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal premium, if any, and accrued and unpaid interest shall be immediately due and payable.

If an Event of Default specified in clause (7), (8), (9) or (10) above occurs with respect to the Parent Guarantor, any Significant Subsidiary, ENN Energy or any ENN Energy Principal Subsidiary, as applicable, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and to the Trustee may on behalf of all the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee (including any of its incorporators, stockholders, officers, directors or employees or controlling persons). However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not reasonably believe that reimbursement or satisfactory indemnification, pre-funding and/or security is assured to it.

A Holder may not pursue or institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders provide the Trustee indemnity, pre-funding and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;

(4) the Trustee does not comply with the request within (x) 60 days after receipt of the written request pursuant to clause (2) above or (y) 60 days after the receipt of the indemnity, pre-funding and/or security pursuant to clause (3) above, whichever occurs later; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under the Parent Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of such Holder.

The Parent Guarantor must provide to the Trustee, on or before a date not more than 150 calendar days after the end of each fiscal year ending after the Original Issue Date, an Officers' Certificate certifying that a review has been conducted of the activities of the Parent Guarantor, the Restricted Subsidiaries and ENN Energy Group Company, as applicable, and the Parent Guarantor's and the Restricted Subsidiaries' performance under the Indenture and that the Parent Guarantor and each Restricted Subsidiary have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Parent Guarantor will also be obligated to as soon as practicable notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture and also within 14 days of any request in writing by the Trustee. See "— Provision of Financial Statements and Reports."

None of the Trustee or any Agent is obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and each of the Trustee and the Agents may assume that no such event has occurred and that the Issuer and the Parent Guarantor are performing all of their obligations under the Indenture and the Notes unless the Trustee or the Agent, as the case may be, has received written notice of the occurrence of such event or facts establishing that a Default or an Event of Default has occurred or that the Issuer and the Parent Guarantor are not performing all of their obligations under the Indenture and/or the Notes.

CONSOLIDATION, MERGER AND SALE OF ASSETS

(a) The Issuer will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Issuer and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:

(1) the Issuer shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Issuer consolidated or merged, or that acquired or leased such property and assets (the "Issuer Surviving Person") shall be a corporation organized and validly existing under the laws of Bermuda, the British Virgin Islands, the Cayman Islands or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Issuer under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or from or through which payment is made, and the Indenture and the Notes shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor could Incur at least US$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under "— Certain Covenants — Limitation on Indebtedness;"

(5) the Parent Guarantor shall deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision, that all conditions precedent provided for in the Indenture relating to such transaction have been complied with, and that the registration of the Parent Guarantee with the Hebei Branch of the SAFE described under "— The Parent Guarantee — Registration of the Parent Guarantee" remain valid and effective under PRC law;

(6) the Parent Guarantor, unless the Parent Guarantor is the Person with which the Issuer has entered into a transaction described under "— Consolidation, Merger and Sale of Assets", shall execute and deliver a supplemental indenture to the Indenture confirming that the Parent Guarantee shall apply to the obligations of the Issuer or the Issuer Surviving Person, as the case may be, in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

(b) The Parent Guarantor will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Parent Guarantor and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) (other than the Issuer) unless each of the following conditions is satisfied:

(1) the Parent Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Parent Guarantor consolidated or

merged, or that acquired or leased such property and assets (the "Parent Guarantor Surviving Person") shall be a corporation organized and validly existing under the laws of the PRC, Cayman Islands, Hong Kong, Bermuda, the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Parent Guarantor under the Indenture and the Parent Guarantee, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or from or through which payment is made, and the Indenture and the Parent Guarantee shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a *pro forma* basis, the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under "— Certain Covenants — Limitation on Indebtedness;"

(5) the Parent Guarantor shall deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision, that all conditions precedent provided for in the Indenture relating to such transaction have been complied with, and that to the extent applicable, the registration of the Parent Guarantee described under "— The Parent Guarantee — Registration of the Parent Guarantee" remain valid and effective under PRC law; and

(6) no Rating Decline shall have occurred.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Issuer or the Parent Guarantor that may adversely affect Holders.

NO PAYMENTS FOR CONSENTS

The Parent Guarantor will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or the Parent Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes or the Parent Guarantee in connection with an exchange offer or a tender offer, the Parent Guarantor and any of its Subsidiaries may exclude (i) holders or beneficial owners of the Notes that are located in the U.S., or "U.S. Persons" as defined in Regulation S under the Securities Act, and (ii) holders or beneficial owners of the Notes in any jurisdiction (other than the United States) where the inclusion of such holders or beneficial owners would require the Parent Guarantor or any of its Subsidiaries to comply with the registration or other similar requirements under any securities laws of any jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Parent Guarantor in its reasonable judgment.

DEFEASANCE

Defeasance and Discharge

The Indenture will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay Additional Amounts and to hold monies for payment in trust) if, among other things:

(1) the Issuer (a) has deposited with the Trustee (or another entity designated by the Trustee for such purpose), in trust, money in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (b) has delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture;

(2) the Issuer has delivered to the Trustee either (i) an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters which is based on a change in applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Issuer's exercise of its option under this "Defeasance and Discharge" provision and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred or (ii) a ruling directed to the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel;

(3) the Issuer has delivered to the Trustee an Opinion of Counsel of recognized standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(4) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Parent Guarantor or any of the Restricted Subsidiaries is a party or by which the Parent Guarantor or any of the Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Parent Guarantee will terminate.

Defeasance of Certain Covenants

The Indenture will further provide that (i) the provisions of the Indenture will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants", other than as described under "— Certain Covenants — Government Approvals and Licenses; Compliance with Law" and "— Certain Covenants — Anti-Layering", and (ii) clause (3) under "— Events of Default" with respect to such clauses (3), (4), (5)(x) and (7) under the first paragraph and clauses (3), (4), (5)(x) and (6) under the second paragraph under "— Consolidation, Merger and Sale of Assets" and with respect to such other events set forth in clause (i) above, clause (4) under "— Events of Default" with respect to such other covenants set forth in clause (i) above and clauses (5), (6), (7) and (8) under "— Events of Default" shall be deemed not to be Events of Default, upon, among other things, the deposit with the Trustee (or its agent), in trust, of cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, and the satisfaction of the provisions described in clause (2) of the preceding paragraph and the delivery by the Issuer to the Trustee of an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters to the effect that beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

In the event that the Issuer exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of cash in U.S. dollars and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Issuer and the Parent Guarantor will remain liable for such payments.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture, the Notes and the Parent Guarantee may be amended, without the consent of any Holder:

(1) to cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes or the Parent Guarantee;

(2) to comply with the provisions described under "— Consolidation, Merger and Sale of Assets;"

(3) to evidence and provide for the acceptance of appointment by a successor Trustee;

(4) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(5) to effect any change to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream;

(6) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(7) to effect any changes to the Indenture in a manner necessary to comply with the procedures of the relevant clearing system;

(8) to add any Subsidiary Guarantee or any Subsidiary Guarantor as provided by the terms of the Indenture;

(9) to conform the text of the Indenture, the Notes or the Parent Guarantee to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes or the Parent Guarantee;

(10) to add any collateral to secure the Notes and/or the Parent Guarantee or to enter into any intercreditor agreement or amendments or supplements thereto; or

(11) to make any other change that does not adversely affect the rights of any Holder.

Amendments With Consent of Holders

Amendments of the Indenture, the Notes and the Parent Guarantee may be made with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Issuer and the Parent Guarantor with any provision of the Indenture, the Notes or the Parent Guarantee; *provided*, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(2) reduce the principal amount of, or premium, if any, or interest on, any Note;

(3) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;

(4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(8) release the Parent Guarantor from the Parent Guarantee, except as provided in the Indenture;

(9) amend, change or modify the Parent Guarantee in a manner that adversely affects the Holders;

(10) reduce the amount payable upon a Change of Control Offer, a SAFE Non-compliance Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale or change the time or manner by which a Change of Control Offer, a SAFE Non-compliance Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale may be made or by which the Notes must be purchased pursuant to a Change of Control Offer, a SAFE Non-compliance Offer or an Offer to Purchase with the Excess Proceeds from an Asset Sale, whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control Triggering Event or SAFE Non-compliance Event or the event giving rise to the repurchase of the Notes under "— Limitation on Asset Sales;"

(11) change the redemption date or the redemption price of the Notes from that stated under "— Optional Redemption" or "— Redemption for Taxation Reasons;"

(12) amend, change or modify the obligation of the Issuer or the Parent Guarantor to pay Additional Amounts; or

(13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or the Parent Guarantee in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Issuer and the Parent Guarantor for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer or the Parent Guarantor in the Indenture, or in any of the Notes or the Parent Guarantee or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Issuer or the Parent Guarantor or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Parent Guarantee. Such waiver may not be effective to waive liabilities under the federal securities laws.

CONCERNING THE TRUSTEE AND THE AGENTS

Citicorp International Limited is to be appointed as Trustee under the Indenture, and Citibank N.A., London Branch is to be appointed as paying agent (the "Paying Agent") and transfer agent (the "Transfer Agent") with regard to the Notes and as registrar (the "Note Registrar" and together with the Paying Agent and Transfer Agent, the "Agents") under the Indenture. Except during the continuance of a Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture or the Notes, and no implied covenant or obligation shall be read into the Indenture or the Notes against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture or the Notes as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. If a Default or an Event of Default occurs and is continuing, all Agents will be required to act on the Trustee's direction. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have provided to the Trustee an indemnity, pre-funding and/or security satisfactory to it against any loss, liability or expense.

Pursuant to the terms of the Indenture and the Notes, the Issuer and the Parent Guarantor will reimburse the Trustee and the Agents for all properly incurred costs and expenses.

The Trustee is permitted to engage in other transactions with the Parent Guarantor and its Affiliates and nothing herein shall obligate the Trustee to account for any profits earned from any business or transactional relationship; *provided*, however, that if it becomes aware it has acquired any conflicting interest, it must eliminate such conflict or resign.

The Trustee will not be under any obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders unless such Holders have instructed the Trustee in writing and provided to the Trustee indemnity, pre-funding and/or security satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder by accepting the Notes will agree, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Indenture and the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

BOOK-ENTRY; DELIVERY AND FORM

The certificates representing the Notes will be issued in fully registered form without interest coupons. Notes sold in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Regulation S Global Note") and will be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream.

Notes sold in reliance on Rule 144A will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Restricted Global Note"; and together with the Regulation S Global Notes, the "Global Notes") and will be deposited with a custodian for, and registered in the name of a nominee of, DTC.

Each Global Note (and any definitive certificates issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "Transfer Restrictions."

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Qualified institutional buyers may hold their interests in a Restricted Global Note directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

Investors may hold their interests in a Regulation S Global Note directly through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations that are participants in such system. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Euroclear and Clearstream.

Payments of the principal of, and interest on, a Global Note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of the Issuer, the Parent Guarantor, the Trustee, the Note Registrar, the Paying Agent or the Transfer Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee, including Euroclear and Clearstream, and that Euroclear and Clearstream will credit payments received by them to their participants' accounts in amounts proportionate to their respective beneficial interests as shown on the records of Euroclear and/or Clearstream. The Issuer also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds. Transfers between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

The Issuer expects that DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note is credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction, and that such directions may be given through Euroclear and/or Clearstream where applicable. However, if there is an Event of Default under the Notes, DTC will exchange the applicable Global Note for certificated notes, which it will distribute to its participants and which may be legended as set forth under the heading "Transfer Restrictions."

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Parent Guarantor, the Trustee, the Note Registrar, the Paying Agent or the Transfer Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed by the Issuer within 90 days, the Issuer will issue Certificated Notes in registered form, which may bear the legend referred to under "Transfer Restrictions," in exchange for the Global Notes. Holders of an interest in a Global Note may receive Certificated Notes, which may bear the legend referred to under "Transfer Restrictions," in accordance with DTC's rules and procedures in addition to those provided for under the Indenture.

THE CLEARING SYSTEMS

General

DTC, Euroclear and Clearstream have advised the Issuer as follows:

DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the initial purchasers. Indirect access to the DTC system is also available to others that clear through or maintain a custodial relationship with a DTC participant, either directly or indirectly (the "indirect participants"). Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. In addition, beneficial owners of Notes in DTC will receive all distributions of principal of and interest on the Notes from the Trustee through such DTC participant.

Euroclear and Clearstream. Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Initial Settlement

Initial settlement for the Notes will be made in immediately available funds. All Notes issued in the form of global notes will be deposited with a custodian for DTC. Investors' interests in Notes held in book-entry form by DTC will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Euroclear and Clearstream will initially hold positions on behalf of their participants through DTC.

Investors electing to hold their Notes through DTC (other than through accounts at Euroclear or Clearstream) must follow the settlement practices applicable to United States corporate debt obligations. The securities custody accounts of investors will be credited with their holdings against payment in same day funds on the settlement date.

Investors electing to hold their Notes through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear participants and of Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Because the purchaser determines the place of delivery, it is important to establish at the time of trading of any Notes where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading between DTC Participants. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in same-day funds using DTC's Same Day Funds Settlement System.

Trading between Euroclear and Clearstream Participants. Secondary market trading between Euroclear participants and Clearstream participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream and Euroclear and will be settled using the procedures applicable to conventional Eurobonds in same-day funds.

Trading between DTC Seller and Euroclear or Clearstream Purchaser. When Notes are to be transferred from the account of a DTC participant to the account of a Euroclear participant or a Clearstream participant, the purchaser must send instructions to Euroclear or Clearstream through a participant at least one business day prior to settlement. Euroclear or Clearstream, as the case may be, will receive the Notes against payment. Payment will then be made to the DTC participant's account against delivery of the Notes. Payment will include interest accrued on the Notes from and including the last Interest Payment Date to and excluding the settlement date, on the basis of a calendar year consisting of twelve 30-day calendar months. For transactions settling on the 31st day of the month, payment will include interest accrued to and excluding the first day of the following month. Payment will then be made to the DTC participant's account against delivery of the Notes. After settlement has been completed, the Notes will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream participant's account. Credit for the Notes will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Notes will accrue from, the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade date fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear participants or Clearstream participants will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the Notes are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream participants purchasing Notes would incur overdraft charges for one day, assuming they cleared the overdraft when the Notes were credited to their accounts. However, interest on the Notes would accrue from the value date. Therefore, in many cases, the investment income on Notes earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's particular cost of funds.

The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the DTC participant, a cross-market transaction will settle no differently than a trade between two DTC participants.

Finally, day traders that use Euroclear or Clearstream and that purchase Notes from DTC participants for credit to Euroclear participants or Clearstream participants should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

(1) borrowing through Euroclear or Clearstream for one day (until the purchase side of the day trade is reflected in their Euroclear account or Clearstream account) in accordance with the clearing system's customary procedures;

(2) borrowing the Notes in the United States from a DTC participant no later than one day prior to settlement, which would give the Notes sufficient time to be reflected in the borrower's Euroclear account or Clearstream account in order to settle the sale side of the trade; or

(3) staggering the value dates for the buy and sell sides of the trade so that the value date for the purchase from the DTC participant is at least one day prior to the value date for the sale to the Euroclear participants or Clearstream participants.

Trading between Euroclear or Clearstream Seller and DTC Purchaser. Due to the time zone differences in their favor, Euroclear participants or Clearstream participants may employ their customary procedures for transactions in which Notes are to be transferred by the respective clearing system to another DTC participant. The seller must send instructions to Euroclear or Clearstream through a participant at least one business day prior to settlement. In these cases, Euroclear or Clearstream will credit the Notes to the DTC participant's account against payment. Payment will include interest accrued on the Notes from and including the last Interest Payment Date to and excluding the settlement date, on the basis of a calendar year consisting of twelve 30-day calendar months. For transactions settling on the 31st day of the month, payment will include interest accrued to the Notes excluding the first day of the following month. Payment will then be made to the DTC participant's account against delivery of the Notes. The payment will then be reflected in the account of the Euroclear participant or Clearstream participant the following day, and receipt of the cash proceeds in the Euroclear or Clearstream participant's account will be back-valued to the value date (which would be the preceding day when settlement occurs in New York). If the Euroclear participant or Clearstream participant has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over the one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream participant's account would instead be valued as of the actual settlement date.

As in the case with respect to sales by a DTC participant to a Euroclear or Clearstream participant, participants in Euroclear and Clearstream will have their accounts credited the day after their settlement date. See "— Trading between DTC Seller and Euroclear or Clearstream Purchaser" above.

None of the Issuer, the Parent Guarantor, the Trustee, the Note Registrar or any Paying Agent or any Transfer Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing (in English) and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mails addressed (if intended for the Issuer or the Parent Guarantor) to the principal office of the Parent Guarantor, (if intended for the Trustee) at the corporate trust office of the Trustee and (if intended for any Holder) to such Holder at such Holder's last address as it appears in the Note register (or otherwise delivered to such Holders in accordance with applicable DTC, Euroclear or Clearstream procedures).

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited. Any such notice to Holders shall be deemed to have been delivered on the day such notice is delivered to the relevant clearing system or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Issuer and the Parent Guarantor will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Parent Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Law Debenture Corporate Services Inc. located at 801 2nd Avenue, Suite 403 New York, NY 10017 for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes, the Parent Guarantee and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset

Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after May 12, 2024, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person, whether now or in the future, (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (1) or (2). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Applicable Premium" means, with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of such Note on May 12, 2024, plus (y) all required remaining scheduled interest payments due on such Note through May 12, 2024 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date.

"Asset Acquisition" means (1) an investment by the Parent Guarantor or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Parent Guarantor or any Restricted Subsidiary; or (2) an acquisition by the Parent Guarantor or any Restricted Subsidiary of the property and assets of any Person other than the Parent Guarantor or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Parent Guarantor or any Restricted Subsidiary (other than to the Parent Guarantor or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Parent Guarantor or any Restricted Subsidiary.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock of a Restricted Subsidiary) in one transaction or a series of related transactions by the Parent Guarantor or any Restricted Subsidiary to any Person; *provided* that, "Asset Sale" shall not include:

(1) sales or other dispositions of inventory, receivables and other current assets in the ordinary course of business;

(2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made by the covenant described under "— Certain Covenants — Limitation on Restricted Payments;"

(3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Parent Guarantor or the Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Liens not prohibited by the covenant described under "— Limitation on Liens;"

(6) a transaction covered by the covenant described under "— Consolidation, Merger and Sale of Assets;"

(7) a sale, transfer or other disposition to the Parent Guarantor or a Restricted Subsidiary, including, without limitation, an issuance of Capital Stock by a Restricted Subsidiary to the Parent Guarantor or to another Restricted Subsidiary; and

(8) (i) any disposition of Receivable Financing Assets in connection with any Receivable Financing (other than Non-recourse Receivable Financing) permitted under the Indenture, and (ii) the sale or discount of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof or in bankruptcy or similar proceeding.

"Associate" means any corporation, association or other business entity of which at least 20% of the Capital Stock and the Voting Stock is owned, directly or indirectly, by the Parent Guarantor or any Restricted Subsidiary and which is treated as an "associate" in accordance with GAAP, and such Associate's Subsidiaries.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, the present value, at the time of determination, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Parent Guarantor or any Restricted Subsidiary that (i) is secured by a pledge of one or more bank accounts or bank deposits of the Parent

Guarantor or a Restricted Subsidiary and/or (ii) is guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Parent Guarantor or a Restricted Subsidiary and is used by the Parent Guarantor and its Restricted Subsidiaries to effect exchanges of U.S. dollars, Hong Kong dollars or other foreign currencies into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Parent Guarantor to manage the business of the Parent Guarantor or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or in Hong Kong (or in any other place in which payments on the Notes are to be made) are required by law or governmental regulation to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible or exchangeable into such equity.

"Capitalized Lease" means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Change of Control" means the occurrence of one or more of the following events:

(1) the merger, amalgamation or consolidation of the Parent Guarantor with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Parent Guarantor, or the direct or indirect sale of all or substantially all the consolidated assets of the Parent Guarantor to another Person (other than one or more Permitted Holders or a Restricted Subsidiary);

(2) the Permitted Holders are collectively the beneficial owners (as such term is used in Rule 13d-3 of the Exchange Act, *provided* that for purposes of this definition, "beneficial owner" also includes any transferee, grantee or holder) of less than 30.0% of the total voting power of the Voting Stock of the Parent Guarantor;

(3) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined above), directly or indirectly, of total voting power of the Voting Stock of the Parent Guarantor greater than such total voting power held beneficially by the Permitted Holders;

(4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election or nomination to the Board of Directors was approved by a vote of at

least a majority of the directors then still in office who were either directors on the Original Issue Date or whose election or nomination was previously so approved, cease for any reason to constitute a majority of the Board of Directors then in office;

(5) the Parent Guarantor is the beneficial owner of less than 20.0% of the total voting power of the Voting Stock of ENN Energy; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor.

"Change of Control Triggering Event" means the occurrence of a Change of Control and, *provided* that the Notes are rated by at least one Rating Agency, a Rating Decline.

"Clearstream" means Clearstream Banking S.A.

"Commodity Hedging Agreement" means any spot, forward contract, commodity swap agreement, commodity option agreement, commodity price protection or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

"Common Stock" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

"Comparable Treasury Issue" means the U.S. Treasury security having a maturity comparable to May 12, 2024 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities with a maturity comparable to May 12, 2024.

"Comparable Treasury Price" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Parent Guarantor) Reference Treasury Dealer Quotations for such redemption date.

"Consolidated EBITDA" means, with respect to any Person for any period, Consolidated Net Income of such Person for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense;

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets); and

(3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income;

all as determined on a consolidated basis for such Person and its Measurement Subsidiaries in conformity with GAAP; *provided* that (i) if any Measurement Subsidiary is not a Wholly Owned Measurement Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Measurement Subsidiary multiplied by (B) the percentage ownership interest in the income of such Measurement Subsidiary not owned on the last day of such period by the Parent Guarantor or any of the Measurement Subsidiaries; and (ii) in the case of any PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, with respect to any Person for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of such Person or any of its Measurement Subsidiaries held by Persons other than the Parent Guarantor or any Wholly Owned Measurement Subsidiary, except for dividends payable in the Parent Guarantor's Capital Stock (other than Disqualified Stock) or paid to the Parent Guarantor or to a Wholly Owned Measurement Subsidiary.

"Consolidated Interest Expense" means, with respect to any Person for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of such Person and its Measurement Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by such Person and its Measurement Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (2) amortization of debt issuance costs and original issue discount expense and all non-cash interest expense, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any Person (other than such Person or any of its Measurement Subsidiaries) that is Guaranteed by, or secured by a Lien on any asset of, such Person or any of its Measurement Subsidiaries, (7) any capitalized interest and (8) all other non-cash interest expense; *provided* that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

"Consolidated Net Income" means, with respect to any Person for any period, the aggregate of the net income (or loss) of such Person and its Measurement Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Measurement Subsidiary or that is accounted for by the equity method of accounting except that:

    (a) subject to the exclusion contained in clause (5) below, the Parent Guarantor's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent Guarantor or a Measurement Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Measurement Subsidiary, to the limitations contained in clause (3) below); and

    (b) the Parent Guarantor's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Parent Guarantor or Measurement Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Measurement Subsidiary or is merged into or consolidated with the Parent Guarantor or any of the Measurement Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Parent Guarantor or any of the Measurement Subsidiaries;

(3) the net income (but not loss) of any Measurement Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Measurement Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Measurement Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or asset of the Parent Guarantor or any Measurement Subsidiary that is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Parent Guarantor or a Measurement Subsidiary realized on sales of Capital Stock of the Parent Guarantor or of any Measurement Subsidiary);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains,

provided further that government grants, government subsidies or other income of a similar nature shall be included in computing Consolidated Net Income, without double counting.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet of the Parent Guarantor and the Measurement Subsidiaries, plus, to the extent not included, any Preferred Stock of the Parent Guarantor, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Parent Guarantor or any of the Measurement Subsidiaries, each item to be determined in conformity with GAAP.

"Consolidated Profit" means, the Parent Guarantor's core profit (核心利潤) of a given financial year which is calculated as the Parent Guarantor's net profit attributable to equity owners of the parent company of such financial year, deducting bad debt losses recognized from accounts receivable and other receivables, losses from impairment of fixed assets and other long-term assets, fair value adjustment from derivatives, financial assets at fair value through profit or loss and investment properties, fluctuation in exchange rate, amortization of stock incentive costs, gains/losses on disposal of assets and other items affecting the net profit attributable to equity owners of parent company of such financial year. The Parent Guarantor agrees that the amount of the Consolidated Profit of any financial year shall be disclosed in each of the annual reports of the Parent Guarantor to be published after the Original Issue Date on the Shanghai Stock Exchange or an applicable exchange for such financial year based on such same calculation above so long as (i) any Note remains outstanding and (ii) the Common Stock of the Parent Guarantor is listed on the Shanghai Stock Exchange or an applicable exchange.

"Contractor Guarantees" means any Guarantee by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Parent Guarantor or such Restricted Subsidiary in connection with the development, construction or improvement of equipment, property or asset to be used in the ordinary course of business by the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"Credit Facilities" means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables or financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

"Currency Hedging Agreement" means any foreign exchange forward contract, currency swap agreement, currency hedge agreement, currency option agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in foreign exchange rates.

"Default" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"Disqualified Stock" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the date that is 183 days after the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the date that is 183 days after the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "— Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's or the Parent Guarantor's repurchase of such Notes as are required to be repurchased pursuant to the covenants described under "— Certain Covenants — Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control."

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars that could be obtained by converting such foreign currency involved in such computation into U.S. dollars at the noon buying rate for U.S. dollars in New York City for cable transfers as certified for customs purposes by the Federal Reserve Bank of New York on the date of determination.

"DTC" means the Depository Trust Company and its successors.

"ENN Energy" means ENN Energy Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liabilities.

"ENN Energy Group Company" means ENN Energy and any Subsidiary of ENN Energy from time to time, in each case for so long it remains a Subsidiary of ENN Energy.

"ENN Energy Principal Subsidiary" means, for so long as ENN Energy remains a Subsidiary of the Parent Guarantor, one of ENN Energy's Subsidiaries:

(1) as to which one or more of the following conditions is/are satisfied:

(a) its gross revenue or (in the case of a Subsidiary of ENN Energy which itself has Subsidiaries) consolidated gross revenue attributable to ENN Energy is at least 5% of the consolidated gross revenue of ENN Energy Group Company; or

(b) its net profit or (in the case of a Subsidiary of ENN Energy which itself has Subsidiaries) consolidated net profit attributable to ENN Energy (in each case before taxation) is at least 5% of the consolidated net profit of ENN Energy Group Company (before taxation); or

(c) its gross assets or (in the case of a Subsidiary of ENN Energy which itself has Subsidiaries) consolidated gross assets attributable to ENN Energy (in each case after deducting minority interests in Subsidiaries) are at least 5% of the consolidated gross assets of ENN Energy Group Company (after deducting minority interests in Subsidiaries),

in each case, as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Subsidiary of ENN Energy and the then latest audited consolidated financial statements of ENN Energy Group Company, *provided* that: (i) in the case of a Subsidiary of ENN Energy acquired after the end of the financial period to which the then latest relevant audited financial statements relate, the reference to the then latest audited financial statements for the purposes of the calculation above shall, until audited financial statements for the financial period in which the acquisition is made are published, be deemed to be a reference to the financial statements adjusted to consolidate the latest audited financial statements of the Subsidiary in the financial statements; (ii) if, in the case of a Subsidiary of ENN Energy which itself has one or more Subsidiaries, no consolidated financial statements are prepared and audited, its consolidated gross revenue, net profit and gross assets shall be determined on the basis of pro forma consolidated financial statements of the relevant Subsidiary and its Subsidiaries prepared for this purpose; or (iii) if the financial statements of a Subsidiary of ENN Energy (not being a Subsidiary referred to in (i) above) are not consolidated with those of ENN Energy then the determination of whether or not the Subsidiary is an ENN Energy Principal Subsidiary shall, if ENN Energy requires, be based on a pro forma consolidation of its financial statements (consolidated, if appropriate) with the consolidated financial statements of ENN Energy; or

(2) to which is transferred all or substantially all of the assets of ENN Energy's Subsidiary which immediately prior to the transfer was an ENN Energy Principal Subsidiary, *provided* that, with

effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be an ENN Energy Principal Subsidiary (but without prejudice to paragraph (1) above) and ENN Energy's Subsidiary to which the assets are so transferred shall become an ENN Energy Principal Subsidiary.

For the purpose of this definition of "ENN Energy Principal Subsidiary", the term "Subsidiary" refers to (a) any company or other business entity of which that Person owns or controls (either directly or through one or more other Subsidiaries) more than 50% of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity or (b) any company or other business entity which at any time has its accounts consolidated with those of that Person or which, under the law, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time or the Cayman Islands or Hong Kong, should have its accounts consolidated with those of that Person.

"ENN Energy Unrestricted Subsidiary" means ENN Energy and each of its Subsidiaries (whether now or in the future) that remains an Unrestricted Subsidiary.

"Entrusted Loans" means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, *provided* that such borrowings are not reflected on the consolidated balance sheet of the Parent Guarantor.

"Equity Offering" means any bona fide public or private offering of Capital Stock (other than Disqualified Stock) of the Parent Guarantor other than to Affiliates of the Parent Guarantor after the Original Issue Date; *provided* that the aggregate gross cash proceeds received by the Parent Guarantor as a result of such offering (excluding gross cash proceeds received from the Parent Guarantor or any of its Subsidiaries) shall be no less than US$20 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Fair Market Value" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution.

"Finance Subsidiary" means a Subsidiary of the Parent Guarantor or another Finance Subsidiary (including the Issuer) (i) that is a Restricted Subsidiary and whose operations are comprised of Incurring Indebtedness to Persons other than the Parent Guarantor or any Restricted Subsidiary from time to time to finance the operations of the Parent Guarantor and/or its Restricted Subsidiaries, (ii) that has not lent the proceeds of any Finance Subsidiary Indebtedness to any Person other than the Parent Guarantor or the Issuer and (iii) which conducts no business and owns no material assets other than any equity interests in a Finance Subsidiary or intercompany Indebtedness Incurred in connection with the Indebtedness described in clauses (i) and (ii).

"Finance Subsidiary Indebtedness" means Indebtedness of a Finance Subsidiary that is guaranteed by the Parent Guarantor; *provided that* no Restricted Subsidiary shall provide any guarantee to or be an obligor under such Indebtedness.

"Financial Company Investor" means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a PRC Restricted Subsidiary.

"Fitch" means Fitch Ratings Ltd., a subsidiary of the Fitch Group, a subsidiary of Hearst Corporation, and its successors.

"Fixed Charge Coverage Ratio" means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) *pro forma* effect shall be given to any Indebtedness Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Parent Guarantor or such Measurement Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Hedging Agreement applicable to such Indebtedness if such Interest Rate Hedging Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) *pro forma* effect will be given to the creation, designation or redesignation of (i) the Measurement Subsidiaries and (ii) the Unrestricted Subsidiaries other than ENN Energy Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Measurement Subsidiary or has been merged with or into the Parent Guarantor or any Measurement Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Measurement Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this definition requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro* *forma* calculation will be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"GAAP" means generally accepted accounting principles in the PRC as in effect from time to time.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hebei Business Day" means a day other than a Saturday, Sunday or a day on which the Hebei Branch of the SAFE is authorized or obligated by law or executive order to remain closed.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement.

"Holder" means the Person in whose name a Note is registered in the Note register.

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

"Incur" means, with respect to any Indebtedness, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness; provided that (1) any Indebtedness and Disqualified Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount shall not be considered an Incurrence of Indebtedness. The terms "Incurrence", "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and

(10) any Preferred Stock issued by (a) such Person, if such Person is a Restricted Subsidiary or (b) any Restricted Subsidiary of such Person, valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments deferred payment obligation, pre-sale receipts in advance from customers, performance obligations or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including without limitation equipment, land use rights, buildings and intangible assets) to be used in the ordinary course of business of the Parent Guarantor and the Restricted Subsidiaries or any Entrusted Loans; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Parent Guarantor (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected on the balance sheet as borrowings or indebtedness will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided that:*

(1) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(2) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(3) the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to clause (2)(e) under the "Limitation on Indebtedness" covenant or (ii) equal to the net amount payable by such Person if the Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Hedging Agreement giving rise to such Hedging Obligation were terminated at that time due to default by such Person if not Incurred pursuant to such clause.

"Independent Third Party" means any Person that is not an Affiliate of the Parent Guarantor.

"Interest Rate Hedging Agreement" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

"Investment" means:

(1) any direct or indirect advance, loan or other extension of credit to another Person;

(2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or

(4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the covenants described under "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" and "— Certain Covenants — Limitation on Restricted Payments", (1) the Parent Guarantor will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the Parent Guarantor's proportionate interest in the assets (net of the liabilities owed to any Person other than the Parent Guarantor or a Restricted Subsidiary and that are not Guaranteed by the Parent Guarantor or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary calculated as of the time of such designation; and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest Rating Categories, by S&P or any of its successors or assigns, a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody's or any of its successors or assigns, or a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest Rating Categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Parent Guarantor as having been substituted for S&P, Moody's or Fitch or two or three of them, as the case may be.

"Jointly Controlled Entity" means any corporation, association or other business entity, of which at least 20% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Parent Guarantor or any Restricted Subsidiary and which is treated as a "jointly controlled entity" or "joint venture" in accordance with GAAP, and such Jointly Controlled Entity's Subsidiaries.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Measurement Subsidiaries" means the Restricted Subsidiaries and the ENN Energy Unrestricted Subsidiaries.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Parent Guarantor or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Parent Guarantor or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Parent Guarantor or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time, *provided* that such deferred purchase price is paid within 12 months after the date the Parent Guarantor or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"NDRC" means the National Development and Reform Commission of the PRC.

"NDRC Notice" means the Notice on the Administrative Reform for the Registration of Offshore Debt Issuances (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) issued by the NDRC on September 14, 2015, as amended or supplemented from time to time.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

   (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

   (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Parent Guarantor and the Restricted Subsidiaries, taken as a whole;

   (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

   (d) appropriate amounts to be provided by the Parent Guarantor or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP and reflected in an Officers' Certificate delivered to the Trustee; and

(2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-recourse Receivable Financing" means Receivable Financing (i) under which neither the Parent Guarantor nor any Restricted Subsidiary (other than pursuant to Standard Non-recourse Receivable

Financing Undertakings) provides guarantee or recourse with respect to the Receivable Financing Assets, undertakes to repurchase any Receivable Financing Assets, subjects any of its properties or assets, directly or indirectly, contingently or otherwise, to the satisfaction of any obligation related to the Receivable Financing Assets or undertakes to maintain or preserve the financial condition or operating results of the entity that purchases or otherwise receives the Receivable Financing Assets and (ii) is not reflected as liability on the consolidated balance sheet of the Parent Guarantor.

"Offer to Purchase" means an offer to purchase Notes by the Issuer or the Parent Guarantor, as the case may be, from the Holders commenced by the Issuer or the Parent Guarantor, as the case may be, mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed, *provided* that for the purposes of a SAFE Non-compliance Offer, the date of purchase shall be no earlier than 25 days and no later than 35 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Issuer or the Parent Guarantor defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Issuer or the Parent Guarantor shall deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Issuer or the Parent Guarantor for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Issuer or the Parent Guarantor shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Issuer or the Parent Guarantor, as the case may be. The Paying Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and upon receipt of written order of the Issuer signed by an Officer the Note Registrar shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US$200,000 or any amount in excess thereof which is an integral multiple of US$1,000. The Issuer or the Parent Guarantor will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer or the Parent Guarantor will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer or the Parent Guarantor is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Issuer or the Parent Guarantor will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Issuer or the Parent Guarantor will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Issuer or the Parent Guarantor and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Parent Guarantor and its Subsidiaries which the Issuer or the Parent Guarantor in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer or the Parent Guarantor to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Issuer or the Parent Guarantor, as the case may be, or, in the case of a Restricted Subsidiary, one of the directors or officers of such Restricted Subsidiary.

"Officers' Certificate" means a certificate signed by two Officers; *provided*, however, with respect to any Officers' Certificate required to be delivered by the Issuer under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in the Issuer at the time such certificate is required to be delivered.

"Opinion of Counsel" means a written opinion from external legal counsel who is reasonably acceptable to the Trustee.

"Original Issue Date" means May 12, 2021.

"Pari Passu Guarantee" means a Guarantee by the Issuer or the Parent Guarantor of Indebtedness of the Issuer (including Additional Notes) or the Parent Guarantor, as the case may be; *provided* that (1) the Issuer or the Parent Guarantor as the case may be, was permitted to Incur such Indebtedness by the covenant described under "— Limitation on Indebtedness" and (2) such Guarantee ranks *pari passu* with the Notes or the Parent Guarantee, as the case may be.

"Permitted Holders" means any or all of the following:

(1) Mr. Yusuo Wang (王玉鎖), any immediate family member of Mr. Yusuo Wang and any trust established by Mr. Yusuo Wang for the benefit of his own or his immediate family members;

(2) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) of the Person specified in clause (1); and

(3) any Person the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

"Permitted Investment" means:

(1) any Investment in the Parent Guarantor or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary or will be merged or consolidated with or into, or transfer or convey all or substantially all its assets to, the Parent Guarantor or a Restricted Subsidiary;

(2) cash or Temporary Cash Investments;

(3) payroll, travel and similar advances made in the ordinary course of business to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;

(4) stock, obligations or securities received in satisfaction of judgments;

(5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Parent Guarantor or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables, trade credits or other current assets owing to the Parent Guarantor or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under "— Certain Covenants — Limitation on Asset Sales;"

(9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise made in connection with Liens not prohibited under the covenant described under "— Limitation on Liens;"

(10) any Investment pursuant to Contractor Guarantees by the Parent Guarantor or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Parent Guarantor's consolidated balance sheet;

(12) loans or advances to vendors, contractors, suppliers or distributors, including without limitation advance payments for equipment and machinery made to the manufacturer or distributor thereof, of the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business and dischargeable in accordance with customary trade terms;

(13) Investments in existence on the Original Issue Date;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business of the Parent Guarantor or any Restricted Subsidiary;

(15) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(16) Investments consisting of purchases and acquisitions of inventory, supplies, materials, tooling and equipment or purchases of contract rights or licenses or leases of intellectual property, in each case in the ordinary course of business;

(17) repurchase or redemption of the Notes;

(18) Guarantees permitted under paragraph (2) of the covenant under "— Limitation on Indebtedness;"

(19) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Parent Guarantor or any Restricted Subsidiary in any Person, *provided* that:

   (i) such Investment, together with the aggregate of all other Investments made under this clause (19) since the Original Issue Date, shall not exceed in aggregate an amount equal to 20.0% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (19) since the Original Issue Date resulting from:

      (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

      (B) the unconditional release of a Guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,

      (C) to the extent that an Investment made after the Original Issue Date under this clause is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,

      (D) redesignations of Unrestricted Subsidiaries or Restricted Subsidiaries, or

      (E) such Person becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Parent Guarantor or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this "Permitted Investment" definition),

   not to exceed, in each case, the amount of Investments made by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date in any such Person under this clause,

(ii) none of the shareholders or partners (other than the Parent Guarantor or any Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (19) is a Person described in clause (x) or (y) of the first paragraph of the covenant under the caption "— Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Parent Guarantor or a Restricted Subsidiary, Jointly Controlled Entity or Associate of the Parent Guarantor) except to the extent that such Investment (x) would have satisfied the requirements of the covenant under the caption "— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates" as if such Investment were an Affiliate Transaction and (y) would otherwise be permitted under applicable laws, regulations or the requirements of the Shanghai Stock Exchange;

(iii) no Default has occurred and is continuing or would occur as a result of such Investment; and

(iv) in the case of any Investment by the Parent Guarantor or any Restricted Subsidiary in a Person of which less than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by the Parent Guarantor or any of its Restricted Subsidiaries, at the time of such Investment the Parent Guarantor could Incur at least US$1.00 of Indebtedness under the proviso in the first paragraph of part (1) of the covenant under the caption "— Limitation on Indebtedness."

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be valued at the time such Investment is made;

(20) any Investment in a subordinated tranche of interests in a Receivable Financing with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, are necessary or advisable to effect such Receivable Financing;

(21) any Standard Non-recourse Financing Undertakings;

(22) any obligation, undertaking, agreement or arrangement to repurchase, indemnify or make up difference in payments in connection with any Receivable Financing permitted under the Indenture; and

(23) any Investment in the Capital Stock of any ENN Energy Unrestricted Subsidiary made by the Parent Guarantor or any Restricted Subsidiary, *provided* that ENN Energy shall remain a Subsidiary of the Parent Guarantor at the time immediately after such Investment takes effect.

"Permitted Subsidiary Indebtedness" means Indebtedness of any Restricted Subsidiary (other than the Issuer) (other than Finance Subsidiary Indebtedness); *provided* that, on the date of Incurrence of such Indebtedness, and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding any Indebtedness of any Restricted Subsidiary (other than the Issuer) permitted under clause 2(a), (2)(c), (2)(e), 2(f), 2(g) or 2(l) of the covenant described under "— Certain Covenants — Limitation on Indebtedness") does not exceed an amount equal to 15.0% of Total Assets (or the Dollar Equivalent thereof).

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, solely for the purposes of this definition, excluding Hong Kong , the Macau Special Administrative Region and Taiwan.

"PRC CJV" means any future Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on November 4, 2017) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on November 17, 2019), as such laws and regulations may be amended from time to time.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Parent Guarantor or any Restricted Subsidiary.

"PRC Restricted Subsidiary" means a Restricted Subsidiary organized under the laws of the PRC.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"Rating Agencies" means (1) S&P, (2) Moody's and (3) Fitch, *provided* that if S&P, Moody's or Fitch, two of any of the three or all three of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Parent Guarantor, which shall be substituted for S&P, Moody's, Fitch, two of any of the three or all three of them, as the case may be.

"Rating Category" means (1) with respect to S&P, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (3) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (4) the equivalent of any such category of S&P, Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for S&P; "1," "2" and "3" for Moody's; "+" and "-" for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Parent Guarantor or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under "— Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;

(b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;

(c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(d) in the event the Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"Receivable Financing" means any financing transaction or series of financing transactions that have been or may be entered into by the Parent Guarantor or any Restricted Subsidiary pursuant to which the Parent Guarantor or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any receivables, royalty, other revenue streams or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions) either (i) in the ordinary course of business or (ii) by way of selling securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

"Receivable Financing Assets" means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Parent Guarantor in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Parent Guarantor in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

"Relevant Indebtedness" of any Person means any indebtedness incurred outside the PRC that is in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are issued with the intention on the part of the issuer thereof that they should be, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement) but shall not include indebtedness under any secured transferable loan facility (which term shall for these purposes mean any agreement for or in respect of indebtedness for borrowed money entered into with one or more banks and/or financial institutions whereunder rights and (if any) obligations may be assigned and/or transferred).

"Restricted Subsidiary" means any Subsidiary of the Parent Guarantor other than an Unrestricted Subsidiary. For the avoidance of doubt, the Issuer is a Restricted Subsidiary.

"S&P" means S&P Global Ratings, and its successors.

"SAFE" means the State Administration of Foreign Exchange of the PRC.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Parent Guarantor or any Restricted Subsidiary transfers such property to another Person and the Parent Guarantor or any Restricted Subsidiary leases it from such Person.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Securitization Fees" means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Asset or participation interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

"Significant Subsidiary" means a Restricted Subsidiary, or a group of Restricted Subsidiaries, that would be a "significant subsidiary" using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the date of the Indenture; provided that in each instance in such definition in which the term "10 percent" is used, the term "3 percent" shall be substituted therefor.

"Staged Acquisition Agreement" means an agreement between the Parent Guarantor or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Parent Guarantor or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Parent Guarantor or such Restricted Subsidiary enters into such agreement, *provided* that such Person is either a Restricted Subsidiary or will become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement, and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time, *provided* that such deferred purchase price is paid within 12 months after the date the Parent Guarantor or such Restricted Subsidiary enters into such Staged Acquisition Agreement.

"Standard Non-recourse Receivable Financing Undertakings" means representations, warranties, undertakings, covenants and indemnities entered into by the Parent Guarantor or any Restricted Subsidiary which the Parent Guarantor has determined in good faith to be customary for a seller or servicer of assets in Non-recourse Receivable Financings.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"Subordinated Indebtedness" means any Indebtedness of the Issuer or the Parent Guarantor that is contractually subordinated or junior in right of payment to the Notes or the Parent Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means unsecured Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary from, but only for long as such Indebtedness is owed to, any Permitted Holder (other than the Parent Guarantor or any Restricted Subsidiary) as to which (a) the payment of principal of (and premium, if any) and interest and other payment obligations in respect of such Indebtedness is, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued or remains outstanding and an agreement (the "Subordination Agreement") to be entered into among the holders of such Indebtedness (or trustees or agents therefor) and the Trustee, expressly made subordinate to the prior payment in full of the Notes to at least the following extent: (i) no payments of principal of (or premium, if any) or interest on or otherwise due in respect of such Indebtedness may be permitted for so long as any Default exists; (ii) such Indebtedness may not (x) provide for payments of principal of such Indebtedness at the Stated Maturity thereof or by way of a sinking fund applicable thereto or by way of any mandatory redemption, defeasance, retirement or repurchase thereof by the Parent Guarantor (including any redemption, retirement or repurchase which is contingent upon events or circumstances), in each case prior to the final Stated Maturity of the Notes or (y) permit redemption or other retirement (including pursuant to an offer to purchase made by the Parent Guarantor or any Restricted Subsidiary) of such other Indebtedness at the option of the holder thereof prior to the final Stated Maturity of the Notes, except to the extent such redemption or other retirement is permitted under the covenant described under the caption "— Certain Covenants — Limitation on Restricted Payments" on the date of such redemption or other retirement, (iii) the Subordination Agreement will prevent the holders of such Indebtedness (or trustees or agents therefor) from pursuing remedies against the Parent Guarantor or any of the Restricted Subsidiaries or their respective assets or properties in an insolvency proceeding or in respect of a default under such Indebtedness and (iv) the Subordination Agreement will provide that in the event any payment is received by the holders of such Indebtedness (or any trustee or agent therefor) in respect of such Indebtedness where such payment is prohibited by one or more of the subordination provisions described in this definition, such payment shall be held in trust for the benefit of, and shall be paid over or delivered to, the Trustee on behalf of the Holders, and (b) the terms thereof provide that interest (and premium, if any) thereon is paid solely in the form of (i) pay-in-kind payments constituting additional Subordinated Shareholder Loans or (ii) cash (to the extent provided for when such Subordinated Shareholder Loan was originally Incurred) if such cash interest (or premium, if any) payment would be permitted to be made under the covenant described under the caption "— Certain Covenants — Limitation on Restricted Payments" on the date of such payment.

"Subsidiary" means, unless otherwise defined in this "Description of Notes", with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such Person in accordance with GAAP (including "Accounting Standards for Enterprises No. 33 — Consolidated Financial Statements" effective since July 1, 2014); *provided*, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be "controlled" by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of "Designation of Restricted and Unrestricted Subsidiaries" covenant.

"Subsidiary Guarantee" means any Guarantee of the obligations of the Issuer under the Indenture and the Notes by any Subsidiary Guarantor.

"Subsidiary Guarantor" means any Restricted Subsidiary that Guarantees the obligations of the Issuer under the Indenture and the Notes.

"Surviving Person" means the Issuer Surviving Person or the Parent Guarantor Surviving Person (both as defined under "— Consolidation, Merger and Sale of Assets"), as the case may be.

"Temporary Cash Investment" means any of the following:

(1) direct obligations of the United States of America, any state of the European Economic Area, the United Kingdom, Hong Kong, the PRC or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the United Kingdom, Hong Kong, the PRC or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations Guaranteed by, any state of the European Economic Area or the United Kingdom, shall be rated at least "A" by S&P or Moody's;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company that is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area, Hong Kong or the PRC and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act);

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Parent Guarantor) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "F1" (or higher) according to Fitch or "A-1" (or higher) according to S&P;

(5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P, Moody's or Fitch;

(6) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;

(7) demand or time deposit accounts, certificates of deposit overnight or call deposits and money market deposits with any bank, trust company or other financial institutions organized under the laws of the PRC or Hong Kong; and

(8) investment products that are principal protected with any bank or financial institution organized under the laws of the PRC or Hong Kong if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months' notice.

"Total Assets" means, as of any date, the total consolidated assets of the Parent Guarantor and its Measurement Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) *provided* that

(1) only with respect to clause (2)(k)(ii) of the "Certain Covenants — Limitation on Indebtedness" covenant and the definition of "Permitted Subsidiary Indebtedness", Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all the equipment, property or assets the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Parent Guarantor or any of its Measurement Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;

(2) only with respect to clause (2)(p) of "— Certain Covenants — Limitation on Indebtedness" covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Parent Guarantor as a result of such Person becoming a Restricted Subsidiary; and

(3) only with respect to any Person becoming a new Measurement Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such new Measurement Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Parent Guarantor, in each case as a result of such Person becoming a new Measurement Subsidiary).

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors (including without limitation contractors and suppliers) created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Parent Guarantor that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture and (2) any Subsidiary of an Unrestricted Subsidiary. On the Original Issue Date, each of ENN Energy and its Subsidiaries shall be an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person are entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain BVI, PRC and HK tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions as of the date of this Offering Memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

BVI Taxation

Under existing BVI laws, payments of interest and principal on the Notes will not be subject to taxation in the BVI and no withholding will be required on the payment of interest and principal to any holder of the Notes nor will gains derived from the disposal of the Notes be subject to BVI income or corporation tax, provided that the payments are made to persons who are not resident in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the BVI with respect to the Notes.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Company.

If neither the Company nor any subsidiary holds an interest in real estate in the BVI, no stamp duty is payable in respect of the issue of the Notes or on an instrument of transfer in respect of the Notes.

PRC Taxation

Income Tax on Interest and Capital Gains

The Company has been advised by its PRC legal advisor that there is uncertainty as to whether the Issuer will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. Under the EIT Law and the related regulations, if the Issuer is treated as a PRC "resident enterprise" or in the event that the Parent Guarantor is required to perform its obligations under the Parent Guarantee, PRC income tax at a rate of 10% would be required to be withheld from interest payments to holders that are "non-resident enterprises" and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income is not effectively connected with such establishment or place of business, if such interest is treated as income from sources within the PRC. The IIT Law also imposes a withholding tax at the rate of 20% on interest from PRC source paid to non-resident individual holders. In addition, any gain realized on the transfer of the Notes by such holders would be subject to PRC income tax at the rate of 10% for non-resident enterprise holders or 20% for non-resident individual holders if such gain is regarded as income derived from sources within the PRC. The Company currently takes the position that the Issuer is not a PRC resident enterprise. If the Issuer is treated as a PRC "resident enterprise", the interest the Issuer pays in respect of the Notes, and the gain any non-resident holder may realize from the transfer of the Notes, may be treated as income derived from sources within the PRC and be subject to the PRC tax described above, which may materially and adversely affect the value of investment in the Notes. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty.

Value Added Tax

On March 23, 2016, the MOF and the SAT issued Circular 36 which confirms that business tax was replaced by VAT from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36 Notice, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the ''loans'' refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Notes may be treated as though holders of the Notes are providing loans to the Issuer, which may be regarded as financial services subject to the VAT.

It is also not clear from the interpretation of Circular 36 if the provision of loans to the Issuer could be considered services provided within the PRC, in order to be regarded as the provision of financial services that could be subject to VAT. As there is no assurance that the Issuer will not be treated as "resident enterprises" under the EIT Law, PRC tax authorities could take the view that the holders of the Notes are providing loans within the PRC because the Issuer is treated as a PRC tax resident. In such case, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Issuer is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC, or if the interest component of the amount paid by the Parent Guarantor to the holders of the Notes under the Parent Guarantee is viewed as interest income arising within the territory of the PRC, the holders of the Notes would be subject to the VAT at the rate of 6% when receiving the interest payments or Parent Guarantee payments under the Notes or Parent Guarantee, as the case may be. In addition, the holders of the Notes would be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be approximately 6.72%. Given that the Issuer or the Parent Guarantor makes payments to the holders of the Notes who are located outside of the PRC, the Issuer or the Parent Guarantor, acting as the obligatory withholder in accordance with applicable law, would withhold the VAT and local levies from the payment of interest income or under the Parent Guarantee to holders of the Notes who are located outside of the PRC.

Where a holder of the Notes who is an entity or individual located outside of the PRC resells the Notes to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Notes is located inside the PRC.

Given Circular 36 has been issued recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. Accordingly, there is uncertainty as to the application of Circular 36.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside the PRC and the sale of the Notes is made outside of the PRC, as is expected to be the case).

Hong Kong Taxation

Withholding tax

No withholding tax is payable in Hong Kong on payments of principal, premium (if any) or distributions in respect of the Notes.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**Inland Revenue Ordinance**"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposition or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest payments on the Notes will be subject to Hong Kong profits tax where such payments have a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on trade, profession or business in Hong Kong and such distributions is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposition of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note (for so long as the register of holders of the Notes is maintained outside Hong Kong).

United States Federal Income Tax Considerations

The following is a summary of United States federal income tax considerations generally applicable to the ownership and disposition of the Notes by a "U.S. holder" (as defined below) who acquires our Notes upon original issuance at their initial offering price and who holds the Notes as "capital assets" (generally, property held for investment) for United States federal income tax purposes, but it does not purport to be a complete analysis of all potential tax consequences and considerations. This summary is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of United States federal income taxation which may be relevant to particular investors in light of their individual investment circumstances, such as investors subject to special tax rules (e.g., banks or other financial institutions, insurance companies, broker- dealers, tax-exempt organizations (including private foundations)), investors who are not U.S. holders, traders in securities that have elected the mark-to-market method of accounting, real estate investment trusts, regulated investment companies, pension plans, cooperatives, investors who hold Notes as part of a straddle or other integrated security transaction or investors whose functional currency is not the United States dollar, all of whom may be subject to tax rules that differ significantly from those summarized below. In addition, this summary does not address any state, local, non- United States, or non-income tax (such as United States federal gift and estate tax) considerations, the alternative minimum tax or the Medicare surtax on net investment. You are urged to consult your tax advisors regarding the United States federal, state, local, and non-United States income and other tax considerations of an investment in our Notes.

For purposes of this summary, a "U.S. holder" is a beneficial owner of our Notes that is, for United States federal income tax purposes:

- an individual who is a citizen or resident of the United States;

- a corporation created in, or organized under the laws of, the United States, any state thereof or the District of Columbia;

- an estate the income of which is subject to United States federal income taxation regardless of its source; or

- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (2) has an election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership or other entity or arrangement treated as a partnership is a beneficial owner of our Notes, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding our Notes, you are urged to consult your tax advisors regarding the United States federal income tax considerations of an investment in our Notes.

Certain Contingent Payments

Although the matter is not free from doubt, we believe, and intend to take the position, that the Notes should not be characterized as contingent payment debt instruments under United States federal income tax law even though the Notes provide for certain contingent payments (see "*Description of the Notes — Repurchase of Notes upon a SAFE Non-compliance Event" and* "*Description of the Notes — Repurchase of Notes upon a Change of Control Triggering Event*") because such contingencies are not significant more likely than not to occur, or should be treated as incidental contingencies. Our determination that the Notes are not contingent payment debt instruments is binding on you, unless you explicitly disclose in the manner required by applicable United States Treasury regulations that your determination is different from ours. If the Internal Revenue Service takes a contrary position, a United States holder may be required (i) to accrue interest income at a rate higher than the stated interest rate on the Notes, and (ii) to treat as ordinary income, rather than capital gain, any gain on the sale or retirement of the Notes. You should consult your tax advisor about the risk of the Notes being treated as contingent payment debt instruments. The remainder of this discussion assumes that the Notes are not contingent payment debt instruments.

Payments of Interest

Interest on the Notes will generally be taxable to you as ordinary income at the time it is paid or accrued in accordance with your method of accounting for United States federal income tax purposes.

In addition to interest on the Notes, you will be required to include in income any PRC or other foreign taxes withheld from the interest payments you receive even though you do not in fact receive such amounts and, without duplication, any Additional Amounts paid in respect of such foreign taxes withheld.

Sale, Exchange or Other Disposition of the Notes

Upon the sale, exchange or other taxable disposition of a Note, you will recognize gain or loss equal to the difference between the amount realized upon the sale, exchange or other disposition (less an amount equal to any accrued but unpaid interest, which will be taxable as described in "— *Payments of Interest*" above, to the extent not previously included in income) and your tax basis in the Note. As described in "Taxation — PRC Taxation," gains from the disposition of a Note may be subject to PRC tax if the Issuer is considered to be a PRC resident enterprise. If that were the case, your amount realized would include any amount withheld from your proceeds and paid to the PRC the gross amount of proceeds. Your tax basis in a Note will generally be the cost of such Note. Gain or loss on the sale, exchange or other taxable disposition will be capital gain or loss and will be long-term capital gain or loss if the Note were held for more than one year. Certain non-corporate U.S. holders (including individuals) may qualify for preferential rates of United States federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to certain limitations.

Foreign Tax Credit

If any PRC taxes (other than the VAT, as discussed below) are withheld in respect of any payments on the Notes (as discussed in "— *PRC Taxation*"), you may be entitled to claim either a deduction or a foreign tax credit for United States federal income tax purposes, subject to certain limitations (including that an election to deduct non-U.S. taxes in lieu of claiming foreign tax credits must apply to all of your non-U.S. taxes for a particular tax year). Interest income (including any Additional Amounts (and payments on the Parent Guarantee with respect to interest payments)) on a Note generally will be considered foreign source income and, for purposes of the foreign tax credit, generally will be considered "passive income." You will not be able to claim a foreign tax credit for any amounts withheld in respect of the PRC VAT, but, depending on your particular circumstances, you may be entitled to a deduction in respect of such amounts. You are urged to consult your tax advisors regarding the deductibility of any such amounts withheld in respect of the PRC VAT in your particular circumstances.

Because gain or loss on a sale or disposition of a Note generally will be U.S. source gain or loss, you may not be able to claim a credit for any foreign taxes imposed upon a disposition of a Note unless such credit can be applied (subject to certain limitations) against tax due on other income treated as derived from foreign source. If, however, any PRC tax is imposed upon a disposition of a Note (as discussed in "— *PRC Taxation*") and you are eligible for the benefits of the U.S.-China income tax treaty, any gain or loss (or a portion thereof) from such disposition might be treated as non-U.S. source gain or loss for foreign tax credit purposes. You are urged to consult your tax advisors regarding the tax consequences if PRC tax is imposed on the disposition of a Note, including the application of the foreign tax credit rules to your particular circumstances.

You will generally be denied a foreign tax credit for foreign taxes imposed with respect to the Notes if you do not meet a minimum holding period requirement during which you are not protected from risk of loss. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisers regarding the availability of the foreign tax credit under your particular circumstances.

Foreign Asset Reporting

A U.S. holder that owns "specified foreign financial assets" with an aggregate value in excess of \$50,000 (and in some circumstances, a higher threshold) may be required to file an information report with respect to such assets with its tax returns. "Specified foreign financial assets" may include financial accounts maintained by foreign financial institutions, as well as the following, but only if they are held for investment and not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts that have non-United States issuers or counterparties, and (iii) interests in foreign entities. You should consult your tax advisor regarding the effect, if any, of these rules on your ownership and disposition of the Notes.

Backup Withholding and Information Reporting

If you are a noncorporate U.S. holder, information reporting requirements, on Internal Revenue Service Form 1099, generally would apply to payments of principal and interest on a Note within the United States, and the payment of proceeds to you from the sale of a note effected at a United States office of a broker.

Additionally, backup withholding may apply to such payments if you fail to comply with applicable certification requirements or (in the case of interest payments) are notified by the IRS that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

Payment of the proceeds from the sale of a Note effected at a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker could be subject to information reporting in the same manner as a sale within the United States (and in certain cases may be subject to backup withholding as well) if (i) the broker has certain connections to the United States, (ii) the proceeds or confirmation are sent to the United States or (iii) the sale has certain other specified connections with the United States.

Backup withholding is not an additional tax. You generally may obtain a refund of any amounts withheld under the backup withholding rules that exceed your income tax liability by filing a refund claim with the IRS.

The preceding discussion of certain U.S. federal income tax considerations is general information only and is not tax advice. Accordingly, each U.S. holder should consult its own tax advisor as to the particular tax and reporting considerations pertinent to it of holding or disposing of the Notes, including the applicability and effect of any U.S. federal, state, local or non-U.S. tax laws, and of any changes or proposed changes in applicable law.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement (the "**Purchase Agreement**") among the Issuer, the Parent Guarantor and Morgan Stanley & Co. International plc, Citigroup Global Markets Inc., Standard Chartered Bank, Natixis, Deutsche Bank AG, Singapore Branch, China CITIC Bank International Limited, BNP Paribas, UBS AG Hong Kong Branch, China Everbright Bank Co., Ltd., Hong Kong Branch, CMB International Capital Limited, Mizuho Securities Asia Limited, J.P. Morgan Securities plc, BOCOM International Securities Limited and CCB International Capital Limited as the initial purchasers (the "**Initial Purchasers**"), the Initial Purchasers have, severally but not jointly, agreed to purchase, and we have agreed to sell to the Initial Purchasers, the principal amount of the Notes set forth below opposite such Initial Purchaser's name.

Initial purchaser	**Principal amount of Notes**
Morgan Stanley & Co. International plc	US$124,000,000
Citigroup Global Markets Inc.	US$124,000,000
Standard Chartered Bank	US$124,000,000
Natixis	US$124,000,000
Deutsche Bank AG, Singapore Branch	US$124,000,000
China CITIC Bank International Limited	US$ 20,000,000
BNP Paribas	US$ 20,000,000
UBS AG Hong Kong Branch	US$ 20,000,000
China Everbright Bank Co., Ltd., Hong Kong Branch	US$ 20,000,000
CMB International Capital Limited	US$ 20,000,000
Mizuho Securities Asia Limited	US$ 20,000,000
J.P. Morgan Securities plc	US$ 20,000,000
BOCOM International Securities Limited	US$ 20,000,000
CCB International Capital Limited	US$ 20,000,000
Total	US$800,000,000

The Purchase Agreement provides that the obligations of the Initial Purchasers to purchase the Notes are several and not joint and are subject to conditions as specified therein. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the Notes. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

We and the Parent Guarantor have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this Offering Memorandum only to persons who are qualified institutional buyers (as defined in Rule 144A under the Securities Act) in the United States in compliance with Rule 144A, and in offshore transactions in reliance on Regulation S under the Securities Act outside the United States. The price at which the Notes are offered may be changed at any time without notice. The Notes and the Parent Guarantee have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Transfer Restrictions*." The Initial Purchasers may offer and sell the Notes through certain of their respective affiliates.

The Issuer and the Parent Guarantor have agreed with the Initial Purchasers that, for a period of 30 days from the date of this Offering Memorandum, neither the Issuer nor the Parent Guarantor nor any of their respective affiliates will, without the prior written consent of the Initial Purchasers, directly or indirectly, issue, sell, offer or agree to sell, pledge, grant any option to purchase, make a short sale or otherwise dispose of, any other debt securities of the Issuer or the Parent Guarantor or debt securities guaranteed by the Issuer or the Parent Guarantor or securities of the Issuer, the Parent Guarantor that are convertible into, or exchangeable for, the Notes or such other debt securities (other than the Notes) outside the PRC.

The Notes will constitute a new issue of securities with no established trading market. Application will be made for the listing and quotation of the Notes on HKSE. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes. If an active public trading market for the Notes does not develop, their market price and liquidity may be adversely affected.

Any of the Initial Purchasers appointed and acting in a capacity as the stabilization manager (the "**Stabilization Managers**") (or its affiliates) may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit each of the Initial Purchasers (as stabilizing managers) to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers make any representation that the Stabilization Managers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this Offering Memorandum, which will be the fourth business day following the date of the pricing of the Notes (such settlement arrangement being referred to as "T+4"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days, so purchasers who wish to trade Notes on the date of pricing or the next succeeding business days will be required, by virtue of the fact that the Notes initially will settle in T+4, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own adviser.

The Initial Purchasers or their respective affiliates have in the past engaged, and may in the future engage, in transactions with and perform commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their respective affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. For example, affiliates of certain of the Initial Purchasers have extended certain loans to us and we intend to use part of the net proceeds of this offering to repay such loans. In addition, the Initial Purchasers or any of their affiliates may acquire for their own account a portion of the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution. In the ordinary course of their various business activities, the Initial Purchasers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments issued by us or our affiliates, including the Notes and could adversely affect the trading prices of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their respective affiliates acting in such capacity. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Notes. If this is the case, liquidity of trading in the Notes may be constrained (see "*Risk Factors — Risks Relating to the Notes and the Parent Guarantee — A trading market for the Notes may not develop and there are restrictions on resale of the Notes*.") The Issuer, the Parent Guarantor and the Initial Purchasers do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or its affiliates on behalf of the Issuer in such jurisdiction.

SELLING RESTRICTIONS

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes and the Parent Guarantee have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes and the Parent Guarantee are being offered and sold only to Qualified Institutional Buyers in reliance on Rule 144A under the Securities Act, and outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. Furthermore, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance Rule 144A.

United Kingdom

No invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by the Initial Purchaser in connection with the issue or sale of the Notes may be communicated or caused to be communicated except in circumstances in which section 21(1) of the FSMA does not apply to the Initial Purchaser.

All applicable provisions of the FSMA must be complied with respect to anything done or to be done by the Initial Purchaser in relation to any Notes in, from or otherwise involving the United Kingdom.

UK PRIIPs/Prohibition of sales to UK Retail Investors

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK.

For the purposes of this provision, the expression ''retail investor'' means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 ("**EUWA**"); or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

European Union

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Initial Purchaser has represented and agreed with us that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of the Notes to the public in that Relevant Member State other than:

- to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;

- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than "qualified investors" as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior written consent of the Initial Purchaser for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of the Notes shall require us or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State; the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

The sellers of the Notes have not authorized and do not authorize the making of any offer of Notes through any financial intermediary on their behalf, other than offers made by the Initial Purchaser with a view to the final placement of the Notes as contemplated in this Offering Memorandum. Accordingly, no purchaser of the Notes, other than the Initial Purchaser, is authorized to make any further offer of the Notes on behalf of the sellers or the Initial Purchasers.

PRIIPs/Prohibition of Sales to EEA Retail Investors

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "retail investor" means a person who is one (or more) of the following:

   (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

   (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Canada

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal in accordance with applicable Canadian securities laws, for investment only and not with a view to resale or redistribution, and that are "accredited investors", as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are "permitted clients", as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Hong Kong

Each of the Initial Purchasers represents, warrants and undertakes that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in 181 other circumstances which do not result in the document being a "prospectus" as defined in the

Companies (Winding Up and Miscellaneous Provisions Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the "**FIEL**"), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, "resident of Japan" means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six (6) months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

    (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (2) where no consideration is or will be given for the transfer;

    (3) where the transfer is by operation of law;

    (4) as specified in Section 276(7) of the SFA; or

    (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2018 of Singapore.

In connection with Section 309B of the SFA and the CMP Regulations 2018, the Company has determined the classification of the Notes as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRC

This Offering Memorandum does not constitute a public offer of the Notes, whether by sale of by subscription, in the PRC. The Notes will not be offered or sold within the PRC by means of this Offering Memorandum or any other document except pursuant to the applicable laws and regulations of the PRC.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes.

Each purchaser of the Notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or in Regulation S under the Securities Act are used herein as defined therein):

1. it is not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Company or acting on behalf of the Company and (A)(i) is a Qualified Institutional Buyer, (ii) is aware that the sale of the Notes to it is being made in reliance on Rule 144A and (iii) is acquiring such Notes for its own account or the account of a Qualified Institutional Buyer, or (B) is outside the United States in reliance upon Regulation S under the Securities Act;

2. it acknowledges that the Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any jurisdiction and may not be offered or sold within the United States except as set forth below;

3. it understands and agrees that if it is a purchaser other than a purchaser outside the United States and if it should resell or otherwise transfer the Securities within the time period referred to in Rule 144(d) under the Securities Act with respect to such transfer, it will do so only (a) if such purchaser is an Initial Purchaser, (i) to us or any subsidiary thereof; (ii) inside the United States to a Qualified Institutional Buyer in compliance with Rule 144A; (iii) outside the United States in an offshore transaction in compliance with Rule 904 under the Securities Act; (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available); or (b) if such purchaser is a subsequent purchaser of an interest in the Regulation S global note, as set forth in (a) above and, in addition, pursuant to any available exemption from the registration requirements under the Securities Act (provided that as a condition to the registration of transfer of any Securities otherwise than as described in (a)(i), (a)(ii) or (a)(iii) above or (c) below, the Company, the Trustee may, in circumstances that any of them deems appropriate, require evidence as to compliance with any such exemption); or (c) pursuant to an effective registration statement under the Securities Act, and in each of such cases, in accordance with any applicable securities laws of any state of the United States and any other jurisdiction. It understands that no representation has been made as to the availability of Rule 144A or any other exemption under the Securities Act or any state securities laws for the offer, sale, resale, pledge or transfer of the Securities;

4. it agrees to, and each subsequent holder is required to, notify any purchaser of the Notes from it of the resale restrictions referred to in clause 3 above, if then applicable;

5. it understands and agrees that (A) the Notes initially offered in the United States to Qualified Institutional Buyers will be represented by Rule 144A global notes and (B) the Notes offered outside the United States in reliance on Regulation S will be represented by Regulation S global notes;

6. it understands that the Notes will bear a legend to the following effect, unless otherwise agreed to by the Company:

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY

SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND ACCORDINGLY, THIS NOTE MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT AS SET FORTH IN THE FOLLOWING SENTENCE. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS ACQUIRING THIS NOTE IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT WITHIN THE TIME PERIOD REFERRED TO IN RULE 144(d) UNDER THE SECURITIES ACT AS IN EFFECT WITH RESPECT TO SUCH TRANSFER, RESELL OR OTHERWISE TRANSFER THIS NOTE EXCEPT (A) IF SUCH PURCHASER IS AN INITIAL PURCHASER, (I) TO THE COMPANY; (II) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT; (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT; OR (IV) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE); (B) IF SUCH PURCHASER IS A SUBSEQUENT PURCHASER OF AN INTEREST IN THE RESTRICTED GLOBAL NOTE, AS SET FORTH IN (A) ABOVE AND, IN ADDITION, PURSUANT TO ANY AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT (PROVIDED THAT AS A CONDITION TO THE REGISTRATION OF TRANSFER OF ANY NOTES OTHERWISE THAN AS DESCRIBED IN (A)(I), (A)(II) OR (A)(III) ABOVE OR (C) BELOW, THE COMPANY, THE TRUSTEE OR THE PAYING AGENT AND REGISTRAR MAY, IN CIRCUMSTANCES THAT ANY OF THEM DEEMS APPROPRIATE, REQUIRE EVIDENCE AS TO COMPLIANCE WITH ANY SUCH EXEMPTION); OR (C) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS NOTE WITHIN THE TIME PERIOD REFERRED TO ABOVE, THE HOLDER MUST CHECK THE APPROPRIATE BOX SET FORTH ON THE REVERSE HEREOF RELATING TO THE MANNER OF SUCH TRANSFER AND SUBMIT THIS CERTIFICATE TO THE TRUSTEE. AS USED HEREIN, THE TERMS "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. THE INDENTURE CONTAINS A PROVISION REQUIRING THE TRUSTEE AND THE PAYING AGENT TO REFUSE TO REGISTER ANY TRANSFER OF THIS NOTE IN VIOLATION OF THE FOREGOING RESTRICTIONS;

7. it acknowledges that the Company, the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent, the Registrar and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of such acknowledgments, representations or agreements deemed to have been made by virtue of its purchase of the Notes are no longer accurate, it shall promptly notify the Company, and if it is acquiring any Notes as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

For further discussion of the requirements (including the presentation of transfer certificates) under the Indenture to effect exchanges of transfer of interests in the global notes and of the Notes in certificated form, see "*Description of the Notes — Book-Entry; Delivery and Form.*"

SUMMARY OF CERTAIN DIFFERENCES BETWEEN PRC GAAP AND IFRS

Our consolidated financial statements included in this Offering Memorandum have been prepared and presented in accordance with PRC GAAP. Certain differences exist between PRC GAAP and IFRS which might be relevant to our financial information included herein.

The following is a general summary of certain differences between PRC GAAP and IFRS as applicable to us. The differences identified below are limited to those significant differences that are appropriate to our financial statements. We are responsible for preparing the summary below. Since the summary is not meant to be exhaustive, there is no assurance regarding the completeness of the summary.

We have not prepared a complete reconciliation of the consolidated financial information and related footnote disclosure between PRC GAAP and IFRS and have not quantified such differences. Had any such quantification or reconciliation been undertaken by us, other potentially significant accounting and disclosure differences may be required that are not identified below. In addition, no attempt has been made to identify possible future differences between PRC GAAP and IFRS as a result of prescribed changes in accounting standard.

Regulatory bodies that promulgate PRC GAAP and IFRS have significant projects on-going that could affect future comparisons such as this one. Furthermore, no attempt has been made to identify future differences between PRC GAAP and IFRS that may affect the financial information as a result of transactions or events that may occur in the future. As a result, no assurance is provided that the following summary of differences between PRC GAAP and IFRS is complete.

In making an investment decision, you must rely upon your own examination of our financial information, the terms of the offering and other disclosure contained herein.

Accounting Year

Under PRC GAAP, the accounting year shall run from January 1 to December 31.

IFRS requires financial statements to be presented at least annually. However, it does not specify the start or end of the financial reporting period and permits an entity to change its reporting date.

Format of Financial Statements and Items Presented

PRC GAAP contains detailed requirements on the format of financial statements and the items to be presented.

IFRS sets out overall principles and minimum line items to be presented but does not prescribe the formats in detail.

Classification of Expenses in the Income Statement/ Statement of Comprehensive Income

Under PRC GAAP, expenses must be classified based on their function in the income statement.

Under IFRS, enterprises may classify expenses either based on the nature of the expenses or their function in the statement of comprehensive income, depending on which format is considered reliable and more relevant.

Statement of Cash Flows

Under PRC GAAP, the direct method together with a supporting note reconciling operating result to cash flows arising from operations is the only permitted method.

Under IFRS, enterprises can choose whether to present cash flows from operating activities using the direct method or indirect method. Typically, entities reporting under IFRS use the indirect method.

Accounting for Business Combinations Involving Entities under Common Control

Under PRC GAAP, business combinations involving entities under common control shall be accounted for using a method of accounting similar to the pooling of interests method.

IFRS provides a definition of "Business combinations involving enterprises under common control." However, it uses this definition to scope out such business combinations from the requirements of IFRS and does not contain any alternative detailed accounting rules for such transactions.

In practice, divergent accounting treatments exist under IFRS. For example, some enterprises refer to generally accepted accounting principles in the United States, which is similar to PRC GAAP in principle. However, other enterprises apply the accounting treatments of business combinations not involving enterprises under common control as set out in IFRS.

Non-Controlling Interest / Minority Interest

Under PRC GAAP, the acquirer should always recognize the minority interest at the minority shareholders' proportionate interest in the acquiree's identifiable net assets.

Under IFRS, the acquirer can choose, on an acquisition by acquisition basis, whether to measure components of non-controlling interest in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Fixed Assets and Intangible Assets

Under PRC GAAP, only the cost model is permitted.

Under IFRS, an enterprise should make a policy choice, on a class by class basis, to carry items of property, plant and equipment held for own use using either the cost model or the revaluation model.

Borrowing Costs Eligible for Capitalization

Under PRC GAAP all exchange differences arising from the retranslation of the principal and interest of a specific foreign currency borrowing are eligible for capitalization.

Under IFRS, borrowing costs eligible for capitalization include exchange differences arising from foreign currency borrowings only to the extent that they represent an adjustment to interest costs.

Impairment of Assets (Including Long-Term Assets Measured At Historical Cost, Such As Fixed Assets and Intangible Assets, and Assets Held For Sale)

Under PRC GAAP, once an impairment loss is recognized, it shall not be reversed in a subsequent period.

Under IFRS, impairment losses recognized in prior periods for an asset other than goodwill should be reversed when the recoverable amount of the asset increases as a result of a change in estimates.

RATINGS

The Notes are expected to be rated "Ba1" by Moody's and "BBB" by Fitch. The rating reflects the rating agency's assessment of the likelihood of timely payment of the principal of and interest on the Notes. The rating does not constitute a recommendation to purchase, hold or sell the Notes in as much as such rating does not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of the Group, or on the Group. Additionally, the Parent Guarantor has been assigned a long-term corporate credit rating of "Ba1" with a stable outlook by Moody's and a long-term foreign currency issuer default rating of "BBB-" with a stable outlook by Fitch. A suspension, reduction or withdrawal of the rating assigned to the Notes or the Parent Guarantor may adversely affect the market price of the Notes. There can be no assurance that the rating will be confirmed or remain in effect for any given period or that the rating will not be revised by such rating agency in the future if in its judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for the Company by Sullivan & Cromwell (Hong Kong) LLP as to matters of United States federal and New York law, Commerce & Finance Law Offices as to matters of PRC law and Maples and Calder (Hong Kong) LLP as to matters of BVI law. Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of United States federal and New York law and King & Wood Mallesons as to matters of PRC law.

INDEPENDENT AUDITOR

Our Historical Financial Statements of 2018 and 2019 and Financial Statements of 2019 and 2020 have been audited by our independent auditor, Zhongxi, as stated in their audit reports appearing herein.

For the purpose of the offers and sales outside the United States in reliance on Regulation S and within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act, Zhongxi CPAs (Special General Partnership) has acknowledged the inclusion in this Offering Memorandum of all references to its name, its audit reports on our Historical Financial Statements of 2018 and 2019 and Financial Statements of 2019 and 2020, in the form and context in which they are respectively included in this Offering Memorandum.

GENERAL INFORMATION

Consents

All necessary consents, approvals and authorizations have been obtained in the PRC and the BVI in connection with the issue and performance of the Notes and the execution, delivery and performance of the Parent Guarantee, the Indenture and the Paying and Transfer Agent Appointment Letter. The issue of the Notes and entry into and performance of the relevant transaction documents was authorized by a resolution of the sole director of the Issuer on April 28, 2021. The giving of the Parent Guarantee and entering into and performance of the relevant transaction documents has been authorized by a resolution of the Company's Board of Directors dated July 21, 2020 and the Company's shareholders' meeting on August 7, 2020.

Documents Available

For so long as any of the Notes are outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear, Clearstream and DTC. Certain trading information with respect to the Notes is set forth below:

	ISIN	Common Code	CUSIP
Rule 144A global note	US268733AA05	233131504	268733 AA0
Regulation S global note	USG3065HAB71	233131539	G3065H AB7

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear, Clearstream or DTC, as the case may be. The Legal Entity Identifier of the Issuer is 3003009YZ3S5V395NR77.

Listing of the Notes

Application will be made to the HKSE for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only. It is expected that dealing in, and listing of, the Notes on the HKSE will commence on or about May 13, 2021. Listing of the Notes on the HKSE is conditional upon satisfaction of the requirements of the HKSE. The HKSE takes no responsibility for the correctness of any statements made on opinions or reports contained in this Offering Memorandum. Admission of the Notes to the official list of the HKSE is not to be taken as an indication of the merits of the Notes or us.

Litigation

There are no legal or arbitration proceedings against or affecting the Issuer, us, any of our subsidiaries, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes.

No Material Adverse Change

Except as disclosed in this Offering Memorandum, there has been no material adverse change in our financial or trading position or prospects since December 31, 2020.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

Audit report

Zhong Xi Shen Zi [2021] No. 00182

To the shareholders of ENN Natural Gas Co., Ltd.,

I. Audit Opinion

We have audited the financial statements of ENN Natural Gas Co., Ltd. (hereinafter referred to as "ENN-NG"), which comprise the consolidated and company statements of financial position as at 31 December, 2020, and the consolidated and company income statements, statements of cash flows, statements of changes in shareholder’s equity and the notes to financial statements for the year ended 31 December 2020.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of ENN-NG as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises.

II. Basis for Audit Opinion

We conducted our audit in accordance with the China CPA Standards on Auditing (CSA).Our responsibilities under those standards are further described in the Certified Public Accountant’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of ENN-NG in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Business combination involving entities under common control

1. Description of the Matter

In June 2020, ENN-NG and its wholly-owned subsidiary Xinneng (Hong Kong) Energy Investment Co., Ltd., through major asset replacement, share issuance and cash payment and raise matching funds, acquired 32.80% of the equity of ENN Energy Holdings Limited (hereinafter referred to as "ENN Energy") held by ENN Group International Investment Limited and Essential Investment Holding Company Limited with 25,840,270.00 thousand yuan. Since both ENN-NG and ENN Energy were controlled by the same controller before and after the acquisition, and the control was not temporary, the combination constituted a business combination involving entities under common control.Because the transaction amount is significant, the impact is relatively extensive and the business combination involving entities under common control involves the retrospective adjustment of the items related to the comparative statement, we identify it as a key audit matter. For details, please refer to Note VI of the Financial Statements, Changes in the Scope of Consolidation No. 2, Business combination involving entities under common control.

2. Audit Response

Our audit procedures for the business combination involving entities under common control mainly include:

(1) Obtain and review the relevant agreement and supplementary agreement, board resolutions, the appraisal institution's valuation report on the underlying assets, and the approval documents, etc., to determine the disposal date of the assets placed in the transaction and the combination date of the assets acquired , and evaluate the management's judgment on the disposal date and the combination date;

(2) Check whether the assets and liabilities acquired by ENN-NG in the business combination are measured according to the carrying amount of the combined party and review the accounting treatment of the difference between the carrying amount of the net assets obtained by ENN-NG in the combination and the combined consideration paid, and check the accounting treatment of the business combination involving entities under common control on the combination date;

(3) Check whether the consolidated financial statements retroactively restate the comparative financial data according to the relevant provisions of the business combination involving entities under common control;

(4) Check whether ENN-NG has incorporated the operating results and cash flows from the beginning of the disposal of assets to the disposal date in the consolidated financial statements according to the relevant provisions of the business combination, and check the accounting treatment of the disposal of assets in the business combination involving entities under common control on the disposal date;

(5) Check the relevant disclosure of the business combination in the financial statements and notes.

(II) Revenue Recognition

1. Description of the Matter

In 2020, ENN-NG recognized operating revenue of RMB 88.098 billion, see note 5, 49 of the financial statements for details. The income of ENN-NG mainly comes from natural gas retail, natural gas trade, natural gas direct supply, construction and installation, integrated energy sales and services, extension business, coal, energy, chemical industry and chemical industry trade, etc. Revenue is one of the key performance indicators for the company, there is an inherent risk that management of the company manipulate timing for revenue recognition to meet specific target or expectation, and accordingly, we identified revenue recognition as a key audit matter.

2. Audit Response

For this key audit matter, our audit procedures mainly include:

(1) Learn and evaluate the design of internal control for sales process by the management of ENN-NG and test the effectiveness of the implementation of key controls.

(2) Identify the key contract terms and performance obligations related to revenue recognition through sampling inspection of sales contracts and interviews with management, in order to determine whether the revenue recognition policy meets the requirements of corporate accounting standards and is consistently implemented;

(3) Compare the gross profit margin of ENN-NG with the gross profit margin of the same period of last year and the gross profit margin of the same industry to analyze whether the trend of gross profit margin changes is normal;

(4) Select samples according to the income list; check the supporting documents related to the confirmation of operating income, including contracts, orders, sales invoices, notice of payment of meter-reading, settlement statements, customer receipts, completion

report, etc.; and check the accuracy of the calculation of project income confirmed according to the progress of performance;

(5) Select some clients in the income of the reporting period for letter certification or customer visits to check the authenticity of the income

(6) Check the timeliness and completeness of the cost carry-forwards related to revenue recognition;

(7) For supporting documents such as checking the sales revenue confirmed before and after the balance sheet date to the customer's receipt, a cut-off test was performed to assess whether the sales revenue was recognized in an appropriate period.

IV. Other information

Management of ENN-NG is responsible for the other information. The other information comprises all the information included in 2020 annual report of ENN-NG other than the financial statements and our auditor’s report thereon.

Our audit opinions on the financial statements do not cover the other information and we do not express any form of assurance conclusions thereon.

In connection with our audit of the financial statements, our responsibility is to read other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of ENN-NG is responsible for preparation and fair presentation of these financial statements in accordance with the Accounting Standards for Business Enterprises, and for design, implementation, and maintenance of such necessary internal control to enable the financial statements that are free from material misstatements, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing ENN-NG’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern assumption unless management either intends to liquidate ENN-NG or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ENN-NG's financial reporting processes.

VI. Responsibility of Certified Public Accountants for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditor's report that includes audit opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of management's use of the going-concern assumption and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ENN-NG's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to make non-unqualified opinion. Our

conclusions are based on the information obtained up to the date of our auditor's report. However, future event or conditions may cause ENN-NG to cease to continue as a going concern.

(5) Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within ENN-NG to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any noteworthy deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

ZhongXi CPAs (Special General Partnership)

Certified Public Accountant of China: 祁卫红
(Project Partner)
Qi Weihong

Beijing, China

Certified Public Accountant of China: 邓海伏
Deng Haifu

22 March, 2021

Address: Floor 11, Block A, Xin Cheng Culture Building, No.11, Chongwenmenwai St, Beijing
Tel: 010-67085873 Fax: 010-67084147 Zip Code:100062

Consolidated Statement of Financial Position

31 December 2020

Prepared by: ENN Natural Gas Co., Ltd. Unit: RMB yuan

Item	Notes	31 December 2020	31 December 2019
Current assets:			
Cash and Cash equivalents	V-1	12,628,671,516.40	11,680,171,784.65
Financial assets held for trading	V-2	70,000,000.00	16,000,000.00
Derivative financial assets	V-3	335,764,715.67	345,009,630.69
Notes receivable	V-4	329,993,667.15	597,151,846.65
Accounts receivable	V-5	3,805,911,557.31	4,232,106,829.42
Financing receivables	V-6	880,392,846.98	636,871,111.69
Prepayments	V-7	3,403,429,594.37	2,083,817,134.20
Other receivables	V-8	2,007,520,487.34	1,236,292,880.98
Including: Interest receivable			4,596,331.61
Dividends receivable		343,139,492.68	156,671,635.46
Inventories	V-9	1,998,611,002.31	3,956,788,925.01
Contract assets	V-10	2,587,044,014.58	
Assets classified as held for sale			
Current portion of non-current assets	V-11	148,133,214.03	143,492,546.45
Other current assets	V-12	2,747,126,248.12	2,799,047,237.65
Total current assets		30,942,598,864.26	27,726,749,927.39
Non-current assets:			
Debt investment	V-13	16,482,833.34	52,901,105.21
Other debt investments:			
Long-term receivables	V-14	223,039,425.72	51,247,164.20
Long-term equity investments	V-15	5,559,716,796.51	10,665,122,605.35
Other equity instruments investments	V-16	281,257,089.92	126,340,209.65
Other non-current financial assets	V-17	5,051,557,760.82	5,168,936,829.77
Investment properties	V-18	260,873,860.00	268,080,470.00
Fixed assets	V-19	48,207,031,614.90	43,358,024,366.89
Construction in progress	V-20	7,823,413,164.32	8,763,079,789.24
Intangible Assets	V-21	8,145,099,432.57	7,134,941,824.90
Development expenditures	V-22	3,234,435.21	11,332,839.00
Goodwill	V-23	565,013,322.62	429,926,751.65
Long-term prepaid expenses	V-24	604,749,084.86	561,780,026.02
Deferred tax assets	V-25	1,793,951,950.82	1,598,255,296.46
Other non-current assets	V-26	45,838,188.37	245,778,255.01
Total non-current assets		78,581,258,959.98	78,435,747,533.35
Total assets		109,523,857,824.24	106,162,497,460.74

Legal representative: Chief Accountant: Head of accounting Department:

Item	Notes	31 December 2020	31 December 2019
Current liabilities:			
Short-term borrowings	V-27	9,605,123,380.23	11,252,482,251.31
Financial liabilities held for trading			
Derivative financial liabilities	V-28	404,926,176.28	416,146,392.35
Notes payable	V-29	975,402,563.23	612,143,841.31
Accounts payable	V-30	9,245,856,024.88	9,588,508,039.59
Receipts in advance			14,550,423,531.06
Contract liabilities	V-31	15,454,185,126.02	
Payroll and employee benefits payable	V-32	1,007,650,020.74	853,663,125.08
Taxes payable	V-33	2,027,546,929.11	1,680,285,827.01
Other payables	V-34	3,853,181,836.36	2,032,663,237.47
Including: Interest payable			334,794,033.48
Dividends payable		105,130,109.81	183,128,690.00
Liabilities classified as held for sale			
Current portion of non-current liabilities	V-35	7,082,257,544.15	718,475,806.15
Other current liabilities	V-36	1,398,708,212.13	
Total current liabilities		51,054,837,813.13	41,704,792,051.33
Non-current liabilities:			
Long-term borrowings	V-37	4,718,040,130.25	4,888,251,984.97
Bonds payable	V-38	10,784,240,848.84	12,434,605,436.33
Long-term payable	V-39	144,570,198.93	452,450,216.50
Provisions			
Deferred income	V-40	882,613,790.46	4,490,772,518.83
Deferred tax liabilities	V-25	2,783,874,513.67	1,962,415,649.10
Other non-current liabilities	V-41	3,883,865,840.61	329,878,814.14
Total non-current liabilities		23,197,205,322.76	24,558,374,619.87
Total liabilities		74,252,043,135.89	66,263,166,671.20
Owners' equity (or stockholder's equity):			
Share capital	V-42	2,599,982,463.00	1,229,355,783.00
Other equity instruments			
Capital reserve	V-43		1,873,857,356.98
Less: treasury shares	V-44	199,582,111.40	199,582,111.40
Other comprehensive income	V-45	295,942,293.84	224,291,267.63
Special reserve	V-46	84,492,290.62	73,412,324.44
Surplus reserve	V-47		144,206,528.16
Retained earnings	V-48	5,351,461,883.08	13,357,898,116.79
Equity attributable to owners of the parent		8,132,296,819.14	16,703,439,265.60
Non-controlling interests		27,139,517,869.21	23,195,891,523.94
Total owner's equity		35,271,814,688.35	39,899,330,789.54
Total liabilities and owner's equity		109,523,857,824.24	106,162,497,460.74

Legal representative: Chief Accountant: Head of accounting Department:

Company Statement of Financial Position

31 December 2020

Prepared by: ENN Natural Gas Co., Ltd.

Unit: RMB yuan

Item	Notes	31 December 2020	31 December 2019
Current assets:			
Cash and Cash equivalents		273,231,007.13	243,728,407.57
Financial assets held for trading			
Derivative financial assets			
Notes receivable			
Accounts receivable	XV-1		
Financing receivables			
Prepayments		270,047.62	861,167.62
Other receivables	XV-2	2,765,585,875.92	1,502,728,260.53
Including: Interest receivable			1,029,833.00
Dividends receivable		157,200,000.00	868,516,493.04
Inventories			
Contract assets			
Assets classified as held for sale			
Current portion of non-current assets		1,018,056,690.34	
Other current assets		83,222.45	572,380.63
Total current assets		4,057,226,843.46	1,747,890,216.35
Non-current assets:			
Debt investment			
Other debt investments			
Long-term receivables		1,638,830,433.46	2,955,830,433.46
Long-term equity investments	XV-3	9,102,159,082.90	9,190,136,852.18
Other equity instruments investments		1,320,254.84	2,520,332.53
Other non-current financial assets			
Investment properties			
Fixed assets		4,547,836.39	2,523,729.25
Construction in progress		31,992,423.85	25,672,425.58
Intangible Assets		11,535,123.15	5,584,849.13
Development expenditures			
Goodwill			
Long-term prepaid expenses		2,888.96	7,222.28
Deferred tax assets			
Other non-current assets			8,612,696.40
Total non-current assets		10,790,388,043.55	12,190,888,540.81
Total assets		14,847,614,887.01	13,938,778,757.16

Legal representative: 王玉锁印 1301048806280

Chief Accountant: 王冬至印

Head of accounting Department: 程惠芳印

Item	Notes	31 December 2020	31 December 2019
Current liabilities:			
Short-term borrowings		2,102,793,448.60	1,358,026,200.00
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable		172,000,000.00	
Accounts payable		1,503,071.23	6,433,197.59
Receipts in advance			
Contract liabilities			
Payroll and employee benefits payable		7,449,492.91	11,441,659.22
Taxes payable		6,901,240.32	3,184,270.89
Other payables		4,118,407,112.77	894,398,796.00
Including: Interest payable			50,497,747.69
Dividend payable			
Liabilities classified as held for sale			
Current portion of non-current liabilitiesr		10,200,000.00	120,000,000.00
Other current liabilities			
Total current liabilities		6,419,254,365.83	2,393,484,123.70
Non-current liabilities:			
Long-term borrowings		560,565,243.16	500,000,000.00
Bonds payable			149,699,000.00
Long-term payable		4,599,230,373.45	4,521,228,180.00
Provisions			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		5,159,795,616.61	5,170,927,180.00
Total liabilities		11,579,049,982.44	7,564,411,303.70
Owners' equity			
Share capital		2,599,982,463.00	1,229,355,783.00
Other equity instruments			
Capital reserve		131,309,345.02	4,339,472,379.13
Less: treasury shares		199,582,111.40	199,582,111.40
Other comprehensive income		-9,791,840.03	-8,591,762.34
Special reserve			
surplus reserve		200,560,905.45	200,560,905.45
Retained earnings		546,086,142.53	813,152,259.62
Total owner's equity		3,268,564,904.57	6,374,367,453.46
Total liabilities and owner's equity		14,847,614,887.01	13,938,778,757.16

Legal representative: 王玉锁印 1301048806280

Chief Accountant: 王冬至印

Head of accounting Department: 程志岩印

Consolidated Income Statement

For the year ended 31 December 2020

Prepared by: ENN Natural Gas Co., Ltd. Unit:RMB yuan

Item	Notes	2020	2019
I. Total revenue		88,098,770,537.09	88,652,184,102.30
Including: Operating income	V-49	88,098,770,537.09	88,652,184,102.30
II. Total cost of sales		77,833,571,681.83	80,269,571,672.48
Including: Cost of sales	V-49	71,782,441,023.82	73,221,448,558.23
Taxes and surcharges	V-50	569,363,019.67	539,729,108.36
Selling expenses	V-51	1,210,194,667.31	1,321,417,710.77
General and administrative expenses	V-52	3,309,395,246.78	3,292,483,413.52
R&D expenses	V-53	585,077,114.98	504,315,500.22
Financing Expenses	V-54	377,100,609.27	1,390,177,381.38
Including: Interest expense		1,205,477,928.84	1,357,598,562.27
Interest income		166,035,314.81	274,808,626.53
Add: Other income	V-55	389,710,772.56	247,261,732.95
Investment income /(loss)	V-56	404,381,739.87	1,351,629,812.11
Including: Share of profits or loss of associates and joint ventures		252,425,551.22	1,013,422,209.31
Gain from derecognition of financial assets measured at amortized cost			
Net exposure hedging gains/ (losses)			
Gain/ (loss) on the changes in fair value	V-57	-81,044,049.41	805,728,956.68
Credit impairment losses	V-58	-204,803,105.91	-58,805,795.48
Assets impairment losses	V-59	-63,149,132.96	-19,358,394.82
Gain/ (loss) from disposal of assets	V-60	-125,424,990.92	-30,199,121.26
III. Operating profit		10,584,870,088.49	10,678,869,620.00
Add: Non-operating income	V-61	83,200,998.43	243,367,449.71
Less: Non-operating expenses	V-62	233,430,286.19	130,286,003.11
IV. Profit/(loss) before tax		10,434,640,800.73	10,791,951,066.60
Less: Income tax expense	V-63	2,601,575,347.71	2,438,005,887.32
V. Net profit (loss)		7,833,065,453.02	8,353,945,179.28
(I) Categorized by operation continuity			
1. Net profit from continuing operations		7,833,065,453.02	8,170,951,101.65
2. Net profit from discontinuing operations			182,994,077.63
(II) Categorized by ownership			
1. Net profit attributable to owners of the parent		2,106,956,909.70	2,905,589,705.50
2. Net profit attributable to non-controlling interests		5,726,108,543.32	5,448,355,473.78
VI. Other comprehensive income, net of tax		81,733,590.00	29,266,259.54
(i) Other comprehensive income, net of tax, attributable to owners of the parent		71,651,026.22	25,995,472.44
1. Other comprehensive income that will not be reclassified to profit or loss		32,460,585.79	-8,591,762.34
(1) Remeasurement gains or losses of a defined benefit plan			

Item	Notes	2020	2019
(2) Other comprehensive income using the equity method that will not be reclassified to profit or loss			
(3) Changes in fair value of other equity instrument investments		32,460,585.79	-8,591,762.34
(4) Changes in fair value of enterprise's own credit risk			
2. Other comprehensive income to be reclassified to profit or loss		39,190,440.43	34,587,234.78
(1) Other comprehensive income that can be reclassified to profit or loss in equity method		172,734,756.93	2,083,493.07
(2) Changes in fair value of other debt investments			
(3) Amount of financial assets reclassified into other comprehensive income			
(4) Provision for credit impairment of other debt investments			
(5) Cash flow hedging reserves (effective part of profit and loss of cash flow hedging)		-12,142,789.00	
(6) Exchange differences on translation of foreign currency financial statements		-121,401,527.50	32,122,645.33
(7) Others			381,096.38
(ii) Other comprehensive income, net of tax attributable to non-controlling interests		10,082,563.78	3,270,787.10
VII. Total comprehensive income		7,914,799,043.02	8,383,211,438.82
(i) Total comprehensive income attributable to owners of the parent		2,178,607,935.92	2,931,585,177.94
(ii)Total comprehensive income attributable to non-controlling interests		5,736,191,107.10	5,451,626,260.88
VIII. Earnings per share			
(I) Basic earnings per share (yuan/share)		0.82	1.12
(II) Diluted earnings per share (yuan/share)		0.82	1.12

Amongst business combination under common control in the current period, the net profit realized by the mergee prior to the combination is 3,509,840,211.70 yuan (previous year: 4,147,693,987.53 yuan)

Legal representative: 锁王 印玉 1301048808280

Chief Accountant: 至王 印冬

Head of accounting Department: 岩程 印志

Income Statements of Company

For the year ended 31 December 2020

Prepared by: ENN Natural Gas Co., Ltd. Unit:RMB yuan

Item	Notes	2020	2019
I. **Total revenue**	XV-4	202,433,785.47	163,012,645.71
Less: Total cost of sales	XV-4	111,324.62	253,362.24
Taxes and surcharges		3,958,848.56	1,715,160.34
Selling expenses			
Administrative expenses		80,120,053.57	137,348,152.64
Research and development expenses			
Financing Expenses		214,875,446.73	293,253,739.61
Including: Interest expenses		211,488,952.39	247,683,669.16
Interest income		9,764,509.71	5,245,416.06
Add: Other income		224,570.96	225,314.75
Investment income /(loss)	XV-5	84,801,270.49	769,959,674.56
Including: Share of profits or loss of associates and joint ventures		-12,656,539.09	-1,827,465.44
Gain from derecognition of financial assets measured at amortized cost			
Net exposure hedging gains/ (losses)			
Gain/ (loss) on the changes in fair value			
Credit impairment losses		176,651.10	-2,943,184.86
Assets impairment losses			
Gain/ (loss) from disposal of assets			-7,073.20
II. Operation profit/Loss		-11,429,395.46	497,676,962.13
Add: Non-operating income		16,210.90	143,154,050.15
Less: Non-operating expenses		1,339,632.38	500.00
III. **Profit/(loss) before tax**		-12,752,816.94	640,830,512.28
Less: Income tax expense			
IV. Net profit / loss		-12,752,816.94	640,830,512.28
(i) Net profit from continuing operations		-12,752,816.94	640,830,512.28
(ii) Net profit from discontinuing operations			
V. Other comprehensive income, net of tax		-1,200,077.69	-8,591,762.34
(i) Other comprehensive income that will not be reclassified to profit or loss		-1,200,077.69	-8,591,762.34
1. Remeasurement gains or losses of a defined benefit plan			
2. Other comprehensive income using the equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments		-1,200,077.69	-8,591,762.34
4. Changes in fair value of enterprise's own credit risk			
(ii) Other comprehensive income to be reclassified to profit or loss			
1. Other comprehensive income that can be reclassified to profit or loss in equity method			
2. Changes in fair value of other debt investments			
3. Amount of financial assets reclassified into other comprehensive income			

Item	Notes	2020	2019
4. Provision for credit impairment of other debt investments			
5. Cash flow hedging reserves (effective part of profit and loss of cash flow hedging)			
6. Exchange differences on translation of foreign currency financial statements			
7. Others			
VI. Total comprehensive income		-13,952,894.63	632,238,749.94

Legal representative: 王玉锁印 1301048806280

Chief accountant: 王冬至印

Head of Accounting Department: 程志岩印

Consolidated Statement of Cash Flow

For the year ended 31 December 2020

Prepared by: ENN Natural Gas Co., Ltd.

Unit: RMB yuan

Item	Notes	2020	2019
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		103,565,872,993.43	104,303,019,174.10
Tax refunds received		143,666,791.42	49,081,591.72
Cash received relating to other operating activities	V-64	745,368,810.96	900,680,202.36
Sub-total of cash inflows		104,454,908,595.80	105,252,780,968.18
Cash paid for purchase goods and services		80,774,528,030.34	79,981,032,115.68
Cash paid to and on behalf of employee		4,630,682,426.18	4,531,879,035.32
Cash paid for taxes		4,518,825,341.33	4,381,766,012.31
Cash paid relating to other operating activities	V-64	2,083,196,192.67	2,047,377,764.51
Sub-total of cash outflows		92,007,231,990.52	90,942,054,927.82
Net cash flow from operating activities		12,447,676,605.28	14,310,726,040.36
II. Cash flows from investing activities:			
Cash received from disposal of investments		10,370,442,430.67	21,007,000,000.00
Cash received from investment income		616,756,642.75	664,707,335.79
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets		230,475,712.80	410,768,311.28
Cash received from disposal of subsidiaries and other business units		359,776,165.42	700,449,636.30
Cash received relating to other investing activities	V-64	1,674,442,342.22	1,370,479,711.07
Sub-total of cash inflows		13,251,893,293.85	24,153,404,994.44
Purchase of property, plant and equipment, intangible assets and other non-current assets		6,921,988,353.43	8,910,860,365.73
Cash paid for investments		10,782,146,145.09	20,791,258,696.40
Net cash paid for acquisition of a subsidiary and other operating units		705,211,657.56	1,285,400,122.41
Cash paid relating to other investing activities	V-64	2,051,607,858.57	1,186,379,718.99
Sub-total of cash outflows		20,460,954,014.65	32,173,898,903.53
Net cash flows from investing activities		-7,209,060,720.80	-8,020,493,909.09
III. Cash flows from financing activities:			
Cash received from investment		200,130,000.00	165,540,000.00
Including: Cash receipts from capital contributions from non-controlling interests of subsidiaries		200,130,000.00	165,540,000.00
Proceeds from borrowings		24,143,126,297.56	22,964,925,182.39
Cash receipts relating to other financing activities	V-64	11,290,450,300.78	9,858,196,923.74
Sub-total of cash inflows		35,633,706,598.34	32,988,662,106.13
Repayments for debts		20,680,837,911.59	24,282,906,958.35
Cash payments for distribution of dividends or profit and interest expenses		4,413,231,018.26	3,798,293,738.76
Including: Dividends or profit paid to non-controlling shareholders of subsidiaries		2,554,150,386.43	2,186,381,876.34

Item	Notes	2020	2019
Cash payments relating to other financing activities	V-64	14,749,307,378.95	10,937,586,609.72
Sub-total of cash outflows		39,843,376,308.80	39,018,787,306.83
Net cash flows from financing activities		-4,209,669,710.45	-6,030,125,200.70
IV. Effect of exchange rate changes on cash and cash equivalents		25,423,329.03	17,349,255.13
V. Net increase in cash and cash equivalents		1,054,369,503.06	277,456,185.70
Add: Cash and cash equivalents at beginning of year		10,576,617,498.97	10,299,161,313.27
VI. Cash and cash equivalents at end of year		11,630,987,002.03	10,576,617,498.97

Legal representative: 王玉锁印 1301048806280

Chief Accountant: 王冬至印

Head of Accounting Department : 程志岩印

Company Statement of Cash Flows

For the year ended 31 December 2020

Prepared by: ENN Natural Gas Co., Ltd. Unit: RMB yuan

Item	Notes	2020	2019
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services			
Tax refunds received			
Cash received relating to other operating activities		75,469,103.02	46,622,362.21
Sub-total of cash inflows		75,469,103.02	46,622,362.21
Cash paid for purchase of goods and services			
Cash paid to and on behalf of employee		31,893,012.71	63,233,128.62
Cash paid for taxes		10,762,050.42	9,220,437.76
Cash paid relating to other operating activities		32,487,656.74	57,639,046.74
Sub-total of cash outflows		75,142,719.87	130,092,613.12
Net cash flows from operating activities		326,383.15	-83,470,250.91
II. Cash flows from investing activities:			
Cash received from disposal of investments			756,557,800.00
Cash received from investment income		868,516,493.04	227,000,000.00
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets			1,735.00
Cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities			6,298,200.00
Sub-total of cash inflows		868,516,493.04	989,857,735.00
Purchase of property, plant and equipment, intangible assets, and other non-current assets		19,920,528.26	21,855,381.56
Cash paid for investments		19,551,797.60	1,059,258,696.40
Net cash paid for acquisition of a subsidiary and other operating units			
Cash paid relating to other investing activities		33,439,637.58	24,497,859.98
Sub-total of cash outflows		72,911,963.44	1,105,611,937.94
Net cash flows from investing activities		795,604,529.60	-115,754,202.94
III. Cash flows from financing activities			
Cash received from investment			
Proceeds from borrowings		2,482,993,611.00	2,200,000,000.00
Cash receipts relating to other financing activities		14,993,812,532.07	14,623,136,636.00
Sub-total of cash inflows		17,476,806,143.07	16,823,136,636.00
Repayments for debts		1,940,618,811.00	6,099,631,610.57
Cash payments for distribution of dividends or profit and interest expenses		386,459,181.81	578,987,299.15
Cash payments relating to other financing activities		15,915,781,382.00	9,724,359,770.40
Sub-total of cash outflows		18,242,859,374.81	16,402,978,680.12
Net cash flows from financing activities		-766,053,231.74	420,157,955.88
IV. Effect of exchange rate changes on cash and cash equivalents		-375,081.45	-225,208.75
V. Net increase in cash and cash equivalents		29,502,599.56	220,708,293.28
Add: Cash and cash equivalents at beginning of year		243,728,407.57	23,020,114.29
VI. Cash and cash equivalents at end of year		273,231,007.13	243,728,407.57

Legal representative: 王玉锁印 1301048806280

Chief Accountant: 王冬至印

Head of Accounting Department: 程志岩印

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Prepared by: ENN Natural Gas Co., Ltd.

Unit: RMB yuan

Item	2020												
	Equity attributable to owners of the parent											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserves	surplus reserve	Retained earnings	Subtotal		
		Preference share	Perpetual debt	Others									
I. Balance at the end of previous year	1,229,355,783.00				1,779,063,615.45	199,582,111.40	216,988,454.37	54,045,885.41	144,206,528.16	6,129,474,429.20	9,353,552,584.19	773,967,515.07	10,127,520,099.26
Add: changes in accounting policies													
Corrections of prior period errors													
Business combination under common control					94,793,741.53		7,302,813.26	19,366,439.03		7,228,423,687.59	7,349,886,681.41	22,421,924,008.87	29,771,810,690.28
Others													
II. Balance at the beginning of the year	1,229,355,783.00				1,873,857,356.98	199,582,111.40	224,291,267.63	73,412,324.44	144,206,528.16	13,357,898,116.79	16,703,439,265.60	23,195,891,523.94	39,899,330,789.54
III.Increase/(decrease) during the period	1,370,626,680.00				-1,873,857,356.98		71,651,026.22	11,079,966.18	-144,206,528.16	-8,006,436,232.77	-8,571,142,445.52	3,943,626,345.02	-4,627,516,100.50
(i) Total comprehensive income							71,651,026.22			2,106,956,909.70	2,178,607,935.92	5,736,191,107.10	7,914,799,043.02
(ii) Shareholders' contributions and reduction	1,370,626,680.00				-1,873,857,356.98				-144,206,528.16	-9,859,079,842.32	-10,506,517,047.46	211,376,003.82	-10,295,141,043.64
1. Shareholders 'contributions in ordinary share	1,370,626,680.00										1,370,626,680.00	186,022,000.00	1,556,648,680.00
2. Other equity instruments contributions													
3. Amounts of share-based payments recognized in equity													
4. Others					-1,873,857,356.98				-144,206,528.16	-9,859,079,842.32	-11,877,143,727.46	25,354,003.82	-11,851,789,723.64
(iii) Profit distribution										-254,313,300.15	-254,313,300.15	-2,009,604,439.98	-2,263,917,740.13
1. Transfer to surplus reserve													
2. Transfer to general Reserve													
3. Distribution to shareholders										-254,313,300.15	-254,313,300.15	-2,009,604,439.98	-2,263,917,740.13

Item	2020												
	Equity attributable to owners of the parent											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserves	surplus reserve	Retained earnings	Subtotal		
		Preference share	Perpetual debt	Others									
4. Others													
(iv) Transfer within equity													
1. Capital reserves converted to Share capital													
2. Surplus reserve converted to Share capital													
3. Loss made up by surplus reserves													
4. Changes in the defined benefit plan transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(v) Special reserve								11,079,966.18			11,079,966.18	5,663,674.08	16,743,640.26
1. Additions								232,934,717.30			232,934,717.30	21,821,203.21	254,755,920.50
2. Utilization								221,854,751.12			221,854,751.12	16,157,529.13	238,012,280.25
(vi) Others													
IV. Balance at the end of the period	2,599,982,463.00					199,582,111.40	295,942,293.85	84,492,290.62		5,351,461,884.02	8,132,296,820.08	27,139,517,868.96	35,271,814,689.04

Legal Representative: 锁王印玉 1301048806280

Chief Accountant: 王至冬印

Head of Accounting Department: 岩程印志

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

Prepared by: ENN Natural Gas Co., Ltd.

Unit: RMB yuan

Item	2019												
	Equity attributable to owners of the parent											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	surplus reserve	Retained earnings	Subtotal		
		Preference share	Perpetual debt	Others									
I. Balance at the end of previous year	1,229,355,783.00				1,793,648,066.94	59,740,670.18	192,290,487.20	62,993,079.64	80,123,476.85	5,243,225,709.19	8,541,895,932.64	794,769,961.07	9,336,665,893.71
Add: changes in accounting policies													
Corrections of prior period errors													
Business combination under common control					99,506,325.35		6,005,307.99	19,586,422.80		5,913,106,797.04	6,038,204,853.18	18,259,803,034.02	24,298,007,887.20
Others													
II. Balance at the beginning of the year	1,229,355,783.00				1,893,154,392.29	59,740,670.18	198,295,795.19	82,579,502.44	80,123,476.85	11,156,332,506.23	14,580,100,785.82	19,054,572,995.09	33,634,673,780.91
III.Increase/(decrease) during the period					-19,297,035.31	139,841,441.22	25,995,472.44	-9,167,178.00	64,083,051.31	2,201,565,610.56	2,123,338,479.78	4,141,318,528.85	6,264,657,008.63
(i) Total comprehensive income							25,995,472.44			2,905,589,705.50	2,931,585,177.94	5,451,626,260.88	8,383,211,438.82
(ii) Shareholders' contributions and reduction					-4,712,583.82	139,841,441.22				-385,627,743.48	-530,181,768.52	340,345,093.32	-189,836,675.20
1. Shareholders 'contributions in ordinary share												147,773,108.24	147,773,108.24
2. Other equity instruments contributions													
3. Amounts of share-based payments recognized in equity													
4. Others					-4,712,583.82	139,841,441.22				-385,627,743.48	-530,181,768.52	192,571,985.08	-337,609,783.44
(iii) Profit distribution									64,083,051.31	-318,396,351.46	-254,313,300.15	-1,650,095,664.37	-1,904,408,964.52
1. Transfer to surplus reserve									64,083,051.31	-64,083,051.31			
2. Transfer to general Reserve													
3. Distribution to shareholders										-254,313,300.15	-254,313,300.15	-1,650,095,664.37	-1,904,408,964.52
4. Others													

Item	2019												
	Equity attributable to owners of the parent											Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	surplus reserve	Retained earnings	Subtotal		
		Preference share	Perpetual debt	Others									
(iv) Transfer within equity													
1. Capital reserves converted to Share capital													
2. Surplus reserve converted to Share capital													
3. Loss made up by surplus reserves													
4. Changes in the defined benefit plan transferred to retained earnings													
5. Other comprehensive income transferred to retained earnings													
6. Others													
(v) Special reserve								-9,167,178.00			-9,167,178.00	-557,160.98	-9,724,338.98
1. Additions								193,675,338.24			193,675,338.24	12,437,895.93	206,113,234.17
2. Utilization								202,842,516.24			202,842,516.24	12,995,056.91	215,837,573.15
(vi) Others					-14,584,451.49						-14,584,451.49		-14,584,451.49
IV. Balance at the end of the period	1,229,355,783.00				1,873,857,356.98	199,582,111.40	224,291,267.63	73,412,324.44	144,206,528.16	13,357,898,116.79	16,703,439,265.60	23,195,891,523.94	39,899,330,789.54

Legal Representative: 锁王 印王 1301048806280

Chief Accountant: 王至 冬印

Head of Accounting Department: 程岩 志印

Company Statement of Changes in Equity

For the year ended 31 December 2020

Prepared by: ENN Natural Gas Co., Ltd.

Unit: RMB yuan

Item	2020										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	surplus reserve	Retained earnings	Total shareholders' equity
		Preference share	Perpetual debt	Others							
I. Balance at the end of previous year	1,229,355,783.00				4,339,472,379.13	199,582,111.40	-8,591,762.34		200,560,905.45	813,152,259.62	6,374,367,453.46
Add: changes in accounting policies											
Correction of prior period errors											
Others											
II. Balance at the beginning of the year	1,229,355,783.00				4,339,472,379.13	199,582,111.40	-8,591,762.34		200,560,905.45	813,152,259.62	6,374,367,453.46
III. Increase/(decrease) during the period	1,370,626,680.00				-4,208,163,034.11		-1,200,077.69			-267,066,117.09	-3,105,802,548.89
(i) Total comprehensive income							-1,200,077.69			-12,752,816.94	-13,952,894.63
(ii) Shareholders' contributions and reduction	1,370,626,680.00				-4,208,163,034.11						-2,837,536,354.11
1. Shareholders' contributions in ordinary share	1,370,626,680.00										
2. Other equity instruments contributions											
3. Amounts of share-based payments recognized in equity											
4. Others					-4,208,163,034.11						-4,208,163,034.11
(iii) Profit distribution										-254,313,300.15	-254,313,300.15
1. Transfer to surplus reserve											
2. Distribution to shareholders										-254,313,300.15	-254,313,300.15
3. Others											
(iv) Transfer within equity											
1. Capital reserves converted to Share capital											
2. Surplus reserve converted to share capital											

Item	2020										
	Share capital	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	surplus reserve	Retained earnings	Total shareholders' equity
		Preference share	Perpetual debt	Others							
3. Loss made up by surplus reserves											
4. Changes in the defined benefit plan transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(v) Special reserve											
1. Additions											
2. Utilization											
(vi) Others											
IV. Balance at the end of the period	2,599,982,463.00				131,309,345.02	199,582,111.40	-9,791,840.03		200,560,905.45	546,086,142.53	3,268,564,904.57

Legal Representative: 王玉锁印 1301048806280

Chief Accountant: 王冬至印

Head of Accounting Department: 程志岩印

Company Statement of Changes in Equity

For the year ended 31 December 2020

Prepared by: ENN Natural Gas Co., Ltd.

Unit: RMB yuan

Item	2019										
	Share capita	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	surplus reserve	Retained earnings	Total shareholders' equity
		Preference share	Perpetual debt	Others							
I. Balance at the end of previous year	1,229,355,783.00				4,339,472,379.13	59,740,670.18			136,477,854.14	490,718,097.98	6,136,283,444.07
Add: changes in accounting policies											
Corrections of prior period errors											
Others											
II. Balance at the beginning of the year	1,229,355,783.00				4,339,472,379.13	59,740,670.18			136,477,854.14	490,718,097.98	6,136,283,444.07
III. Increase/(decrease) during the period						139,841,441.22	-8,591,762.34		64,083,051.31	322,434,161.64	238,084,009.39
(i) Total comprehensive income							-8,591,762.34			640,830,513.10	632,238,750.76
(ii) Shareholders' contributions and reduction						139,841,441.22					-139,841,441.22
1. Shareholders' contributions in ordinary share											
2. Other equity instruments contributions											
3. Amounts of share-based payments recognized in equity											
4. Others						139,841,441.22					-139,841,441.22
(iii) Profit distribution									64,083,051.31	-318,396,351.46	-254,313,300.15
1. Transfer to surplus reserve									64,083,051.31	-64,083,051.31	
2. Distribution to shareholders										-254,313,300.15	-254,313,300.15
3. Others											
(iv) Transfer within equity											
1. Capital reserves converted to Share capital											

Item	2019										
	Share capita	Other equity instruments			Capital reserve	Less: Treasury Shares	Other comprehensive income	Special reserve	surplus reserve	Retained earnings	Total shareholders' equity
		Preference share	Perpetual debt	Others							
2. Surplus reserve converted to Share capital											
3. Loss made up by surplus reserves											
4. Changes in the defined benefit plan transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(v) Special reserve											
1. Additions											
2. Utilization											
(vi) Others											
IV. Balance at the end of the period	1,229,355,783.00				4,339,472,379.13	199,582,111.40	-8,591,762.34		200,560,905.45	813,152,259.62	6,374,367,453.46

Legal representative: 锁王 印玉 1301048806280

Chief Accountant: 至王 印冬

Head of Accounting Department: 岩程 印志

ENN Natural Gas Co., Ltd.
Notes to Financial Statements of 2020

(Unless otherwise indicated, all amounts herein are expressed in RMB)

I. Company General Information

1. Company Introduction

ENN Natural Gas Co., Ltd.(hereinafter the "Company" or "ENN-NG"), established in July 1992 upon approval by Hebei Provincial Commission for Restructuring the Economic System following document [1992] No.1 and No.40, was originally named as "Hebei Veyong Industrial Co., Ltd". Upon CSRC approval (CSRC [1993] No.52) in December 1993, the Company publicly offered 20 million A shares, and became listed on the Shanghai Stock Exchange on 3 January 1994, stock code: 600803. In March 1999, the Company was renamed as "Hebei Veyong Biochemical Co., Ltd", and its business license was replaced (registration number: 1300001000524). On 18 October of the same year, upon CSRC approval (CSRC [1999] No.117), the Company allotted shares based on total share capital at the end of 1998, and after such allotment, total share capital amounted to RMB 118.2217 million, including RMB 52.1257 million of state-owned legal person shares and RMB 66.0960 million of public shares. Its state-owned legal person shares were held by Hebei Veyong Group.

On 12 May 2004, upon SASAC approval (SASAC [2004] No.365) of Plan to change ownership and nature of state-owned shares proposed by Hebei Veyong Group, ENN Group and Shijiazhuang ENN Investment Co., Ltd acquired the entire Hebei Veyong Group and thus became the Company's actual controllers. On 28 December 2004, upon CSRC approval (CSRC [2004] No.116), ENN Group and Shijiazhuang ENN Investment Co., Ltd.'s tender offer obligation from acquisition of Hebei Veyong Group and therefore controlling 52.1257 million Company shares was exempted. By purchasing 80% shares of Hebei Veyong Group, ENN Group became an indirect controlling shareholder of Hebei Veyong Biochemical Co., Ltd.

On 4 April 2006, pursuant to Hebei Veyong Biochemical Co., Ltd Share Splitting Reform Plan which was adopted by the shareholders' meeting on share splitting reform, Hebei Veyong Group, as a holder of non-tradable shares, granted 2.5 shares per 10 shares to holders of tradable shares in exchange for the tradability of non-tradable shares, and in aggregate, 16,524,000 shares were granted. After implementation of this plan, the Company's total share capital remained unchanged.

On 30 May 2006, the 2005 Annual General Shareholders' Meeting approved the 2005 Plan for Profit Distribution and Conversion of Capital Reserve into Share Capital, and based on total share capital at the end of 2005, for all shareholders, conversion was made as per 10 shares for every 10 shares, and in aggregate, the conversion resulted in additional 118,221,713 shares. After implementation of this plan, the Company's total share capital amounted to 236,443,426 shares.

On 27 December 2010, upon CSRC approval (CSRC [2010] No.1911), Hebei Veyong Biochemical Co., Ltd issued a total of 75,388,977 shares to ENN Holdings Investment Limited ("ENN Holdings") to purchase 75% shares of Xinneng (Zhangjiagang) Energy Co., Ltd and 100% shares of Xinneng (Bengbu) Energy Co., Ltd held by ENN Holdings. The Company finished the change of securities registration for the new shareholder on 6 January 2011 and the industrial & commercial registration of additional contribution by ENN Holdings on 28 January, and total share capital was 311,832,403 shares.

Pursuant to the resolution adopted by the 2nd Extraordinary Shareholders' Meeting of 2012 and CSRC approval (CSRC [2013] No.211) of Hebei Veyong Biochemical Co., Ltd to issue shares for asset purchase, the Company privately offered 229,872,495 shares to ENN Holdings, 98,360,656 shares to Beijing ENN-Jianyin Energy Development Equity Investment Fund (Limited Partnership) ("ENN Fund"), 78,688,525 shares to Langfang Heyuan Investment Center (Limited Partnership) ("Heyuan Investment"), 100,182,149 shares to Stone Capital Energy Equity Investment Fund (Shanghai) (Limited Partnership) ("Stone Capital Fund"), 63,752,277 shares to Shenzhen Ping'an Innovation Capital Investment Co., Ltd ("Ping'an Capital"), 19,672,131 shares to Legend Holdings and 19,672,131 shares to Oceanwide Energy Investment Co., Ltd ("Oceanwide Investment"), to obtain 100% shares of Xinneng Mining Industry Co., Ltd ("Xinneng Mining") held by these seven companies, and through Xinneng Mining, indirectly obtain 75% shares of Xinneng Energy Limited. The Company finished the change of shareholding registration at CSDC Shanghai Branch on 4 July 2013 and the industrial & commercial registration of additional contribution of RMB 610,200,364 by ENN Holdings, ENN Fund, Heyuan Investment, Stone Capital Fund, Ping'an Capital, Legend Holdings and Oceanwide Investment on 12 August 2013. Company's total share capital was changed to 922,032,767 shares.

On 24 July 2013, as approved by the 25th and the 26th Meeting of the 6th Board of Directors, the Company invested RMB 30 million to establish a wholly owned subsidiary, Hebei Veyong Biochemical Pesticide Co., Ltd ("Pesticide Company"). As approved by the 1st Extraordinary Shareholders' Meeting of 2013, the Company injected its operating assets, liabilities and qualifications in connection with "pesticide production and selling, biochemical and fine chemicals production and selling and other businesses" related to agrochemicals (including its No.3 Bio-Pharmaceutical Plant, Luquan Preparations Branch and Branch of Chemical Park) into Pesticide Company, using audited carrying amount of net asset RMB 227.23 million to increase the capital of Hebei Veyong Biochemical Co., Ltd, which would assume its places and qualifications of agrochemical production and be engaged in agrochemical R&D, production, operation and other relevant activities. In December 2013, Pesticide Company completed the change of industrial and commercial registration, with registered capital at RMB 257.23 million. Head office the Company ceased to be engaged in agrochemical R&D, production, operation, and other relevant activities.

Pursuant to the resolution adopted by the 2nd Extraordinary Shareholders' Meeting of 2012 and CSRC approval (CSRC [2013] No.211) of Hebei Veyong Biochemical Co., Ltd to issue shares for asset purchase, the Company privately offered a total of 63,752,276 RMB-denominated ordinary shares (A-share) on 26

December 2013, with par value at RMB 1.00 per share and offered at RMB 10.98 per share. On 31 December 2013, the Company finished the change of shareholding registration for privately offered shares and the change of industrial & commercial registration of registered capital, and share capital was up to 985,785,043 shares. Such change was verified by Zhongxi CPAs through a capital verification report (Zhongxi [2013] No.09017).

Pursuant to Proposal on the Related Party Transactions of Xinneng Mining Industry Co., Ltd Purchasing the Shares of Relevant LNG Plants adopted by the 1st Extraordinary Shareholders' Meeting in September 2014, the subsidiary Xinneng Mining Industry Co., Ltd paid RMB 161.3830 million to obtain 100% shares of Shanxi Qinshui ENN Clean Energy Co., Ltd ("Qinshui ENN") from ENN (China) Gas Investment Co., Ltd, and completed share transfer registration at the Industry & Commerce Administration of Qinshui County, Shanxi Province in October 2014. Meanwhile, Xinneng Mining Industry Co., Ltd paid RMB 68.6070 million to obtain 45% shares of CNOOC-ENN (Beihai) Gas Co., Ltd ("CNOOC-ENN") from ENN (China) Gas Investment Co., Ltd, As of 30 June 2016, shares transfer registration at Beihai Industry & Commerce Administration was completed, and CNOOC-ENN (Beihai) Gas Co., Ltd was renamed as "Beihai Gas Co., Ltd of CNOOC Gas and Power", with a new business license obtained. As from 1 July 2016, Beihai Gas Co., Ltd of CNOOC Gas and Power became an affiliate of the Company.

Pursuant to Proposal on Xinneng Mining Industry Co., Ltd Purchasing the Shares of Xinneng Fenghuang (Tengzhou) Energy Co., Ltd adopted by the 1st Extraordinary Shareholders' Meeting in September 2014, Company's subsidiary Xinneng Mining Industry Co., Ltd paid RMB 160.0083 million to purchase 17.5% shares of Xinneng Fenghuang (Tengzhou) Energy Co., Ltd ("Xinneng Fenghuang") from Legend Holdings; RMB 114.2916 million to purchase 12.5% shares of Xinneng Fenghuang from Legend Holdings (Tianjin) Co., Ltd; and RMB 90 million to purchase 10% shares of Xinneng Fenghuang from Shandong Tengzhou Chenlong Energy Sources Group. As of 16 October 2014, the registration of transfer of 40% shares of Xinneng Fenghuang at Tengzhou Industry & Commerce Administration was finished.

On 24 December 2014, upon approval by the 2nd Extraordinary Shareholders' Meeting of 2014, the Company was renamed as "ENN Ecological Holdings Co., Ltd" and obtained a new business license from Shijiazhuang Industry & Commerce Administration. Upon approval by the Shanghai Stock Exchange, the abbreviation "Veyong Biochemical" was replaced by "ENN" as from 16 January 2015, stock code remained unchanged.

On 3 December 2014, the 7th Board of Directors of the Company convened the 12th Meeting and approved Proposal to Carry out Preliminary Operation for Relevant LNG Projects, allowing the management to carry out preliminary operation for production of LNG from coke oven gas and other unconventional natural gas. On 25 March 2015, the 7th Board of Directors of the Company convened the 14th Meeting and approved Proposal on Establishing Xuzhou Xinneng Longshan Clean Energy Co., Ltd as a Subsidiary, authorizing the

Company to co-invest with Xuzhou Longshan Coking Co., Ltd to set up asubsidiary, Xuzhou Xinneng Longshan Clean Energy Co., Ltd ("Xinneng Longshan"). Xinneng Longshan had a registered capital of RMB 110 million, including RMB 56.10 million monetary contribution by the Company for 51% of Xineng Longshan's total shares. Due to changes of cooperation conditions, on 18 August 2015, the 7th Board of Directors of the Company convened the 19th Meeting and and approved Proposal on Cancelling the Subsidiary Xuzhou Xinneng Longshan Clean Energy Co., Ltd", approving the cancellation and liquidation of Xuzhou Xinneng Longshan Clean Energy Co., Ltd.

On 8 June 2015, the 7th Board of Directors of the Company convened the 18th Meeting and approved Proposal on Establishing Qian'an ENN Clean Energy Co., Ltd as a Subsidiary, authorizing the Company to co-invest with Qian'an Logistics Co., Ltd of Tewoo Group and Qian'an Yiwang Investment Co., Ltd to establish Qian'an ENN Clean Energy Co., Ltd. with registered capital of RMB 110 million. In November 2018, the Company signed the shares transfer agreement with Tiandao Warehouse and Logistics (Qian'an) Co., Ltd, transferring all the shares of Qian'an ENN Clean Energy Co., Ltd held by it to Tiandao Warehouse and Logistics (Qian'an) Co., Ltd for RMB 22.0028 million, and completed the change of industrial & commercial registration in the same month.

Pursuant to Proposal on Xinneng Mining Industry Co., Ltd Purchasing 100% Shares of Xindi Energy Engineering Technology Co., Ltd adopted by the 17th Meeting of the 7th Board of Directors in April 2015 and by the 1st Extraordinary Shareholders' Meeting in May 2015, the subsidiary Xinneng Mining Industry Co., Ltd paid RMB 1,060.80 million to purchase 60% shares of Xindi Energy Engineering Technology Co., Ltd ("Xindi Engineering") from ENN Group and RMB 707.20 million to purchase 40% shares of Xindi Engineering from ENN PV Energy Co., Ltd. On 14 May 2015, Xindi Engineering completed the registration of transfer of 100% shares at the Industry & Commerce Administration of Langfang Development Zone and obtained a new business license.

Pursuant to Proposal on Establishing Tianjin FTZ ENN Xinneng Trading Co., Ltd as a Wholly Owned Subsidiary adopted by the 19th Meeting of the 7th Board of Directors in August 2015, Tianjin FTZ ENN Xinneng Trading Co., Ltd was established as a wholly owned subsidiary by the Company, registered capital: RMB 80 million. Due to changes of operating environment and regulatory policies regarding hazardous chemicals inplace of registration, work safety regulatory authority suspended issuing operation and production licenses for hazardous chemicals, and therefore, Tianjin FTZ ENN Xinneng Trading Co., Ltd could not realize its purpose of operation. On 28 March 2018, the 8th Board of Directors convened the 21st Meeting and approved Proposal on Cancelling Tianjin FTZ ENN Xinneng Trading Co., Ltd, authorizing the cancellation and liquidation of the subsidiary Tianjin FTZ ENN Xinneng Trading Co., Ltd.

According to the 23rd Meeting of the 7th Board of Directors convened on March 22, 2016 and the 1st extraordinary general meeting held in April 2016, Proposal on Establishment of a Wholly-owned Subsidiary Xinneng (Tianjin) Energy Co., Ltd. was reviewed and approved at the Company would set up a wholly-owned subsidiary, Xinneng (Tianjin) Energy Co., Ltd., with a registered capital of RMB 80 million. As of 30 June 2019, the Company made an actual capital contribution of RMB 80 million.

Pursuant to Proposal on the Plan of Major Asset Purchase, Proposal on Signing the Conditional Shares Transfer Agreement with Robust Nation Investments Limited and Proposal on Designating the Wholly Owned Overseas Subsidiary Xinneng (Hong Kong) Energy Investment Limited to Implement the Major Asset Purchase adopted by the 23th Meeting of the 7th Board of Directors in March 2016, by the 25th Meeting of the 7th Board of Directors in April 2016 and by the 1st Extraordinary Shareholders' Meeting and the 2nd Extraordinary Shareholders' Meeting of 2016, Xinneng (Hong Kong) Energy Investment Limited ("Xinneng (Hong Kong)"), a wholly owned subsidiary by the Company, purchased 100% shares of United Faith Ventures Limited from Robust Nation Investments Limited in cash, and thus indirectly held 11.82% shares (209,734,518 shares) of Santos Limited ("Santos")—an Australian company listed on ASX. The purchase of 100% shares of United Faith Ventures is a business combination not under the common control, Xinneng (Hong Kong) paid a total of USD 754,809,895 and completed shares transfer on 29 April 2016, with 30 April 2016 as the date of combination. As of 31 December 2016, the Company finished additional contribution of RMB 1,600 million to Xinneng (Hong Kong). On 11 May 2018, the Board of Directors of Xinneng (Hong Kong) resolved to increase USD 532,367,984 to the capital, and on 16 May, Xinneng (Hong Kong) received additional contribution of USD 532,367,984 and completed the change of registration. As of 30 June 2019, the Company contributed a total of RMB 4,981.8152 million to Xinneng (Hong Kong).

Pursuant to Proposal on Transferring 100% Shares of Xinneng (Bengbu) Energy Co., Ltd adopted by the 17th Meeting of the 8th Board of Directors on 30 November 2017, the Company transferred 100% shares of its wholly owned subsidiary Xinneng (Bengbu) Energy Co., Ltd to Anhui Hongrun Petrochemicals Sales Co., Ltd for RMB 55.4532 million. On 11 December 2017, the shares transfer agreement was entered among the Company, Anhui Hongrun Petrochemicals Sales Co., Ltd and Xinneng (Bengbu). In January 2018, the registration of above shares transfer was completed, and full payment was received. After such transfer, the Company no longer held shares of Xinneng (Bengbu) Energy Co., Ltd.

On 30 August 2017, pursuant to Proposal on 2017 Plan of Public Securities Offering for Shares Allotment and Proposal on Adjusting the 2017 Plan of Public Securities Offering for Shares Allotment" adopted by the 8th Meeting of the 8th Board of Directors on 17 April 2017, by the 3rd Extraordinary Shareholders' Meeting of 2017 on 3 May 2017, and by 13th Meeting of the 8th Board of Directors on 2 August 2017, the 15th Meeting of the 8th Board of Directors approved Proposal on Determining the Proportion of Shares Allotment. On 19 January 2018, the Company received the CSRC Approval of Shares Allotment by ENN Ecological Holdings Co., Ltd (CSRC [2018] No.115). Based on a total of 985,785,043 shares after the closing of the Shanghai Stock Exchange on 1 February 2018 as the registration date, shares were allotted to all shareholders at 2.5 shares per 10 shares and at a price RMB 9.33 per share. As of 12 February 2018, holders of unrestricted tradable shares subscribed a total of 243,570,740 shares, the Company received RMB 2,272,515,004.20, and after deducting various issuance costs RMB 33,684,570.74 (tax included), net amount raised was RMB 2,238,830,433.46, including RMB 243,570,740.00 as share capital and RMB 1,997,166,367.26 as capital reserve. Meanwhile, the Company's registered capital was up to RMB 1,229,355,783.00.

Pursuant to Proposal on Signing the Shares Transfer Agreement with Limin Chemical Co., Ltd. and Other Entities on Selling Animal Drug Assets adopted by the 40th Meeting of the 8th Board of Directors on 12 March 2019, the Company transferred 100% shares of the wholly owned subsidiary Hebei Veyong Bio-Chemical Co. Ltd., 100% shares of Hebei Veyong Animal Pharmaceutical Co., Ltd. and 100% shares of Inner Mongolia New Veyong Biochemical Co., Ltd. to Limin Chemical Co., Ltd. (accounting for 60%), Xinjiang Xinrong Renhe Equity Investment Limited Partnership (accounting for 25%) and Jiaxing Jinyu Xinwei Equity Investment Partnership (Limited Partnership) (accounting for 15%) at a total price of RMB 758,557,800. On 12 March 2019, the Company signed the Share Transfer Agreement with Limin Chemical Co., Ltd., Xinjiang Xinrong Renhe Equity Investment Limited Partnership and Jiaxing Jinlu Xinwei Equity Investment Partnership (Limited Partnership). In June 2019, the change of industrial & commercial registration of above share transfer was completed, and full payment was received. After such transfer, the Company no longer hold shares of Hebei Veyong Bio-Chemical Co. Ltd., Hebei Veyong Animal Pharmaceutical Co., Ltd. and Inner Mongolia New Veyong Biochemical Co., Ltd.

Pursuant to Proposal on Setting Up a Wholly-Owned Subsidiary adopted by the 2nd Meeting of the 9th Board of Directors held on August 15, 2019 and the fourth extraordinary general meeting of 2019 held in September 2019, the Company sets up a wholly-owned subsidiary, ENN (Tianjin) Energy Investment Co., Ltd., with registered capital of RMB 5 billion. As of December 31, 2019, the contributed capital of is RMB 1,111.2333 million.

Pursuant to Proposal on plan of major asset replacement, share issuance and cash payment and raise matching funds adopted by the 4th Meeting of the 9th Board of Directors, Pursuant to proposal on Revising the plan of major asset replacement, share issuance and cash payment and raise matching funds adopted by the 8th Meeting of the 9th Board of Directors,the Company received the CSRC Approval of ENN Ecological Holdings Co., Ltd. to issue shares to ENN Group International Investment Limited to Buy Assets and Raise Matching Funds (CSRC [2020] No.806),and the announcement on the Adjustment of the Issuance Price and Issuance Quantity of the Issued Assets after the Assignment of Equity in 2019.the Company issued 1,370,626,680 common shares (A shares) in RMB to ENN Group International Investment Limited to purchase assets. The Company applies for an increase of the registered capital of RMB 1,370,626,680.00, which shall be subscribed by ENN Group International Investment Limited with its corresponding shareholding in ENN Energy. The Company's registered capital was up to RMB 2,599,982,463.00.

On 2 December 2020, upon approval by the 4th Extraordinary Shareholders' Meeting of 2020, the Company was renamed as "ENN Natural Gas Co., Ltd." and obtained a new business license from Shijiazhuang Industry & Commerce

Administration.

As at December 31,2020, Company's registered capital: RMB2,599,982,463; Uniform Social Credit Code: 91130100107744755W; Legal representative: Wang Yusuo; address: 393 East Heping Road, Shijiazhuang; scope of business: clean energy project construction, natural gas in particular, clean energy management service, natural gas and clean energy R&D, technical consulting, service and transfer, business management consulting, and commercial consulting (excluding securities, investment, futures, education and training) (Those subject to approval must not be commenced until after approval by competent authorities).

2. Scope of Consolidated Financial Statements

Below are subsidiaries with the scope of consolidation in the reporting period:

Full name of subsidiary	Registered capital (of RMB 10,000)	Ownership percentage (%)		Remarks
		Direct	Indirect	
Xinneng Mining Industry Co., Ltd.	79,000		100.00	
Xinneng Energy Co., Ltd.	USD32,516		79.91	
Inner Mongolia Xinneng Mining Co., Ltd.	1,000		100.00	
ENN Xinneng (Beijing) Technology Co., Ltd.	1,000		80.00	
Shanxi Qinshui ENN Clean Energy Co., Ltd	9,000		100.00	
Xindi Energy Engineering Technology Co., Ltd.	30,000		100.00	
Xinneng (Hong Kong) Energy Investment Co., Ltd.	USD77,818	100.00		
Xinneng (Langfang) Energy Chemical Technical Service Co., Ltd.	1,101		79.91	
Xinneng (Tianjin) Energy Co., Ltd.	8,000		100.00	
ENN (Tianjin) Energy Investment Co., Ltd.	500,000	100.00		
Xindi (Zhoushan) Natural Gas Pipeline Maintenance Co., Ltd.	5,000		100.00	
Chongqing ENN Longxin Clean Energy Co., Ltd.	1,000	51.00		
Shanghai International Engineering Construction Consulting Co., Ltd.	1,000	64.00		
ENNLNG(SINGAPORE)PTE.LTD	SGD5,000		100.00	
Xinneng Capital Management Limited	USD0.01		100.00	
ENN Natural Gas Investment Inc	USD0.01		100.00	
ENN Clean Energy International Investment Limited	USD0.01		100.00	
ENN Energy Holdings Limited	HKD30,000		32.72	
ENN (Hainan) Energy Trade Co., Ltd.	USD2,000		100.00	
ENN Xinneng (Zhejiang) Energy Trading Co., Ltd.	5,000		100.00	

ENN-NG and its wholly-owned subsidiary Xinneng (Hong Kong) Energy Investment Co., Ltd., through major asset replacement, share issuance and cash payment and raise matching funds, acquired 32.80% of the equity of ENN Energy Holdings Limited (hereinafter referred to as "ENN Energy") held by ENN Group International Investment Limited and Essential Investment Holding Company Limited ,and this company has become an important subsidiary of the Company.According to the accounting standards for Business Enterprises , the combination constituted a business combination involving entities under common control. The consolidated financial statements shall be prepared according to the accounting standards of business combination involving entities under common control.The income, expenses and profits of the subsidiary or business from the beginning of the period of combination to the end of the Reporting Period are included in the consolidated statement; At the same time, the relevant items of the comparative statement shall be adjusted, and the business combination report subject shall be regarded as having existed since the time when the final controller began to control.For details, please refer to Note VI of the Financial Statements, Changes in the Scope of Consolidation No. 2, Business combination involving entities under common control.

II. Preparation basis of financial statements

1. Preparation Basis

These financial statements have been prepared for actual transactions and matters on the basis of going concern assumption and in accordance with the Accounting Standards for Business Enterprises -Basic Standards, specific accounting standards, implementation guidance and interpretations for accounting standards and other relevant provisions on such standards as promulgated by the Ministry of Finance (hereafter collectively referred to as “Accounting Standards for Business Enterprises”) as well as the CSRC Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No.15 - General Rules on Financial Reports.

2. Going Concern

The Company has assessed its ability of continuing operation for 12 months from the end of current reporting period and has not found any facts and circumstances resulting in any substantial doubt of its ability of continuing operation. Therefore, these financial statements have been prepared on the basis of going-concern assumption.

3. Accounting basis and valuation principle

The accounting of ourthe company is based on accrual basis. In addition toExcept for certain financial instruments, and investment propertiesinvestment real estate is which are measured at fair value, this financial statement uses historical cost as the measurement basis.is based on historical costs. If an asset is impaired, the corresponding provision for impairment shall be made in accordance with relevant regulations. In the case of impairment of assets, a provision for the impairment shall be made accordingly.

Under historical cost measurement, assets are measured according to the amount of cash or cash equivalents paid or the fair value of the consideration paid at the time of acquisition.assets are measured at the fair value of the cash or cash equivalents paid at the time of purchase or the corresponding price paid. The liabilities shall be measured in accordance within terms of the amount of money or assets actually received as a result of the assumption of current obligations, or the contract amount of for the assumption of current obligations, or in terms of the amount of cash or cash equivalent expected to be paid for the repayment of the liabilities in daily activities.

II. Important Accounting Policies and Estimates

1. Conformity Statement

These financial statements have been prepared in conformity with the Accounting Standards for Business Enterprises, and truthfully and completely reflect the Company's financial position, financial performance, changes of shareholders' equity, cash flows and other relevant information.

2. Accounting period

The financial year of the company is calendar year from 1 January to 31 December.

3. Operating Cycle

An operating period consists of 12 months.

4. Functional Currency

The company's functional currency is Renminbi.

5. Accounting treatments of "Business combination involving entities under common control" and "Business combination involving entities not under common control"

(1) Business combination under the common control: a business combination under common control is a business combination in which all the combining enterprises are ultimately controlled by the same party or the same parties before and after the business combination, and the control is not temporary. Except for adjustment due to accounting policy differences, assets and liabilities obtained by the Company in a business combination under the common control shall be measured by the carrying amount of the combined party's assets and liabilities (including goodwill arising out of the acquisition of the combined party by the ultimate controlling party) on the date of combination as indicated in the ultimate controlling party's financial statements. Assets and liabilities obtained by the Company in a business combination shall be measured by the carrying amount of the combined party on the date of combination. Differences between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid (or the total par value of the shares issued), are adjusted into capital reserve. If capital reserve is not sufficient to be offset, the retained earnings shall be adjusted. Direct costs for business combination, including audit, legal service, assessment, and consulting, etc., shall be recorded into current period profit and loss as incurred. Transaction costs in connection with equity securities issued for business combination shall be deducted from proceeds received from such equity securities issuance, or deducted from the premium (if any) of such issuance, or offset surplus reserve or retained earnings when the issuance of equity securities has no premium or the premium is insufficient.

(2) Business combination not under the common control: Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed for a business combination at fair value, and shall record the differences between fair value and carrying amount into current period profit and loss. Company shall recognize the positive balance between the combination costs and the fair value of the net identifiable assets it obtains from the acquiree as goodwill, and record the negative balance between the combination costs and the fair value of the net identifiable assets it obtains from the acquiree into current period profit and loss after the reexamination. Audit, legal services, assessment, consulting and other intermediary expenses and relevant management expenses incurred by the acquirer for the purpose of business combination shall be recorded into current period profit and loss as incurred. Transaction costs for the issuance of equity or debt securities for business combination shall be recorded into the initial recognized amount of equity or debt securities.

Fair value of the net identifiable assets of the acquiree refers to the balance of the fair value of the identifiable assets acquired from the acquiree in a business combination minus the fair value of the liabilities and contingent liabilities; at the end of the current reporting period where a business combination occurred, if the fair values of the identifiable assets, liabilities and contingent liabilities acquired in the combination or the cost of the business combination can only be determined temporarily, the acquirer shall recognize and measure the business combination on the basis of temporarily determined values. Where an adjustment is made to the temporarily determined values within 12 months after the acquisition date, it shall be deemed as being recognized and measured on the acquisition date.

6. Preparation Methods of Consolidated Financial Statements

(1) Identification of the scope of the consolidation

Scope of consolidation for consolidated financial statements shall be determined based on control, and shall include subsidiaries identified in accordance with voting rights (or similar rights) or other arrangements, including structured entities established based on one or several contractual arrangements.

Control means that the investor has the authority over the invested party, is entitled to variable benefits by participating in the invested party's relevant activities and able to affect the amount of such benefits by exercising its power over the invested party. Relevant activities mean any activities that may have a significant influence on the return of the invested party. Relevant activities of the invested party shall be ascertained, usually include sale and purchase of goods or service, management of financial assets, purchase and disposal of assets, research and development activities and financing activities, etc. Subsidiary refers to entities controlled by the Company (including divisible parts of any enterprise or invested unit as well as structured entities controlled by the enterprise), and a structured entity refers to an entity that is designed without taking voting rights or similar rights as a decisive factor for the determination of its controlling party (also referred to as "Special Purpose Vehicle").

(2) Preparation of consolidated financial statements

The Company shall prepare consolidated financial statements based on financial statements of its own and its subsidiaries and in accordance with other relevant information. In preparing consolidated financial statements, the Company shall treat the entire group as an accounting entity, carry out recognition, measurement, and presentation in accordance with relevant accounting standards, and reflect the group's overall financial position, operating result, and cash flows in accordance with uniform accounting policies

1) Consolidate the parent company and subsidiaries' assets, liabilities, owner's equity, income, expenses, and cash flows, etc.

2) Offset the parent company's long-term equity investment in the subsidiary and the parent company's share of the subsidiary's owner's equity.

3) Offset the impact of internal transactions between the parent company and its subsidiaries or between different subsidiaries. When internal transactions indicate any impairment of relevant assets, such portion of loss shall be fully recognized.

4) Adjust special transactions from the perspective of the group.

(3) Special considerations for combination elimination

When temporary differences arise between the carrying amount of assets and liabilities in the consolidated statement of financial position and their tax base as a result of unrealized profit or loss arising from internal sales, deferred income tax asset or deferred income tax liability shall be recognized in the statement of financial position, and at the same time, income tax expenses in the consolidated income statement shall be adjusted, except for transactions or items directly included into owner's equity and deferred income tax in connection with business combination.

Unrealized profit or loss arising from the Company's sale of assets to its subsidiaries shall be fully offset against "net profit attributable to the owner of the parent company". Unrealized profit or loss arising from a subsidiary's sale of assets to the Company shall be distributed and offset between "net profit attributable to the owner of the parent company" and "non-controlling interests" in proportion with the share of distribution to this subsidiary by the Company. Unrealized profit or loss arising from sale of assets between subsidiaries shall be distributed and offset between "net profit attributable to the owner of the parent company" and "non-controlling interests" in proportion with the share of distribution to the selling subsidiary by the Company.

Where the current loss assumed by minority shareholders of a subsidiary exceeds the amount of owner's equity of this subsidiary that they are entitled to at the beginning of the period, the balance still shall be credited against minority interests.

For the purchase of subsidiary minority equity of subsidiary or the disposal of a partial equity investment without losing control over the subsidiary, as an equity transaction accounting, adjust the book value attributable toof the owner's equity and minority shareholders' equity attributable toof the parent company to reflect the change of the parent company's relevant rights and interests in the subsidiary. The difference between the adjustment amount of minority shareholders' equity and the fair value of the consideration paid / received adjust the capital reserve.The capital reserve is adjusted according to the balance between the adjustment of minority stockholders' equity and the fair value of the payment/receipt of the consideration. If the capital reserve is insufficient to be offsetreduced, the retained earnings shall be adjusted.

For the case where a business combination involving enterprises not under common control is finally realized through multiple transactions step by step, it shall be processed separately according to the fact whether or not it belongs to the "package transaction": if it is a package transaction, each transaction is treated as a transaction for acquiring control; if it is not a package transactionthe equity of the acquired party held before the date of acquisition is re-measured according to the fair value of the equity on the date of acquisition. The difference between the fair value and the book value is included in the current return on investment; if the equity of the acquired party involves other comprehensive income under the equity method, etc., other comprehensive income related to it is converted into return on investment in the current period of acquisition date.

When the Company loses control over the invested party due to disposal of part of the equity investment or other reasons, the remaining equity investment after disposal will be re-measured according to its fair value by the Company on the date of loss of control. The difference of the sum of the consideration obtained from the disposal of the equity and the fair value of the remaining equity, less the sum of the share of net assets and goodwill of the original subsidiary that should be enjoyed in accordance with the original share-holding ratio since the date of acquisition or combination, is accounted for the return on investment in the current period of loss of control. Other comprehensive income or net profit and loss related to the original subsidiary's equity investment, other comprehensive income and other changes in owner's equity other than profit distribution, will be converted into current return on investment when control is lost.

7. Joint Arrangements and Joint Operations

Joint arrangements are divided into joint operations and joint ventures. A joint operation refers to a joint arrangement in which the parties are entitled to relevant assets and assume relevant liabilities of this arrangement. A joint venture refers to a joint arrangement in which the parties are only entitled to net assets of this arrangement.

A party to a joint operation shall recognize the following items in connection with its share of profit of joint operations: assets held alone and assets held jointly by shares; liabilities assumed alone and liabilities assumed jointed by shares; revenue generated by the sale of output of joint operations; costs incurred alone and costs incurred in joint operations.

8. Cash & Cash Equivalents

The company recognizes cash holdings and deposits that can be used for payment at any time as cash.Cash equivalents represent the Group's short term（generally refers to the investment due within three months from the date of purchase） highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

9. Foreign Currency Accounting Method

(1) Determination of exchange rate for foreign currency transaction translation

At time of initial recognition, a foreign currency transaction shall be translated into the functional currency at the spot exchange rate or at an exchange rate approximate to the spot exchange rate on the date of transaction.

(2) Translation of foreign currency monetary items on reporting date

On reporting date, foreign currency monetary items shall be translated at the spot exchange rate. The difference between the spot exchange rate on the reporting date and the spot exchange rate at the time of initial recognition or prior reporting date shall be recorded into current period profit and loss.

(3) Conversion of foreign currency financial statements

Before converting overseas business financial statements, it is necessary to adjust accounting periods and policies for overseas business operations to be consistent with the Group's accounting periods and policies, and then prepare financial statements in original currency (other than functional currency) on the basis of adjusted accounting periods and policies, and then convert the financial statements of overseas operations according to the following method:

1) Asset and liability items in statement of financial position shall be converted at a spot exchange rate on reporting date. Among owner's equity items, except "Retained earnings", other balances shall be converted at the spot exchange rate as incurred.

2) Income and expense items in the income statement shall be converted at spot exchange rate or at an exchange rate approximate to the spot exchange rate on date of transaction.

3) When preparing consolidated financial statements, difference arising from above translation shall be presented as "other comprehensive income" under owner's equity in consolidated statement of financial position.

4) Cash flows in foreign currency and cash flows of an overseas subsidiary shall be converted at the spot exchange rate or at an exchange rate approximate to the spot exchange rate on the date of cash flows. The impact of exchange rate on cash should be used as a reconciliation item and presented separately in cash flows statement.

10. Financial instrument

Financial instruments refer to contracts that form financial assets of one party and financial liabilities or equity instruments of the other party. The company recognizes a financial asset or financial liability when it becomes one party to a financial instrument contract.

Financial assets and financial liabilities are measured at fair value at the time of initial recognition. For financial assets and financial liabilities measured at fair value and whose changes are included in the current profits and losse, the relevant transaction costs are directly included in the current profits and loss; For other types of financial assets and financial liabilities, the transaction costs are included in the initial recognition amount. Accounts receivable or notes receivable arising from the sale of goods or the provision of labor services that do not contain or consider significant financing components shall be initially measured based on the amount of consideration expected to be entitled to receive.

The amortized cost of a financial asset or financial liability is the accumulated amortization amount formed by deducting the repaid principal from the initial recognition amount of the financial asset or financial liability, adding or subtracting the difference between the initial recognition amount and the maturity amount by using the effective interest method, and then deducting the accumulated accrued loss reserve (only applicable to financial assets).

The effective interest method refers to the method of calculating the amortized cost of financial assets or financial liabilities and allocating interest income or interest expenses into each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability during its expected duration to the book balance of the financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the expected cash flow is estimated on the basis of considering all contract terms (such as prepayment, extension, call options or other similar options) of financial assets or financial liabilities, without considering the expected credit loss.

(1) Classification and measurement of financial assets

The financial assets shall be measured at fair value at the time of initial recognition. After initial confirmation, according to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the company divides the financial assets into: (1) Financial assets classified as measured at amortized cost; (2) Financial assets classified as measured at fair value through other comprehensive income.; (3) Financial assets designated as measured at fair value through profit or loss.

Debt instrument

① Financial assets measured at amortized cost

The contract terms of a financial asset stipulate that the cash flow generated on a specified date is only the payment of principal and interest based on the amount of outstanding principal, and the business model for managing the financial asset is to collect the contractual cash flow, then.the company classifies the financial asset as a financial asset measured at amortized cost.

The company recognizes interest income from such financial assets with the effective interest method, and carries out subsequent measurement at amortized cost.. Gains or losses arising from impairment or derecognition or modification are included in the current profit and loss. Such amount of assets includes cash and cash equivalents, notes receivable, accounts receivable, other receivables, debt investments and long-term receivables. Debt investments and long-term receivables maturing within one year (including one year) from the balance sheet date are reported as the current portion of non-current assets, and debt investments maturing within one year (including one year) at the time of acquisition are reported as other current assets

The company recognizes interest income for financial assets classified as measured at amortized cost based on the effective interest method. The company shall calculate and determine interest income by multiplying the book balance of the financial assets by the effective interest rate, except for the following circumstances: a) For financial assets become credit-impaired in the subsequent period, the company calculate and determine their interest income at the amortized cost and the effective interest rate of the financial assets in the subsequent period; b) If the financial instrument is no longer credit-impaired due to the improvement of its credit risk in the subsequent period, and this improvement may be associated with an event following the application of the above-mentioned provision, the company shall calculate and determine interest income by multiplying the effective interest rate by the book balance of the financial asset.

② Financial assets classified as measured at fair value through other comprehensive income

The contract term of a financial asset stipulates that the cash flow generated at a specific date is only for the payment of principal and interest based on the amount of outstanding principal, and that the business model of the company for managing the financial asset is both to collect contractual cash flows and for its sale, then the company classifies the financial asset as measured at fair value through other comprehensive income.

Except that impairment losses or gains related to financial assets classified as fair value measured with changes included in other comprehensive income, interest income calculated using the effective interest method, and foreign exchange gains and losses are recognized as the current profit and loss, other changes in fair value of that financial assets are included in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred out and included in the current profit and loss. When the financial asset is derecognized, the accumulated gains or losses previously recorded in the other comprehensive income shall be transferred from other comprehensive income and shall be recorded in the current profit or loss. Such financial assets of the company mainly include financing receivables, other debt investments, etc. The company presents its debt investments and long-term receivables due within one year (including one year) from the balance sheet date as non-current assets due within one year; Debt investments with a maturity of one year or less at the time of acquisition are listed as other current assets.

③ Measured at fair value and its changes are included in current profit and loss

Financial assets measured at fair value and whose changes are included in current profit or loss include financial assets classified as being measured at fair value and whose changes are included into current profit and loss and financial assets designated as being measured at fair value and whose changes are included in the current profit and loss.

The company classifies the debt instruments held by the company that are not classified as measured at amortized cost and measured at fair value with changes included in other comprehensive income, as financial assets measured at fair value with changes included in current profit and loss, and lists them as transactional financial assets. Those that expire more than one year from the balance sheet date and are expected to be held more than one year are listed as other non-current financial assets.

The company conducts subsequent measurements of such financial assets at fair value and shall include the profits or losses resulting from changes in fair value and the dividends and interest income related to such financial assets into the current profit or loss.

Equity instrument investment

The investment in equity instruments that are not controlled, jointly controlled and significantly affected by the company shall be measured at fair value and its changes shall be recorded in the current profit and loss, and shall be listed as transactional financial assets; Those which will mature in more than one year from the balance sheet date and are expected to be held more than one year are listed as other non-current financial assets.

In addition, at the time of initial recognition, the company may, on the basis of individual financial asset, irrevocably designate a non-transactional equity instrument as a financial asset measured at fair value and whose changes are included in other comprehensive income, and list them as an investment in other equity instruments.

After the designation, changes in the fair value of the financial asset shall be recognized in the other comprehensive income. When the financial asset derecognized, the accumulated profits or losses previously included in the other comprehensive income shall be transferred from the other comprehensive income and shall be included in the retained earnings. During the investment period when the company holds the equity instrument, its right to receive dividends has been established, and the dividend-related economic benefits are likely to flow into the company. When the amount of the dividend can be measured reliably, the dividend income is recognized and included in the current profit or loss.

(2) Impairment of financial instruments

The company recognizes loss provision on the basis of expected credit losses for debt instrument investments and financial guarantee contracts that are classified as measured at amortized cost, measured at fair value and included changes in other comprehensive income.

The company measures its reserve for loss of accounts receivable formed by transactions regulated by revenue standards that do not contain significant financing components at an amount equivalent to expected credit losses during the entire duration.

For other financial instruments, the company evaluates the changes of the credit risk of the relevant financial instruments from the initial confirmation on each balance sheet date. If the credit risk of the financial instrument has increased significantly from the initial confirmation, the company shall measure its loss reserve at the amount equivalent to the expected credit loss during the entire life of the financial instrument. If the credit risk of the financial instrument has not increased significantly from the initial confirmation, the company shall measure its loss reserve at the amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The increase or reversal of the credit loss provision shall be recorded as impairment loss or profit in the current profit and loss, and the company shall offsets the credit loss provision against the book balance of related financial assets with the exception of financial assets which are classified as being measured at fair value and whose changes are included in other comprehensive income; For financial assets classified as measured at fair value through other comprehensive income, the company recognizes its reserve for credit loss in other comprehensive income without reducing its carrying amount presented in the statement of financial position..

The company has measured its loss reserve in the previous accounting period at the amount of which is equivalent to the expected credit loss of the financial instrument throughout its life. However, on the balance sheet date of the current period, the financial instrument no longer conforms to the situation of significant increase in credit risk since the initial confirmation. On the balance sheet day of the current period, the company has measured the loss reserve at the amount of the expected credit loss of the financial instrument in the next 12 months, and the reversed amount of the loss reserve thus formed is included in the current profit and loss as impairment profit..

① Significant increase of credit risk

In order to determine whether the credit risk of financial instruments has increased significantly since the initial recognition, the company uses the available reasonable and based forward-looking information and compares the risk of default of financial instruments on the balance sheet date with the risk of default on the initial confirmation date. When the company applies provisions on depreciation of financial instruments to financial guarantee contracts, the initial recognition date shall be regarded as the date when the company becomes a party to make irrevocable commitments.

For the assessment of whether the credit risk has increased significantly, the company will consider the following factors:

• Whether the external market indicators of credit risk of the same financial instrument or similar financial instrument with the same expected duration have changed significantly;

• Whether the actual or expected external credit rating of financial instruments has changed significantly;

• Unfavorable changes in business, financial or economic conditions that are expected to cause a significant change in the debtor’s ability to perform its debt service obligations;

• Whether the actual or expected financial performance of the the debtor have changed significantly;

• Whether there are undergone significant adverse changes in the regulatory,, economic or technological environment of the debtor;

• Whether the contract payment is overdue for more than (including) 30 days, unless the company does not have to pay too much cost or effort to obtain reasonable and evidenced information to prove that although it exceeded the contractual payment period of 30 days, the credit risk has not increased significantly since the initial confirmation.

If, on the balance sheet date, the credit risk of the financial instrument is judged to be low by the company, the company assumes that the credit risk of the financial instrument has not increased significantly since the initial confirmation. The financial instrument will be deemed to have lower credit risk under the following circumstances: the default risk of the financial instrument is lower; the borrower has a strong ability to fulfill its contractual cash flow obligations in a short time; furthermore, even if there are adverse changes in the economic situation and operating environment for a long period of time, it may not necessarily reduce the borrower's ability to fulfill its contractual cash flow obligations.

② Financial assets with depreciation of credit

If one or more events have adverse effects on the expected future cash flow of a financial asset, the financial asset will become a financial asset that has suffered credit impairment. The following observable information can be regarded as evidence of credit impairment of financial assets:

• The issuer or debtor is in serious financial difficulties;

• The debtor breaches the contract, such as default or overdue payment of interest or principal, etc;.

• The creditor gives concessions to the debtor due to economic or contractual considerations related to the debtor's financial difficulties; the concessions will not be made under any other circumstances;

• There is a great possibility of bankruptcy or other financial restructuring of the debtor; • The issuer or debtor has financial difficulties, resulting in the disappearance of the active market for the financial asset;

The company believes that if a financial instrument is overdue for more than 90 days, a default has occurred; unless the company has reasonable and reliable information indicating that a longer overdue period is more appropriate as the default standard.

③ Determination of expected credit loss

The company considers the expected credit losses for accounts receivable that has been credit-impaired individually, and uses an impairment matrix to determine related credit losses on a portfolio basis for other accounts receivable. Based on the common risk characteristics, the company divides the accounts receivable based on the combination into different groups. The common credit risk characteristics used include: the type of business and business channels corresponding to the accounts receivable, the location of the debtor, etc.

The company treats other receivables (including notes receivable, financing receivables, other receivables, current portion of non-current assets, other current assets, long-term receivables, etc.) and other debt investments in accordance with individual items consider expected credit losses.

The Company adopts the following methods to determine the expected credit losses of relevant financial instruments::

- In terms of financial assets, credit loss is equivalent to the present value of the difference between the contract cash flow that the Company shall receive and the expected cash flow.

- In terms of the financial guarantee contract, credit loss is equal to the expected amount of payment made by the Company to the holder of the contract for credit loss incurred, less the present value of the difference between the amount expected to be collected from the holder of the contract, the debtor or any other party.

- If, on the balance sheet date, a financial asset has suffered credit impairment, but one does not purchase or originate a financial asset that has suffered credit impairment, the credit loss is equivalent to the difference between the book balance of the financial asset and the present value of the estimated future cash flow discounted at the original actual interest rate.

Factors reflected in the company's method of predicting credit losses by quantitative finance tools include: unbiased probability weighted average amount determined by evaluating a series of possible results; time value of money; reasonable and reliable information about past events, current situation and future economic situation forecast that can be obtained on the balance sheet date without unnecessary extra costs or efforts.

④ Write-off of financial assets

W If the Company cannot reasonably expect the contract cash flow of the financial asset to be fully or partially recovered, the book balance of the financial asset will be written off directly. This write -off constitutes the derecognition of relevant financial assets.

(3) Transfer of financial assets

Financial assets meeting one of the following conditions shall be derecognized. ① The contractual right to receive the cash flow of the financial asset is terminated; ② The financial asset has been transferred and almost all the risks and rewards of the ownership of the financial asset are transferred to the transferee; ③ The financial asset has been transferred. Although the company has neither transferred nor retained almost all the risks and rewards of the ownership of the financial asset, it has not retained control of the financial assets.

If the company has neither transferred nor retained almost all of the risks and rewards in the ownership of the financial asset, and retains control of the financial asset, it will continue to confirm the transferred financial asset according to the extent of its continued involvement in the transferred financial asset and recognized related liabilities accordingly.

The company measures related liabilities in the following ways:

If the transferred financial assets are measured at amortized coat, the book value of the relevant liability is equal to the book value of the transferred financial asset, minus the amortization of the rights reserved by the company (if the company retains the relevant rights due to the transfer of the financial assets) and the cost plus the amortized cost of the company's obligations (if the company retains the relevant obligations due to the transfer of the financial asset). The related liabilities are not designated as financial liabilities measured at fair value and whose changes are included in the current profits and losses.

If the transferred financial assets are measured at fair value, the book value of the related liabilities is equal to the book value of the transferred financial assets, minus the fair value of the rights reserved by the company (if the company retains the relevant rights due to the transfer of the financial assets) and in addition to the fair value of the company's obligations (if the company has undertaken related obligations due to the transfer of the financial asset), The fair value of the rights and obligations is the fair value measured on an independent basis.

If the overall transfer of financial assets meets the conditions for termination of confirmation, the difference between book value of the transferred financial asset and the consideration received due to the transfer and sum of the accumulated fair value originally included in other comprehensive income shall be included in the current profits and losses. For non-transactional equity instruments designated to be measured at fair value and whose changes are included in other comprehensive income, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive earnings and included in retained earnings.

If a partial transfer of a financial asset satisfies the conditions for derecognition, thebook value of the entire financial asset before the transfer will be allocated between the part of derecognized portion and the continuing recognized portion based on their respective relative fair values at the date of transfer, and the difference between the consideration received for the transfer and the sum of the cumulated amount of changes in fair value previously recognized in other comprehensive income to be allocated to the derecognized portion and the aforementioned allocated book value is recognized in current profit or loss. If the financial assets transferred by the company are designated as non-trading equity instrument investmentsmeasured at fair value and whose changes are included in other comprehensive income, the portion of the accumulated gains or losses previously included in other comprehensive income shall be derecognized is transferred out of other comprehensive income and included in retained earnings..

If the entire transfer of financial assets does not meet the conditions for derecognition, the company shall continue to confirm the entire transferred financial assets, and the consideration received by the transfer of assets shall be recognized as liabilities upon receipt.

(4) Classification, recognition and measurement of financial liabilities

The company classifies the financial instruments or its components as financial liabilities or equity instruments at the time of initial recognition according to the terms of the contract of the issued financial instrument and the economic substance reflected therein, rather than only in legal form, and in combination with the definitions of financial liabilities and equity instruments.

At the time of initial recognition, financial liabilities are divided into financial liabilities measured at fair value and whose changes are included in current profit and loss and other financial liabilities.

① Financial liabilities that are measured at fair value and whose changes are included in the current profit and loss

Financial liabilities measured at fair value and whose changes are included in the current profit and loss include transactional financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated at fair value and whose changes are included in the current profit and loss.

At the time of initial determination, financial liabilities which meet any of the following conditions may be irrevocably designated as financial liabilities measured at fair value and whose changes are included in the current profit and loss: (a) the designation may eliminate or significantly reduce the inconsistency in the determination and measurement of relevant gains or losses due to the difference in the measurement basis of the financial liability; (b) according to the enterprise risk management or investment strategies specified in the formal written document, manage and evaluate financial liabilities portfolio or financial assets and financial liabilities portfolio onfair value basis and to report to key management personnel on this basis within the company; (c) Eligible hybrid instruments containing embedded derivatives.

Transactional financial liabilities are subsequently measured at fair value, and profits or losses resulting from changes in fair value as well as dividends or interest expenses related to such financial liabilities are included in the current profit and loss.

Financial liability which is designated to be measured at fair value and whose changes are included in the current profit and loss, the changes in the fair value arising from changes in the company's own credit risk shall be included in other comprehensive income, and when the financial liability is derecognized, the accumulated changes it fair value caused by changes in the own credit risk included in other comprehensive income shall be transferred to retained earnings.

Profits or losses arising from other changes in fair value and dividends or interest expenses related to such financial liabilities are included in current profit and loss. If the impact of the changes in the credit risk of such financial liabilities in the aforementioned manner will result in or enlarge the accounting mismatch in the profit and loss, the company shall include all the gains and losses (including the amount affected by the changes in the enterprise's own credit risk) of such financial liabilities into the current profit and loss.

② Other financial liabilities

Except for the financial liabilities formed by continuing to be involved in the transferred financial assets and financial guarantee contracts, other financial liabilities are classified as financial liabilities measured at amortized cost. The effective interest method is adopted and subsequent measurement is performed at amortized cost. The profits or losses from termination of confirmation or amortization are included in the current profit and loss.

Financial guarantee contract refers to a contract in which the issuer of financial guarantee pays a specific amount to the contract holder who suffers losses when a specific debtor fails to pay his debts according to the original or modified terms of the debt instrument. The financial guarantee contract which is not belongs to financial liability which is designated to be measured at fair value and whose changes are included in the current profit and loss, shall be measured according to the higher of the amount of loss provision and the balance of the initially recognized amount after deducting the accumulated amortization during the guarantee period.

(5) Derecognition of financial liabilities

The current obligations of a financial liability have been discharged in whole or in part, the recognition of the financial liability or part of it shall be terminated. An agreement is signed between the company (the borrower) and the lender to replace the original financial liability with a new financial liability, and the contract terms of the new financial liability and the original financial liability are substantially different. The company shall terminate the recognition of the original financial liability and at the same time confirm new financial liability.

If financial liabilities are fully or partially derecognized, the difference between the book value of the derecognized part and the consideration paid (including non-cash assets transferred out or new financial liabilities assumed) is included in the current profit and loss.

(6) Equity instruments

An equity instrument refers to a contract that can prove that the company owns the remaining equity in the company's assets after deducting all liabilities. The company’s issuance (including refinancing), repurchase, sale or cancellation of equity instruments are treated as equity changes. The company does not recognize changes in the fair value of equity instruments. Transaction costs associated with equity transactions are deducted from equity

The distribution to equity instrument holders by the company shall be treated as profit distribution. The share dividend issued by the company does not affect the total shareholder’s equity.

(7) Derivatives and hedging instruments

The company's related derivative financial instruments are options contracts, swaps, forward, etc. Derivatives are initially measured at fair value on the date of signing the relevant contract, and are subsequently measured at fair value. Changes in the fair value of derivatives are included in the current profits and losses.

For a mixed contract composed of embedded derivatives and a master contract, if the master contract is a financial asset, the company does not separate the embedded derivatives from the mixed contract, but applies the mixed contract as a whole to the accounting standards on the classification of financial assets.

If the master contract contained in the mixed contract is nota financial asset and =the following conditions are met at the same time, the company will separate the embedded derivative from the hybrid and treat it as a separate derivative financial instrument: ① The embedded derivative is not closely related to the master contract in terms of economic characteristics and risks; ② A separate instrument with the same terms as the embedded derivatives meets the definition of a derivative; ③ The mixed contract is not measured at fair value and its changes are included in the current profit and loss.

If the embedded derivative is separated from the mixed contract, the company shall account for the master contract of the mixed contract in accordance with the applicable accounting standards. If the company cannot reliably measure the fair value of the embedded derivative according to the terms and conditions of the embedded derivative, the fair value of the embedded derivative is determined based on the difference between the fair value of the mixed contract and the fair value of the master contract. If, after using the above method, the fair value of the embedded derivative on the acquisition date or the subsequent balance sheet date still cannot be measured separately, the company shall designate the mixed contract as a whole as a financial instrument measured at fair value and its changes included in the current profits and losses.

The hedging accounting method refers to the method by which the company records the gains or losses of hedging instruments and hedged items into the current profit and loss (or other comprehensive income) in the same accounting period to reflect the impact of risk management activities. The company uses a cash-flow hedging, which designates certain derivatives to hedge the specific risks related to the cash flow of the recognized assets or liabilities and the most likely expected transactions.

The term "hedged item" refers to the item that makes the company face the risk of cash flow change and is designated as the hedged object and can be reliably measured. The company's designated hedged items have the expectation that the company will face the risk of changes in cash flow, and the purchase or sale at an undetermined future market price.

A hedging instrument is a financial instrument designated by the company for hedging or whose cash flow changes are expected to offset the cash flow changes of the hedged item.

If the hedging meets the following conditions at the same time, the company determines that the hedging relationship meets the requirements for the hedging validity:

There is an economic relationship between hedged items and hedging instruments. This economic relationship makes the value of the hedging instrument and the hedged item change in the opposite direction due to the same hedged risk s.

The influence of credit risk is not dominant in the value changes caused by the economic relationship between the hedged item and hedging instrument.

The hedging ratio of the hedging relationship is equal to the ratio of the number of hedged items actually hedged by the company to the actual number of hedging instruments against which it is hedged, but does not reflect the imbalance in the relative weights of the hedged items and hedging instruments.

Cash flow hedging

Cash flow hedging refers to the hedging of risk exposure of cash flow changes. The cash flow changes arise from confirmed assets or liabilities, expected transactions that are likely to occur, or components of the above-mentioned components of the project, and will affect the profits and losses of the company. The profit or loss generated by the hedging instrument is the part of the effective hedging, and the company uses it as a cash flow hedging reserve and includes it in other comprehensive income. The amount of the cash flow hedging reserve is the lower amount of the absolute amount of the following two items:

- Accumulated gains or losses of hedging instruments since the beginning of the hedging;

- The cumulative change in the present value of the expected future cash flow of the hedged item since the beginning of the hedging

The amount of cash flow hedging reserves included in other comprehensive income in each period is the amount of change in cash flow hedging reserve for the current period.

The part of the gains or losses generated by hedging instruments that isinvalid for hedging shall be included in the current profits and losses.

The hedged item is an expected transaction, and the expected transaction causes the company to subsequently recognize a non-financial asset or non-financial liability, or when the expected transaction of non-financial assets or non-financial liabilities forms a determinationapplicable to fair value hedge accounting when making a commitment,, the company shall transfer the amount of the cash flow hedging reserves originally recognized in other comprehensive income into the initial recognized amount of the asset or liability.

For cash flow hedging which does not belong to the above-mentioned situation, the company shall transfer the cash flow hedging reserve amount originally recognized in other comprehensive income to the profits and losses of the current period during the same period in which the expected cash flow to be hedged affects profit and loss

When the hedging relationship no longer meets the risk management objectives due to changes in risk management objectives (i. e., the subject no longer seeks to achieve the risk management objectives); the hedging instrument is expired, sold; the contract is terminated or has been exercised; the economic relationship between the hedged item and the hedging instruments ceases to exist; the impact of the credit risk begins to dominate the value change caused by the economic relationship between the hedged item and the hedging instrument; or the hedging no longer meets the requirements of the hedging accounting method, the company shall terminate the use of hedging accounting. If the hedged future cash flow is still expected to occur, the amount of accumulated cash flow hedging reserves determined in other comprehensive income shall be retained and be dealt with according to the above-mentioned accounting policy for cash flow hedging. If the hedged future cash flow is expected to no longer occur, the amount of the accumulated cash flow hedging reserves shall be transferred from other comprehensive income to the current profits and losses. If the hedged future cash flow is no longer highly likely to occur but may still be expected to occur, in the expect of still occurring, the amount of accumulated cash flow hedging reserves shall be retained and be dealt with according to the above-mentioned accounting policy for cash flow hedging.

(8) Fair value of financial instruments

The fair value of a financial asset or a financial liability with an active market shall be determined by the quoted price in the active market. Where there is no active market, the company uses valuation techniques to determine its fair value. When evaluating the fair value of a financial asset or a financial liability, the company uses valuation techniques that are applicable under current circumstances and are supported by sufficient data and other information to select input values consistent with the characteristics of the assets or liabilities considered by market participants in the transactions of related asset or liability and tuses relevant observable input values as possible. When the relevant observable input value cannot be obtained or is not practicable, the unobservable input value is used..

The valuation techniques the company adopts including reference prices used in recent orderly transactions by market participants, reference to the current fair value of other financial instruments that are substantially the same, discounted cash flow and option pricing models. For discounted cash flow analysis, the estimated future cash flows are based on the management’s best estimate, and the discount rate used is the market discount rate for similar tools. For certain financial instruments (including derivative financial instruments) are valued using pricing models that take into account contract and market prices, correlation coefficient, the time value of money, credit risk, yield curve factors and/or prepayment ratios. The use of different pricing models and assumptions can lead to significant differences in fair value estimates.

For financial instruments that significant unobservable input values are used in their valuation methods, they are classified as the third level in the fair value hierarchy.

(9) Offset of Financial Assets and Financial Liabilities

When the company has the legal rights to offset recognized financial assets and financial liabilities and such legal rights are currently enforceable, and the company plans to settle on a net basis or to cash the financial assets and pay off the financial liabilities at the same time, the financial assets and financial liabilities shall be listed in the statements of financial position at the amount after offsetting each other. In addition, financial assets and financial liabilities should be separately listed in the statements of financial position and should not be offset against each other.

11. Notes receivable

For the determination method and accounting treatment method of the company's expected credit loss of notes receivable, please refer to Note III. 10, Financial Instruments (2) Impairment of Financial Instruments.

12. Accounts receivable

For the determination method and accounting treatment method of the company's expected credit loss of accounts receivable, please refer to Note III. 10, Financial Instruments (2) Impairment of Financial Instruments.

13.Financing receivables

For bills receivable and accounts receivable where the contractual cash flows characteristic is consistent with the basic lending arrangement, and such financial assets are managed by the Company with a view to receiving the contractual cash flows and selling the assets, such assets are classified by the Company as receivable financing, which is Reason for designation as at fair value through other comprehensive income. Upon de-recognition, the accumulated incomes or losses that were previously recorded in other comprehensive income are transferred from other comprehensive income and recorded in current profit or loss.

14. Other receivables

For the determination method and accounting treatment method of the company's expected credit loss of other receivables, please refer to Note III. 10, Financial Instruments (2) Impairment of Financial Instruments.

15. Inventory

(1) The Company’s inventories include finished goods or commodities held for sale in daily business, or work-in-progress products, materials and supplies to be consumed in the production process or in the provision of labor service. Inventories are classified into raw materials, work in progress, finish products, goods in transit and low-value consumption goods, etc.

(2) Cost Measurement for Inventories: an inventory may be classified in accordance with their components and method of acquisition, and initially measured at cost. The average weighted method is used for the valuation of raw materials and finished goods.

(3) The Company adopts the perpetual inventory system.

(4) Basis for determining the net realizable value of inventory: on reporting date, inventories are measured at the lower of cost or net realizable value. If the cost of inventories is higher than the net realizable value, provision for decline in value shall be made. Net realizable value refers to estimated sale price of inventories after deducting estimated cost of completion, sale expenses and relevant taxes. Net realizable value of inventories shall be decided on reliable evidence obtained, consider the purpose of holding the inventories and the impact of events after the reporting date. Provision for decline in value shall be made as per difference between the cost of each item of inventories and its net realizable value.

After making the provision, if the factors causing any write-down of the inventories have disappeared and thus the net realizable value is higher than the carrying amount, the provision shall be reversed and recorded into current period profit and loss.

16. Contract assets

Applicable from 1 January 2020

(1). Confirmation methods and standards of contract assets

The Company lists the contract assets in the statements of financial position based on the relationship between performance obligations and customer payments. The consideration that the company has the right to charge for the transfer of goods or services to customers (and the right depends on factors other than the passage of time) are listed as contract assets.

(2).Determination method and accounting treatment method of expected credit loss of contract assets

For the determination method and accounting treatment method of the company's expected credit loss of contract assets, please refer to Note III. 10, Financial Instruments (2) Impairment of Financial Instruments.

Contract assets and contract liabilities are listed separately in the balance sheet. The contract assets and contract liabilities under the same contract are listed as net amount. If the net amount is a debit balance, it is listed in the "Contract Assets" or "Other Non-current Assets" according to its liquidity. If the net amount is a credit balance, it is listed in the "Contract Liabilities" or "Other Non-Current Liabilities" according to its liquidity. Contract assets and contract liabilities under different contracts cannot offseteach other.

17. Debt investment

For the determination method and accounting treatment method of the company's expected credit loss of debt investment, please refer to Note III. 10, Financial Instruments (2) Impairment of Financial Instruments.

18. Assets classified as held for sale

A non-current asset or disposal group will fall under the category of Assets classified as held for sale if it meets the following conditions simultaneously: 1) it is immediately available for sale in the current situation according to the practice of selling such asset or disposal group in similar transactions; 2) the sales plan has been approved by the competent authority or regulatory department as required; and 3) sale is very likely to occur; that is to say, a resolution has been made for the sales plan; a firm’s purchase commitments has been made; and the expected sale is very likely to be completed within one year.

The non-current asset or disposal group that satisfies the conditions for Assets classified as held for sale will be separately presented in “Assets classified as held for sale” under current assets, while the liabilities directly related to assets that fall under the category of Assets classified as held for sale will be separately presented in "liabilities held for sale" under current liabilities.

19. Long-term receivables

For the determination method and accounting treatment method of the company's expected credit loss of long-term receivables, please refer to Note III. 10, Financial Instruments (2) Impairment of Financial Instruments.

20. Long-term Equity Investments

Long-term equity investments refer to equity investments enabling the investor to control or have significant influences over the invested entity and the equity investments to joint ventures.

(1) Determination of investment cost

For long-term equity investments formed through business combinations, cost of investment shall be determined as follows:

A. For business combination under the common control, if consideration is paid in cash or by transfer of non-cash assets or assuming debts, the Company shall, on the date of combination, use the share of the carrying amount of the combined party's owner's equity in the final controlling party's consolidated financial states as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred and carrying amount of the debts borne by the combining party shall offset capital reserve. If capital reserve is insufficient to offset, retained earnings shall be adjusted.

If the consideration is paid by issuing equity securities, the Company shall, on the date of combination, use the share of the carrying amount of the combined party's owner's equity in the final controlling party's consolidated financial states as the initial cost of the long-term equity investment. Total face value of the stocks issued is share capital, while the difference between the initial cost of the long-term equity investment and the total face value of the shares issued shall offset capital reserve. If capital reserve is insufficient to offset, retained earnings shall be adjusted.

B. Business combination not under the common control: the Company shall, on the acquisition date, recognize the fair value of the assets paid, the liabilities incurred or assumed and the equity securities issued as investment cost. If the fair value of the investment cost is higher than the portion of the fair value of the net identifiable assets obtained from the acquisition, such difference shall be recognized as goodwill; if the fair value of the investment cost is less than the portion of the fair value of the net identifiable assets obtained from the acquisition, such difference shall be recorded into current period profit and loss.

For long-term equity investment not formed by business combination, if obtained by payment in cash, investment cost is actual paid purchase price; if obtained by issuing equity securities, the investment cost shall be the fair value of the equity securities issued; if invested by an investor, the investment cost shall be the value stipulated in the investment contract or agreement except that the value stipulated in the contract or agreement is unfair; if obtained by the exchange of non-monetary assets that has commercial substance and the fair value of which can be reliably measured, the investment cost shall be the sum of its fair value and relevant payable taxes; the difference between the fair value and the carrying amount of the asset swapped shall be recorded into current period profit and loss; if obtained by debt reconstructing, investment cost shall be the debt's fair value, and the difference between the fair value and the carrying amount of the debt shall be recorded into current period profit and loss.

(2) Subsequent measurement and profit/loss recognition

The cost method shall be employed for long-term equity investment with control over the invested entity. The equity method shall be employed for long-term equity investment with joint control or significant influence over the invested entity; for an equity investment in a joint venture that is indirectly held through venture capital, mutual fund, trust, or other similar entities including investment-linked insurance fund, it shall be measured at fair value and the variation shall be recorded into profit and loss.

1) long-term equity investment measured with cost method are valued at initial investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted. The dividends or profits declared for distribution by the invested entity shall be recognized as current period investment income.

2) long-term equity investment measured with equity method, if the initial cost of investment is higher than the attributable share of the fair value of the invested entity's net identifiable assets at the time of investment, the initial cost of the long-term equity investment will not be adjusted. If the initial cost of the long-term equity investment is lower than the attributable share of the fair value of the invested entity's net identifiable assets at the time of investment, the difference shall be included into current period profit and loss, and the cost of the long-term equity investment shall be adjusted simultaneously.

After long-term equity investment is obtained, investment income and other comprehensive income shall be recognized respectively in accordance with the attributable share of investment income and other comprehensive income of the invested entity, and the carrying amount of the long-term equity investment shall be adjusted simultaneously; the attributable share of profit or cash dividend declared by the invested entity shall be calculated and the carrying amount of the long-term equity investment shall be reduced correspondingly. Changes in owner's equity of the invested entity other than net profit/loss, other comprehensive income and profit distribution shall be used to adjust the carrying amount of the long-term equity investment and recorded into "capital reserve-other capital reserve". The attributable share of net profit/loss of the invested entity shall be recognized based on the fair value of net identifiable assets of the invested entity when the investment is obtained after net profit/loss of the invested entity is adjusted.

If accounting policies and accounting periods adopted by the invested entity are different from those adopted by the parent company, an adjustment shall be made to the financial statements of the invested entity in accordance with the accounting policies and accounting periods of the parent company and investment income and other comprehensive income shall be recognized accordingly. Net losses of the invested entity shall be recognized until the carrying amount of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the parent company has the obligation to undertake extra losses. If the invested entity realizes any net profits later, the parent company resumes the confirmation of the income sharing amount after the income sharing amount makes up for the unconfirmed loss sharing amount.

When determining the attributable profit or loss of the invested entity, investment income shall be recognized after offsetting the unrealized profit or loss of internal transactions between joint ventures and associated enterprises attributable to the parent company. Unrealized loss of the transactions between the parent company and the invested entity, shall be fully recognized if it is asset impairment loss.

(3) Disposal of long-term equity investments

When a long-term equity investment is disposed, the difference between its carrying amount and the actual selling price shall be recorded into current period profit and loss. When disposing a long-term equity investment when the equity method is employed, the part originally recorded into other comprehensive income shall be treated pro rata on the same basis as if the invested entity directly disposes relevant assets or liabilities.

(4) Determination of joint control and significant influence over the invested entity

"Joint control" means control over an economic activity as specified by contract that cannot be decided unless with unanimous agreement by all investing parties that share the power of control. Where the investing entity and other parties have joint control over and are entitled to net assets of an invested entity, the invested entity shall be their joint venture.

"Significant influence" means having the power to participate in the formulation of financial and operating policies of the invested entity, but not the power to control or jointly control the formulation of these policies together with other parties. When ascertaining whether it can control or have significant influences on an invested entity, an enterprise shall take into consideration the invested enterprises' current convertible corporate bonds and current executable warrants held by the investing enterprise and other parties, as well as other potential factors concerning the voting rights. If the investor can have significant influences on the invested entity, the invested entity shall be its affiliate.

21. Investment Properties

Investment property refers to real estate held for generating rent and/or capital appreciation. For the Company, investment property includes leased land use right and buildings.

(1) Recognition

Investment property is recognized by meeting both the following requirements: 1) the economic benefits pertinent to this investment property are likely to flow into the Company; 2) the cost of the investment property can be reliably measured.

(2) Initial measurement

1) The cost of an investment property by acquisition consists of acquisition price, relevant taxes, and other expenses directly attributable to this asset.

2) The cost of a self-built investment property includes necessary expenses for building the real estate to the intended condition for use.

3) The cost of an investment property obtained by other means shall be recognized in accordance with relevant accounting standards.

4) For follow-up expenses pertinent to an investment property, if they meet the conditions for recognition as investment property, they shall be included in the cost of the investment property; if they fail to meet the conditions, they shall be included into current period profit and loss as incurred.

(3) Subsequent measurement of investment properties

The company adopts the fair value model to carry out subsequent measurement of investment properties on the balance sheet date.

If the company has conclusive evidence that the fair value of the investment properties can be obtained continuously and reliably, the fair value model shall be adopted for subsequent measurement of the investment properties.

If the fair value model is adopted for measurement, the following conditions shall be met at the same time:

① There is an active investment property market where the investment property is located;

② The company has access to the market price and other related information of the same or similar property from the investment propertiy market, so as to make a reasonable estimate of the fair value of investment properties.

When using the fair value model, depreciation or amortization of the investment property is not accounted, the book value of the investment property shall be adjusted on the basis of the fair value of the investment property on the balance sheet date, and the difference between the fair value and the original book value shall be recorded into current profit or loss.

(4) Conversion of investment properties

The company has conclusive evidence that the use of investment property has changed, the investment properties are converted into other assets, investment properties that are measured at fair value are converted into self-use investment properties, the book value of then self-use properties shall be the fair value of the properties on the date of conversion, and the difference between the fair value and the original book value is included into current profit or loss.

When self-use properties or inventories are converted to investment properties measured at fair value, the investment properties shall be priced at its fair value on the conversion date. If the fair value on the conversion date is less than the original book value, the difference shall be recorded into the current profit and loss. If the fair value on the conversion date is greater than the original book value, the difference shall be recorded in the owner's equity.

22. Fixed assets

(1) Fixed assets are tangible items that are held for use in the production or supply or goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one financial year. A fixed asset shall be recognized only when it is probable that future economic benefits associated with the item will flow to the Group,

(2) Initial measurement of fixed assets: Fixed assets are initially measured according to the actual cost at the time of purchase and construction.

(3) Method of depreciation: From the subsequent month after a fixed asset gets ready for its intended use, the Group depreciates the fixed asset on a straight-line method (except for mine buildings). Useful life, residual value rate, and annual depreciation rate for each class of fixed assets are as follows:

Type	Useful life	Residual Value (%)	Depreciation (%)
Properties & buildings	30-40 years	5%-10%	2.38%~3.17%
Machinery&Equipment	6-30 years	5%-10%	3.17%~15.83%
Office&Electronic Communication Equipment	6-8 years	5%-10%	11.88%~15.83%
Transportation equipment	6-8 years	5%-10%	11.88%~15.83%
Gas pipeline	20-30 years	10%	3.00%~4.50%

As required by the Ministry of Finance (Cai Gong [89] No.302), mine buildings shall be depreciated based on the output method, at RMB 2.5 per ton.

(4) Fixed assets acquired under finance leases

A fixed asset acquired shall be recognized as a financial lease when it has transferred in substance all the risks and rewards related to the ownership of the asset.

The cost of a fixed asset acquired through financial lease shall be the lower of the fair value of the leased asset and the present value of the minimum lease payment on the lease beginning date.

The depreciation policy adopted for financial lease assets shall be consistent with fixed assets owned by the company. If it is reasonable to be certain to obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter of the lease term or its remaining useful life.

23. Construction in Progress

(1) Construction in progress refers to capital assets under construction and shall be recorded as per actual cost. The cost includes acquisition cost of construction works, installation works, machinery and equipment, construction expenses and other indirect expenses as well as capitalized interest and exchange gains or losses.

(2) Carry-over to fixed assets: fixed asset acquired or constructed shall be carried over to fixed assets as from the date when it is ready for intended use and subject to depreciation on the following month. If completion and final settlement formalities have not be handled, it shall be carried over and depreciated as per an estimated value, and after finishing completion and final settlement formalities, the estimated value shall be adjusted in accordance with actual cost, but the depreciation already made will not be adjusted.

24. Borrowing Costs

(1) Borrowing costs refer to interest and other relevant costs incurred in the borrowing loans. Borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses (including commission charges), and exchange balance on foreign currency borrowings, etc.

(2) Where the borrowing costs can be directly attributed to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses as incurred, and shall be recorded into current period profit and loss. Assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for intended use or for sale.

(3) Borrowing costs shall be capitalized when meeting all the following requirements:

Asset disbursements have already incurred, which include cash, transferred non-cash assets or interest-bearing debts raised for the acquisition and construction or production activities for preparing assets eligible for capitalization;

Borrowing costs has already incurred; and

Acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale has already started.

(4) Borrowing costs incurred during the capitalization period for purchase and construction or production of assets qualified for capitalization, if satisfying above conditions of capitalization and incurred before the asset is ready for its intended use or sale, shall be recorded into the cost of the asset, and if incurred after the asset is ready for its intended use or sale, shall be directly recorded into financial expenses as incurred.

(5) Where the acquisition and construction or production of an asset eligible for capitalization is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. Borrowing costs incurred during such period shall be recognized as expense, and shall be recorded into current period

profit and loss until the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the eligible asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. When the eligible asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Borrowing costs incurred thereafter shall be recognized as expenses as incurred.

(6) To-be-capitalized amount: as for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred for the specially borrowed loan in the current period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing thus used. The capitalization rate shall be calculated and determined as per the weighted average interest rate of the general borrowing.

25. Intangible Assets

(1) Accounting contents: The Company's intangible assets refer to the identifiable non-monetary assets possessed or controlled by the Company that have no physical form. Include patents t, non-patent technology, trademark, copyright, concession, land use right, capacity index, franchise right, technology, customer base, etc.

(2) Measurement: intangible assets initially shall be measured at cost. An intangible asset with limited-useful life shall be systematically and reasonably amortized within its useful life in accordance with its expected realization pattern of economic benefits. An intangible asset with uncertain useful life will not be amortized.

(3) Expenditure on the research phase of internal research and development projects of the company, shall be included in profit or loss when it is incurred. Expenditure on the development phase shall be recognized as intangible asset. The capitalization conditions are as follows: ①The technical feasibility of completing the intangible asset so that it will be available for use or sale; ②Its intention to complete the intangible asset and use or sell it; ③How the intangible asset will generate probable future economic benefits. ④The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; ⑤Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(4) Land use right: land use right acquired or obtained by payment of land transfer fees initially shall be measured at cost. When land use right is used for a self-use project, its carrying amount shall not be combined with above-ground buildings, and it will continue to be treated as an intangible asset and amortized separately.

(5) Accounting and amortization of mining right: mining right shall be measured at initial cost for which it is acquired. in 2011, it was amortized as per the cost of acquisition and the remaining years of the mining certificate, and as from 2012, it began to be amortized as per the net carrying amount at the end of 2011 and workable reserve based on the units-of-production method.

(6) Expenditure and amortization of replacement capacity indicators: The replaced capacity index to enlarge the capacity of the Company shall be initially measured at cost on acquisition, and shall be amortized during the valid period approved by related authorities after the replacement.

(7) Intangible assets acquired by business combination involving entities not under common control

The intangible assets and goodwill acquired from business combination involving entities not under common shall be recognized separately. Intangible assets such as franchise right, technology and customer base shall be initially recognized at the fair value on the acquisition date. Intangible assets with fixed useful life shall be accounted for at cost less accumulated amortization and impairment, and shall be amortized using the straight line method based on the expected useful life.

(8) Useful life reexamination: The Company shall, at least at the end of each year, check the useful life of intangible assets. When there is any evidence indicating that the useful life of intangible assets is different from before, the period of amortization shall be changed for intangible assets with limited-useful life; for intangible assets with uncertain useful life, if there is any evidence indicating they have limited-useful life, they shall be treated in the same way as with intangible assets with limited-useful life.

26. Long-term prepaid expense

Long-term prepaid expenses refer to various expenses that the Company has paid and whose period of amortization is more than one year. Long-term prepaid expenses shall be measured at cost ,there are amortized on a straight-line basis within the beneficial period of the expense items.

27. Impairment of long-term assets

On every reporting date, the Company shall examine its long-term equity investments, fixed assets, construction in progress and intangible assets with limited-useful life, and impairment test shall be conducted if there is any sign of impairment. Goodwill and intangible assets with uncertain useful life are tested for impairment at end of each year regardless of whether there is indication of impairment or not.

There may be impairment of assets when one of the following signs occurs: (1) current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to normal use; (2) economic, technological or legal environment in which the Company operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the Company; (3) market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate used by the Company for calculating expected future cash flows of the assets will be affected, which will result in great decline of the recoverable amount of the assets; (4) any evidence shows that the assets have become obsolete or have been damaged substantially; (5) the assets have been or will be left unused, or terminated for use, or disposed ahead of schedule; (6) any evidence in the internal report of the Company shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flows created by assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; and (7) other evidence indicates that the impairment of assets has probably occurred.

When recoverable amount of single item assets is tested, the recoverable amount shall be the higher of the fair value of the assets minus disposal expenses or the present value of expected future cash flows of the asset. Where it is difficult to test the recoverable amount of single item assets, the recoverable amount shall be determined based on group assets or combination of group assets.

After impairment test, if the carrying amount of the asset is higher than its recoverable amount, the difference shall be recognized as impairment loss, and once recognized, such impairment loss will not be reversed in subsequent periods.

28. Contract liabilities

Applicable from 1 January 2020

The Company shall list contract liabilities according to the relationship between performance obligations and customer payments.The Company recognizes as contract liabilities the part of the obligation to transfer the goods to the customer due to received or receivable consideration from the customer.

29. Employee Benefits

Employee benefits refer to all kinds of payments and other relevant expenditures given by the Company in exchange of the services offered by employees or termination of their employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(1). Short-term employee benefits payable

Basic employee benefits (wage, bonus, allowance, and subsidy): during the accounting period when an employee provides services, the Company shall recognize short-term employee benefits that is actually incurred as liabilities and record it into current period profit and loss, except for those required or allowed to be recorded into asset cost.

Employee welfare: employee welfare shall be recorded into current period profit and loss or the cost of relevant assets as incurred. Non-monetary employee welfare shall be measured at fair value.

Medical insurance, work injury insurance, maternity insurance and other social insurances, and housing accumulation fund, labor union expenditure and employee education expenses: during the accounting period when an employee provides services, medical insurance, work injury insurance, maternity insurance and other social insurances paid for employees, housing accumulation fund, labor union expenditure and employee education expenses set forth as required, shall be recognized as liabilities in accordance with the prescribed basis and proportion and recorded into current period profit and loss or the cost of relevant assets.

Short-term paid leave: employee remuneration in connection with accumulative paid leave shall be recognized when an employee provides services and thus acquires additional paid leave right in future, and shall be measured as per the amount of expected additional payment as a result of aggregate unexercised right. Employee benefits in connection with non-accumulative paid leave shall be recognized in the accounting period when the employee is absent.

(2). Post-employment benefits

Post-employment benefits include defined contribution plans and defined benefit plans. A defined contribution plan means a post-employment benefit plan, under which the Company will not assume any further obligation of payment after making the prescribed payment to an independent fund; defined benefit plans refer to post-employment benefit plans other than defined contribution plans.

1) Defined contribution plans: The Company shall pay endowment insurance and unemployment insurance for its employees as required by local government, and during the accounting period when an employee provides services, the amount contributed in accordance with the prescribed base and proportion shall be recognized as liabilities and recorded into current period profit and loss or the cost of relevant assets.

2) Defined benefit plans

Welfare obligations arising from defined benefit plans will be attributed to the periods when employees provide services in accordance with a formula established by the method of expected cumulative welfare units, and recorded into current period profit and loss or the cost of relevant assets.

(3). Dismissal welfare

Dismissal welfare refers to the benefits provided to an employee for terminating the employment before expiry of the employment contract or encouraging employee to voluntarily accept layoff. Dismissal welfare provided to employees shall be recognized as employee benefits liabilities and recorded into current period profit and loss at the earlier of: 1) the company is unable to unilaterally withdraw the dismissal welfare provided for in the cancellation of labor relationship or the layoff proposal; or 2) the company recognizes the costs or expenses in connection with payment of dismissal welfare.

30. Provisions

A provision shall be recognized when the obligation related to the contingent event meets all the following conditions: a) it is the present obligation of the Group; b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date, considering of risks, uncertainties of the contingent event, time value of the money and other factors.

31. Share based payment

In order to obtain the services provided by employees, the company provides employees (including directors) with an equity-settled share-based share option plan. For equity-settled share-based payments in exchange for services provided by employees, the company measures the equity instruments granted to employees at fair value on the grant date. The amount of the fair value shall, during the waiting period, be accounted into the relevant costs or expenses according to the straight-line method on the basis the best estimate of the number of viable equity instruments, and the capital reserve shall be increased accordingly.

On each balance sheet day during the waiting period, the company shall, according to the assessment on relevant non-market property attribution conditions, revise the number of equity instruments that are ultimately expected to be vested. The impact of the above estimates shall be recorded in the relevant costs or expenses of the current period, and the capital reserve shall be adjusted accordingly.

When the share options are exercised, the originally recognized share option reserves shall be transferred to share capital and equity premium; If the share options are forfeited after the vesting date or not exercised on the expiration date, the originally recognized share option reserves are transferred to retained earnings.

32. Revenue

New revenue standard (applicable from January 1, 2020)

The Company's revenue mainly comes from businesses such as natural gas retail, natural gas wholesale, natural gas direct sale, project construction and installation, integrated energy sales and services, extended businesses, coal, energy chemicals, chemical trade. The company has fulfilled the performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services, the =revenue is recognized at the transaction price allocated to the performance obligations. Performance obligations refer to the company’s promise to transfer clearly distinguishable goods or services to customers in the contract.

The company assesses the contract on the start date of the contract, identifies each single performance obligations contained in the contract and determines whether each single performance obligation is performed within a certain period or at a certain point of time. If one of the following conditions is met, it belongs to the performance obligation performed within a certain period, the company recognizes the revenue according to the performance progress within a certain period of time: (1) The customer acquires and consumes the economic benefits when the company performs the contract; (2) The customer is able to control the goods under construction in the process of the company's performance of the contract; (3) The goods produced in the process of the company's performance have irreplaceable uses,e and the company has the right to receive payments for the accumulated performance that has been completed so far during the whole contract period. Otherwise, the company shall recognize revenue at the time when the customer obtains the control of the relevant goods or services.

The performance obligations and timing of revenue recognition for different business contracts of the company:

(1) Natural gas retail business

The Company sells natural gas through pipelines, including residential, commercial and industrial customers. Revenue is recognized when the pipeline natural gas is delivered to customers and is consumed by customers, that is, when customer obtians control of the products. The amount of gas sold is calculated according to the the gas meter installed at the customers' premises.

The company also operates vehiclegas filling stations to fill them with LNG and CNG. Revenue is recognized after filling gas at the filling station (i. e. LNG or CNG is transferred to the customers).

(2) Integrated Energy Sales and Services

The Company supplies a variety of energy products, such as gas, electricity, cold energy, heat energy and steam, etc. When energy is delivered to customers and is consumed by the customers, i. e. when the customers acquires control of the products, revenue is recognized. Revenue from energy services shall be recognized according to the progress of services provision during the contract period.

(3) Production and sales of coal, methanol, dimethyl ether, and sales of trading products

The Company supplies wholesale customers with the production and sale of bulk LNG, coal, methanol, dimethyl ether, as well as the sales of trading products. According to the specific nature of the business and contract provisions, revenue is recognized when the control of the goods is transferred to the purchaser.

(4) Project Construction and Installation

Project construction and installation services include project design, equipment manufacturing and integration, project construction and installation services related to natural gas, new chemical industry and energy conservation and environment protection. The project construction and installation businesses of the company are mainly performance obligations performed within a certain period, and the revenue is recognized according to the performance progress during the contract period.

(5) Extended Businesses

The company sells gas appliances to residential customers, such as stove, water heater, smoke exhaust ventilator and heating furnace. In addition, the company sells building materials and other energy products to commercial and industrial customers. Revenue is recognized when customers obtains control of the goods.

The transaction price refers to the amount of consideration that the company is expected to be entitled to receive as a result of the transfer of goods or services to the customers, but does not include the amount collectedon behalf of a third party and the payments expected to be refunded to the customers by the company. If two or more performance obligations are included in a contract, the company will, at the commencement of the contract, allocate the transaction price to each individual performance obligation in accordance with the relative proportion of the individual sale price of the goods or services to which the individual performance obligations are committed.

Where there is a significant financing component in the contract, the company shall determine the transaction price based on amount payable in cash when the customer assumes control of the goods or services. The difference between the transaction price and the contract consideration shall be amortized by the effective interest method during the contract period. If, on the date of commencement of the contract, the company expected the customer would pay the consideration within one year after acquiring control over the goods or services, significant financing elements are not taken into account.

For a sale with a quality assurance clause, if the quality assurance provides a separate service in addition to assuring the customer that the goods or services sold meet established standards, the quality assurance constitutes a single performance obligation. Otherwise, the company shall conduct accounting treatment for the quality assurance responsibilities in accordance with the "Accounting Standards for Business Enterprises No. 13-Contingencies".

The company determines whether it is the principal responsible person or the agent at the time of the transaction based on whether it has control over the goods or services before the transfer of such goods or services to customers. Where the company is able to control the goods or services before transferring them to customers, the company shall be the principal responsible person, and revenue shall be recognized based on the total consideration received or receivable. Otherwise, the company is the agent shall recognize the revenue according to the amount of commission or service charges it expected to be entitled to charge. The amount is recognized at the net of the total consideration received or receivable after deducting the amount payable to other relevant parties or the agreed commission amount or proportion.

Original revenue standard (applicable before December 31,2019)

(1) Revenues from selling goods

Revenue from selling goods may be recognized if all the following conditions are met: the Company has transferred significant risks and rewards of ownership of the goods to the buyer; the Company retains neither continuous management right that is usually related to the ownership nor effectively control the sold goods; the amount of revenue can be measured in a reliable way; relevant economic benefits may flow into the Company; and relevant costs incurred or to be incurred can be measured in a reliable way.

Revenue from selling coal, methanol, dimethyl ether, pesticide, veterinary medicine, engineering equipment and materials and so on may be recognized if significant risks and rewards of ownership of the goods have been transferred to the buyer and the Company retains neither continuous management right that is usually related to the ownership nor effectively control the sold goods.

Revenue from selling coal: in accordance with contract, revenue from selling coal shall be recognized after delivery at the mine site or freight yard if transported by truck; or after FOT (freight on trailer) delivery if transported by train.

(2) Revenues from providing services

On reporting date, revenue from providing services shall be recognized if the result of services provided can be reliably estimated. The result of services provided can be reliably estimated, means all the following conditions are met: the amount of revenue can be measured in a reliable way; relevant economic benefits are likely to flow into the Company; the transaction in connection with the services has been completed and can be confirmed in a reliable way, and the costs incurred or to be incurred in the transaction can be measured in a reliable way. When the result of services provided cannot be reliably estimated, on the reporting date, income shall be recognized as if the service has occurred and is expected to be compensated, the cost of service that has occurred shall be carried over, and if the cost of service that has occurred is not expected to be compensated, income shall not be recognized, and the cost of service that has occurred shall be treated as current period expenses.

(3) Revenues from alienating the right to use assets (including interests and royalties)

Revenue from alienating the right to use assets shall be recognized when all the following conditions are met: relevant economic benefits are likely to flow into the Company; and the amount of revenues can be measured in a reliable way.

(4) Construction contracts

On the reporting date, If the outcome of a construction contract can be estimated in a reliable way, contract revenue and contract costs shall be recognized in accordance with the percentage-of-completion method. Where the outcome of a construction contract cannot be estimated in a reliable way, if the contract costs can be recovered, contract revenue shall be recognized in accordance with contract costs that can be recovered and the contract costs shall be recognized as contract expenses as incurred; if the contract costs cannot be recovered, these costs shall be recognized as contract expenses immediately as incurred and no contract revenue shall be recognized.

The outcome of a fixed price contract can be estimated in a reliable way when all the following conditions are met: the total contract revenue can be measured in a reliable way; economic benefits pertinent to the contract will flow into the Company; actual contract costs incurred can be clearly distinguished and can be measured in a reliable way; and both the schedule of the contracted project and the contract costs to complete the contract can be measured in a reliable way.

The percentage-of-completion method means the accumulative actual contract costs as a percentage of expected total contract costs. On the reporting date, if expected total contract costs are more than total contract revenues, expected losses shall be recognized as current period expense. Provision for decline in value of inventories shall be made as per the difference for construction contracts under execution; provisions shall be recognized as per the difference for loss contracts to be executed.

33. Contract cost

Applicable from 1 January 2020

Contract cost is divided into contract performance cost and contract acquisition cost.

The cost incurred by the company for the performance of contract shall be recognized as an asset when the following conditions are met:

① The cost is directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), costs clealy assumed by the customer and other costs incurred solely in connection with this contract.

② The cost increases the company's future resources for fulfilling contract performance obligations.

③ The cost is expected to be recovered.

The incremental costs incurred by the company in order to acquire the contract that are expected to be recovered shall be recognized as an asset as the cost of acquiring the contract. Assets related to contract costs are amortized on the same basis as revenue recognition of goods or services related to the assets; However, if the amortization period for contract acquisition costs does not exceed one year, the company shall include it in the current profit or loss when it occurs.

When the book value of the assets related to the contract cost is higher than the difference between the following two items, the company shall make provision for impairment for the excess part, and shall recognize it as the impairment loss of the assets,and further considers whether estimated liabilities related to loss contracts should be accounted:

① The remaining consideration expected to be received as a result of the transfer of the goods or services associated with the asset;

② Estimated costs to be incurred for the transfer of the related goods or services.

If the aforementioned asset impairment provision is subsequently reversed, the book value of the asset after reversion shall not exceed the book value of the asset on the reversion date under the assumption that no impairment provision is made.

Contract performance costs recognized as assets shall be listed in "Inventories" if they are amortized within one year or within one normal operating cycle at initial recognition. The amortization period at the initial recognition exceeds one year or one normal operating cycle at initial recognition shall be listed in "Other Non-current Assets".

Contract acquisition costs recognized as assets shall be listed in "Other Current Assets" if they are amortized within one year or within one normal operating cycle at initial recognition; those are amortized exceeds one year or one normal operating cycle at initial recognition shall be listed in "Other Non-current Assets".

34. Government grants

Government grants refer to monetary grants and non-monetary grants the Group receives from the government for free. Government grants involve grants related to assets and grants related to income.

Government grants pertinent to assets mean Government grants obtained by the Company and used for purchasing, constructing, or otherwise forming long-term assets. A government subsidy pertinent to assets shall be recognized as deferred income when it is received, and reasonably and systematically recorded into "other income" within the useful lives of relevant assets. When relevant assets are sold, transferred, abandoned, or destroyed prior to expiry of their useful lives, the balance of relevant deferred income that is not yet distributed shall be transferred to current period profit and loss when they are disposed.

Government grants related to daily activities of the Company shall be treated as follows: (1) those that are used for compensating relevant expenses or losses in subsequent periods shall be recognized as deferred income and recorded into "other income" during the period when relevant expenses are recognized; (2) those that are used for compensating relevant expenses or losses that have occurred shall be directly recorded into "other income" in the current period; (3) a government subsidy for a comprehensive project shall be divided into the part pertinent to asset and pertinent to income, and treated separately; and if it is difficult to distinguish, the entire government subsidy shall be treated as government subsidy pertinent to income, or successively recognized as "other income" during project period.

Government grants irrelevant to daily activities of the Company shall be recorded into non-operating income.

35. Deferred tax assets/liabilities

(1) The Company adopts the balance sheet liability method for the accounting of income tax.

(2) Recognition of deferred tax assets/liabilities

On the reporting date, if there is any deductible temporary difference or taxable temporary difference between the carrying amount of assets and liabilities and their tax base, the temporary difference shall be calculated in accordance with the tax rate applicable during the period when the asset is to be recovered or the liability is to be paid off, and recognized as deferred income tax asset or deferred income tax liability.

(3) At the end of every year, the Company shall reexamine the carrying amount of deferred tax assets and liabilities, and if the applicable tax rate changed during the period when the asset is to be recovered or the liability is to be paid off, the deferred tax assets and deferred tax liabilities which have been recognized shall be re-measured, excluding deferred tax assets and deferred tax liabilities arising from any transaction or event directly recognized as the owner' equity, and the amount affected shall be recorded into income tax expenses in the period when the change occurs. The carrying amount of deferred tax assets shall be written down if it is unlikely to obtain sufficient taxable income to offset the benefit of the deferred tax assets. When it is probable to obtain sufficient taxable income taxes, the amount of such write-down shall be reversed subsequently.

36. Accounting treatment of operating lease and financial lease

(1) Operating lease

As lessee, the Company shall record the rents from operating leases into the cost of relevant assets or current period profit and loss in each period of the lease term in accordance with the straight-line method; initial direct costs incurred shall be recognized as current period profit and loss; contingent rents shall be recognized as an expense as incurred.

As lessor, the Company shall include the assets subject to operating leases into relevant items of its statement of financial position in light of the nature of the asset; rents from operating leases shall be recognized as current period profit and loss in each period of the lease term in accordance with the straight line method; initial direct costs incurred shall be recorded into current period profit and loss; fixed assets subject to operating leases shall be subject to depreciation in accordance with the depreciation policy for similar assets; and other leased assets shall be amortized through systematic and reasonable methods; contingent rents shall be recorded into current period profit and loss when they actually arise.

(2) Financial lease

As lessee, on the lease beginning date, the Company shall record the lower of the fair value of the leased asset or the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the differences as unrecognized financing charges. Initial direct costs, such as commissions, attorney's fees and traveling expenses, stamp duties, which can be directly attributable to the leased item and are incurred during the process of negotiating the lease and signing the leasing agreement, shall be recorded in the asset value; unrecognized financing charges shall be amortized over each period of the lease term, and current financing charges shall be recognized in accordance with the effective interest rate method; contingent rents shall be recorded into current period profit and loss as incurred.

When calculating the present value of the minimum lease payments, if the lessor's implicit interest rate can be obtained in the lease, the implicit interest rate in the lease shall be used as the discount rate. Otherwise, the interest rate provided in the lease agreement shall be used as the discount rate. In case that the lessor's implicit interest rate in the lease cannot be obtained and no interest rate is provided in the lease agreement, the borrowing interest rate of the bank for the same period shall be used as the discount rate.

Leased assets shall be subject to depreciation in accordance with the depreciation policy as consistent with that for fixed assets owned by the Company. If it is reasonably certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be depreciated over its useful life. If it is not reasonably certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be depreciated over the shorter of the lease term or its useful life.

As lessor, on the lease beginning date, the Company shall record the lower of the sum of the minimum lease receipts on the lease beginning date or the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time; the difference between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income; unrealized financing income shall be allocated to each period during the lease term; financing income in the current period shall be calculated and recognized in accordance with the effective interest rate method; contingent rents shall be recorded into current period profit and loss when they actually arise.

37. Other important accounting policies and estimates

(1) Work safety funds collection and utilization

Pursuant to the “Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds” (Cai Qi [2012] No.16) promulgated by the Ministry of Finance and the State Administration of Work Safety on 14 February 2012, work safety funds are collected and utilized for the following operations:

A. Engineering Construction

In accordance with the regulations of Article 7 of Cai Qi [2012] No. 16, the company’s subordinate construction engineering construction enterprises shall use the construction and installation engineering cost as the basis for the calculation of “municipal public works, smelting engineering, mechanical and electrical installation engineering, chemical and petroleum engineering, ports and waterways engineering, highway engineering, and communication engineering are 1.5% of the accrual ratio for work safety funds.

The work safety funds accrued by construction projects enterprises of the company shall be used for expendituresdirectly related to safety production and protection during the construction process.

B. Coal mining

Pursuant to the “Notice on Issuing and Distributing the Administrative Measures on the Deposit and Use of the Expenses for Safety Production of Coal Mine and the Several Provisions on the Issues concerning Regulating the Management of Coal Mine Maintenance Fee” (Cai Jian [2004] No.119) issued by the MOF, the NDRC and the State Administration of Coal Mine Safety and the “Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds” (Cai Qi [2012] No.16) promulgated by the Ministry of Finance and the State Administration of Work Safety, and upon examination by the Work Safety Administration, the Coal Administration and the Finance Administration of the Ejin Horo Banner, the Company complies with the provisions of Article 14 of Cai Qi [2012] No.16 and will collect work safety funds as from 2018 as per RMB 15.00 per ton. The Company will collect work safety funds every month in accordance with raw coal output and use such funds to cover ten items of expense, including coal safety facilities, and “two 4-in-1” outburst prevention measures for coal and gas outburst and gassy mines; the Company will collect mine maintenance fee from the costs as per RMB 9.50 of raw coal output (including RMB 2.50 for mine working) to be primarily used for ordinary continued expansion and extension as well as technical retrofitting for coal mine production.

C. Production of hazardous goods

According to Article 8 of Cai Qi [2012] No.16, work safety funds shall be equally collected every month for production of hazardous goods in an excess regressive manner as follows:

1) As per 4%, if actual annual sales revenue is RMB 10 million or less;

2) As per 2%, if actual annual sales revenue is RMB 10 million to RMB 100 million (including 100 million);

3) As per 0.5%, if actual annual sales revenue is RMB 100 million to RMB 1,000 million (including 1,000 million);

4) As per 0.2%, if actual annual sales revenue is more than RMB 1,000 million.

The work safety funds accrued by the production of hazardous goods shall be utilized within the directly related to safety production and protection during the production process of hazardous goods.

D. Transport of dangerous goods

According to the provisions of Article 7 of Cai Qi [2012] No. 16, the dangerous goods transportation enterprises of the company shall, on the basis of the actual operating revenue of the previous year, collect work safety funds as per “1.5% for pipeline transportation, dangerous goods and other special freight businesses. ”

The work safety funds accrued by the company's dangerous goods transportation enterprises are used for expenditures directly related to the safety and protection of dangerous goods transportation.

The work safety funds accrued according the above regulations shall be included in current profit and loss and special reserves. When the use of work safety funds belongs to expense expenditure, special reserve shall be directly offset.If a fixed asset is formed by the use of worke safety funds, the expenses incurred are collected through "Construction in Progress" and shall be recognized as Fixed-Assets when the safety project is completed and reaches its working conditions for intended use. At the same time, special reserve is offset according to the cost of the fixed asset constructed and accumulated depreciation of the same amount shall be recognized. The fixed assets no longer be depreciated in the future. The company has set up a "special reserve" item under the owner's equity in the statements of financial position to reflect the ending balance of work safety funds.

(2). Division Information

Business divisions are established in accordance with the Company's internal organization structure, management requirements and internal reporting requirements, and division reporting and disclosure is made based on each business division.

A business division refers to a division within the Company that satisfies all the following conditions: 1) this division can generate income and incur expenses in daily activities; 2) the management of the Company can regularly assess the operating results of this division so as to decide the resources to be allocated to it and to evaluate its performance; and 3) the Company can obtain this division's relevant accounting information, including financial position, operating results, cash flows, etc. When two or more business divisions have similar economic features and satisfy certain conditions, they may be treated as one division.

(3) Profit distribution

For a subsidiary participated by foreign investment, after-tax profit shall be distributed in accordance with the resolution of its board of directors, and for other companies, after making up the losses of previous years, it shall be distributed in the following order:

Item	Proportion
Withdrawal for statutory capital reserve	10%
Withdrawal for discretionary surplus reserve	To be decided by the Shareholders' General Meeting
Dividend payment for ordinary shares	To be decided by the Shareholders' General Meeting

(4) Discontinued Operations

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale and can be separately distinguished in respect of operation and financial statement preparation, which satisfies one of the following conditions: 1) represents a separate major line of business or geographical area of operations, or 2) is part of a plan proposing to dispose of a separate major line of business or geographical area of operations.

38. Major Changes of Accounting Policies and Estimates

The Company has adopted since 1 January 2020 the Accounting Standard No. 14 for Business Enterprises-Revenue revised by the Ministry of Finance.As required by the new revenue standard, retained earnings and other relevant financial statement items at the beginning of the period when the new revenue standard was first adopted (1 January 2020) should be adjusted according to the cumulative effects arising from the first adoption of the new revenue standard, and data of the comparable periods should not be adjusted. The effects of the adoption of the new revenue standard on the presentation of the balance sheet items as at the beginning of the current period are as follows:

1)Consolidated Statement of Financial Position Unit:RMB yuan

Item	31 December 2019	1 January 2020	Adjustment
Current assets:			
Cash and Cash equivalents	11,680,171,784.65	11,680,171,784.65	
Financial assets held for trading	16,000,000.00	16,000,000.00	
Derivative financial assets	345,009,630.69	345,009,630.69	
Notes receivable	597,151,846.65	597,151,846.65	
Accounts receivable	4,232,106,829.42	4,232,106,829.42	
Financing receivables	636,871,111.69	636,871,111.69	
Prepayments	2,083,817,134.20	2,083,817,134.20	
Other receivables	1,236,292,880.98	1,236,292,880.98	
Including: Interest receivable	4,596,331.61	4,596,331.61	
Dividends receivable	156,671,635.46	156,671,635.46	
Inventories	3,956,788,925.01	1,690,422,323.13	-2,266,366,601.88
Contract assets		2,266,366,601.88	2,266,366,601.88
Assets classified as held for sale			
Current portion of non-current assets	143,492,546.45	143,492,546.45	
Other current assets	2,799,047,237.65	2,799,047,237.65	
Total current assets	27,726,749,927.39	27,726,749,927.39	
Non-current assets:			
Debt investment	52,901,105.21	52,901,105.21	
Other debt investments			
Long-term receivables	51,247,164.20	51,247,164.20	
Long-term equity investments	10,665,122,605.35	10,665,122,605.35	
Other equity instruments investments	126,340,209.65	126,340,209.65	
Other non-current financial assets	5,168,936,829.77	5,168,936,829.77	
Investment real estate	268,080,470.00	268,080,470.00	
Fixed assets	43,358,024,366.89	43,358,024,366.89	
Construction in progres	8,763,079,789.24	8,763,079,789.24	
Intangible Assets	7,134,941,824.90	7,134,941,824.90	
Development expenditures	11,332,839.00	11,332,839.00	
Goodwill	429,926,751.65	429,926,751.65	
Long-term prepaid expenses	561,780,026.02	561,780,026.02	

Item	31 December 2019	1 January 2020	Adjustment
Deferred tax assets	1,598,255,296.46	1,598,255,296.46	
Other non-current assets	245,778,255.01	245,778,255.01	
Total non-current assets	78,435,747,533.35	78,435,747,533.35	
Total assets	106,162,497,460.74	106,162,497,460.74	
Current liabilities:			
Short-term borrowings	11,252,482,251.31	11,252,482,251.31	
Derivative financial liabilities	416,146,392.35	416,146,392.35	
Notes payable	612,143,841.31	612,143,841.31	
Accounts payable	9,588,508,039.59	9,588,508,039.59	
Receipts in advance	14,550,423,531.06		-14,550,423,531.06
Contract liabilities		13,551,149,180.60	13,551,149,180.60
Payroll and employee benefits	853,663,125.08	853,663,125.08	
Taxes payable	1,680,285,827.01	1,680,285,827.01	
Other payables	2,032,663,237.47	2,032,663,237.47	
Including: Interest payable	334,794,033.48	334,794,033.48	
Dividends payable	183,128,690.00	183,128,690.00	
Liabilities classified as held for sale			
Current portion of non-current liabilities	718,475,806.15	718,475,806.15	
Other current liabilities		1,292,487,828.89	1,292,487,828.89
Total current liabilities	41,704,792,051.33	41,998,005,529.76	293,213,478.43
Non-current liabilities:			
Long-term loans	4,888,251,984.97	4,888,251,984.97	
Bonds payable	12,434,605,436.33	12,434,605,436.33	
Long-term payables	452,450,216.50	452,450,216.50	
Provisions			
Deferred income	4,490,772,518.83	783,352,807.26	-3,707,419,711.57
Deferred tax liabilities	1,962,415,649.10	1,962,415,649.10	
Other non-current liabilities	329,878,814.14	3,744,085,047.28	3,414,206,233.14
Total non-current liabilities	24,558,374,619.87	24,265,161,141.44	-293,213,478.43
Total liabilities	66,263,166,671.20	66,263,166,671.20	
Owners' equity (or stockholder's equity):			
Share capital	1,229,355,783.00	1,229,355,783.00	
Capital reserve	1,873,857,356.98	1,873,857,356.98	
Less: Treasury stock	199,582,111.40	199,582,111.40	
Other comprehensive income	224,291,267.63	224,291,267.63	
Special reserves	73,412,324.44	73,412,324.44	
Surplus reserves	144,206,528.16	144,206,528.16	
Retained earnings	13,357,898,116.79	13,357,898,116.79	
Equity attributable to owners of the parent	16,703,439,265.60	16,703,439,265.60	
Non-controlling interests	23,195,891,523.94	23,195,891,523.94	
Total owner's equity	39,899,330,789.54	39,899,330,789.54	
Total liabilities and owner's equity	106,162,497,460.74	106,162,497,460.74	

2) Statement of Financial Position of Parent Company Unit:RMB yuan

Item	31 December 2019	1 January 2020	Adjustment
Current assets:			
Cash and Cash equivalents	243,728,407.57	243,728,407.57	
Prepayments	861,167.62	861,167.62	
Other receivables	1,502,728,260.53	1,502,728,260.53	
Including: Interests receivable	1,029,833.00	1,029,833.00	
Dividends receivable	868,516,493.04	868,516,493.04	
Other current assets	572,380.63	572,380.63	
Total current assets	1,747,890,216.35	1,747,890,216.35	
Non-current assets:			
Long-term receivables	2,955,830,433.46	2,955,830,433.46	
Long-term equity investments	9,190,136,852.18	9,190,136,852.18	
Other equity instruments investments	2,520,332.53	2,520,332.53	
Fixed assets	2,523,729.25	2,523,729.25	
Construction in progress	25,672,425.58	25,672,425.58	
Intangible Assets	5,584,849.13	5,584,849.13	
Long-term prepaid expenses	7,222.28	7,222.28	
Other non-current assets	8,612,696.40	8,612,696.40	
Total non-current assets	12,190,888,540.81	12,190,888,540.81	
Total assets	13,938,778,757.16	13,938,778,757.16	
Current liabilities:			
Short-term borrowings	1,358,026,200.00	1,358,026,200.00	
Accounts payable	6,433,197.59	6,433,197.59	
Payroll and employee benefits payable	11,441,659.22	11,441,659.22	
Taxes payable	3,184,270.89	3,184,270.89	
Other payables	894,398,796.00	894,398,796.00	
Including: Interest payable	50,497,747.69	50,497,747.69	
Dividends payable			
Current portion of non-current liabilities	120,000,000.00	120,000,000.00	
Total current liabilities	2,393,484,123.70	2,393,484,123.70	
Non-current liabilities:			
Long-term borrowings	500,000,000.00	500,000,000.00	
Bonds payable	149,699,000.00	149,699,000.00	
Long-term payables	4,521,228,180.00	4,521,228,180.00	
Total non-current liabilities	5,170,927,180.00	5,170,927,180.00	
Total liabilities	7,564,411,303.70	7,564,411,303.70	
Owners' equity :			
Share capital	1,229,355,783.00	1,229,355,783.00	
Capital reserve	4,339,472,379.13	4,339,472,379.13	
Less: Treasury stock	199,582,111.40	199,582,111.40	
Other comprehensive income	-8,591,762.34	-8,591,762.34	

Item	31 December 2019	1 January 2020	Adjustment
Surplus reserves	200,560,905.45	200,560,905.45	
Retained earnings	813,152,259.62	813,152,259.62	
Total owner's equity	6,374,367,453.46	6,374,367,453.46	
Total liabilities and owner's equity	13,938,778,757.16	13,938,778,757.16	

The above accounting policies changes have been reviewed and approved at the 14th meeting of the Ninth Board of Directors and the 8th Meeting of the Ninth Board of Supervisors.

Except for the above changes in accounting policies, the company has no significant changes in accounting policies during the reporting period.

IV. Taxes

1. Major Tax and Applicable Tax Rates

Major taxes	Tax basis	Tax rate
The company and domestic subsidiaries		
VAT	Taxable value added,	13%.9%.6%.3%
City construction and maintenance tax	Turnover tax payable	7%.5%
City construction and maintenance tax	Taxable income	25%.15%.20%
Individual income tax	Determine the applicable tax rate according to the nature and amount of individual income	Progressive tax in excess of specific amounts
Educational Surcharges	Turnover tax payable	5%
House property tax	Rental income from leased property and 70% of original value of self-used property	12%.1.2%
Resources tax	Revenue from the sale of coal produced and 90% of the revenue from the sale of coal produced	10%
Farming land occupation tax	Levied according to the land area occupied in the subsidence area of a coal mine	RMB 27 yuan/square meter
Overseas subsidiary of the Company		
Hong Kong profits tax	Profits generated in Hong Kong	16.50%
Tax on dividends	Dividend income derived in mainland China by a Hong Kong resident enterprise	10%.5%
British Virgin Islands	At present, there is no tax on profits, capital gains and wages of offshore companies established in the British Virgin Islands	0%
Corporate income tax of Singapore	Income originating from within Singapore	17%
Corporate income tax of America	Income originating from within the United States	21%

2. Preferential Enterprise Income Tax Policies

(1) Upon review, the Taxation Administration of Ejin Horo Banner, Ordos City, Inner Mongolia considers that Xinneng Mining Industry Co., Ltd satisfies the requirements specified in “Notice of the Ministry of Finance, the General

Administration of Customs and the State Administration of Taxation on Issues Concerning Tax Policies for In-depth Implementation of Western Region Development Strategy" (Cai Shui [2011] No.58), the "Announcement of the State Administration of Taxation on Issues of Enterprise Income Tax Concerning In-depth Implementation of Western Region Development Strategy" (Announcement [2012] No.12), the "Notice of Taxation Administration of Inner Mongolia on Issues Concerning Continuing to Apply Preferential Enterprise Income Tax to Projects Encouraged by the Western Region Development Strategy" (Announcement [2011] No.2) and the "Announcement of Taxation Administration of Inner Mongolia on Issues Concerning the Implementation of Preferential Enterprise Income Tax for the Western Region Development Strategy" (Announcement [2012] No.9), and as from January 2011, Xinneng Mining Industry Co., Ltd will be entitled to 15% enterprise income tax rate in connection with the Western Region Development StrategyPursuant to the Regulations of the Guide to Industrial Restructuring (2019), Xinneng Mining Industry Co., Ltd., on November 14, 2020, obtained the" Reply Letter from the Development and Reform Commission of Inner Mongolia Autonomous Region on the Business Related to Wangjia Coal Mine of Xinneng Mining Industry Co., Ltd." (Announcement [2020] No. 664), and the Catalogue of Encouraged Industries in the Western Region (2020). According to relevant regulations, from January 1, 2021 to December 31, 2030, the enterprise income tax will continue to be paid at a reduced rate of 15%.

(2) Pursuant to the "Approval of the Application of Xinneng Energy Limited for Preferential Enterprise Income Tax Policies" issued by the Taxation Administration of Dalad Banner, Ordos CityOrdos City, Inner Mongolia on 8 August 2008 ([2008] No.92), the subsidiary Xinneng Energy Limited is entitled to "2-year exemption and 3-year reduction" as from 2008 with respect to enterprise income tax. In November 2012, Xinneng Energy Limited received the "Confirmation Form for the Review of Preferential Income Tax Policies for Western Development Enterprises" approved by the State Taxation Administration of Dalate Banner, Ordos City, and beginning from 2012, it is entitled to a preferential tax rate of 15% with respect to enterprise income tax. Meanwhile, in October 2018, Xinneng Energy Limited was recognized as a high and new-technology enterprise for a period of 3 years.

(3) During the reporting period, some of the Company's subsidiaries: Huludao ENN Gas Development Co., Ltd., ENN Integrated Energy Network Technology Co., Ltd., Xindi Energy Engineering Technology Co., Ltd., Shanxi Qinshui ENN Clean Energy Co., Ltd. are entitled to a preferential income tax rate of 15% for high-tech enterprises within the three-year validity terms of the certificate.

(4) Some of the Company's subsidiaries: Bozhou Wanhua Gas Co., Ltd. and Bozhou ENN Energy Development Co., Ltd. satisfies the requirements specified in "Notice of the Ministry of Finance,and the State Administration of Taxation on the Implementation of Inclusive Tax Reduction and Exemption Policies for Small and Micro Enterprises" (Cai Shui[2019] No. 13) : From 1 January 2019 to 31 December 31 2021, Small and Micro enterprises with an annual taxable income of RMB 1 million or less are entitled to a reduction in income tax base of 25% and a preferential income tax rate of 20%. For the annual taxable income over 1 million yuan but less than 3 million yuan, the portion shall be reduced by 50% to the taxable income amount and the enterprise income tax shall be paid at the rate of 20%.

V. Notes to the Consolidated Financial Statements (Amount unit: RMB yuan)

1. Cash and cash equivalents

Item	Closing balance	Opening balance
Cash on hand	8,259,845.02	9,023,332.98
Bank deposits	11,666,960,087.42	10,570,089,110.42
Other monetary funds	953,451,583.96	1,101,059,341.25
Total	12,628,671,516.40	11,680,171,784.65
Including: Total amount of fund deposited overseas	788,296,509.69	239,892,143.30

Cash and cash equivalents restricted of use as a result of mortgage, pledge or freeze are as follows:

Item	Closing balance	Opening balance
Deposit in other cities	2,587,122.85	
L/C deposit	16,494,880.25	49,600,863.29
Cash in investing account	385,462.14	
Bank acceptance deposit	231,294,877.73	383,153,281.66
Futures margin	20,244,855.00	1,032,481.20
L/G deposit	11,176,144.83	57,613,457.25
Other deposit	74,554,399.97	30,546,738.99
Legal reserve of financial institutions	464,383,811.54	383,944,947.72
Deposit for rights of operation	59,202,336.77	30,200,981.44
Deposit as an electricity sales agent	46,547,252.67	53,509,134.13
Deposit for migrant workers' salaries	17,763,570.62	
Loan margin deposit	13,049,800.00	13,952,400.00
Pledge of deposit certificate	40,000,000.00	
Structured deposits		100,000,000.00
Total	997,684,514.37	1,103,554,285.68

Note:Legal reserve of financial institutions is the legal reserve deposited in the People's Bank of China by the Company's subsidiary ENN Finance Limited Liability Company.

2. Financial assets held for trading

Item	Closing balance	Opening balance
Structured deposits	70,000,000.00	16,000,000.00
Total	70,000,000.00	16,000,000.00

3. Derivative financial assets

Item	Closing balance	Opening balance
Without hedge accounting		
Including: Commodity derivative contracts	334,236,647.63	345,009,630.69

Item	Closing balance	Opening balance
Derivatives designated as hedge accounting		
Including: Foreign currency derivative contracts	1,528,068.04	
Total	335,764,715.67	345,009,630.69

Note1:The commodity price risk faced by the company mainly come from the long-term purchase and sales contract of LNG linked to the price of crude oil. In order to manage and reduce the commodity price risk, the company has signed a number of commodity derivative contracts with several financial institutions to hedge the relevant LNG contracts, and some of which are designated as a hedging instrument.

Note2: The foreign exchange risks faced by the company mainly come from various bonds and bank loans denominated in US dollars. In order to manage and reduce foreign exchange exposure, the company has signed multiple foreign currency derivative contracts with certain financial institutions, and most of the foreign currency derivative contracts are designated as hedging instruments.

4. Notes Receivable

(1) Notes receivable are listed by classification

Item	Closing balance	Opening balance
Bank acceptances	295,470,710.18	588,687,384.30
Commercial acceptances	34,522,956.97	8,464,462.35
Book value	329,993,667.15	597,151,846.65

(2) Pledged notes receivable at the end of the year

None

(3) Endorsed or discounted notes receivable that is not yet matured as at the end of the reporting period

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptances		123,084,051.29
Commercial acceptances		14,085,887.28
Total		137,169,938.57

(4) Notes transferred to accounts receivable due to the drawer's non-performance as at the end of the reporting period.

None

(5) Disclosed by bad debt provision methods

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Carrying amount	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Bad debt provision assessed individually										
Bad debt provision assessed by groups	330,342,383.89	100.00%	348,716.74	0.11%	329,993,667.15	598,845,081.97	100.00%	1,693,235.32	0.28%	597,151,846.65
Including:										
Commercial acceptances	34,871,673.71	10.56%	348,716.74	1.00%	34,522,956.97	10,157,697.67	1.70%	101,576.98	1.00%	10,056,120.69
Bank acceptances	295,470,710.18	89.44%			295,470,710.18	588,687,384.30	98.30%	1,591,658.34	0.27%	587,095,725.96
Total	330,342,383.89	100.00%	348,716.74	0.11%	329,993,667.15	598,845,081.97	100.00%	1,693,235.32	0.28%	597,151,846.65

Bad debt provision assessed by groups

Item	Closing balance		
	Notes Receivable	Bad debt provision	Proportion
Commercial acceptances	34,871,673.71	348,716.74	1.00%
Total	34,871,673.71	348,716.74	1.00%

(6) Details of bad debts provision

Category	Opening balance	Change in reporting period			Closing balance
		Provision	Recovered or reversed	Resell or write off	
Notes receivable	1,693,235.32	-1,344,518.58			348,716.74
Total	1,693,235.32	-1,344,518.58			348,716.74

5. Accounts receivable

(1) Disclosed by aging

Account age	Book balance at the end of the reporting period	Book balance as at the beginning of the reporting period
Within 1 year	3,132,949,769.91	3,760,895,255.76
1-2 years	616,900,313.57	468,364,231.22
2-3 years	272,092,225.75	115,814,763.25
3-5years	182,340,250.55	202,873,494.07
More than 5 years	117,879,784.99	27,325,803.66
Total	4,322,162,344.77	4,575,273,547.96

(2) Disclosed by bad debt provision methods

Category	Closing balance					Opening balance				
	Book balance		Provision for bad debt		Carrying amount	Book balance		Provision for bad debt		Carrying amount
	Amount	Proportion	Amount	Porportion		Amount	Proportion	Amount	Porportion	
Bad debt provision assessed individually	92,427,222.32	2.14%	92,427,222.32	100.00%		64,840,011.06	1.42%	64,840,011.06	100.00%	
Bad debt provision assessed by groups	4,229,735,122.45	97.86%	423,823,565.14	10.02%	3,805,911,557.31	4,510,433,536.90	98.58%	278,326,707.48	6.17%	4,232,106,829.42
Total	4,322,162,344.77	100.00%	516,250,787.46	11.94%	3,805,911,557.31	4,575,273,547.96	100%	343,166,718.54	7.50%	4,232,106,829.42

1) Bad debt provision assessed individually:

Name	Closing balance			
	Book balance	Bad debt provision	Porportion	Reason
Provision made separatly for bad debts which are not significant in an individual amount	92,427,222.32	92,427,222.32	100.00%	Receivables that are difficult to recover and are likely to become bad debts.
Total	92,427,222.32	92,427,222.32	100.00%	/

2) Bad debt provision assessed by groups:

Name	Closing balance		
	Book balance	Bad debt provision	Porportion
Within 1 year	3,132,199,769.91	66,952,939.62	2.14%
1-2 years	597,871,756.54	95,831,565.05	16.03%
2-3 years	247,915,220.05	53,927,593.16	21.75%
3-5 years	179,587,170.55	134,950,261.91	75.14%
More than 5 years	72,161,205.40	72,161,205.40	100.00%
Total	4,229,735,122.45	423,823,565.14	

(3) Details of bad debt provision

Category	Opening balance	Amount changed in current period				Closing balance
		Provision	Recovered or reversal	Elimination or write off	Others changes	
Bad debt provision assessed individually	64,840,011.06	44,032,086.32		15,997,953.72	-446,921.34	92,427,222.32
Bad debt provision assessed by groups	278,326,707.48	145,496,857.66				423,823,565.14
Total	343,166,718.54	189,528,943.98		15,997,953.72	-446,921.34	516,250,787.46

(4) Actual cancellation of accounts receivable in current period

Item	Amount of written off
Actual write-off of accounts receivable	15,997,953.72

(5) TOP five accounts receivable based on detbors

Entity	Closing balance	The balance of credit loss provision	Proportion in total accounts receivable
The 1st	309,415,344.88	7,270,755.45	7.16%
The 2nd	96,714,239.77	1,239,293.14	2.24%
The 3rd	83,538,000.00	430,197.67	1.93%
The 4th	76,663,903.65	766,639.04	1.77%
The 5th	75,639,990.58	864,446.93	1.75%
Total	641,971,478.88	10,571,332.23	14.85%

6. Financing receivables

(1) Classification of financing receivables

Item	Closing balance	Opening balance
Notes receivable at fair value through other comprehensive income	880,392,846.98	636,871,111.69
Total	880,392,846.98	636,871,111.69

(2) Endorsed or discounted notes receivable that is not yet matured as at the end of the reporting period

Item	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptances	846,857,644.96	
Total	846,857,644.96	

7. Prepayments

(1) Prepayments by account age

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	3,298,762,155.03	96.92%	1,991,731,648.72	95.58%
1-2 years	68,332,511.03	2.01%	61,264,760.69	2.94%
2-3 years	15,607,739.36	0.46%	17,487,049.62	0.84%
More than 3 years	20,727,188.95	0.61%	13,333,675.17	0.64%
Total	3,403,429,594.37	100.00%	2,083,817,134.20	100.00%

(2) Explanations on belated settlement of significant prepayments aged over 1 year:

Entity name	Amount	Reasons for unpaid settlement
The 1st	14,508,555.77	Has not reached the settlement period
The 2nd	7,129,460.00	Has not reached the settlement period
The 3rd	7,000,000.00	Project uncompleted
The 4th	4,504,141.97	Has not reached the settlement period
The 5th	3,009,654.67	Has not reached the settlement period
Total	36,151,812.41	

(3) Top five prepayments based on the payers

Entity	Nature	Relation with the company	Closing balance	Account age	Proportion in total prepayments
The 1st	Advance payment for purchase natural gas	Non-related party	419,662,974.15	Within 1 year	12.33%
The 2nd	Advance payment for purchase natural gas	Non-related party	164,187,187.33	Within 1 year	4.82%
The 3rd	Advance payment for purchase natural gas	Non-related party	110,835,142.81	Within 1 year	3.26%
The 4th	Advance payment for purchase natural gas	Non-related party	105,997,834.95	Within 1 year	3.11%
The 5th	Advance payment for purchase natural gas	Non-related party	97,668,448.67	Within 1 year	2.87%
Total			898,351,587.91		26.39%

8. Other receivables

Item	Closing balance	Opening balance
Interest receivable		4,596,331.61

Item	Closing balance	Opening balance
Dividends receivable	343,139,492.68	156,671,635.46
Other receivables	1,664,380,994.66	1,075,024,913.91
Total	2,007,520,487.34	1,236,292,880.98

(1) Interest receivable

Item	Closing balance	Opening balance
Time deposit		4,435,761.72
Entrusted Loan		160,569.89
Total		4,596,331.61

(2) Dividends receivable

Item(or investee)	Closing balance	Opening balance
Yantai ENN Gas Development Co., Ltd.	69,000,000.00	64,000,000.00
Yancheng ENN Compressed Natural Gas Co., Ltd.	356,197.49	356,197.49
Sinopec ENN (Tianjin) Energy Co., Ltd.	5,408,817.16	5,408,817.16
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	157,200,000.00	
Guangxi Beibu Gulf ENN Gas Development Co., Ltd.	27,879,831.60	
Shantou Huarun ENN Gas Co., Ltd.	3,870,000.00	2,670,000.00
Luquan Fuxin Gas Co., Ltd.	20,074,632.81	20,074,632.81
Changsha Xinneng Automobile Gas Co., Ltd.		390,660.00
Ningbo ENN Gas Co., Ltd.	14,700,000.00	
Hebei PetroChina Kunlun Natural Gas Co., Ltd.	20,150,013.62	
Liaocheng Shihua Natural Gas Co., Ltd.	24,500,000.00	
Huzhou ENN Gas Co., Ltd.		28,253,120.00
Huzhou ENN Gas Development Co., Ltd.		35,518,208.00
Total	343,139,492.68	156,671,635.46

(3) Other receivables

1) Aging analysis

Account age	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Within 1 year	861,968,553.00	373,688,766.17
1-2 years	254,723,988.82	425,276,115.91
2-3 years	280,129,742.66	64,933,633.90
3-5 years	165,849,365.04	239,418,996.22
More than 5 years	138,398,255.40	630,939.50
Total	1,701,069,904.92	1,103,948,451.70

2) Details of classification by nature

Nature	Book balance at the end of the reporting period	Book balance at the beginning of the reporting period
Performance bond or deposit	797,938,001.14	357,582,187.41
Current account	636,981,741.35	525,415,275.05
Advances to employees and reserve	39,802,661.20	19,360,810.12
Asset disposal proceeds	31,688,185.64	18,885,641.44
Others	194,659,315.59	182,704,537.68
Total	1,701,069,904.92	1,103,948,451.70

3) Details of bad debt provision

Provision for bad debt	Stage I	Stage II	Stage III	Total
	12mont ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
As at 1 January 2020	9,696,526.63		19,227,011.16	28,923,537.79
Changes due to financial instruments recognized as at 1 January 2020				
-Transfer to the stage II				
-Transfer to the stage III	-2,333,170.16		2,333,170.16	
-Reverse to the stage II				
-Reverse to the stage I				
Provision	9,759,999.79		2,158,673.50	11,918,673.29
Reversal				
Elimination				
Write-off			3,201,723.04	3,201,723.04
Other changes			-951,577.78	-951,577.78
As at 31 December 2020	17,123,356.26		19,565,554.00	36,688,910.26

4) Details of bad debt provision

Category	Opening balance	Amount changed in current period				Closing balance
		Provision	Recovered or reversed	Elimination or write-off	Others changes	
Other receivables	28,923,537.79	11,918,673.29		3,201,723.04	-951,577.78	36,688,910.26
Total	28,923,537.79	11,918,673.29		3,201,723.04	-951,577.78	36,688,910.26

5) Other receivables actually written off in the reporting period

Item	Amount
Other receivables actually written off	3,201,723.04

6) Top five other receivables classified by debtor

Entity	Nature	Closing balance	Account age	Proportion in total other receivables	Closing balance of bad debt provision
The 1st	Current account	144,060,661.65	Within 1 year, 1-2 years, 2-3 years, more than 3 years	8.47%	3,621,888.48
The 2nd	Current account	110,929,884.45	Within 1 year, 2-3 years, more than 3 years	6.52%	9,298.84
The 3rd	Current account	77,249,435.18	Within 1 year	4.54%	772,772.72
The 4th	Performance bond or deposit	69,317,234.56	1-2 years	4.08%	
The 5th	Current account	45,669,781.23	Within 1 year	2.68%	456,697.81
Total		447,226,997.07		26.29%	4,860,657.85

9. Inventories

(1) Categories

Item	Closing balance			Opening balance		
	Book balance	Provision	Carrying amount	Book balance	Provision	Carrying amount
Raw materials	1,260,379,870.84		1,260,379,870.84	940,354,707.71	5,761,268.79	934,593,438.92
Materials in transit	7,099,832.77		7,099,832.77	4,369,911.41		4,369,911.41
Work -in process goods	43,556,648.73		43,556,648.73	55,639,426.98		55,639,426.98
Self-made semi-finished goods	10,825,303.90		10,825,303.90	6,765,646.67		6,765,646.67
Goods in transit	25,915,350.39		25,915,350.39	4,895,528.87		4,895,528.87
Finish goods	649,262,915.82		649,262,915.82	675,488,340.56		675,488,340.56
Materials for Consigned Processing	499,318.96		499,318.96	788,138.53		788,138.53
Others	1,071,760.90		1,071,760.90	7,881,891.19		7,881,891.19
Total	1,998,611,002.31		1,998,611,002.31	1,696,183,591.92	5,761,268.79	1,690,422,323.13

(2) Provision for inventories

Item	Opening balance	Current increase		Current decrease		Closing balance
		Provision	Others	reversed or written-off	Others	
Raw materials	5,761,268.79			5,761,268.79		
Total	5,761,268.79			5,761,268.79		

10. Contract assets

(1) Details of contract assets

Item	Closing balance			Opening balance		
	Book balance	Depreciation Reserve	Carrying amount	Book balance	Depreciation Reserve	Carrying amount
Contract assets	2,622,456,965.69	35,412,951.11	2,587,044,014.58	2,309,938,962.67	43,572,360.79	2,266,366,601.88
Total	2,622,456,965.69	35,412,951.11	2,587,044,014.58	2,309,938,962.67	43,572,360.79	2,266,366,601.88

(2) Details of bad debt provision

Category	Provision of current period	Reversal of current period	Amount written off/cancelled in this period	Reason
Bad debt provision	-8,159,409.68			
Total	-8,159,409.68			

11. Current portion of non-current assets

(1) Current portion of non-current assets

Item	Closing balance	Opening balance
Current portion of non-current assets	148,133,214.03	143,492,546.45
Total	148,133,214.03	143,492,546.45

(2) Bad debt provision

Provision for bad debt	Stage I	Stage II	Stage III	Total
	12mont ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
As at 1 January 2020	635,168.68			635,168.68
Changes due to financial instruments recognized as at 1 January 2020				
-Transfer to the stage II				
-Transfer to the stage III				
-Reverse to the stage II				
-Reverse to the stage I				
Provision	642,944.59			642,944.59
Reversal				
Elimination				
Write-off				
Other changes				
As at 31 December 2020	1,278,113.27			1,278,113.27

12. Other current assets

(1) Other current assets

Item	Closing balance	Opening balance
VAT to be deducted, certified or been prepaid	1,800,659,059.27	1,955,300,094.69
Prepaid enterprise income tax	659,678,859.42	464,561,618.44
Prepaid business tax	50,468,908.89	60,427,423.16
Prepaid individual income tax	7,280,524.90	2,447,689.04
Prepay the tax on the withholding construction	65,356.46	44,909.05

Item	Closing balance	Opening balance
Prepaid social insurance and reserve	935,489.42	6,183,559.76
Entrusted Loan	224,908,461.30	302,193,620.07
Others	3,129,588.46	7,888,323.44
Total	2,747,126,248.12	2,799,047,237.65

(2) Details of bad debt provision

Provision for bad debt	Stage I	Stage II	Stage III	Total
	12mont ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
As at 1 January 2020	5,221,927.39			5,221,927.39
Changes due to financial instruments recognized as at 1 January 2020				
-Transfer to the stage II				
-Transfer to the stage III				
-Reverse to the stage II				
-Reverse to the stage I				
Provision	6,883,716.82			6,883,716.82
Reversal				
Elimination				
Write-off				
Other changes				
As at 31 December 2020	12,105,644.21			12,105,644.21

13. Debt investment

(1). Debt investments

Item	Closing balance			Opening balance		
	Book balance	Provision	Carrying amount	Book balance	Provision	Carrying amount
Entrusted loans and factoring borrowings	16,697,333.34	214,500.00	16,482,833.34	53,771,968.76	870,863.55	52,901,105.21
Total	16,697,333.34	214,500.00	16,482,833.34	53,771,968.76	870,863.55	52,901,105.21

(2). Details of bad debt provision

Provision for bad debt	Stage I	Stage II	Stage III	Total
	12mont ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
As at 1 January 2020	870,863.55			870,863.55
Changes due to financial instruments recognized as at 1				

Provision for bad debt	Stage I	Stage II	Stage III	Total
	12mont ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
January 2020				
-Transfer to the stage II				
-Transfer to the stage III				
-Reverse to the stage II				
-Reverse to the stage I				
Provision	-656,363.55			-656,363.55
Reversal				
Elimination				
Write-off				
Other changes				
As at 31 December 2020	214,500.00			214,500.00

14. Long-term receivables

(1) Long-term receivables

Item	Closing balance			Discount rate interval	Opening balance			Discount rate interval
	Book balance	Bad debt provision	Carrying amount		Book balance	Bad debt provision	Carrying amount	
Finance lease payments	233,854,077.64	10,814,651.92	223,039,425.72	5.00%-16.89%	60,318,449.18	9,071,284.98	51,247,164.20	7.20%-8.38%
Including: Unrealized financing income	32,038,801.14		32,038,801.14		6,651,550.82		6,651,550.82	
Total	233,854,077.64	10,814,651.92	223,039,425.72		60,318,449.18	9,071,284.98	51,247,164.20	

(2) Details of bad debt provision

bad debt provision	Stage I	Stage II	Stage III	Total
	12mont ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
As at 1 January 2020	9,071,284.98			9,071,284.98
Changes due to financial instruments recognized as at 1 January 2020				
-Transfer to the stage II				
-Transfer to the stage III				
-Reverse to the stage II				
-Reverse to the stage I				
Provision	1,743,366.94			1,743,366.94
Reversal				
Elimination				
Write-off				

bad debt provision	Stage I	Stage II	Stage III	Total
	12mont ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
Other changes				
As at 31 December 2020	10,814,651.92			10,814,651.92

15. Long-term equity investments

Investee	Opening balance	Changes for the current period								Closing balance	Closing balance of depreciation provision
		Additional investment	Decrease investment	Investment income or losses recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declare cash dividend or profit	Provision for impairment	Others		
I. Joint Ventures											
Dongguan Xinde Gas Engineering Project Management Co., Ltd.	2,379,483.52			-346,219.10						2,033,264.42	13,068,966.79
Yancheng ENN Compressed Natural Gas Co., Ltd.	20,658,689.30			-1,291,231.25						19,367,458.05	
Luquan Fuxin Gas Co., Ltd.	70,734,294.48			31,671,686.04						102,405,980.52	
Ningbo ENN Gas Co., Ltd.	120,500,572.76			22,068,604.51			29,400,000.00			113,169,177.27	
Yantai ENN Gas Development Co., Ltd.	425,565,527.77			86,487,599.85			40,000,000.00			472,053,127.62	
Kaifeng ENN Yinhai Automobile Gas Co., Ltd.	2,722,088.81			-19,960.13						2,702,128.68	
Tangshan ENN Yiyun Clean Energy Co., Ltd.	10,547,331.86			-1,890,820.96						8,656,510.90	
Yunnan Yuntu ENN Gas Co., Ltd.	124,444,469.61			4,461,258.70						128,905,728.31	
Haining Xinxin Natural Gas Co., Ltd.	11,828,103.40	20,000,000.00		199,266.83			3,360,000.00			28,667,370.23	
Tangshan ENN Yongshun Clean Energy Co., Ltd.	9,964,964.36	90,300,000.00		-40,401,274.69						59,863,689.67	
Hebei PetroChina Kunlun Natural Gas Co., Ltd.	231,108,259.55			40,044,962.70			20,150,013.62			251,003,208.63	
Henan Jingbao ENN New Energy Co., Ltd.	32,548,024.48			7,516,080.52						40,064,105.00	

Investee	Opening balance	Changes for the current period								Closing balance	Closing balance of depreciation provision
		Additional investment	Decrease investment	Investment income or losses recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declare cash dividend or profit	Provision for impairment	Others		
Hangzhou Xiaoshan Huanneng Industrial Co., Ltd.	7,474,352.91			948,234.01			1,350,000.00			7,072,586.92	
Quzhou ENN Sinopec Automobile Gas Co., Ltd.	9,859,689.69			1,461,067.94			1,275,399.55			10,045,358.08	
Shanghai Kunlun ENN Clean Energy Co., Ltd.	215,238,279.89			14,071,055.36			18,130,000.00			211,179,335.25	
Jiaxing Sinopec ENN Gas Co., Ltd.	5,952,401.65			-288,799.95			700,000.00			4,963,601.70	
Langfang Huagang ENN Gas Investment Co., Ltd.	20,316,787.81			43,499.68						20,360,287.49	
Baoding ENN Gas Co., Ltd.	137,870,462.14			-196,255.49						137,674,206.65	
Langfang ENN Longyu Clean Energy Co., Ltd.	8,617,141.36			494,378.90						9,111,520.26	
Jinhua Sinopec ENN Automobile Natural Gas Co., Ltd.	5,391,719.19			341,424.88			294,658.81			5,438,485.26	
Liaocheng Shihua Natural Gas Co., Ltd.	67,928,103.65			12,499,637.31			24,500,000.00			55,927,740.96	
Loudi ENN Jiaheng Gas Co., Ltd.	5,910,803.30		5,898,033.47	-12,769.83							
Guangxi Xijiang ENN Clean Energy Co., Ltd.	18,422,848.96			-1,305,551.23						17,117,297.73	
Anhui Wanneng ENN Natural Gas Co., Ltd.	37,039,711.36			277,246.53						37,316,957.89	

Investee	Opening balance	Changes for the current period								Closing balance	Closing balance of depreciation provision
		Additional investment	Decrease investment	Investment income or losses recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declare cash dividend or profit	Provision for impairment	Others		
Taizhou ENN Petrochemical Automobile Gas Co., Ltd.	3,009,143.33			70,121.84						3,079,265.17	
Luoyang Hongxin Gas Co., Ltd.	8,932,226.79			-84,367.88						8,847,858.91	
Beijing Beirab ENN Clean Energy Co., Ltd.	21,230,531.79			-672,524.99						20,558,006.80	
Xuzhou Guotou ENN Energy Co., Ltd.	22,030,644.56			646,582.79						22,677,227.35	
Qingdao International Airport New Energy Development Co., Ltd.	46,346,747.73	17,500,000.00		326,260.34						64,173,008.07	
Yunnan Yuntou ENN Power Sales Co., Ltd.	8,464,956.48		12,551,366.01	4,086,409.53							
Jiangxi Poyang Lake LNG Co., Ltd	38,399,137.14			-3,364,361.62						35,034,775.52	
Dongguan Haofeng ENN Energy Co., Ltd.	26,813,271.13			2,979,475.02						29,792,746.15	
Yunnan Natural Gas Xuanwei ENN Gas Co., Ltd.	37,869,623.96			919,139.51						38,788,763.47	
Chenzhou Sanxiang ENN Clean Energy Co., Ltd.	23,350,140.09			1,857,669.61			5,025,638.30			20,182,171.40	
Nanjing ENN Sanxin Traffic Science&Technology Co., Ltd.	5,102,051.63			530,429.79						5,632,481.42	
Dongguan ENN Traffic Clean Energy Co., Ltd.	21,316,573.04		13,306,358.59	-361,346.94			7,648,867.51				

Investee	Opening balance	Changes for the current period								Closing balance	Closing balance of depreciation provision
		Additional investment	Decrease investment	Investment income or losses recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declare cash dividend or profit	Provision for impairment	Others		
Wulian Run'ao Energy Development Co., Ltd.	7,492,484.52			78,277.89						7,570,762.41	
Changshan ENN Gas Co., Ltd.	2,450,826.39		2,390,740.89	-60,085.50							
Binzhou Huanhai Zhengshuo Gas Co., Ltd.	20,036,000.00		20,152,046.30	116,046.30							
Xuancheng Hezhong Natural Gas Pipeline Network Co., Ltd.	33,332,305.32			3,893,297.07			1,200,000.00			36,025,602.39	
Dongguan Zhongdian ENN Heating Co., Ltd.	25,065,356.04			4,728,144.68						29,793,500.72	
Changsha Nanneng ENN New Energy Technology Co., Ltd.	4,505,287.40			-196,684.20						4,308,603.20	
Zhuzhou Tai'ao Energy Co., Ltd.		2,000,000.00		22,373.31						2,022,373.31	
Dongguan Changping Haofeng ENN Energy Development Co., Ltd.		490,000.00								490,000.00	
Subtotal	1,958,771,419.15	130,290,000.00	54,298,545.26	192,347,977.68			153,034,577.79			2,074,076,273.78	13,068,966.79
II. Associates											
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	646,364,383.75			-12,710,317.42			157,200,000.00			476,454,066.33	
CNOOC Gas and Electricity North Sea Gas Co., Ltd.	65,296,940.82			647,861.04						65,944,801.86	
Beijing Zhongnong Big Biotechnology Incorporated Company	12,144,614.39			-640,799.11						11,503,815.28	

Investee	Opening balance	Changes for the current period								Closing balance	Closing balance of depreciation provision
		Additional investment	Decrease investment	Investment income or losses recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declare cash dividend or profit	Provision for impairment	Others		
Erdos Xinneng Logistics Co., Ltd.	2,442,060.98			295,471.84						2,737,532.82	
Chongqing Longran Energy Technology Co., Ltd.		14,354,494.00		694,577.44						15,049,071.44	
Linyi Zhongfu Natural Gas Development and Utilization Co., Ltd	74,222,518.14			647,477.32						74,869,995.46	
Changsha Xinneng Automobile Gas Co., Ltd.	15,040,628.09			682,330.73						15,722,958.82	
Zhanjiang Xinyi Real Estate Development Co., Ltd.	38,482,860.24			10,694,281.43			13,500,000.00			35,677,141.67	
Vietnam Urban Gas Investment and Development Corporation .	32,831,496.94			-2,864,601.32						29,966,895.62	
Zhanjiang Zhongyou ENN Natural Gas Co., Ltd.	32,572,888.75			2,108,453.10			2,450,000.00			32,231,341.85	
Shijiazhuang Kunlun ENN Gas Co., Ltd.	242,721,140.49			110,211,116.43						352,932,256.92	
Liaoning Liaoyou ENN Shengyu Natural Gas Co., Ltd.	15,154,358.34			120,678.26						15,275,036.60	
Huai'an Zhongyou Tianhuai Gas Co., Ltd	6,610,362.40			1,381,708.00			1,381,031.36			6,611,039.04	
Sinopec ENN (Tianjin) Energy Co., Ltd.	43,895,804.84			-3,267,152.98						40,628,651.86	
Taizhou City Natural Gas Co., Ltd	55,581,835.63			-9,219,330.31						46,362,505.32	

Investee	Opening balance	Changes for the current period								Closing balance	Closing balance of depreciation provision
		Additional investment	Decrease investment	Investment income or losses recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declare cash dividend or profit	Provision for impairment	Others		
Guangzhou Ganghua Gas Co., Ltd.	49,111,465.75			14,472,745.28			6,000,000.00			57,584,211.03	
Taizhou Yinxingshu Gas Co., Ltd.	4,487,555.93			862,607.15			762,318.42			4,587,844.66	
CNOOC Xinrun Liaoning Gas Co., Ltd.	10,367,350.13			1,827,845.57						12,195,195.70	
Xinyu ENN Clean Energy Co., Ltd	6,432,181.06			-84,267.15						6,347,913.91	
Changzhou Meilu ENN Energy Co., Ltd	5,282,437.93			-186,086.45						5,096,351.48	
Suzhou Wanneng Natural Gas Co., Ltd	30,736,571.59			1,469,896.03						32,206,467.62	
Guangxi Beibu Gulf ENN Gas Development Co., Ltd.	86,231,852.13			26,032,717.96			54,205,319.10			58,059,250.99	
Wuzhou PetroChina Kunlun ENN Gas Co., Ltd.	40,421,163.48			364,334.54						40,785,498.02	
Shantou Huarun ENN Gas Co., Ltd.	159,076,740.29			24,051,783.96			24,500,000.00			158,628,524.25	
Enniu Chengfu (Langfang) Public Service Technology Co., Ltd.	921,030.05			-440,416.70						480,613.35	
Ningbo ENN Gas Development Co., Ltd	22,633,501.45			8,484,675.44			14,700,000.00			16,418,176.89	
Guangxi Yilongyuan Electricity Distribution Co., Ltd.	10,323,759.96			1,557,769.64						11,881,529.60	
Shanghai Zhuoxiao Energy Technology Co., Ltd.	3,926,284.28			484,208.75						4,410,493.03	
Shijiazhuang Blue Sky ENN	40,093,921.19			2,246,597.39						42,340,518.58	

Investee	Opening balance	Changes for the current period								Closing balance	Closing balance of depreciation provision
		Additional investment	Decrease investment	Investment income or losses recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declare cash dividend or profit	Provision for impairment	Others		
Natural Gas Pipeline Network Co., Ltd.											
Shandong Lule Natural Gas Co., Ltd.	8,508,328.19			-388,371.82						8,119,956.37	
Zhoushan Natural Gas Trading Market Co., Ltd	5,611,948.80			-740,308.25						4,871,640.55	
Zhoushan Lanyan Gas Co., Ltd.	509,425,264.38			12,395,284.30						521,820,548.68	
Hunan Yiwei Power Distribution Co., Ltd	29,557,300.95			42,061.07						29,599,362.02	
Zhejiang Xinyongzhou Logistics Co., Ltd.	7,421,944.20			1,685,268.60						9,107,212.80	
Heilongjiang Natural Gas Pipeline Network Co., Ltd.	230,807,548.39			4,540,752.18						235,348,300.57	
Guangxi Daren Energy Co., Ltd.	35,293,296.13			813,213.57						36,106,509.70	
Luoyang Natural Gas Storage and Transportation Co., Ltd.	32,385,258.00			8,262.00						32,393,520.00	
Hechi Yizhou Huazhi Clean Energy Co., Ltd.	1,502,012.83			3,126.46						1,505,139.29	
Yangpu Huazhi Clean Energy Co., Ltd.	2,001,560.43		2,000,000.00	-1,560.43							
Tengzhou Huazhi Clean Energy Co., Ltd.	771,062.03			2,105.47						773,167.50	
Changshu Huazhi Clean Energy Co., Ltd.	1,490,084.77			-58,366.49						1,431,718.28	
Huzhou ENN Gas Co., Ltd.	336,089,270.71			54,993,493.25			58,524,320.00			332,558,443.96	
Huzhou ENN Wanfeng Gas Co., Ltd.	240,368,893.43			16,764,051.43						257,132,944.86	

Investee	Opening balance	Changes for the current period								Closing balance	Closing balance of depreciation provision
		Additional investment	Decrease investment	Investment income or losses recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declare cash dividend or profit	Provision for impairment	Others		
Huzhou ENN Wanfeng Gas Development Co., Ltd.	67,244,988.13			11,833,943.49						79,078,931.62	
Shandong Airport Intelligent Energy Development Co., Ltd.	6,914,884.32			-200,176.20						6,714,708.12	
Hengshui Jiantou Blue Sky Equity Investment Fund Center (Limited Partnership)	9,737,865.64		9,710,000.00	-27,865.64							
Kaifeng Xingsong City Trade Co., Ltd.	1,000,000.00			-38,063.64						961,936.36	
Anhui Jinshi Xuanran Natural Gas Pipeline Co., Ltd.	20,078.30			-413.95						19,664.35	
Shandong Luxin Natural Gas Co., Ltd.	15,602,616.43			-618,322.37						14,984,294.06	
Hubei Highway Passenger Transport (Group) Shengshitong Transportation Co., Ltd.	4,264,364.85			124,339.36						4,388,704.21	
Lianyungang Zhongxin Gas Co., Ltd.		91,200,000.00		-2,941,366.75						88,258,633.25	
Yancheng Guoneng ENN Energy Development Co., Ltd.		4,000,000.00		-256,073.63						3,743,926.37	
Ningbo ENN Xinrui Energy Development Co., Ltd.		4,900,000.00		3,517,317.42						8,417,317.42	
Jinhua Gaoya Natural Gas Co., Ltd.	14,472,414.91			-903,501.85						13,568,913.06	
Bozhou Xinglu New Energy Co., Ltd		980,000.00		-34,594.89						945,405.11	
Santos Limited	5,392,452,491.36		5,194,207,444.72	-217,377,149.23	8,498,314.68	6,373,736.01	73,434,346.79		77,694,398.69		

Investee	Opening balance	Changes for the current period								Closing balance	Closing balance of depreciation provision
		Additional investment	Decrease investment	Investment income or losses recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declare cash dividend or profit	Provision for impairment	Others		
Danjiangkou ENN Energy Development Co., Ltd.		1,000,000.00		-32,617.50						967,382.50	
Xuyi Guolian ENN Natural Gas Pipeline Network Co., Ltd.		53,785,600.00		-5,406.44						53,780,193.56	
Changzhou Zhongwu Power Distribution Co., Ltd.		3,600,000.00		845.35						3,600,845.35	
Bengbu Ruiyuan Power Distribution Co., Ltd.		5,400,000.00		703.01						5,400,703.01	
Minshang (Guangdong) Investment Partnership (Limited Partnership)		60,000,000.00		-2,949,200.20						57,050,799.80	
Subtotal	8,706,351,186.20	239,220,094.00	5,205,917,444.72	60,077,573.54	8,498,314.68	6,373,736.01	406,657,335.67		77,694,398.69	3,485,640,522.73	
Total	10,665,122,605.35	369,510,094.00	5,260,215,989.98	252,425,551.22	8,498,314.68	6,373,736.01	559,691,913.46		77,694,398.69	5,559,716,796.51	13,068,966.79

Note:Reasons for the reduction of investment to Santos Limited: The company acquired 32.80% of the shares of ENN Energy Holdings Limited under the common control. Xinneng (Hong Kong) Energy Investment Co., Ltd. paid part of the consideratioin with its ownership of 100.00% of the shares in United Faith Ventures Limited whichheld 9.97% of the shares of Santos Limited. With the completion of the acquisition, Xinneng (Hong Kong) Energy Investment Co., Ltd. traded out the 100.00% of the shares of United Faith Ventures Limited and led to the reduction of the invesatment to Santos Limited.

16. Other equity instruments investments

(1) Details of other equity instruments investments

Item	Closing balance	Opening balance
ENN (Inner Mongolia) Graphene Material Co., Ltd.	1,320,254.84	2,520,332.53
Shenzhen Dapeng LNG Sales Co., Ltd.	2,426,779.62	1,250,000.00
Jiaxing Gas Group Co., Ltd.	61,785,468.02	2,600,000.00
Shanghai Zhongyou Baihe Petroleum Gas Co., Ltd.	10,040,453.19	4,500,000.00
Shanghai Petroleum and Natural Gas Trading Center Co., Ltd.	43,974,999.09	43,157,932.42
Chongqing Petroleum and Natural Gas Trading Center Co., Ltd.	54,082,426.26	51,211,944.70
Xiangtan Desheng Energy&Power Distribution Co., Ltd.	1,521,269.08	1,600,000.00
Sanmenxia Swan Power Co., Ltd.	11,759,895.31	15,000,000.00
Nanjing Jiangbei New Area Power Distribution Co., Ltd.	4,613,025.12	4,500,000.00
Heilongjiang Electric Power Trading Center Co., Ltd.	3,556,700.00	
Longchang Ruigao Energy Development Co., Ltd.	14,900,000.00	
Jibei Electric Power Trading Center Co., Ltd.	2,881,764.78	
Zhejiang Heson Energy Co., Ltd.	1,689,944.27	
Santos Limited	66,704,110.34	
Total	281,257,089.92	126,340,209.65

(2). Details of investments in non-trading equity instruments

Item	Dividend revenue recognized in the current period	Accumulated income	Accumulated loss	Transfer from other comprehensive income to retained earnings	Reason for designation as at fair value through other comprehensive income	Reasons for transfer from other comprehensive income to retained earnings
ENN (Inner Mongolia) Graphene Material Co., Ltd.			-9,791,845.16		Strategic investment	
Shenzhen Dapeng LNG Sales Co., Ltd.	1,359,253.38	1,176,779.62			Strategic investment	
Jiaxing Gas Group Co., Ltd.		59,185,468.02			Strategic investment	
Shanghai Zhongyou Baihe Petroleum Gas Co., Ltd.	847,269.51	5,540,453.19			Strategic investment	
Shanghai Petroleum and Natural Gas Trading Center Co., Ltd.		1,974,999.09			Strategic investment	

Item	Dividend revenue recognized in the current period	Accumulated income	Accumulated loss	Transfer from other comprehensive income to retained earnings	Reason for designation as at fair value through other comprehensive income	Reasons for transfer from other comprehensive income to retained earnings
Chongqing Petroleum and Natural Gas Trading Center Co., Ltd.		1,582,426.26			Strategic investment	
Xiangtan Desheng Energy&Power Distribution Co., Ltd.			-78,730.92		Strategic investment	
Sanmenxia Swan Power Co., Ltd.			-3,240,104.69		Strategic investment	
Nanjing Jiangbei New Area Power Distribution Co., Ltd.		113,025.12			Strategic investment	
Heilongjiang Electric Power Trading Center Co., Ltd.					Strategic investment	
Longchang Ruigao Energy Development Co., Ltd.		900,000.00			Strategic investment	
Jibei Electric Power Trading Center Co., Ltd.			-30,023.80		Strategic investment	
Zhejiang Heson Energy Co., Ltd.			-710,055.73		Strategic investment	
Equity investment in Santos Limited	307,090.89	17,498,767.88			Strategic investment	
Total	2,513,613.78	87,971,919.18	-13,850,760.30			

17. Other non-current financial assets

Item	Closing balance	Opening balance
Derivative financial assets included in other non-current financial assets		
Without hedge accounting:		
Including: Foreign currency derivative contracts		99,579,685.12
Commodity derivative contracts	291,963,810.01	228,013,386.57
Financial assets at fair value through pofit or loss	4,759,593,950.81	4,841,343,758.08
Total	5,051,557,760.82	5,168,936,829.77

Including, the financial assets at fair value through pofit or lossa re as follows:

Name of invested entity	Closing balance	Opening balance
Guokai Siyuan (Beijing) Investment Fund Co., Ltd.	58,806,000.00	105,138,000.00
Sinopec Marketing Co., Ltd.	4,170,000,000.00	4,170,000,000.00

Name of invested entity	Closing balance	Opening balance
Shanghai Dazhong Public Utilities (Group) Co., Ltd.	243,692,350.81	287,157,758.08
Hony Capital Mezzanine Fund	287,095,600.00	279,048,000.00
Total	4,759,593,950.81	4,841,343,758.08

Note 1: Please refer to Note V-3 Derivative Financial Assets for details of the foreign currency derivative contracts and commodity derivative contracts.

Note 2: The Company holds 1.13% of the shares of the listed company Sinopec Marketing Co., Ltd. The Company holds 4.38% of the shares of the listed company Shanghai Dazhong Public Utilities (Group) Co., Ltd.

Note 3: The Company holds the equity investment of the non-listed company Guokai Siyuan (Beijing) Investment Fund Co., Ltd. and Hony Capital Mezzanine Fund d which are expected to be held beyond one year.

18. Investment properties

(1) Investment properties measured at fair value

Item	Properties & buildings	Total
Opening balance	268,080,470.00	268,080,470.00
Add: Purchases		
Transfer from fixed assets	3,288,516.70	3,288,516.70
Less: Disposal		
Transfer to fixed assets	330,000.00	330,000.00
Fair value changes	-10,165,126.70	-10,165,126.70
Closing balance	260,873,860.00	260,873,860.00

(2) Investment property of which certificates of title have not been obtained

None

19. Fixed assets

(1). Details of Fixed Assets

Project	Properties & buildings	Machinery & Equipment	Office&Electronic Communication Equipment	Transportation equipment	Gas pipeline	Total
I. Original book value:						
1. Opening balance	9,532,626,552.65	9,413,957,974.79	1,749,522,825.90	640,876,241.88	33,840,562,352.15	55,177,545,947.37
2. Increase in the current period	1,081,253,772.19	1,576,187,826.35	179,194,189.43	88,435,956.33	5,400,493,979.93	8,325,565,724.23
(1) Additions	266,706,981.79	696,000,630.81	87,990,012.33	81,839,596.53	345,104,622.31	1,477,641,843.77
(2) Transfer from construction in progress	653,863,832.78	776,511,149.98	89,376,950.78	189,628.32	4,723,255,930.01	6,243,197,491.87

Project	Properties & buildings	Machinery & Equipment	Office&Electronic Communication Equipment	Transportation equipment	Gas pipeline	Total
(3) Increase arising from business combination ns	160,352,957.62	103,676,045.56	1,827,226.32	6,406,731.48	332,133,427.61	604,396,388.59
(4)Transfer from Investment properties	330,000.00					330,000.00
3. Decrease in the current period	551,666,452.93	646,263,370.57	54,477,233.46	95,473,910.20	472,138,790.73	1,820,019,757.89
(1) Disposal or retirement	547,218,721.01	646,263,370.57	54,477,233.46	95,473,910.20	472,138,790.73	1,815,572,025.97
(2) Transfer into Investment properties	4,447,731.92					4,447,731.92
4. Closing balance	10,062,213,871.91	10,343,882,430.57	1,874,239,781.87	633,838,288.01	38,768,917,541.35	61,683,091,913.71
II. Accumulated Depreciation						
1. Opening balance	1,447,464,020.54	2,924,443,702.24	1,174,725,350.69	357,901,601.65	5,900,812,505.36	11,805,347,180.48
2. Increase in the current period	260,436,613.25	695,946,194.83	130,055,456.66	67,825,856.85	1,123,967,533.26	2,278,231,654.85
(1) Provision	260,436,613.25	695,946,194.83	130,055,456.66	67,825,856.85	1,123,967,533.26	2,278,231,654.85
3. Decrease in the current period	92,906,793.39	306,715,911.61	35,720,738.60	81,724,894.90	126,869,729.89	643,938,068.39
(1) Disposal or retirement	91,747,578.17	306,715,911.61	35,720,738.60	81,724,894.90	126,869,729.89	642,778,853.17
(2)Transfer into Investment properties	1,159,215.22					1,159,215.22
4. Closing balance	1,614,993,840.40	3,313,673,985.46	1,269,060,068.75	344,002,563.60	6,897,910,308.73	13,439,640,766.94
III. Provision for impairment						
1. Opening balance		14,174,400.00				14,174,400.00
2. Increase in the current period	28,256,301.82	36,419,531.87				64,675,833.69
(1)Provision	28,256,301.82	36,419,531.87				64,675,833.69
3. Decrease in the current period	28,256,301.82	14,174,400.00				42,430,701.82
(1) Disposal	28,256,301.82	14,174,400.00				42,430,701.82
4. Closing balance		36,419,531.87				36,419,531.87
IV. Carrying amount						
1. Carrying amount at end of the reporting period	8,447,220,031.51	6,993,788,913.24	605,179,713.12	289,835,724.41	31,871,007,232.62	48,207,031,614.90
2. Carrying amount at beginning of the reporting period	8,085,162,532.11	6,475,339,872.55	574,797,475.21	282,974,640.23	27,939,749,846.79	43,358,024,366.89

(2) Temporary idled fixed assets

None

(3) Fixed assets acquired under finance leases

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery&Equipment	160,548,920.74	25,685,927.80		134,862,992.94

(4) Fixed assets leased out through operating leases

Item	Carrying amount at the end of the reporting period
Asset let out under operating lease	105,065,157.80

(5) Fixed assets of which certificates of title have not been obtained

Item	Carrying amount	Reasons why certificates of title have not been obtained
Production and office building	904,741,993.72	Currently communicating with the government on the relevant issue
Apartment building in the living quarter	39,699,135.59	Currently communicating with the government on the relevant issue
Work-shift dormitory	12,201,323.06	Currently communicating with the government on the relevant issue
Total	956,642,452.37	

20. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	7,551,727,194.09	8,315,568,177.64
Materials for construction of fixed assets	271,685,970.23	447,511,611.60
Total	7,823,413,164.32	8,763,079,789.24

(1) construction in progress

1) Details of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairmen t	Carrying amount
Distributed energy project	1,361,350,218.02		1,361,350,218.02	1,003,844,947.08		1,003,844,947.08
Gas engineering	4,142,288,353.94	6,632,708.94	4,135,655,645.00	5,323,251,290.55		5,323,251,290.55
Stable light hydrocarbon with annual capacity of 200,000t	1,436,810,985.40		1,436,810,985.40	1,207,298,815.78		1,207,298,815.78
Coal paste and powdered coal gasification project (coal paste and powdered coal coupled gasification technology upgrade project)	278,604,224.58		278,604,224.58	243,934,119.42		243,934,119.42
Reclamation work in the production period	5,141,904.68		5,141,904.68	53,586,712.82		53,586,712.82
Coal yard enclosure project	1,834,862.38		1,834,862.38	43,660,535.55		43,660,535.55
Utility work (park area integration)	19,383,540.75		19,383,540.75	17,254,260.65		17,254,260.65
Coal mining equipment to be installed	18,639.78		18,639.78	242,861,083.11		242,861,083.11
Water system environment-friendliness	160,424,992.98		160,424,992.98	60,455,332.18		60,455,332.18

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
technology upgrade project						
Other construction engineering	152,502,180.52		152,502,180.52	119,421,080.50		119,421,080.50
Total	7,558,359,903.03	6,632,708.94	7,551,727,194.09	8,315,568,177.64		8,315,568,177.64

2) Changes of significant construction in progress in the reporting period

Item	Budget	Opening balance	Increase in the current period	Transfer to fixed assets in the reporting period	Other reductionss in the reporting period	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress(%)	Amount of accumulated capitalized interest	Including: capitalized interest for the current period	Interest capitalization rate for the current period (%)	Source of funds
Langfang LNG Gas Storage Station Project	230,000,000.00	7,573,902.17	239,041,293.17	219,012,679.57		27,602,515.77	107.22	98.00				Self-financing
Longping High-Tech Project	176,952,564.32	117,293,908.98	28,485,037.30	102,530,484.91		43,248,461.37	82.38	98.00				Self-financing, loans
High-Pressure Gas Pipeline Project from Minggao Yichuan Luoyang to Song County to Luanchuan	320,000,000.00	4,607,807.24	24,672,537.92	20,573,185.26		8,707,159.90	81.00	98.00	1,412,676.70			Self-financing, loans
High-Pressure Pipeline Project from Xiameimen Station to Taishang Pressure Control Station	172,563,900.00	30,836,116.55	80,023,178.00			110,859,294.55	64.24	75.00				Self-financing
Intermediate Pressure Natural Gas Pipeline Network Project in Jinnan Area	112,476,000.00	11,130,673.60	8,034,544.67	1,208,494.60		17,956,723.67	92.00	95.00				Self-financing
Integrated Energy Micro-Network--No. 1 Integrated Energy Main Station Project in Daqing Linyuan Chemical Park	1,089,280,000.00	190,183,657.26	433,216,336.15		7,807,504.00	615,592,489.41	57.23	90.00	8,938,998.64	8,709,415.31	4.35	Self-financing, loans
Construction Contract of High-Pressure Natural Gas Pipeline Network (Chengsha Canal-Shawang Road) Project in Dongguan	161,000,000.00	100,024,333.02	1,929,532.92	101,953,865.94			100.00	100.00				Self-financing

Item	Budget	Opening balance	Increase in the current period	Transfer to fixed assets in the reporting period	Other reductionss in the reporting period	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress(%)	Amount of accumulated capitalized interest	Including: capitalized interest for the current period	Interest capitalization rate for the current period (%)	Source of funds
City												
High-Pressure Natural Gas Pipeline Network Project in Beiwang Road&Guangshen High Way, Dongguan City (Gaobumen Station-Zhonghong Branch Line)	266,000,000.00	85,336,706.59	44,356,621.37	129,693,327.96			100.00	100.00				Self-financing
Mamu-Yushan Intermediate Pressure Natural Gas Pipeline Project	180,000,000.00	83,558,543.46	29,501,901.37			113,060,444.83	62.81	63.00	2,866,222.35	2,866,222.35	3.48	Self-financing, loans
Zhoushan DSIC 8500m3LNG Ship Filling Construction Project	374,800,000.00	38,812,803.04	41,064,218.17			79,877,021.21	21.31	21.00				Self-financing, loans
Phase I Integrated Energy Micro-Network Project in Yangpu Economic Development Zone, Danzhou City, Hainan Province	169,380,000.00	64,391,575.47	98,723,633.35			163,115,208.82	96.30	98.00	2,573,223.92	2,573,223.92	3.85	Self-financing, loans
West Third Ring High-Preseure	119,000,000.00	30,555,668.01	7,370,433.46			37,926,101.47	31.87	32.00	2,290,825.76			Self-financing, loans
LNG Emergency Storage and Distribution Station	585,800,000.00	249,885,751.96	11,926,704.35			261,812,456.31	44.69	45.00	31,785,240.14	5,595,733.33	4.75	Self-financing, loans
Heating Project in West Zhengding County	283,220,000.00	93,525,457.88	4,169,363.49	95,360,320.27		2,334,501.10	34.49	34.00	3,222,543.71			Self-financing, loans

Item	Budget	Opening balance	Increase in the current period	Transfer to fixed assets in the reporting period	Other reductionss in the reporting period	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress(%)	Amount of accumulated capitalized interest	Including: capitalized interest for the current period	Interest capitalization rate for the current period (%)	Source of funds
High-Pressure Pipeline Project of Enn Gas Co., Ltd in Luquan District, Shijiazhuang	300,000,000.00	73,931,801.11	3,672,756.35			77,604,557.46	25.87	26.00				Self-financing
High-Pressure Natural Gas Pipeline Network Project in Zhanjiang (Zhanjiang Sub-Distribution Station to Chengbeimen Station)	174,001,160.00	100,233,607.65	42,529,495.88	142,763,103.53			82.05	100.00				Self-financing, loans
Reclamation work in the production period	232,118,100.00	53,586,712.82	152,716,248.41	201,161,056.55		5,141,904.68	88.88	99.00				Self-financing
Stable light hydrocarbon with annual capacity of 200,000t	3,763,058,700.00	1,207,298,815.78	229,512,169.62			1,436,810,985.40	121.29	98.00	287,705,895.16	2,834,119.56	6.18	Self-financing, loan, external financing
Coal paste and powdered coal gasification project	218,079,500.00	243,934,119.42	34,670,105.16			278,604,224.58	127.75	97.00				Self-financing, loans
Coal yard enclosure project	45,000,000.00	43,660,535.55	506,603.77	42,332,276.94		1,834,862.38	98.15	99.00				Self-financing, loans
Water system environment-friendlines s technology upgrade project	159,535,000.00	60,455,332.18	99,969,660.80			160,424,992.98	100.56	98.00	754,188.02	77,858.16	6.18	Self-financing, loans
Total	9,132,264,924.32	2,890,817,829.74	1,616,092,375.68	1,056,588,795.53	7,807,504.00	3,442,513,905.89			341,549,814.40	22,656,572.63		

3) Provision for impairment of construction in progress for the current period

Item	Provision for the current period	Reason for the provision
Gas filling station and part of the pipeline works	6,632,708.94	Project planning has changed and project has been temporarily suspended
Total	6,632,708.94	

(2) Materials for construction of fixed assets

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Special materials	265,958,191.15		265,958,191.15	304,995,560.87	7,955,700.57	297,039,860.30
Special equipment	5,727,779.08		5,727,779.08	150,471,751.30		150,471,751.30
Total	271,685,970.23		271,685,970.23	455,467,312.17	7,955,700.57	447,511,611.60

21. Intangible Assets

(1) Details of intangible assets

Item	Land use right	Patent	Mining right	Software	Capacity index	Rights of operation	Others	Total
I. Original book value								
1.Opening balance	2,457,812,088.91	225,990,008.66	686,000,000.00	639,357,634.75	96,704,139.96	4,540,012,374.86	141,606,634.42	8,787,482,881.56
2. Increase in the current period	220,144,251.22	17,198,095.72		279,666,226.72		1,205,660,807.66	99,015,317.00	1,821,684,698.32
(1) Additions	128,606,665.33	17,198,095.72		102,659,790.24		716,102,679.85	49,305,249.43	1,013,872,480.57
(2) Internal R&D				12,894,605.36			18,286,738.34	31,181,343.70
(3) Increase arising from business combination	69,790,546.98					489,558,127.81	31,423,329.23	590,772,004.02
(4) Transferred from work-in-progress	21,747,038.91			164,111,831.12				185,858,870.03
3. Decrease in current year	148,347,244.84	6,238,105.00		10,248,446.21		221,100,182.99	12,869,510.14	398,803,489.18
(1) Disposal	148,347,244.84	6,238,105.00		10,248,446.21		221,100,182.99	12,869,510.14	398,803,489.18
4. Closing balance	2,529,609,095.29	236,949,999.38	686,000,000.00	908,775,415.26	96,704,139.96	5,524,572,999.53	227,752,441.28	10,210,364,090.70
II. Accumulated amortization								
1. Opening balance	363,174,717.44	40,932,325.79	81,144,492.65	212,830,374.70	1,013,365.01	891,325,567.64	62,120,213.43	1,652,541,056.66
2. Increase in the current period	70,557,183.35	28,007,116.31	8,127,006.66	89,914,527.81	1,737,193.20	221,489,572.83	43,321,549.71	463,154,149.87
(1) Provision	70,557,183.35	28,007,116.31	8,127,006.66	89,914,527.81	1,737,193.20	221,489,572.83	43,321,549.71	463,154,149.87
3. Decrease in the current period	29,833,593.43	1,999,080.61		7,428,113.90		6,457,819.43	4,711,941.03	50,430,548.40
(1) Disposal	29,833,593.43	1,999,080.61		7,428,113.90		6,457,819.43	4,711,941.03	50,430,548.40
4. Closing balance	403,898,307.36	66,940,361.49	89,271,499.31	295,316,788.61	2,750,558.21	1,106,357,321.04	100,729,822.11	2,065,264,658.13
III. Provision for impairment								
1. Opening balance								
2. Increase in the current period								

Item	Land use right	Patent	Mining right	Software	Capacity index	Rights of operation	Others	Total
(1) Provision								
3. Decrease in the current period								
(1) Disposal								
4. Closing balance								
IV. Carrying amount								
1. Carrying amount at the end of the reporting period	2,125,710,787.93	170,009,637.89	596,728,500.69	613,458,626.65	93,953,581.75	4,418,215,678.49	127,022,619.17	8,145,099,432.57
2.Carrying amount at the beginning of the reporting period	2,094,637,371.47	185,057,682.87	604,855,507.35	426,527,260.05	95,690,774.95	3,648,686,807.22	79,486,420.99	7,134,941,824.90

Note: The proportion of intangible assets arising from internal research and development of the company to the balance of intangible assets as the end of the reporting period is 0.31%.

(2) Land use rights of which certificates of title have not been obtained

Item	Carrying amount	Reasons why certificates of title have not been obtained
Land use rights	158,308,418.79	In progress
Total	158,308,418.79	

22. Development expenditures

Item	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Internal development expenditure	Others	Recognized as intangible assets	Transfer to profit or loss for the current period	
Integrated Energy Technology Service Project		21,918,266.15		21,918,266.15		
Online LNG Data Platform Project	11,332,839.00	5,178,497.13		12,894,605.36	796,667.91	2,820,062.86
Other projects		3,716,245.13		1,457,703.57	1,844,169.21	414,372.35
Total	11,332,839.00	30,813,008.41		36,270,575.08	2,640,837.12	3,234,435.21

23. Goodwill

Name of the investee or item resulting in goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Anhui Anran Gas Co., Ltd.	33,634,438.16			33,634,438.16
Guangzhou ENN Gas Co., Ltd.	20,634,466.89			20,634,466.89
Guigang ENN Gas Co., Ltd.	7,564,297.09			7,564,297.09
Hangzhou Xiaoshan ENN Clean Energy Co., Ltd.	37,010,841.72			37,010,841.72
Kaifeng ENN Gas Co., Ltd.	15,832,678.08			15,832,678.08
Langfang ENN Gas Co., Ltd.	4,246,876.68			4,246,876.68
Lianyungang ENN Gas Co., Ltd.	17,628,047.18			17,628,047.18
Pingxiang ENN Changfeng Gas Co., Ltd.	12,750,248.10			12,750,248.10
Linyi Huayou Zhongde Gas Co., Ltd.	15,494,687.88			15,494,687.88
Liaocheng Jinao Gas Development Co., Ltd.	13,688,239.17			13,688,239.17
Liaocheng Development Zone Jinao Energy Co., Ltd.	10,714,212.09			10,714,212.09
Luoyang ENN LPG Co., Ltd.	6,776,577.10			6,776,577.10
Qingdao ENN Jiaonan Gas Co., Ltd.	5,884,847.06			5,884,847.06
Quzhou ENN Gas Co., Ltd.	4,410,296.76			4,410,296.76
Quanzhou Gas Co., Ltd.	9,848,355.00			9,848,355.00
Xiangtan ENN Gas Co., Ltd.	4,984,421.42			4,984,421.42
Xinxiang ENN Gas Co., Ltd.	9,186,884.61			9,186,884.61

Name of the investee or item resulting in goodwill	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Xuanran Natural Gas Co., Ltd.	100,243,777.96			100,243,777.96
Shandong Xinran Gas Supply Co., Ltd.	16,450,276.81		16,450,276.81	
Jiangsu Datong PNG Co., Ltd.	11,826,519.29			11,826,519.29
Dongguan ENN Gas Co., Ltd.	24,619,978.80			24,619,978.80
Dehua Guang'an Natural Gas Co., Ltd.	12,660,804.13			12,660,804.13
Zhejiang Pujiang Gaofeng PNG Co., Ltd.		27,478,784.60		27,478,784.60
Inner Mongolia Huayi Energy Co., Ltd.		20,660,286.30		20,660,286.30
Shanghai International Engineering Construction Consulting Co., Ltd.		2,829,956.15		2,829,956.15
Jiangsu Energy Holdings Co., Ltd.		51,841,790.10		51,841,790.10
Shuangcheng Zhongqing Gas Co., Ltd.		19,141,977.31		19,141,977.31
Shanghai Zhongfen Pyroelectricity Co., Ltd.		29,584,053.32		29,584,053.32
Others	33,834,979.67			33,834,979.67
Total	429,926,751.65	151,536,847.78	16,450,276.81	565,013,322.62

24. Long-term prepaid expenses

Category	Opening balance	Increase in the current period	Amortization in the current period	Other reductions	Closing balance
Renovation cost	49,693,000.34	26,749,910.29	26,228,419.91		50,214,490.72
Software	12,213,842.16	9,116,857.03	2,176,130.13		19,154,569.06
Road construction	40,750,894.60		3,615,850.56		37,135,044.04
Compensation for resettlement and ecological restoration	250,258,859.49		13,148,584.61		237,110,274.88
Maintenance and renovation expenses	113,652,279.93	32,038,694.34	21,536,983.44		124,153,990.83
Rental	34,807,929.27	23,370,189.95	13,698,796.43		44,479,322.79
Service Charges	12,158,332.66	35,149,712.98	9,923,401.96		37,384,643.68
Construction of gas station	4,464,162.88	2,720,720.07	1,762,565.90		5,422,317.05
Others	43,780,724.69	52,078,099.50	26,804,776.61	19,359,615.77	49,694,431.81
Total	561,780,026.02	181,224,184.16	118,895,509.55	19,359,615.77	604,749,084.86

25. Deferred tax assets and Deferred tax liabilities

(1) Deferred tax assets before offset

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Provision for impairment of assets	490,280,270.73	108,598,394.66	341,620,584.39	70,061,776.12

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax assets	Deductible temporary difference	Deferred tax assets
Unrealized profit of internal transactions	2,432,115,456.45	534,245,927.74	1,754,711,225.50	427,308,905.42
Deductible losses	5,000,000.00	750,000.00	5,000,000.00	750,000.00
Deferred income	4,494,883,049.30	1,125,920,715.62	4,333,061,084.63	1,082,023,678.84
Long-term account current	61,179,289.68	9,176,893.45	119,893,207.18	17,983,981.08
Fair value changes	90,529,064.42	15,260,019.35	507,820.00	126,955.00
Total	7,573,987,130.58	1,793,951,950.82	6,554,793,921.70	1,598,255,296.46

(2) Deferred tax liabilities before offset

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
intangible assets appreciation arising from business combination not under common control	3,345,138,474.73	836,284,618.68	2,918,982,555.09	729,745,638.77
The impact of one-time pretax deduction of fixed assets	5,417,900,214.07	1,314,733,397.80	3,377,097,388.12	800,278,824.04
Capitalized interest	990,141,849.88	247,535,462.47	853,405,325.25	213,351,331.29
Tax on dividends	6,664,011,886.79	333,200,594.34	3,642,939,757.66	182,146,987.88
Changes in the fair value of financial assets	66,544,359.04	16,636,089.76		
Others	178,726,212.21	35,484,350.62	187,541,104.48	36,892,867.12
Total	16,662,462,996.72	2,783,874,513.67	10,979,966,130.60	1,962,415,649.10

(3) Unconfirmed Deferred tax asset

Item	Closing balance	Opening balance
Deductible losses	3,286,649,756.99	2,995,446,180.80
Provision for impairment of assets	178,955,211.85	147,897,970.43
Unrealized profit of internal transactions	233,435,393.22	313,435,393.22
Others	37,147,894.80	50,446,521.32
Total	3,736,188,256.86	3,507,226,065.77

(4) Deductible losses for which deferred tax assets are not recognized will be expired in the following year

Year	Closing balance	Opening balance
2020 years		223,509,252.22
2021years	219,702,536.52	443,919,876.58
2022 years	355,175,924.54	422,760,878.66
2023 years	668,444,367.91	815,957,674.67
2024 years	927,219,386.45	1,089,298,498.67

Year	Closing balance	Opening balance
2025 years	1,116,107,541.57	
Total	3,286,649,756.99	2,995,446,180.80

26. Other non-current assets

Item	Closing balance			Opening balance		
	Book balance	Provision	Carrying amount	Book balance	Provision	Carrying amount
Payment for share purchase				23,635,296.40		23,635,296.40
Deposit paid on fixed assets and land use rights	6,398,000.00		6,398,000.00	168,618,511.68		168,618,511.68
Advance payment of land use rights	9,503,203.68		9,503,203.68	16,642,804.00		16,642,804.00
Prepayment for equipment and project	29,936,984.69		29,936,984.69	36,881,642.93		36,881,642.93
Total	45,838,188.37		45,838,188.37	245,778,255.01		245,778,255.01

27. Short-term borrowings

Item	Closing balance	Opening balance
Pledged loan	901,526,882.99	1,058,067,432.60
Secured loans		1,800,000.00
Guaranteed loans	6,215,231,671.32	4,057,444,586.51
Unsecured loans	2,473,364,825.92	6,126,170,232.20
Secured and guaranteed loans	15,000,000.00	9,000,000.00
Total	9,605,123,380.23	11,252,482,251.31

Note1. Pledged loan: The loan of 549,000,000.00 yuan was obtained by the subsidiary Shijiazhuang ENN Gas Co., Ltd. and Dongguan ENN Gas Co., Ltd. with the pledge of its gas charging rights. The non-AAA bills discounted but not due at the end of the period were 352,526,882.99 yuan.

Note2. Guaranteed loan: The loan of 80,000,000.00 yuan is guaranteed by Bengbu ENN Gas Co., Ltd. The 10,000,000.00 yuan loan is guaranteed by Changzhou ENN Gas Development Co., Ltd. The 242,840,000.00 yuan loan is guaranteed by Changzhou ENN Gas Engineering Co., Ltd. The 10,000,000.00 yuan loan is guaranteed by Chuzhou ENN Gas Co., Ltd. The 395,000,000.00 yuan loan is guaranteed by ENN (China) Gas Investment Co., Ltd. The loan of 591,729,277.76 yuan is guaranteed by ENN Holdings Investment Co., Ltd.; The 1,401,760,045.84 yuan loan is guaranteed by ENN Holdings Investment Co., Ltd., and also by Wang Yusuo and Zhao Baoju. The 864,890,745.32 yuan loan is guaranteed by ENN Natural Gas Co., Ltd. The 1,595,820,999.08 yuan loan is guaranteed by ENN Natural Gas Co., Ltd. and by Wang Yusuo and Zhao Baoju at the same time. The loan of 143,190,603.32 yuan is guaranteed by Xinneng Mining Industry Co., Ltd. and ENN Group Co., Ltd. and guaranteed by Wang Yusuo, Zhao Baoju at the same time; The 50,000,000.00 yuan loan is guaranteed by Yongkang ENN Gas Engineering Co., Ltd. The loan of 80,000,000.00 yuan is guaranteed by Changsha ENN Gas Development Co., Ltd. The loan of 600,000,000.00 yuan is guaranteed by Changsha ENN Gas Co., Ltd. The loan of 150,000,000.00 yuan is guaranteed by Shijiazhuang ENN Gas Co., Ltd.

Note3. Secured and guaranteed loans: The loan of 15,000,000.00 yuan is guaranteed by Shanghai Zhongfen New Energy Investment Co., Ltd. and by Li Chunxuan, Zhang Qin and Li Chunbing at the same time. The loan was obtained by Room 1702, No. 23, Lane 879, Zhong'an Road, Xinchang Town, Pudong New Area, Shanghai as collateral..

At the end of the period, the Company has no overdue short-term borrowings.

28. Derivative financial liabilities

Item	Closing balance	Opening balance
Without hedge accounting		
Including: Commodity derivative contracts	269,765,153.10	416,146,392.35
Derivatives designated as hedge accounting		
Including: Foreign currency derivative contracts	91,851,125.22	
Commodity derivative contracts	43,309,897.96	
Total	404,926,176.28	416,146,392.35

Note: Please refer to Notes V-3 Derivative Financial Assets for the description of foreign currency derivative contracts and commodity derivative contracts.

29. Notes Payable

Category	Closing balance	Opening balance
Commercial acceptances	101,044,180.76	14,319,376.27
Bank acceptances	874,358,382.47	597,824,465.04
Total	975,402,563.23	612,143,841.31

Note: The total amount of notes payable overdue but not yet paid during the current period is RMB0.

30. Accounts payable

(1) Accounts payable

Item	Closing balance	Opening balance
Accounts payable	9,245,856,024.88	9,588,508,039.59
Total	9,245,856,024.88	9,588,508,039.59

(2) Significant accounts payable aging over 1 year

Item	Closing balance	Reasons for not been repaid or transferred
The 1st	50,016,000.00	Has not yet reached the settlement period
The 2nd	49,735,995.84	Has not yet reached the settlement period
The 3rd	40,143,938.53	Has not yet reached the settlement period
The 4th	27,125,830.53	Has not yet reached the settlement period
The 5th	24,859,698.43	Has not yet reached the settlement period

Total	191,881,463.33	

31. Contract liabilities

Item	Closing balance	Opening balance
Deferred income	3,625,690,938.94	3,707,419,711.57
Gas payment, methanol payment and coal payment received in advance	11,548,160,298.49	10,218,482,033.21
Payment received on settled but uncompleted project	3,632,739,200.28	3,039,453,668.96
subtotal	18,806,590,437.71	16,965,355,413.74
Reclassification: Contractual liabilities included in other non-current liabilities	3,352,405,311.69	3,414,206,233.14
Total	15,454,185,126.02	13,551,149,180.60

Note: Deferred income mainly comes from the connection fees collected from part of the clients for constructing gas pipelines and subsidies.

32. Payroll and employee benefits payable

(1) Payroll and employee benefits payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term benefits	850,001,209.62	4,524,463,756.72	4,374,782,942.76	999,682,023.58
II. Post-employment benefits – Defined contribution plan	3,661,915.46	223,305,819.54	218,999,737.84	7,967,997.16
III. Termination Benefits		36,395,179.01	36,395,179.01	
IV. Other benefits due within one year		504,566.57	504,566.57	
Total	853,663,125.08	4,784,669,321.84	4,630,682,426.18	1,007,650,020.74

(2) Short-term benefits

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Wages or salaries, bonuses, allowances & subsidies	777,762,315.51	3,594,529,975.18	3,455,326,452.88	916,965,837.81
II. Staff welfare	579,897.40	266,514,719.60	266,525,950.89	568,666.11
III. Social security contributions	2,104,089.19	185,290,276.13	182,269,552.73	5,124,812.59
Including: Medical insurance	781,462.12	174,858,131.67	172,114,100.27	3,525,493.52
Work injury insurance	831,961.96	3,984,417.03	3,865,477.76	950,901.23
Maternity insurance	490,665.11	6,447,727.43	6,289,974.70	648,417.84
IV. Housing fund	3,191,445.71	397,886,012.91	391,834,044.28	9,243,414.34
V. Labor union & employee education cost	66,348,094.15	80,233,697.55	78,802,498.97	67,779,292.73
VI. Short-term paid leave				
VII. Short-term profit-sharing plan				

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
VIII. Other	15,367.66	9,075.35	24,443.01	
Total	850,001,209.62	4,524,463,756.72	4,374,782,942.76	999,682,023.58

(3) Defined contribution plans

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic pension insurance	2,042,490.73	212,419,875.10	207,690,233.86	6,772,131.97
2. Unemployment insurance	1,619,424.73	7,758,540.67	8,217,000.68	1,160,964.72
3. Enterprise annuity		3,127,403.77	3,092,503.30	34,900.47
Total	3,661,915.46	223,305,819.54	218,999,737.84	7,967,997.16

33. Taxes payable

Item	Closing balance	Opening balance
Value added tax	401,771,919.90	65,803,043.36
Business tax	8,219,540.30	15,014,318.91
Enterprise income tax	1,534,391,755.58	1,570,977,689.98
Individual income tax	18,651,540.95	12,384,425.38
City construction and maintenance tax	4,907,505.28	4,603,721.20
Education surcharge	3,097,530.12	2,345,176.84
Property tax	925,996.76	1,261,838.88
Resources tax	14,680,107.76	58,838.23
Land use tax		116,315.70
Stamp duty	723,478.74	1,006,705.65
Environmental protection tax	1,337,941.21	897,419.30
Water resources tax	4,521,388.00	2,944,538.50
Farming land occupation tax	32,337,117.00	
Others	1,981,107.51	2,871,795.08
Total	2,027,546,929.11	1,680,285,827.01

34. Other payables

Item	Closing balance	Opening balance
Interest payable		334,794,033.48
Dividends payable	105,130,109.81	183,128,690.00
Other payables	3,748,051,726.55	1,514,740,513.99
Total	3,853,181,836.36	2,032,663,237.47

(1) Interest payable

Item	Closing balance	Opening balance
Interest on long-term borrowings with interest paid by installment and		30,174,030.68

Item	Closing balance	Opening balance
principal paid upon maturity		
Interest on corporate bonds		273,761,342.63
Interest payable on short-term borrowings		26,185,793.16
Others		4,672,867.01
Total		334,794,033.48

(2) Dividends payable

Item	Closing balance	Opening balance
Dividends on ordinary shares	105,130,109.81	183,128,690.00
Total	105,130,109.81	183,128,690.00

(3) Other payables

1) Other payables presented by nature

Item	Closing balance	Opening balance
Current account	411,476,977.86	436,573,864.82
Cash deposit	223,233,372.86	230,351,717.06
Amount payable for share transfer	2,642,581,189.16	338,036,888.01
Reimbursed expenses	11,619,302.99	62,364,014.65
Amounts withheld and collected on others' behalf	26,672,136.79	4,234,916.73
Amounts temporarily withheld		4,528.01
Others	432,468,746.89	443,174,584.71
Total	3,748,051,726.55	1,514,740,513.99

(2) Significant other payables aged over 1 year

Item	Closing balance	Reasons for not being repaid or transferred
The 1st	35,000,000.00	Not yet due
The 2nd	31,237,340.50	Not yet due
The 3rd	24,836,000.00	Not yet due
The 4th	22,320,720.47	Not yet due
The 5th	14,914,252.05	Not yet due
Total	128,308,313.02	

35. Current portion of non-current liabilities

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	1,230,794,687.21	290,788,900.80
Bonds payable due within 1 year	5,744,796,190.27	
Long-term payables due within 1 year	106,666,666.67	427,686,905.35
Total	7,082,257,544.15	718,475,806.15

Note: Bonds payable due within 1 year include US dollar bonds issued in 2019 by the company's subsidiary ENN Clean Energy International Investment Limited, with a balance of RMB 3,343,029,544.87 yuan, which will expire in February, 2021. The US Dollar senior notes issued in 2011 by the company's subsidiary ENN Energy Holdings Limited, with a balance of RMB2,401,766,645,40 yuan, will expire in May 2021. The long-term borrowings due within one year are mainly the long-term borrowings of its subsidiary ENN Energy Holdings Limited with a balance of RMB980,590,731.08 yuan, which will be due in November, 2021.

36. Other current liabilities

Item	Closing balance	Opening balance
Output tax to be carried forward	1,398,708,212.13	1,292,487,828.89
Total	1,398,708,212.13	1,292,487,828.89

37. Long-term borrowings

Item	Closing balance	Opening balance
Pledged loan	76,815,904.26	180,000,000.00
Guaranteed loan	3,710,029,017.19	2,585,250,000.00
Unsecured loans	890,595,208.80	2,092,860,000.00
Pledge and guaranteed loans		30,141,984.97
Secured and guaranteed loans	40,600,000.00	
Total	4,718,040,130.25	4,888,251,984.97

Note1. Pledged loan: The loan of 76,815,904.26 yuan was obtained by the subsidiary Dongguan ENN Gas Co., Ltd. by pledge of its gas charging rights.

Note2. Guaranteed loan: The loan of 300,500,729.15 yuan is guaranteed by ENN Holdings Investment Co., Ltd., and guaranteed by Wangyusuo and ZhaoBaoju at the same time. The loan of 630,573,264.01 yuan is guaranteed by ENN Holdings Investment Co., Ltd. The loan of 1,649,479,792.21 yuan is guaranteed by ENN Natural Gas Co., Ltd. The loan of 50,000,000.00 yuan is guaranteed by Changsha ENN Changran Energy Development Co., Ltd. and Hunan Xiangjiang New Area Investment Group Co., Ltd. The loan of 1,079,475,231.82 yuan is guaranteed by ENN (China) Gas Investment Co., Ltd.

Note3. Secured and guaranteed loans: The loan of 40,600,000.00 yuan is obtained by the subsidiary of Shanghai Zhongfen Thermoelectric Co., Ltd. secured by the residential mortgage of Room 1702, No. 23, Lane 879, Zhong'an Road, Xinchang Town, Pudong New Area, Shanghai, and is guaranteed by Shanghai Zhongfen New Energy Investment Co., Ltd., Li Chunxuan, Zhang Qin, Li Chunbing at the same time.

During the reporting period, the Company has no unpaid overdue long-term borrowing.

38. Bonds payable

(1) Bonds payable

Item	Closing balance	Opening balance
Corporate bond	2,155,807,802.74	2,243,769,559.48
Overseas bond	8,628,433,046.10	10,190,835,876.85
Total	10,784,240,848.84	12,434,605,436.33

(2) Changes in bonds payable(Excluding other financial instruments, such as preference stocks and perpetual bonds classified as financial liabilities)

Bond name	Issuers	Nominal value	Issue date	Maturity of bond	Issue amount	Opening balance	Adjusted to Current portion of non-current liabilities at the beginning of the reporting period	Issued in the current period	Interest accrued per nominal value	Amortization of premium and discount	Repaid in the current period	Adjusted to Current portion of non-current liabilities at the ending of the reporting period	Closing balance
VEYONG7.5%2021	ENN Clean Energy International Investment Limited	US $100	2019/2/27	2 years	US$250 million	1,715,567,177.91			122,341,875.00	-49,365,298.84		1,666,201,879.07	
VEYONG7.5%2021(Further issue)	ENN Clean Energy International Investment Limited	US $100	2019/9/24	2 years	US$250 million	1,767,776,693.86			122,341,875.00	-90,949,028.06		1,676,827,665.80	
16 ENN Bond	ENN Natural Gas Co., Ltd	100 Yuan	2016/2/25	5 years	RMB 1.70 billion	149,699,000.00			8,576,505.21		149,699,000.00		
2021 Senior Notes	ENN Energy Holdings Limited	US $100	2011/5/13	10 years	US$750 million	2,538,399,978.53			143,107,891.24	-136,633,333.13		2,401,766,645.40	
2022 Unsecured Bond	ENN Energy Holdings Limited	US $100	2017/7/24	5 years	US $600 million	4,169,092,026.55			120,945,024.41	-204,226,736.52	200,356,594.40		3,764,508,695.63
19 Xinran 01	ENN (China) Gas Investment Co., Ltd	100 Yuan	2019/1/23	3 years	RMB 500 million	498,312,900.33			20,950,000.00	21,052,439.81			519,365,340.14
19 Xinran 02	ENN (China) Gas Investment	100 Yuan	2019/3/8	3 years	RMB 1.00 billion	996,691,754.63			42,000,000.00	36,763,074.92			1,033,454,829.55

Bond name	Issuers	Nominal value	Issue date	Maturity of bond	Issue amount	Opening balance	Adjusted to Current portion of non-current liabilities at the beginning of the reporting period	Issued in the current period	Interest accrued per nominal value	Amortization of premium and discount	Repaid in the current period	Adjusted to Current portion of non-current liabilities at the ending of the reporting period	Closing balance
	Co., Ltd												
19 Xinran 03	ENN (China) Gas Investment Co., Ltd	100 Yuan	2019/11/11	3 years	RMB 600 million	599,065,904.52			23,880,000.00	3,921,728.53			602,987,633.05
2030 Senior Notes	ENN Energy Holdings Limited	US $100	2020/9/17	10 years	US$750 million			4,893,675,000.00	36,953,949.91	-29,750,649.53			4,863,924,350.47
Total						12,434,605,436.33		4,893,675,000.00	641,097,120.77	-449,187,802.82	350,055,594.40	5,744,796,190.27	10,784,240,848.84

Note1. 16 ENN Bond

The corporate bond is “16 ENN Bond” with an issue amount of RMB 1700 million issued by the company with an option allowing the issuer to increase the coupon rate at the end of the third year within the duration of the bond, and investors have the option to sell back. The company has decided not to increase the coupon rate of the bond for two years after the duration of the bond; the investor chose to sell back the bond for an amount of RMB 1550.3 million, and the company has completed redemption on February 25, 2019; On November 26,2020, the company held a meeting of the bondholders of the "16 ENN bonds" and agreed to redeem the bond in advance. The remaining principal and interest have been paid on December 10,2020.

Note2. VEYONG 7.5% 2021

At the 27th of the eighth session board of directors and the second extraordinary general meeting of the Company for the year 2018, a Proposal on the Overseas Bond Issuance by a Wholly Owned Overseas Subsidiary of the Company and the Company’s Proposal on Providing Guarantee for the Overseas Bond Issuance by a Wholly Owned Overseas Subsidiary were considered and approved, and it was agreed that, Xinneng (Hong Kong) Energy Investment (“Xinneng HK”), a wholly owned subsidiary of the Company, sets up a wholly owned overseas subsidiary (namely ENN Clean Energy International Investment Limited) in British Virgin Islands, which subsidiary will act as an issuer to issue bond outside of China with an issue amount up to USD 500 million (inclusive), for which the Company will provide unconditional and irrevocable cross-border joint liability guarantee. (for details, refer to the Announcement of Resolution of the 27thof the Eighth Session Board of Directors, the Announcement of the Proposed Overseas Bond Issuance by a Wholly Owned Overseas Subsidiary, the Announcement of Proposal on Providing Guarantee for the Overseas Bond Issuance by a Wholly Owned Overseas Subsidiary and the Announcement of Resolution of the Second Extraordinary General Meeting of 2018, as released by the Company respectively on August 21, and September 6 ,2018 on the website of Shanghai Stock Exchange)

On February 27,2019, ENN Clean Energy International Investment Limited, a wholly-owned subsidiary of the company, completed the overseas issuance of $250 million senior unsecured fixed-rate bonds with a bond term of 2 years and a coupon rate of 7.5%. The bond issue is guaranteed by the unconditional and irrevocable cross-border joint liability guarantee provided by the Company. This bond issuance is issued to qualified institutional investors outside the United States in accordance with Regulation S of the Securities Act of the United States and became listed for trading on The Stock Exchange of Hong Kong Ltd. (SEHK) on February 28, 2019(For details, refer to the Announcement of ENN Ecological Holdings Co., Ltd on the Issuance of U.S. Dollar Bonds by Overseas Wholly-owned Subsidiaries" disclosedRegarding the USD-Denominated Bond Issuance by a Wholly Owned Overseas Subsidiary, released on the website of Shanghai Stock Exchange on February 28, 2019). On September 24,2019, ENN Clean Energy International Investment Limited, an overseas wholly-owneda wholly foreign-owned subsidiary of the Company, completed the issuance of an additional $250 million in senior unsecured fixed-rateinterest-bearing bonds issued overseas. After the completion of the additional issuance, the US dollar bond issuance totaled, bringing the total size of this issue to $500 million. The issuance of additional bonds, in line with the maturity date of the original bonds, will expire on February 27,2021 at a bond coupon rate of 7.5%. The additional bonds will be guaranteed by the Company with unconditional and irrevocable cross-border joint liability guarantee. This bond will be offered to qualified institutional investors outside the United States in accordancereliance with Regulation S under the Securities Act. According to a notice from of Hong Kong Exchanges and Clearing Limited, the additional bonds were listed on Hong Kong Exchanges and Clearing Limited on October 31,2019 and were merged with the original bonds into the same series, sharing the same bond code. (For details, please refer to the “Announcement on the Additional Issuance of Dollar Bonds by ENN Ecological Holdings Co., Ltd. ” and the “Progress Announcement on the Issuance of Dollar Bonds of wholly-owned subsidiary overseas by ENN Ecological Holdings Co., Ltd. ”, which was disclosed on the website of the Shanghai Stock Exchange on September 25,2019 and November 1,2019). The balance as at December 31,2020 was RMB 3343.03 million, reclassified into "current portion of non-current liabilities".

Note3. 19 Xinran 01/02/03

On January 22,2019, the subsidiary ENN (China) Gas Investment Co., Ltd., issued RMB 500 million corporate bonds, which are unsecured bonds at a fixed annual interest rate of 4.19% and the bonds should be paid on January 22,2022. The interest is payable to the holders of the bond on yearly basis. The net proceeds, after deducting the issuance costs, amounted to RMB498 million. The corporate bonds were listed on the Shanghai Stock Exchange on February 20, 2019.

On March 8,2019, the subsidiary ENN (China) Gas Investment Co., Ltd., issued RMB 1 billion corporate bonds, which are unsecured bonds at a fixed annual interest rate of 4.20% and the bonds should be paid on March 8,2022. The interest is payable to the holders of the bond on yearly basis. The net proceeds, after deducting the issuance costs, amounted to RMB996 million. The corporate bonds were listed on the Shanghai Stock Exchange on March 29, 2019.

On November 11,2019, the subsidiary ENN (China) Investment Co., Ltd., issued RMB 600 million company bonds, which are for unsecured bonds at a fixed annual interest rate of 3.98% and the bonds should be paid on December 8,2022. The interest is payable to the holders of the bond on yearly basis. The net proceeds, after deducting the issuance costs, amounted to RMB599 million. The corporate bonds were listed on the Shanghai Stock Exchange on November 22, 2019.

Note4. 2021 Senior Notes

On 13 May 2011, the subsidiary ENN Energy Holdings Limited issued 6% senior notes with a total face value of US$750 million (equivalent to approximately RMB4,863 million) (the “2021 Senior Notes”) at face value. The net proceeds, after deducting the issuance costs, amounted to US$735 million (equivalent to approximately RMB4,765 million). The 2021 Senior Notes will expire on 13 May 2021, listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and traded by financial institutions as primary agents in the over-the-counter market.

According to the terms and conditions of the 2021 Senior Notes, at any time or from time to time prior to the maturity date, the subsidiary ENN Energy Holdings Co., Ltd. may at its option to redeem the notes at a redemption price equal to 100% of the principal amount thereof plus applicable premium and accrued and unpaid interest to such redemption date.

In September 2015 and December 2016, the subsidiary ENN Energy Holdings Limited, reacquired its principal at the open market for US $35 million and US $349.46 million (equivalent to approximately RMB 222 million and RMB 2.41 billion). As of December 31,2019 and 2018, the outstanding principal amount of the 2021 Senior notes was US $366 million (equivalent to approximately RMB 2385 million). As of December 31, 2020, the balance was RMB 2401.77 million, reclassified into "current portion of non-current liabilities".

Note5. 2022 Unsecured Bond

On 24 July 2017, the subsidiary ENN Energy Holdings Limited issued unsecured bonds with a total facevalue of USD600 million (equivalent to approximately RMB4,066 million) (the"2022 Unsecured Bonds") and an interest rate of 3.25%. After discounts and deduction of issuance costs, the net amount is USD596 million (equivalent to approximately RMB4,037 million).The 2022 Unsecured Bonds will mature on 24 July 2022.

According to the terms and conditions of the 2022 Unsecured Bonds, the the subsidiary company ENN Energy Holdings Limited may at any time and from time to time, on giving not less than 30 nor more than 60 days' notice to the holders of the 2022 Unsecured Bonds, redeem the Bonds, in whole but not in part, at a make whole price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date.

In October 2020 and November 2020, the subsidiary ENN Energy Holdings Limited, reacquired the principal amount at the open market for US $19.56 million and US $10.1 million (equivalent to RMB 133 million and RMB 68 million). As at December 31,2020, the outstanding principal amount of 2022 unsecured bond was US $570 million (equivalent to RMB 4894 million).

Note6. 2030 Senior Notes

On September 17, 2020, the subsidiary ENN Energy Holding Co., Ltd. issued senior notes ("2030 Senior Notes") with a total face value of US$750 million (equivalent to approximately RMB 5.137 billion) and an interest rate of 2.625%. After deducting issuance costs, the net proceeds were US$739 million (equivalent to approximately RMB 5.065 billion). The "2030 Senior Notes" expire on September 17, 2030.

According to the terms and conditions of the 2030 Senior Notes, the subsidiary ENN Energy Holdings Limited may at any time and from time to time, on giving not less than 30 nor more than 60 days' notice to the holders of the 2030 Senior Notes, redeem the Bonds, in whole but not in part, at a make full price as of, and accrued and unpaid interest, if any, to (but excluding), the redemption date.

Note7. The total value of US dollar bonds of "VEYONG7.5%2021", "2021 senior notes", "2022 unsecured bond" and

"2030 senior notes" issued by the Company and its subsidiaries shall be US $2600 million, which shall be converted into RMB 1,696,4.74 million according to the exchange rate on December 31,2020.

39. Long-term payables

Item	Closing balance	Opening balance
Long-term payables	144,570,198.93	452,450,216.50
Total	144,570,198.93	452,450,216.50

(1) Long-term payables presented by nature

Item	Opening balance	Closing balance
Finance lease payment	144,570,198.93	452,450,216.50
Total	144,570,198.93	452,450,216.50

40. Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason
Government grants	783,352,807.26	144,215,905.29	44,954,922.09	882,613,790.46	Government grants
Total	783,352,807.26	144,215,905.29	44,954,922.09	882,613,790.46	

Items related to Government grants:

Liabilities	Opening balance	Increase in subsidies in the current period	Amount included in other income in the current period	Other changes	Closing balance	Asset-related/income-related
Land repayment	6,729,299.66	17,416,623.00	975,568.27		23,170,354.39	Asset-related
Government subsidy for induced draft fan and integrated Electric-bag Composite Dust Collector	3,077,080.43		294,768.24		2,782,312.19	Asset-related
Special subsidy for power demand-side	495,138.90		95,833.32		399,305.58	Asset-related
Funding for water pollution prevention and control	1,970,588.24		352,941.12		1,617,647.12	Assets-related

Liabilities	Opening balance	Increase in subsidies in the current period	Amount included in other income in the current period	Other changes	Closing balance	Asset-related/income-related
Industrial internet innovation development demonstration project	143,815.71	97,200.00	31,385.24		209,630.47	Asset-related
Subsidies on replacing coal with gas	244,050,772.28	7,119,000.00	8,513,028.15		242,656,744.13	Asset-related
Subsidies on pipeline network demolition and construction	71,141,180.71	1,893,300.00	2,691,712.87		70,342,767.84	Asset-related
Subsidies on emergency gas storage facilities	66,346,359.00	32,800,000.00	1,010,026.21		98,136,332.79	Asset-related
Subsidies on pipeline modification	84,833,912.80	33,896,001.69	2,254,748.97		116,475,165.52	Asset-related
Land subsidies	28,107,800.00	1,260,000.00	826,700.00		28,541,100.00	Asset-related
Subsidies on distributed energy project of natural gas	30,800,000.03		1,100,000.00		29,700,000.03	Asset-related
Energy station projects	11,083,333.33		1,400,000.00		9,683,333.33	Asset-related
New Chaoyang integrated microenergy network demonstration project	10,659,722.30		416,666.66		10,243,055.64	Asset-related
Subsidies on the new passenger station project	9,608,000.00		1,201,000.00		8,407,000.00	Asset-related
Subsidies on phasing out coal-fired heating boiler	26,328,845.83	7,978,317.00	831,652.65		33,475,510.18	Asset-related

Liabilities	Opening balance	Increase in subsidies in the current period	Amount included in other income in the current period	Other changes	Closing balance	Asset-related/income-related
Others	187,976,958.04	41,755,463.60	16,508,890.39	-6,450,000.00	206,773,531.25	Asset-related
Total	783,352,807.26	144,215,905.29	38,504,922.09	-6,450,000.00	882,613,790.46	

41. Other non-current liabilities

Item	Closing balance	Opening balance
Derivative financial liabilities that are included in other non-current liabilities:		
Without hedge accounting		
Including: Foreign currency derivative contracts	5,673,223.54	346,503.04
Commodity derivative contracts	464,305,104.82	329,532,311.10
Derivatives designated as hedge accounting		
Including: Foreign currency derivative contracts	42,960,908.54	
Commodity derivative contracts	18,521,292.02	
Contract liabilities included in other non-current liabilities	3,352,405,311.69	3,414,206,233.14
Total	3,883,865,840.61	3,744,085,047.28

Note:Please refer to Note V-3 Derivative Financial Assets for details of the foreign currency derivative contracts and commodity derivative contracts.

42. Share capital

Item	Opening balance	Changes in current period (+,-)					Closing balance
		Issue of new shares	Share donation	The bond of convertible	Share payment for conversion	Share repurchase	
Share captial	1,229,355,783.00	1,370,626,680.00					2,599,982,463.00

43. Capital reserve

Item	Increase in the current period	Decrease in the current period	Current decrease	Closing balance
Capital premium (capital stock premium)	2,091,960,108.80		2,091,960,108.80	
Other capital reserve	-218,102,751.82	218,102,751.82		
Total	1,873,857,356.98	218,102,751.82	2,091,960,108.80	

Note1. The main reasons for the decrease in capital premium in the current period are as follows: In the current period, the Company has acquired 32.80% of the shares of ENN Energy Holdings Limited which a business combination involving entities under common control.In the current period the business combination with be realized, the adjustment of

comparable report data leads to the return of the increased capital reserve, and correspondingly, the capital premium was reduced by RMB94,793,741.53. According to the difference between the initial cost of a long-term equity investment and the cash paid at the time of merger, the capital premium was reduced by RMB1,997,166,367.27. The total was reduced byRMB 2,091,960,108.80 .

2. The main reasons for the increase in other capital reserve in the current period are as follows: Due to the acquisition of 32.80% of the shares of ENN Energy Holdings Limited under the common control and the replacement of 100.00% shares of United Faith Ventures Limited which held 9.97% of the shares of Santos which was accounted through equity method, the corresponding other capital reserve accounted through equity method was transferred out.

44. Treasury shares

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Treasury shares	199,582,111.40			199,582,111.40
Total	199,582,111.40			199,582,111.40

45. Other comprehensive income

Item	Opening balance	Reporting period						Closing balance
		Amount incurred before income tax in the current period	Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the current period	Less: Amount included in other comprehensive income in the prior periods that is transferred to retained earnings for the current period	Less: Income tax expenses	Amount incurred before income tax in the current period	Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the current period	
I. Other consolidated income that cannot be reclassified to profit or loss	-8,634,442.63	82,843,049.23			16,636,089.76	32,460,585.79	33,746,373.68	23,826,143.16
Including: Remeasurement of of changes in defined benefit plan								
Other comprehensive income that cannot be transferred to profit or loss under the equity method								
Changes in fair value of other equity instrument investments	-8,634,442.63	82,843,049.23			16,636,089.76	32,460,585.79	33,746,373.68	23,826,143.16
II. Other consolidated income to be reclassified to profit and loss	232,925,710.26	1,215,798.64			-14,310,831.88	39,190,440.42	-23,663,809.90	272,116,150.68
Including:other comprehensive income that may be transferred to profit or loss under equity method	-172,734,756.93	172,734,756.93				172,734,756.93		
Effective portion of gains or losses on cash flow hedgin		-50,859,563.66			-14,310,831.88	-12,142,789.00	-24,405,942.78	-12,142,789.00
Translation differences of financial statements denominated in foreign currencies	398,183,186.21	-120,659,394.63				-121,401,527.51	742,132.88	276,781,658.70
Others	7,477,280.98							7,477,280.98
Total	224,291,267.63	84,058,847.87			2,325,257.88	71,651,026.21	10,082,563.78	295,942,293.84

46. Special reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety fund	73,412,324.44	180,259,674.11	169,179,707.93	84,492,290.62
Simple Reproduction Maintenance Fees		52,675,043.19	52,675,043.19	
Total	73,412,324.44	232,934,717.30	221,854,751.12	84,492,290.62

47. Surplus reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory Surplus reserve	144,206,528.16		144,206,528.16	
Total	144,206,528.16		144,206,528.16	

Note:In the current period, the Company has acquired 32.80% of the shares of ENN Energy Holdings Limited which a business combination involving entities under common control. In the current period the business combination with be realized, the difference between the initial investment cost of the long-term equity investment and the cash paid will be reduced by RMB144,206,528.16 due to insufficient capital reserve, so that the surplus reserve was reduced by RMB144,206,528.16, resulting in the decrease of RMB144,206,528.16 in the surplus reserve.

48. Retained earnings

Item	Current period	Prior period
Before adjustment: retained earnings of the prior period	6,129,474,429.20	5,243,225,709.19
Adjustment: Total retained earnings at the beginning of the reporting period (increase “+”, decrease “-”)	7,228,423,687.59	5,913,106,797.04
After adjustment: retained earnings at the beginning of the reporting period		
Add: Net profit attributable to owners of the company for the current period	13,357,898,116.79	11,156,332,506.23
Less: Transfer to statutory surplus reserve	2,106,956,909.70	2,905,589,705.50
Transfer to discretionary surplus reserve		64,083,051.31
Declaration of dividends on ordinary shares	254,313,300.15	254,313,300.15
Conversion of ordinary shares' dividends into share capital	9,859,079,843.26	385,627,743.48
Others	5,351,461,883.08	13,357,898,116.79

Note1. The effect of changes in the scope of consolidation resulting business combination involving enterprises under common control on retained earnings at the beginning of 2019 reporting period is RMB5,913,106,797.04; Impact on the retained earningst at the beginning of 2020 reporting period is RMB7,228,423,687.59 .

Note2. Retained earnings was reduced byRMB385,627,743.48 in 2019 due to the initial number of adjustment periods.

Note3. Since the company acquired 32.80% of the equity of ENN Energy Holdings Limited under the common control, and the business combination involving entities under common control was realized in the current period, the retained earnings reduced by RMB9,801,730,647.12 due to the acquisition price is greater than the net assets amount enjoyed by the company of ENN Energy Holdings Limited in proportion to the total amount of the net assets on the date of acquisition and the business combination of the enterprise.

49. Operating revenue and Cost of sales

(1) Operating revenue and Cost of sales

Item	Amount incurred in the current period		Amount incurred in the prior period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	87,572,917,709.41	71,670,132,876.77	88,217,205,620.90	73,044,816,484.44
Others	525,852,827.68	112,308,147.05	434,978,481.40	176,632,073.79
Total	88,098,770,537.09	71,782,441,023.82	88,652,184,102.30	73,221,448,558.23

(2) Revenue generated from contracts

Classification of contracts	ENN Natural Gas Co., Ltd.	Total
Natural gas retail	45,871,996,171.84	45,871,996,171.84
Gas wholesale	17,610,062,673.98	17,610,062,673.98
Natural gas direct sale	1,583,972,323.74	1,583,972,323.74
Project Construction and Installation	9,614,001,465.86	9,614,001,465.86
Integrated Energy Sales and Services	5,712,731,754.37	5,712,731,754.37
Coal	1,539,577,137.95	1,539,577,137.95
Energy chemicals	1,998,173,491.66	1,998,173,491.66
Extended Businesses	1,591,107,957.66	1,591,107,957.66
Chemical trading	2,051,294,732.35	2,051,294,732.35
Total	87,572,917,709.41	87,572,917,709.41

50. Taxes and surcharges

Item	Amount incurred in the current period	Amount incurred in the prior period
City construction and maintenance tax	80,571,536.51	74,231,891.42
Education surcharges	61,387,197.57	61,401,828.63
Resources tax	138,735,324.82	123,828,291.65
House property tax	40,180,089.59	42,364,277.64
Land use tax	45,131,661.08	47,970,822.17
Stamp duty	89,945,726.56	54,762,653.68
Levies by the local government	24,534,523.10	24,029,579.03
Environmental protection tax	4,233,704.72	3,694,955.24
Water resources tax	8,003,480.81	7,194,807.25
Farming land occupation tax	61,651,484.91	82,181,532.50

Item	Amount incurred in the current period	Amount incurred in the prior period
Others	14,988,290.00	18,068,469.15
Total	569,363,019.67	539,729,108.36

51. Selling expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Payroll and employee benefits	772,344,560.66	869,254,893.75
Transport expenses		50,503,908.44
Travel expenses	17,299,892.62	33,976,092.81
Advertising, publicity and promotion fees	48,634,308.99	51,065,143.97
Business entertainment	5,990,234.16	7,342,944.58
Tenancy expenses	15,160,383.93	18,379,953.94
Maintenance fee	182,279,150.79	138,152,424.37
Depreciation charge	100,286,669.64	70,373,944.42
Commission fee for products commissioned to sell	9,094,458.16	9,566,431.74
Communication expenses	3,537,001.06	3,253,160.43
Others	55,568,007.30	69,548,812.32
Total	1,210,194,667.31	1,321,417,710.77

Note:According to the new revenue standards, the transport expenses in the selling expenses belongs to contract performance cost and shall be reported in cost of sales in the current period.

52. General and administrative expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Payroll and employee benefits	1,808,615,361.23	1,708,087,840.77
Repair expense	129,206,229.93	137,075,083.26
Depreciation and amortization	408,248,242.27	349,428,127.89
Office and travel expenses	142,326,029.94	162,969,105.66
Business entertainment expenses	178,744,203.54	173,842,293.89
Vehicle expenses	74,359,059.67	68,802,661.86
Intermediary agency fee	197,786,004.59	202,948,138.02
Utilities	16,399,489.00	22,911,493.41
Premiums for property insurance	23,305,892.16	22,887,775.92
Tenancy expenses	70,016,236.41	83,704,477.32
Amortization of share option	69,995,527.53	74,428,205.67
Shutdown loss	48,864,976.35	12,224,364.03
Others	141,527,994.16	273,173,845.82
Total	3,309,395,246.78	3,292,483,413.52

53. Research and development expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Payroll and employee benefits	190,814,846.84	228,573,376.63
Depreciation charge	44,287,079.55	49,761,705.81
Materials	264,578,250.32	160,052,498.13
Test and inspection expense	28,292.56	17,595.68
Utilities	9,419,093.83	2,310,908.24
Consultation expenses	1,249,016.51	819,211.43
Others	74,700,535.37	62,780,204.30
Total	585,077,114.98	504,315,500.22

54. Financing Expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest expense	1,205,477,928.84	1,357,598,562.27
Add: Interest income	-166,035,314.81	-274,808,626.53
Exchange loss (or income)	-719,684,441.11	251,035,471.67
Handling charge	53,809,715.46	55,609,508.29
Others	3,532,720.89	742,465.68
Total	377,100,609.27	1,390,177,381.38

55. Other income

Item	Amount incurred in the current period	Amount incurred in the prior period	Asset-related/Income-related
Government subsidies that are directly included in profits and losses	233,602,772.52	187,649,746.03	Income-related
VAT refund	117,603,077.95	25,592,295.13	Income-related
Amortization of deferred income	38,504,922.09	34,019,691.79	Asset-related
Total	389,710,772.56	247,261,732.95	

56. Investment income /(losses)

Item	Amount incurred in the current period	Amount incurred in the prior period
Income from long-term equity investments under equity method	252,425,551.22	1,013,422,209.31
Gains or losses arising from the re-measurement of equity held	-22,472,174.83	10,567,806.61
Investment income from disposal of long-term equity investments	-27,125,753.83	70,980,181.33
Investment income from disposal of derivative financial instruments	132,461,589.89	118,777,707.52
Investment income from disposal of held-for-trading financial assets	296,810.96	-9,409,460.00
Investment income from holding other equity instruments	2,513,613.78	8,001,368.12
Investment income from holding other non-current financial assets	73,112,853.11	139,289,999.22
Investment income from debt restructuring	-8,592,414.64	

Item	Amount incurred in the current period	Amount incurred in the prior period
Others	1,761,664.21	
Total	404,381,739.87	1,351,629,812.11

57. Gain/ (loss) on the changes in fair value

Source resulting in gains from changes in fair values	Amount incurred in the current period	Amount incurred in the prior period
Financial assets at fair value through pofit or loss	-44,200,400.16	5,016,439.45
Gains from changes in fair values arising from derivatives	40,812,220.27	794,943,143.23
Derivatives designated as cash flow hedges – ineffectiveness	-67,490,742.82	
Investment properties carried at fair value	-10,165,126.70	5,769,374.00
Total	-81,044,049.41	805,728,956.68

58. Credit impairment losses

Item	Amount incurred in the current period	Amount incurred in the prior period
Bad debt provision of notes receivable	5,258,176.16	7,412,039.57
Bad debt provision of accounts receivable	-189,528,943.98	-68,403,614.48
Bad debt provision of other receivables	-11,918,673.29	8,913,739.05
Impairment on debt investments	656,363.55	-870,863.55
Bad debt provision of long-term receivables	-1,743,366.94	
Impairment on other current assets	-6,883,716.82	-5,221,927.39
Impairment on current portion of non-current assets	-642,944.59	-635,168.68
Total	-204,803,105.91	-58,805,795.48

59. Assets impairment losses

Item	Amount incurred in the current period	Amount incurred in the prior period
Written-down of inventories and impairment on contract performance cost	8,159,409.67	-19,015,266.05
Impairment on fixed assets	-64,675,833.69	
Impairment on construction in progress	-6,632,708.94	
Others		-343,128.77
Total	-63,149,132.96	-19,358,394.82

60. Gains from disposal of assets

Item	Amount incurred in the current period	Amount incurred in the prior period
Income from disposal of fixed assets	-146,336,021.91	-66,592,114.20
Income from disposal of intangible assets	20,911,030.99	36,392,992.94
Total	-125,424,990.92	-30,199,121.26

61. Non-operating income

Item	Amount incurred in the current period	Amount incurred in the prior period
Government grants		143,118,050.15
Gains from asset surplus	2,421,647.47	3,417,871.13
Fines	26,702,821.92	11,856,209.18
Unpaid payables	5,147,287.15	23,069,526.13
Gains from the disposal of waste and old materials	11,022,211.62	14,563,629.00
Compensation gains	20,021,702.51	14,533,522.47
Acquisition premium		15,685,454.31
Others	17,885,327.76	17,123,187.34
Total	83,200,998.43	243,367,449.71

62. Non-operating expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Total loss on disposal of non-current assets	42,448,315.95	2,049,694.85
Including: Loss on disposal of fixed assets	42,448,315.95	2,049,694.85
Donations to third parties	74,335,368.48	55,349,749.42
Fines	10,642,777.71	3,822,605.41
Loss on disposal of waste and old materials	40,656,193.28	25,430,671.74
Compensation expenditure	32,244,937.05	17,661,743.83
Others	33,102,693.72	25,971,537.86
Total	233,430,286.19	130,286,003.11

63. Income tax expenses

(1) Income tax expense

Item	Amount incurred in the current period	Amount incurred in the prior period
Current income tax expense	1,975,813,137.50	1,753,145,162.95
Deferred income tax expense	625,762,210.21	684,860,724.37
Total	2,601,575,347.71	2,438,005,887.32

(2) Reconciliation of income tax expenses to the accounting profit

Item	Amount incurred in the current period
Total profit	10,434,640,800.73
Income tax expense calculated at legal/applicable tax rate	2,608,660,200.19
Effect of different tax rate applicable to subsidiaries	-220,156,932.14
Effect of adjustment to income tax of prior periods	31,855,790.22
Effect of non-taxable income	-94,921,035.08

Item	Amount incurred in the current period
Effect of non-deductible cost, expenses, and losses	145,631,660.54
Effect of using deductible losses for which deferred tax assets were previously not recognized	-84,198,758.27
Effect of deductible temporary differences or deductible losses unrecognized in the current period	197,193,876.62
Others	17,510,545.63
Income tax expenses	2,601,575,347.71

64. Items of the cash flows statement

(1) Cash received relating to other operating activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest income from banks	166,035,314.81	274,808,626.53
Government grants income	351,754,964.34	362,990,343.12
Cash deposit	227,578,531.81	262,881,232.71
Total	745,368,810.96	900,680,202.36

(2) Cash paid relating to other operating activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Administration expenses paid by cash	945,357,955.39	1,031,434,135.64
Selling expenses paid by cash	336,870,783.27	338,019,687.18
R&D expenses paid by cash	349,975,188.59	167,017,311.76
Charges from financial institutions	57,342,436.35	55,609,508.29
Cash deposit	393,649,829.07	455,297,121.64
Total	2,083,196,192.67	2,047,377,764.51

(3) Cash received relating to other investing activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Amounts repaid by related companies	231,339,930.44	754,997,053.49
Amounts repaid by third parties	1,025,517,188.97	311,449,450.00
Release of restricted bank deposits	417,585,222.81	295,000,000.00
Others		9,033,207.58
Total	1,674,442,342.22	1,370,479,711.07

(4) Cash paid relating to other investing activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Amounts advanced to related companies	563,825,560.11	207,235,952.70
Amounts advanced to third parties	1,177,176,858.45	319,960,000.00
Option premium	7,000,000.00	31,876,471.97

Item	Amount incurred in the current period	Amount incurred in the prior period
Addition of restricted bank deposits	303,605,440.01	606,000,000.00
Others		21,307,294.32
Total	2,051,607,858.57	1,186,379,718.99

(5) Cash receipts relating to other financing activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Amounts advanced from banks and other financial institutions by ENN Finance	10,830,000,000.00	8,854,000,000.00
Purchase of shares under Share Option Scheme	113,000,000.00	52,501,180.24
Amounts advanced from related companies	211,420,536.89	359,644,768.50
Receipt of notes discount, notes due acceptance, bank acceptance deposit	136,029,763.89	69,080,975.00
Finance leases receivable		517,000,000.00
Others		5,970,000.00
Total	11,290,450,300.78	9,858,196,923.74

(6) Cash payments relating to other financing activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Amounts repaid to banks and other financial institutions by ENN Finance	10,830,000,000.00	8,854,000,000.00
Amounts repaid to related companies	377,104,487.65	390,070,524.16
Repurchase of shares	17,429,851.43	290,994,008.76
Share purchase payments under the common control	2,795,871,795.56	
Principal, rent rate and charges from financial lease	628,900,256.24	1,350,128,054.65
Others	100,000,988.07	52,394,022.15
Total	14,749,307,378.95	10,937,586,609.72

65. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Supplementary information	Amount incurred in the current period	Amount incurred in the prio period
1. Adjust the net profit to operating cash flow:		
Net Profit	7,833,065,453.02	8,353,945,179.28
Add: Provision for impairment losses of assets	63,149,132.96	19,358,394.82
Credit impairment loss	204,803,105.91	58,805,795.48
Depreciation of fixed assets	2,278,231,654.84	2,062,083,131.59
Amortization of intangible assets	463,154,149.88	284,329,816.63
Amortization of long-term prepaid expenses	118,895,509.55	39,156,436.58

Supplementary information	Amount incurred in the current period	Amount incurred in the prio period
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "－")	125,424,990.92	30,199,121.26
Losses on retirement of fixed assets (gains are indicated by "－")	42,448,315.95	2,049,694.85
Losses on changes in fair values (gains are indicated by "－")	81,044,049.41	-805,728,956.68
Financial expenses (income is indicated by "－")	136,660,741.41	1,591,284,778.81
Losses arising from investments (gains are indicated by "－")	-404,381,739.87	-1,351,629,812.11
Decrease in deferred tax assets (increase is indicated by "－")	-195,696,654.36	-204,687,099.73
Increase in deferred tax liabilities (decrease is indicated by "-")	612,621,599.87	895,604,263.29
Decrease in inventories (increase is indicated by "－")	-299,814,999.87	-8,006,991.77
Decrease in receivables from operating activities (increase is indicated by "－")	-2,132,011,592.32	-1,763,980,001.61
Increase in payables from operating activities (decrease is indicated by "－")	3,520,082,887.98	5,107,942,289.67
Others		
Net cash flow from operating activities	12,447,676,605.28	14,310,726,040.36
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under financing leases		
3. Net changes in cash and cash equivalents::		
Closing balance of cash	11,630,987,002.03	10,576,617,498.97
Less: Opening balance of cash	10,576,617,498.97	10,299,161,313.27
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	1,054,369,503.06	277,456,185.70

(2) Net cash paid to acquire subsidiaries in the current period

Item	Amount
Cash or cash equivalents paid in the current period for business combinations occurred in the current period	660,305,170.45
Shanghai International Engineering Construction Consulting Co., Ltd.	2,950,000.00
Chengcheng Huaxing Gas Co., Ltd.	4,535,000.00
Zhejiang PujiangGaofeng Pipeline Gas Co., Ltd.	152,553,044.24
Inner Mongolia Huayi Energy Co., Ltd.	151,682,000.00
Jiangsu Energy Holdings Co., Ltd.	284,453,555.85
Shuangcheng Zhongqing Gas Co., Ltd.	
Xinghua Dongfang Gas Co., Ltd.	14,500,000.00

Item	Amount
Yunnan ENN Electricity Sales Co. Ltd.	13,722,600.00
Changshan ENN Gas Co., Ltd.	2,000,000.00
Rui'an Natural Gas Co., Ltd.	33,908,970.36
Shanghai Zhongfen Pyroelectricity Co., Ltd.	
Less: Cash and cash equivalents held by subsidiaries at the date of acquisition	85,586,435.45
Shanghai International Engineering Construction Consulting Co., Ltd.	108,685.22
Chengcheng Huaxing Gas Co., Ltd.	72,166.19
Zhejiang PujiangGaofeng Pipeline Gas Co., Ltd.	38,197,342.47
Inner Mongolia Huayi Energy Co., Ltd.	560,124.45
Jiangsu Energy Holdings Co., Ltd.	6,578,501.27
Shuangcheng Zhongqing Gas Co., Ltd.	15,139,195.04
Xinghua Dongfang Gas Co., Ltd.	2,092,716.29
Yunnan ENN Electricity Sales Co. Ltd.	3,454,949.41
Changshan ENN Gas Co., Ltd.	1,903,592.77
Rui'an Natural Gas Co., Ltd.	357,593.66
Shanghai Zhongfen Pyroelectricity Co., Ltd.	17,121,568.68
Add: Cash or cash equivalents paid in the current period for business combinations occurred in prior periods	130,492,922.56
Xuanran Natural Gas Co., Ltd.	83,904,000.00
Tangshan Lantian Gas Co., Ltd. and other 12 companies in total	46,588,922.56
Net cash paid to acquire subsidiaries	705,211,657.56

(3) Net cash received from disposal of subsidiaries in the current period

Item	Amount
Cash or cash equivalents received in current period for disposal of subsidiaries in the current period	417,576,735.90
Wenxian ENN Traffic Clean Energy Co., Ltd.	1,900,000.00
Dongguan ENN Automobile Gas Development Co., Ltd.	38,500,000.00
Xingtai ENN Automobile Gas Co., Ltd.	
Hefei ENN Zhongqi Energy Development Co., Ltd.	20,400,000.00
Chaohu Anran Gas Development Co., Ltd.	9,343,900.00
Qinyang ENN Transportation Clean Energy Co., Ltd.	1,250,000.00
Baoding ENN New Energy Co., Ltd.	1,350,000.00
Yuanshi Xinao Automobile Gas Co., Ltd.	1,350,000.00
Wuzhi ENN Transportation Clean Energy Co., Ltd.	8,350,000.00
Shandong Xinran Gas Supply Co., Ltd.	10,240,464.22

Item	Amount
Anyang ENN Clean Energy Co., Ltd.	2,531,948.44
Jiyuan ENN Clean Energy Co., Ltd.	1,466,650.23
Hebei ENN Clean Energy Co., Ltd.	4,185,000.00
Huairen ENN Gas Co., Ltd.	160,000,000.00
Zibo ENN Gas Co., Ltd.	630,000.00
Xinneng (Zhangjiagang) Energy Co., Ltd.	151,000,000.00
Foshan ENN Energy Development Co., Ltd.	5,078,773.01
Less: Cash and cash equivalents held by the subsidiaries at the date of loss of control	57,800,570.48
Wenxian ENN Traffic Clean Energy Co., Ltd.	
Dongguan ENN Automobile Gas Development Co., Ltd.	3,066,477.58
Xingtai ENN Automobile Gas Co., Ltd.	154,038.17
Hefei ENN Zhongqi Energy Development Co., Ltd.	1,317,433.78
Chaohu Anran Gas Development Co., Ltd.	
Qinyang ENN Transportation Clean Energy Co., Ltd.	441,063.12
Baoding ENN New Energy Co., Ltd.	132.09
Yuanshi Xinao Automobile Gas Co., Ltd.	
Wuzhi ENN Transportation Clean Energy Co., Ltd.	1,351,457.02
Shandong Xinran Gas Supply Co., Ltd.	7,509,817.19
Anyang ENN Clean Energy Co., Ltd.	965,447.31
Jiyuan ENN Clean Energy Co., Ltd.	
Hebei ENN Clean Energy Co., Ltd.	44,089.36
Huairen ENN Gas Co., Ltd.	17,068,575.64
Zibo ENN Gas Co., Ltd.	40.59
Xinneng (Zhangjiagang) Energy Co., Ltd.	16,647,665.89
Foshan ENN Energy Development Co., Ltd.	9,234,332.74
Add: Cash or cash equivalents received in the current period for disposal of subsidiaries in prior periods	
Net cash received for disposal of subsidiaries	359,776,165.42

(4) Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	11,630,987,002.03	10,576,617,498.97
Including: Cash on hand	8,259,845.02	9,023,332.98
Bank deposits available for payment at any time	11,599,565,452.46	10,555,037,910.44
Other monetary funds available for payment at any time	23,161,704.55	12,556,255.55
II. Cash equivalents		
Including: Investments in debt securities due within three months		
III. Closing balance of cash and cash equivalents	11,630,987,002.03	10,576,617,498.97
Including: Restricted cash and cash equivalents of the company		

Item	Closing balance	Opening balance
and subsidiaries within the Group		

66. Assets with restricted ownership or right-of-use

Item	Carrying amount at the end of the reporting period	Reason for restriction
Cash and cash equivalents	997,684,514.37	Required deposit reserve, bank acceptance deposit, etc
Fixed assets	710,044,137.90	Financial lease mortgage and borrowing mortgage
Intangible Assets	4,237,612.13	Finance lease mortgage
Financial assets held for trading	70,000,000.00	Pledge of structured deposits
Total	1,781,966,264.40	

Note1. The reserves and deposits of the Company in various financial institutions shall mainly include 464 million for statutory deposit reserve of financial institutions and the deposit of 231 million for bank acceptance .

Note2. The Company have pledged the revenue of some subsidiaries' gas toll rights and pipeline transportation toll rights as guarantee to obtain bank credit.

67. Foreign currency monetary items

(1) Foreign currency monetary items

Item	Closing balance of foreign currencies	Exchange rates for translation	Closing balance of RMB
Cash and Cash equivalents			
Including: USD	191,520,011.22	6.5249	1,249,648,921.21
EUR	94,935.71	8.0250	761,859.07
HKD	125,363,143.04	0.8416	105,505,621.18
AUD	75,578.03	5.0163	379,122.07
GBP	21,719.17	8.8903	193,089.94
SGD	97,684.97	4.9314	481,723.66
VDN	288,042,066.00	0.0003	86,412.62
JPY	63,169.00	0.0632	3,992.28
CAD	2,138.89	5.1161	10,942.78
Accounts receivable			
Including: USD	15,445,007.34	6.5249	100,777,128.39
Other receivables			
Including: USD	150,515.72	6.5249	982,100.02
SGD	74,016.18	4.9314	365,003.39
Other payables			
Including: USD	10,702,334.50	6.5249	69,831,662.38

Item	Closing balance of foreign currencies	Exchange rates for translation	Closing balance of RMB
Short-term borrowings			
Including: USD	525,212,079.87	6.5249	3,426,956,299.94
Long-term loans			
Including: USD	350,192,577.77	6.5249	2,284,971,550.69
Bonds payable due within one year			
Including: USD	880,442,028.27	6.5249	5,744,796,190.26
Bonds payable			
Including: USD	1,322,385,484.24	6.5249	8,628,433,046.12
Accounts payable			
Including: USD	321,766.51	6.5249	2,099,494.30

(2) Description of significant foreign operations

Foreign operations	major domicile	functional currency
Xinneng (Hong Kong) Energy Investment Co., Ltd.	Hong Kong	USD
Jiapin Holdings Co., Ltd.	Hong Kong	RMB
ENN Gas Investment Group Co., Ltd.	Hong Kong	RMB
ENN Energy China Investment Co., Ltd.	Hong Kong	RMB
ENN LNG Trading Co., Ltd.	Hong Kong	RMB
ENN Energy Holdings Limited	Hong Kong	RMB

68. Hedges

The Company uses foreign exchange derivatives to hedge the foreign exchange risks faced by the Company for its bonds and bank loans denominated in USD, so as to avoid the risks arising from the fluctuations of expected future cash flows when repaying bonds and bank loans denominated in USD resulted by the fluctuations of RMB/USD exchange rate. The pricing of LNG is linked to the crude oil price, and the Company uses commodity derivatives to hedge the Company's exposure to commodity price risks to avoid the risk of arising from the fluctuations of expected future cash flows when purchasing LNG resulted by the fluctuations in crude oil market price. The Company designated those transactions as cash flow hedging.

As of the balance sheet date, the fair value of the assets of the hedging foreign currency derivative contracts and commodity derivative contracts was RMB1,528,068.04 and the fair value of the liabilities of the foreign currency derivative contracts and commodity derivative contracts was RMB196,643,223.74 . The pre-tax profit on the cash flow hedging included in other comprehensive income of the current period was RMB-50,859,563.66and is expected to be transferred gradually to the income statement after the balance sheet date.

69. Government grants

(1) Basic information of government grants

Category	Amount	Presenting items	Amount included in profit of loss
Land refund	23,170,354.39	Other income	975,568.27
Government subsidy for induced draft fan and integrated Electric-bag Composite Dust Collector	2,782,312.19	Other income	294,768.24
Special subsidy for power demand-side	399,305.58	Other income	95,833.32
Funding for water pollution prevention and control	1,617,647.12	Other income	352,941.12
Industrial internet innovation development demonstration project	209,630.47	Other income	31,385.24
Subsidies on replacing coal with gas	242,656,744.13	Other income	8,513,028.15
Subsidies on pipeline network demolition and construction	70,342,767.84	Other income	2,691,712.87
Subsidies on emergency gas storage facilities	98,136,332.79	Other income	1,010,026.21
Subsidies on pipeline modification	116,475,165.52	Other income	2,254,748.97
Land subsidies	28,541,100.00	Other income	826,700.00
Subsidies on distributed energy project of natural gas	29,700,000.03	Other income	1,100,000.00
Energy station projects	9,683,333.33	Other income	1,400,000.00
New Chaoyang integrated microenergy network demonstration project	10,243,055.64	Other income	416,666.66
Subsidies on the new passenger station project	8,407,000.00	Other income	1,201,000.00
Subsidies on phasing out coal-fired heating boiler	33,475,510.18	Other income	831,652.65
Government subsidies that are directly included in profits and losses	233,602,772.52	Other income	233,602,772.52
VAT refund	117,603,077.95	Other income	117,603,077.95
Others	206,773,531.25	Other income	16,508,890.39
Total	1,233,819,640.93		389,710,772.56

VI. Changes of the scope of consolidation

1. Business combination involving entities not under common control

(1) Business combination involving entities not under common control

Number	acquiree	Date of equity acquisition	Consideration of equity acquisition	Equity ccquisition Ratio(%)	Method of acquisition	Acquisition date	Basis for determination of acquisition date	Income of the acquiree from the date of purchase to the end of the period	Net profit of the acquiree from the date of purchase to the end of the period
1	Shanghai International Engineering Construction Consulting Co., Ltd.	29 May 2020	2,950,000.00	64	Acquisition	29 May 2020	Complete registration of equity change	1,471,160.44	-1,672,281.32

(2) Cost of business combination and goodwill

Consideration of business combination	Shanghai International Engineering Construction Consulting Co., Ltd.
- Cash and Cash equivalent	2,950,000.00
Total consideration of business combination	2,950,000.00
Less: fair value share of identifiable net assets obtained	120,043.85
Goodwill / combination cost less than the fair value share of identifiable net assets obtained	2,829,956.15

(3) Identifiable assets and liabilities of the acquiree on the acquisition date

Item	Shanghai International Engineering Construction Consulting Co., Ltd.	
	Fair value on acquisition date	Carrying value on the acquisition date
Assets:	1,613,188.82	1,613,188.82
Cash and Cash equivalents	108,685.22	108,685.22
Accounts receivable	1,466,733.11	1,466,733.11
Other receivables	20,000.00	20,000.00
Other current assets	1,467.56	1,467.56
Fixed assets	16,302.93	16,302.93
Liabilities:	1,425,620.30	1,425,620.30
Accounts payable	698,764.30	698,764.30
Other payables	726,856.00	726,856.00
Net assets	187,568.52	187,568.52
Less: non-controlling interests	67,524.67	67,524.67
Net assets acquired	120,043.85	120,043.85

2. Business combination involving entities under common control

(1) Business combination involving entities under common control in the current period

Acquiree	Equity ratio obtained in business combination	Basis of business combination under the common control	Acquisition date	Determination basis of acquisition date	Income of the acquiree from the beginning of the current period to the acquisition date	Net profit of the acquiree from the beginning of the current period to the acquisition date	Income of the acquiree during the comparison period	Net profit of the acquiree during the comparison period
ENN Energy Holdings Limited	32.80%	The same actual controller	June 30,2020	Acquisition of actual control	34,795,057,219.10	3,509,840,211.70	39,185,372,312.24	4,147,693,987.53

(2) Consideration of business combination

Consideration of business combination	ENN Energy Holdings Limited
-Cash and Cash equivalents	4,936,228,409.82
-Carrying value of non-cash assets	5,343,676,651.65

Consideration of business combination	ENN Energy Holdings Limited
-Carrying value of debt issued or assumed	
-Carrying value of equity securities issued	1,370,626,680.00
-Contingent consideration	

(3) Carrying value of assets and liabilities of the acquiree on the acquisition date

Item	ENN Energy Holdings Limited	
	Acquisition date	Closing balance of prior period
Assets:	87,884,831,643.34	83,229,220,486.05
Cash and Cash equivalents	9,819,510,790.79	9,185,046,680.11
Financial assets held for trading and derivative financial assets	909,526,668.29	361,009,630.69
Notes receivable	179,339,588.45	235,899,281.87
Accounts receivable	3,365,173,967.85	3,337,842,247.97
Financing receivables	585,595,739.21	561,049,169.78
Prepayments	1,508,662,803.53	1,752,926,696.17
Other receivables	2,261,463,787.94	1,535,632,805.91
Inventories	1,420,903,304.83	2,122,077,736.53
Contract assets	852,820,576.24	
Current portion of non-current assets	440,189.35	86,717,715.13
Other current assets	2,189,525,280.08	2,232,983,416.48
Long-term receivables	11,800,000.00	11,800,000.00
Long-term equity investment	5,309,413,914.57	4,970,737,830.42
Other equity instruments investments	201,576,956.69	123,819,877.12
Other non-current financial assets	6,060,033,194.64	5,168,936,829.77
Investment properties	268,080,470.00	268,080,470.00
Fixed assets	37,452,292,111.33	35,892,276,688.26
Construction in progress	6,571,349,219.07	6,954,715,352.56
Intangible Assets	6,401,858,411.40	6,111,936,457.12
Development expenditures	14,707,927.01	11,332,839.00
Goodwill	478,065,822.56	429,926,751.65
Long-term prepaid expenses	272,833,037.95	219,750,627.88
Deferred tax assets	1,502,881,999.83	1,471,080,269.95
Other non-current assets	246,975,881.73	183,641,111.68
Liabilities:	56,036,555,311.45	52,677,806,957.18
Short-term borrowings	8,945,718,744.48	8,540,224,051.31
Derivative financial liabilities	789,028,898.90	416,146,392.35
Notes payable	440,118,636.24	520,169,336.27

Item	ENN Energy Holdings Limited	
	Acquisition date	Closing balance of prior period
Accounts payable	5,823,984,283.25	6,398,970,371.25
Receipts in advance		14,005,877,297.22
Contract liabilities	13,916,857,037.29	
Payroll and employee benefits payable	436,651,601.91	666,396,717.24
Taxes payable	1,670,838,527.50	1,649,361,620.13
Other payables	3,371,455,758.27	1,790,332,220.36
Current portion of non-current liabilities	2,734,734,345.16	170,788,900.80
Long-term borrowings	3,901,144,216.57	2,993,011,984.97
Bonds payable	6,329,311,183.48	8,801,562,564.56
Long-term payables	16,346,357.34	36,346,357.35
Deferred income	807,580,750.08	4,478,356,595.89
Deferred tax liabilities	2,187,238,582.46	1,880,383,733.34
Other non-current liabilities	4,665,546,388.52	329,878,814.14
Net assets	31,848,276,331.89	30,551,413,528.87
Less: non-controlling interests	23,842,136,034.36	22,848,619,208.74
Net assets obtained	8,006,140,297.53	7,702,794,320.13

3. Disposal of subsidiaries

subsidiary	Equity disposal price	Equity disposal ratio (%)	Equity disposal method	Date of loss of control	Determination basis for date of loss of control	Difference between the disposal price and the share of net assets of the subsidiary at the consolidated financial statement level corresponding to the disposal investment	Proportion of remaining equity on the date of loss of control(%)	Carrying value of the residual equity on the date of loss of control	Fair value of the residual equity on the date of loss of control	Gain or loss from re-measurement of residual equity at fair value	Determination method and main assumptions of fair value of residual equity on the date of loss of control	Investment income transferred from other comprehensive income related to the investment in original subsidiaries
Xinneng (Zhangjiagang) Energy Co., Ltd.	151,000,000.00	100	Transfer of shares	December 29,2020	Complete registration of equity change	40,466,642.92						

Note:On November 23,2020, Xinneng Mining Industry Co., Ltd., which is a wholly-owned subsidiary of the Company, signed the Agreement on the Transfer of Shares of Xinneng (Zhangjiagang) Energy Co., Ltd. with Milkway Chemical Supply Chain Service Co., Ltd. to sell 100% equity of Xinneng (Zhangjiagang) Energy Co., Ltd. at a proposed price of RMB 151 million.

Xinneng (Zhangjiagang) Company completed the registration of industrial and commercial changes on December 29,2020. The company has received the transfer money of equity paid by the other party for RMB 151 million. The Company no longer holds the shares of Xinneng (Zhangjiagang) Energy Co., Ltd. and no longer includes Xinneng (Zhangjiagang) in its consolidated financial statements.

4. Changes in consolidation scope due to other reasons

1. On April 15,2020, the Company jointly invested with Chongqing Fuling Energy Industry Group Co., Ltd. to establish Chongqing ENN Longxin Clean Energy Co., Ltd. and the registered capital of Chongqing ENN Longxin Clean Energy Co., Ltd. is RMB 10 million. As of December 31,2020, the paid capital of Chongqing ENN Longxin Clean Energy Co., Ltd. was RMB 10 million, accounting for 100% of the registered capital, of which ENN Natural Gas Co., Ltd. contributed RMB 5.1 million and Chongqing Fuling Energy Industry Group Co., Ltd. contributed RMB 4.9 million.

2. The Company business combination involving entities under common control to establish a subsidiary, namely United Faith Ventures Limited on June 30,2020. The above-mentioned company will no longer be included in the final consolidated statement.

3. ENN (Tianjin) Energy Investment Co., Ltd., which is a wholly-owned subsidiary of the Company, invested in the establishment of ENN Xinneng (Zhejiang) Energy Trade Co., Ltd. on September 4,2020, with registered capital of RMB 50 million. As of December 31,2020, the paid capital of ENN Xinneng (Zhejiang) Energy Trade Co., Ltd. was RMB 50 million, accounting for 100% of the registered capital.

4. Xinneng (Hong Kong) Energy Investment Co., Ltd., which is a wholly-owned subsidiary of the Company, invested in the establishment of ENN (Hainan) Energy Trade Co., Ltd. on October 26,2020, with registered capital of $20 million. As of December 31,2020, the company's capital has not yet been injected.

VII. Equity in other entities

1. Equity in subsidiary

(1) Composition of the group

Significant subsidiaries during reporting period

Number	subsidiary	Main place of business	Place of registration	Business nature	Shareholding(%)		Method of acquisition
					Direct	Indirect	
1	ENN (Tianjin) Energy Investment Co., Ltd.	Tianjin	Tianjin	Energy investment; asset management (except for monetary assets); clean energy management service; LNG and clean energy technology R&D, technical consulting, and technical service; sale of chemical products (except for hazardous chemicals); trading of coal	100.00		Investment establishment
2	ENN (China) Gas Investment Co., Ltd.	Hebei	Beijing	Investment holding		32.72	Business combination under the common control
3	ENN Energy Trading Co., Ltd	Hebei	Langfang·Hebei	Wholesale and retail of gas, gas pipeline facilities, gas equipment and appliances, etc.		32.72	Business combination under the common control
4	ENN Energy Holdings Limited	Hong Kong, China	British Cayman Islands	Investment holding		32.72	Business combination under the conmon control

(2) Important non-wholly owned subsidiaries

subsidiary	Shareholding of minority shareholders proportion	Profit or loss attributable to minority shareholders in the current period	Dividends declared and distributed to minority shareholders in the current period	Closing balance of minority shareholders' equity for the period
ENN Energy Holdings Limited	67.28%	1,282,154,824.82	1,152,364,599.27	1,105,858,073.48
ENN (China) Gas Investment Co., Ltd.	67.28%	893,082,793.19	581,830,984.93	10,896,265,589.08

(3). Major financial information of significant non-wholly owned subsidiaries

subsidiary	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
ENN Energy Holdings Limited	5,507,331,315.56	10,584,560,570.08	16,091,891,885.64	4,744,189,771.00	9,704,036,726.00	14,448,226,497.00	3,585,687,782.46	12,768,936,949.91	16,354,624,732.37	6,261,962,460.52	8,840,698,508.13	15,102,660,968.65
ENN (China) Gas Investment Co., Ltd.	13,957,960,217.10	16,897,517,979.30	30,855,478,196.40	10,910,137,558.43	3,749,939,940.77	14,660,077,499.20	10,398,798,537.95	16,492,762,768.68	26,891,561,306.63	7,935,543,745.91	3,267,006,255.46	11,202,550,001.37

Name	Amount incurred in the current period				Amount incurred in the prior period			
	Operating reveune	Net profit	Total comprehensive income	Cash flows from operating activities	Operating reveune	Net profit	Total comprehensive income	Cash flows from operating activities
ENN Energy Holdings Limited	10,397,242.40	1,896,448,178.08	1,941,572,550.08	-55,096,168.28	4,716,847.90	660,331,129.39	660,331,129.39	-24,205,772.41
ENN (China) Gas Investment Co., Ltd.	787,110,357.23	1,327,411,999.39	1,371,179,797.61	-97,002,196.21	727,909,629.56	1,307,606,686.28	1,307,606,686.28	137,725,903.32

2. The owner's equity share of the subsidiary changes and still controls the transactions of the subsidiary

(1) Description of the changes of owner's equity share in subsidiaries

The Company's controlling subsidiary, ENN Energy Holding Limited, exercised 2,503,000 shares in the July-December 2020 Payment-based Stock Plan, which changed its shareholding in ENN Energy Holding Limited from 32.80% to 32.72%, but did not lose its control over ENN Energy Holding Limited.

(2) The impact of the transaction on minority shareholders' equity and owners' equity attributable to the parent companye

Item	ENN Energy Holdings Limited
Acquisition cost/disposal consideration	
-Cash and Cash equivalents	
-Fair value of non-cash assets	
Total acquisition cost/disposal consideration	
Less: Share of net assets of the subsidiary calculated according to the proportion of equity acquired / disposed	28,903,273.26
Differences	28,903,273.26
Including: Adjustment of capital reserve	
Adjustment of surplus reserve	
Adjustment of retained earnings	28,903,273.26

3. Equity in joint-ventures or associates

(1) Significant joint-ventures or associates

None

(2) Main financial information of important associates

None

(3) Summary financial information of nonsignificant joint ventures and associates

Item	Closing balance/ current period	Opening balance/ prior period
Joint ventures:		
Total carrying value of investment	2,074,076,273.74	1,958,771,419.15
Items calculated according to shareholding ratio		
-Net Profit	192,347,977.65	216,587,352.15
-Other comprehensive income		
-Total comprehensive income	192,347,977.65	216,587,352.15
Joint ventures:		
Total book value of investments	3,485,640,522.72	3,313,898,694.84

Item	Closing balance/ current period	Opening balance/ prior period
The sum of the following items according to share proportion		
Net Profit	60,077,573.54	796,834,857.20
-Other comprehensive income	8,498,314.68	2,083,493.07
-Total comprehensive income	68,575,888.22	798,918,350.27

(4) Excess losses of joint ventures or associates

Joint ventures or associates	Accumulated unrecognized losses accumulated in previous periods	Unrecognised losses in the current period (or net profit shared in the current period)	Accumulated unrecognized losses at the end of the current period
Zhaoqing PetroChina Kunlun ENN Gas Co., Ltd.	2,302,508.25	905,708.00	3,208,216.25
Luoyang Tongyu ENN CBM Transmission and Distribution Co., Ltd	16,517,797.54	2,674,270.89	19,192,068.43
Henan ENN Hengji Transportation New Energy Co., Ltd.	1,405,517.61	1,967,056.19	3,372,573.80
Waichang Manchu and Mongolian Autonomous County ENN Automobile Gas Co., Ltd.	372,932.88	986,182.73	1,359,115.61
Lianyungang Zhongxin Gas Co., Ltd.		26,396.10	26,396.10
Total	20,598,756.28	6,559,613.91	27,158,370.19

VIII. Related Parties and Related Party Transactions

1. The company's parent company

Parent Company	Registered place	Business nature	Registered Capital	Shareholding ratio of parent company to the company	Proportion of voting rights of parent company to the company
ENN GROUP INTERNATIONAL INVESTMENT LIMITED	British Virgin Islands	Controlling investment	US50,000.00	52.72%	52.72%

Note:The ultimate controller of the Company is Wang Yusuo

2. Subsidiaries of the company

For details of the subsidiaries of the Company, please refer to Note VII. Equity in other equities.

3. Joint ventures and associates of the enterprise

Details are provided below regarding other joint venture or associate which has entered into a related party transaction with the Company in the current period, or which had entered into a related party transaction with the Company in a previous period, which generated a balance

Joint ventures / associates	Relationship with the enterprise
Changshu Huazhi Clean Energy Co., Ltd.	Associates
Dingzhou Kunlun ENN Energy Development Co., Ltd.	Associates

Joint ventures / associates	Relationship with the enterprise
Erdos Xinneng Logistics Co., Ltd.	Associates
Guangxi Beibu Gulf ENN Gas Development Co., Ltd.	Associates
Guangxi Yilongyuan Electricity Distribution Co., Ltd.	Associates
Henan ENN Hengji Transportation New Energy Co., Ltd.	Associates
Hengshui Jiantou Blue Sky Equity Investment Fund Center (Limited Partnership)	Associates
Huzhou ENN Gas Co., Ltd.	Associates
Huzhou ENN Wanfeng Gas Co., Ltd.	Associates
Huzhou Sinopec ENN Natural Gas Co., Ltd.	Associates
Huai'an Zhongyou Tianhuai Gas Co., Ltd	Associates
Jinhua Gaoya Natural Gas Co., Ltd.	Associates
Junan Dadian Zhongfu Natural Gas Development&Utilization Co., Ltd.	Associates
Lianyungang Zhongxin Gas Co., Ltd.	Associates
Linyi Zhongfu Natural Gas Development and Utilization Co., Ltd	Associates
Luoyang Tongyu ENN CBM Transmission and Distribution Co., Ltd	Associates
Shandong Lule Natural Gas Co. Ltd	Associates
Shandong Luxin Natural Gas Co. Ltd	Associates
Shantou Huarun ENN Gas Co., Ltd.	Associates
Shanghai Zhuoxiao Energy Technology Co., Ltd.	Associates
Shijiazhuang Airport Natural Gas Co., Ltd.	Associates
Shijiazhuang Kunlun ENN Energy Development Co., Ltd.	Associates
Shijiazhuang Kunlun ENN Gas Co., Ltd.	Associates
Shijiazhuang Gaocheng Zhongran Xiangke Gas Co., Ltd.	Associates
Shijiazhuang Blue Sky ENN Natural Gas Pipeline Network Co., Ltd..	Associates
Shijiazhuang Luquan District Kunlun ENN Gas Co., Ltd.	Associates
Shijiazhuang ENN Zhonghong Gas Co., Ltd.	Associates
Taizhou City Natural Gas Co., Ltd.	Associates
Taizhou Yinxingshu Gas Co., Ltd.	Associates
Tengzhou Huazhi Clean Energy Co., Ltd.	Associates
Tengzhou Xinneng Logistics Co., Ltd.	Associates
Waichang Manchu and Mongolian Autonomous County ENN Automobile Gas Co., Ltd.	Associates
Wuzhou PetroChina Kunlun ENN Gas Co., Ltd.	Associates
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Associates
Xuyi Guolian ENN Natural Gas Pipeline Co., Ltd.	Associates
Yancheng Guoneng ENN Energy Development Co., Ltd.	Associates

Joint ventures / associates	Relationship with the enterprise
Zhanjiang PetroChina ENN Natural Gas Co., Ltd.	Associates
Changsha Xinneng Automobile Gas Co., Ltd	Associates
Zhaoqing PetroChina Kunlun Xin'ao Gas Co., Ltd.	Associates
Zhejiang Xinyongzhou Logistics Co., Ltd.	Associates
Sinopec ENN (Tianjin) Energy Co., Ltd.	Associates
Chongqing Longran Energy Technology Co., Ltd.	Associates
Zhoushan North Lanyan Island Gas Co., Ltd.	Associates
Zhoushan Lanyan Gas Co., Ltd.	Associates
Anhui Wanneng ENN Natural Gas Co., Ltd.	Joint ventures
Baoding ENN Gas Co., Ltd.	Joint ventures
Chenzhou Sanxiang ENN Clean Energy Co., Ltd.	Joint ventures
Dongguan Haofeng ENN Energy Co., Ltd.	Joint ventures
Dongguan ENN Traffic Clean Energy Co., Ltd.	Joint ventures
Dongguan Zhongdian ENN Heating Power Co., Ltd.	Joint ventures
Guangxi Xijiang ENN Clean Energy Co., Ltd.	Joint ventures
Haining Xinxin Natural Gas Co., Ltd.	Joint ventures
Hebei PetroChina Kunlun Natural Gas Co., Ltd.	Joint ventures
Henan Jingbao ENN New Energy Co., Ltd.	Joint ventures
Jiangxi Poyang Lake LNG Co., Ltd.	Joint ventures
Jinhua Sinopec ENN Automobile Natural Gas Co., Ltd.	Joint ventures
Kunming ENN Gas Co., Ltd.	Joint ventures
Langfang ENNlongyu Clean Energy Co., Ltd.	Joint ventures
Liaocheng Shihua Natural Gas Co., Ltd.	Joint ventures
Loudi ENN Jiaheng Gas Co., Ltd.	Joint ventures
Luquan Fuxin Gas Co., Ltd.	Joint ventures
Luoyang Hongxin Gas Co., Ltd.	Joint ventures
Nanjing ENN Sanxin Traffic Science&Technology Co., Ltd.	Joint ventures
Ningbo ENN Automobile Energy Co., Ltd.	Joint ventures
Qujing Yuntou ENN Energy Development Co., Ltd.	Joint ventures
Shanghai Jiuhuan Volkswagen Natural Gas Co., Ltd.	Joint ventures
Shanghai Jiuhuan Transportation Volkswagen Oil and Gas Supply Co., Ltd.	Joint ventures
Shanghai Jiuhuan Automobile Natural Gas Development Co., Ltd.	Joint ventures
Shanghai North Jiuhuan Automobile Natural Gas Sales Co., Ltd.	Joint ventures
Shanghai Kunlun ENN Clean Energy Co., Ltd.	Joint ventures
Tangshan ENN Yiyun Clean Energy Co., Ltd.	Joint ventures

Joint ventures / associates	Relationship with the enterprise
Tangshan ENN Yongshun Clean Energy Co., Ltd.	Joint ventures
Wenshan Yuntou ENN Gas Co., Ltd.	Joint ventures
Xuzhou Guotou ENN Energy Co., Ltd.	Joint ventures
Yantai City Honesty Gas Engineering Co., Ltd.	Joint ventures
Yantai ENN Gas Development Co., Ltd.	Joint ventures
Yantai ENN Industry Co., Ltd.	Joint ventures
Yancheng ENN Compressed Natural Gas Co., Ltd.	Joint ventures
Yunnan Natural Gas Xuanwei ENN Gas Co., Ltd.	Joint ventures
Yunnan Yuntu ENN Gas Co., Ltd.	Joint ventures

4. Other related parties

Name of other related parties	Relationship with the company
ESSENTIAL INVESTMENT HOLDING COMPANYL IMITED	The same actual controller
Bazhou Xinsheng Water Supply Co., Ltd.	The same actual controller
Beijing Yongxin Environmental Protection Co., Ltd.	The same actual controller
BHP Electronic Commerce Co., Ltd.	The same actual controller
Bokang Intelligent Information Technology Co., Ltd.	The same actual controller
Enniu Chengfu (Bengbu) Public Service Technology Co., Ltd.	The same actual controller
Enniu Chengfu (Chaohu) Public Service Technology Co., Ltd.	The same actual controller
Enniu Chengfu (Kaifeng) Technology Co., Ltd.	The same actual controller
Enniu Chengfu (Langfang) Public Service Technology Co., Ltd.	The same actual controller
Enniu Chengfu Public Service Technology Co., Ltd.	The same actual controller
Hebei Veyong Biochemical Co., Ltd.	Shareholders' subsidiaries
Kaixin Urban Development and Construction Co., Ltd.	The same actual controller
Laikang Technology (Beijing) Co., Ltd.	The same actual controller
Langfang Golden Elephant Property Service Co., Ltd.	The same actual controller
Langfang Huijia Property Services Co., Ltd.	The same actual controller
Langfang Tongcheng Automobile Services Co., Ltd.	The same actual controller
Langfang ENN Real Estate Development Co., Ltd.	The same actual controller
Langfang ENN PV Integration Co., Ltd.	The same actual controller
Langfang ENN Longhe Environmental Protection Technology Co., Ltd.	The same actual controller
Nanjing ENN Environmental Protection Technology Co., Ltd.	The same actual controller
Qingdao Enniu Chengfu Network Technology Co., Ltd.	The same actual controller
Quanzhou Enniu Chengfu Network Technology Co., Ltd.	The same actual controller
Shijiazhuang ENN Environmental Protection Technology Co., Ltd.	The same actual controller
ENN (Inner Mongolia) Graphene Material Co., Ltd.	The same actual controller

Name of other related parties	Relationship with the company
ENN (Zhoushan) Natural Gas Pipeline Co., Ltd.	The same actual controller
ENN (Zhoushan) LNG Co., Ltd.	The same actual controller
ENN Insurance Brokers Co., Ltd.	The same actual controller
ENN Bowei Technology Co., Ltd.	The same actual controller
ENN Charitable Foundation	The same actual controller
ENN Group Co., Ltd.	The same actual controller
ENN Technology Development Co., Ltd.	The same actual controller
ENN Holdings Investment Co., Ltd.	Shareholders' subsidiaries
ENN Energy Power Technology (Shanghai) Co., Ltd.	The same actual controller
ENN Shuneng Technology Co., Ltd.	The same actual controller
ENN Sunshine Yicai Technology Co., Ltd	The same actual controller
Ovation Seven-Cultivation Hotel Management Co., Ltd.	The same actual controller
Xinzhi Super Brain Science&Technology Co., Ltd.	The same actual controller
Xinzhi Cognitive Data Services Co., Ltd.	The same actual controller
Xinzhi Cognitive Digital Technology Co., Ltd.	The same actual controller
Xinzhi Shutong (Beijing) Technology Service Co., Ltd.	The same actual controller
Xinzhi Wolai Network Technology Co., Ltd.	The same actual controller
Xinzhi Cloud Data Services Co., Ltd.	The same actual controller
E-Cheng E-Jia Network Technology Co., Ltd	The same actual controller
Ovation Seven-Cultivation Hotel Management Co., Ltd.	The same actual controller
Hebei Financial Leasing Co., Ltd.	Joint stock company of actual controller
Nanxiang (Zhoushan) Natural Gas Sales Co., Ltd.	Other related parties

5. Related party transactions

(1) Related transactions of purchasing and sales of goods, render and accept services

1) Purchase products/ accept of services

Related party	Related party transaction	Amount incurred in the current period	Amount incurred in the prior period
Nanxiang (Zhoushan) Natural Gas Sales Co., Ltd.	Purchasing LNG	29,248,349.09	230,527,515.17
ENN Group Co., Ltd.	Purchasing LNG	106,692,837.41	1,083,370,787.95
ENN Sunshine Yicai Technology Co., Ltd	Purchasing materials	18,459,326.20	13,100,011.91
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Purchasing methanol	92,076,371.46	187,246,424.48
Erdos Xinneng Logistics Co., Ltd.	Purchasing coal	70,374,177.55	

Related party	Related party transaction	Amount incurred in the current period	Amount incurred in the prior period
Anhui Wanneng ENN Natural Gas Co., Ltd.	Purchasing gas	208,802,450.53	54,760,464.50
Baoding ENN Gas Co., Ltd.	Purchasing gas	14,887,270.79	2,229,884.63
Haining Xinxin Natural Gas Co., Ltd.	Purchasing gas	555,372,378.26	620,715,974.91
Hebei PetroChina Kunlun Natural Gas Co., Ltd.	Purchasing gas	947,207,855.19	1,113,119,232.30
Henan Jingbao ENN New Energy Co., Ltd.	Purchasing gas	93,530,286.91	130,454,380.40
Jiangxi Poyang Lake LNG Co., Ltd	Purchasing gas	46,693,500.35	89,369,665.30
Jinhua Gaoya Natural Gas Co., Ltd.	Purchasing gas	28,681,798.01	90,129,508.38
Lianyungang Zhongxin Gas Co., Ltd.	Purchasing gas	85,319,261.26	
Liaocheng Shihua Natural Gas Co., Ltd.	Purchasing gas	245,568,830.79	368,852,055.46
Luoyang Tongyu ENN CBM Transmission and Distribution Co., Ltd	Purchasing gas	47,240,100.08	71,992,746.99
Shandong Luxin Natural Gas Co., Ltd.	Purchasing gas	34,283,242.95	76,932,167.97
Shanghai Jiuhuan Automobile Natural Gas Development Co., Ltd.	Purchasing gas	13,800,130.70	28,957,949.39
Shijiazhuang Kunlun ENN Gas Co., Ltd.	Purchasing gas	125,372,284.70	9,756,813.83
Shijiazhuang Gaocheng Zhongran Xiangke Gas Co., Ltd.	Purchasing gas	8,749,092.34	12,308,498.84
Taizhou City Natural Gas Co., Ltd	Purchasing gas	20,939,510.52	72,165,969.06
Tangshan ENN Yongshun Clean Energy Co., Ltd.	Purchasing gas		168,754,223.33
Yancheng ENN Compressed Natural Gas Co., Ltd.	Purchasing gas	5,792,784.26	23,639,548.47
Zhanjiang Zhongyou ENN Natural Gas Co., Ltd.	Purchasing gas	16,979,825.08	17,174,237.28
Zhoushan Lanyan Gas Co., Ltd.	Purchasing gas		44,330,522.02
Enniu Chengfu (Bengbu) Public Service Technology Co., Ltd.	Purchasing equipment	8,960,051.32	
Langfang Huijia Property Services Co., Ltd.	Acceptance of administrative services	15,727,119.51	13,263,718.70
Ovation Seven-Cultivation Hotel Management Co., Ltd.	Acceptance of administrative services	24,728,899.75	20,947,668.28
ENN (Zhoushan) LNG Co., Ltd.	Receiving use service of receiving station	825,382,289.67	130,837,160.18
Enniu Chengfu (Langfang) Public Service Technology Co., Ltd.	Acceptance of outsourcing services	8,887,163.17	9,017,232.08
Enniu Chengfu Public Service Technology Co., Ltd.	Acceptance of outsourcing services	40,461,294.82	30,305,543.14
Langfang Golden Elephant Property Service Co., Ltd.	Acceptance of property management services	19,726,411.50	20,173,812.45
Bokang Intelligent Information Technology Co., Ltd.	Acceptance of information digital technology services	34,934,905.78	2,599,528.30
Xinzhi Super Brain Science&Technology Co., Ltd.	Acceptance of information digital technology services	41,495,282.74	36,401,436.67
Xinzhi Cognitive Data Services Co., Ltd.	Acceptance of information digital technology services	13,745,283.05	971,698.11
Xinzhi Cognitive Digital Technology Co., Ltd.	Acceptance of information digital technology services	48,688,679.38	

Related party	Related party transaction	Amount incurred in the current period	Amount incurred in the prior period
Xinzhi Wolai Network Technology Co., Ltd.	Acceptance of information digital technology services	18,039,049.96	50,688,679.26
Xinzhi Cloud Data Services Co., Ltd.	Acceptance of information digital technology services	61,879,308.41	95,629,046.30
E-Cheng E-Jia Network Technology Co., Ltd.	Acceptance of information digital technology services		11,897,902.72
Erdos Xinneng Logistics Co., Ltd.	Acceptance of shipping services	23,675,207.57	6,674,174.95
Tengzhou Xinneng Logistics Co., Ltd.	Acceptance of shipping services	10,900.28	16,336,446.29
Zhejiang Xinyongzhou Logistics Co., Ltd.	Acceptance of shipping services	44,499,906.63	17,009,242.41
ENN Charitable Foundation	Donation	73,894,097.94	54,815,500.00
Others-The amount of transactions of which detail items are not listed		125,838,499.47	117,761,720.43

2) Sales of goods / render of services

Related party	Related party transaction	Amount incurred in the current period	Amount incurred in the prior period
Baoding ENN Gas Co., Ltd.	Design, project construction and sales revenue	77,114,322.59	239,272,949.73
Dongguan Haofeng ENN Energy Co., Ltd.	Design, project construction and sales revenue		72,302,257.38
Guangxi Beibu Gulf ENN Gas Development Co., Ltd.	Design, project construction and sales revenue	19,532,184.22	
Lianyungang Zhongxin Gas Co., Ltd.	Design, project construction and sales revenue	12,870,323.40	
Nanjing ENN Environmental Protection Technology Co., Ltd.	Design, project construction and sales revenue	16,259,558.59	9,333,172.22
Shijiazhuang Kunlun ENN Gas Co., Ltd.	Design, project construction and sales revenue	21,911,891.68	2,347,278.21
Shijiazhuang ENN Environmental Protection Technology Co., Ltd.	Design, project construction and sales revenue	9,396,010.05	617,924.53
ENN (Zhoushan) Natural Gas Pipeline Co., Ltd.	Design, project construction and sales revenue	615,467,824.17	868,806,159.08
ENN (Zhoushan) LNG Co., Ltd.	Design, project construction and sales revenue	247,737,393.02	48,227,154.03
Chongqing Longran Energy Technology Co., Ltd.	Design, project construction and sales revenue	160,546,485.26	
ENN Insurance Brokers Co., Ltd.	Providing technical services	63,302,184.27	51,530,144.36
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Providing technical services	3,878,981.90	9,611,962.48

Related party	Related party transaction	Amount incurred in the current period	Amount incurred in the prior period
Langfang ENN Real Estate Development Co., Ltd.	Providing gas porting service	11,212,878.24	3,068,839.81
ENN Shuneng Technology Co., Ltd.	Providing commissioned R&D services		8,347,108.84
ENN Insurance Brokers Co., Ltd.	Providing support services	47,688,253.98	47,068,050.81
Baoding ENN Gas Co., Ltd.	Sales of materials	12,804,378.99	1,384,442.62
Dingzhou Kunlun ENN Energy Development Co., Ltd.	Sales of materials	58,567,237.76	
Dongguan Haofeng ENN Energy Co., Ltd.	Sales of materials		26,551,724.08
Guangxi Beibu Gulf ENN Gas Development Co., Ltd.	Sales of materials	30,488,382.55	24,087,438.40
Shijiazhuang Kunlun ENN Gas Co., Ltd.	Sales of materials	90,713,442.64	133,367,532.19
Shijiazhuang Luquan District Kunlun ENN Gas Co., Ltd.	Sales of materials	18,654,386.24	94,254.97
Shijiazhuang ENN Zhonghong Gas Co., Ltd.	Sales of materials	11,367,625.03	4,143,787.65
Wenshan Yuntou ENN Gas Co., Ltd.	Sales of materials	10,924,585.81	4,196,774.51
Yantai ENN Gas Development Co., Ltd.	Sales of materials	5,728,339.04	10,624,278.87
Yunnan Natural Gas Xuanwei ENN Gas Co., Ltd.	Sales of materials	5,131,794.47	7,125,498.14
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Selling coal	6,889,485.89	337,031,255.67
Anhui Wanneng ENN Natural Gas Co., Ltd.	Sales of gas	248,371,737.72	99,157,101.74
Baoding ENN Gas Co., Ltd.	Sales of gas	13,114,887.58	60,298,564.73
Chenzhou Sanxiang ENN Clean Energy Co., Ltd.	Sales of gas	26,019,492.51	28,764,236.30
Dingzhou Kunlun ENN Energy Development Co., Ltd.	Sales of gas	17,692,451.75	
Dongguan Haofeng ENN Energy Co., Ltd.	Sales of gas	89,565,484.78	
Dongguan ENN Traffic Clean Energy Co., Ltd.	Sales of gas		34,116,555.46
Guangxi Beibu Gulf ENN Gas Development Co., Ltd.	Sales of gas	112,717,304.32	75,385,657.55
Guangxi Xijiang ENN Clean Energy Co., Ltd.	Sales of gas	5,204,397.32	23,565,970.74
Hebei PetroChina Kunlun Natural Gas Co., Ltd.	Sales of gas	10,989,965.22	1,381.52
Huzhou ENN Gas Co., Ltd.	Sales of gas	332,056,343.02	12,436,655.99
Huzhou ENN Wanfeng Gas Co., Ltd.	Sales of gas	15,282,543.29	24,776,264.89
Huai'an Zhongyou Tianhuai Gas Co., Ltd	Sales of gas	72,929,038.72	73,517,032.21
Jiangxi Poyang Lake LNG Co., Ltd	Sales of gas	31,383,775.84	76,378,476.10
Jinhua Sinopec ENN Automobile Natural Gas Co., Ltd.	Sales of gas	4,835,861.62	8,826,247.48
Kunming ENN Gas Co Ltd.	Sales of gas	13,504,936.13	30,218,001.73
Langfang ENN Longyu Clean Energy Co., Ltd.	Sales of gas	13,575,159.53	40,793,308.97
Nanxiang (Zhoushan) Natural Gas Sales Co., Ltd.	Sales of gas	40,054,121.10	1,183,244.25
Ningbo ENN Automobile Energy Co., Ltd.	Sales of gas	24,815,273.65	31,077,968.02

Related party	Related party transaction	Amount incurred in the current period	Amount incurred in the prior period
Shantou Huarun ENN Gas Co., Ltd.	Sales of gas	87,832,829.80	102,789,466.48
Shanghai Jiuhuan Automobile Natural Gas Development Co., Ltd.	Sales of gas	40,791,678.25	6,260,746.78
Wenshan Yuntou ENN Gas Co., Ltd.	Sales of gas	35,219,118.45	18,329,016.36
ENN (Zhoushan) LNG Co., Ltd.	Sales of gas	9,827,522.94	
Yantai ENN Gas Development Co., Ltd.	Sales of gas	48,390,688.39	85,539,345.03
Yantai ENN Industry Co., Ltd.	Sales of gas	32,642,889.35	39,418,334.05
Yancheng ENN Compressed Natural Gas Co., Ltd.	Sales of gas	5,672,421.85	19,980,799.63
Yunnan Natural Gas Xuanwei ENN Gas Co., Ltd.	Sales of gas	7,266,824.04	5,912,715.14
Yunnan Yuntu Xinao Gas Co., Ltd.	Sales of gas	50,092,082.88	53,809,720.60
Zhanjiang Zhongyou ENN Natural Gas Co., Ltd.	Sales of gas	37,558,928.93	49,228,230.52
Changsha Xinneng Automobile Gas Co., Ltd.	Sales of gas	11,304,782.73	27,521,613.39
Sinopec ENN (Tianjin) Energy Co., Ltd.	Sales of gas	20,437,808.39	39,021,832.16
Zhoushan North Lanyan Island Gas Co., Ltd.	Sales of gas	111,242,450.64	112,514,761.22
Zhoushan Lanyan Gas Co., Ltd.	Sales of gas	8,857,468.33	1,101,875.03
Others-The amount of transactions of which detail items are not listed		158,390,890.49	103,371,495.66

(2) Related entrusted management and entrusted management

1) Entrusted management of the company

Name of client	Name of trustee	Types of entrusted assets	Start date of commission	Termination date of entrustment	Pricing basis of custody income income	Custody income income recognized in the current period
ENN (Zhoushan) LNG Co., Ltd.	ENN Natural Gas Co., Ltd.	Other asset custody	2020/10/29	2021/10/29	Custody contract	471,698.11

2) Entrusted management of the company

Name of client	Name of entrusted party	Type of entrusted assets	Start date of outsourcing	Termination date of outsourcin	Pricing basis of custody fee	Custody fee confirmed in the current period
Xinneng Energy Co., Ltd.	Beijing Yongxin Environmental Protection Co., Ltd.	Other asset custody	2020/1/1	2020/12/31	Custody contract	77,432,715.87

(3) Related lease

1)The Company as the lessor:

Lessee	Types of leased assets	Lease income in the current period	Lease income in the prior period
Beijing Yongxin Environmental Protection Co.,	Houses	58,895.42	

Lessee	Types of leased assets	Lease income in the current period	Lease income in the prior period
Ltd.			
Bokang Intelligent Information Technology Co., Ltd.	Houses	3,951,298.83	
Dongguan Zhongdian ENN Heating Co., Ltd.	Houses		180,000.00
Erdos Xinneng Logistics Co., Ltd.	Houses	39,994.29	
Enniu Chengfu (Chaohu) Public Service Technology Co., Ltd.	Houses	50,400.00	
Guangxi Beibu Gulf ENN Gas Development Co., Ltd.	Vehicles	44,247.79	316,229.77
Guangxi Xijiang ENN Clean Energy Co., Ltd.	Vehicles		180,000.00
Guangxi Yilongyuan Electricity Distribution Co., Ltd.	Vehicles	28,571.43	
Henan Jingbao ENN New Energy Co., Ltd.	Vehicles	720,088.50	846,950.15
Huzhou ENN Wanfeng Gas Co., Ltd.	Vehicles	24,000.00	
Huzhou Sinopec ENN Natural Gas Co., Ltd.	Vehicles	76,991.16	192,569.42
Langfang ENN Real Estate Development Co., Ltd.	Vehicles	254,424.78	
Langfang ENN PV Integration Co., Ltd.	Vehicles		75,799.20
Lianyungang Zhongxin Gas Co., Ltd.	Vehicles	39,901.77	
Linyi Zhongfu Natural Gas Development and Utilization Co., Ltd	Vehicles	6,000.00	
Luquan Fuxin Gas Co., Ltd.	Vehicles		52,605.00
Quanzhou Enniu Chengfu Network Technology Co., Ltd.	Houses	12,452.36	
Tangshan ENN Yiyun Clean Energy Co., Ltd.	Vehicles	1,458,532.41	
ENN (Inner Mongolia) Graphene Material Co., Ltd.	Vehicles	29,203.54	43,805.31
ENN Group Co., Ltd.	Houses	2,857,142.86	3,000,000.00
ENN Technology Development Co., Ltd.	Financial lease equipment	1,323,506.29	
ENN Energy Power Technology (Shanghai) Co., Ltd.	Houses		10,687.28
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Financial lease equipment	2,020,740.14	8,593,955.64
Ovation Seven-Cultivation Hotel Management Co., Ltd.	Vehicles		70,428.14
Xinzhi Cognitive Data Services Co., Ltd.	Houses	197,908.54	
Xinzhi Shutong (Beijing) Technology Service Co., Ltd.	Houses		624,331.85
Xinzhi Wolai Network Technology Co., Ltd.	Houses	911,328.77	503,171.76
Yantai City Honesty Gas Engineering Co., Ltd.	Vehicles	333,938.04	378,584.08
Yantai ENN Industry Co., Ltd.	Vehicles	90,000.00	
Tangshan ENN Yongshun Clean Energy Co., Ltd.	Vehicles		626,318.56

2)The Company as the lessee:

Lessor	Types of leased assets	Lease expenses in the current period	Lease expenses in the prior period
Hebei Financial Leasing Co., Ltd.	Financial lease equipment		5,471,771.37
Hebei Financial Leasing Co., Ltd.	Equipment	466,366.86	
Laikang Technology (Beijing) Co., Ltd.	Houses	143,630.21	
Langfang Huijia Property Services Co., Ltd.	Houses	52,672.80	233,589.40
Langfang Tongcheng Automobile Services Co., Ltd.	Vehicles		14,896.08
ENN Bowei Technology Co., Ltd.	Houses	2,100,416.25	1,890,353.35
ENN Group Co., Ltd.	Houses		2,381,651.38
ENN Technology Development Co., Ltd.	Houses	4,219,834.93	2,308,073.39
Xinzhi Cloud Data Services Co., Ltd.	Houses	55,154.25	2,057,270.68
Yantai ENN Gas Development Co., Ltd.	Houses	43,614.68	
Yunnan Yuntu ENN Gas Co., Ltd.	Houses	22,123.89	

(4) Funds borrowing from related parties

Related party	Amount	Starting date	Expiry date
Borrowing			
Shanghai Kunlun ENN Clean Energy Co., Ltd.	61,163,750.00	2019/5/28	2020/5/27
Shanghai Kunlun ENN Clean Energy Co., Ltd.	10,142,220.83	2019/6/25	2020/4/17
Shanghai Kunlun ENN Clean Energy Co., Ltd.	20,427,991.67	2019/6/25	2020/6/10
Shanghai Kunlun ENN Clean Energy Co., Ltd.	40,922,222.22	2019/12/16	2020/6/15
Shanghai Kunlun ENN Clean Energy Co., Ltd.	61,717,916.67	2020/5/28	2021/5/27
Shanghai Kunlun ENN Clean Energy Co., Ltd.	5,072,916.67	2020/6/15	2020/9/28
Shanghai Kunlun ENN Clean Energy Co., Ltd.	8,134,444.44	2020/6/15	2020/10/14
Shanghai Kunlun ENN Clean Energy Co., Ltd.	4,080,000.00	2020/6/15	2020/11/6
Shanghai Kunlun ENN Clean Energy Co., Ltd.	5,111,805.56	2020/6/15	2020/11/23
Shanghai Kunlun ENN Clean Energy Co., Ltd.	4,093,333.33	2020/6/15	2020/11/30
Shanghai Kunlun ENN Clean Energy Co., Ltd.	5,122,222.22	2020/6/15	2020/12/8
Shanghai Kunlun ENN Clean Energy Co., Ltd.	9,248,750.00	2020/6/15	2021/6/14
Yunnan Yuntu ENN Gas Co., Ltd.	25,166,093.75	2019/8/14	2020/8/13
Yancheng ENN Compressed Natural Gas Co., Ltd.	10,103,333.33	2020/8/29	2021/8/28
Yunnan Yuntu ENN Gas Co., Ltd.	24,911,497.92	2020/8/14	2021/8/13
Shijiazhuang Blue Sky ENN Natural Gas Pipeline Network Co., Ltd.	35,042,291.67	2020/12/21	2021/12/20
Lending			

Related party	Amount	Starting date	Expiry date
Tangshan ENN Yiyun Clean Energy Co., Ltd.	7,050,750.00	2020/11/1	2021/10/31
Luoyang Hongxin Gas Co., Ltd.	8,468,000.00	2019/12/18	2020/12/17
Luoyang Hongxin Gas Co., Ltd.	8,017,333.33	2020/12/18	2021/12/17
Liaoning Liaoyou ENN Shengyu Natural Gas Co., Ltd.	3,120,350.00	2019/11/29	2020/11/28
Liaoning Liaoyou ENN Shengyu Natural Gas Co., Ltd.	3,011,600.00	2020/11/29	2021/11/28
Shijiazhuang Kunlun ENN Gas Co., Ltd. Wuji Branch	20,000,000.00	2020/12/31	2021/12/31
Shijiazhuang Kunlun ENN Gas Co., Ltd. Shenze Branch	42,000,000.00	2020/12/31	2021/12/31
Shijiazhuang Kunlun ENN Gas Co., Ltd. Xingtang Branch	28,500,000.00	2020/12/31	2021/12/31
Waichang Manchu and Mongolian Autonomous County ENN Automobile Gas Co., Ltd.	3,126,512.50	2020/1/17	2023/1/16
Waichang Manchu and Mongolian Autonomous County ENN Automobile Gas Co., Ltd.	13,401,185.00	2020/7/1	2021/6/30
Shijiazhuang Kunlun ENN Gas Co., Ltd. Jinzhou Branch	23,000,000.00	2020/12/31	2021/12/31
Shijiazhuang ENN Zhonghong Gas Co., Ltd.	10,098,358.33	2017/9/4	2020/3/15
Shijiazhuang ENN Zhonghong Gas Co., Ltd.	15,378,812.50	2017/9/4	2020/7/9
Shijiazhuang ENN Zhonghong Gas Co., Ltd.	25,814,114.58	2017/9/4	2020/9/2
Baoding ENN Gas Co., Ltd.	128,246,527.78	2020/7/14	2021/7/13
Shijiazhuang ENN Zhonghong Gas Co., Ltd.	25,365,625.00	2020/9/2	2020/12/28
Waichang Manchu and Mongolian Autonomous County ENN Automobile Gas Co., Ltd.	3,005,800.00	2017/01/18	2020/01/17
Henan ENN Hengji Transportation New Energy Co., Ltd.	1,048,159.72	2018/1/3	2020/12/31
Henan ENN Hengji Transportation New Energy Co., Ltd.	1,074,363.72	2018/1/16	2020/12/31
Henan ENN Hengji Transportation New Energy Co., Ltd.	681,303.82	2018/5/7	2020/12/31
Henan ENN Hengji Transportation New Energy Co., Ltd.	340,651.91	2018/5/11	2020/12/31
Dongguan Haofeng ENN Energy Co., Ltd.	5,675,223.96	2018/03/30	2021/03/29
Dongguan Haofeng ENN Energy Co., Ltd.	1,186,596.01	2018/12/28	2021/03/29
Dongguan Haofeng ENN Energy Co., Ltd.	3,132,312.50	2019/01/25	2021/03/29
Dongguan Haofeng ENN Energy Co., Ltd.	4,092,888.33	2019/03/01	2021/03/29
Anhui Wanneng ENN Natural Gas Co., Ltd.	12,437,493.06	2018/11/28	2020/4/26
Dongguan Haofeng ENN Energy Co., Ltd.	17,690,960.00	2019/03/01	2020/1/14
Wuzhou PetroChina Kunlun ENN Gas Co., Ltd.	3,127,141.64	2019/05/22	2022/05/20
Shanghai Zhuoxiao Energy Technology Co., Ltd.	31,133,333.33	2019/06/20	2020/06/19
Henan ENN Hengji Transportation New Energy Co., Ltd.	17,443,133.33	2019/07/04	2020/07/03
Henan ENN Hengji Transportation New Energy Co., Ltd.	16,417,066.67	2019/07/04	2020/07/03

Related party	Amount	Starting date	Expiry date
Wuzhou PetroChina Kunlun ENN Gas Co., Ltd.	4,544,703.45	2019/09/05	2020/9/3
Shijiazhuang Gaocheng Zhongran Xiangke Gas Co., Ltd.	10,087,833.33	2020/01/03	2020/03/05
Shijiazhuang Gaocheng Zhongran Xiangke Gas Co., Ltd.	20,408,000.00	2020/01/03	2020/05/26
Baoding ENN Gas Co., Ltd.	51,363,194.44	2020/01/16	2020/6/15
Baoding ENN Gas Co., Ltd.	20,520,000.00	2020/01/23	2020/6/15
Henan ENN Hengji Transportation New Energy Co., Ltd.	13,163,908.33	2020/07/03	2020/09/30
Henan ENN Hengji Transportation New Energy Co., Ltd.	20,252,166.67	2020/07/03	2020/09/30
Shijiazhuang Gaocheng Zhongran Xiangke Gas Co., Ltd.	30,714,000.00	2020/07/15	2020/12/30
Henan ENN Hengji Transportation New Energy Co., Ltd.	16,208,533.33	2020/09/30	2021/09/28
Henan ENN Hengji Transportation New Energy Co., Ltd.	17,221,566.67	2020/09/30	2021/09/28
Henan ENN Hengji Transportation New Energy Co., Ltd.	3,000,000.00	2020/12/31	2021/12/30
Zhaoqing PetroChina Kunlun ENN Gas Co., Ltd.	4,599,631.23	2020/3/23	2021/3/23
Shijiazhuang Gaocheng Zhongran Xiangke Gas Co., Ltd.	102,068.33	2019/5/27	2020/5/26
Shijiazhuang Gaocheng Zhongran Xiangke Gas Co., Ltd.	20,311,598.33	2019/7/1	2020/5/26

(5) Asset transfer and debt restructuring between related parties

Related party	Related party transaction	Amount incurred in the current period	Amount incurred in the prior period
ENN Holdings Investment Co., Ltd.	Acquired 4.5% of the equity of ENN Finance Co., Ltd.		100,027,850.81
Huzhou ENN Gas Co., Ltd.	Acquired 9.0% of the equity of Huzhou ENN Wanfeng Gas Co., Ltd		43,877,200.00
Huzhou ENN Gas Co., Ltd.	Acquired 9.0% of the equity of Huzhou ENN Wanfeng Gas Development Co., Ltd.		7,872,800.00
ESS ENTIALINVESTMENT HOLDING COMPANY LIMITED	Acquired 32.8% of the equity of ENN Energy Holdings Limited	11,650,531,741.47	
ENN GROUP INTERNATIONAL INVESTMENT LIMITED			
Total		11,650,531,741.47	151,777,850.81

(6) Related party guarantee

1)The Company as the guarantor

Guaranteed company	Guarantee amoun	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
Chongqing Longran Energy Technology Co., Ltd.	11,010,000.00	2020/7/30	2021/7/29	No
		2020/8/26	2021/8/25	No
		2020/9/29	2021/9/28	No

Guaranteed company	Guarantee amoun	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
		2020/10/30	2021/10/29	No
		2020/12/11	2021/12/10	No
Shijiazhuang Kunlun ENN Gas Co., Ltd.	56,500,000.00	2020/4/15	2031/10/15	No
Jinhua Gaoya Natural Gas Co., Ltd.	18,750,000.00	2012/12/24	2024/12/23	No
		2013/10/14	2025/6/29	No
		2013/12/6	2025/6/29	No
		2013/12/9	2025/6/29	No
		2013/12/11	2025/6/29	No
		2014/3/28	2025/6/29	No
		2014/4/23	2025/6/29	No
		2014/4/24	2025/6/29	No
		2014/9/19	2025/6/29	No
		2014/9/19	2025/6/29	No
		2015/1/28	2025/6/29	No
		2015/4/2	2025/6/29	No
		2015/12/23	2025/6/29	No
		2016/6/30	2025/6/29	No
		2016/7/27	2025/6/29	No

2)The Company as the guaranteed

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
ENN Holdings Investment Co., Ltd., Wang Yusuo and his wife	300,000,000.00	2019/5/31	2022/5/30	No
ENN Holdings Investment Co., Ltd.	79,900,000.00	2020/6/5	2023/6/5	No
ENN Holdings Investment Co., Ltd.	190,000,000.00	2019/12/24	2022/12/24	No
ENN Holdings Investment Co., Ltd., Wang Yusuo and his wife	700,000,000.00	2020/1/23	2021/1/23	No
ENN Holdings Investment Co., Ltd., Wang Yusuo and his wife	310,000,000.00	2020/3/26	2021/3/26	No
ENN Holdings Investment Co., Ltd., Wang Yusuo and his wife	200,000,000.00	2020/9/30	2021/9/29	No
ENN Holdings Investment Co., Ltd., Wang Yusuo and his wife	190,000,000.00	2020/7/10	2021/7/10	No
ENN Holdings Investment Co., Ltd.	170,000,000.00	2020/9/18	2021/7/27	No
ENN Holdings Investment Co., Ltd.	10,000,000.00	2020/11/3	2021/7/22	No
ENN Holdings Investment Co., Ltd.	10,000,000.00	2020/12/4	2021/7/22	No

Guarantor	Guarantee amount	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
ENN Holdings Investment Co., Ltd.	10,000,000.00	2020/12/14	2021/7/22	No
ENN Holdings Investment Co., Ltd.	391,494,000.00	2020/12/30	2021/12/30	No
ENN Holdings Investment Co., Ltd.	200,000,000.00	2020/6/15	2022/5/25	No
ENN Holdings Investment Co., Ltd.	170,000,000.00	2020/7/20	2022/5/25	No
ENN Group Co., Ltd., Mr. Wang Yusuo and his wife	143,000,000.00	2020/3/20	2021/3/18	No
Wang Yusuo and his wife	9,150,000.00	2020/4/16	2021/4/9	No
Wang Yusuo and his wife	49,840,000.00	2020/4/21	2021/4/9	No
Wang Yusuo and his wife	18,644,500.00	2020/5/28	2021/4/9	No
Wang Yusuo and his wife	864,464,948.29	2020/9/21	2021/9/20	No
Wang Yusuo and his wife	652,490,000.00	2020/9/22	2021/9/21	No
Wang Yusuo and his wife	670,900.00	2019/11/27	2021/11/25	No
Wang Yusuo and his wife	52,000.00	2019/9/26	2021/6/10	No
Wang Yusuo and his wife	1,148,000.00	2020/4/24	2021/1/28	No
Wang Yusuo and his wife	619,600.00	2020/6/8	2021/3/2	No
Wang Yusuo and his wife	7,046,617.20	2020/12/10	2021/2/28	No
Wang Yusuo and his wife	1,435,878.41	2020/12/17	2021/5/30	No
Wang Yusuo and his wife	154,298.31	2020/12/17	2021/11/30	No
Wang Yusuo and his wife	4,750,000.00	2020/12/24	2022/12/19	No
Wang Yusuo and his wife	4,750,000.00	2020/12/24	2022/2/19	No

Between January and December, 2020, the related parties provided guarantees to the company for a total of RMB 7,334.24 million. Including: The fulfilled amount of RMB 2,644.63 million; The unfulfilled amount of RMB 4,689.61 million. Between January and December in 2020, the Company had provided a total of RMB 86.26 million in guarantees to related parties.

(7) Remuneration of key management personnel

Item	Amount in the current period (RMB 10,000)	Amount in the prior period (RMB 10,000)
Remuneration of key management personnel	5,357.18	4,663.51

6. Receivables and payables of related parties

(1) Receivable

Item	Related party	Closing balance		Opening balance	
		Carrying value	Bad debts	Carrying value	Bad debts
Receivables	Anhui Wanneng ENN Natural Gas Co., Ltd.	34,996,924.58	354,050.03	13,257,635.88	139,565.84
Receivables	Bazhou Xinsheng Water Supply Co., Ltd.			40,968,936.53	550,717.22
Receivables	Baoding ENN Gas Co., Ltd.	225,113,009.05	2,652,876.36	56,443,431.34	805,674.31
Receivables	BHP Electronic Commerce Co., Ltd.	281,728.44	38,700.88	5,038,933.76	50,389.34
Receivables	Dingzhou Kunlun ENN Energy Development Co., Ltd.	46,985,486.80	469,854.87		
Receivables	Dongguan Haofeng ENN Energy Co., Ltd.	43,069,444.29	848,655.90	50,574,957.35	505,749.57
Receivables	Enniu Chengfu (Langfang) Public Service Technology Co., Ltd.	6,533,132.71	308,004.24	8,721,156.18	87,211.56
Receivables	Guangxi Beibu Gulf ENN Gas Development Co., Ltd.	7,912,158.01	102,061.75	35,760,385.98	357,603.86
Receivables	Haining Xinxin Natural Gas Co., Ltd.	45,669,960.75	456,699.61	24,525,853.04	245,258.53
Receivables	Hebei Financial Leasing Co., Ltd.	9,225,780.00	92,257.80	3,712,712.11	284,896.40
Receivables	Hebei PetroChina Kunlun Natural Gas Co., Ltd.	77,253,847.48	772,538.47	91,003,857.86	910,038.58
Receivables	Henan Jingbao ENN New Energy Co., Ltd.	14,621,139.62	169,139.60	38,566,122.82	398,763.06
Receivables	Henan ENN Hengji Transportation New Energy Co., Ltd.	38,857,737.19	668,455.16	39,402,409.04	821,062.27
Receivables	Huai'an Zhongyou Tianhuai Gas Co., Ltd	11,817,940.80	118,179.41	8,333,632.91	83,336.33
Receivables	Jinhua Gaoya Natural Gas Co., Ltd.	7,227,248.87	72,272.49	1,352,639.11	13,526.39
Receivables	Kaixin Urban Development and Construction Co., Ltd.	9,265,261.12	779,350.09	9,084,764.00	90,847.64
Receivables	Langfang ENN Real Estate Development Co., Ltd.	12,045,576.23	933,302.42	15,414,346.04	154,143.46
Receivables	Langfang ENN Longhe Environmental Protection Technology Co., Ltd.	22,076,486.92	267,664.88	30,690,262.59	306,902.62
Receivables	Lianyungang Zhongxin Gas Co., Ltd.	12,739,248.53	128,192.49		
Receivables	Liaocheng Shihua Natural Gas Co., Ltd.	8,579,738.46	85,797.38	9,929,763.89	99,297.64
Receivables	Luquan Fuxin Gas Co., Ltd.	10,614,854.38	951,778.89	48,036,530.26	480,365.30
Receivables	Luoyang Hongxin Gas Co., Ltd.	8,051,289.54	1,203,385.88	8,048,321.90	80,483.22
Receivables	Nanjing ENN Environmental Protection Technology Co., Ltd.	31,206,659.50	317,716.60	333,319.00	3,333.19

Item	Related party	Closing balance		Opening balance	
		Carrying value	Bad debts	Carrying value	Bad debts
Receivables	Nanxiang (Zhoushan) Natural Gas Sales Co., Ltd.	24,113.12	1,205.66	8,819,834.70	88,198.35
Receivables	Qujing Yuntou ENN Energy Development Co., Ltd.	23,220,456.98	23,220,456.98	22,470,456.98	22,470,456.98
Receivables	Shandong Lule Natural Gas Co., Ltd.	3,784,504.49	302,760.36	3,784,504.49	37,845.04
Receivables	Shanghai North Jiuhuan Automobile Natural Gas Sales Co., Ltd.	10,400,000.00	1,560,000.00	10,400,000.00	104,000.00
Receivables	Shanghai Zhuoxiao Energy Technology Co., Ltd.			30,472,262.90	304,722.63
Receivables	Shijiazhuang Airport Gas Co., Ltd.	9,329,460.87	740,062.07	8,982,297.22	89,822.97
Receivables	Shijiazhuang Kunlun ENN Energy Development Co., Ltd.	326,258.00	3,262.58	3,510,008.58	35,100.09
Receivables	Shijiazhuang Kunlun ENN Gas Co., Ltd.	478,646,742.46	23,671,383.31	489,657,844.29	12,369,455.85
Receivables	Shijiazhuang Gaocheng Zhongran Xiangke Gas Co., Ltd.	554,779.14	5,547.79	21,081,289.69	210,812.90
Receivables	Shijiazhuang Luquan District Kunlun ENN Gas Co., Ltd.	21,067,758.81	384,049.41	27,793,577.49	297,135.78
Receivables	Shijiazhuang ENN Environmental Protection Technology Co., Ltd.	15,577,383.14	172,346.50	15,479,883.14	174,598.83
Receivables	Shijiazhuang ENN Zhonghong Gas Co., Ltd.	9,503,305.23	177,412.33	10,886,601.40	193,826.01
Receivables	Tangshan ENN Yiyun Clean Energy Co., Ltd.	9,259,029.84	1,162,963.84	9,377,601.20	93,776.01
Receivables	Tangshan ENN Yongshun Clean Energy Co., Ltd.	42,179,412.91	41,198,203.65	132,479,404.81	43,322,951.61
Receivables	Waichang Manchu and Mongolian Autonomous County ENN Automobile Gas Co., Ltd.	17,432,462.41	2,272,358.94	22,630,916.77	226,309.17
Receivables	Wenshan Yuntou ENN Gas Co., Ltd.	7,417,680.30	74,176.80	1,146,119.75	11,461.20
Receivables	Wuzhou PetroChina Kunlun ENN Gas Co., Ltd.	2,980,000.00	149,000.00	7,390,000.00	73,900.00
Receivables	ENN (Inner Mongolia) Graphene Material Co., Ltd.	312,589.17	18,665.89	4,462,971.52	92,458.16
Receivables	ENN (Zhoushan) Natural Gas Pipeline Co., Ltd.	76,663,903.65	766,639.04	222,624,118.54	2,226,241.19
Receivables	ENN (Zhoushan) LNG Co., Ltd.	125,356,321.43	1,253,563.21		
Receivables	ENN Insurance Brokers Co., Ltd.	2,650,654.81	26,506.55	5,305,100.00	53,051.00
Receivables	ENN Technology Development Co., Ltd.	69,394,017.23	807,719.17	2,905,993.89	97,959.94
Receivables	Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	117,488,280.89	1,554,370.22	7,509,419.67	75,094.20

Item	Related party	Closing balance		Opening balance	
		Carrying value	Bad debts	Carrying value	Bad debts
Receivables	Ovation Seven-Cultivation Hotel Management Co., Ltd.	10,878,379.20	600,016.26	7,748,711.01	77,487.11
Receivables	Xinzhi Super Brain Science&Technology Co., Ltd.	3,702,062.24	37,020.62	5,540,539.95	55,405.40
Receivables	Xuzhou Guotou ENN Energy Co., Ltd.	4,122,433.38	271,806.03	6,614,660.71	153,725.76
Receivables	Yantai ENN Gas Development Co., Ltd.	7,707,853.02	370,505.33	8,379,403.76	224,657.08
Receivables	Yancheng Guoneng ENN Energy Development Co., Ltd.	10,000,000.00	100,000.00		
Receivables	E-Cheng E-Jia Network Technology Co., Ltd.	4,232,977.01	578,880.73	4,097,679.05	39,123.39
Receivables	Yunnan Natural Gas Xuanwei ENN Gas Co., Ltd.	18,312,054.50	810,177.20	11,964,413.66	119,644.14
Receivables	Yunnan Yuntu ENN Gas Co., Ltd.	2,428,886.33	25,282.22	5,505,855.47	55,058.55
Receivables	Zhaoqing PetroChina Kunlun ENN Gas Co., Ltd.	4,303,132.06	645,469.81	4,303,132.06	43,031.32
Total amount of other related parties that are not listed separately.		60,879,397.20	2,828,890.39	39,962,398.82	835,709.96

(2) Payables

Item	Related party	Closing balance	Opening balance
Payables	ENN GROUP INTERNATIONAL INVESTMENT LIMITED	2,186,469,462.95	
payables	Anhui Wanneng ENN Natural Gas Co., Ltd.	20,581,107.00	1,828,245.21
payables	Baoding ENN Gas Co., Ltd.	20,809,019.39	13,481,289.45
payables	Beijing Yongxin Environmental Protection Co., Ltd.	33,409,728.80	10,489,672.79
payables	BHP Electronic Commerce Co., Ltd.	21,484.83	3,526,886.44
payables	Bokang Intelligent Information Technology Co., Ltd.	17,398,112.89	2,694,028.62
payables	Changshan ENN Gas Co., Ltd.		1,902,096.86
payables	Changshu Huazhi Clean Energy Co., Ltd.	1,431,718.29	8,300,000.00
payables	Chenzhou Sanxiang ENN Clean Energy Co., Ltd.	5,016,816.99	4,371,150.94
payables	Dingzhou Kunlun ENN Energy Development Co., Ltd.	9,834,247.60	
payables	Erdos Xinneng Logistics Co., Ltd.	2,879,214.07	1,930,484.60
payables	Enniu Chengfu (Bengbu) Public Service Technology Co., Ltd.	4,205,083.98	2,897,400.00
payables	Enniu Chengfu (Kaifeng) Technology Co., Ltd.	587,650.00	2,838,105.05
payables	Enniu Chengfu (Langfang) Public Service Technology Co., Ltd.	5,679,824.63	4,658,954.52
payables	Enniu Chengfu Public Service Technology Co., Ltd.	1,216,831.03	1,905,231.03
payables	Guangxi Beibu Gulf ENN Gas Development Co., Ltd.	11,886,837.29	600,141.79
payables	Guangxi Yilongyuan Electricity Distribution Co., Ltd.	10,106,852.77	13,776.87

Item	Related party	Closing balance	Opening balance
payables	Hebei Financial Leasing Co., Ltd.	8,646,244.44	11,632,843.39
payables	Hengshui Jiantou Blue Sky Equity Investment Fund Center (Limited Partnership)	9,604,536.51	
payables	Huzhou ENN Gas Co., Ltd.	34,485,637.81	715,906.08
payables	Huai'an Zhongyou Tianhuai Gas Co., Ltd	7,814,780.07	13,680,514.83
payables	Junan Dadian Zhongfu Natural Gas Development&Utilization Co., Ltd.	2,877,161.40	2,802,995.61
payables	Kunming ENN Gas Co Ltd.	295,940.87	7,284,481.83
payables	Langfang Golden Elephant Property Service Co., Ltd.	152,000.03	2,735,076.72
payables	Langfang ENN Real Estate Development Co., Ltd.	2,714,930.00	2,531,247.00
payables	Langfang ENN Longyu Clean Energy Co., Ltd.	5,651,363.16	11,599,519.58
payables	Loudi ENN Jiaheng Gas Co., Ltd.		10,695,147.07
payables	Nanjing ENN Environmental Protection Technology Co., Ltd.		16,687,944.47
payables	Nanjing ENN Sanxin Traffic Science&Technology Co., Ltd.	10,113,700.24	3,140,448.46
payables	Qingdao Enniu Chengfu Network Technology Co., Ltd.	5,892,701.74	4,859,700.00
payables	Shandong Luxin Natural Gas Co., Ltd.	788,514.31	2,519,779.16
payables	Shantou Huarun ENN Gas Co., Ltd.	43,709,439.18	45,752,868.24
payables	Shanghai Jiuhuan Volkswagen Natural Gas Co., Ltd.		2,061,174.01
payables	Shanghai Jiuhuan Transportation Volkswagen Oil and Gas Supply Co., Ltd.	11,766,252.66	2,519,779.16
payables	Shanghai Kunlun ENN Clean Energy Co., Ltd.	69,306,751.43	136,497,858.59
payables	Shijiazhuang Kunlun ENN Energy Development Co., Ltd.	15,298,002.04	5,471,157.79
payables	Shijiazhuang Kunlun ENN Gas Co., Ltd.	84,514,095.39	48,410,207.52
payables	Shijiazhuang Blue Sky ENN Natural Gas Pipeline Network Co., Ltd.	35,000,000.00	35,000,000.00
payables	Shijiazhuang Luquan District Kunlun ENN Gas Co., Ltd.	6,673,470.34	64,038.76
payables	Taizhou Yinxingshu Gas Co., Ltd.	2,650,227.50	2,660,227.50
payables	Tangshan ENN Yiyun Clean Energy Co., Ltd.	2,014,800.00	2,014,800.00
payables	Tengzhou Huazhi Clean Energy Co., Ltd.		7,613,207.56
payables	ENN (Zhoushan) LNG Co., Ltd.	80,500.00	157,044,474.10
payables	ENN Insurance Brokers Co., Ltd.	2,075,935.37	6,960,635.60
payables	ENN Bowei Technology Co., Ltd.	2,332,641.49	1,890,787.89
payables	ENN Group Co., Ltd.	2,312,345.58	2,281,236.43
payables	ENN Technology Development Co., Ltd.	14,973,857.79	16,486,610.60
payables	ENN Shuneng Technology Co., Ltd.	59,301,363.12	31,600,127.08
payables	ENN Sunshine Yicai Technology Co., Ltd	593,513.11	10,670,601.11
payables	Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	1,851,587.50	6,970,585.28
payables	Ovation Seven-Cultivation Hotel Management Co., Ltd.	2,905,232.49	2,329,228.49
payables	Xinzhi Super Brain Science&Technology Co., Ltd.	110,915.04	17,059,995.66
payables	Xinzhi Cognitive Data Services Co., Ltd.	6,579,416.66	1,178,250.00
payables	Xinzhi Cognitive Digital Technology Co., Ltd.	24,969,704.60	115,200.00

Item	Related party	Closing balance	Opening balance
payables	Xinzhi Wolai Network Technology Co., Ltd.	1,189,300.00	5,500,000.00
payables	Xinzhi Cloud Data Services Co., Ltd.	12,606,090.52	25,155,851.15
payables	Xuyi Guolian ENN Natural Gas Pipeline Network Co., Ltd.	46,925,600.00	
payables	Yantai City Honesty Gas Engineering Co., Ltd.	4,854,970.71	5,032,230.17
payables	Yantai ENN Gas Development Co., Ltd.	3,516,513.83	65,041,536.88
payables	Yantai ENN Industry Co., Ltd.	2,331,567.71	1,955,178.07
payables	Yancheng ENN Compressed Natural Gas Co., Ltd.	10,193,873.29	10,642,923.04
payables	Yunnan Yuntu ENN Gas Co., Ltd.	28,858,529.71	29,059,814.78
payables	Zhanjiang Zhongyou ENN Natural Gas Co., Ltd.	4,347,536.52	2,337,429.70
payables	Zhoushan North Lanyan Island Gas Co., Ltd.		6,500,000.00
payables	Zhoushan Lanyan Gas Co., Ltd.	11,005,139.86	12,039,608.88
Total amount of other related parties that are not listed separately.		40,605,723.74	29,811,873.19

IX. Commitments and Contingencies

1. Significant commitments

(1) Capital commitments

Item	Closing balance	Opening balance
Contracted but not provided in the consolidated financial statements		
- Capital expenditure in respect of acquisition of property, plant and equipment	922,835,868.25	1,303,041,244.17
-External investment commitments	934,751,000.00	1,034,595,494.00
Including: Unrecognized commitments relating to investments in joint ventures and associates	675,316,000.00	775,160,494.00
Total	1,857,586,868.25	2,337,636,738.17

(2) Lease commitments

1)Rental expenses

Item	Closing balance	Opening balance
Minimum lease payments (undiscounted) for irrevocable operating lease:		
The first year after the balance sheet date	129,298,020.29	130,161,101.22
The second to fifth year after the balance sheet date	252,609,189.01	312,477,812.01
More than 5 years after the balance sheet date	184,275,028.91	321,773,549.77
Total	566,182,238.21	764,412,463.00

2)Rental income

Item	Closing balance	Opening balance
Receipts from operating leases		
The first year after the balance sheet date	16,189,755.97	14,707,932.66
The second to fifth year after the balance sheet date	31,715,192.34	31,752,458.56

Item	Closing balance	Opening balance
More than 5 years after the balance sheet date	38,247,665.47	37,907,996.55
Total	86,152,613.78	84,368,387.77

2. Contingencies

(1) Xindi Engineering, a subsidiary of the Company, signed an Engineering, Procurement and Construction (EPC) Contract for the 100,000 tons/year Coke Oven Gas-to-LNG Project with Shaanxi Xuqiangrui Clean Energy Co., Ltd. (“Shanxi Xuqiangrui”) on August 15, 2014. According to the EPC contract, Xindi Engineering acts as the general contractor for Shanxi Xuqiangrui 's 100,000 tons/year coke over gas-to-LNG project and is fully responsible for the project design, equipment purchase and construction for the project, the EPC contract has stipulated in details the relevant issues starting from commencement to completion and final acceptance. The contract stipulated a fixed lump sum of RMB 338,000,000, and also stipulated that the scope of other changes should be agreed by the parties according to the characteristic of the project, and that settlement should be made in respect of the design changes and changes in construction confirmed by the employer according to relevant standard and criterion. During the performance of the contract, the parties reduced project cost by a total of RMB9,984,519.52 through signing agreements and issuing project change verifications, after offsetting the increase against decrease in amount. After reduction, the settled project cost is RMB 328,015,479.48 . After the contract entered into effect, Xindi Engineering duly performed contractual obligations by completing and delivering the project to Shanxi Xuqiangrui. Shanxi Xuqiangrui paid a total contract sum of RMB284,246,900.3 to Xindi Engineering, and RMB43,768,579.18 remains outstanding, Shanxi Xuqiangrui has been refusing payment despite that Xindi Engineering made repeated request for payment. Xindi Engineering brought a lawsuit before the Intermediate People’s Court of Weinan City in December 2019, and the court session was held on June 9,2020. On February 3,2021, the Civil Judgment of Shanxi 05(2020) No. 2 by the Intermediate People’s Court of Weinan City: Shanxi Xu Qiangrui was ordered to pay the project payment of RMB45,693,094.83yuan and interest. As of the date of the civil judgment, Shanxi Xu Qiangrui had appealed.

(2) Shanxi Xuqiangrui sued xindi for construction quality and demanded compensation of RMB 113,805,129.98. The court held a court session on October 30,2020. On February 3,2021, the Civil Judgment of Shanxi 05(2020) No. 33 by the Intermediate People’s Court of Weinan City: Xindi paid RMB 6,069,636.10yuan for maintenance, renovation and construction; Other claims of Shaanxi Xuqiangrui have been rejected. As of the date when the report is released, Shaanxi Xuqianrui has filed to appeal

X. Share based payment

The Company's subsidiary, ENN Energy Holdings Limited, adopted the share option scheme ("Share Scheme 2018") pursuant to the resolution of the Board of Directors of the Company on 30 November, 2018.

The Company's subsidiary, ENN Energy Holdings Limited, adopted a share option scheme ("2002 Scheme ") pursuant to a general resolution adopted by the extraordinary general meeting on 21 May, 2002; Pursuant to a general resolution adopted by the annual shareholders' meeting on 26 June, 2012, Another share option scheme ("2012 scheme ") was adopted.

(1) share option scheme

Under the share option scheme, ENN Energy entered into a trust contract with the trustees on March 12,2019. The Board of Directors of ENN Energy can from time to time during the validity term of the plan (10 years from the date of adoption of the plan or during the period of early termination) contribute capital to Trust and instruct the Trustee to repurchase the Shares of ENN Energy in Stock Exchange or OTC. Such shares, nontransferable and binding no voting right, will be granted free of charge to employees selected by the Board of Directors. The selected employees are required to perform relevant services or meet performance requirements set by the Board of Directors.

The trust purchased 2,415,100 shares of ENN Energy off-market on 3 May, 2019 through total swap contract, and reacquired 270,000 shares of ENN Energy on 18 March, 2020. The repurchase cost of the share should be determined as treasury stock. As of December 31,2020, the board of directors had not selected staff and no incentive shares had been awarded.

(2) 2012 scheme

On December 9,2015, ENN Energy granted 12,000,000 shares options, with a face value of HKD $0.1 per share, to directors and a number of employees (i. e., "2015 grantees") under the 2012 scheme; The grant of share options is subject to the fulfilment of certain terms set forth in the relevant offer letter, which may involve performance evaluation. The exercise price of the granted shares was HKD $ 40.34 per share. As at December 31,2020, a total of 5,837,050 shares of had been exercised, lapsed 4,566,940 shares, while 1,596,010 shares have not yet been exercised.

On March 28,2019, ENN Energy granted 12,328,000 shares options, with a face value of HKD $0.10 per share, to directors, employees and business advisers who had contributed to the company (i. e., "2019 grantees") under the 2012 scheme. The grant of share options is subject to the fulfilment of certain terms set forth in the relevant offer letter, which may involve performance evaluation. The exercise price of the granted shares was HKD $76.36 per share. As at December 31,2020, a total of 475,200 shares had been exercised, lapsed 928,000 shares, while 10,924,800 shares have not yet been exercised.

(3) 2002 scheme

On June 14,2010, the company granted 33,490,000 share options, with the face value of 0.1 Hong Kong dollars per share, to directors and several employees according to 2002 plan. The exercise price of the granted shares was HKD $16.26 per share. As at December 31,2020, a total of 33,310,000 shares had been exercised, lapsed 180,000 shares, and no shares have not yet been exercised.

In the year 2020, the Company exercised a total of 2,888,000 shares under the share option scheme.In 2020, total expenses recognized by equity settled share-based payment in the current period is RMB 69,995,527.52yuan.General situation of share based payment is as follows:

1. General situation of share based payment

Item	Amount incurred in the current period
Total amount of equity instruments granted by the company in the current period	
Total amount of equity instruments exercised by the company in the current period	2,888,000.00
Total amount of various equity instruments invalid in the current period	949,275.00
Total amount of share options granted but unexercised at the end of the period	12,520,810.00
The range of the exercise price and the remaining term of the contract of the company's outstanding stock options at the end of the period	HKD 40.34/till 8 December, 2025 HKD76.36/till 27 March, 2029
The range of exercise price of other equity instruments issued by the company at the end of the period and the remaining term of the contract	None

2. Equity settled share-based payment

Item	Amount incurred in the current period
Measurement of fair value of equity instruments on grant date	The fair value of share options priced by the binomial model on the basis of the best estimate conditions of assumed spot price, strike price, risk-free interest rate, expected volatility, expected dividend yield and early strike behavior.
Basis for determining the number of exercisable equity instruments	The share options can only be exercised upon the fulfillment of the agreed exercise conditions (which may involve achievement of goals) between the Company and the respective recipients.
Reasons for significant differences between current and previous estimates	No significant difference
Cumulative amount of equity settled share-based payment included in capital reserve	51,295,540.65
Total expenses recognized by equity settled share-based payment in the current period	69,995,527.52

3. Cash settled share-based payment

None

XI. Risks relevant to financial instruments

The financial instruments of the Company, except for derivative instruments, mainly include bank loans, corporate bonds, other interest-bearing loans and cash and cash equivalents, etc. The primary purpose of these financial instruments is to finance the operations of the Company. The Company has a variety of other financial assets and liabilities directly arising from its operations, such as notes receivable and accounts receivable, other receivables, accounts payable and other payables, etc.

At the end of the reporting period, the carrying value of the Company's financial assets and financial liabilities is as follows:

	Closing balance	Opening balance
Financial assets		
Financial assets at fair value through profit or loss	5,457,322,476.46	5,529,946,460.46
Financial assets at fair value through othe comprehensive income	1,161,649,936.87	763,211,321.34
Financial assets measured at amortized cost	19,041,523,208.61	18,138,882,522.10
Financial liabilities		
Financial liabilities at fair value through profit or loss	936,386,705.22	746,025,206.49
Other financial liabilities	46,303,542,416.91	41,796,452,123.63

The main risks caused by our financial instruments are credit risk, liquidity risk and market risk.

1. Credit Risk

Credit risk refers to the risk that one party of a financial instrument fails to perform its obligations and causes financial losses to the other. The company's credit risk mainly comes from cash and cash equivalents, accounts receivable, other receivables and notes receivable. The maximum credit risk exposure to the company is the book value of such financial assets. Except for financial assets whose book value represents the largest credit risk exposure, the maximum credit risk exposure that will cause financial losses to the company is the financial guarantee contract it entered into. The company does not hold any collateral or other credit enhancement measures to guarantee the credit risk related to its financial assets, except that the credit risk related to loans receivable is secured by equipment, receivables and the equity of other entities, and the repayment of certain receivables is guaranteed by notes issued by reputable financial institutions with good credit. The management will continue monitoring the credit risk exposure.

The cash and cash equivalents of the company includes cash on hand, bank deposits and other monetary funds. The Company's credit risk management policy requires that cash and cash equivalents be deposited primarily in international and Chinese banks with high credit ratings. As of December 31,2020, the management of the company considers that the credit risk faced by monetary funds is low risk and has strong liquidity. The expected credit loss in the next 12 months is expected to be minimal.

In order to minimize the credit risk of accounts receivable and contract assets arising from contracts with customers, the management of the company has assigned a team to determine credit limits and credit approvals. The company has set monitoring procedures to ensure follow-up actions on the recovery of overdue debts. In addition, after the implementation of the new standards for financial instruments, the Company shall conduct impairment assessment to accounts receivable according to the impairment matrix based on the expected credit loss model. The company uses maturities of the debtors to assess operational-related impairments for its customers, because such customers include a large number of small customers with common risk characteristics that reflect the customers' ability to fully pay the amount payable in accordance with the contract terms..

In order to minimize the impairment risk of other receivables and accounts receivable from related parties, the company shall conduct impairment assessment to other receivables and accounts receivable from related parties according to the expected credit loss model after the implementation of new standards for financial instruments.

Please refer to Note III-10 Financial Instruments for the specific method to evaluate whether the credit risk has increased significantly since initial recognition, the basis to determine the credit impairment of financial assets, the combination method of financial instruments evaluated with expected credit risk and the policies on direct writedowns of financial instruments. Please refer to Note V-4/5/8/10 for the disclosure of credit risk exposure of notes receivable, accounts receivable, other receivables and contract assets.

2. Liquidity Risk

Liquidity risk refers to the risk of shortage of funds occurs when an enterprise performs its obligations to settle by delivery of cash or other financial assets.

When managing liquidity risks, the company maintains and monitors cash and cash equivalents as deemed adequate by management to meet the company's operational needs and to reduce the impact of cash flow fluctuations. The company's management monitors the use of bank loans and ensures its compliance with loan agreements.

3. Market Risk

Market risk refers to the risk that the fair value or the future cash flow of a financial instrument fluctuates due to changes in market prices. Market risk mainly includes foreign exchange risk, interest rate risk and commodity price risk.

(1) Foreign Exchange Risk

Foreign exchange risk refers to the risk of loss due to exchange rate fluctuations. The company's main business activities are denominated and settled in RMB. On 31 December 2020, some of our bank loans, preferred notes, unsecured and convertible bonds, receivables and payables, and some of our bank deposits were all denominated in foreign currency.

As at December 31,2020, the details of the foreign currency financial assets and foreign currency financial liabilities held by the company are set out in Note V-67, namely, foreign currency monetary items.

To reduce its foreign exchange exposure, the Company entered into a number of foreign currency derivative contracts with several financial institutions in this financial year and in previous years. Currently, the company does not have foreign currency hedging policy. However, the company’s management is monitoring the foreign exchange risk and will consider hedging against it if necessary.

(2) Interest rate risk

Interest rate risk refers to the risk that the fair value or the future cash flow of a financial instrument fluctuates due to changes in market interest rates. The net profit of the company is affected by changes in interest rates, that is, interest income and expenses on short-term deposits, other interest-bearing financial assets and liabilities are affected by changes in interest rates.

The company's cash flow interest rate risk is mainly bank loans with floating interest rates. The Management believes that there is no significant cash flow interest rate risk associated with short-term bank deposits that carry interest at essentially stable market rates. The company's sensitivity to the interest rate risk of cash flow is determined by the interest rate risk from bank loans with floating interest rates.

Thecompany does not have any specific interest rate hedging policy, but does regularly monitor market interest rates to identify potential opportunities to reduce borrowing costs. Therefore, the company will enter into interest rate swaps to reduce interest rate risk appropriately.

(3) Commodity Price Risk

In the normal course of business, the company imports LNG to meet the demand of its downstream customers according to long-term "take-or-pay" purchase agreements. As a result, the company is exposed to market price fluctuations of crude oil/natural gas (which is used to determine the price of LNG). The company uses derivatives and hedging instruments to manage such exposure. The gains or losses generated by such derivatives depend on the combination of contracts that generate returns on commodity prices in any particular range.

Derivative financial instruments are only used for financial risk management. The company does not hold or issue derivative financial instruments for speculative. The company's management regularly monitors commodity price risk and will consider hedging its commodity price risk if necessary.

XII. Disclosure of Fair Value

The following table lists the fair value information and the level of fair value measurement of assets and liabilities continuously and non continuously measured at fair value on each balance sheet date at the end of the reporting period.

1. Fair value of assets and liabilities measured at fair value at the end of the period

Item	Fair value at the end of the period			
	Fair value measurement at the Level 1	Fair value measurement at the Level 2	Fair value measurement at the Level 3	Total
I. Continuous fair value measurement				
(1) Financial assets held for trading	243,942,160.81	627,478,715.68	4,585,901,600.00	5,457,322,476.49
1. Financial assets at fair value through profit or loss	249,810.00	627,478,715.68	70,000,000.00	697,728,525.68
(1) Debt instrument investment			70,000,000.00	70,000,000.00
(2) Equity instrument investment				
(3) Derivative financial assets	249,810.00	627,478,715.68		627,728,525.68
2. Financial assets designated at fair value through profit or loss	243,692,350.81		4,515,901,600.00	4,759,593,950.81
(1) Debt instrument investment				
(2) Equity instrument investment	243,692,350.81		4,515,901,600.00	4,759,593,950.81
Including: Shanghai Dazhong Public Utilities (Group) Co., Ltd.	243,692,350.81			243,692,350.81
Sinopec Marketing Co., Ltd.			4,170,000,000.00	4,170,000,000.00
Other non-listed equity investments – fair value through profit and loss			345,901,600.00	345,901,600.00
(2) Other debt investments				
(3) Investment in other equity instruments	128,489,578.36		152,767,511.56	281,257,089.92
Including: Jiaxing Gas Group Co., Ltd.	61,785,468.02			61,785,468.02
SantosLimited	66,704,110.34			66,704,110.34
Other non-listed equity investments-measured at fair value through other comprehensive income			152,767,511.56	152,767,511.56
(4) Financing Receivables			880,392,846.98	880,392,846.98
(5) Investment properties			260,873,860.00	260,873,860.00
1. Land use right for lease				
2. Buildings for lease			260,873,860.00	260,873,860.00
3. Land use right held for saler after appreciation				
(6) Biological assets				
1. Consumptive biological assets				
2. Productive biological assets				
Total assets continuously measured at fair value	372,431,739.17	627,478,715.68	5,879,935,818.54	6,879,846,273.39
(7) Financial liabilities held for trading	4,046,560.00	932,340,145.22		936,386,705.22
1. Financial liabilities at fair value through profit or loss	4,046,560.00	932,340,145.22		936,386,705.22
Including: Tradable bonds issued				

Item	Fair value at the end of the period			
	Fair value measurement at the Level 1	Fair value measurement at the Level 2	Fair value measurement at the Level 3	Total
Derivative financial liabilities		400,879,616.28		400,879,616.28
Derivative financial liabilities that are included in other non-current liabilities	4,046,560.00	531,460,528.94		535,507,088.94
Others				
2. Financial liabilities designated at fair value through profit or loss				
Total liabilities continuously measured at fair value	4,046,560.00	932,340,145.22		936,386,705.22
II. Non-continuous fair value measurement				
(1) Assets held for sale				
Total assets that are not continuously measured at fair value				
Total liabilities that are not continuously measured at fair value				

2. The basis for determining the market price of continuous and non-continuous level 1 fair value measurement items:

Item	Basis for determination
Shanghai Dazhong Public Utilities (Group) Co., Ltd.	Fair value is determined on the basis of stock market quotes
Jiaxing Gas Group Co., Ltd.	Fair value is determined on the basis of stock market quotes
SantosLimited	Fair value is determined on the basis of stock market quotes
Derivative financial assets-futures	Fair value is determined on the basis of the futures market quotes
Derivative financial liabilities-futures	Fair value is determined on the basis of the futures market quotes

3. Qualitative and quantitative information on the valuation techniques used and important parameters for continuous and non-continuous level 2 fair value measurement items

Item	Valuation information
Other derivative financial assets	(1) The discounted cash flow method is adopted to value swaps: Future cash flows are estimated on the basis of forward commodity prices and forward exchange rates, contract exercise rates, cap rates and premiums on the delivery date and discounted by the expected yield curve of each trading party. (2) Options are valued with the Black-Scholes model: Fair value is estimated at exercise price, commodity price, maturity, volatility and risk-free interest rate.
Other derivative financial liabilities	(1) The discounted cash flow method is adopted to value swaps: Future cash flows are estimated on the basis of forward commodity prices and forward exchange rates, contract exercise rates, cap rates and premiums on the delivery date and discounted

	by the expected yield curve of each trading party. (2) Options are valued with the Black-Scholes model: Fair value is estimated at exercise price, commodity price, maturity, volatility and risk-free interest rate.

4. Qualitative and quantitative information on the valuation techniques used and important parameters for continuous and non-continuous level 3 fair value measurement items

Item	Valuation information
Sinopec Marketing Co., Ltd.	Estimates based on the P/B ratio and liquidity discount of comparable listed companies
Other non-listed equity investments – fair value through profit and loss	Fair value is based on the price multiples of similar assets traded in the market
Other non-listed equity investments-measured at fair value through other comprehensive income	Fair value is based on the fair value of the underlying assets and liabilities held by the investee
Financing Receivables	Discounted cash flow method: Estimates are based on future cash flows discounted at the discount rate. The best estimate of the fair value for notes can be simplified as its carrying value because of short terms.
Investment properties	Fair value is determined by independent appraisers. The fair value is determined according to the income approach. The market rentals of all rentable units in the properties are assessed and discounted according to the market return expected by investors in respect of that type of property.

5. Continuous level 3 fair value measurement items, adjustment information between the opening and closing carrying value and sensitivity analysis of unobservable parameters

None

6. Continuous fair value measurement items, if there is a conversion between various levels during the current period, the reasons for the conversion and the policy for determining the timing of the conversion

None

7. Changes in valuation technology during the current period and reasons for the changes

None

8. The fair value of financial assets and financial liabilities not measured at fair value

Unit: Ten thousand yuan

Item	Closing balance		Opening balance	
	Carrying amount	Fair value	Carrying amount	Fair value
Fixed rate bank loans and other loans	679,314	666,861	920,776	898,438
Senior Notes	726,569	734,441	253,840	265,545
Unsecured Bond	710,754	709,346	765,244	780,843
Corporate bonds	215,581	210,667	224,377	225,472

In the above table, except that the fair value of bank loans disclosed belongs to the third level fair value, the other fair values disclosed belong to the second level fair value.The fair values of the senior notes and the unsecured bonds are based on the quoted prices in the OTC market, and the fair values of the corporate bonds are based on the inactive quoted prices in the Shanghai Stock Exchange.The fair value of the remaining financial liabilities at amortised cost is calculated by the discounted cash flow technique with reference to the market interest rate of loans with similar maturity at the end of the reporting period and the credit risk of the relevant group entity.

XIII. Subsequent event

1. Profit distribution

Proposed profit distribution or dividend	537,227,574.69
Profit or dividend declared to be issued upon consideration and approval	537,227,574.69

Pursuant to the resolution of the 26th Meeting of the 9th Board of Directors, the company based on the share capital of 2,827,513,551 shares on on the date of disclosure of this announcement that are eligible for profit distribution (the total sharecapital of 2,845,853,619 shares minus the 18,340,068 shares in the company's special securitiesaccount for repurchase that are not eligible for profit distribution), a cash dividend of RMB 1.9(tax inclusive) per 10 shares will be distributed to shareholders, totaling RMB 537,227,574.69.(tax inclusive). If the total share capital of the company and the number of shares to be distributed change before the registration date for the implementation of profit distribution, the final dividend plan will be adjusted according to the number of shares that can participate in the profit distribution on the registration date of the implementation of profit distribution plan, and the total amount of distribution will be adjusted according to the same amount of distribution per share. The profit distribution plan is subject to approval by the general meeting of shareholders.

2. Notes to other subsequent events after the balance sheet date

(1) In order to further establish and improve the long-term incentive mechanism of the company, attract and retain unpaid personnel; fully mobilize the enthusiasm of the directors, senior managers, core management/business personnel of the Company, the Company formulated the Restricted share option scheme 2021 on January 21,2021. The source of the underlying stocks involved in this incentive plan is the company's A-share common stock repurchased from the secondary

market. This incentive plan intends to grant 18.340068 million restricted company shares to incentive objects. The first and reserved restricted shares will be awarded at a price of RMB 7.03 per share. This incentive plan is valid for the maximum period of 72 months from the date when the first award of restricted shares is completed to the date on which all restricted shares granted to the object of the incentive are removed from the sale limit or repurchase cancellation. According to the provisions of Accounting Standards for “Business Enterprises No. 11 – Share based Payment”, the Company will, on each balance sheet date of the restricted stock trade period, revise the number of restricted stock unit that are expected to be released on the basis of the latest available follow-up information such as the change in the number of persons subject to the restricted stock trade and the completion of performance indicators, and include the services acquired in the current period in the relevant costs or expenses and capital reserve According to the fair value of the restricted stock granting date.

(2) The company acquired 369,175,534 shares of ENN Energy Holdings Limited (listed on the Hong Kong Stock Exchange) from ENN Group International Investment Co., Ltd. through asset replacement, issuance of shares and cash payment. Meanwhile, the Company issued shares to no more than 35 specific investors including ENN Holdings Investment Co., Ltd. to raise supporting funds by price enquiry. After deducting intermediary agency fees and other related expenses, the supporting funds raised will be used as cash consideration to purchase the underlying assets. With the approval of the China Securities Regulatory Commission (CSRC 806 [2020]), the company has issued 245,871,156 common shares of RMB (A shares) in a non-public manner at a price of RMB 12.50 per share and the total amount of the raised funds shall be RMB 3,073,389,450.00. On January 21,2021, the raised funds of RMB 3,026,984,003.60 were transferred to the company's special account for raised funds by the sponsor and lead underwriter of this issuance, CITIC Securities Co., Ltd., after deducting its sponsorship and underwriting fees (including tax) of RMB 46,405,446.40 . ZhongXi CPAs (Special General Partnership) has verified whether the funds raised for this issuance has been in place and has issued the Capital Verification Report of ENN Natural Gas Co., Ltd. (ZXYZ [2021] No. 00007)

(3) To further focus on natural gas business, the Company proposed to sell its 40% of share in Xinneng Fenghuang (Tengzhou) Energy Co., Ltd. On February 18,2021, the Company and other Shareholders jointly signed the ENN Natural Gas Co., Ltd., Langfang Hua Energy Technology Co., Ltd. and Lianhong New Material Technology Co., Ltd.'s equity transfer framework agreement about Xinneng Fenghuang (Tengzhou) Energy Co., Ltd., and the Company intends to contact Lianhong New Material Technology Co., Ltd.(Shenzhen Stock Exchange listed company, stock code "003022", Securities referred to as "Lianhong Xinke") to sell the holding of Tengzhou company 40% equity, transaction price According to the target company's evaluation report to negotiate and determine, and finally to the formal equity transfer agreement.

(4) The Company's subsidiary, namely ENN Clean Energy International Investment Limited, issued a total of US $500 million of bonds on February 27,2019 and September 24,2019 respectively at an annual coupon rate of 7.5% for a period of 2 years and the expiry date of the bonds is February 27,2021. The Company completed the payment of the

above-mentioned US dollar bonds on March 1,2021. The principal and interest of the above-mentioned US dollar bonds have been fully settled.

XIV. Other significant matters

1. Segment information

(1) Determination basis and accounting policy of reporting segment

Based on the internal organizational structure, management requirements and internal reporting system, the Company has identified the following nine reporting divisions: natural gas retail, natural gas wholesale, natural gas direct sale, project construction and installation, integrated energy sales and services, extended businesses, coal, energy chemicals, chemical trading. Each reporting division is a separate business segment providing different products and services. Each division needs to be managed separately because it requires different technologies and marketing strategies. At the same time, the price of products sold and transferred between divisions of the Company shall be determined according to the sales or transfer price to an independent third party, i. e., the prevailing market price. The management of the Company will regularly review the financial information of different divisions to determine the allocation of resources and evaluate performance.

(2) Financial information of reporting segment

Item	Natural gas retail	Gas wholesale	Natural gas direct sale	Project construction and installation	Integrated Energy Sales and Services	Extended Businesses	Coal	Energy chemicals	Chemical trading	Offset between inter-division	Total
Revenue from main operations in external transactions	45,871,996,171.84	17,610,062,673.98	1,583,972,323.74	9,614,001,465.86	5,712,731,754.37	1,591,107,957.66	1,539,577,137.95	1,998,173,491.66	2,051,294,732.35		87,572,917,709.41
Revenue from main operations in transactions between operating segments	22,951,633,967.06	21,156,263,908.16		2,443,113,600.02	63,579,758.58	5,053,902,775.01	-1,036,315.66	-5,831,148.59	9,229,239.52	51,670,855,784.10	
Subtotal of revenue from the main operations of reporting segments	68,823,630,138.90	38,766,326,582.14	1,583,972,323.74	12,057,115,065.88	5,776,311,512.95	6,645,010,732.67	1,538,540,822.29	1,992,342,343.07	2,060,523,971.87	51,670,855,784.10	87,572,917,709.41
Cost of main operations in external transaction	38,084,648,002.80	17,230,161,498.73	1,435,742,181.41	5,413,438,575.45	4,618,900,950.49	264,558,282.74	705,781,112.00	1,884,210,032.84	2,032,692,240.31		71,670,132,876.77
Cost of main operations in transactions between operating segments	23,367,878,781.72	20,804,803,835.20	1,330,847.67	2,281,355,161.22	63,919,849.11	4,848,756,568.61		9,505,890.40		51,377,550,933.93	
Cost of main operations of reporting segments	61,452,526,784.52	38,034,965,333.93	1,437,073,029.08	7,694,793,736.67	4,682,820,799.60	5,113,314,851.35	705,781,112.00	1,893,715,923.24	2,032,692,240.31	51,377,550,933.93	71,670,132,876.77
Gross profit	7,371,103,354.38	731,361,248.21	146,899,294.66	4,362,321,329.21	1,093,490,713.35	1,531,695,881.32	832,759,710.29	98,626,419.83	27,831,731.56	293,304,850.17	15,902,784,832.64
Classification of assets	44,868,658,818.53	2,026,430,567.72	1,133,973,396.69	13,672,516,355.33	5,636,177,607.11	3,804,405,356.24	5,103,049,647.55	8,188,348,723.32	5,329,471,201.16	9,103,465,054.04	80,659,566,619.61
Classification of liabilities	21,524,891,060.76	1,000,455,058.75	619,339,752.39	16,201,021,838.92	2,759,440,427.77	3,277,117,954.89	2,656,792,529.28	5,579,126,709.53	725,771,598.66	3,983,083,893.18	50,360,873,037.77

2. Other important transactions and matters that have an impact on investors' decisions

(1) For the purpose of facilitating investors' understanding of the operating performance of the Company, the Company shall deduct the amount of net profit of RMB 2,106.96 million attributable to the operation of the Company from receivables, and other receivable for bad debts. For provision for impairment of long-term assets such as fixed assets, derivatives, financial assets at fair value through profit and loss, investment properties ,as well as fair value adjustments, exchange rate fluctuations and amortization of stock-based incentive costs, and asset disposal income and other matters, The total impact on net profit attributable to the parent amounted to RMB 114.2 million (all taken from the financial statements audited by the company's auditors), and the core profit of the company in 2020 was RMB 2,221.16 million. .

(2) According to the Restricted Stock Incentive Plan in 2021 promulgated by the Company on January 21,2021, the company-level performance assessment is based on the estimated profit in 2020. the Company shall deduct the amount of net profit of RMB 2,106.96 million attributable to the operation of the Company from the profit and loss of foreign exchange assets and liabilities, changes in the fair value of the hedged products and the preparation for the impairment of assets, as well as the amortization of stock incentive costs. The total impact on net profit attributable to the parent amounted to RMB 99 million (all taken from the financial statements audited by the company's auditors), and the company's annual estimated profit in 2020 was RMB 2,205.96 million.

(3) On February 1,2021, Moody's Investors Service released an updated report on the company's credit rating. Moody's upgraded its company family rating and the $500 million senior unsecured bond which is issued by ENN Clean Energy International Investment Limited, which is a wholly-owned subsidiary of the company credit rating from "Ba2" to "Ba1", with a "stable" outlook.

XV. Notes for Major account of the company's financial statements

1. Accounts receivable

(1) Disclosure by aging

Aging	Book balance at the end of the reporting period	Book balance at the end of the prior period
More than 5 years	394,473.34	394,473.34
Total	394,473.34	394,473.34

(2) Disclosed by bad debt provision methods

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Carrying amount	Book balance		bad debt provision		Carrying amount
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Bad debt provision assessed individually										

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Carrying amount	Book balance		bad debt provision		Carrying amount
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Bad debt provision assessed by groups	394,473.34	100.00%	394,473.34	100.00%		394,473.34	100.00%	394,473.34	100.00%	
Total	394,473.34	100.00%	394,473.34	100.00%		394,473.34	100.00%	394,473.34	100.00%	

Bad debt provision assessed by groups:

Name	Closing balance		
	Accounts receivable	Provision for bad debt	Provision ratio(%)
More than 5 years	394,473.34	394,473.34	100.00
Total	394,473.34	394,473.34	100.00

(3) Details of bad debts provision

Category	Opening balance	Amount changed in current period			Closing balance
		Provision	Recovered or reversed	Write-off or cancellation	
Provision for bad debt	394,473.34				394,473.34
Total	394,473.34				394,473.34

(4) Accounts receivable written off as at the end of the reporting period

None

(5) TOP five accounts receivable based on detbors

Entity	Relationship with the company	Closing balance	Yeas	Proportion in total accounts receivable
The 1st	Related party	394,473.34	More than 5 years	100.00%
Total		394,473.34		100.00%

2. Other receivables

Item	Closing balance	Opening balance
Interest receivable		1,029,833.00
Dividends receivable	157,200,000.00	868,516,493.04
Other receivables	2,608,385,875.92	633,181,934.49
Total	2,765,585,875.92	1,502,728,260.53

(1) Interest receivable

Item	Closing balance	Opening balance
Entrusted Loan		1,029,833.00
Total		1,029,833.00

(2) Dividends receivable

Item	Closing balance	Opening balance
Xinneng Mining Industry Co., Ltd.		868,516,493.04
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	157,200,000.00	
Total	157,200,000.00	868,516,493.04

(3) Other receivables

1) Other receivables disclosed by account age

Aging	Book balance at the end of the reporting period	Book balance at the end of the prior period
Within 1 year	2,608,461,856.99	633,434,566.66
Total	2,608,461,856.99	633,434,566.66

(2) Details of classification by nature

Nature	Book balance at the end of the period	Book balance at the beginning of the period
Account current	2,608,461,856.99	633,424,566.66
Advances to employees and reserve		10,000.00
Total	2,608,461,856.99	633,434,566.66

(3) Details of bad debt provision

Bad debt provision	Stage I	Stage II	Stage III	Total
	12 month ECL	Lifetime ECL (not impaired)	Lifetime ECL (impaired)	
as at 1 January 2020	252,632.17			252,632.17
Changes due to financial instruments recognised as at 1 January 2020				
-Transferred to stage II				
-Transferred to stage III				
-Reversed to stage II				
-Reversed to stage I				
Provision				
Reversal	176,651.10			176,651.10
Elimination				
Written-off				
Others changes				
as at 31 December 2020	75,981.07			75,981.07

(4) Details of bad debt provision

Category	Opening balance	Amount changed in current period			Closing balance
		Provision	Recovered or reversed	Write-off or cancellation	
bad debt	252,632.17		176,651.10		75,981.07
Total	252,632.17		176,651.10		75,981.07

Significant recovery or reversal of bad debt provision for the current period:

Name of entity	Amount reversed or recovered	recover methods
Hebei Veyong Animal Pharmaceutical Co., Ltd.	20,732,723.82	Cash
Inner Mongolia Xinwei Biochemical Co., Ltd.	4,518,198.89	Cash
Total	25,250,922.71	

(5) Other receivables written off as at the end of the current period

None

(6) Top five other receivables based on debtor

Entity	Nature	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt reserve
The 1st	Account current	1,345,744,515.11	Within 1 year	51.59	
The 2nd	Account current	1,045,456,157.95	Within 1 year	40.08	
The 3rd	Account current	146,631,921.68	Within 1 year	5.62	
The 4th	Account current	25,240,000.00	Within 1 year	0.97	
The 5th	Account current	22,534,528.58	Within 1 year	0.86	
Total		2,585,607,123.32		99.12	

3. Long-term equity investments

Item	Closing balance			Opening balance		
	Carrying value	Impairment	Net carrying value	Carrying value	Impairment	Net carrying value
Investment in a subsidiaries	8,600,655,229.14		8,600,655,229.14	9,179,495,337.08		9,179,495,337.08
Investment injoint ventures and associates	501,503,853.76		501,503,853.76	10,641,515.10		10,641,515.10
Total	9,102,159,082.90		9,102,159,082.90	9,190,136,852.18		9,190,136,852.18

(1) Investment in subsidiaries

Investee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment made in the reporting period	Closing balance of Provision for impairment
Xinneng Mining Industry Co., Ltd.	3,086,446,858.80		3,086,446,858.80			
Xinneng (Hong Kong) Energy Investment Co., Ltd.	4,981,815,214.97			4,981,815,214.97		
ENN (Tianjin) Energy Investment Co., Ltd.	1,111,233,263.31	2,493,796,750.86		3,605,030,014.17		
Chongqing ENN Longxin Clean Energy Co., Ltd.		5,100,000.00		5,100,000.00		
Shanghai International Engineering Construction Consulting Co., Ltd.		8,710,000.00		8,710,000.00		
Total	9,179,495,337.08	2,507,606,750.86	3,086,446,858.80	8,600,655,229.14		

(2) Investment in joint ventures and associates

Investor	Opening balance	Increase/decrease in current year								Closing balance	Closing balance of provision for impairment
		Increase in investment	Decrease in investment	Investment profit and loss recognized under the equity method	Adjustment to other comprehensive income	Changes in other equity	Increase in investment	Decrease in investment	Investment profit and loss recognized under the equity method		
I. Associates											
Beijing Zhongnong Big Biotechnology Incorporated Company	10,641,515.10			-640,799.11						10,000,715.99	
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.		14,354,494.00		694,577.44						15,049,071.44	
Chongqing Longran Energy Technology Co., Ltd.		646,364,383.75		-12,710,317.42			157,200,000.00			476,454,066.33	
Total	10,641,515.10	660,718,877.75		-12,656,539.09			157,200,000.00			501,503,853.76	

4. Operating revenue and costs of sales

Item	Amount incurred in the current period		Amount incurred in the prior period	
	Revenue	Costs	Revenue	Costs
Others	202,433,785.47	111,324.62	163,012,645.71	253,362.24
Total	202,433,785.47	111,324.62	163,012,645.71	253,362.24

5. Investment income

Item	Amount incurred in the current period	Amount incurred in the prior period
Income form long-term equity investments under cost method		390,000,000.00
Income form long-term equity investments under equity method	-12,656,539.09	-1,827,465.44
Investment income on disposal of long-term equity investments		387,881,800.00
Investment income from disposal of held-for-trading financial assets		-6,094,660.00
Others	97,457,809.58	
Total	84,801,270.49	769,959,674.56

XVI. Supplementary Information

1. Details of current non-recurring profit and loss

Item	Amount
Gains or loss on disposal of non-current assets	-75,255,109.95
Tax return and reduction with or without formal approval documents	
Government grant included in the current profit and loss (except for the government grant which are closely related to the business of the company and are in accordance with the national unified standard quota)	236,807,309.15
Capital occupation fee charged to non-financial companies included in current profit and loss	
The investment cost of subsidiary, joint venture and associates acquired by a company is less than the income from the fair value of the identifiable net assets of the investee when the investment is acquired	
Gains and losses from non-monetary assets exchange	
Profit and loss of entrusting others to invest or manage assets	
Provision for impairment of various assets due to force majeure, such as natural disasters	
Gains and losses of debt restructuring	-8,592,414.64
The cost of company restructuring, such as the expenses for staff placement and integration	
The profit and loss exceeding the fair value arising from the transaction whose transaction price is obviously unfair	
Current net profits and losses of subsidiaries from the beginning of the period to date of business combination under the common control	3,509,840,211.70
Profits and losses arising from contingencies unrelated to the normal operation of the company	
In addition to the effective hedging business related to the company's normal business operations, the profit and loss of fair value changes arising from the holding of trading financial	-4,151,922.99

Item	Amount
assets, derivative financial assets, trading financial liabilities, derivative financial liabilities, and investment income obtained from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment	
Reversal of provision for impairment of receivables tested individually	
Profit and loss from external entrusted loans	
Profit and loss from changes in fair value of investment properties measured by fair value model	-10,165,126.70
The impact of one-off adjustment on the current profit and loss according to the requirements of tax, accounting and other laws and regulations	
Custody fee income from entrusted operation	471,698.11
Other non-operating income and expenses except the above items	-150,339,507.49
Other profit and loss conforming to the definition of non-recurring profit and loss	
The impact of income tax	-42,108,928.19
The impact on non-controlling interests	-2,654,833,960.55
Item	801,672,248.45

2. Return on net assets and earnings per share

Profit in the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	16.51	0.82	0.82
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	14.18	0.84	0.84

（This page has no text. It is the sealed page of Notes to the 2020 Annual Financial Statements of ENN Natural Gas Co., Ltd）

ENN Natural Gas Co., Ltd.

22 March, 2021

统一社会信用代码

9111010108553078XF

营业执照

（副 本）(10−1)

扫描二维码登录"国家企业信用信息公示系统"了解更多登记、备案、许可、监管信息

名　　称　中喜会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

执行事务合伙人　张增刚

经营范围　审查企业会计报表、出具审计报告；验证企业资本、出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法律规定的其他业务。（市场主体依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

成立日期　2013年11月28日

合伙期限　2013年11月28日至 长期

主要经营场所　北京市东城区崇文门外大街11号11层1101室

登记机关　北京市东城区市场监督管理局

2020年 12月 15日

国家企业信用信息公示系统网址： http://www.gsxt.gov.cn

市场主体应当于每年1月1日至6月30日通过国家企业信用信息公示系统报送公示年度报告。

国家市场监督管理总局监制

证书序号：000356

会计师事务所
证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查，批准

中喜会计师事务所（特殊普通合伙） 执行证券、期货相关业务。

首席合伙人：张增刚

中华人民共和国财政部

中国证券监督管理委员会

证书号：04 发证时间：二〇一九年十二月二十四日

证书有效期至：二〇二一年十二月二十三日

会计师事务所

执业证书

名　　称：中喜会计师事务所（特殊普通合伙）

首席合伙人：张增刚

主任会计师：

经营场所：北京市东城区崇文门外大街11号11层1101室

组织形式：特殊普通合伙

执业证书编号：11000168

批准执业文号：京财会许可〔2013〕0071号

批准执业日期：2013年11月08日

证书序号：0000058

说　明

1、《会计师事务所执业证书》是证明持有人经财政部门依法审批，准予执行注册会计师法定业务的凭证。

2、《会计师事务所执业证书》记载事项发生变动的，应当向财政部门申请换发。

3、《会计师事务所执业证书》不得伪造、涂改、出租、出借、转让。

4、会计师事务所终止或执业许可注销的，应当向财政部门交回《会计师事务所执业证书》。

发证机关：北京市财政局

北京市财政局

二〇一八年 二月 二日五

中华人民共和国财政部制

姓 名 Full name 祁卫红

性 别 Sex 女

出生日期 Date of birth 1969-08-08

工作单位 Working unit 中喜会计师事务所有限责任公司石家庄分所

身份证号码 Identity card No. 320113196908084865

证书编号: No. of Certificate 130000190364

批准注册协会: Authorized Institute of CPAs 河北省注册会计师协会

发证日期: Date of Issuance 1997 年/y 5 月/m 30 日/d

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年度检验

Annual Renewal R

CPA任职资格检查合格 HEBEI INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS HEBICPA 20CPA0001 CPA 河北省注册会计师协会 2020

本证书经检验合格，继续有效一年。

This certificate is valid for another year after this renewal.

CPA任职资格检查合格 HEBEI INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS HEBICPA 19CPA1765 CPA 河北省注册会计师协会 2019

CPA任职资格检查合格 HEBEI INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS HEBICPA 18CPA3188 CPA 河北省注册会计师协会 2018

2017 年/y 2 月/m 22 日/d

5

证书编号：
No. of Certificate 110001680160

批准注册协会：
Authorized Institute of CPAs 河北省注册会计师协会

发证日期：
Date of Issuance 2011 年/y 9 月/m 23 日/d

4

年度检验登记
Annual Renewal Registration

本证书经检验合格，继续有效一年。
This certificate is valid for another year after this renewal.

CPA任职资格检查合格 HEBEI INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS HEBICPA 20CPA0001 河北省注册会计师协会 2020

CPA任职资格检查合格 HEBEI INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS HEBICPA 19CPA1765 河北省注册会计师协会 2019

CPA任职资格检查合格 HEBEI INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS HEBICPA 18CPA3188 河北省注册会计师协会 2018

2017 年/y 2 月/m 22 日/d

5

THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS 中国注册会计师协会

姓名 Full name 邓海伏
性别 Sex 男
出生日期 Date of birth 1982-05-19
工作单位 Working unit 中喜会计师事务所有限责任公司石家庄分所
身份证号码 Identity card No. 130822198205196412

Audit Report

Zhong Xi Shen Zi [2020] No. 00180

To the shareholders of ENN Ecological Holdings Co., Ltd.,

I. Audit Opinion

We have audited the financial statements of ENN Ecological Holdings Co., Ltd. (hereinafter referred to as "ENN"), which comprise the consolidated and company statements of financial position as at 31 December, 2019, and the consolidated and company income statements, cash flow statements, statements of changes in shareholder's equity and the notes to financial statements for the year ended 31 December 2019.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company financial position of ENN as at 31 December 2019, and their financial performance and cash flows for the year then ended in accordance with the requirements of the Accounting Standards for Business Enterprises.

II. Basis for Audit Opinion

We conducted our audit in accordance with the China CPA Standards on Auditing (CSA). Our responsibilities under those standards are further described in the Certified Public Accountant's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of ENN in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Revenue Recognition

1. Description of the Matter

In 2019, the Company recognized operating revenue of RMB 13,544,053,500, down by 0.65% compared to same period of 2018. Revenue is one of the key performance indicators for the Company, there is an inherent risk that management of the Company manipulate timing for revenue recognition to meet specific target or expectation, and accordingly, we identified revenue recognition as a key audit matter.

2. Audit Response

We paid closed attention to revenue recognition from sales of goods and construction contract. Concerns about recognition of revenue from sales of goods are mainly due to large volume of sales, and potential misstatement of whether revenue recognition is recorded in the appropriate financial statement period. Concerns about revenue recognition for construction contracts are related to major accounting estimates and judgments. The Company adopts percentage of completion method to confirm construction contract income, and determines contact progress by comparing actual construction cost to total estimated contract cost. Calculating the estimated contract cost involves significant accounting estimates and judgments.

For revenue from sales of goods, we learned and evaluated the design of internal control for sales process, from approval of sales orders to revenue recording, and tested the effectiveness of key internal control. Through sampling inspection of sales contract and interview with management, we analyzed and evaluated the time of transferring major risks and rewards related to the recognition of income from sales of goods, and evaluated recognition policy of income from sales of goods. In addition, we used sampling method to implement the following procedures for revenue from sales of goods:

(1) We compared the gross profit margin of the company's commodity sales with the gross profit margin of the same period last year and the gross profit margin of the same industry to analyze whether the trend of gross profit margin changes is normal.

(2) We checked supporting documents related to revenue recognition, including sales contracts, orders, sales invoices, weight notes and delivery documents, etc.

(3) We conducted external confirmation or customers visits to customers with large transaction volume in the period to check the authenticity of income.

(4) For sales revenue recognized before and after the reporting date, we checked supporting documents such as customer receipt, performing cut-off tests to assess whether revenue was confirmed within the appropriate period.

For construction contract revenue, we learned and evaluated the design of internal control for construction revenue and cost process, and tested the effectiveness of key internal control, including estimation of total cost of construction contract and actual project cost.

For actual project cost, we performed following procedures using sampling methods:

(1) We compared incurred project cost details with project budget cost, and spot checked supporting evidence for incurred project cost, of which the material delivered note that constitutes the cost of project direct materials and monthly materials cost statistics of the project, the monthly salary distribution statement that constitutes the direct labor cost, sub-contract, workload confirmation sheet of sub-contractors and sub-contracting workload quota valuation that constitute the subcontracting cost are re-checked.

(2) For actual project cost incurred and recognized before and after the reporting date, we checked material delivered note, subcontracting workload confirmation sheet and other supporting documents to evaluate whether the actual cost was recognized within the appropriate period.

(3) We acquired percentage of completion calculation sheet of projects recognized by management and checked total amount in income-and-cost breakdown and verified accuracy of arithmetic computation in the sheet.

(4) We selected some construction projects for on-site surveys, communicated with on-site project manager, and obtained monthly project workload report, to understand the management of material request statistics, labor cost statistics and subcontracting workload confirmation and check the project whether the image progress is consistent with the completion percentage on which the project construction revenue is recognized in accounting.

In addition, we implemented the following procedures for estimated total project cost by sampling method:

(1) We checked the components of total expected cost with engineering construction contract, bidding budget, procurement contract and other supporting documents in order to identify whether there are missing components in total expected cost.

(2) We used sampling method to compare and analyze total cost of completed project with total budget cost prepared by the management before completion of the project in order to evaluate management's experience and ability of make accounting estimate.

(II) Equity confirmation in Affiliate Companies

1. Description of the Matter

The management of ENN believes that it can participate in operation and financial policies of Santos Limited, an Australia-listed associate that holds 10.07% of its shares.

This period continues to maintain judgments that have a significant impact on Santos Limited, accordingly, the gain or loss on investment in the affiliate is accounted for using the equity method. For the current period, an investment gain of RMB 462,535,500, a dividend distribution of RMB 176,077,000 received and other adjustment of equity with an amount of RMB 73,123,800 are presented. Financial statements of Santos Limited have significant impacts on consolidated financial statements of ENN in 2019, which constitutes key audit matter of the 2019 financial statements of ENN.

2. Audit Response

(1) We checked documents which showed how the Company played a part in operation and financial policy of Santos Limited and reviewed all the public information disclosed by Santos Limited in 2019.

(2) We thoroughly reviewed Santos Limited audited financial report of 2019. The differences of accounting standards at Chinese Accounting Standards and International Financial Reporting Standards were analyzed and adjusted. We checked the Company's calculation of the investment profit or loss of Santos Limited, and the exchange rate used for the translation of foreign currency statements.

(3) The Auditor communicated with senior management of Santos Limited and auditor for 2019 annual financial report regarding the results of operation, key audit matters and audit procedures performed for 2019, and thereupon conducted an evaluation of the independence and competence of the auditor for the 2019 annual financial report of Santos Limited.

(III) Recognition of construction in progress and value of new fixed assets of this year

1. Description of the Matter

As of 31 December, 2019, the closing balance of construction in progress of the Company is RMB 2,023,563,100, accounting for 8.31% of total assets, of which is mainly

RMB 1,207,298,800 for the balance of "Stable light hydrocarbon with annual capacity of 200,000t" under construction of Xinneng Energy Limited, a subsidiary indirectly controlled by the Company. The carry-over fixed assets of the project for this year is RMB 220,273,400, accounting for 31.12% of new fixed assets of this period. The management determines that the time when construction in progress reaches the expected usable status and is converted into fixed assets, and the serviceable life of fixed assets will impact the carrying amount of fixed assets and construction in progress, and are important for consolidated financial statements. Therefore, we identify the recognition of construction in progress and new fixed assets of this year as a key audit matter.

2. Audit Response:

Audit procedures related to evaluating construction in progress and new fixed assets include the following procedures:

(1) Understand internal control related to fixed assets and construction in progress, and evaluate the effectiveness of design and operation of key internal control related to completeness, existence and accuracy of fixed assets and construction in progress.

(2) Select additional sample of fixed assets and construction in progress of this period, review the project approval or budget document, procurement contract and check, acceptance record, payment, and other supporting documents; spot check, oversee the use of and confirm the existence of fixed assets and construction in progress.

(3) Examine the capitalized expenditures incurred this year and evaluate whether these expenditures meet the capitalization conditions by matching the capitalized expenditures with relevant supporting documents, including procurement contract, engineering construction contract and expense distribution sheet; select sample, and recalculate the interest capitalization rate according to the verified borrowing rate in the loan agreement and evaluate the calculation of capitalized interest of construction in progress;

(4) The Auditor inspected relevant project progress report and acceptance test report, paid attention to dates shown on the acceptance test report, inspected trial run and production records, conducted project site reviews, and interviews with project managers to confirm the appropriateness of the timing for transferring construction in progress to fixed assets;

(5) Examine details and basis of the cost of carrying over completed construction in progress into fixed assets, recheck and verify the amortization ratio of amortized investment and confirm the accuracy of value of carrying over completed construction in progress into fixed assets;

(6) The Auditor obtained the working paper and related documents concerning the impairment testing of the 200,000 tons/year stable light hydrocarbon project, evaluated reasonableness of the methods applied by management of the Company in impairment testing, reviewed and analyzed the reasonableness of important parameters and assumption applied by management in impairment testing.

IV. Other Information

Management of ENN is responsible for the other information. The other information comprises all the information included in 2019 annual report of ENN other than the financial statements and our auditor’s report thereon.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusions thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of ENN is responsible for preparation and fair presentation of these financial statements in accordance with the Accounting Standards for Business Enterprises, and for design, implementation, and maintenance of such necessary internal control to enable the financial statements that are free from material misstatements, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing ENN's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern assumption unless management either intends to liquidate ENN or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ENN's financial reporting processes.

VI. Responsibilities of Certified Public Accountants for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatements whether due to fraud or error, and to issue an auditor's report that includes audit opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

(4) Conclude on the appropriateness of management's use of the going-concern assumption and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ENN's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to make non-unqualified opinion. Our conclusions are based on the information obtained up to the date of our auditor's report. However, future event or conditions may cause ENN to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within ENN to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any noteworthy deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that the matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Zhongxi CPAs (Special General Partnership)	Chinese Certified Public Accountant: (Project Partner)
	Chinese Certified Public Accountant:
Beijing, China	12 March, 2020

Consolidated Statement of Financial Position

31 December 2019

Prepared by: ENN Ecological Holdings Co., Ltd

Units: RMB yuan

Item	Notes	31 December 2019	31 December 2018
Current assets:			
Cash and Cash equivalents	VII-1	2,495,125,104.54	1,957,280,220.44
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	VII-4	361,252,564.78	185,647,932.95
Accounts receivable	VII-5	1,544,972,545.53	1,637,904,821.62
Financing receivables	VII-6	75,821,941.91	
Prepayments	VII-7	330,890,438.03	351,352,610.85
Other receivables	VII-8	87,371,163.22	60,964,242.16
Including: interests receivable			
Dividends receivable			
Inventories	VII-9	1,834,711,188.48	1,775,315,428.13
Assets classified as held for sale			
Current portion of non-current assets			
Other current assets	VII-12	263,870,201.10	316,280,614.92
Total current assets		6,994,015,147.59	6,284,745,871.07
Non-current assets:			
Debt investment			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables	VII-15	39,447,164.20	45,377,426.42
Long-term equity investments	VII-16	6,121,079,974.80	5,831,321,883.11
Other equity instruments investments	VII-17	2,520,332.53	
Other non-current financial assets			
Investment properties	VII-19	5,520,497.49	
Fixed assets	VII-20	7,676,917,118.39	8,002,823,693.29
Construction in progress	VII-21	2,023,563,136.45	1,769,217,494.06
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets	VII-25	1,023,005,367.78	1,049,964,405.68
Development expenditures			
Goodwill			
Long-term prepaid expenses	VII-28	342,029,398.14	348,361,953.33
Deferred tax assets	VII-29	62,391,730.96	61,730,477.35
Other non-current assets	VII-30	62,137,143.33	120,919,446.46
Total non-current assets		17,358,611,864.07	17,229,716,779.70
Total assets		24,352,627,011.66	23,514,462,650.77
Current liabilities:			
Short-term borrowings	VII-31	2,712,258,200.00	1,990,600,000.00
Financial liabilities held for trading			

Item	Notes	31 December 2019	31 December 2018
Financial liabilities at fair value through profit or loss	VII-32		1,602,590.00
Derivative financial liabilities			
Notes payable	VII-34	91,974,505.04	225,592,581.20
Accounts payable	VII-35	3,582,142,834.01	2,753,890,747.53
Receipts in advance	VII-36	787,337,226.29	854,287,816.09
Payroll and employee benefits	VII-37	187,266,407.84	246,515,074.35
Taxes payable	VII-38	30,924,206.88	99,313,333.78
Other payables	VII-39	246,682,057.37	408,764,539.10
Including: Interest payable		105,002,422.01	98,831,818.34
Dividends payable		57,000,000.00	57,000,000.00
Liabilities classified as held for sale			
Current portion of non-current liabilities	VII-41	547,686,905.35	2,741,970,967.95
Other current liabilities			
Total current liabilities		8,186,272,342.78	9,322,537,650.00
Non-current liabilities:			
Long-term borrowings	VII-43	1,895,240,000.00	3,267,796,705.89
Bonds payable	VII-44	3,633,042,871.77	149,266,129.59
preference share Including: Preference share			
Perpetual debt			
Lease liabilities			
Long-term Payable	VII-46	416,103,859.15	1,211,010,192.26
Provisions			
Deferred income	VII-49	12,415,922.94	171,531,240.14
Deferred tax liabilities	VII-29	82,031,915.76	55,654,839.18
Other non-current liabilities			
Total non-current liabilities		6,038,834,569.62	4,855,259,107.06
Total liabilities		14,225,106,912.40	14,177,796,757.06
Owner's equity (or shareholder's equity):			
Share capital	VII-51	1,229,355,783.00	1,229,355,783.00
Other equity instruments			
Including: Preference share			
Perpetual debt			
Capital reserves	VII-53	1,779,063,615.45	1,793,648,066.94
Less: treasury stock	VII-54	199,582,111.40	59,740,670.18
Other comprehensive income	VII-55	216,988,454.37	192,290,487.20
Special reserve	VII-56	54,045,885.41	62,993,079.64
Surplus reserve	VII-57	144,206,528.16	80,123,476.85
General reserve			
Retained earnings	VII-58	6,129,474,429.20	5,243,225,709.19
Equity attributable to owners of the parent		9,353,552,584.19	8,541,895,932.64
Non-controlling interests		773,967,515.07	794,769,961.07
Total owner's equity		10,127,520,099.26	9,336,665,893.71
Total liabilities and owner's equity		24,352,627,011.66	23,514,462,650.77

Legal Representative:	President:	Chief Accountant:	Head of Accounting Department:
WANG Yusuo	GUAN Yu	LIU Jianjun	CHENG Zhiyan

Company Statement of Financial Position

31 December 2019

Prepared by: ENN Ecological Holdings Co., Ltd Units: RMB yuan

Item	Notes	31 December 2019	31 December 2018
Current assets:			
Cash and Cash equivalents		243,728,407.57	28,990,114.29
Financial assets held for trading			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable			
Accounts receivable	XVII-1		
Financing receivables			
Prepayments		861,167.62	1,607,048.44
Other receivables	XVII-2	1,502,728,260.53	2,526,924,797.25
Including: Interests receivable		1,029,833.00	25,714,824.87
Dividends receivable		868,516,493.04	1,257,250,000.00
Inventories			
Assets classified as held for sale			
Current portion of non-current assets			
Other current assets		572,380.63	67,710.50
Total current assets		1,747,890,216.35	2,557,589,670.48
Non-current assets:			
Debt investment			
Available-for-sale financial assets			
Other Debt investment			
Held-to-maturity investments			
Long-term receivables		2,955,830,433.46	2,238,830,433.46
Long-term equity investments	XVII-3	9,190,136,852.18	7,936,532,946.37
Other equity instruments investment		2,520,332.53	
Other non-current financial assets			
Investment properties		904,723.45	1,098,981.31
Fixed assets		1,619,005.80	852,148.00
Construction in progress		25,672,425.58	
Productive biological assets			
Oil and gas assets			
Right-of-use assets			
Intangible assets		5,584,849.13	6,248,349.43
Development expenditures			
Goodwill			
Long-term prepaid expenses		7,222.28	111,319.63
Deferred tax assets			
Other non-current assets		8,612,696.40	
Total non-current assets		12,190,888,540.81	10,183,674,178.20
Total assets		13,938,778,757.16	12,741,263,848.68
Current liabilities:			
Short-term borrowings		1,358,026,200.00	1,170,600,000.00
Financial liabilities held for trading			

Item	Notes	31 December 2019	31 December 2018
Financial liabilities at fair value through profit or loss			1,602,590.00
Derivative financial liabilities			
Notes payable			
Accounts payable		6,433,197.59	1,229,517.44
Receipts in advance			
Payroll and employee benefits payable		11,441,659.22	24,097,520.14
Taxes payable		3,184,270.89	5,317,005.88
Other payables		894,398,796.00	478,567,391.41
Including: Interest payable		50,497,747.69	95,640,825.10
Dividends payable			
Liabilities classified as held for sale			
Current portion of non-current liabilities		120,000,000.00	1,604,617,000.00
Other current liabilities			
Total current liabilities		2,393,484,123.70	3,286,031,024.87
Non-current liabilities:			
Long-term borrowings		500,000,000.00	3,026,565,200.00
Bonds payable		149,699,000.00	149,266,129.59
Including: Preference share			
Perpetual debt			
Lease liabilities			
Long-term Payable		4,521,228,180.00	
Provisions			
Deferred income			143,118,050.15
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		5,170,927,180.00	3,318,949,379.74
Total liabilities		7,564,411,303.70	6,604,980,404.61
Owner's equity:			
Share capital		1,229,355,783.00	1,229,355,783.00
Other equity instruments			
Including: Preference share			
Perpetual debt			
Capital reserves		4,339,472,379.13	4,339,472,379.13
Less: treasury stock		199,582,111.40	59,740,670.18
Other comprehensive income		-8,591,762.34	
Special reserve			
Surplus reserve		200,560,905.45	136,477,854.14
Retained earnings		813,152,259.62	490,718,097.98
Total owner's equity		6,374,367,453.46	6,136,283,444.07
Total liabilities and owner's equity		13,938,778,757.16	12,741,263,848.68

Legal Representative:	President:	Chief Accountant:	Head of Accounting Department:
WANG Yusuo	GUAN Yu	LIU Jianjun	CHENG Zhiyan

王玉锁印

1301048806280

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刘建军印

程志岩印

Consolidated Income Statement

For the year ended 31 December 2019

Units: RMB yuan

Items	Note	2019	2018
I. Total revenue		13,544,053,454.88	13,632,478,995.19
Including: Operating revenue	VII-59	13,544,053,454.88	13,632,478,995.19
Interest income			
II. Total cost of sales		12,896,435,220.56	12,503,679,047.21
Including: Cost of sales	VII-59	11,161,587,376.80	10,696,874,185.22
Taxes and surcharges	VII-60	295,544,850.59	247,222,665.52
Selling expenses	VII-61	153,067,397.43	189,140,388.14
General and administrative expenses	VII-62	521,707,879.42	520,495,444.97
Research and Development expenditures	VII-63	127,991,236.79	145,656,895.76
Financial expenses	VII-64	636,536,479.53	704,289,467.60
Including: Interest expense		606,980,155.36	480,095,084.36
Interest income		31,894,753.17	13,586,731.03
Add: other income	VII-65	15,549,149.41	11,201,585.39
Investment income/(loss)	VII-66	588,609,384.47	584,479,794.70
Including: Share of profits or loss of associates and joint ventures		513,551,379.37	583,957,272.92
Gain from derecognition of financial assets measured at amortized cost			
Exchange gains or losses			
Net exposure hedging gains/ (losses)			
Gain/ (loss) on the changes in fair value	VII-68		-1,602,590.00
Credit impairment losses	VII-69	19,238,333.36	
Assets impairment losses	VII-70	-16,160,099.28	-96,701,928.69
Gain/ (loss) from disposal of assets	VII-71	7,073,444.57	581,562.03
III. Operating profit		1,261,928,446.85	1,626,758,371.41
Add: Non-operating income	VII-72	148,070,306.04	30,947,053.99
Less: Non-operating expenses	VII-73	13,131,675.25	36,520,301.68
IV. Profit/(loss) before tax		1,396,867,077.64	1,621,185,123.72
Less: income tax expense	VII-74	213,024,452.17	215,459,560.78
V. Net profit /(loss)		1,183,842,625.47	1,405,725,562.94
(I) Categorized by operation continuity			
1. Net profit from continuing operations		1,000,848,547.84	1,405,725,562.94
2. Net profit from discontinuing operations		182,994,077.63	
(II) Categorized by ownership			
1. Net profit attributable to owners of the parent		1,204,645,071.47	1,321,229,732.19
2. Net profit attributable to non-controlling interests		-20,802,446.00	84,495,830.75
VI. Other comprehensive income, net of tax		24,697,967.17	45,464,188.27
(i) Other comprehensive income, net of tax attributable to owners of the parent		24,697,967.17	45,464,188.27
1. Other comprehensive income that will not be reclassified to profit or loss		-8,591,762.34	

Items	Note	2019	2018
(1) Remeasurement gains or losses of a defined benefit plan			
(2) Other comprehensive income using the equity method that will not be reclassified to profit or loss			
(3) Changes in fair value of other equity instrument investments		-8,591,762.34	
(4) Changes in fair value of enterprise's own credit risk			
2. Other comprehensive income to be reclassified to profit or loss		33,289,729.51	45,464,188.27
(1) Other comprehensive income that can be reclassified to profit or loss in equity method		2,083,493.07	-288,956,414.46
(2) Changes in fair value of other debt investments			
(3) Change in the fair value of available-for-sale financial assets			
(4) Amount of financial assets reclassified into other comprehensive income			
(5) Reclassification of held-to-maturity investments as available-for-sale financial assets			
(6) Provision for credit impairment of other debt investments			
(7) Cash flow hedging reserves (effective part of profit and loss of cash flow hedging)			
(8) Exchange differences on translation of foreign currency financial statements		31,206,236.44	334,420,602.73
(9) Others			
(ii) Other comprehensive income, net of tax attributable to non-controlling interests			
VII. Total comprehensive income		1,208,540,592.64	1,451,189,751.21
(i) Total comprehensive income attributable to owners of the parent		1,229,343,038.64	1,366,693,920.46
(ii)Total comprehensive income attributable to non-controlling interests		-20,802,446.00	84,495,830.75
VIII. Earnings per share:			
(I) Basic earnings per share (yuan / share)		0.99	1.11
(II) Diluted earnings per share (yuan / share)		0.99	1.11

Legal Representative: WANG Yusuo 王玉锁印 1301048806280

President: GUAN Yu 于关

Chief Accountant: LIU Jianjun 刘建军印

Head of Accounting Department: CHENG Zhiyan 程志岩印

Income Statements of Company

For the year ended 31 December 2019

Units: RMB yuan

Item	Notes	2019	2018
I. Total revenue	XVII-4	163,012,645.71	128,359,430.95
Less: Total cost of sales	XVII-4	253,362.24	1,463,400.00
Taxes and surcharges		1,715,160.34	1,916,734.90
Selling expenses			
Administrative expenses		137,348,152.64	78,276,656.02
Research and development expenses			
Finance expenses		293,253,739.61	509,160,612.79
Including: Interest expenses (expressed with positive value)		247,683,669.16	295,910,138.83
Interest income (expressed with negative value)		5,245,416.06	2,882,537.03
Add: other income		225,314.75	81,081.78
Investment income/(loss)	XVII-5	769,959,674.56	919,566,505.45
Including: Share of profits or loss of associates and joint ventures		-1,827,465.44	-909,928.20
Gain from derecognition of financial assets measured at amortized cost			
Net exposure hedging gains/ (losses)			
Gain/ (loss) on the changes in fair value			-1,602,590.00
Credit impairment losses		-2,943,184.86	
Assets impairment losses			-109,718.07
Gain/ (loss) from disposal of assets		-7,073.20	
II. Operating profit/Loss		497,676,962.13	455,477,306.40
Add: Non-operating income		143,154,050.97	20,072,275.48
Less: non-operating expenses		500.00	64,029.56
III. Profit/(loss) before tax		640,830,513.10	475,485,552.32
Less: income tax expense			
IV. Net profit /(loss)		640,830,513.10	475,485,552.32
(i) Net profit from continuing operations		640,830,513.10	475,485,552.32
(ii) Net profit from discontinuing operations			
V. Other comprehensive income, net of tax		-8,591,762.34	
(i) Other comprehensive income that will not be reclassified to profit or loss		-8,591,762.34	
1. Remeasurement gains or losses of a defined benefit plan			
2. Other comprehensive income using the equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments		-8,591,762.34	
4. Changes in fair value of enterprise's own credit risk			
(ii) Other comprehensive income to be reclassified to profit or loss			
1. Other comprehensive income that can be reclassified to profit or loss in equity method			

Item	Notes	2019	2018
2. Changes in fair value of other debt investments			
3. Change in the fair value of available-for-sale financial assets			
4. Amount of financial assets reclassified into other comprehensive income			
5. Reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7. Cash flow hedging reserves (effective part of profit and loss of cash flow hedging)			
8. Exchange differences on translation of foreign currency financial statements			
9. Others			
VI. Total comprehensive income		632,238,750.76	475,485,552.32
VII. Earnings per share			
(I) Basic earnings per share (yuan / share)			
(II) Diluted earnings per share (yuan / share)			

Legal Representative: WANG Yusuo 王玉锁印 1301048806280

President: GUAN Yu 关宇

Chief Accountant: LIU Jianjun 刘建军印

Head of Accounting Department: CHENG Zhiyan 程志岩印

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

Units: RMB yuan

Items	Note	2019	2018
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services		12,930,012,889.30	12,304,978,664.49
Tax refunds received		23,489,296.59	93,776,631.12
Cash received relating to other operating activities	VII-76	232,593,533.31	212,056,008.21
Sub-total of cash inflows from operating activities		13,186,095,719.20	12,610,811,303.82
Cash paid for purchase of goods and services		9,698,837,299.44	9,146,540,023.14
Cash paid to and on behalf of employee		838,071,914.88	848,039,858.28
Cash paid for taxes		823,501,292.21	882,539,085.02
Cash paid relating to other operating activities	VII-76	417,216,944.66	511,605,673.07
Sub-total of cash outflows		11,777,627,451.19	11,388,724,639.51
Net cash flows from operating activities		1,408,468,268.01	1,222,086,664.31
II. Cash flow from investing activities:			
Cash received from disposal of investments		1,000,000.00	
Cash received from investment income		296,434,966.39	53,834,384.67
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets		5,648,873.60	2,994,894.63
Cash received from disposal of subsidiaries and other business units		654,527,216.12	11,976,419.50
Cash received relating to other investing activities	VII-76	15,003,207.58	22,421,647.51
Sub-total of cash inflows from investing activities		972,614,263.69	91,227,346.31
Purchase of property, plant and equipment, intangible assets and other non-current assets		592,676,114.69	1,342,291,896.07
Cash paid for investments		42,258,696.40	
Net cash paid for acquisition of a subsidiary and other operating units			
Cash paid relating to other investing activities	VII-76	34,183,766.29	47,165,361.83
Sub-total of cash outflows from investing activities		669,118,577.38	1,389,457,257.90
Net cash flows from investing activities		303,495,686.31	-1,298,229,911.59
III. Cash flows from financing activities			
Cash received from investment			2,242,835,004.20
Including: Cash receipts from capital contributions from non-controlling interests of subsidiaries			
Proceeds from borrowings		9,160,482,052.71	5,546,504,376.52
Cash receipts relating to other financing activities	VII-76	660,437,612.37	955,973,400.00
Sub-total of cash inflows from financing activities		9,820,919,665.08	8,745,312,780.72
Repayments for debts		8,642,683,812.72	7,474,640,609.04

Items	Note	2019	2018
Cash payments for distribution of dividends or profit and interest expenses		777,565,909.52	600,242,913.76
Including: Dividends or profit paid to non-controlling shareholders of subsidiaries			
Cash payments relating to other financing activities	VII-76	1,542,363,518.02	1,076,858,818.45
Sub-total of cash outflows from financing activities		10,962,613,240.26	9,151,742,341.25
Net cash flows from financing activities		-1,141,693,575.18	-406,429,560.53
IV. Effect of exchange rate changes on cash and cash equivalents		14,733,018.33	-13,856,470.86
V. Net increase in cash and cash equivalents		585,003,397.47	-496,429,278.67
Add: Cash and cash equivalents at beginning of year		1,821,833,569.69	2,318,262,848.36
VI. Cash and cash equivalents at end of year		2,406,836,967.16	1,821,833,569.69

Legal Representative:	President:	Chief Accountant:	Head of Accounting Department:
WANG Yusuo	GUAN Yu	LIU Jianjun	CHENG Zhiyan

王玉锁印 1301048806280

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刘建军印

程志岩印

Company Statement of Cash Flows

For the year ended 31 December 2019

Units: RMB yuan

Items	Note	2019	2018
I. Cash flows from operating activities:			
Cash receipts from the sale of goods and the rendering of services			
Tax refunds received			
Cash received relating to other operating activities		46,622,362.21	6,349,074.50
Sub-total of cash inflows from operating activities		46,622,362.21	6,349,074.50
Cash paid for purchase of goods and services			
Cash paid to and on behalf of employee		63,233,128.62	44,190,528.40
Cash paid for taxes		9,220,437.76	3,925,968.11
Cash paid relating to other operating activities		57,639,046.74	34,467,579.99
Sub-total of cash outflows		130,092,613.12	82,584,076.50
Net cash flows from operating activities		-83,470,250.91	-76,235,002.00
II. Cash flows from investing activities:			
Cash received from disposal of investments		756,557,800.00	29,699,439.79
Cash received from investment income		227,000,000.00	847,750,000.00
Net proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets		1,735.00	
Cash received from disposal of subsidiaries and other business units			
Cash received relating to other investing activities		6,298,200.00	3,000,000.00
Sub-total of cash inflows from investing activities		989,857,735.00	880,449,439.79
Purchase of property, plant and equipment, intangible assets, and other non-current assets		21,855,381.56	467,850.06
Cash paid for investments		1,059,258,696.40	3,381,814,381.56
Net cash paid for acquisition of a subsidiary and other operating units			
Cash paid relating to other investing activities		24,497,859.98	
Sub-total of cash outflows from investing activities		1,105,611,937.94	3,382,282,231.62
Net cash flows from investing activities		-115,754,202.94	-2,501,832,791.83
III. Cash flows from financing activities			
Cash received from investment			2,242,835,004.20
Proceeds from borrowings		2,200,000,000.00	4,274,032,350.00
Cash receipts relating to other financing activities		14,623,136,636.00	7,234,138,913.83
Sub-total of cash inflows from financing activities		16,823,136,636.00	13,751,006,268.03
Repayments for debts		6,099,631,610.57	1,753,200,000.00
Cash payments for distribution of dividends or profit and interest expenses		578,987,299.15	448,212,795.68

Items	Note	2019	2018
Cash payments relating to other financing activities		9,724,359,770.40	9,437,665,655.31
Sub-total of cash outflows from financing activities		16,402,978,680.12	11,639,078,450.99
Net cash flows from financing activities		420,157,955.88	2,111,927,817.04
IV. Effect of exchange rate changes on cash and cash equivalents		-225,208.75	21,198,904.12
V. Net increase in cash and cash equivalents		220,708,293.28	-444,941,072.67
Add: Cash and cash equivalents at beginning of year		23,020,114.29	467,961,186.96
VI. Cash and cash equivalents at end of year		243,728,407.57	23,020,114.29

Legal Representative: WANG Yusuo　王玉锁印 1301048806280

President: GUAN Yu　关宇

Chief Accountant: LIU Jianjun　刘建军印

Head of Accounting Department: CHENG Zhiyan　程志岩印

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

Units: RMB yuan

Item	2019														
	Equity attributable to owners of the parent														
	Share capital	Other equity instruments			Capital reserves	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Others	Subtotal	Non-controlling interests	Total shareholders' equity
		Preference share	Perpetual debt	Others											
I. Balance at the end of previous year	1,229,355,783.00				1,793,648,066.94	59,740,670.18	192,290,487.20	62,993,079.64	80,123,476.85		5,243,225,709.19		8,541,895,932.64	794,769,961.07	9,336,665,893.71
Add: changes in accounting policies															
Corrections of prior period errors															
Business combination under common control															
Others															
II. Balance at the beginning of the year	1,229,355,783.00				1,793,648,066.94	59,740,670.18	192,290,487.20	62,993,079.64	80,123,476.85		5,243,225,709.19		8,541,895,932.64	794,769,961.07	9,336,665,893.71
III. Increase/(decrease) during the period					-14,584,451.49	139,841,441.22	24,697,967.17	-8,947,194.23	64,083,051.31		886,248,720.01		811,656,651.55	-20,802,446.00	790,854,205.55
(i) Total comprehensive income							24,697,967.17				1,204,645,071.47		1,229,343,038.64	-20,802,446.00	1,208,540,592.64
(ii) Shareholders' contributions and reduction						139,841,441.22							-139,841,441.22		-139,841,441.22
1. Shareholders 'contributions in ordinary share															
2. Other equity instruments contributions															
3. Amounts of share-based payments recognized in equity															

Item	2019														
	Equity attributable to owners of the parent													Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Others	Subtotal		
		Preference share	Perpetual debt	Others											
4. Others						139,841,441.22							-139,841,441.22		-139,841,441.22
(iii) Profit distribution									64,083,051.31		-318,396,351.46		-254,313,300.15		-254,313,300.15
1. Transfer to surplus reserve									64,083,051.31		-64,083,051.31				
2. Transfer to general Reserve															
3. Distribution to shareholders											-254,313,300.15		-254,313,300.15		-254,313,300.15
4. Others															
(iv) Transfer within equity															
1. Capital reserves converted to Share capital															
2. Surplus reserve converted to Share capital															
3. Loss made up by surplus reserves															
4. Changes in the defined benefit plan transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others															
(v) Special reserve								-8,947,194.23					-8,947,194.23		-8,947,194.23
1. Additions								187,623,758.19					187,623,758.19	3,319,960.82	190,943,719.01
2. Utilization								196,570,952.42					196,570,952.42	3,319,960.82	199,890,913.24
(vi) Others					-14,584,451.49								-14,584,451.49		-14,584,451.49

Item	2019													
	Equity attributable to owners of the parent												Non-controlling interests	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Others	Subtotal		
		Preference share	Perpetual debt	Others											
IV. Balance at the end of the period	1,229,355,783.00				1,779,063,615.45	199,582,111.40	216,988,454.37	54,045,885.41	144,206,528.16		6,129,474,429.20		9,353,552,584.19	773,967,515.07	10,127,520,099.26

Legal Representative: WANG Yusuo　　President: GUAN Yu　　Chief Accountant: LIU Jianjun　　Head of Accounting Department: CHENG Zhiyan

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

Units: RMB yuan

Item	2018														
	Equity attributable to owners of the parent													Non-controlling interests	Total owner's equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Others	Subtotal		
		Preference share	Perpetual debt	Others											
I. Balance at the end of previous year	985,785,043.00				-190,588,229.52		146,826,298.93	86,054,657.10	32,574,921.62		4,092,480,110.53		5,153,132,801.66	748,151,922.40	5,901,284,724.06
Add: changes in accounting policies															
Corrections of prior period errors															
Business combination under common control															
Others															
II. Balance at the beginning of the year	985,785,043.00				-190,588,229.52		146,826,298.93	86,054,657.10	32,574,921.62		4,092,480,110.53		5,153,132,801.66	748,151,922.40	5,901,284,724.06
III. Increase/(decrease) during the period	243,570,740.00				1,984,236,296.46	59,740,670.18	45,464,188.27	23,061,577.46	47,548,555.23		1,150,745,598.66		3,388,763,130.98	46,618,038.67	3,435,381,169.65
(i) Total comprehensive income							45,464,188.27				1,321,229,732.19		1,366,693,920.46	84,495,830.75	1,451,189,751.21
(ii) Shareholders' contributions and reduction	243,570,740.00				1,997,166,367.26	59,740,670.18							2,180,996,437.08		2,180,996,437.08
1.Shareholders 'contributions in ordinary share	243,570,740.00				1,997,166,367.26								2,240,737,107.26		2,240,737,107.26
2. Other equity instruments contributions															
3. Amounts of share-based payments recognized in equity															
4. Others						59,740,670.18							-59,740,670.18		-59,740,670.18
(iii) Profit distribution									47,548,555.23		-170,484,133.53		-122,935,578.30		-122,935,578.30

Item	2018														
	Equity attributable to owners of the parent													Non-controlling interests	Total owner's equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	General reserve	Retained earnings	Others	Subtotal		
		Preference share	Perpetual debt	Others											
1. Transfer to surplus reserve									47,548,555.23		-47,548,555.23				
2. Transfer to general Reserve															
3. Distribution to shareholders											-122,935,578.30		-122,935,578.30		-122,935,578.30
4. Others															
(iv) Transfer within equity															
1. Capital reserves converted to Share capital															
2. Surplus reserve converted to Share capital															
3. Loss made up by surplus reserves															
4. Changes in the defined benefit plan transferred to retained earnings															
5. Other comprehensive income transferred to retained earnings															
6. Others															
(v) Special reserve								-23,061,577.46					-23,061,577.46	-268,587.32	-23,330,164.78
1. Additions								194,245,632.34					194,245,632.34	2,528,886.09	196,774,518.43
2. Utilization								217,307,209.80					217,307,209.80	2,797,473.41	220,104,683.21
(vi) Others					-12,930,070.80								-12,930,070.80	-37,609,204.76	-50,539,275.56
IV. Balance at the end of the period	1,229,355,783.00				1,793,648,066.94	59,740,670.18	192,290,487.20	62,993,079.64	80,123,476.85		5,243,225,709.19		8,541,895,932.64	794,769,961.07	9,336,665,893.71

Legal Representative: WANG Yusuo 王玉锁印 1301048806280

President: GUAN Yu 关宇

Chief Accountant: LIU Jianjun 刘建军

Head of Accounting Department: CHENG Zhiyan 程志岩印

Company Statement of Changes in Equity

For the year ended 31 December 2019

Units: RMB yuan

Item	2019										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owner's equity
		Preference share	Perpetual debt	Others							
I. Balance at the end of previous year	1,229,355,783.00				4,339,472,379.13	59,740,670.18			136,477,854.14	490,718,097.98	6,136,283,444.07
Add: changes in accounting policies											
Correction of prior period errors											
Others											
II. Balance at the beginning of the year	1,229,355,783.00				4,339,472,379.13	59,740,670.18			136,477,854.14	490,718,097.98	6,136,283,444.07
III. Increase/(decrease) during the period						139,841,441.22	-8,591,762.34		64,083,051.31	322,434,161.64	238,084,009.39
(i) Total comprehensive income							-8,591,762.34			640,830,513.10	632,238,750.76
(ii) Shareholders' contributions and reduction						139,841,441.22					-139,841,441.22
1. Shareholders' contributions in ordinary share											
2. Other equity instruments contributions											
3. Amounts of share-based payments recognized in equity											
4. Others						139,841,441.22					-139,841,441.22
(iii) Profit distribution									64,083,051.31	-318,396,351.46	-254,313,300.15
1. Transfer to surplus reserve									64,083,051.31	-64,083,051.31	
2. Distribution to shareholders										-254,313,300.15	-254,313,300.15
3. Others											
(iv) Transfer within equity											
1. Capital reserves converted to Share capital											
2. Surplus reserve converted to share capital											
3. Loss made up by surplus reserves											
4. Changes in the defined benefit plan transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(v) Special reserve											
1. Additions											
2. Utilization											
(vi) Others											
IV. Balance at the end of the period	1,229,355,783.00				4,339,472,379.13	199,582,111.40	-8,591,762.34		200,560,905.45	813,152,259.62	6,374,367,453.46

Legal Representative: WANG Yusuo 王玉锁印 1301048806280

President: GUAN Yu 关宇

Chief Accountant: LIU Jianjun 刘建军印

Head of Accounting Department: CHENG Zhiyan 程志岩印

新奥天然气股份有限公司 1301048806278

Company Statement of Changes in Equity

For the year ended 31 December 2019

Units: RMB yuan

Item	2018										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury Shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total owner's equity
		Preference share	Perpetual debt	Others							
I. Balance at the end of previous year	985,785,043.00				2,342,306,011.87				88,929,298.91	185,716,679.19	3,602,737,032.97
Add: changes in accounting policies											
Corrections of prior period errors											
Others											
II. Balance at the beginning of the year	985,785,043.00				2,342,306,011.87				88,929,298.91	185,716,679.19	3,602,737,032.97
III. Increase/(decrease) during the period	243,570,740.00				1,997,166,367.26	59,740,670.18			47,548,555.23	305,001,418.79	2,533,546,411.10
(i) Total comprehensive income										475,485,552.32	475,485,552.32
(ii) Shareholders' contributions and reduction	243,570,740.00				1,997,166,367.26	59,740,670.18					2,180,996,437.08
1. Shareholders' contributions in ordinary share	243,570,740.00				1,997,166,367.26						2,240,737,107.26
2. Other equity instruments contributions											
3. Amounts of share-based payments recognized in owners' equity											
4. Others						59,740,670.18					-59,740,670.18
(iii) Profit distribution									47,548,555.23	-170,484,133.53	-122,935,578.30
1. Transfer to surplus reserve									47,548,555.23	-47,548,555.23	
2. Distribution to shareholders										-122,935,578.30	-122,935,578.30
3. Others											
(iv) Transfer within equity											
1. Capital reserves converted to Share capital											
2. Surplus reserve converted to Share capital											
3. Loss made up by surplus reserves											
4. Changes in the defined benefit plan transferred to retained earnings											
5. Other comprehensive income transferred to retained earnings											
6. Others											
(v) Special reserve											
1. Additions											
2. Utilization											
(vi) Others											
IV. Balance at the end of the period	1,229,355,783.00				4,339,472,379.13	59,740,670.18			136,477,854.14	490,718,097.98	6,136,283,444.07

Legal Representative: WANG Yusuo 王玉锁印 1301048806280

President: GUAN Yu 关宇

Chief Accountant: LIU Jianjun 刘建军印

Head of Accounting Department: CHENG Zhiyan 程志岩印

ENN Ecological Holdings Co., Ltd.
Notes to Financial Statements of 2019

(Unless otherwise indicated, all amounts herein are expressed in RMB)

I. Company General Information

1. Company Introduction

ENN Ecological Holdings Co., Ltd (hereinafter the "Company" or "ENN"), established in July 1992 upon approval by Hebei Provincial Commission for Restructuring the Economic System following document [1992] No.1 and No.40, was originally named as "Hebei Veyong Industrial Co., Ltd". Upon CSRC approval (CSRC [1993] No.52) in December 1993, the Company publicly offered 20 million A shares, and became listed on the Shanghai Stock Exchange on 3 January 1994, stock code: 600803. In March 1999, the Company was renamed as "Hebei Veyong Biochemical Co., Ltd", and its business license was replaced (registration number: 1300001000524). On 18 October of the same year, upon CSRC approval (CSRC [1999] No.117), the Company allotted shares based on total share capital at the end of 1998, and after such allotment, total share capital amounted to RMB 118.2217 million, including RMB 52.1257 million of state-owned legal person shares and RMB 66.0960 million of public shares. Its state-owned legal person shares were held by Hebei Veyong Group.

On 12 May 2004, upon SASAC approval (SASAC [2004] No.365) of Plan to change ownership and nature of state-owned shares proposed by Hebei Veyong Group, ENN Group and Shijiazhuang ENN Investment Co., Ltd acquired the entire Hebei Veyong Group and thus became the Company's actual controllers. On 28 December 2004, upon CSRC approval (CSRC [2004] No.116), ENN Group and Shijiazhuang ENN Investment Co., Ltd.'s tender offer obligation from acquisition of Hebei Veyong Group and therefore controlling 52.1257 million Company shares was exempted. By purchasing 80% shares of Hebei Veyong Group, ENN Group became an indirect controlling shareholder of Hebei Veyong Biochemical Co., Ltd.

On 4 April 2006, pursuant to Hebei Veyong Biochemical Co., Ltd Share Splitting Reform Plan which was adopted by the shareholders' meeting on share splitting reform, Hebei Veyong Group, as a holder of non-tradable shares, granted 2.5 shares per 10 shares to holders of tradable shares in exchange for the tradability of non-tradable shares, and in aggregate, 16,524,000 shares were granted. After implementation of this plan, the Company's total share capital remained unchanged.

On 30 May 2006, the 2005 Annual General Shareholders' Meeting approved the 2005 Plan for Profit Distribution and Conversion of Capital Reserve into Share Capital, and based on total share capital at the end of 2005, for all shareholders, conversion was made as per 10 shares for every 10 shares, and in aggregate, the conversion resulted in additional 118,221,713 shares. After implementation of this plan, the Company's total share capital amounted to 236,443,426 shares.

On 27 December 2010, upon CSRC approval (CSRC [2010] No.1911), Hebei Veyong Biochemical Co., Ltd issued a total of 75,388,977 shares to ENN Holdings Investment Limited ("ENN Holdings") to purchase 75% shares of Xinneng (Zhangjiagang) Energy Co., Ltd and 100% shares of Xinneng (Bengbu) Energy Co., Ltd held by ENN Holdings. The Company finished the change of securities registration for the new shareholder on 6 January 2011 and the industrial & commercial registration of additional contribution by ENN Holdings on 28 January, and total share capital was 311,832,403 shares.

Pursuant to the resolution adopted by the 2nd Extraordinary Shareholders' Meeting of 2012 and CSRC approval (CSRC [2013] No.211) of Hebei Veyong Biochemical Co., Ltd to issue shares for asset purchase, the Company privately offered 229,872,495 shares to ENN Holdings, 98,360,656 shares to Beijing ENN-Jianyin Energy Development Equity Investment Fund (Limited Partnership) ("ENN Fund"), 78,688,525 shares to Langfang Heyuan Investment Center (Limited Partnership) ("Heyuan Investment"), 100,182,149 shares to Stone Capital Energy Equity Investment Fund (Shanghai) (Limited Partnership) ("Stone Capital Fund"), 63,752,277 shares to Shenzhen Ping'an Innovation Capital Investment Co., Ltd ("Ping'an Capital"), 19,672,131 shares to Legend Holdings and 19,672,131 shares to Oceanwide Energy Investment Co., Ltd ("Oceanwide Investment"), to obtain 100% shares of Xinneng Mining Industry Co., Ltd ("Xinneng Mining") held by these seven companies, and through Xinneng Mining, indirectly obtain 75% shares of Xinneng Energy Limited. The Company finished the change of shareholding registration at CSDC Shanghai Branch on 4 July 2013 and the industrial & commercial registration of additional contribution of RMB 610,200,364 by ENN Holdings, ENN Fund, Heyuan Investment, Stone Capital Fund, Ping'an Capital, Legend Holdings and Oceanwide Investment on 12 August 2013. Company's total share capital was changed to 922,032,767 shares.

On 24 July 2013, as approved by the 25th and the 26th Meeting of the 6th Board of Directors, the Company invested RMB 30 million to establish a wholly owned subsidiary, Hebei Veyong Biochemical Pesticide Co., Ltd ("Pesticide Company"). As approved by the 1st Extraordinary Shareholders' Meeting of 2013, the Company injected its operating assets, liabilities and qualifications in connection with "pesticide production and selling, biochemical and fine chemicals production and selling and other businesses" related to agrochemicals (including its No.3 Bio-Pharmaceutical Plant, Luquan Preparations Branch and Branch of Chemical Park) into Pesticide Company, using audited carrying amount of net asset RMB 227.23 million to increase the capital of Hebei Veyong Biochemical Co., Ltd, which would assume its places and qualifications of agrochemical production and be engaged in agrochemical R&D, production, operation and other relevant activities. In December 2013, Pesticide Company completed the change of industrial and commercial registration, with registered capital at RMB 257.23 million. Head office the Company ceased to be engaged in agrochemical R&D, production, operation, and other relevant activities.

Pursuant to the resolution adopted by the 2nd Extraordinary Shareholders' Meeting of 2012 and CSRC approval (CSRC [2013] No.211) of Hebei Veyong Biochemical Co., Ltd to issue shares for asset purchase, the Company privately offered a total of 63,752,276 RMB-denominated ordinary shares (A-share) on 26 December 2013, with par value at RMB 1.00 per share and offered at RMB 10.98 per share. On 31 December 2013, the Company finished the change of shareholding registration for privately offered shares and the change of industrial & commercial registration of registered capital, and share capital was up to 985,785,043 shares. Such change was verified by Zhongxi CPAs through a capital verification report (Zhongxi [2013] No.09017).

Pursuant to Proposal on the Related Party Transactions of Xinneng Mining Industry Co., Ltd Purchasing the Shares of Relevant LNG Plants adopted by the 1st Extraordinary Shareholders' Meeting in September 2014, the subsidiary Xinneng Mining Industry Co., Ltd paid RMB 161.3830 million to obtain 100% shares of Shanxi Qinshui ENN Clean Energy Co., Ltd ("Qinshui ENN") from ENN (China) Gas Investment Co., Ltd, and completed share transfer registration at the Industry & Commerce Administration of Qinshui County, Shanxi Province in October 2014. Meanwhile, Xinneng Mining Industry Co., Ltd paid RMB 68.6070 million to obtain 45% shares of CNOOC-ENN (Beihai) Gas Co., Ltd ("CNOOC-ENN") from ENN (China) Gas Investment Co., Ltd, As of 30 June 2016, shares transfer registration at Beihai Industry & Commerce Administration was completed, and CNOOC-ENN (Beihai) Gas Co., Ltd was renamed as "Beihai Gas Co., Ltd of CNOOC Gas and Power", with a new business license obtained. As from 1 July 2016, Beihai Gas Co., Ltd of CNOOC Gas and Power became an affiliate of the Company.

Pursuant to Proposal on Xinneng Mining Industry Co., Ltd Purchasing the Shares of Xinneng Fenghuang (Tengzhou) Energy Co., Ltd adopted by the 1st Extraordinary Shareholders' Meeting in September 2014, Company's subsidiary Xinneng Mining Industry Co., Ltd paid RMB 160.0083 million to purchase 17.5% shares of Xinneng Fenghuang (Tengzhou) Energy Co., Ltd ("Xinneng Fenghuang") from Legend Holdings; RMB 114.2916 million to purchase 12.5% shares of Xinneng Fenghuang from Legend Holdings (Tianjin) Co., Ltd; and RMB 90 million to purchase 10% shares of Xinneng Fenghuang from Shandong Tengzhou Chenlong Energy Sources Group. As of 16 October 2014, the registration of transfer of 40% shares of Xinneng Fenghuang at Tengzhou Industry & Commerce Administration was finished.

On 24 December 2014, upon approval by the 2nd Extraordinary Shareholders' Meeting of 2014, the Company was renamed as "ENN Ecological Holdings Co., Ltd" and obtained a new business license from Shijiazhuang Industry & Commerce Administration. Upon approval by the Shanghai Stock Exchange, the abbreviation "Veyong Biochemical" was replaced by "ENN" as from 16 January 2015, stock code remained unchanged.

On 3 December 2014, the 7th Board of Directors of the Company convened the 12th Meeting and approved Proposal to Carry out Preliminary Operation for Relevant LNG Projects, allowing the management to carry out preliminary operation for production of LNG from coke oven gas and other unconventional natural gas. On 25 March 2015, the 7th Board of Directors of the Company convened the 14th Meeting and approved Proposal on Establishing Xuzhou Xinneng Longshan Clean Energy Co., Ltd as a Subsidiary, authorizing the Company to co-invest with Xuzhou Longshan Coking Co., Ltd to set up asubsidiary, Xuzhou Xinneng Longshan Clean Energy Co., Ltd ("Xinneng Longshan"). Xinneng Longshan had a registered capital of RMB 110 million, including RMB 56.10 million monetary contribution by the Company for 51% of Xineng Longshan's total shares. Due to changes of cooperation conditions, on 18 August 2015, the 7th Board of Directors of the Company convened the 19th Meeting and and approved Proposal on Cancelling the Subsidiary Xuzhou Xinneng Longshan Clean Energy Co., Ltd", approving the cancellation and liquidation of Xuzhou Xinneng Longshan Clean Energy Co., Ltd.

On 8 June 2015, the 7th Board of Directors of the Company convened the 18th Meeting and approved Proposal on Establishing Qian'an ENN Clean Energy Co., Ltd as a Subsidiary, authorizing the Company to co-invest with Qian'an Logistics Co., Ltd of Tewoo Group and Qian'an Yiwang Investment Co., Ltd to establish Qian'an ENN Clean Energy Co., Ltd. with registered capital of RMB 110 million. In November 2018, the Company signed the shares transfer agreement with Tiandao Warehouse and Logistics (Qian'an) Co., Ltd, transferring all the shares of Qian'an ENN Clean Energy Co., Ltd held by it to Tiandao Warehouse and Logistics (Qian'an) Co., Ltd for RMB 22.0028 million, and completed the change of industrial & commercial registration in the same month.

Pursuant to Proposal on Xinneng Mining Industry Co., Ltd Purchasing 100% Shares of Xindi Energy Engineering Technology Co., Ltd adopted by the 17th Meeting of the 7th Board of Directors in April 2015 and by the 1st Extraordinary Shareholders' Meeting in May 2015, the subsidiary Xinneng Mining Industry Co., Ltd paid RMB 1,060.80 million to purchase 60% shares of Xindi Energy Engineering Technology Co., Ltd ("Xindi Engineering") from ENN Group and RMB 707.20 million to purchase 40% shares of Xindi Engineering from ENN PV Energy Co., Ltd. On 14 May 2015, Xindi Engineering completed the registration of transfer of 100% shares at the Industry & Commerce Administration of Langfang Development Zone and obtained a new business license.

Pursuant to Proposal on Establishing Tianjin FTZ ENN Xinneng Trading Co., Ltd as a Wholly Owned Subsidiary adopted by the 19th Meeting of the 7th Board of Directors in August 2015, Tianjin FTZ ENN Xinneng Trading Co., Ltd was established as a wholly owned subsidiary by the Company, registered capital: RMB 80 million. Due to changes of operating environment and regulatory policies regarding hazardous chemicals inplace of registration, work safety regulatory authority suspended issuing operation and production licenses for hazardous chemicals, and therefore, Tianjin FTZ ENN Xinneng Trading Co., Ltd could not realize its purpose of operation. On 28 March 2018, the 8th Board of Directors convened the 21st Meeting and approved Proposal on Cancelling Tianjin FTZ ENN Xinneng Trading Co., Ltd, authorizing the cancellation and liquidation of the subsidiary Tianjin FTZ ENN Xinneng Trading Co., Ltd.

According to the 23rd Meeting of the 7th Board of Directors convened on March 22, 2016 and the 1st extraordinary general meeting held in April 2016, Proposal on Establishment of a Wholly-owned Subsidiary Xinneng (Tianjin) Energy Co., Ltd. was reviewed and approved at the Company would set up a wholly-owned subsidiary, Xinneng (Tianjin) Energy Co., Ltd., with a registered capital of RMB 80 million. As of 30 June 2019, the Company made an actual capital contribution of RMB 80 million.

Pursuant to Proposal on the Plan of Major Asset Purchase, Proposal on Signing the Conditional Shares Transfer Agreement with Robust Nation Investments Limited and Proposal on Designating the Wholly Owned Overseas Subsidiary Xinneng (Hong Kong) Energy Investment Limited to Implement the Major Asset Purchase adopted by the 23th Meeting of the 7th Board of Directors in March 2016, by the 25th Meeting of the 7th Board of Directors in April 2016 and by the 1st Extraordinary Shareholders' Meeting and the 2nd Extraordinary Shareholders' Meeting of 2016, Xinneng (Hong Kong) Energy Investment Limited ("Xinneng (Hong Kong)"), a wholly owned subsidiary by the Company, purchased 100% shares of United Faith Ventures Limited from Robust Nation Investments Limited in cash, and thus indirectly held 11.82% shares (209,734,518 shares) of Santos Limited ("Santos")—an Australian company listed on ASX. The purchase of 100% shares of United Faith Ventures is a business combination not under the common control, Xinneng (Hong Kong) paid a total of USD 754,809,895 and completed shares transfer on 29 April 2016, with 30 April 2016 as the date of combination. As of 31 December 2016, the Company finished additional contribution of RMB 1,600 million to Xinneng (Hong Kong). On 11 May 2018, the Board of Directors of Xinneng (Hong Kong) resolved to increase USD 532,367,984 to the capital, and on 16 May, Xinneng (Hong Kong) received additional contribution of USD 532,367,984 and completed the change of registration. As of 30 June 2019, the Company contributed a total of RMB 4,981.8152 million to Xinneng (Hong Kong).

Pursuant to Proposal on Transferring 100% Shares of Xinneng (Bengbu) Energy Co., Ltd adopted by the 17th Meeting of the 8th Board of Directors on 30 November 2017, the Company transferred 100% shares of its wholly owned subsidiary Xinneng (Bengbu) Energy Co., Ltd to Anhui Hongrun Petrochemicals Sales Co., Ltd for RMB 55.4532 million. On 11 December 2017, the shares transfer agreement was entered among the Company, Anhui Hongrun Petrochemicals Sales Co., Ltd and Xinneng (Bengbu). In January 2018, the registration of above shares transfer was completed, and full payment was received. After such transfer, the Company no longer held shares of Xinneng (Bengbu) Energy Co., Ltd.

On 30 August 2017, pursuant to Proposal on 2017 Plan of Public Securities Offering for Shares Allotment and Proposal on Adjusting the 2017 Plan of Public Securities Offering for Shares Allotment" adopted by the 8th Meeting of the 8th Board of Directors on 17 April 2017, by the 3rd Extraordinary Shareholders' Meeting of 2017 on 3 May 2017, and by 13th Meeting of the 8th Board of Directors on 2 August 2017, the 15th Meeting of the 8th Board of Directors approved Proposal on Determining the Proportion of Shares Allotment. On 19 January 2018, the Company received the CSRC Approval of Shares Allotment by ENN Ecological Holdings

Co., Ltd (CSRC [2018] No.115). Based on a total of 985,785,043 shares after the closing of the Shanghai Stock Exchange on 1 February 2018 as the registration date, shares were allotted to all shareholders at 2.5 shares per 10 shares and at a price RMB 9.33 per share. As of 12 February 2018, holders of unrestricted tradable shares subscribed a total of 243,570,740 shares, the Company received RMB 2,272,515,004.20, and after deducting various issuance costs RMB 33,684,570.74 (tax included), net amount raised was RMB 2,238,830,433.46, including RMB 243,570,740.00 as share capital and RMB 1,997,166,367.26 as capital reserve. Meanwhile, the Company's registered capital was up to RMB 1,229,355,783.00.

Pursuant to Proposal on Signing the Shares Transfer Agreement with Limin Chemical Co., Ltd. and Other Entities on Selling Animal Drug Assets adopted by the 40th Meeting of the 8th Board of Directors on 12 March 2019, the Company transferred 100% shares of the wholly owned subsidiary Hebei Veyong Bio-Chemical Co. Ltd., 100% shares of Hebei Veyong Animal Pharmaceutical Co., Ltd. and 100% shares of Inner Mongolia New Veyong Biochemical Co., Ltd. to Limin Chemical Co., Ltd. (accounting for 60%), Xinjiang Xinrong Renhe Equity Investment Limited Partnership (accounting for 25%) and Jiaxing Jinyu Xinwei Equity Investment Partnership (Limited Partnership) (accounting for 15%) at a total price of RMB 758,557,800. On 12 March 2019, the Company signed the Share Transfer Agreement with Limin Chemical Co., Ltd., Xinjiang Xinrong Renhe Equity Investment Limited Partnership and Jiaxing Jinlu Xinwei Equity Investment Partnership (Limited Partnership). In June 2019, the change of industrial & commercial registration of above share transfer was completed, and full payment was received. After such transfer, the Company no longer hold shares of Hebei Veyong Bio-Chemical Co. Ltd., Hebei Veyong Animal Pharmaceutical Co., Ltd. and Inner Mongolia New Veyong Biochemical Co., Ltd.

Pursuant to Proposal on Setting Up a Wholly-Owned Subsidiary adopted by the 2nd Meeting of the 9th Board of Directors held on August 15, 2019 and the fourth extraordinary general meeting of 2019 held in September 2019, the Company sets up a wholly-owned subsidiary, ENN (Tianjin) Energy Investment Co., Ltd., with registered capital of RMB 5 billion. As of December 31, 2019, the contributed capital of is RMB 1,111.2333 million.

As of 31 December 2019, Company's registered capital: RMB 1,229,355,783; uniform social credit code: 91130100107744755W; legal representative: WANG Yusuo; address: 393 East Heping Road, Shijiazhuang; scope of business: clean energy project construction, natural gas in particular, clean energy management service, natural gas and clean energy R&D, technical consulting, service and transfer, business management consulting, and commercial consulting (excluding securities, investment, futures, education and training) (Those subject to approval must not be commenced until after approval by competent authorities).

2. Company Structure

As of December 31, 2019, the Company has three wholly-owned subsidiaries which are Xinneng Mining Co., Ltd. ("Xinneng Mining"), Xinneng (Hong Kong) Energy Investment Co., Ltd. ("Xinneng Hong Kong") and ENN (Tianjin) Energy Investment Co., Ltd. ("ENN Tianjin"); The Company has fifteen controlled or wholly-owned sub-subsidiaries, which are Xinneng Energy Co., Ltd. ("Xinneng Energy"), Xinneng (Tianjin) Energy Co., Ltd. ("Xinneng Tianjin"), Shanxi Qinshui ENN Clean Energy Co., Ltd. ("Qinshui ENN"), Xinneng (Zhangjiagang) Energy Co., Ltd. ("Xinneng Zhangjiagang"), ENN Xinneng (Beijing) Technology Co., Ltd., Inner Mongolia Xinneng Mining Co., Ltd. ("Inner Mongolia Xinneng"), Xindi Energy Engineering Technology Co., Ltd. ("Xindi Engineering"), Xinneng Mining (Hong Kong) Energy Investment Limited, Xinneng (Langfang) Energy Chemical Technology Service Co., Ltd., Xindi (Zhoushan) LNG Pipeline Maintenance Co., Ltd., United Faith Ventures Limited ("United Faith"), ENN Clean Energy International Investment Limited, ENN Natural Gas Investment Inc and ENN LNG(SINGAPORE)PTE.LTD. It has five associates, which are Beijing C. A. H. Bio-Technology Co., Ltd., Xinneng Fenghuang (Tengzhou) Energy Co., Ltd. ("Xinneng Fenghuang"), CNOOC Gas & Power Group Beihai Gas Co., Ltd. ("Beihai Gas"), Santos Limited ("Santos") and Ordos Xinneng Logistics Co., Ltd.; the Company has one joint venture, namely Dongguan Xinde Gas Engineering Project Management Co., Ltd.

3. Scope of Consolidation and Its Changes

Below are subsidiaries with the scope of consolidation in the reporting period:

Subsidiary's Full Name	Registered Capital (RMB 10,000)	Actual Capital Contribution (RMB 10,000) as of 31 Dec 2019	Shareholding (%)		Remarks
			Direct	Indirect	
Xinneng Mining Industry Co., Ltd	79,000.00	249,379.68	100		
Xinneng Energy Limited	325.16million USD	61,424.63		75	
Xinneng (Langfang) Energy Chemical Technology Service Co., Ltd.	1,100.808	1,100.808		100	
Inner Mongolia Xinneng Mining Co., Ltd	1,000.00	1,000.00		100	
Xinneng (Zhangjiagang) Energy Co., Ltd	26.68million USD	17,597.05		75	
ENN Xinneng (Beijing) Technology Co., Ltd	1,000.00	168.25		80	
Inner Mongolia New Veyong Biochemical Co., Ltd	4,000.00	6,264.60	100		Sold in the reporting period
Hebei Veyong Animal Pharmaceutical Co., Ltd	5,000.00	5,080.00	100		Sold in the reporting period
Hebei Veyong Bio-Chemical Co. Ltd	25,723.00	25,723.00	100		Sold in the reporting period
ENN (Tianjin) Energy Investment Co., Ltd.	500,000.00	111,123.33	100		New addition in reporting
Xindi (Zhoushan) Natural Gas Pipeline Maintenance Co., Ltd.	5,000.00	5,000.00		100	New addition in reporting

Subsidiary's Full Name	Registered Capital (RMB 10,000)	Actual Capital Contribution (RMB 10,000) as of 31 Dec 2019	Shareholding (%)		Remarks
			Direct	Indirect	
Shanxi Qinshui ENN Clean Energy Co., Ltd	9,000.00	12,701.33		100	
Xindi Energy Engineering Technology Co., Ltd	30,000.00	90,421.99		100	
Xinneng (Tianjin) Energy Co., Ltd.	8,000.00	8,000.00		100	
Xinneng (Hong Kong) Energy Investment Limited	778.1816 Million USD	778.1816 Million USD	100		
Xinneng Mining (Hong Kong) Energy Investment Limited	10,000 HKD			100	
United Faith Ventures Limited	1,001 USD	754.8099 Million USD		100	
Xinneng Capital Management Limited	100 USD			100	
ENN Natural Gas Investment Inc	100 USD			100	
ENN Clean Energy International Investment Limited	100 USD			100	
ENN Lng (Singapore) Pte.Ltd	1 Million SGD			100	New addition in reporting period

Notes: The Company's consolidated financial statements only incorporate income statements and statements of cash flows for five months ended May 31, 2019 of three companies, i.e., Hebei Veyong Bio-Chemical Co. Ltd, Hebei Veyong Animal Pharmaceutical Co., Ltd. and Inner Mongolia New Veyong Biochemical Co., Ltd.

II. Basis for the Preparation of Financial Statements

1. Preparation Basis

These financial statements have been prepared for actual transactions and matters on the basis of going concern assumption and in accordance with the Accounting Standards for Business Enterprises -Basic Standards, specific accounting standards, implementation guidance and interpretations for accounting standards and other relevant provisions on such standards as promulgated by the Ministry of Finance (hereafter collectively referred to as "Accounting Standards for Business Enterprises") as well as the CSRC Rules for the Information Disclosure and Compilation of Companies Publicly Issuing Securities No.15 - General Rules on Financial Reports.

2. Going Concern

The Company has assessed its ability of continuing operation for 12 months from the end of current reporting period and has not found any facts and circumstances resulting in any substantial doubt of its ability of continuing operation. Therefore, these financial statements have been prepared on the basis of going-concern assumption.

III. Important Accounting Policies and Estimates

1. Conformity Statement

These financial statements have been prepared in conformity with the Accounting Standards for Business Enterprises, and truthfully and completely reflect the Company's financial position, financial performance, changes of shareholders' equity, cash flows and other relevant information.

2. Accounting Period

The financial year of the company is calendar year from 1 January to 31 December.

3. Operating Period

An operating period consists of 12 months.

4. Functional Currency

The company's functional currency is Renminbi.

5. Accounting treatments of "Business combination involving entities under common control" and "Business combination involving entities not under common control"

(1) Business combination under the common control: a business combination under common control is a business combination in which all the combining enterprises are ultimately controlled by the same party or the same parties before and after the business combination, and the control is not temporary. Except for adjustment due to accounting policy differences, assets and liabilities obtained by the Company in a business combination under the common control shall be measured by the carrying amount of the combined party's assets and liabilities (including goodwill arising out of the acquisition of the combined party by the ultimate controlling party) on the date of combination as indicated in the ultimate controlling party's financial statements. Assets and liabilities obtained by the Company in a business combination shall be measured by the carrying amount of the combined party on the date of combination. Differences between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid (or the total par value of the shares issued), are adjusted into capital reserve. If capital reserve is not sufficient to be offset, the retained earnings shall be adjusted. Direct costs for business combination, including audit, legal service, assessment, and consulting, etc., shall be recorded into current period profit and loss as incurred. Transaction costs in connection with equity securities issued for business combination shall be deducted from proceeds received from such equity securities issuance, or deducted from the premium (if any) of such issuance, or offset surplus reserve or retained earnings when the issuance of equity securities has no premium or the premium is insufficient.

(2) Business combination not under the common control: Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed for a business combination at fair value, and shall record the differences between fair value and carrying amount into current period profit and loss. Company shall recognize the positive balance between the combination costs and the fair value of the net identifiable assets it obtains from the acquiree as goodwill, and record the negative balance between the combination costs and the fair value of the net identifiable assets it obtains from the acquiree into current period profit and loss after the reexamination. Audit, legal services, assessment, consulting and other intermediary expenses and relevant management expenses incurred by the acquirer for the purpose of business combination shall be recorded into current period profit and loss as incurred. Transaction costs for the issuance of equity or debt securities for business combination shall be recorded into the initial recognized amount of equity or debt securities.

Fair value of the net identifiable assets of the acquiree refers to the balance of the fair value of the identifiable assets acquired from the acquiree in a business combination minus the fair value of the liabilities and contingent liabilities; at the end of the current reporting period where a business combination occurred, if the fair values of the identifiable assets, liabilities and contingent liabilities acquired in the combination or the cost of the business combination can only be determined temporarily, the acquirer shall recognize and measure the business combination on the basis of temporarily determined values. Where an adjustment is made to the temporarily determined values within 12 months after the acquisition date, it shall be deemed as being recognized and measured on the acquisition date.

6. Preparation Method of Consolidated Financial Statements

(1) Identification of the scope of the consolidation

Scope of consolidation for consolidated financial statements shall be determined based on control, and shall include subsidiaries identified in accordance with voting rights (or similar rights) or other arrangements, including structured entities established based on one or several contractual arrangements.

Control means that the investor has the authority over the invested party, is entitled to variable benefits by participating in the invested party’s relevant activities and able to affect the amount of such benefits by exercising its power over the invested party. Relevant activities mean any activities that may have a significant influence on the return of the invested party. Relevant activities of the invested party shall be ascertained, usually include sale and purchase of goods or service, management of financial assets, purchase and disposal of assets, research and development activities and financing activities, etc. Subsidiary refers to entities controlled by the Company (including divisible parts of any enterprise or invested unit as well as structured entities controlled by the enterprise), and a structured entity refers to an entity that is designed without taking voting rights or similar rights as a decisive factor for the determination of its controlling party (also referred to as “Special Purpose Vehicle”).

(2) Preparation of consolidated financial statements

The Company shall prepare consolidated financial statements based on financial statements of its own and its subsidiaries and in accordance with other relevant information. In preparing consolidated financial statements, the Company shall treat the entire group as an accounting entity, carry out recognition, measurement, and presentation in accordance with relevant accounting standards, and reflect the group’s overall financial position, operating result, and cash flows in accordance with uniform accounting policies

1) Consolidate the parent company and subsidiaries’ assets, liabilities, owner’s equity, income, expenses, and cash flows, etc.

2) Offset the parent company's long-term equity investment in the subsidiary and the parent company's share of the subsidiary's owner's equity.

3) Offset the impact of internal transactions between the parent company and its subsidiaries or between different subsidiaries. When internal transactions indicate any impairment of relevant assets, such portion of loss shall be fully recognized.

4) Adjust special transactions from the perspective of the group.

(3) Special considerations for combination elimination

1) When temporary differences arise between the carrying amount of assets and liabilities in the consolidated statement of financial position and their tax base as a result of unrealized profit or loss arising from internal sales, deferred income tax asset or deferred income tax liability shall be recognized in the statement of financial position, and at the same time, income tax expenses in the consolidated income statement shall be adjusted, except for transactions or items directly included into owner’s equity and deferred income tax in connection with business combination.

2) Unrealized profit or loss arising from the Company’s sale of assets to its subsidiaries shall be fully offset against “net profit attributable to the owner of the parent company”. Unrealized profit or loss arising from a subsidiary’s sale of assets to the Company shall be distributed and offset between “net profit attributable to the owner of the parent company” and “non-controlling interests” in proportion with the share of distribution to this subsidiary by the Company. Unrealized profit or loss arising from sale of assets between subsidiaries shall be distributed and offset between “net profit attributable to the owner of the parent company” and “non-controlling interests” in proportion with the share of distribution to the selling subsidiary by the Company.

3) Where the current loss assumed by minority shareholders of a subsidiary exceeds the amount of owner’s equity of this subsidiary that they are entitled to at the beginning of the period, the balance still shall be credited

against minority interests.

7. Joint Arrangements and Joint Operations

Joint arrangements are divided into joint operations and joint ventures. A joint operation refers to a joint arrangement in which the parties are entitled to relevant assets and assume relevant liabilities of this arrangement. A joint venture refers to a joint arrangement in which the parties are only entitled to net assets of this arrangement.

A party to a joint operation shall recognize the following items in connection with its share of profit of joint operations: assets held alone and assets held jointly by shares; liabilities assumed alone and liabilities assumed jointed by shares; revenue generated by the sale of output of joint operations; costs incurred alone and costs incurred in joint operations.

8. Cash & Cash Equivalents

Cash equivalents represent the Group’s short term（generally refers to the investment due within three months from the date of purchase） highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

9. Foreign Currency Accounting Method

(1) Determination of exchange rate for foreign currency transaction translation

At time of initial recognition, a foreign currency transaction shall be translated into the functional currency at the spot exchange rate or at an exchange rate approximate to the spot exchange rate on the date of transaction.

(2) Translation of foreign currency monetary items on reporting date

On reporting date, foreign currency monetary items shall be translated at the spot exchange rate. The difference between the spot exchange rate on the reporting date and the spot exchange rate at the time of initial recognition or prior reporting date shall be recorded into current period profit and loss.

(3) Conversion of foreign currency financial statements

Before converting overseas business financial statements, it is necessary to adjust accounting periods and policies for overseas business operations to be consistent with the Group’s accounting periods and policies, and then prepare financial statements in original currency (other than functional currency) on the basis of adjusted accounting periods and policies, and then convert the financial statements of overseas operations according to the following method:

1) Asset and liability items in statement of financial position shall be converted at a spot exchange rate on reporting date. Among owner's equity items, except "Retained earnings", other balances shall be converted at

the spot exchange rate as incurred.

2) Income and expense items in the income statement shall be converted at spot exchange rate or at an exchange rate approximate to the spot exchange rate on date of transaction.

3) When preparing consolidated financial statements, difference arising from above translation shall be presented as “other comprehensive income” under owner’s equity in consolidated statement of financial position.

4) Cash flows in foreign currency and cash flows of an overseas subsidiary shall be converted at the spot exchange rate or at an exchange rate approximate to the spot exchange rate on the date of cash flows. The impact of exchange rate on cash should be used as a reconciliation item and presented separately in cash flows statement.

10. Financial Instruments

(1) Classification of financial assets and financial liabilities

Financial assets are divided into three categories at time of initial recognition: 1) financial assets measure at amortized cost; 2) financial assets at fair value through other comprehensive income; 3) financial assets at fair value through current profit or loss.

On initial recognition, financial liabilities are classified into the following four categories: 1) financial liabilities at fair value through current profit or loss; 2) financial liabilities arising from the transfer of financial asset not meeting the de-recognition criteria or from the continuing involvement in the transferred asset; 3) financial guarantee contracts which do not fall within the category of 1) or 2) above, and loan commitments which do not fall within category 1) above and made at an interest rate lower than the market rate; 4) financial liabilities measured at amortized cost.

(2) Recognition basis and measurement methods and de-recognition conditions for financial assets and financial liabilities

1) Determination basis and measuring methods for financial assets and financial liabilities

A financial instrument is recognized as an asset or liability when the Company becomes a party thereto. For financial assets or financial liabilities measured at fair value through profit or loss, the transaction expenses are directly included in current profit and loss; for financial assets or financial liabilities in other categories, the transaction expenses are included in the amount initially recognized. However, accounts receivable initially recognized by the Company that do not include a significant financing component or where the Company does not consider the financing component in a contract with a term not exceeding one year will be initially measured at transaction price.

2) Subsequent measurement of financial assets

① Financial assets measured at amortized cost

Financial assets are subsequently measured at the amortized cost using the effective interest rate method. Gains or losses arising from a financial asset measured at amortized cost which does not form part of any hedging relationship are recorded in current profit or loss at the time of de-recognition, reclassification, amortization according to the effective interest method or recognition of impairment.

②Investments in debt instruments at fair value through other comprehensive income

They are subsequently measured at fair value. Interest, impairment loss or gain and exchange gain/loss calculated using the effective interest method are recorded in current profit or loss, other gains or losses are recorded in other comprehensive income. On de-recognition, accumulated incomes or losses that were previously recorded in other comprehensive income are transferred from other comprehensive income and recorded in current profit or loss.

③Investments in equity instruments at fair value through other comprehensive income

They are subsequently measured at fair value. Dividend received (except for the portion which forms part of investment cost recovered) is recorded in current period profit or loss, other gains or losses are recorded in other comprehensive income. On de-recognition, accumulated incomes or losses that were previously recorded in other comprehensive income are transferred from other comprehensive income and recorded in retained earnings.

④ Financial assets at fair value through profit or loss

Gains or losses (including interest income and dividend income) arising from the subsequent measurement at fair value are recorded in current profit or loss, unless the financial asset forms part of a hedging relationship.

3) Method for the subsequent measurement of financial liabilities

① Financial liabilities at fair value through profit or loss

These financial liabilities include transactional financial liabilities (including derivative instruments which belong to the category of financial liabilities) and financial liabilities designated as at fair value through current profit or loss. These financial liabilities are subsequently measured at fair value. The amount of changes in the fair value of financial liabilities designated as at fair value through profit or loss, which arise from the change in the credit risk of the Company, is recorded in other comprehensive income, unless such accounting treatment would result in or increase the accounting mismatch of gain and loss. Other gains or losses (including interest expense, except for the fair value changes arising from the change in credit risk of the Company) on such financial liabilities are recorded in current profit or loss, unless such financial liabilities form part of a hedging relationship. On de-recognition, accumulated incomes accumulated incomes or losses that were previously recorded in other comprehensive income are transferred from other comprehensive income and recorded in retained earnings.

② Financial liabilities resulting from the transfer of financial assets which does not satisfy the de-recognition criteria or from the continuing involvement in the transferred assets

They are measured according to the relevant provisions of the Accounting Standard for Business Enterprises No.23 ---Transfer of Financial Assets.

③Financial guarantee contracts which do not fall within the category of 1) or 2) above, and loan commitments which do not fall within the category of 1) above and made at an interest rate lower than the market rate, are subsequently measured at the higher of the two following amounts after initial recognition: ①the amount of loss provision determined according to the rules related to the impairment of financial instruments; ②The remaining balance of the initially recognized amount after deducting the amount of accumulated amortization determined according to relevant rules.

④Financial liabilities measured at amortized cost

They are measured at amortized cost using the effective interest method. Gains or losses arising from a financial liability measured at amortized cost which does not form part of any hedging relationship are recorded in current profit or loss at the time of de-recognition or amortization according to the effective interest method.

4) De-recognition of financial assets and financial liabilities

①Financial assets are de-recognized when any of the following criteria is met:

a. The contractual right to receive cash flows from the financial asset has expired;

b. The financial asset has been transferred, and such transfer satisfies the criteria set out in the Accounting Standard for Business Enterprises No.23 ---Transfer of Financial Assets regarding the de-recognition of financial assets.

② Where the present obligation of a financial liability (or a portion thereof) has been discharged, the Company de-recognizes the financial liability (or a portion thereof).

(3) Basis for recognizing and methods for measuring the transfer of financial assets

Where the Company has transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is de-recognized, and the right and obligation arising from or retained in the transfer are individually recognized as an asset or liability; where substantially all risks and rewards of ownership of the financial asset are retained, the financial asset transferred remains recognized. Where the Company neither has transferred nor retained substantially all risks and rewards of ownership of the financial asset, accounting treatment is performed with a distinction between the following two cases: 1) where the Company does not retain control over the financial asset, the asset will be de-recognized, the right and obligation arising from or retained in the transfer will be individually recognized as an asset or liability; 2) where the Company retains control over the financial asset, the relevant financial asset will be recognized according to the extent of the Company's continuing involvement in the transferred asset, and the relevant liability will be recognized accordingly.

Where overall transfer of financial assets meets the conditions for termination of recognition, the difference between the following two amounts shall be included in current profit or loss: 1) The carrying value of the transferred financial asset as of the date of de-recognition; 2) Sum of the consideration received for the transfer of the financial asset, and the portion of the cumulative amount of fair value changes previously recorded in other comprehensive income that corresponds with the portion of the asset de-recognized (the transferred financial asset is an investment in debt instruments at fair value through other comprehensive income). Where a portion of the financial asset has been transferred and the transferred portion as a whole satisfies the de-recognition criteria, the carrying value of the financial asset as a whole prior to its transfer is allocated between the portion of the asset de-recognized and the portion that remains recognized, according to their relative fair value as of the transfer date, and the difference between the two amounts mentioned below is recorded in current profit or loss: 1) The carrying value of the de-recognized portion; 2) sum of the consideration received for the de-recognition portion, and the portion of the cumulative amount of fair value changes previously recorded in other comprehensive income, which corresponds with the de-recognized portion (the transferred financial asset is an investment in debt instruments at fair value through other comprehensive income).

(4) Methods for determining fair values of financial assets and liabilities

Where there is an active market for a financial instrument, the quoted prices in the active market shall be used to determine its fair value. Where there is no active market for a financial instrument, appraisal value method shall be adopted to determine its fair value.

The Company applies valuation techniques that are applicable in the current situation and are supported by sufficient available data and other information to determine the fair value of relevant financial assets and financial liabilities. The Company classifies the inputs of valuation techniques into the following levels and applies them accordingly:

1) Input value of the first hierarchy is the unadjusted quotation of the same assets or liabilities available on the active market on the measurement day;

2) Level 2 inputs are inputs for the relevant assets or liabilities other than the level 1 inputs, which are directly or indirectly observable, including quotations for similar assets or liabilities in an active market; quotations for the same or similar assets or liabilities in an inactive market; other observable inputs other than quotations, such as interest rate and yield curve observable during normal quotation intervals; and market-tested inputs;

3) Level 3 inputs are non-observable inputs for the relevant assets or liabilities, including interest rate and stock volatility which cannot be directly observed or cannot be verified by observable market data, the future cash flows of a retirement obligation assumed in a business combination, and financial forecast performed based on internal data.

(5) Impairment of financial instruments

1) Impairment provision for financial assets measured at amortized cost, debt instrument investment at fair value through other comprehensive income and financial guarantee contracts is recognized based on expected credit loss.

The Company calculates the probability-weighted amount of the present value of the difference between the cash flows receivable under a contract and the cash flows that can be expected to be received, using default risk as weight, taking into account reasonable and well-supported information including past events, current situation and forecast of future economic situation, on that basis, it recognizes the expected credit loss.

At each reporting date, the Company measures the expected credit loss of financial instruments at different stages respectively. Where the credit risk of a financial instrument since initial recognition has not significantly increased, it is considered to be at the first stage, and the Company will measure loss provision based on the future 12-month expected credit loss; where the credit risk of the financial instrument since initial recognition has significantly increased but no credit impairment has occurred, it is considered to be at the second stage, and the Company will measure loss provision according to the full lifetime credit loss of the instrument; where the financial instrument has suffered credit impairment since initial recognition, it is considered to be at the third stage, and the Company will measure loss provision according to the full lifetime expected credit loss. For financial instruments that have relatively low credit risk at the reporting date, the about assumes that the credit risk of such instruments has not significantly increased after initial recognition, and chooses to calculate loss provision according to the twelve-month expected credit loss.

For financial instruments at the first and second stages and with lower credit risk, the Company calculates interest income according to the book balance without deducting the impairment provision, and using the effective interest rate. For financial instruments at the third stage, interest income is calculated based on the amortized cost obtained by subtracting impairment provision from the book balance, using effective interest rate.

2) For bills receivable, accounts receivable and other receivables arising from day-to-day business activities such as the sale of goods and provision of service, regardless of whether they contain a significant financing component, the Company estimates the expected credit loss of such receivables on an individual or portfolio basis, taking into account all reasonable and well-support information, including forward-looking information, and it applies the simplified model of expected credit loss to measure loss provision according to the full lifetime expected credit loss. The method for recognizing bad debt provision is as follows:

① At the end of period, impairment test is conducted individually for receivable where there is objective evidence of impairment, impairment loss is recognized and bad debt provision is made according to the difference by which the present value of expected future cash flows is less than the carrying amount of the receivable.

② When it is unable to evaluate the expected credit loss of an individual financial asset using reasonable cost, the Company divides receivables into portfolios based on credit risk characteristics, and calculates the expected credit loss on a portfolio basis.

A. Basis for determining the portfolio of bills receivable are as follows:

Item	Basis for grouping
Portfolio 1 of bills receivable---bank acceptance bill	The acceptor is the bank with low credit risk
Portfolio 2 of bills receivable---trade acceptance draft	The acceptor is the company with high credit risk

For a portfolio of bills receivable with a higher credit risk, the rate of loss from expected credit impairment is 1%.

B. Basis for determining the portfolio of accounts receivable are as follows:

Item	Basis for grouping
Portfolio 1 of accounts receivable	Portfolio of accounts receivable based on account age
Portfolio 2 of accounts receivable	Group of related parties within the scope of combination

C. Basis for determining the portfolio of other receivables is as follows:

Item	Basis for grouping
Portfolio 1 of other receivables	Interests receivable
Portfolio 2 of other receivables	Dividends receivable
Portfolio 3 of other receivables	Portfolio of other receivables based on account age
Portfolio 4 of other receivables	Amounts due from related parties included in the scope of consolidation

Comparison table showing the account age of the portfolio of accounts receivable and other receivables based on credit risk characteristic and the full lifetime expected credit loss:

Age	Rate of expected credit loss of	Rate of expected credit loss of
Within 1 year (inclusive)	1%	1%
1-2 years (inclusive)	5%	5%
2-3 years (inclusive)	8%	8%
3-5 years (inclusive)	15%	15%
More than 5 years	100%	100%

The rate of expected credit loss of receivables due from related parties within the scope of consolidation is zero. Credit impairment loss provision recognized or reserved is recorded in current profit or loss.

To reflect the change in the credit risk of a financial instrument after initial recognition, the Company re-measures expected credit loss at each reporting date, the amount of increase in loss provision or the written-back amount of loss provision arising from re-measurement is recorded in current profit or loss as an impairment loss or gain.

3) Financial assets which have incurred credit impairment

At the reporting date, the Company evaluates whether credit impairment has occurred to financial assets measured at amortized cost and investment in debt instruments at fair value through other comprehensive income. When one or more events that adversely affects the expected future cash flows of a financial asset has occurred, such financial asset is considered to be an asset which has suffered credit impairment. Evidences of credit impairment of a financial asset include the following observable facts: the issuer of a financial instrument or the debtor has suffered a major financial difficulty; the debtor has defaulted under the contract, such as a default on interest or principal payment or overdue payment; the creditor has made a concession to the debtor based on economic or contractual consideration related to the debtor's financial difficulty, which concession would never be made in any other circumstance; the debtor is very likely to become insolvent or undergo other financial restructuring; the financial difficulty of the issuer or the debtor has resulted in the disappearance of the active market for the financial asset; a financial asset is purchased or originated at a significant discount, which discount reflects the occurrence of a credit loss.

4) Presentation of the provision for expected credit loss

For financial assets measured at amortized cost, the loss provision reduces the carrying amount of the financial asset as shown in the statement of financial position; for investments in debt instruments Reason for designation as at fair value through other comprehensive income, the Company recognizes loss provision for such asset in other comprehensive income and does not reduce the carrying amount of the financial asset.

5) Write-offs

If the Company no longer reasonably expects that the contractual cash flows of a financial asset can be fully or partly recovered, it directly reduces the book balance of such asset. Such write-down constitutes de-recognition of the relevant financial asset. This situation usually happens when the Company determines that the debtor has no asset or source of income to generate sufficient cash flows in order to pay off the amount to be written down.

If the financial asset for which a write-down has been made is subsequently recovered, the recovered amount is treated as reversal of impairment loss, and recorded in the current period profit or loss of the period in which the asset is recovered.

(6) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are separately presented in the statement of financial position without offsetting against each other. However, when all the following criteria are met, financial assets and liabilities are shown on a net basis after offsetting: 1) the Company has the statutory right to offset the recognized amounts, and such right is currently enforceable; 2) the Company intends to settle the financial assets and liabilities on a net basis, or to realize the assets and settle the liabilities simultaneously.

For the transfer of financial assets where the de-recognition criteria are not met, the company may not offset the financial assets transferred against the related liabilities.

11. Financing receivables

For bills receivable and accounts receivable where the contractual cash flows characteristic is consistent with the basic lending arrangement, and such financial assets are managed by the Company with a view to receiving the contractual cash flows and selling the assets, such assets are classified by the Company as receivable financing, which is Reason for designation as at fair value through other comprehensive income. Upon de-recognition, the accumulated incomes or losses that were previously recorded in other comprehensive income are transferred from other comprehensive income and recorded in current profit or loss.

12. Inventories

(1) Classification: inventories include finished goods or commodities held for sale in daily business, or work-in-progress products, materials and supplies to be consumed in the production process or in the provision of labor service.

(2) Cost Measurement for Inventories: an inventory may be classified in accordance with their components and method of acquisition, and initially measured at cost. The average weighted method is used for the valuation of raw materials and finished goods.

(3) The Company adopts the perpetual inventory system.

(4) Basis for determining the net realizable value of inventory: on reporting date, inventories are measured at

the lower of cost or net realizable value. If the cost of inventories is higher than the net realizable value, provision for decline in value shall be made. Net realizable value refers to estimated sale price of inventories after deducting estimated cost of completion, sale expenses and relevant taxes. Net realizable value of inventories shall be decided on reliable evidence obtained, consider the purpose of holding the inventories and the impact of events after the reporting date. Provision for decline in value shall be made as per difference between the cost of each item of inventories and its net realizable value. After making the provision, if the factors causing any write-down of the inventories have disappeared and thus the net realizable value is higher than the carrying amount, the provision shall be reversed and recorded into current period profit and loss.

13. Assets classified as held for sale

A non-current asset or disposal group will fall under the category of Assets classified as held for sale if it meets the following conditions simultaneously: 1) it is immediately available for sale in the current situation according to the practice of selling such asset or disposal group in similar transactions; 2) the sales plan has been approved by the competent authority or regulatory department as required; and 3) sale is very likely to occur; that is to say, a resolution has been made for the sales plan; a firm's purchase commitments has been made; and the expected sale is very likely to be completed within one year.

The non-current asset or disposal group that satisfies the conditions for Assets classified as held for sale will be separately presented in "Assets classified as held for sale" under current assets, while the liabilities directly related to assets that fall under the category of Assets classified as held for sale will be separately presented in "liabilities held for sale" under current liabilities.

14. Long-term Equity Investments

Long-term equity investments refer to equity investments enabling the investor to control or have significant influences over the invested entity and the equity investments to joint ventures.

(1) Determination of investment cost

For long-term equity investments formed through business combinations, cost of investment shall be determined as follows:

A. For business combination under the common control, if consideration is paid in cash or by transfer of non-cash assets or assuming debts, the Company shall, on the date of combination, use the share of the carrying amount of the combined party's owner's equity in the final controlling party's consolidated financial states as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred and carrying amount of the debts borne by the combining party shall offset capital reserve. If capital reserve is insufficient to offset, retained earnings shall be adjusted.

If the consideration is paid by issuing equity securities, the Company shall, on the date of combination, use the share of the carrying amount of the combined party's owner's equity in the final controlling party's consolidated financial states as the initial cost of the long-term equity investment. Total face value of the stocks issued is share capital, while the difference between the initial cost of the long-term equity investment and the total face value of the shares issued shall offset capital reserve. If capital reserve is insufficient to offset, retained earnings shall be adjusted.

B. Business combination not under the common control: the Company shall, on the acquisition date, recognize the fair value of the assets paid, the liabilities incurred or assumed and the equity securities issued as investment cost. If the fair value of the investment cost is higher than the portion of the fair value of the net identifiable assets obtained from the acquisition, such difference shall be recognized as goodwill; if the fair value of the investment cost is less than the portion of the fair value of the net identifiable assets obtained from the acquisition, such difference shall be recorded into current period profit and loss.

For long-term equity investment not formed by business combination, if obtained by payment in cash, investment cost is actual paid purchase price; if obtained by issuing equity securities, the investment cost shall be the fair value of the equity securities issued; if invested by an investor, the investment cost shall be the value stipulated in the investment contract or agreement except that the value stipulated in the contract or agreement is unfair; if obtained by the exchange of non-monetary assets that has commercial substance and the fair value of which can be reliably measured, the investment cost shall be the sum of its fair value and relevant payable taxes; the difference between the fair value and the carrying amount of the asset swapped shall be recorded into current period profit and loss; if obtained by debt reconstructing, investment cost shall be the debt's fair value, and the difference between the fair value and the carrying amount of the debt shall be recorded into current period profit and loss.

(2) Subsequent measurement and profit/loss recognition

The cost method shall be employed for long-term equity investment with control over the invested entity. The equity method shall be employed for long-term equity investment with joint control or significant influence over the invested entity; for an equity investment in a joint venture that is indirectly held through venture capital, mutual fund, trust, or other similar entities including investment-linked insurance fund, it shall be measured at fair value and the variation shall be recorded into profit and loss.

1) long-term equity investment measured with cost method are valued at initial investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted. The dividends or profits declared for distribution by the invested entity shall be recognized as current period

investment income.

2) long-term equity investment measured with equity method, if the initial cost of investment is higher than the attributable share of the fair value of the invested entity's net identifiable assets at the time of investment, the initial cost of the long-term equity investment will not be adjusted. If the initial cost of the long-term equity investment is lower than the attributable share of the fair value of the invested entity's net identifiable assets at the time of investment, the difference shall be included into current period profit and loss, and the cost of the long-term equity investment shall be adjusted simultaneously.

After long-term equity investment is obtained, investment income and other comprehensive income shall be recognized respectively in accordance with the attributable share of investment income and other comprehensive income of the invested entity, and the carrying amount of the long-term equity investment shall be adjusted simultaneously; the attributable share of profit or cash dividend declared by the invested entity shall be calculated and the carrying amount of the long-term equity investment shall be reduced correspondingly. Changes in owner's equity of the invested entity other than net profit/loss, other comprehensive income and profit distribution shall be used to adjust the carrying amount of the long-term equity investment and recorded into "capital reserve-other capital reserve". The attributable share of net profit/loss of the invested entity shall be recognized based on the fair value of net identifiable assets of the invested entity when the investment is obtained after net profit/loss of the invested entity is adjusted.

If accounting policies and accounting periods adopted by the invested entity are different from those adopted by the parent company, an adjustment shall be made to the financial statements of the invested entity in accordance with the accounting policies and accounting periods of the parent company and investment income and other comprehensive income shall be recognized accordingly. Net losses of the invested entity shall be recognized until the carrying amount of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the parent company has the obligation to undertake extra losses. If the invested entity realizes any net profits later, the parent company resumes the confirmation of the income sharing amount after the income sharing amount makes up for the unconfirmed loss sharing amount.

When determining the attributable profit or loss of the invested entity, investment income shall be recognized after offsetting the unrealized profit or loss of internal transactions between joint ventures and associated enterprises attributable to the parent company. Unrealized loss of the transactions between the parent company and the invested entity, shall be fully recognized if it is asset impairment loss.

(3) Disposal of long-term equity investments

When a long-term equity investment is disposed, the difference between its carrying amount and the actual selling price shall be recorded into current period profit and loss. When disposing a long-term equity investment when the equity method is employed, the part originally recorded into other comprehensive income shall be treated pro rata on the same basis as if the invested entity directly disposes relevant assets or liabilities.

(4) Determination of joint control and significant influence over the invested entity

"Joint control" means control over an economic activity as specified by contract that cannot be decided unless with unanimous agreement by all investing parties that share the power of control. Where the investing entity and other parties have joint control over and are entitled to net assets of an invested entity, the invested entity shall be their joint venture.

"Significant influence" means having the power to participate in the formulation of financial and operating policies of the invested entity, but not the power to control or jointly control the formulation of these policies together with other parties. When ascertaining whether it can control or have significant influences on an invested entity, an enterprise shall take into consideration the invested enterprises' current convertible corporate bonds and current executable warrants held by the investing enterprise and other parties, as well as other potential factors concerning the voting rights. If the investor can have significant influences on the invested entity, the invested entity shall be its affiliate.

15. Investment Properties

Investment property refers to real estate held for generating rent and/or capital appreciation. For the Company, investment property includes leased land use right and buildings.

(1) Recognition

Investment property is recognized by meeting both the following requirements: 1) the economic benefits pertinent to this investment property are likely to flow into the Company; 2) the cost of the investment property can be reliably measured.

(2) Initial measurement

1) The cost of an investment property by acquisition consists of acquisition price, relevant taxes, and other expenses directly attributable to this asset.

2) The cost of a self-built investment property includes necessary expenses for building the real estate to the intended condition for use.

3) The cost of an investment property obtained by other means shall be recognized in accordance with relevant accounting standards.

4) For follow-up expenses pertinent to an investment property, if they meet the conditions for recognition as

investment property, they shall be included in the cost of the investment property; if they fail to meet the conditions, they shall be included into current period profit and loss as incurred.

(3) Subsequent measurement

On reporting date, investment properties shall be measured through cost pattern. An investment property shall be amortized or depreciated over the expected useful life on the basis of the straight-line method in accordance with the Accounting Standards for Enterprises No.4 - Fixed Assets and the Accounting Standards for Enterprises No.6 - Intangible Assets.

(4) Conversion

When the Company has well-established evidence indicating that the purpose of the real estate has changed, it shall convert the investment property to other assets or vice versa, and the carrying amount of the real estate before conversion shall be the amount to be recorded after conversion.

16. Fixed Assets

(1) Fixed assets are tangible items that are held for use in the production or supply or goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one financial year. A fixed asset shall be recognized only when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

(2) Initial measurement of fixed assets: Fixed assets are initially measured according to the actual cost at the time of purchase and construction.

(3) Method of depreciation: From the subsequent month after a fixed asset gets ready for its intended use, the Group depreciates the fixed asset on a straight-line method (except for mine buildings). Useful life, residual value rate, and annual depreciation rate for each class of fixed assets are as follows:

Type	Useful life	Residual Value (%)	Depreciation (%)
Properties & buildings	30-40 years	5%	2.38%-3.17%
Machinery & equipment	6-30 years	5%	3.17%-15.83%
Office facilities	6-8 years	5%	11.88%-15.83%
Electronic & communications equipment	6-8 years	5%	11.88%-15.83%
Transportation equipment	6-8 years	5%	11.88%-15.83%
Other equipment	6-8 years	5%	11.88%-15.83%

As required by the Ministry of Finance (Cai Gong [89] No.302), mine buildings shall be depreciated based on the output method, at RMB 2.5 per ton.

(4) The Company shall at the end of each year, check on the useful life, expected residual value, and the

depreciation method of the fixed assets. If there is any difference between the expected useful life and the previously estimated useful life of a fixed asset, the expected useful life of the fixed asset shall be adjusted. If there is any difference between the amount of expected net residual value and the previously estimated net residual value, the expected net residual value shall be adjusted. If any significant change is made on the form of the realization of the expected economic benefits of a fixed asset, the method for the depreciation of the fixed asset shall be changed. If any change is made to the useful life, expected net residual value or the depreciation method of a fixed asset, it is a change of the accounting estimates.

(5) Fixed assets acquired under finance leases

A fixed asset acquired shall be recognized as a financial lease when it has transferred in substance all the risks and rewards related to the ownership of the asset.

The cost of a fixed asset acquired through financial lease shall be the lower of the fair value of the leased asset and the present value of the minimum lease payment on the lease beginning date.

The depreciation policy adopted for financial lease assets shall be consistent with fixed assets owned by the company. If it is reasonable to be certain to obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter of the lease term or its remaining useful life.

17. Construction in Progress

(1) Construction in progress refers to capital assets under construction and shall be recorded as per actual cost. The cost includes acquisition cost of construction works, installation works, machinery and equipment, construction expenses and other indirect expenses as well as capitalized interest and exchange gains or losses.

(2) Carry-over to fixed assets: fixed asset acquired or constructed shall be carried over to fixed assets as from the date when it is ready for intended use and subject to depreciation on the following month. If completion and final settlement formalities have not be handled, it shall be carried over and depreciated as per an estimated value, and after finishing completion and final settlement formalities, the estimated value shall be adjusted in accordance with actual cost, but the depreciation already made will not be adjusted.

(3) Impairment provision: at the end of every year, the Company shall thoroughly examine its construction in progress, and impairment provision shall be made if there is any evidence indicating any impairment of construction in progress. When a construction in progress has been suspended for long and may not be resumed within 3 years, impairment provision shall be made as per the difference between the recoverable amount and the carrying amount, and when it is, in substance, unable to bring economic benefits to the Company,

impairment provision shall be made in full.

18. Borrowing Costs

(1) Borrowing costs refer to interest and other relevant costs incurred in the borrowing loans. Borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses (including commission charges), and exchange balance on foreign currency borrowings, etc.

(2) Where the borrowing costs can be directly attributed to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses as incurred, and shall be recorded into current period profit and loss. Assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for intended use or for sale.

(3) Borrowing costs shall be capitalized when meeting all the following requirements:

1) Asset disbursements have already incurred, which include cash, transferred non-cash assets or interest-bearing debts raised for the acquisition and construction or production activities for preparing assets eligible for capitalization;

2) Borrowing costs has already incurred; and

3) Acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale has already started.

(4) Borrowing costs incurred during the capitalization period for purchase and construction or production of assets qualified for capitalization, if satisfying above conditions of capitalization and incurred before the asset is ready for its intended use or sale, shall be recorded into the cost of the asset, and if incurred after the asset is ready for its intended use or sale, shall be directly recorded into financial expenses as incurred.

(5) Where the acquisition and construction or production of an asset eligible for capitalization is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. Borrowing costs incurred during such period shall be recognized as expense, and shall be recorded into current period profit and loss until the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the eligible asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. When the eligible asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Borrowing costs incurred thereafter shall be recognized as expenses as incurred.

(6) To-be-capitalized amount: as for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred for the specially borrowed loan in the current period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing thus used. The capitalization rate shall be calculated and determined as per the weighted average interest rate of the general borrowing.

19. Intangible Assets

(1) Accounting content: intangible asset refers to identifiable non-monetary assets possessed or controlled by the Company which have no physical shape. Intangible assets include patents, non-patent technology, trademarks, copyrights, franchise right, land use right and capacity index.

(2) Measurement: intangible assets initially shall be measured at cost. An intangible asset with limited-useful life shall be systematically and reasonably amortized within its useful life in accordance with its expected realization pattern of economic benefits. An intangible asset with uncertain useful life will not be amortized.

(3) Useful life reexamination: The Company shall, at least at the end of each year, check the useful life of intangible assets. When there is any evidence indicating that the useful life of intangible assets is different from before, the period of amortization shall be changed for intangible assets with limited-useful life; for intangible assets with uncertain useful life, if there is any evidence indicating they have limited-useful life, they shall be treated in the same way as with intangible assets with limited-useful life.

(4) Expenditure on the research phase of internal research and development projects of the company, shall be included in profit or loss when it is incurred. Expenditure on the development phase shall be recognized as intangible asset. The capitalization conditions are as follows: ①The technical feasibility of completing the intangible asset so that it will be available for use or sale; ②Its intention to complete the intangible asset and use or sell it; ③How the intangible asset will generate probable future economic benefits. ④The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; ⑤Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(5) Land use right: land use right acquired or obtained by payment of land transfer fees initially shall be measured at cost. When land use right is used for a self-use project, its carrying amount shall not be combined with above-ground buildings, and it will continue to be treated as an intangible asset and amortized separately.

(6) Accounting and amortization of mining right: mining right shall be measured at initial cost for which it is acquired. in 2011, it was amortized as per the cost of acquisition and the remaining years of the mining certificate, and as from 2012, it began to be amortized as per the net carrying amount at the end of 2011 and workable reserve based on the units-of-production method.

(7) Expenses for replacement of capacity quota and amortization: capacity quota replaced by the Company for capacity expansion purpose is initially measured at acquisition cost, and is amortized according to the validity period approved by the competent authority after completion of capacity replacement.

20. Long-term prepaid expenses

Long-term prepaid expenses refer to various expenses incurred by the Company and to be amortized in current and subsequent periods over a period of more than 1 year, and Long-term prepaid expenses shall be measured as per actual cost and amortized over the period of benefit of the project.

21. Impairment of Long-term Assets

On every reporting date, the Company shall examine its long-term equity investments, fixed assets, construction in progress and intangible assets with limited-useful life, and impairment test shall be conducted if there is any sign of impairment. Goodwill and intangible assets with uncertain useful life are tested for impairment at end of each year regardless of whether there is indication of impairment or not.

There may be impairment of assets when one of the following signs occurs: (1) current market price of assets falls, and its decrease is obviously higher than the expected drop over time or due to normal use; (2) economic, technological or legal environment in which the Company operates, or the market where the assets is situated will have any significant change in the current period or in the near future, which will cause adverse impact on the Company; (3) market interest rate or any other market investment return rate has risen in the current period, and thus the discount rate used by the Company for calculating expected future cash flows of the assets will be affected, which will result in great decline of the recoverable amount of the assets; (4) any evidence shows that the assets have become obsolete or have been damaged substantially; (5) the assets have been or will be left unused, or terminated for use, or disposed ahead of schedule; (6) any evidence in the internal report of the Company shows that the economic performance of the assets have been or will be lower than the expected performance, for example, the net cash flows created by assets or the operating profit (or loss) realized is lower (higher) than the excepted amount, etc.; and (7) other evidence indicates that the impairment of assets has probably occurred.

When recoverable amount of single item assets is tested, the recoverable amount shall be the higher of the fair value of the assets minus disposal expenses or the present value of expected future cash flows of the asset. Where it is difficult to test the recoverable amount of single item assets, the recoverable amount shall be determined based on group assets or combination of group assets.

After impairment test, if the carrying amount of the asset is higher than its recoverable amount, the difference shall be recognized as impairment loss, and once recognized, such impairment loss will not be reversed in subsequent periods.

22. Employee Benefits

Employee benefits refer to all kinds of payments and other relevant expenditures given by the Company in exchange of the services offered by employees or termination of their employment, including short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

(1). Short-term employee benefits payable

1) Basic employee benefits (wage, bonus, allowance, and subsidy): during the accounting period when an employee provides services, the Company shall recognize short-term employee benefits that is actually incurred as liabilities and record it into current period profit and loss, except for those required or allowed to be recorded into asset cost.

2) Employee welfare: employee welfare shall be recorded into current period profit and loss or the cost of relevant assets as incurred. Non-monetary employee welfare shall be measured at fair value.

3) Medical insurance, work injury insurance, maternity insurance and other social insurances, and housing accumulation fund, labor union expenditure and employee education expenses: during the accounting period when an employee provides services, medical insurance, work injury insurance, maternity insurance and other social insurances paid for employees, housing accumulation fund, labor union expenditure and employee education expenses set forth as required, shall be recognized as liabilities in accordance with the prescribed basis and proportion and recorded into current period profit and loss or the cost of relevant assets.

4) Short-term paid leave: employee remuneration in connection with accumulative paid leave shall be recognized when an employee provides services and thus acquires additional paid leave right in future, and shall be measured as per the amount of expected additional payment as a result of aggregate unexercised right. Employee benefits in connection with non-accumulative paid leave shall be recognized in the accounting period when the employee is absent.

(2). Post-employment benefits

Post-employment benefits include defined contribution plans and defined benefit plans. A defined contribution plan means a post-employment benefit plan, under which the Company will not assume any further obligation of payment after making the prescribed payment to an independent fund; defined benefit plans refer to post-employment benefit plans other than defined contribution plans.

1) Defined contribution plans: The Company shall pay endowment insurance and unemployment insurance for

its employees as required by local government, and during the accounting period when an employee provides services, the amount contributed in accordance with the prescribed base and proportion shall be recognized as liabilities and recorded into current period profit and loss or the cost of relevant assets.

2) Defined benefit plans

Welfare obligations arising from defined benefit plans will be attributed to the periods when employees provide services in accordance with a formula established by the method of expected cumulative welfare units, and recorded into current period profit and loss or the cost of relevant assets.

(3). Dismissal welfare

Dismissal welfare refers to the benefits provided to an employee for terminating the employment before expiry of the employment contract or encouraging employee to voluntarily accept layoff. Dismissal welfare provided to employees shall be recognized as employee benefits liabilities and recorded into current period profit and loss at the earlier of: 1) the company is unable to unilaterally withdraw the dismissal welfare provided for in the cancellation of labor relationship or the layoff proposal; or 2) the company recognizes the costs or expenses in connection with payment of dismissal welfare.

23. Provisions

A provision shall be recognized when the obligation related to the contingent event meets all the following conditions: a) it is the present obligation of the Group; b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date, considering of risks, uncertainties of the contingent event, time value of the money and other factors.

24. Revenue

(1) Revenues from selling goods

Revenue from selling goods may be recognized if all the following conditions are met: the Company has transferred significant risks and rewards of ownership of the goods to the buyer; the Company retains neither continuous management right that is usually related to the ownership nor effectively control the sold goods; the amount of revenue can be measured in a reliable way; relevant economic benefits may flow into the Company; and relevant costs incurred or to be incurred can be measured in a reliable way.

Revenue from selling coal, methanol, dimethyl ether, pesticide, veterinary medicine, engineering equipment and materials and so on may be recognized if significant risks and rewards of ownership of the goods have been transferred to the buyer and the Company retains neither continuous management right that is usually related to the ownership nor effectively control the sold goods.

Revenue from selling coal: in accordance with contract, revenue from selling coal shall be recognized after delivery at the mine site or freight yard if transported by truck; or after FOT (freight on trailer) delivery if transported by train.

(2) Revenues from providing services

On reporting date, revenue from providing services shall be recognized if the result of services provided can be reliably estimated. The result of services provided can be reliably estimated, means all the following conditions are met: the amount of revenue can be measured in a reliable way; relevant economic benefits are likely to flow into the Company; the transaction in connection with the services has been completed and can be confirmed in a reliable way, and the costs incurred or to be incurred in the transaction can be measured in a reliable way. When the result of services provided cannot be reliably estimated, on the reporting date, income shall be recognized as if the service has occurred and is expected to be compensated, the cost of service that has occurred shall be carried over, and if the cost of service that has occurred is not expected to be compensated, income shall not be recognized, and the cost of service that has occurred shall be treated as current period expenses.

(3) Revenues from alienating the right to use assets (including interests and royalties)

Revenue from alienating the right to use assets shall be recognized when all the following conditions are met: relevant economic benefits are likely to flow into the Company; and the amount of revenues can be measured in a reliable way.

(4) Construction contracts

On the reporting date, If the outcome of a construction contract can be estimated in a reliable way, contract revenue and contract costs shall be recognized in accordance with the percentage-of-completion method. Where the outcome of a construction contract cannot be estimated in a reliable way, if the contract costs can be recovered, contract revenue shall be recognized in accordance with contract costs that can be recovered and the contract costs shall be recognized as contract expenses as incurred; if the contract costs cannot be recovered, these costs shall be recognized as contract expenses immediately as incurred and no contract revenue shall be recognized.

The outcome of a fixed price contract can be estimated in a reliable way when all the following conditions are met: the total contract revenue can be measured in a reliable way; economic benefits pertinent to the contract will flow into the Company; actual contract costs incurred can be clearly distinguished and can be measured in a reliable way; and both the schedule of the contracted project and the contract costs to complete the contract can be measured in a reliable way.

The percentage-of-completion method means the accumulative actual contract costs as a percentage of expected total contract costs. On the reporting date, if expected total contract costs are more than total contract revenues, expected losses shall be recognized as current period expense. Provision for decline in value of inventories shall be made as per the difference for construction contracts under execution; provisions shall be recognized as per the difference for loss contracts to be executed.

25. Government grants

Government grants refer to monetary grants and non-monetary grants the Group receives from the government for free. Government grants involve grants related to assets and grants related to income.

Government grants pertinent to assets mean Government grants obtained by the Company and used for purchasing, constructing, or otherwise forming long-term assets. A government subsidy pertinent to assets shall be recognized as deferred income when it is received, and reasonably and systematically recorded into “other income” within the useful lives of relevant assets. When relevant assets are sold, transferred, abandoned, or destroyed prior to expiry of their useful lives, the balance of relevant deferred income that is not yet distributed shall be transferred to current period profit and loss when they are disposed.

Government grants related to daily activities of the Company shall be treated as follows: (1) those that are used for compensating relevant expenses or losses in subsequent periods shall be recognized as deferred income and recorded into “other income” during the period when relevant expenses are recognized; (2) those that are used for compensating relevant expenses or losses that have occurred shall be directly recorded into “other income” in the current period; (3) a government subsidy for a comprehensive project shall be divided into the part pertinent to asset and pertinent to income, and treated separately; and if it is difficult to distinguish, the entire government subsidy shall be treated as government subsidy pertinent to income, or successively recognized as “other income” during project period.

Government grants irrelevant to daily activities of the Company shall be recorded into non-operating income.

26. Deferred tax assets/liabilities

(1) The Company adopts the balance sheet liability method for the accounting of income tax.

(2) Recognition of deferred tax assets/liabilities

On the reporting date, if there is any deductible temporary difference or taxable temporary difference between the carrying amount of assets and liabilities and their tax base, the temporary difference shall be calculated in accordance with the tax rate applicable during the period when the asset is to be recovered or the liability is to be paid off, and recognized as deferred income tax asset or deferred income tax liability.

(3) At the end of every year, the Company shall reexamine the carrying amount of deferred tax assets and liabilities, and if the applicable tax rate changed during the period when the asset is to be recovered or the liability is to be paid off, the deferred tax assets and deferred tax liabilities which have been recognized shall be re-measured, excluding deferred tax assets and deferred tax liabilities arising from any transaction or event directly recognized as the owner' equity, and the amount affected shall be recorded into income tax expenses in the period when the change occurs. The carrying amount of deferred tax assets shall be written down if it is unlikely to obtain sufficient taxable income to offset the benefit of the deferred tax assets. When it is probable to obtain sufficient taxable income taxes, the amount of such write-down shall be reversed subsequently.

27. Accounting treatment of operating lease and financial lease

(1). Operating lease

As lessee, the Company shall record the rents from operating leases into the cost of relevant assets or current period profit and loss in each period of the lease term in accordance with the straight-line method; initial direct costs incurred shall be recognized as current period profit and loss; contingent rents shall be recognized as an expense as incurred.

As lessor, the Company shall include the assets subject to operating leases into relevant items of its statement of financial position in light of the nature of the asset; rents from operating leases shall be recognized as current period profit and loss in each period of the lease term in accordance with the straight line method; initial direct costs incurred shall be recorded into current period profit and loss; fixed assets subject to operating leases shall be subject to depreciation in accordance with the depreciation policy for similar assets; and other leased assets shall be amortized through systematic and reasonable methods; contingent rents shall be recorded into current period profit and loss when they actually arise.

(2). Financial lease

As lessee, on the lease beginning date, the Company shall record the lower of the fair value of the leased asset or the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the differences as unrecognized financing charges. Initial direct costs, such as commissions, attorney's fees and traveling expenses, stamp duties, which can be directly attributable to the leased item and are incurred during the process of negotiating the lease and signing the leasing agreement, shall be recorded in the asset value; unrecognized financing charges shall be amortized over each period of the lease term, and current financing charges shall be recognized in accordance with the effective interest rate method; contingent rents shall be recorded into current period profit and loss as incurred.

When calculating the present value of the minimum lease payments, if the lessor's implicit interest rate can be obtained in the lease, the implicit interest rate in the lease shall be used as the discount rate. Otherwise, the interest rate provided in the lease agreement shall be used as the discount rate. In case that the lessor's implicit interest rate in the lease cannot be obtained and no interest rate is provided in the lease agreement, the borrowing interest rate of the bank for the same period shall be used as the discount rate.

Leased assets shall be subject to depreciation in accordance with the depreciation policy as consistent with that for fixed assets owned by the Company. If it is reasonably certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be depreciated over its useful life. If it is not reasonably certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be depreciated over the shorter of the lease term or its useful life.

As lessor, on the lease beginning date, the Company shall record the lower of the sum of the minimum lease receipts on the lease beginning date or the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time; the difference between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income; unrealized financing income shall be allocated to each period during the lease term; financing income in the current period shall be calculated and recognized in accordance with the effective interest rate method; contingent rents shall be recorded into current period profit and loss when they actually arise.

28. Other Important Accounting Policies and Estimate

(1). Estimation of quarterly operating income for Santos as an important affiliate

As an important affiliate, Santos is listed on the Australian Securities Exchange (ASX) and pursuant to ASX rules on information disclosure, Santos is only required to disclose its quarterly operating activities, and disclosure of quarterly financial reports is not required. For this reason, the Company cannot obtain detailed quarterly financial data from Santos. According to Article 9 of the Accounting Standards for Enterprises No.32 - Interim Financial Report, in the recognition, measurement and reporting each line item on the interim financial statements, the enterprise shall base its judgment about the importance of each line item on the interim financial figure other than on the annual financial figure. Therefore, with respect to Santos' operating profit and loss in Company's Q1 and Q3 reports, the Company employed a financial calculation model to calculate Santos' quarterly operating profit and loss so as to ascertain its investment income from Santos. This model employs the discounted cash flows approach and makes calculations based on publicly periodic report disclosed by Santos and with reference to analytical reports prepared by mainstream institutional investors and uses third-party database in the middle and upper oil and gas industry.

(2). Work safety funds collection and utilization

Pursuant to the "Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds" (Cai Qi [2012] No.16) promulgated by the Ministry of Finance and the State Administration of Work Safety on

14 February 2012, work safety funds are collected and utilized for the following operations:

A. Coal mining

Pursuant to the “Notice on Issuing and Distributing the Administrative Measures on the Deposit and Use of the Expenses for Safety Production of Coal Mine and the Several Provisions on the Issues concerning Regulating the Management of Coal Mine Maintenance Fee” (Cai Jian [2004] No.119) issued by the MOF, the NDRC and the State Administration of Coal Mine Safety and the “Administrative Measures for the Collection and Utilization of Enterprise Work Safety Funds” (Cai Qi [2012] No.16) promulgated by the Ministry of Finance and the State Administration of Work Safety, and upon examination by the Work Safety Administration, the Coal Administration and the Finance Administration of the Ejin Horo Banner, the Company complies with the provisions of Article 14 of Cai Qi [2012] No.16 and will collect work safety funds as from 2018 as per RMB 15.00 per ton. The Company will collect work safety funds every month in accordance with raw coal output and use such funds to cover ten items of expense, including coal safety facilities, and “two 4-in-1” outburst prevention measures for coal and gas outburst and gassy mines; the Company will collect mine maintenance fee from the costs as per RMB 9.50 of raw coal output (including RMB 2.50 for mine working) to be primarily used for ordinary continued expansion and extension as well as technical retrofitting for coal mine production.

B. Production of hazardous goods

According to Article 8 of Cai Qi [2012] No.16, work safety funds shall be equally collected every month for production of hazardous goods in an excess regressive manner as follows:

1) As per 4%, if actual annual sales revenue is RMB 10 million or less;

2) As per 2%, if actual annual sales revenue is RMB 10 million to RMB 100 million (including 100 million);

3) As per 0.5%, if actual annual sales revenue is RMB 100 million to RMB 1,000 million (including 1,000 million);

4) As per 0.2%, if actual annual sales revenue is more than RMB 1,000 million.

Work safety funds collected for the production of hazardous goods shall be utilized within the following scope:

1) Improving, renovating and maintaining safety protection facilities (excluding preliminary safety facilities in connection with “Three Simultaneous”), including monitoring, surveillance, ventilation, sun screening, temperature control, fire prevention and extinguishing, explosion-proof, pressure relief, gas protection, disinfection, neutralization, damp proof, lightning protection, anti-static, anti-corrosion, anti-leakage, cofferdam or isolated operation facilities at plants, warehouses, tank yards and other workplaces;

2) Furnishing and maintaining emergency rescue equipment and conducting emergency drills;

3) Assessing, monitoring, and rectifying key hazards and hidden perils of accident;

4) Inspecting and assessing work safety (excluding newly built, renovated, or expanded projects) and relevant consulting and standardization;

5) Furnishing and replacing safety protection articles for field operation staff;

6) Work safety publicity, education, and training;

7) Promoting and applying new technologies, standards, processes, and facilities as proper for work safety;

8) Inspecting and testing safety facilities and special equipment;

9) Other expenses directly related to work safety.

C. Construction projects

According to Article 7 of Cai Qi [2012] No.16, work safety funds shall be collected in accordance with the cost of construction and installation projects as follows:

(I) As per 2.5% for mining projects;

(II) As per 2.0% for house building, water conservation and hydropower, electric power, railway, and urban rail transit projects;

(III) As per 1.5% for municipal public works, metallurgical, M&E installation, chemical and petroleum, port and watercourse, road, and telecommunications projects;

Work safety funds collected for construction projects shall be utilized within the following scope:

1) Safety expenses for subcontract management, disbursed under “special reserve” as per 1.5% of payment to subcontractors for construction projects (as per estimated payment for projects that are paid as per the progress of the project);

2) Costs of work safety personnel, with wages, year-end bonus, other bonuses and subsidies and the like for full-time work safety personnel to be fully disbursed under “special reserve”, and wages, year-end bonus, other bonuses and subsidies and the like for part-time work safety personnel to be 50% disbursed under “special reserve”.

3) Improving, renovating, and maintaining safety protection facilities;

4) Furnishing necessary emergency rescue equipment and safety protection articles for field operation staff;

5) Work safety inspection and assessment;

6) Assessing, rectifying, and monitoring the key source of hazards and potential for major accident;

7) Safety skill training and emergency drills;

8) Other expenses directly related to work safety.

Work safety funds are collected and utilized in accordance with Article 3 of the "Interpretation No.3 of Accounting Standards for Business Enterprises" released by the Ministry of Finance on 11 June 2009, and a new item "special reserve" is inserted between "minus: treasury shares" and "surplus reserve" in the section of owner's equity of the statement of financial position to separately reflect the closing balance of work safety funds.

(3). Division Information

Business divisions are established in accordance with the Company's internal organization structure, management requirements and internal reporting requirements, and division reporting and disclosure is made based on each business division.

A business division refers to a division within the Company that satisfies all the following conditions: 1) this division can generate income and incur expenses in daily activities; 2) the management of the Company can regularly assess the operating results of this division so as to decide the resources to be allocated to it and to evaluate its performance; and 3) the Company can obtain this division's relevant accounting information, including financial position, operating results, cash flows, etc. When two or more business divisions have similar economic features and satisfy certain conditions, they may be treated as one division.

(4). Profit distribution

For a subsidiary participated by foreign investment, after-tax profit shall be distributed in accordance with the resolution of its board of directors, and for other companies, after making up the losses of previous years, it shall be distributed in the following order:

Item	Proportion
Withdrawal for statutory capital reserve	10%
Withdrawal for discretionary surplus reserve	To be decided by the Shareholders' General Meeting
Dividend payment for ordinary shares	To be decided by the Shareholders' General Meeting

(5). Discontinued operations

A discontinued operation is a component of the Company that either has been disposed of, or is classified as held for sale and can be separately distinguished in respect of operation and financial statement preparation, which satisfies one of the following conditions: 1) represents a separate major line of business or geographical area of operations, or 2) is part of a plan proposing to dispose of a separate major line of business or geographical area of operations.

29. Major Changes of Accounting Policies and Estimates

(1). Important accounting policy changes

1) The Company prepared 2019 financial statements in accordance with the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises in 2019 (Cai Kuai [2019] No.6) issued by the Ministry of Finance and the Accounting Standards for Business Enterprises. This accounting policy adopts retrospective adjustment. The items and amounts that are significantly affected in the 2018 financial statements are as follows:

Before Change		After Change	
Item	Amount	Item	Amount
Notes receivable and accounts receivable	1,823,552,754.57	Notes receivable	185,647,932.95
		Accounts receivable	1,637,904,821.62
Notes payable and accounts payable	2,979,483,328.73	Notes payable	225,592,581.20
		Accounts payable	2,753,890,747.53

2) As of 1 January 2019, the Company implemented the Accounting Standards for Business Enterprises No.22 - Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No.23 - Transfer of Financial Assets, Accounting Standards for Business Enterprises No.24 - Hedge Accounting, and Accounting Standards for Business Enterprises No.37 - Presentation of Financial Instruments (hereinafter referred to as "New Accounting Standards for Financial Instruments") revised by the Ministry of Finance. According to relevant provisions on connecting new and old accounting standards, the information during the comparable period will not be adjusted. The difference from the implementation of the new and old accounting standards on the first date shall be retrospectively adjusted to the retained earnings or other comprehensive income at the beginning of the reporting period.

Adjustments to relevant items of the financial statements at the beginning of the year due to the first implementation of new accounting standards for financial instruments

Consolidated Statement of Financial Position

Item	31 December 2018	1 January 2019	Adjustment
Current assets:			
Cash & cash equivalent	1,957,280,220.44	1,957,280,220.44	
Notes receivable	185,647,932.95	33,581,991.88	-152,065,941.07
Accounts receivable	1,637,904,821.62	1,637,904,821.62	
Financing receivables		152,065,941.07	152,065,941.07
Prepayments	351,352,610.85	351,352,610.85	
Other receivables	60,964,242.16	60,964,242.16	
Inventories	1,775,315,428.13	1,775,315,428.13	
Other current assets	316,280,614.92	316,280,614.92	
Total current assets	6,284,745,871.07	6,284,745,871.07	
Non-current assets:			
Long-term receivables	45,377,426.42	45,377,426.42	

Long-term equity investments	5,831,321,883.11	5,831,321,883.11	
Fixed assets	8,002,823,693.29	8,002,823,693.29	
Construction in progress	1,769,217,494.06	1,769,217,494.06	
Intangible assets	1,049,964,405.68	1,049,964,405.68	
Long-term prepaid expenses	348,361,953.33	348,361,953.33	
Deferred tax assets	61,730,477.35	61,730,477.35	
Other non-current assets	120,919,446.46	120,919,446.46	
Total non-current assets	17,229,716,779.70	17,229,716,779.70	
Total assets	23,514,462,650.77	23,514,462,650.77	
Current liabilities:			
Short-term borrowings	1,990,600,000.00	1,990,600,000.00	
Financial liabilities held for trading		1,602,590.00	1,602,590.00
Financial liabilities at fair value through profit or loss	1,602,590.00		-1,602,590.00
Notes payable	225,592,581.20	225,592,581.20	
Accounts payable	2,753,890,747.53	2,753,890,747.53	
Receipts in advance	854,287,816.09	854,287,816.09	
Payroll and employee benefits payable	246,515,074.35	246,515,074.35	
Taxes payable	99,313,333.78	99,313,333.78	
Other payables	408,764,539.10	408,764,539.10	
Including: Interest payable	98,831,818.34	98,831,818.34	
Dividends payable	57,000,000.00	57,000,000.00	
Current portion of non-current liabilities	2,741,970,967.95	2,741,970,967.95	
Total current liabilities	9,322,537,650.00	9,322,537,650.00	
Non-current liabilities:			
Long-term borrowings	3,267,796,705.89	3,267,796,705.89	
Bonds payable	149,266,129.59	149,266,129.59	
Long-term Payable	1,211,010,192.26	1,211,010,192.26	
Deferred income	171,531,240.14	171,531,240.14	
Deferred tax liabilities	55,654,839.18	55,654,839.18	
Total non-current liabilities	4,855,259,107.06	4,855,259,107.06	
Total liabilities	14,177,796,757.06	14,177,796,757.06	
Owner's equity (or shareholder's equity):			
Share capital	1,229,355,783.00	1,229,355,783.00	
Capital reserves	1,793,648,066.94	1,793,648,066.94	
Less: Treasury Shares	59,740,670.18	59,740,670.18	
Other comprehensive income	192,290,487.20	192,290,487.20	
Special reserve	62,993,079.64	62,993,079.64	
Surplus reserve	80,123,476.85	80,123,476.85	
Retained earnings	5,243,225,709.19	5,243,225,709.19	
Equity attributable to owners of the parent	8,541,895,932.64	8,541,895,932.64	
Non-controlling interests	794,769,961.07	794,769,961.07	
Total owner's equity	9,336,665,893.71	9,336,665,893.71	
Total liabilities and owner's equity	23,514,462,650.77	23,514,462,650.77	

Statement of Financial Position of Parent Company

Item	31 December 2018	1 January 2019	Adjustment
Current assets:			
Cash and Cash equivalents	28,990,114.29	28,990,114.29	
Prepayments	1,607,048.44	1,607,048.44	
Other receivables	2,526,924,797.25	2,526,924,797.25	
Including: Interests receivable	25,714,824.87	25,714,824.87	
Dividends receivable	1,257,250,000.00	1,257,250,000.00	
Other current assets	67,710.50	67,710.50	
Total current assets	2,557,589,670.48	2,557,589,670.48	
Non-current assets:			
Long-term receivables	2,238,830,433.46	2,238,830,433.46	
Long-term equity investments	7,936,532,946.37	7,936,532,946.37	
Investment properties	1,098,981.31	1,098,981.31	
Fixed assets	852,148.00	852,148.00	
Intangible assets	6,248,349.43	6,248,349.43	
Long-term prepaid expenses	111,319.63	111,319.63	
Total non-current assets	10,183,674,178.20	10,183,674,178.20	
Total assets	12,741,263,848.68	12,741,263,848.68	
Current liabilities:			
Short-term borrowings	1,170,600,000.00	1,170,600,000.00	
Financial liabilities held for trading		1,602,590.00	1,602,590.00
Financial liabilities at fair value through profit or loss	1,602,590.00		-1,602,590.00
Accounts payable	1,229,517.44	1,229,517.44	
Receipts in advance			
Payroll and employee benefits payable	24,097,520.14	24,097,520.14	
Taxes payable	5,317,005.88	5,317,005.88	
Other payables	478,567,391.41	478,567,391.41	
Including: Interest payable	95,640,825.10	95,640,825.10	
Current portion of non-current liabilities	1,604,617,000.00	1,604,617,000.00	
Total current liabilities	3,286,031,024.87	3,286,031,024.87	
Non-current liabilities:			
Long-term borrowings	3,026,565,200.00	3,026,565,200.00	
Bonds payable	149,266,129.59	149,266,129.59	
Deferred income	143,118,050.15	143,118,050.15	
Total non-current liabilities	3,318,949,379.74	3,318,949,379.74	
Total liabilities	6,604,980,404.61	6,604,980,404.61	
Owner's equity (or shareholder's equity):			
Share capital	1,229,355,783.00	1,229,355,783.00	
Capital reserves	4,339,472,379.13	4,339,472,379.13	
Less: Treasury Shares	59,740,670.18	59,740,670.18	
Surplus reserve	136,477,854.14	136,477,854.14	
Retained earnings	490,718,097.98	490,718,097.98	
Total owner's equity	6,136,283,444.07	6,136,283,444.07	
Total liabilities and owner's equity	12,741,263,848.68	12,741,263,848.68	

3) On May 9, 2019, Ministry of Finance released the Accounting Standard for Business Enterprises No.7---Exchange of Non-monetary Assets (revised in 2019) (Cai Kuai [2019] No.8), and the revised standard became effective from June 10, 2019. For exchange of non-monetary assets occurring between January 1, 2019 and the effective date of the relevant standard, adjustments are made according to the new standard, and for the

exchange of non-monetary assets occurring before January 1, 2019, no retroactive adjustment is made. The Company's adoption of the abovementioned standard has no material effect on the current reporting period.

4) On May 16, 2019, Ministry of Finance released the Accounting Standard for Business Enterprises No.12---Debt Restructuring (revised in 2019) (Cai Kuai [2019] No.9), and the revised standard became effective from June 17, 2019. For debt restructuring occurring between January 1, 2019 and the effective date of the standard, adjustments are made according to the standard, and for debt restructuring occurring before January 1, 2019, no retroactive adjustment is made, and the Company's adoption of the abovementioned standard has no material effect on the current reporting period.

(2). Important accounting estimate changes

None

IV. Taxes

1. Major Taxes and Applicable Tax Rates

Main tax categories and tax rates

Major taxes	Tax Rate	Tax basis
The company and domestic subsidiaries		
VAT	Before April 1st, 2019: 16%, 13%, 10%, 6%, 3%; After April 1st, 2019: 13%, 9%, 6%, 3%	Taxable value added, zero exported goods, and upon export, refund is available at 0%-16% upon submission of relevant documents to the taxation authority to apply for tax refund
Corporate income tax	25%, 15%	Taxable income
City construction and maintenance tax	7% and 5%	Turnover tax payable
Individual income tax	Progressive tax in excess of specific amounts	Determine the applicable tax rate according to the nature and amount of individual income
Educational Surcharges	5%	Turnover tax payable
House property tax	12% and 1.2%	Rental income from leased property and 70% of original value of self-used property
Resource tax	Before October 2019: 9% After October 2019: 10%	Revenue from the sale of coal produced and 90% of the revenue from the sale of coal produced
Farming land occupation tax	Before September 2019: 25 Yuan/square meter After September 2019: 27 Yuan/square meter	Levied according to the land area occupied in the subsidence area of a coal mine
Overseas subsidiary of the Company		
Hong Kong profits tax	16.5%	Profits generated in Hong Kong
British Virgin Islands	0	At present, there is no tax on profits, capital gains and wages of offshore companies established in the British Virgin Islands
Corporate income tax of Singapore	17%	Income originating from within Singapore

2. Enterprise income tax rates applicable to the company and its domestic subsidiaries

Company Name	Tax Rate (%)
The Company	25
Xinneng Mining Industry Co., Ltd	15
Xindi Energy Engineering Technology Co., Ltd	15
Xinneng Energy Limited	15
Shanxi Qinshui ENN Clean Energy Co., Ltd	15
Inner Mongolia Xinneng Mining Co., Ltd	25
Xinneng (Zhangjiagang) Energy Co., Ltd	25
ENN Xinneng (Beijing) Technology Co., Ltd	25
Xinneng (Langfang) Energy Chemical Technical Service Co., Ltd	25
Xinneng (Tianjin) Energy Co., Ltd	25
ENN (Tianjin) Energy Investment Limited	25
Xindi (Zhoushan) Natural Gas Pipeline Maintenance Co., Ltd.	25

3. Tax rate applicable to overseas subsidiaries of the company:

Company Name	Tax Rate (%)
Xinneng (Hong Kong) Energy Investment Limited	16.5
Xinneng Mining (Hong Kong) Energy Investment Limited	16.5
United Faith Ventures Limited	0
Xinneng Capital Management Limited	0
ENN Natural Gas Investment Inc	0
ENN Clean Energy International Investment Limited	0
ENN LNG(SINGAPORE)PTE.LTD	17

4. Preferential Enterprise Income Tax Policies

(1) Upon review, the Taxation Administration of Ejin Horo Banner, Erdos, Inner Mongolia considers that Xinneng Mining Industry Co., Ltd satisfies the requirements specified in “Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on Issues Concerning Tax Policies for In-depth Implementation of Western Region Development Strategy” (Cai Shui [2011] No.58), the “Announcement of the State Administration of Taxation on Issues of Enterprise Income Tax Concerning In-depth Implementation of Western Region Development Strategy” (Announcement [2012] No.12), the “Notice of Taxation Administration of Inner Mongolia on Issues Concerning Continuing to Apply Preferential Enterprise Income Tax to Projects Encouraged by the Western Region Development Strategy” (Announcement [2011] No.2) and the “Announcement of Taxation Administration of Inner Mongolia on Issues Concerning the Implementation of Preferential Enterprise Income Tax for the Western Region Development Strategy” (Announcement [2012] No.9), and as from January 2011, Xinneng Mining Industry Co., Ltd will be entitled to 15% enterprise income tax rate in connection with the Western Region Development Strategy and shall undergo relevant registration formalities every year.

(2) Pursuant to the “Approval of the Application of Xinneng Energy Limited for Preferential Enterprise Income Tax Policies” issued by the Taxation Administration of Dalad Banner, Erdos, Inner Mongolia on 8 August 2008 ([2008] No.92), the subsidiary Xinneng Energy Limited is entitled to “2-year exemption and 3-

year reduction" as from 2008 with respect to enterprise income tax. In November 2012, Xinneng Energy Limited received the "Confirmation of Preferential Enterprise Income Tax Policies for the Western Region development", and beginning from 2012, it is entitled to a preferential tax rate of 15% with respect to enterprise income tax. Meanwhile, in October 2018, Xinneng Energy Limited was recognized as a high and new-technology enterprise for a period of 3 years.

(3) The subsidiary Xindi Energy Engineering Technology Co., Ltd was recognized as high and new-tech enterprise in 2019 for a period of 3 years, and completed relevant registration formalities at the competent taxation authority, and so, it is entitled to a preferential tax rate of 15% with respect to enterprise income tax for three years from 2019.

(4) Shanxi Qinshui ENN Clean Energy Co., Ltd., a subsidiary of the Company, was recognized as a high-tech enterprise in 2019 and has completed the filing formalities in relevant competent tax authorities. Within three years since 2019 after such recognition, it may enjoy a corporate income preferential tax rate of 15%.

V. Notes to Consolidated Financial Statements (Amount unit: RMB yuan)

1. Cash and cash equivalent

Item	Closing balance	Opening balance
Cash on hand	171.21	1,794.86
Bank deposit	2,409,331,740.36	1,811,784,616.56
Other monetary funds	85,793,192.97	145,493,809.02
Total	2,495,125,104.54	1,957,280,220.44
Including: Total amount deposited in foreign countries	140,073,646.43	50,352,374.95

Notes: Of the closing balance of monetary funds at the end of period, RMB 88,288,137.40 is restricted, including security deposit of RMB 57,613,457.25 for bank guarantee, security deposit of RMB 13,952,400.00 for loans, security deposit of RMB 13,634,351.52 for bills and the remainder of RMB 3,087,928.63 which is otherwise restricted.

2. Notes receivable

(1) Notes receivable are listed by classification

Item	Closing balance	Opening balance
Bank acceptances	357,928,444.09	33,581,991.88
Commercial acceptances	3,324,120.69	
Total	361,252,564.78	33,581,991.88

(2) Pledged notes receivable at the end of the year

None

(3) Endorsed or discounted notes receivable that is not yet matured as at the end of the reporting period.

Item	Amount derecognized at year end	Amount not derecognized at year end
Bank acceptances	483,424,337.66	337,273,312.94
Commercial acceptances		2,900,000.00

Total	483,424,337.66	340,173,312.94

(4) Disclosed by bad debt provision methods

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Carrying amount	Book balance		Bad debt provision		Carrying amount
	Amount	%	Amount	Provision proportion (%)		Amount	%	Amount	Provision proportion (%)	
Bad debt provision assessed individually										
Bad debt provision assessed by groups	361,286,141.76	100.00	33,576.98	1.00	361,252,564.78	33,581,991.88	100.00		/	33,581,991.88
Portfolio 1: bank acceptances	357,928,444.09	99.07			357,928,444.09	33,581,991.88	100.00			33,581,991.88
Portfolio 2: commercial acceptances	3,357,697.67	0.93	33,576.98	1.00	3,324,120.69					
Total	361,286,141.76	100.00	33,576.98	0.01	361,252,564.78	33,581,991.88	100.00		/	33,581,991.88

Provision for bad debts by portfolio:

Item	Closing balance		
	Notes receivable	Bad debt provision	Proportion, %
Commercial acceptances	3,357,697.67	33,576.98	1.00
Total	3,357,697.67	33,576.98	1.00

(5) Details of bad debt provision

Category	Opening balance	Change in the reporting period			Closing balance
		Provision	Recovery or reversal	Resell or write off	
Commercial acceptances		33,576.98			33,576.98
Total		33,576.98			33,576.98

3. Accounts receivable

(1). Disclosed by aging

Account age	Book balance at end of the year
Within 1 year	1,324,184,933.63
1-2 years	146,334,159.87
2-3 years	50,636,011.45
2-3 years3-5years	121,731,776.43
More than 5 years	7,976,883.56
Total	1,650,863,764.94

(2). Disclosed by bad debt provision methods

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Carrying amount	Book balance		Bad debt provision		Carrying amount
	Amount	proportion (%)	Amount	proportion (%)		Amount	proportion (%)	Amount	proportion (%)	
Bad debt provision assessed individually:	64,840,011.06	3.93	64,840,011.06	100.00		3,482,301.80	0.20	3,482,301.80	100.00	
bad debt provision assessed by groups	1,586,023,753.88	96.07	41,051,208.35	2.59	1,544,972,545.53	1,768,640,708.97	99.80	130,735,887.35	7.39	1,637,904,821.62
Total	1,650,863,764.94	100.00	105,891,219.41	6.41	1,544,972,545.53	1,772,123,010.77	100.00	134,218,189.15	7.57	1,637,904,821.62

Bad debt provision recognized individually:

Name	Closing balance			
	Book balance	Bad debt provision	Proportion, %	Reason
Customer 1	41,025,049.08	41,025,049.08	100.00	The Company calculates the difference between cash flows receivable under contract and cash flows that can be expected to be received, using default risk as weight, taking into account reasonable and well-supported information including past events, current situation and forecast of future economic situation, on that basis, it recognizes the expected credit loss.
Customer 2	22,470,456.98	22,470,456.98	100.00	
Customer 3	504,200.00	504,200.00	100.00	
Customer 4	210,150.00	210,150.00	100.00	
Customer 5	200,000.00	200,000.00	100.00	
Customer 5	63,000.00	63,000.00	100.00	
Customer 6	61,380.00	61,380.00	100.00	
Customer 7	280,000.00	280,000.00	100.00	
Customer 8	25,775.00	25,775.00	100.00	
Total	64,840,011.06	64,840,011.06	100.00	/

Bad debt provision assessed by groups:

Name	Closing balance		
	Accounts receivable	Bad debt provision	proportion (%)
Within 1 year (inclusive)	1,323,591,554.02	13,235,915.54	1.00
1-2 years (inclusive)	146,331,739.87	7,316,586.99	5.00
2-3 years (inclusive)	50,381,631.45	4,030,530.51	8.00
3-5 years (inclusive)	57,941,944.98	8,691,291.75	15.00
More than 5 years	7,776,883.56	7,776,883.56	100.00
Total	1,586,023,753.88	41,051,208.35	2.59

(3). Details of bad debt provision

Category	Opening balance	Change in the reporting period				Closing balance
		Provision	Recovery or reversal	Elimination or write off	Other changes	
Provision for bad debts	134,218,189.15		24,805,056.94	3,521,912.80		105,891,219.41
Total	134,218,189.15		24,805,056.94	3,521,912.80		105,891,219.41

Notes: As the Company has transferred its ownership interest in a pesticide company, an veterinary drug company and New Veyong Biochemical Company in the current period, the statement of financial position of the abovementioned three companies are no longer consolidated with the Company's statement of financial position as of December 31, 2019, accordingly, the amount of RMB 2,293,110.03 shown as the recovered or reversed amount of bad debt provision for accounts receivable is the balance of bad debt provision of the abovementioned three companies as of May 31, 2019.

(4). **Accounts receivable written off as at the end of the reporting period**

Item	Amount of written off
Actual write-off of accounts receivable	3,521,912.80

Significant write-off of accounts receivable

Entity	Nature of accounts receivable	Amount of write-off	Reason	procedures performed	Is it arising from related party transactions?
Customer 1	Account receivable for the supply of pesticides	2,058,832.56	The amount has been overdue for more than five years and it is unlikely to be recovered as it is impossible to reach the foreign customer from which the amount is due.	Approved by management	No
Total	/	2,058,832.56	/	/	/

(5). **Top 5 accounts receivable based on debtors**

Entity	Relation with the Company	Amount	Years	Proportion in total accounts receivable (%)	Nature or content
The 1st	Related party	222,624,118.54	Within 1 year	13.49	Project funds
The 2nd	Non-related party	121,046,844.55	Within 1 year	7.33	Project funds
The 3rd	Non-related party	59,274,758.28	Within 1 year	3.59	Project funds
		2,168,727.16	1-2 years	0.13	
The 4th	Related party	45,619,454.96	Within 1 year	2.77	Project funds
		31,000.00	1-2 years		
The 5th	Related party	41,856,863.45	Within 1 year	2.54	Project funds
Total	/	492,621,766.94	/	29.85	/

4. Financing receivables

Item	Closing balance	Opening balance
Bank acceptances	75,821,941.91	152,065,941.07
Total	75,821,941.91	152,065,941.07

5. Prepayments

(1). **Prepayments by account age**

Aging	Closing balance		Opening balance	
	Amount	Proportion %	Amount	Proportion %
Within 1 year	303,328,896.27	91.67	336,635,866.87	95.81
1-2 years	17,529,398.41	5.30	10,485,149.42	2.98
2-3 years	6,876,470.18	2.08	588,272.67	0.17
Over 3 years	3,155,673.17	0.95	3,643,321.89	1.04
Total	330,890,438.03	100.00	351,352,610.85	100.00

(2). **Explanations on belated settlement of significant prepayments aged over 1 year:**

Entity name	Amount	Reason for failure of settlement
The 1st	7,585,000.00	Has not reached the settlement period
Total	7,585,000.00	/

(3). **Top five prepayments based on the payers**

Entity	Relation with the Company	Amount	account age	Nature
The 1st	Non-related party	26,205,000.00	Within 1 year	Advance payment for purchase of goods
The 2nd	Non-related party	14,760,000.00	Within 1 year	Advance payment for purchase of goods
		2,340,000.00	1-2 years	
		5,245,000.00	2-3 years	
The 3rd	Non-related party	20,000,000.00	Within 1 year	Advance payment for purchase of goods
The 4th	Non-related party	19,990,000.00	Within 1 year	Advance payment for purchase of goods
The 5th	Non-related party	12,000,000.00	Within 1 year	Prepaid service fee
Total	/	100,540,000.00	/	/

6. Other receivables

Item	Closing balance	Opening balance
Interests receivable		
Dividends receivable		
Other receivables	87,371,163.22	60,964,242.16
Total	87,371,163.22	60,964,242.16

Other receivables

(1) Other receivables disclosed by account age

Account age	Closing balance
Within 1 year	66,806,540.75
1-2 years	18,468,946.37
2-3 years	2,777,775.00
3-5 years	7,424,856.89
More than 5 years	5,492,503.90
Total	100,970,622.91

(2) Other receivables by nature

Nature	Closing balance	Opening balance
Accounts receivable due from local government	3,763,554.54	7,542,863.70
Reimbursed expenses	7,909,868.02	9,462,927.86
Advances to employees and reserve	12,081,974.59	13,493,432.59
Other current accounts	35,393,532.30	24,829,728.05
Cash deposit	41,821,693.46	34,620,380.14
Amounts withheld and collected on others' behalf		695,271.29
Total	100,970,622.91	90,644,603.63

(3) Bad debt provision

Provision for bad debt	First stage	Second stage	Third stage	Total
	Expected credit losses in the next 12 months	Expected credit loss over the entire duration (credit not impaired)	Expected credit loss over the entire duration (credit impaired)	
As at 1 January 2019	460,964.27	6,572,673.08	22,646,724.12	29,680,361.47
Changes due to				

financial instruments recognized as at 1 January 2019				
--Transfer to the second stage				
--Transfer to the third stage				
-- Reverse to the second stage				
-- Reverse to the first stage				
Provision in the reporting period	268,940.83	1,108,143.47	1,862,952.29	3,240,036.58
Reversal in the reporting period	61,839.69	57,343.87	5,684,464.17	5,803,647.73
Elimination in the reporting period				
Write-off in the reporting period		184,582.29	13,332,708.34	13,517,290.63
Other changes				
As at 31 December 2019	668,065.41	7,438,890.39	5,492,503.90	13,599,459.69

(4) Provision for Bad debt

Category	Opening balance	Change in the reporting period				Closing balance
		Provision	Recovery or reversal	Elimination or write-off	Other changes	
Bad debt provision	29,680,361.47	3,240,036.58	5,803,647.73	13,517,290.63		13,599,459.69
Total	29,680,361.47	3,240,036.58	5,803,647.73	13,517,290.63		13,599,459.69

Notes: An amount of RMB 5,803,647.73 is the amount of bad debt provision for other receivables recovered or written back, which is the amount of bad debt provision for other receivables of the abovementioned three companies (i.e. the pesticide company, the veterinary drug company and New Veyong) as of May 31, 2019.

(5) Other receivables actually written off in the reporting period

Item	Amount
Other receivables actually written off	13,517,290.63

Write-off of important other receivables:

Entity	Nature of other receivables	Amount written off	Reason for write-off	Write-off procedures performed	Generated by related party transactions or not?
The 1st	Receivables and payables	3,511,628.72	The receivable has been overdue for five years and recovery is impossible.	Approved by management	No
The 2nd	Receivables and payables	1,826,819.00			No
Total	/	5,338,447.72	/	/	/

(6) Top 5 other receivables by debtor

Entity	Nature	Closing balance	Account age	Proportion in total other receivables (%)	Closing balance of bad debt provision
The 1st	Account current	20,732,723.82	Within 1 year	20.53	207,327.24
The 2nd	Receivable for the supply of coal	5,856,800.00	1-2 years	5.80	4,099,760.00

The 3rd	Account current	4,518,198.89	Within 1 year	4.47	45,181.99
The 4th	Insurance premium advanced	359,300.00	2-3 years	0.36	28,744.00
		4,188,147.27	3-5 years	4.15	628,222.09
The 5th	Receivable for the supply of coal	3,143,494.51	1-2 years	3.11	1,571,747.26
Total	/	38,798,664.49	/	38.42	6,580,982.58

7. Inventories

(1). Categories

Item	Closing balance			Opening balance		
	Book balance	Provision for decline in value	Carrying amount	Book balance	Provision for decline in value	Carrying amount
Raw materials	252,778,102.14	5,761,268.79	247,016,833.35	379,328,585.30	7,191,679.85	372,136,905.45
Work in process	508,555,815.34		508,555,815.34	325,107,505.57		325,107,505.57
Materials in transit	4,369,911.41		4,369,911.41	1,143,162.37		1,143,162.37
Finish goods	121,412,465.21		121,412,465.21	416,521,776.51	980,779.31	415,540,997.20
Revolving materials						
Consumable biological assets						
Completed but unsettled construction contracts	955,358,307.88	14,451,458.78	940,906,849.10	654,764,260.08		654,764,260.08
Materials for Consigned Processing	788,138.53		788,138.53	718,303.06		718,303.06
Self-made semi-finished goods	6,765,646.67		6,765,646.67	3,457,434.11		3,457,434.11
Goods in transit	4,895,528.87		4,895,528.87	2,446,860.29		2,446,860.29
Total	1,854,923,916.05	20,212,727.57	1,834,711,188.48	1,783,487,887.29	8,172,459.16	1,775,315,428.13

(2). Provision for inventories

Item	Opening balance	Increase in the reporting period		Decrease in the reporting period		Increase in the reporting period
		Provision	Others	Provision	Others	
Raw materials	7,191,679.85	27,578.91		1,430,411.06	27,578.91	5,761,268.79
Work-in process goods						
Finish goods	980,779.31	3,111,472.65			4,092,251.96	
Revolving materials						
Consumable biological assets						
Completed but unsettled construction contracts		14,451,458.78				14,451,458.78
Materials for Consigned Processing						
Self-made semi-finished goods						
Goods in transit						
Total	8,172,459.16	17,590,510.34		1,430,411.06	4,119,830.87	20,212,727.57

(3). Completed but unsettled construction contracts at the end of the year

Item	Balance
Accumulated cost incurred	1,755,559,628.38
Accumulated gross profit recognized	477,080,144.93
Less: Expected losses	14,451,458.78

Settled amount	1,277,281,465.43
Completed but unsettled construction contracts	940,906,849.10

8. Other current assets

Item	Closing balance	Opening balance
Input VAT to be deducted	214,621,189.90	249,314,345.22
Prepaid enterprise income tax	28,342,011.63	54,478,857.65
Prepaid social insurance and reserve	48,881.87	1,338,213.06
Input tax to be certified	8,882,813.18	6,124,956.40
Prepaid VAT	11,975,024.52	5,008,585.01
Others	280.00	15,657.58
Total	263,870,201.10	316,280,614.92

9. Long-term receivables

Item	Closing balance			Opening balance			Range of discount rate
	Book balance	Bad debt provision	Carrying amount	Book balance	Bad debt provision	Carrying amount	
Finance leases	39,447,164.20		39,447,164.20	45,377,426.42		45,377,426.42	7.20%-8.38%
Of which: unrealized financing income	6,062,835.80		6,062,835.80	8,872,573.58		8,872,573.58	7.20%-8.38%
Total	39,447,164.20		39,447,164.20	45,377,426.42		45,377,426.42	/

10. Long-term equity investments

Unit: RMB Yuan

Investee	Opening balance	Changes for the current period								Closing balance	Closing balance of provision for impairment
		Additional investment	Decrease in investment	Investment income or losses recognized under equity method	Adjustment to other comprehensive income	Other equity changes	Declared cash dividend or profit	Provision for impairment	Others		
I. Joint ventures											
Dongguan Xinde Gas Engineering Project Management Co., Ltd.	2,670,359.43			-290,875.91						2,379,483.51	13,068,966.79
Subtotal	2,670,359.43			-290,875.91						2,379,483.51	13,068,966.79
II. Associates											
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	712,650,107.94			53,714,275.81			120,000,000.00			646,364,383.75	
CNOOC Beihai Gas Co., Ltd.	64,665,212.84			631,727.98						65,296,940.82	
Santos Limited	5,032,870,308.48			462,535,461.54	2,083,493.07	-14,584,451.49	176,077,035.68		85,624,715.44	5,392,452,491.36	
Beijing Agricultural University Biological Technology Co., Ltd.	14,496,016.12			-2,351,401.73						12,144,614.38	
Erdos Xinneng	3,969,878.30			-687,808.32			840,009.00			2,442,060.98	

Logistics Co., Ltd.											
Subtotal	5,828,651,523.68			513,842,255.28	2,083,493.07	-14,584,451.49	296,917,044.68		85,624,715.44	6,118,700,491.29	
Total	5,831,321,883.11			513,551,379.37	2,083,493.07	-14,584,451.49	296,917,044.68		85,624,715.44	6,121,079,974.80	13,068,966.79

Notes：As of December 31, 2019, the carrying amount of the Company’s long-term equity investment in Santos amounts to USD 772,978,482.75, and the RMB equivalent is 5,392,452,491.36 Yuan, according to the USD/CNY exchange rate of 6.9762 as at December 31, 2019. The “others” sub-item under the accounting item “current-period change in long-term equity investment in Santos” represents the amount of RMB 85,624,715.44, which is the change in the foreign currency translation difference arising from the difference between the USD/CNY exchange rate of 6.8632 as at December 31, 2018 and 6.9762 as at December 31, 2019.

11. Other equity instruments investments

(1). Details of other equity instruments investments

Item	Closing balance	Opening balance
ENN (Inner Mongolia) Graphene Materials Co., Ltd.	2,520,332.53	
Total	2,520,332.53	

Notes: As part of the package deal for disposing of its ownership interest in three companies including the pesticide and veterinary drug companies, in May 2019, the Company entered into a share transfer agreement with Inner Mongolia New Veyong regarding the transfer of 6.43% share in ENN (Inner Mongolia) Graphene Materials Co., Ltd. Share transfer price is 9,357,700 Yuan. Land value increment tax arising from such transaction (actual amount is 3,508,800 Yuan) is shared equally between the Company and New Veyong. According to Article 19 of the Accounting Standard for Business Enterprises No.22---Recognition and Measurement of Financial Instruments, on initial recognition, a company may designate its investments in equity instruments not held for trading as financial asset at fair value through other comprehensive income, and recognizes dividend income according to Article 65 of the said standard. Accordingly, the Company designated the abovementioned equity interest as financial asset at fair value through other comprehensive income and recorded it in “Other investment in equity instruments”, the initial investment cost of the investment is the purchase cost of 11,112,100 Yuan paid, the amount recorded in other comprehensive income in the current period due to the change in fair value is 8,591,800 Yuan, and the adjusted carrying amount of the investment as of the reporting date is 2,520,300 Yuan.

(2). Details of investments in non-trading equity instruments

Item	Dividend income recognized in the current period	Accumulated income	Accumulated loss	Transfer from other comprehensive income to retained earnings	Reason for designation as at fair value through other comprehensive income	Reasons for transfer from other comprehensive income to retained earnings
ENN (Inner Mongolia) Graphene Materials Co., Ltd.			8,591,762.34		Strategic investment	
Total			8,591,762.34			

12. Investment properties

(1). Investment properties measured at cost

Item	Buildings	Total
I. Original book value		
1. Opening balance		
2. Increase in the current period	9,103,250.68	9,103,250.68
(1) Purchases		
(2) Transfer from inventories/fixed assets/construction in process	9,103,250.68	9,103,250.68

(3) Increase arising from business combination		
3. Decrease in the current period		
(1) Disposal		
(2) Other transfer out		
4. Closing balance	9,103,250.68	9,103,250.68
II. Accumulated depreciation and amortization		
1. Opening balance		
2. Increase in the current period	3,582,753.19	3,582,753.19
(1) Depreciation or amortization	135,334.00	135,334.00
(2) Transferred from fixed assets	3,447,419.19	3,447,419.19
3. Decrease in the current period		
(1) Disposal		
(2) Other transfer out		
4. Closing balance	3,582,753.19	3,582,753.19
III. Provision for impairment		
1. Opening balance		
2. Increase in the current period		
(1) Provision		
3. Decrease in the current period		
(1) Disposal		
(2) Other transfer out		
4. Closing balance		
IV. Carrying amount		
1. Carrying amount at the end of the year	5,520,497.49	5,520,497.49
2. Carrying amount at the beginning of the reporting period		

Notes: ENN Energy Mining Co., Ltd., a subsidiary of the Company, let out its production shop in order to increase revenue and reduce cost.

13. Fixed assets

Item	Closing balance	Opening balance
Fixed assets	7,676,917,118.39	8,002,823,693.29
Disposal of fixed assets		
Total	7,676,917,118.39	8,002,823,693.29

Fixed assets

(1). Details of fixed assets

Item	Pant and buildings	Machinery equipment	Office equipment	Electronic communication equipment	Transportation vehicles	Other equipment	Mine equipment	Total
I. Original book value:								
1. Opening balance	3,137,501,460.32	4,938,100,901.13	33,121,600.01	898,888,863.71	110,123,336.84	28,113,590.91	1,354,881,348.96	10,500,731,101.88
2. Increase in the current period	167,793,532.28	300,781,658.16	4,959,583.27	66,211,089.29	31,687,564.42	7,100,992.13	129,213,274.21	707,747,693.76
(1) Additions	395,304.90	33,568,313.96	2,881,134.75	15,360,415.29	9,426,465.21	7,100,992.13		68,732,626.24
(2) Transfer from construction in progress	167,398,227.38	267,213,344.20	2,078,448.52	50,850,674.00	22,261,099.21		129,213,274.21	639,015,067.52
3. Decrease in the current period	367,007,992.75	493,969,080.70	7,759,702.69	11,888,821.41	7,875,261.12	8,773,172.89		897,274,031.56
(1) Disposal or retirement	357,904,742.07	493,969,080.70	7,759,702.69	11,888,821.41	7,875,261.12	8,773,172.89		888,170,780.88
(2) Transfer into Investment properties	9,103,250.68							9,103,250.68
4. Closing balance	2,938,286,999.85	4,744,913,478.59	30,321,480.59	953,211,131.59	133,935,640.14	26,441,410.15	1,484,094,623.17	10,311,204,764.08
II. Accumulated depreciation								
1. Opening balance	398,994,040.80	1,397,841,765.51	22,102,687.80	459,970,645.71	58,704,898.65	15,365,876.30	121,055,824.99	2,474,035,739.76

2. Increase in the current period	92,055,612.29	280,244,126.23	3,421,206.85	79,352,710.47	12,441,392.63	2,895,459.71	14,794,080.22	485,204,588.40
(1) Provision	92,055,612.29	280,244,126.23	3,421,206.85	79,352,710.47	12,441,392.63	2,895,459.71	14,794,080.22	485,204,588.40
3. Decrease in the current period	66,536,407.87	247,767,742.88	5,703,611.50	6,689,571.40	6,143,398.82	6,286,350.00		339,127,082.47
(1) Disposal or retirement	63,088,988.68	247,767,742.88	5,703,611.50	6,689,571.40	6,143,398.82	6,286,350.00		335,679,663.28
(2) Transfer into Investment properties	3,447,419.19							3,447,419.19
4. Closing balance	424,513,245.22	1,430,318,148.86	19,820,283.15	532,633,784.78	65,002,892.46	11,974,986.01	135,849,905.21	2,620,113,245.69
III. Provision for impairment								
1. Opening balance		23,712,916.66		158,752.17				23,871,668.83
2. Increase in the current period								
(1) Provision								
3. Decrease in the current period		9,538,516.66		158,752.17				9,697,268.83
(1) Disposal or retirement		9,538,516.66		158,752.17				9,697,268.83
4. Closing balance		14,174,400.00						14,174,400.00
IV. Carrying amount								
1. Carrying amount at end of the reporting period	2,513,773,754.63	3,300,420,929.73	10,501,197.44	420,577,346.81	68,932,747.68	14,466,424.14	1,348,244,717.96	7,676,917,118.39
2. Carrying amount at beginning of the reporting period	2,738,507,419.52	3,516,546,218.96	11,018,912.21	438,759,465.83	51,418,438.19	12,747,714.61	1,233,825,523.97	8,002,823,693.29

(2). Temporary idle fixed assets

None

(3). Fixed assets acquired under finance leases

Item	Original book value	Accumulated depreciation	Provision for impairment	Carrying amount
Machinery equipment	160,548,920.74	13,833,693.45		146,715,227.29

(4). Fixed assets leased out under operating leases

Item	Carrying amount at the end of the reporting period
Asset let out under operating lease	1,032,735.63

(5). Fixed assets of which certificates of title have not been obtained

Item	Carrying amount	Reasons why certificates of title have not been obtained
Production and office building	443,957,902.41	Currently communicating with the government on the relevant issue
Apartment building in the living quarter	101,021,689.77	Currently communicating with the government on the relevant issue
Work-shift dormitory	12,548,900.66	Currently communicating with the government on the relevant issue
Total	557,528,492.84	

14. Construction in progress

Item	Closing balance	Opening balance
Construction in progress	1,988,471,940.05	1,736,519,453.72
Materials for construction of fixed assets	35,091,196.40	32,698,040.34
Total	2,023,563,136.45	1,769,217,494.06

Construction in progress

(1). Details of construction in progress

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Stable light hydrocarbon with annual capacity of 200,000t	1,207,298,815.78		1,207,298,815.78	1,307,197,502.02		1,307,197,502.02
Technology center and warehouse reconstruction project				26,627,618.40		26,627,618.40
Water system installation work				27,941,093.96		27,941,093.96
High concentration saline water discharge-free project				37,099,411.51		37,099,411.51

Gasification high flash gas comprehensive utilization project				21,208,453.39		21,208,453.39
Coal paste and powdered coal gasification project (coal paste and powdered coal coupled gasification technology upgrade project)	243,934,119.42		243,934,119.42	50,819,170.08		50,819,170.08
Abamectin product upgrade project				25,951,709.36		25,951,709.36
Reclamation work in the production period	53,586,712.82		53,586,712.82	16,518,105.41		16,518,105.41
Network design platform				930,713.98		930,713.98
Coal yard enclosure project	43,660,535.55		43,660,535.55	38,284,707.84		38,284,707.84
Veterinary drug preparation facility expansion project				7,762,639.50		7,762,639.50
Utility work (park area integration)	17,254,260.65		17,254,260.65	1,025,220.80		1,025,220.80
Coal mining equipment to be installed	242,861,083.11		242,861,083.11			
Water system environment-friendliness technology upgrade project	60,455,332.18		60,455,332.18			
Other construction engineering	119,421,080.54		119,421,080.54	175,153,107.47		175,153,107.47
Total	1,988,471,940.05		1,988,471,940.05	1,736,519,453.72		1,736,519,453.72

(2). Changes of significant construction in progress in the reporting period

Item	Budget	Opening balance	Increase in the current period	Transfer to fixed assets in the reporting period	Other reductionss in the reporting period	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Including: capitalized interest for the current period	Interest capitalization rate for the current period (%)	Source of funds
200,000 tons/year stable light hydrocarbon project	3,763,058,700.00	1,307,197,502.02	120,374,716.85	220,273,403.09		1,207,298,815.78	115.19	97.80	284,871,775.61	15,788,945.20	6.04	Self-financing, loans, external financing
Reclamation work in the production period	195,113,196.11	16,518,105.41	189,961,078.67	152,892,471.26		53,586,712.82	105.83	95.00				Self-financing
Technology center and warehouse reconstruction project	28,000,000.00	26,627,618.40	1,361,923.17		27,989,541.57							Self-financing
Veterinary drug preparation facility expansion project	26,260,000.00	7,762,639.50	10,270,327.64	738,871.16	17,294,095.98							Self-financing
Coal paste and powdered coal gasification project	218,079,500.00	50,819,170.08	193,114,949.34			243,934,119.42	111.86	96.21	20,991,465.72	4,809,821.25	6.04	Self-finance and loans
Coal yard enclosure project	45,000,000.00	38,284,707.84	5,375,827.71			43,660,535.55	97.02	96.00	756,505.71	756,505.71	6.04	Self-finance and loans
Water system environment-friendliness technology upgrade project	61,000,000.00		60,455,332.18			60,455,332.18	99.11	94.00	676,329.86	676,329.86	6.04	Self-finance and loans
Total	4,336,511,396.11	1,447,209,743.25	580,914,155.56	373,904,745.51	45,283,637.55	1,608,935,515.75	/	/	307,296,076.90	22,031,602.02	/	/

(3). Provision for impairment of construction in progress for the current period

None

Materials for construction of fixed assets

Item	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Special materials	31,702,538.32	7,955,700.57	23,746,837.75	35,422,757.97	7,955,700.57	27,467,057.40
Special equipment	11,344,358.65		11,344,358.65	5,230,982.94		5,230,982.94
Total	43,046,896.97	7,955,700.57	35,091,196.40	40,653,740.91	7,955,700.57	32,698,040.34

15. Intangible assets

(1). Intangible assets

Unit：RMB Yuan

Item	Land use right	Patent	Non-patents	Mining right	Water usage right	Software	Capacity index	Total
I. Original book value								
1. Opening balance	429,908,226.53	1,788,200.00	5,271,227.15	686,000,000.00	37,719,116.00	54,025,296.97	-	1,214,712,066.65
2. Increase in the current period		50,000.00	400,000.00			23,772,337.19	96,704,139.96	120,926,477.15
(1) Additions		50,000.00	400,000.00			23,772,337.19		24,222,337.19
(2) Internal R&D								
(3) Transferred from work-in-progress							96,704,139.96	96,704,139.96
3. Decrease in current year	140,464,049.32	88,200.00	5,671,227.15			428,159.89		146,651,636.36
(1) Disposal	140,464,049.32	88,200.00	5,671,227.15			428,159.89		146,651,636.36
4. Closing balance	289,444,177.21	1,750,000.00	-	686,000,000.00	37,719,116.00	77,369,474.27	96,704,139.96	1,188,986,907.44
II. Accumulated amortization								
1. Opening balance	56,635,375.87	1,742,367.03	1,691,460.62	73,892,470.55	3,268,990.13	27,516,996.77	-	164,747,660.97
2. Increase in the current period	7,095,712.33	47,777.42	245,842.05	7,252,022.10	1,508,764.68	6,144,488.78	1,013,365.01	23,307,972.37
(1) Provision	7,095,712.33	47,777.42	245,842.05	7,252,022.10	1,508,764.68	6,144,488.78	1,013,365.01	23,307,972.37
3. Decrease in the current period	19,680,731.12	88,200.00	1,937,302.67			367,859.89		22,074,093.68
(1) Disposal	19,680,731.12	88,200.00	1,937,302.67			367,859.89		22,074,093.68
4. Closing balance	44,050,357.08	1,701,944.45	-	81,144,492.65	4,777,754.81	33,293,625.66	1,013,365.01	165,981,539.66
III. Provision for impairment								
1. Opening balance								
2. Increase in the current period								

(1) Provision								
3. Decrease in the current period								
(1) Disposal								
4. Closing balance								
IV. Carrying amount								
1. Carrying amount at the end of the reporting period	245,393,820.13	48,055.55		604,855,507.35	32,941,361.19	44,075,848.61	95,690,774.95	1,023,005,367.78
2.Carrying amount at the beginning of the reporting period	373,272,850.66	45,832.97	3,579,766.53	612,107,529.45	34,450,125.87	26,508,300.20	-	1,049,964,405.68

(2). Intangible assets arising from internal research and development of the company

The proportion of intangible assets arising from internal research and development of the Company to the balance of intangible assets as the end of the reporting period is 1.25%.

(3). Land use rights of which certificates of title have not been obtained

16. Long-term prepaid expenses

Item	Opening balance	Increase in the current period	Amortization in the current period	Other reductions	Closing balance
3-year service of office-EA	99,764.03		99,764.03		
Compensation for resettlement and ecological restoration	260,686,677.44		12,413,651.28		248,273,026.16
External access roads	34,140,795.45		3,161,363.88		30,979,431.57
ENN Avenue expansion	10,225,949.71		454,486.68		9,771,463.03
Catalyst	6,079,080.85	8,257,801.69	4,737,916.59		9,598,965.95
shifting catalyst	475,313.47	2,867,787.60	873,617.78		2,469,483.29
firebricks for gasification furnace	1,132,154.19	1,818,447.03	1,182,666.60		1,767,934.62
B-molecular sieves	1,014,705.24		405,882.00		608,823.24
Resin	358,358.81		250,666.74		107,692.07
boiler castable	980,442.11		357,636.84		622,805.27
R7002 protective bed	355,235.13		224,358.96		130,876.17
Slag yard rental expense	24,062,037.00		6,741,822.00		17,320,215.00
air-drying tank rental expense	3,375,000.00		1,800,000.00		1,575,000.00
desulphurizing agent	589,738.49		307,689.72		282,048.77
Catalyst	2,014,814.40		1,093,447.19		921,367.21
Renovation cost	2,729,752.26	2,009,995.17	824,820.96		3,914,926.47
Afforestation fees	25,745.88		25,745.88		
Discharge pipeline (for coal mine underground water)		9,577,410.59	39,905.88		9,537,504.71
Water right management and maintenance fee		3,606,500.00	848,588.25		2,757,911.75
PRISM membrane		1,505,309.73	125,442.50		1,379,867.23
Others	16,388.87		6,333.24		10,055.63
Total	348,361,953.33	29,643,251.81	35,975,807.00		342,029,398.14

17. Deferred tax assets and Deferred tax liabilities

(1). Deferred tax assets before offset

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax Assets	Deductible temporary differences	Deferred tax Assets
Provision for impairment of assets	159,833,699.83	24,615,054.98	196,513,660.20	29,550,952.35
Unrealized profit of internal transactions	113,689,009.75	17,053,351.48	86,740,479.19	13,011,071.89

Deductible losses	5,000,000.00	750,000.00		
Changes of fair value	507,820.00	126,955.00	34,970.00	8,742.50
Deferred income	12,415,922.94	1,862,388.42	19,697,773.33	2,954,665.98
Long-term receivables and advance received	119,893,207.18	17,983,981.08	108,033,630.87	16,205,044.63
Total	411,339,659.70	62,391,730.96	411,020,513.59	61,730,477.35

(2). **Deferred tax liabilities before offset**

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax Liabilities	Taxable temporary differences	Deferred tax Liabilities
Difference of fixed asset depreciation	546,879,438.41	82,031,915.76	347,576,255.61	55,654,839.18
Total	546,879,438.41	82,031,915.76	347,576,255.61	55,654,839.18

(3). **Unconfirmed Deferred tax assets**

Item	Closing balance	Opening balance
Deductible losses	1,278,054,014.36	1,129,937,084.16
Asset Provision for impairment	15,755,158.12	20,453,685.77
Total	1,293,809,172.48	1,150,390,769.93

(4). Deductible losses for which deferred tax assets are not recognized will be expired in the following year

Year	Closing balance	Opening balance	Remarks
2019		19,421,296.01	
2020	100,272,164.59	108,468,547.02	
2021	278,296,409.62	281,942,964.12	
2022	271,054,955.14	271,054,955.14	
2023	265,777,755.06	449,049,321.87	
2024	362,652,729.95		
Total	1,278,054,014.36	1,129,937,084.16	/

18. Other non-current assets

Item	Closing balance	Opening balance
Prepayment for equipment and project	36,881,642.93	78,006,945.91
Advance payment of land	16,642,804.00	19,242,804.00
Deductible input VAT arising from purchase of fixed assets		23,669,696.55
Payment for share purchase	8,612,696.40	
Total	62,137,143.33	120,919,446.46

Notes: According to the announcement (No.39 of 2019) of the State Administration of Taxation and the General Administration of Customs, from April 1, 2019 onwards, the input tax arising from a taxpayer's acquisition of real property or real property under construction will no longer be deducted over a period of two years. The input tax remaining to be deducted which has not yet been fully deducted previously may be deducted from the output tax since the taxation period to which the tax belongs, starting from April 2019.

19. Short-term borrowings

(1). **Categories of short-term borrowings**

Item	Closing balance	Opening balance
Secured loans		114,000,000.00

Guaranteed loans	2,621,858,200.00	1,826,000,000.00
Unsecured loans	90,400,000.00	50,600,000.00
Total	2,712,258,200.00	1,990,600,000.00

1. Change in secured loans as compared with prior period is primarily due to the opening balance of secured loans, which is comprised of a loan of 64,000,000 Yuan taken out by the pesticide company from the Agricultural Bank of China Shijiazhuang Dongcheng Sub-branch, and a loan of 50,000,000 Yuan taken out by the pesticide company from Shanghai Pudong Development Bank Shijiazhuang Branch. As the Company has transferred its ownership interest in the pesticide company, said company's statement of financial position is no longer consolidated with the Company's statement of financial position as of December 31, 2019.

2. Change in guaranteed loans as compared with prior period is primarily due to a new loan of 810,000,000 Yuan taken out by the Company and its subsidiaries from Bank of China Langfang Branch.

3. Change in unsecured loan as compared with prior period is primarily due to the fact that the outstanding balance of loan due to China CITIC Bank Shijiazhuang Branch increased from 50,000,000 Yuan at the beginning of period to 90,000,000 Yuan.

(2). Short-term loans overdue but not yet repaid

20. Financial liabilities held for trading

Unit：RMB Yuan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Financial liabilities held for trading	1,602,590.00		1,602,590.00	
Including: trading bonds issued				
Derivative financial liabilities	1,602,590.00		1,602,590.00	
Others				
Financial liabilities designated to be measured at fair value through current period profit and loss				
Total	1,602,590.00		1,602,590.00	

21. Notes payable

Type	Closing balance	Opening balance
Commercial acceptances		
Bank acceptances	91,974,505.04	225,592,581.20
Total	91,974,505.04	225,592,581.20

The total amount of notes payable overdue but not yet paid during the current period is RMB0.

22. Accounts payable

(1). Accounts payable are listed as follows

Item	Closing balance	Opening balance
Accounts payable	3,582,142,834.01	2,753,890,747.53
Total	3,582,142,834.01	2,753,890,747.53

(2). Significant accounts payable aged over 1 year

Item	Closing balance	Reasons for not been repaid or transferred
The 1st	35,382,948.16	Has not yet reached the settlement period
The 2nd	34,243,353.53	Has not yet reached the settlement period
The 3rd	21,321,580.67	Has not yet reached the settlement period
Total	90,947,882.36	/

23. Receipts in advance

(1). Receipts in advance

Item	Closing balance	Opening balance
Receipts in advance	787,337,226.29	854,287,816.09
Total	787,337,226.29	854,287,816.09

(2). Significant receipts in advance aged over 1 year

Item	Closing balance	Reasons for not been repaid or transferred
The 1st	21,570,000.00	Project not completed
The 2nd	13,520,000.00	Project not completed
The 3rd	8,922,095.00	Project not completed
Total	44,012,095.00	/

(3). Items settled but not yet completed arising from construction contracts as at the end of the reporting period

Item	Amount
Accumulated cost incurred	131,062,063.51
Accumulated gross profits recognised	50,981,075.90
Less: Expected losses	
Settled amount	229,244,288.65
Completed and unsettled items arising from construction contracts	47,201,149.24

24. Payroll and employee benefits payable

(1). Payroll and employee benefits payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Short-term benefits	241,759,598.58	768,844,312.69	825,475,930.26	185,127,981.01
II. Post-employment benefits and defined contribution plan	4,755,475.77	59,260,103.88	61,877,152.82	2,138,426.83
III. Termination benefits		2,289,433.82	2,289,433.82	
IV. Other benefits due within one year				
Total	246,515,074.35	830,393,850.39	889,642,516.90	187,266,407.84

(2). Short-term benefits

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Wages or salaries, bonuses, allowances & subsidies	192,373,096.35	636,344,476.29	685,079,004.40	143,638,568.24
II. Staff welfare		46,650,682.71	46,650,682.71	
III. Social security contributions	1,671,556.38	30,796,824.35	31,574,865.26	893,515.47

Including: Medical insurance	1,359,227.76	25,904,562.90	26,482,328.54	781,462.12
Work injury insurance	303,467.35	2,962,395.24	3,156,516.46	109,346.13
Maternity insurance	8,861.27	1,929,866.21	1,936,020.26	2,707.22
IV. Housing fund	6,520,590.52	34,047,683.62	37,376,828.43	3,191,445.71
V. Labor union & employee education cost	41,178,987.67	20,692,094.48	24,481,998.22	37,389,083.93
VI. Short-term paid leave				
VII. Short-term profit-sharing plan				
VIII. Other	15,367.66	312,551.24	312,551.24	15,367.66
Total	241,759,598.58	768,844,312.69	825,475,930.26	185,127,981.01

(3). Defined contribution plans

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic pension insurance	4,572,917.18	57,240,958.74	59,771,385.19	2,042,490.73
2. Unemployment insurance	182,558.59	2,019,145.14	2,105,767.63	95,936.10
3. Enterprise annuity				
Total	4,755,475.77	59,260,103.88	61,877,152.82	2,138,426.83

25. Taxes payable

Item	Closing balance	Opening balance
Value added tax	3,110,858.95	40,080,142.75
Business tax	2,790,756.08	2,822,516.06
Enterprise income tax	9,298,076.56	22,882,000.08
Individual income tax	4,222,333.36	3,941,050.86
City construction and maintenance tax	3,864,844.02	4,198,955.37
Education surcharge	2,258,106.05	2,532,351.24
Property tax	27,242.61	27,242.57
Resource tax	58,838.23	21,454,424.10
Land use tax	116,315.70	116,315.66
Stamp duty	1,006,705.65	290,706.23
Environmental protection tax	897,419.30	39,519.81
Water resource tax	2,944,538.50	264,970.00
Others	328,171.87	663,139.05
Total	30,924,206.88	99,313,333.78

Notes: 1. Decrease in VAT payable compared with previous period is primarily due to the decrease in accrued tax owing to the cessation of production by Xinneng Energy Mining Co., Ltd, a subsidiary of the Company, in the current period.

2. Decrease in corporate income tax payable compared with previous period is primarily due to the fact that Qinshui ENN, a subsidiary of the Company, has been re-certified as a hi-tech company, entitling it to a preferential income tax rate of 15%, which resulted in the decrease in accrued tax in the current period.

3. Decrease in resource tax payable compared with previous period is primarily due to decrease in accrued tax resulting from the cessation of production by Xinneng Energy Mining Co., Ltd, a subsidiary of the Company, in the current period.

26. Other payables

Item	Closing balance	Opening balance
Interest payable	105,002,422.01	98,831,818.34
Dividends payable	57,000,000.00	57,000,000.00
Other payables	84,679,635.36	252,932,720.76
Total	246,682,057.37	408,764,539.10

Notes: Decrease in other payables compared with previous period is primarily due to the fact that Xinneng (Hong Kong) Energy Investment Limited, a subsidiary of the Company, has paid off a debt owed to ENN GROUP INTERNATIONAL INVESTMENT LIMITED, a related party, and that the Company has paid the consideration for acquiring a minority interest in New Veyong.

Interests payable

Item	Closing balance	Opening balance
Interest of long-term borrowings with interest payable by installments and principal payable on maturity	6,190,203.89	6,262,115.90
Interest on corporate debenture	94,999,322.90	90,017,361.22
Interests payable on Short-term borrowings	3,812,895.22	2,552,341.22
Total	105,002,422.01	98,831,818.34

Dividends payable

Item	Closing balance	Opening balance
Dividends on ordinary shares	57,000,000.00	57,000,000.00
Total	57,000,000.00	57,000,000.00

Notes：The dividend payable that remains unpaid for more than one year represents the dividend that failed to be timely paid to shareholders by Xinneng (Zhangjiagang) Energy Co., Ltd., a subsidiary of the Company, owing to operational difficulty and financial stress in recent years.

Other payables

(1)． **Other payables presented by nature**

Item	Closing balance	Opening balance
Account payable	3,034,301.78	20,161,269.20
Cash deposit	72,780,869.23	68,561,324.34
Accrued expense	1,509,044.55	11,001,252.07
Amount payable for share transfer		32,646,000.00
Reimbursed expenses	1,614,507.19	2,642,787.49
Amounts withheld and collected on others' behalf	4,234,916.73	7,190,215.09
Reimbursement amounts payable to employees	1,001,467.87	967,699.68
Amounts temporarily withheld	504,528.01	34,248.01
Interbank offered of capital		109,727,924.88
Total	84,679,635.36	252,932,720.76

Notes: 1. Decrease in "amount payable for share transfer" in "Other Payables" is primarily because the Company paid the consideration for acquiring a minority interest in New Veyong in the current reporting period.

2. Decrease in "inter-company borrowing" in "Other Payables" is primarily because the principal and interest of the loan owed by Xinneng (Hong Kong) to ENN GROUP INTERNATIONAL INVESTMENT LIMITED have been fully paid in the current reporting period.

(2). Significant other payables aged over 1 year

Item	Closing balance	Reasons for not been repaid or transferred
The 1st	4,010,100.00	Not yet due
The 2nd	2,749,053.00	Not yet due
The 3rd	2,148,800.00	Not yet due
Total	8,907,953.00	/

27. Current portion of non-current liabilities

Item	Closing balance	Opening balance
Long-term borrowings due within 1 year	120,000,000.00	128,541,078.72
Bonds payable due within 1 year		1,550,301,000.00
Long-term Payable due within 1 year	427,686,905.35	1,063,128,889.23
Total	547,686,905.35	2,741,970,967.95

Note:

1. Long-term payable of 100,000,000 Yuan which becomes due within one year represents funds obtained under a financial lease by Xinneng Energy Co., Ltd., from JIC Leasing Co., Ltd, in respect of which the Company has provided guarantee for 75% of the amount of financing, Mr. Wang Yusuo and his wife Mrs. Wang also provided guarantee.

2. Long-term payable of 67,648,700 Yuan which becomes due within one year represents funds obtained under a financial lease by Xinneng Energy Co., Ltd from China Huarong Financial Leasing Co., Ltd., in respect of which the Company has provided guarantee for 75% of the financing amount, and ENN Holdings Investment Co., Ltd. has provided guarantee for 25% of the financing amount.

3. Bond payable which becomes due within one year represents the "16 ENN Bond" with a principal amount of 1,700,000,000.00 Yuan issued by the Company with an option allowing the issuer to increase the coupon rate at the end of the third year within the duration of the bond, and also with an investor' put option. The Company has decided not to increase the coupon rate of the bond for the last two years of the duration of the bond; the investor chose to sell back the bond with a principal amount of 1,550,301,000.00 Yuan, and the Company has redeemed the bond on February 25, 2019.

28. Long-term borrowings

(1). Classification of Long-term borrowings

Item	Closing balance	Opening balance
Guaranteed loans	1,895,240,000.00	120,000,000.00
Pledged and Guaranteed loans		2,906,565,200.00
Secured and Guaranteed loans		241,231,505.89
Total	1,895,240,000.00	3,267,796,705.89

Notes: 1. Long-term borrowing balance of 200,000,000 US dollars (equivalent 1,395,240,000 Yuan) represents a syndicated loan obtained by Xinneng (Hong Kong) Energy Investment, a wholly owned oversea subsidiary of the Company, from Standard Chartered Bank (Hong Kong) Limited, which loan is secured by an unconditional and irrevocable cross-border joint liability guarantee provided by the Company.

2. Long-term borrowing balance of 300,000,000 Yuan represents a loan obtained by the Company from China Ever-Bright Bank Langfang Branch. The loan is secured by the joint liability guarantee provided by ENN Holdings Investment, and also by the joint liability guarantee provided by Mr. Wang Yusuo and Mrs. Zhao Baoju as surety.

3. Long-term borrowing balance of 200,000,000 Yuan represents a loan obtained by the Company from the Bank of Changzhou Hezuo Road Branch. Said loan is secured by the joint liability guarantee provided by ENN Holdings Investment.

29. Bonds payable

(1). Bonds payable

Item	Closing balance	Opening balance
Corporate bond	149,699,000.00	149,266,129.59
Overseas bond	3,483,343,871.77	
Total	3,633,042,871.77	149,266,129.59

(2). **Changes in bond payables**

Bond name	Nominal value	Issue date	Maturity of bond	Issue amount	Opening balance	Adjusted to Current portion of non-current liabilities at the beginning of the reporting period	Issued in the current period	Interest accrued per nominal value	Amortization of premium and discount	Repaid in the current period	Closing balance
VEYONG 7.5% 2021	100 US dollars	2019/2/27	2 years	1,744,050,000.00			1,744,050,000.00	109,003,125.00	-28,482,822.09		1,715,567,177.91
VEYONG 7.5% 2021(Further issue)	100 US dollars	9/24/2019	2 years	1,744,050,000.00			1,744,050,000.00	43,601,250.00	23,726,693.86		1,767,776,693.86
16 ENN Bond	100	2/25/2016	5 years	1,700,000,000.00	149,266,129.59	1,550,301,000.00		24,029,461.68	432,870.41	1,550,301,000.00	149,699,000.00
Total	/	/	/	5,188,100,000.00	149,266,129.59	1,550,301,000.00	3,488,100,000.00	176,633,836.68	-4,323,257.82	1,550,301,000.00	3,633,042,871.77

Notes: 1. The corporate bond is "16 ENN Bond" with a principal amount of 1,700,000,000.00 Yuan issued by the Company with an option allowing the issuer to increase the coupon rate at the end of the third year within the duration of the bond, and also with an investor' put option. The Company has decided not to increase the coupon rate of the bond for the last two years of the duration of the bond; the investor chose to sell back the bond with a principal amount of 1,550,301,000.00 Yuan, and the Company has completed redemption on February 25, 2019, the outstanding balance as of December 31, 2019 is 149,699,000.00 Yuan.

2. At the 27th session of the eighth board of directors and the second extraordinary general meeting of the Company for the year 2018, a Proposal on the Overseas Bond Issuance by a Wholly Owned Overseas Subsidiary of the Company and the Company's Proposal on Providing Guarantee for the Overseas Bond Issuance by a Wholly Owned Overseas Subsidiary were considered and approved, and it was agreed that, Xinneng (Hong Kong) Energy Investment ("Xinneng HK"), a wholly owned subsidiary of the Company, sets up a wholly owned overseas subsidiary (namely ENN Clean Energy International Investment Limited) in British Virgin Islands, which subsidiary will act as an issuer to issue bond outside of China with a principal amount up to USD 500 million (inclusive), for which the Company will provide unconditional and irrevocable cross-border joint liability guarantee. (for details, refer to the Announcement of Resolution of the 27th Session of the Eighth Board of Directors, the Announcement of the Proposed Overseas Bond Issuance by a Wholly Owned Overseas Subsidiary, the Announcement of Proposal on Providing Guarantee for the Overseas Bond Issuance by a Wholly Owned Overseas Subsidiary and the Announcement of Resolution of the Second Extraordinary General Meeting of 2018, as released by the Company respectively on August 21, and September 6 ,2018 on the website of Shanghai Stock Exchange)

On February 27, 2019, ENN Clean Energy International Investment Limited, a wholly owned overseas subsidiary of the Company, has completed the overseas issuance of senior unsecured fixed-rate bond due in two years with principal amount of 250,000,000 US dollars at a coupon rate of 7.5%. The bond issue is secured by the unconditional and irrevocable cross-border joint liability guarantee provided by the Company. The bond was issued to qualified institutional investors outside the United States in accordance with Regulation S of the Securities Act of the United States and became listed for trading on The Stock Exchange of Hong Kong Ltd. (SEHK) on February 28, 2019. (For details, refer to the Announcement of ENN Ecological Holdings Co., Ltd Regarding the USD-Denominated Bond Issuance by a Wholly Owned Overseas Subsidiary, released on the website of Shanghai Stock Exchange on February 28, 2019)

On September 24, 2019, ENN Clean Energy International Investment Limited, a wholly owned overseas subsidiary of the Company, completed a further round of overseas issuance of senior unsecured fixed-rate bond with principal amount of 250,000,000 USD, upon completion of the further issue, the aggregate principal amount of bond issue reaches 500,000,000 USD. The maturity date of the further bond issue is the same as that of the existing bond which will become due on February 27, 2021 at a coupon rate of 7.5%, the further bond issue is secured by the unconditional and irrevocable cross-border joint liability guarantee provided by the Company. The further issue was made to qualified institutional investors outside the United States in accordance with Regulations of the US Securities Act. Pursuant to a notice from the Stock Exchange of Hong Kong Ltd., the further bond issue became listed for trading on SEHK on October 31, 2019 and merged with the existing bond to form a single series and share the same securities code. (For details, refer to the Announcement of ENN Ecological Holdings Co., Ltd. regarding the Further Bond Issue by a Wholly Owned Overseas Subsidiary, and the Announcement on the Progress of Further Issue of USD-Denominated Bond by a Wholly Owned Overseas Subsidiary released on the website of Shanghai Stock Exchange respectively on September 25, 2019 and November 1st).

30. Long-term Payable

Item	Closing balance	Opening balance
Long-term Payables	416,103,859.15	1,210,585,192.26
Special payables		425,000.00
Total	416,103,859.15	1,211,010,192.26

Long-term Payables

Item	Closing balance	Opening balance
Minsheng Financial Leasing Co., Ltd.		15,297,171.46
Hebei Financial Leasing Co., Ltd.		540,171,389.93
JIC Leasing Co., Ltd.	22,534,042.14	120,006,185.23
China Huarong Financial Leasing Co., Ltd.	109,905,269.29	280,035,874.02
China Foreign Trade Financial Lease Co., Ltd.		255,074,571.62
Jiyin Leasing Co., Ltd.	283,664,547.72	
Total	416,103,859.15	1,210,585,192.26

Notes: 1. Long-term payables of 22,534,000 Yuan represents funds obtained under a financial lease by Xinneng Energy Co., Ltd., from JIC Leasing Co., Ltd., in respect of which the Company provided guarantee for 75% of the amount of financing, Mr. Wang Yusuo and his wife Mrs. Wang also provided guarantee.

2. Long-term payables of 54,194,200 Yuan represents funds obtained under a financial lease by Xinneng Mining Co., Ltd., from China Huarong Financial Leasing Co., Ltd., for which the Company has provided guarantee.

3. Long-term payables of 55,711,000 Yuan represents funds obtained under a financial lease by Xinneng Energy Co., Ltd. from China Huarong Financial Leasing Co., Ltd., in respect of which the Company has provided guarantee for 75% of the financing amount, and ENN Holdings Investment Co., Ltd. has provided guarantee for 25% of the financing amount.

4. Long-term payables of 283,664,500 Yuan represents funds obtained under a financial lease by Xinneng Energy Co., Ltd., from Jiyin Leasing Co., Ltd., for which the Company has provided guarantee.

Special payables

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason
Road maintenance compensation	425,000.00		425,000.00		Government subsidy
Total	425,000.00		425,000.00		/

Notes: Decrease in special payables in current period is primarily because the Company's disposal of the pesticide and animal drugs business in current reporting period.

31. Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason
Deferred income	171,531,240.14	2,145,900.00	161,261,217.20	12,415,922.94	Government grants
Total	171,531,240.14	2,145,900.00	161,261,217.20	12,415,922.94	/

Items related to Government grants:

Liabilities	Opening balance	Increase in subsidies in the current period	Amount included in non-operating income in the current period	Amount included in other income in the current period	Other changes	Closing balance	Asset-related/income-related
Subsidy for the relocation of a base in Shijiazhuang	142,077,490.67		142,077,490.67				Related to asset
Land repayment	15,750,924.66			2,614,580.67	6,407,044.33	6,729,299.66	Related to asset
Government subsidy for induced draft fan and integrated Electric-bag Composite Dust Collector	3,371,848.67			294,768.24		3,077,080.43	Related to asset
High technology industrialization demonstration project for the Active Pharmaceutical Ingredients and preparations of the Novel biological veterinary drug " Eprinomectin"	2,500,000.00			260,416.67	2,239,583.33		Related to asset
Government-granted interest subsidy for Pymetrozine technology upgrade project	1,040,559.48		1,040,559.48				Related to asset
Special subsidy for power demand-side in Inner Mongolia Autonomous Region	575,000.00			79,861.10		495,138.90	Related to asset
Funding for technology upgrade projects	6,215,416.66			375,781.25	5,839,635.41		Related to asset
Funding for water pollution prevention and control		2,000,000.00		29,411.76		1,970,588.24	Related to asset

Industrial internet innovation development demonstration project		145,900.00		2,084.29		143,815.71	Related to asset
Total	171,531,240.14	2,145,900.00	143,118,050.15	3,656,903.98	14,486,263.07	12,415,922.94	/

Notes:

Decrease in deferred income by 92.76% at end of the period compared with beginning of the period is primarily because after the Company's disposal of pesticide and veterinary drug business in the current reporting period, a portion of deferred income arising from the relocation subsidy which has not yet been amortized previously is amortized on an one-off basis, and that the deferred income of the three companies including the pesticide and veterinary drug companies is excluded.

32. Share Capital

Item	Opening balance	Changes in the current period (+, -)					Closing balance
		New shares issued	Share donation	Capitalization of capital reserve	Others	Subtotal	
Total shares	1,229,355,783.00						1,229,355,783.00

33. Capital reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (share premium)	1,997,166,367.26			1,997,166,367.26
Other capital reserves	-203,518,300.32		14,584,451.49	-218,102,751.81
Total	1,793,648,066.94		14,584,451.49	1,779,063,615.45

Notes: Decrease of 14,584,451.49 Yuan in other capital surplus in current period is because the Company accounts for changes in other equity owned in Santos according to equity method in current reporting period, resulting in a decrease in the Company's share of Santos' net assets.

34. Treasury Shares

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Shares the Company purchased for equity incentives	59,740,670.18	139,841,441.22		199,582,111.40
Total	59,740,670.18	139,841,441.22		199,582,111.40

Notes: In 2019, the Company cumulatively repurchased 12,396,633 shares of its own through call auction, as of May 27, 2019, the Company has completed the share repurchase, and total shares repurchased is 18,340,068 shares, representing 1.49% of the Company's total share capital.

35. Other comprehensive income

Item	Opening balance	Reporting period						Closing balance
		Amount incurred before income tax in the current period	Less: Amount included in other comprehensive income in the prior periods that is transferred to profit or loss for the current period	Less: Amount included in other comprehensive income in the prior periods that is transferred to retained earnings for the current period	Less: Income tax expenses	Attributable to the Company after tax	Attributable to minority interests after tax	
(i) Other comprehensive income that cannot be re-classified to profit/loss		-8,591,762.34				-8,591,762.34		-8,591,762.34
Including: Remeasurement of changes in defined benefit plan								
Changes in fair value of other equity instrument investments		-8,591,762.34				-8,591,762.34		-8,591,762.34
(ii) Other comprehensive income to be re-classified to profit/loss	192,290,487.20	33,289,729.51				33,289,729.51		225,580,216.71
Including: other comprehensive income that can be transferred to profit/loss under the equity method	-174,818,250.00	2,083,493.07				2,083,493.07		-172,734,756.93
Changes in fair value of available-for-sale financial assets								
Reclassification of held-to-maturity investments as available-for-sale financial assets								

Effective portion of gains or losses on cash flow hedging								
Translation differences of financial statements denominated in foreign currencies	367,108,737.20	31,206,236.44				31,206,236.44		398,314,973.64
Total other comprehensive income	192,290,487.20	24,697,967.17				24,697,967.17		216,988,454.37

Other comprehensive income at end of period increased by 24,697,967.17 Yuan compared with beginning of the period, which is due to increase of 31,206,236.44 Yuan in other comprehensive income arising from foreign currency financial statement translation differences due to the adoption of US dollar as the recording currency by Xinneng (Hong Kong), a subsidiary of the Company, and United Faith Ventures Limited ("United Faith"), the increase of 2,083,493.07 Yuan in other comprehensive income resulting from the change in United Faith's share of other comprehensive income in Santos, an associate, due to United Faith's adoption of equity method to account for the changes in other comprehensive income, and the decrease of 8,591,762.34 Yuan in other comprehensive income arising from the fair value change of investment in other equity instrument of ENN (Inner Mongolia) Graphene.

36. Special reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Safety fund	62,993,079.64	146,200,350.08	155,147,544.31	54,045,885.41
Simple Reproduction Maintenance Fees		41,423,408.11	41,423,408.11	
Total	62,993,079.64	187,623,758.19	196,570,952.42	54,045,885.41

37. Surplus reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory Surplus reserve	80,123,476.85	64,083,051.31		144,206,528.16
Discretionary Surplus reserve				
Total	80,123,476.85	64,083,051.31		144,206,528.16

38. Retained earnings

Item	Current period	Prior period
Before adjustment: retained earnings of the prior period	5,243,225,709.19	4,092,480,110.53
Adjustment: Total retained earnings at the beginning of the reporting period (increase "+", decrease "-")		
After adjustment: retained earnings at the beginning of the reporting period	5,243,225,709.19	4,092,480,110.53
Add: Net profit attributable to owners of the company for the current period	1,204,645,071.47	1,321,229,732.19
Less: Transfer to statutory surplus reserve	64,083,051.31	47,548,555.23
Transfer to discretionary surplus reserve		
Declaration of dividends on ordinary shares	254,313,300.15	122,935,578.30
Conversion of ordinary shares' dividends into share capital		
Others		
Retained earnings at the end of the reporting period	6,129,474,429.20	5,243,225,709.19

Details of the adjustment of retained earnings at the beginning of period:

1. 0 Yuan of retained earnings at beginning of the period was affected by the retroactive adjustment arising from the Accounting Standard for Business Enterprises and the relevant new regulations.

2. 0 Yuan of retained earnings at beginning of the period is affected by the changes in accounting policy.

3. 0 Yuan of retained earnings at beginning of the period was affected by the correction of major accounting errors.

4. 0 Yuan of retained earnings at beginning of the period was affected by the change in the scope of consolidation due to common control.

5. 0 Yuan of retained earnings at beginning of the period was affected by other adjustments.

39. Operating revenue and costs of sales

(1). Operating revenue and costs of sales

Item	Amount incurred in the current period		Amount incurred in the prior period	
	Revenue	Cost	Revenue	Cost
Principal operating activities	13,335,914,873.47	10,982,643,612.73	13,562,426,753.10	10,652,534,701.96
Others	208,138,581.41	178,943,764.07	70,052,242.09	44,339,483.26
Total	13,544,053,454.88	11,161,587,376.80	13,632,478,995.19	10,696,874,185.22

40. Taxes and surcharges

Item	Reporting period	Previous period
Business tax	-35,567.74	-1,485,615.47
City construction and maintenance tax	15,941,116.24	17,155,702.25
Education surcharge	13,382,400.89	14,202,270.12
Resource tax	123,828,291.65	128,133,885.32
Property tax	14,426,384.86	15,838,928.78
Land use tax	15,613,448.00	20,722,764.67
Stamp duty	9,761,505.87	9,690,144.98
Levies by the local government	5,274,050.96	4,633,351.94
Environmental protection tax	3,694,955.24	4,218,632.30
Water resource tax	7,194,807.25	3,177,436.70
farmland use tax for the worked-out area	82,181,532.50	25,900,125.00
Others	4,281,924.87	5,035,038.93
Total	295,544,850.59	247,222,665.52

41. Selling expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Payroll and employee benefits	73,015,594.21	92,299,157.25
Transport expenses	50,686,893.58	42,095,886.05
Travel expense	8,018,040.67	14,417,587.49
Advertising fee	289,566.95	1,336,032.49
Business entertainment	7,342,944.58	7,338,933.69
Others	13,714,357.44	31,652,791.17
Total	153,067,397.43	189,140,388.14

Notes: Selling expenses decreased by 19.07% year to year, which is primarily due to decrease in relevant expenses after the Company completed the disposal of pesticide and veterinary drug business in May 2019.

42. General and administrative expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Payroll and employee benefits	264,668,072.60	264,758,544.65
Repair expense	64,460,890.43	51,207,533.99
Depreciation charge	20,378,837.38	15,860,563.82
Intangible asset amortization	19,623,948.21	18,167,937.96
Office and travel expenses	14,377,495.58	18,949,652.02
Business entertainment	11,043,882.01	11,465,854.31
Amortization of Long-term prepaid expenses	5,270,707.51	2,778,335.28

Transport expenses	10,188,471.99	3,549,442.43
Intermediary agency fee	48,313,064.86	36,655,869.85
Utilities	1,731,598.40	1,797,221.79
Premiums for property insurance	5,862,691.34	4,481,715.94
Rental fee	5,289,901.75	6,163,941.96
Shutdown loss	12,224,364.03	46,198,570.43
Others	38,273,953.33	38,460,260.54
Total	521,707,879.42	520,495,444.97

43. Research and development expense

Item	Amount incurred in the current period	Amount incurred in the prior period
Payroll and employee benefits	64,456,495.17	50,294,165.83
Depreciation charge	4,571,635.60	16,797,250.74
Materials	50,681,552.92	52,106,739.36
Test and inspection expense	17,595.68	11,757,699.39
Others	8,263,957.42	14,701,040.44
Total	127,991,236.79	145,656,895.76

44. Financial expenses

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest expense	606,980,155.36	480,095,084.36
Add: interest income	-31,894,753.17	-13,586,731.03
Exchange loss (or income)	50,252,059.20	213,935,187.76
Handling charge	10,456,552.46	5,645,428.32
International loan service fee		17,437,753.98
Others	742,465.68	762,744.21
Total	636,536,479.53	704,289,467.60

Notes: Financial expenses decreased by 9.62% year to year, which is primarily due to the fact that in the corresponding period of the previous year, the Company suffered a considerable exchange loss on USD loan due to exchange rate fluctuations.

45. Other income

Item	Amount incurred in the current period	Amount incurred in the prior period
Land repayment	2,614,580.67	491,049.94
High technology industrialization demonstration project for the Active Pharmaceutical Ingredients and preparations of the Novel biological veterinary drug “Eprinomectin”	260,416.67	625,000.00
Special fund for development of foreign trade		633,800.00
Subsidy for patent	310,000.00	862,000.00
Government subsidy for induced draft fan and integrated Electric-bag Composite Dust Collector	294,768.24	294,768.24
Fiscal subsidy for the funding of technology upgrades	375,781.25	656,041.67
Various technology incentive funds	6,930,000.00	
Government support fund	1,836,587.41	1,319,256.48

Special subsidy for the power demand-side	79,861.10	
Post-stabilizing subsidy	878,896.07	33,445.10
Subsidy for export credit insurance	411,800.00	
R&D funding from the education bureau	700,000.00	
Refunds of taxes	200,000.00	261,223.96
Input tax Gross-Up and Deduction	347,886.12	
Return of service charge for individual income tax	116,987.13	
Funding for water pollution prevention and control	29,411.76	
Industrial internet innovation development demonstration project	2,084.29	
Disabled employment security fund	140,088.70	
Corporate development fund		800,000.00
Incentive funds granted by the safety supervision bureau	20,000.00	30,000.00
Supply guarantee compensation funds		2,708,500.00
Funding for applied technology research and development at municipal-level		2,220,000.00
Research of key technology for the prevention and control of important livestock and poultry diseases and development of new veterinary drugs		150,000.00
Project funding for international operational capability improvement		90,500.00
Subsidy for the networked corporate monitoring system of hazardous substances and major source of hazards		16,000.00
Subsidy for company of excellence in the development of the dual-prevention mechanism		10,000.00
Total	15,549,149.41	11,201,585.39

46. Investment income

Item	Amount incurred in the current period	Amount incurred in the prior period
Income from long-term equity investments under equity method	513,551,379.37	583,957,272.92
Investment income on disposal of long-term equity investments	85,824,784.16	-5,545,551.60
Investment income from holding financial assets at FVTPL		
Investment income from disposal of financial assets at FVTPL		
Investment income from holding held-to-maturity investments		

Investment income from disposal of held-to-maturity investments		
Investment income from holding available-for-sale financial assets		
Investment income from disposal of available-for-sale financial assets		
Investment income from holding held-for-trading financial assets	-507,820.00	
Dividend income from holding investments in other equity instruments		
Interest income from holding debt investments		
Interest income from holding other debt investments		
Investment income from disposal of held-for-trading financial assets	-10,258,959.06	6,068,073.38
Investment income from disposal of investments in other equity instruments		
Investment income from disposal of debt investments		
Investment income from disposal of other debt investments		
Total	588,609,384.47	584,479,794.70

Notes: 1. Reason for considerable change in investment income from disposal of long-term equity investment is due to investment income recognized for sale of pesticide and animal drug assets by the Company in current reporting period.

2. Reason for considerable change in investment income from disposal of transactional financial assets is due to loss suffered by the Company on futures and foreign exchange hedging in current reporting period.

47. Gains from changes in fair value

Source resulting in gains from changes in fair values	Amount incurred in the current period	Amount incurred in the prior period
Held-for-trading financial assets		
Including: Gains from changes in fair values arising from derivatives		
Held-for-trading financial liabilities		-1,602,590.00
Investment properties carried at fair value		
Total		-1,602,590.00

48. Credit impairment loss

Item	Amount incurred in the current period	Amount incurred in the prior period
Bad debt provision of account receivables	22,511,946.92	
Bad debt provision of notes receivables	-33,576.98	
Bad debt provision of other receivables	-3,240,036.58	
Impairment on debt investments		
Impairment loss of other Debt investment		
Bad debt provision of long-term receivables		
Total	19,238,333.36	

Notes: Amount of credit impairment loss that occurred in the current period is because that the Company accounted for the expected credit loss of various financial instruments under the “Credit Impairment Loss” item in accordance with the new financial instrument standard in the current reporting period, and the reason for which the bad debt loss of accounts receivable shown in the table above is a positive number, is because of the fact that Xindi Engineering, a subsidiary of the Company, has recovered some of its long-term receivables and therefore reduced the bad debt provision.

49. Assets impairment losses

Item	Amount incurred in the current period	Amount incurred in the prior period
I. Bad debt provision		-54,678,492.62
(ii) Written-down of inventories	-16,160,099.28	-6,824,368.71
(iii) Impairment on available-for-sale financial assets		
(iv) Impairment on held-to-maturity investments		
(v) Impairment on long-term equity investments		-13,068,966.79
(vi) Impairment on Investment properties		
(vii) Impairment on fixed assets		-14,174,400.00
(viii) Impairment on materials for construction of fixed assets		-7,955,700.57
(ix) Impairment on construction in progress		
(x) Impairment on productive biological assets		
(xi) Impairment on oil and gas assets s		
(xii) Impairment on intangible assets		
(xiii) Impairment on goodwill		
XIV. Others		
Total	-16,160,099.28	-96,701,928.69

Note: Main reason for considerable change in asset impairment loss is because the Company started to adopt the new financial instrument standard in current reporting period, as a result, it accounted for the expected credit loss of various financial instruments under the "Credit Impairment Loss" item, and also because of the fact that subsidiaries of the Company have recognized impairment for long-term equity investment, inventories and engineering materials as well as equipment and apparatus in the corresponding period of the previous year.

50. Income from the disposal of assets

Item	Amount incurred in the current period	Amount incurred in the prior period
Gains from the disposal of non-current assets	7,073,444.57	1,019,958.29
Including: income from disposal of fixed assets	-31,491.68	1,019,958.29
Income from disposal of intangible assets	7,104,936.25	
Profit or loss on the disposal of held-for-sale assets and liabilities		-438,396.26
Total	7,073,444.57	581,562.03

Notes: Reason for considerable change in gain on disposal of non-current assets is because of the disposal of land-use right by New Veyong, formerly a subsidiary of the Company, in the current reporting period.

51. Non-operating income

Item	Amount incurred in the current period	Amount incurred in the prior period	Amount included in non-recurring profit or loss in the current period
Government grants	143,118,050.15	13,898,477.76	143,118,050.15
Unpaid payables	449,573.14	11,168,938.29	449,573.14
Fines	1,262,051.66	2,066,921.46	1,262,051.66
Others	3,240,631.09	3,812,716.48	3,240,631.09
Total	148,070,306.04	30,947,053.99	148,070,306.04

Notes: Reason for considerable change in Government grants is because of the fact that in current reporting period, the Company has sold its pesticide and veterinary drug assets, resulting in the one-off amortization of un-amortized relocation subsidy which is part of the deferred income related to such assets.

Government grants recorded into current profit and loss

Grant items	Amount incurred in the current period	Amount incurred in the prior period	Related to assets/income
Subsidy for the relocation of a base in Shijiazhuang	142,077,490.67	13,806,117.64	Related to asset
Government-granted interest subsidy for Pymetrozine technology upgrade project	1,040,559.48	92,360.12	Related to asset
Total	143,118,050.15	13,898,477.76	

52. Non-operating expense

Item	Amount incurred in the current period	Amount incurred in the prior period	Amount included in non-recurring profit or loss in the current period
Total losses on disposal of non-current assets	2,049,694.85	10,234,517.89	2,049,694.85
Including: losses on disposal of fixed assets	2,049,694.85	10,234,517.89	2,049,694.85
Losses on disposal of intangible assets			
Donations to third parties	10,190,835.00	18,749,665.14	10,190,835.00
Fines	642,885.00	5,319,908.22	642,885.00
Economic compensation paid		1,385,858.62	
Others	248,260.40	830,351.81	248,260.40
Total	13,131,675.25	36,520,301.68	13,131,675.25

53. Income tax expenses

(1). Income tax expense table

Item	Amount incurred in the current period	Amount incurred in the prior period
Current tax expenses	191,812,540.46	211,635,711.82
Deferred tax expenses	21,211,911.71	3,823,848.96
Total	213,024,452.17	215,459,560.78

(2). Reconciliation of income tax expenses to the accounting profit

Item	Amount incurred in the current period
Total profit	1,396,867,077.64
Income tax expense calculated at legal/applicable tax rate	349,216,769.41
Effect of different tax rate applicable to subsidiaries	-187,510,190.31
Effect of adjustment to income tax of prior periods	11,656,614.09
Effect of non-taxable income	-7,348,466.67
Effect of non-deductible cost, expenses, and losses	11,155,125.01
Effect of using deductible losses for which deferred tax assets were previously not recognized	
Effect of deductible temporary differences or deductible losses unrecognized in the current period	35,854,600.64
Income tax expenses	213,024,452.17

54. Items of Cash flows Statement

(1). Cash received relating to other operating activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest income from banks	23,382,853.83	12,667,385.91
Other income	15,845,702.83	13,586,731.03
Government grants income	15,023,251.84	5,491,163.74
Insurance proceeds received and other non-operating revenue	2,508,094.56	3,587,089.93
Deposit, personal borrowing, amounts collected and paid on others' behalf	61,156,849.51	55,799,114.50
Security deposit	108,702,902.15	114,698,714.08
Others	5,973,878.59	6,225,809.02
Total	232,593,533.31	212,056,008.21

(2). Cash paid relating to other operating activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Selling expenses	36,282,617.80	84,074,399.70
General and administrative expenses	95,329,885.96	151,028,250.61
Manufacturing expenses	32,067,886.74	63,731,887.43
Freight and insurance expense advanced for the exportation of goods	2,945,169.99	17,965,993.82
Personal borrowing, reserve, and advances	117,102,711.17	76,872,054.04
Bid bond and deposit	111,043,756.65	88,127,330.63
Donations	10,155,000.00	14,700,000.00
Others	12,289,916.35	15,105,756.84
Total	417,216,944.66	511,605,673.07

Notes: Main reason for decrease in other cash paid in connection with operating activities is because the

Company disposed its pesticide and veterinary drug business in May 2019, resulting in a decrease in the relevant expenses incurred.

(3). Cash received relating to other investing activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Bid security related to projects	1,384,991.00	15,694,121.23
Advance receipt for the disposal of subsidiaries		3,000,000.00
Advance receipt of land disposal proceeds	3,391,506.95	1,895,528.38
Compensation received for expropriation of land and relocation from the Land Resources Bureau of Dalad Banner	2,600,000.00	
Futures margin/ gain from the settlement of hedging transactions	1,656,709.63	
Forex option margin	5,970,000.00	
Others		1,831,997.90
Total	15,003,207.58	22,421,647.51

(4). Cash paid relating to other investing activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Refund of bid security related to projects	4,834,884.34	28,232,816.47
Loss from futures and forex hedging and service charges	12,876,471.97	
Expenditures of trial run		18,932,545.36
Fee paid to intermediary service providers for major asset restructuring	16,472,409.98	
Total	34,183,766.29	47,165,361.83

(5). Cash receipts relating to other financing activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Proceeds received from bill discounting, bill acceptance upon maturity and deposit for banker's acceptance	69,080,975.00	
Account current	74,356,637.37	13,223,400.00
Finance leases receivable	517,000,000.00	942,750,000.00
Total	660,437,612.37	955,973,400.00

Notes: The amount of "inter-company accounts" which occurred in the current period, as part of other cash received in connection with financing activity, represent the principal amount and interest repaid by three companies including the pesticide and veterinary drug companies according to a debt repayment agreement.

(6). Cash payments relating to other financing activities

Item	Amount incurred in the current period	Amount incurred in the prior period
Release of payment under banker's acceptance upon maturity		9,989,664.58
Stock repurchases	139,841,441.22	59,740,670.18
Payment for rights issue		1,946,000.00

Account current		15,223,400.00
Interest and service charge paid for financial lease	1,350,128,054.65	983,989,083.69
Other financing	52,394,022.15	5,970,000.00
Total	1,542,363,518.02	1,076,858,818.45

55. Supplementary information of Cash flow Statement

(1). Supplementary information of Cash flow Statement

Supplementary information	Amount incurred in the current period	Amount incurred in the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	1,183,842,625.47	1,405,725,562.94
Add: Provision for impairment losses of assets	-3,078,234.08	96,701,928.69
Depreciation of fixed assets, depletion of oil-and-gas assets and depreciation of productive biological assets	485,339,922.40	379,600,086.97
Amortization of intangible assets	23,307,972.37	22,979,880.76
Amortization of Long-term prepaid expenses	35,975,807.00	27,537,894.90
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "－")	-7,073,444.57	-581,562.03
Losses on retirement of fixed assets (gains are indicated by "－")	2,049,694.85	10,234,517.89
Losses on changes in fair values (gains are indicated by "－")		1,602,590.00
Financial expenses (income is indicated by "－")	592,247,137.03	493,951,555.22
Losses arising from investments (gains are indicated by "－")	-588,609,384.47	-584,479,794.70
Decrease in deferred tax assets (increase is indicated by "－")	-661,253.61	-38,073,342.09
Increase in deferred tax liabilities (decrease is indicated by "-")	26,377,076.58	41,897,191.05
Decrease in inventories (increase is indicated by "－")	-71,436,028.76	-167,467,486.24
Decrease in receivables from operating activities (increase is indicated by "－")	-67,654,337.53	-553,829,138.03
Increase in payables from operating activities (decrease is indicated by "－")	-202,159,284.67	86,286,778.98
Others		
cash flows Net cash flow from operating activities	1,408,468,268.01	1,222,086,664.31
2. Significant investing and financing activities that do not involve cash receipts and payments		
Conversion of debt into capital		
Convertible bonds due within one year		
Fixed assets acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	2,406,836,967.16	1,821,833,569.69
Less: Opening balance of cash	1,821,833,569.69	2,318,262,848.36

Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	585,003,397.47	-496,429,278.67

(2). Net cash paid to acquire subsidiaries in the current period

None

(3). Net cash received for disposal of subsidiaries in the current period

Item	Amount
Cash or cash equivalents received in current period for disposal of subsidiaries in the current period	755,557,800.00
Hebei Veyong Bio-chemicals Co., Ltd., Hebei Veyong Veterinary Drugs Co., Ltd. and Inner Mongolia New Veyong Bio-Chemicals Co., Ltd.	755,557,800.00
Less: cash and cash equivalents held by the subsidiaries at the date of loss of control	101,030,583.88
Hebei Veyong Biochemical Co., Ltd.	80,086,303.87
Inner Mongolia New Veyong Biochemical Co., Ltd.	6,924,167.38
Hebei Veyong Animal Pharmaceutical Co., Ltd.	14,020,112.63
Add: cash or cash equivalents received in the current period for disposal of subsidiaries in prior periods	
Net cash received for disposal of subsidiaries	654,527,216.12

(4). Composition of cash and cash equivalents

Item	Closing balance	Opening balance
I. Cash	2,406,836,967.16	1,821,833,569.69
Including: cash on hand	171.21	1,794.86
Bank deposits available for payment at any time	2,394,280,540.38	1,804,063,746.82
Other monetary funds available for payment at any time	12,556,255.57	17,768,028.01
Monetary Fund of assets held for sale at the end of the period		
II. Cash equivalents		
Including: Investments in debt securities due within three months		
III. Closing balance of cash and cash equivalents	2,406,836,967.16	1,821,833,569.69
Including: Restricted cash and cash equivalents of the Company and subsidiaries within the Group	88,288,137.38	135,446,650.75

56. Assets with restricted ownership or right-of-use

Item	Carrying amount at the end of the reporting period	Reason for restriction
Cash and Cash equivalents	88,288,137.40	Security deposit for bank guarantee, loans, and bills.
Fixed assets	1,594,288,610.58	Finance lease mortgage
Construction in progress	163,691,654.11	Finance lease mortgage
Long-term equity investments	0	For details, refer to clarification on long-term equity investment
Total	1,846,268,402.09	/

Long-term equity investments:

ENN Group obtained an M&A loan of 428,500,000 US dollars from China CITIC Bank Shijiazhuang Branch, which is secured by a pledge of the 100% equity interest owned by ENN in Xinneng (Hong Kong) and the 100% equity interest owned by Xinneng (Hong Kong) in United Faith, which is fully offset and shown as zero in the consolidated financial statement. As of December 31, 2019, said loan has been fully prepaid, and the formalities for discharging the pledge of assets have been completed.

57. Foreign currency monetary items

(1). Foreign currency monetary items

Item	Closing balance of foreign currencies	Exchange rates for translation	Closing balance of RMB
Cash and Cash equivalents	-	-	
Including: USD	76,122,659.55	6.9762	531,046,897.55
EUR			
HKD	828,328.33	0.8958	742,016.52
AUD	8,137,382.18	4.8843	39,745,415.78
Accounts receivable	-	-	
Including: USD	99,702.36	6.9762	695,543.60
EUR			
HKD			
Accounts payable	-	-	
Including: USD	306,785.40	6.9762	2,140,196.31
EUR	51,198.00	7.8155	400,137.97
HKD			
Interests payable	-	-	
Including: USD	13,251,294.44	6.9762	92,443,680.27
EUR			
HKD			
Other payables	-	-	
Including: USD	10,154.00	6.9762	70,836.33
EUR			
HKD			
Long-term borrowings	-	-	
Including: USD	200,000,000.00	6.9762	1,395,240,000.00
EUR			
HKD			
Bonds payable	-	-	
Including: USD	499,318,235.11	6.9762	3,483,343,871.77
EUR			
HKD			

(2). Description of foreign operation

Xinneng (Hong Kong) Energy Investment Co., Ltd. is a wholly owned subsidiary of the Company incorporated on November 4, 2013 with paid-in capital of 778,181,602.05 US dollars, its principal activity is shareholding in United Faith, except for which it has no other actual business activity, the recording currency is US dollar. As of December 31, 2019, the subsidiary has made no change to its recording currency.

Xinneng Mining (Hong Kong) Energy Investment Co., Ltd. is a wholly owned subsidiary of the Company incorporated on August 4, 2014, as of December 31, 2019, no capital has been injected into said company.

In 2016, Xinneng Hong Kong Energy Investment, a wholly owned subsidiary of the Company, acquired 100% stake in United Faith owned by CHAMPION STATE Investment at a price of 754,809,895.00 US dollars. United Faith has registered capital of 1,001.00 US dollars and its principal activity is shareholding in Santos, except for which it has no other actual business, and its recording currency is US dollar. As of December 31, 2019, said subsidiary has made no change to its recording currency.

Pursuant to a 2016 general meeting resolution of the Company's subsidiary Xinneng (Hong Kong) Energy Investment Co., Ltd, the Company planned to invest USD 100 to set up a wholly-owned subsidiary Xinneng Capital Management Limited in the British Virgin Islands. Below is a summary of company acquired No. 1917516 Business License from the Company Registration Office of the British Virgin Islands on July 4, 2016. It had no business as of December 31, 2019.

At the 2018 general meeting of shareholders of Xinneng (Hong Kong) Energy Investment, a wholly owned subsidiary of the Company, it was decided that said company proposes investing USD 100.00 to create a wholly owned subsidiary (namely ENN Clean Energy International In-vestment Limited) in British Virgin Islands, said subsidiary has obtained a certificate of incorporation under the number 1989987 issued by the Company Registry in British Virgin Islands on August 22, 2018, as of December 31, 2019, said Company has received no capital injection.

At the 2018 general meeting of shareholders of Xinneng (Hong Kong) Energy Investment, a wholly owned subsidiary of the Company, it was decided that said company proposes investing USD 100.00 to create a wholly owned subsidiary (namely ENN Natural Gas Investment Inc) in British Virgin Islands, said subsidiary has obtained a certificate of incorporation under the number 2000285 issued by the Company Registry in British Virgin Islands on December 4, 2018, as of December 31, 2019, said Company has received no capital injection.

At the 2019 board meeting of Xinneng (Hong Kong) Energy Investment, a wholly owned subsidiary of the Company, it was decided that said company proposes investing 1,000,000 Singapore dollars to create a wholly owned subsidiary (namely ENN LNG(Singapore) Pte Ltd) in Singapore, said subsidiary has obtained a certificate of incorporation under the number 201930337H issued by the Accounting and Corporate Regulatory Authority of Singapore on September 11, 2019, and as of December 31, 2019, said Company has received no capital injection.

58. Government grants

Type	Amount	Presenting items	Amount included in profit or loss
Subsidy for overall relocation of Shijiazhuang Base	142,077,490.67	Non-operating income	142,077,490.67
Land refund	6,729,299.66	Other income	2,614,580.67

draft fans and integrated electrostatic fabric filter devices	3,077,080.43	Other income	294,768.24
High and new-tech industrialization demonstration project of new Eprinomectin BPCs and preparations	260,416.67	Other income	260,416.67
Government-granted interest subsidy for Pymetrozine technology upgrade project	1,040,559.48	Non-operating income	1,040,559.48
Special subsidy for the power demand-side	495,138.90	Other income	79,861.10
Fiscal subsidy for the funding of technology upgrades	375,781.25	Other income	375,781.25
Various technology incentive funds	6,930,000.00	Other income	6,930,000.00
Government support fund	1,836,587.41	Other income	1,836,587.41
Post-stabilizing subsidy	878,896.07	Other income	878,896.07
Incentive funds granted by the safety supervision bureau	20,000.00	Other income	20,000.00
Subsidy for export credit insurance	411,800.00	Other income	411,800.00
R&D funding from the education bureau	700,000.00	Other income	700,000.00
Refunds of taxes	200,000.00	Other income	200,000.00
Patent subsidy	310,000.00	Other income	310,000.00
Funding for water pollution prevention and control	1,970,588.24	Other income	29,411.76
Industrial internet innovation development demonstration project	143,815.71	Other income	2,084.29
Return of service charge for individual income tax	116,987.13	Other income	116,987.13
Input tax Gross-Up and Deduction	347,886.12	Other income	347,886.12
Disabled employment security fund	140,088.70	Other income	140,088.70
Total	168,062,416.44		158,667,199.56

VI. Change of the Scope of Consolidation

1. Business combinations involving entities not under common control

None

2. Business combination involving entities under common control

None

3. Counter purchase

None

4. **Disposal of subsidiaries**

Name of subsidiary	Price for equity disposal	Equity disposal ratio	Method of equity disposal	Time point of loss of control power	Recognition basis for the time point of loss of control power	At the level of consolidated financial statements, the disposal of price and investment enjoys the balance of the shares of net assets of subsidiary companies.	Proportion of remaining stock equity on the date of losing control power (%)	Carrying amount of remaining equity on the date of losing control power	Fair value of remaining equity on the date of losing control power	Benefits or losses generated by re-measurement of the remaining stock equity based on the fair value	Determination method and major assumptions of the fair value of the remaining stock equity on the date of loss of control power	Amount of profits and losses on investment transferred from other comprehensive income related to the equity investment of original subsidiary
Pesticide company, animal pharmaceutical and New Veyong	75,855.78	100	Share transfer	2019.05	Substantial transfer of the right to production, operation, and financial management	8,582.48						

Notes: According to a Proposal on Signing a Share Transfer Agreement with Limin Group Co., Ltd and other Relevant Entities regarding the Sale of Pesticide and Veterinary Drug Assets, which was adopted at the fortieth session of the eighth board of directors held on March 12, 2019, the Company transferred 100% stake in Hebei Veyong Bio-Chemicals Co., Ltd. ("Veyong Bio-Chemicals"), a wholly owned subsidiary, 100% stake in Hebei Veyong Veterinary Drugs Co., Ltd. ("Veyong Veterinary Drugs") and 100% stake in Inner Mongolia New Veyong Bio-Chemicals Co., Ltd. ("New Veyong Bio-Chemicals") to Limin Chemicals Co., Ltd. (60%), Xinjiang Xinrong Renhe Equity Investment Limited Partnership (25%) and Jiaxing Jinyu Xinwei Equity Investment (Limited Partnership) (15%) respectively at a total price of RMB 758,557,800.

On March 12, 2019, the Company signed a Share Transfer Agreement with Limin Chemicals Co., Ltd., Xinjiang Xinrong Renhe Equity Investment Limited Partnership and Jiaxing Jinyu Xinwei Equity Investment (Limited Partnership).

On May 30, 2019, Veyong Bio-chemicals, Veyong Animal Drugs and New Veyong Bio-Chemicals respectively adopted their new articles of association and completed the change of directors and supervisors.

In June 2019, the formalities for change of registration regarding the abovementioned share transfer have been completed with the industrial and commercial administration authority, the share transfer price has been fully received, upon completion of the share transfer, the Company ceases to hold any equity interest in Veyong Bio-Chemicals, Veyong Veterinary Drugs and New Veyong Bio-Chemicals.

The Company's consolidated financial statement for the current period only include the profit statement and cash flows statement for the period of January to May 2019 of Veyong Bio-Chemicals, Veyong Veterinary Drugs and New Veyong bio-chemicals.

5. Change of consolidation scope caused by other reasons

1. According to the Proposal on Setting Up a Wholly-Owned Subsidiary adopted at the second session of the ninth board of directors held on August 15, 2019 and the fourth extraordinary general meeting of 2019 held in September 2019, It was agreed that the Company sets up a wholly-owned subsidiary, namely ENN (Tianjin) Energy Investment Co., Ltd., with registered capital of RMB 5 billion, as of December 31, 2019, the Company actually contributed capital of RMB 1,111,233,300 to the subsidiary.

2. The board of directors of Xindi Energy Engineering Technology Co., Ltd. resolved to set up Xindi (Zhoushan) Natural Gas Pipeline Maintenance Co., Ltd. with registered capital of RMB 50 million on August 27, 2019, as of December 31, 2019, said company's paid-in capital is RMB 50 million.

3. According to a decision made at the 2019 board meeting of Xinneng (Hong Kong) Energy Investment, a wholly owned subsidiary of the Company, it was proposed that said company invests 1,000,000 Singapore

dollars to create a wholly owned subsidiary (namely ENN LNG(Singapore) Pte Ltd) in Singapore, said subsidiary has obtained a certificate of incorporation under the number 201930337H issued by the Accounting and Corporate Regulatory Authority of Singapore on September 11, 2019, and as of December 31, 2019, said Company has received no capital injection.

VII. Interests in other equities

1. Interests in subsidiaries

(1). Organization constitution

Name of subsidiary	Main place of business	Place of registration	Nature of business	Shareholding (%)		Method of acquisition
				Direct	Indirect	
Xinneng Mining Industry Co., Ltd.	Ejin Horo Banner, Ordos City, Inner Mongolia	Ordos City, Inner Mongolia	Production and sales of coal; sales of machinery, electromechanical equipment, and spare parts	100		Business combination under the common control
Xinneng Energy Co., Ltd.	Dalate Banner, Ordos City, Inner Mongolia	Ordos City, Inner Mongolia	Production and sale of methanol, sulphur, liquid argon, liquid oxygen, liquid nitrogen, ammonia solution, steam, slag, furnace dust, medium oil, heavy oil, pyrene oil, ammonia sulfate, industrial sodium chloride, industrial sodium sulfate, and desalinated water.		75	Business combination under the common control
Inner Mongolia Xinneng Mining Co., Ltd	Ejin Horo Banner, Ordos City, Inner Mongolia	Ordos City, Inner Mongolia	Sales of coal mine machinery equipment and parts		100	Investment establishment
Xinneng (Zhangjiagang) Energy Co., Ltd.	Zhangjiagang City, Jiangsu Province	Zhangjiagang City, Jiangsu Province	Production and sale of dimethyl ether, wholesaling and retailing of methanol, wholesaling of coal, import-export agent and commission agent service		75	Business combination under the common control
ENN Xinneng (Beijing) Technology Co., Ltd.	Beijing	Beijing	Energy, catalyst material and applied chemical technology development, transfer, related service and consulting; commissioned manufacturing of catalysts, auxiliary agents, additives and fillers; sale of manufactured products; importation and exportation of goods and technologies, and import-export agent service.		80	Business combination under the common control
Shanxi Qinshui ENN Clean Energy Co., Ltd.	Qinshui County, Jincheng City, Shanxi Province	Qinshui County, Jincheng City, Shanxi Province	Production of LNG, transportation, distribution and sale of coal bed methane, technical consulting service		100	Business combination under the common control

Xindi Energy Engineering Technology Co., Ltd.	Langfang City, Hebei Province	Langfang City, Hebei Province	Research, development and transformation of energy works technology; foreign works contracting; works consulting: municipal public sector design; general contracting of municipal public utility works; general contracting of chemical oil works, etc.		100	Business combination under the common control
Xinneng (Tianjin) Energy Co., Ltd.	Tianjin	Tianjin	Exploitation and utilization of energy, sale of coal, coke, chemical products, mineral products, machinery and equipment, technology promotion service, importation and exportation of goods and technologies, dealing in ammonia for industrial production use without storage, internet-based information service, corporate management consulting, conference, exhibition and display service, value-added telecommunications service		100	Investment establishment
Xinneng (Hong Kong) Energy Investment Co., Ltd.	Hong Kong	Hong Kong	Except for holding the equity in United Faith Ventures Limited, there is no actual business operation.	100		Investment establishment
United Faith Ventures Limited	The British VirginIslands	The British VirginIslands	Except for holding the shares in Santos, there is no actual business operation.		100	Business combination not under the common control
Xinneng Mining (Hong Kong) Energy Co., Ltd.	Hong Kong	Hong Kong	There is no actual business operation		100	Investment establishment
Xinneng (Langfang) Energy Chemical Technology Service Co., Ltd.	Langfang City	Langfang City	Development and promotion of energy and chemical technologies, promotion of technologies for trial operation and start-up of production plants of energy and chemical companies and related services; repair of machinery and equipment; construction		100	Investment establishment

			work; property service; processing of sectional materials, labor dispatching; importation and exportation of goods and technologies; corporate management consulting service; safety consulting service; engineering consulting service; operation and maintenance service.			
ENN (Tianjin) Energy Investment Co., Ltd.	Tianjin	Tianjin	Energy investment; asset management (except for monetary assets); clean energy management service; LNG and clean energy technology R&D, technical consulting, and technical service; sale of chemical products (except for hazardous chemicals); trading of coal	100		Investment establishment
Xindi (Zhoushan) Natural Gas Pipeline Maintenance Co., Ltd.	Zhoushan City, Zhejiang Province	Zhoushan City, Zhejiang Province	Repair, emergency repair and maintenance of long-distance LNG transportation pipeline		100	Investment establishment
Xinneng Capital Management Limited	The British VirginIslands	The British VirginIslands	There is no actual business operation		100	Investment establishment
ENN Natural Gas Investment Inc	The British VirginIslands	The British VirginIslands	There is no actual business operation		100	Investment establishment
ENN Clean Energy International Investment Limited	The British VirginIslands	The British VirginIslands	There is no actual business operation		100	Investment establishment
ENN LNG(Singapore) Pte.Ltd	Singapore	Singapore	Marketing and sale of LNG		100	Investment establishment

(2). Important non-wholly owned subsidiaries

Name of subsidiary	Shareholding ratio of minority shareholders Proportion	Gains and losses attributable to minority shareholders in current year	Dividends declared to minority shareholders in current period	Balance of minority interest at the end of the period
Xinneng Energy Co., Ltd.	25%	-25,078,671.40		717,883,179.17

(3). **Major financial information of important non-wholly owned subsidiaries**

Items	Xinneng Energy Co., Ltd.	
	Closing balance	Opening balance
Current assets	1,230,611,329.18	1,936,253,496.54
Non-current assets	6,818,423,673.01	6,648,573,503.14
Total assets	8,049,035,002.19	8,584,826,999.68
Current liabilities	2,406,204,145.54	2,308,755,297.38
Non-current liabilities	2,771,298,139.97	3,304,224,300.02
Total liabilities	5,177,502,285.51	5,612,979,597.40
Items	Amount incurred in current year	Amount incurred in previous year
Operating revenue	2,871,006,211.90	2,267,160,718.40
Net profit	-100,314,685.60	322,910,570.89
Total comprehensive income	-100,314,685.60	322,910,570.89
Cash inflows from operating activities	591,692,618.92	810,210,090.24

2. **Equity in associates**

(1). **Important associates**

Joint-ventures /associates	Main place of business	Place of registration	Business nature	Shareholding ratio (%)		Accounting treatment for Joint-ventures /associates
				Directly	Indirectly	
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Tengzhou City, Shandong Province	Mushi Town, Tengzhou City	Production and manufacturing		40.00	Equity method
Santos Limited	Australia, Indonesia, Vietnam, Papua New Guinea	60 Flinders St Adelaide, SA 5000, Australia	Mining and production		10.07	Equity method

The Company holds 10.07% equity in Santos through its wholly-owned subsidiary Xinneng Hongkong and United Faith Ventures Limited, and the holding company is entitled to the voting rights at the same proportion of the shareholding proportion.

Based on the strategic purpose of the Company's cooperation with Hony to invest in overseas natural gas resources and common development, and to further enhance the influence of the two parties on Santos investment, it is considered and approved by the 8th meeting of the Company's 8th Board of Directors that Xinneng Hong Kong and Well Honour Development Limited, an entity controlled by Hony Investment, shall enter into the concerted action on the holding of the shares in Santos and sign the Concerted Action Agreement on April 27, 2017. The Concerted Action Agreement sets out that, when dealing with matters that require resolutions by the Santos General Meeting of Shareholders or exercising other shareholders' rights, both parties and their controlled and/or related entities are required to take concerted expression and action in accordance with the Company's will. Whereas, the Company holds 209,734,518 shares in Santos and these shares account for 10.07% of all outstanding shares of Santos; the Company's affiliate ENN Group International Investment Limited holds 5,000,000 shares in Santos, which account for 0.24% of all outstanding shares of Santos; the entity controlled by Hony Investment holds 100,000,000 shares in Santos, which account for 4.79% of all outstanding shares of Santos issued; as confirmed by Santos, the concerted action shares of the Company, Hony Investment and their respective affiliates in Santos account for 15.1% in the total number of outstanding shares issued by Santos (the total number of shares held is 314,734,518 shares).

On September 19, 2018, ENN Group International Investment Limited signed a Share Transfer Agreement with Well Honour to accept the transfer of 100% equity interest held by Well Honour in Great Multitude Limited ("Great Multitude"), upon closing of the share transfer, ENN International will hold 100,000,000 shares in Santos through owing the 100% equity interest in Great Multitude, which shares will be combined with the existing 5,000,000 shares owned by ENN International to make a total of 105,000,000 shares, representing 5.04%

of the total outstanding shares issued by Santos. ENN International has agreed and undertaken to act in concert with Xinneng Hong Kong and United Faith in connection with the shareholding, and to exercise its rights as a shareholder according to the intention expressed by Xinneng Hong Kong and United Faith, such commitment to acting in concert is valid throughout the period while ENN International holds shares in Santos.

The basis for holding less than 20% of the voting rights but having a significant influence, or holding 20% or more voting rights but having no significant influence:

As a strategic investor of Santos, in order to exercise the significant influence of the Company as the largest shareholder of Santos and to further the strategic cooperation between the Company and Santos, furthermore, as a show of gratitude by Santos for the strategic contribution made by the Company, by Hony Capital and their respective related parties as major shareholders of Santos, and to reflect the relationship among Santos, the Company, Hony Capital and their related parties as well as to reflect the future investments to be made by ENN and Honey Capital, the Company's board of directors agreed that the Company enters into a Shareholder Agreement and a Supplemental Agreement to the Shareholder Agreement with Santos, which agreements will further enhance the Company's influence over Santos, as detailed below:

1. The Company establishes long-term strategic partnerships with Santos and shares business development opportunities

The signing of the Shareholders Agreement further confirms the Company's status as a strategic investor of Santos in legal form, and clarifies that that it will cooperate with Santos to explore opportunities for investment and cooperation in the production, processing, transportation, port facilities, onshore storage and LNG procurement of the natural gas industry chain. The signing of the agreements is conducive to the layout and development of the upstream and downstream sectors of the Company's clean energy industry chain in the domestic and international markets, and has laid a solid foundation for further promoting the Company's strategic transformation into the middle and upper reaches of the clean energy industry chain.

Santos is Australia's second largest oil and gas company boasting comprehensive technical capabilities covering both onshore and offshore natural gas, conventional and unconventional natural gas (coal seam gas), and it has upstream natural gas infrastructure operating capabilities, midstream liquefaction and jetty development and construction experience and the marketing capabilities of LNG products in the global market. The cooperation with Santos to explore investment opportunities and personnel exchange training will promote the Company's technology and experience accumulation in relevant fields, and enhance the Company's accumulation of upstream management and operation capabilities and core technology capabilities in the natural gas industry chain.

2. The Company's right to nominate a director to Santos is clarified again

The Shareholders Agreement further confirms the Company's right to nominate director to Santos. On May 3, 2019, Santos appointed Mr. Guan Yu (the Company's CEO) as non-executive director. In accordance with the Australian Companies Act and the Santos Articles of Association, Santos Directors have the rights in Santos's corporate governance, financing & borrowing and guarantees, access to company books and voting of Board of Directors, etc. The appointment of director has strengthened the Company's influence on Santos and further enhanced the communication and cooperation between the Company and Santos.

(2). Main financial information of important associates

item	Closing balance/Amount incurred in the current period		Opening balance/Amount incurred in the prior period	
	Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Santos Limited	Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Santos Limited
Current assets	615,871,028.04	15,208,116,000.00	1,248,876,990.52	15,085,313,600.00
Non-current assets	2,609,061,934.10	99,961,969,800.00	2,907,330,862.69	102,508,755,200.00
Total assets	3,224,932,962.14	115,170,085,800.00	4,156,207,853.21	117,594,068,800.00
Current liabilities	1,373,204,114.14	9,201,607,800.00	2,104,751,015.60	12,683,193,600.00
Non-current liabilities	223,817,110.40	52,419,166,800.00	176,811,331.57	54,953,642,400.00
Total liabilities	1,597,021,224.54	61,620,774,600.00	2,281,562,347.17	67,636,836,000.00
Non-controlling interests				
Equity attributable to owners of the parent	1,627,911,737.61	53,549,311,200.00	1,874,645,506.04	49,957,232,800.00
Share of net assets calculated by shareholding ratio	651,164,695.04	5,392,415,637.84	749,858,202.42	5,030,693,342.96
Adjustments				
- Goodwill				
-Unrealized profit of internal transaction				
- Others				
Carrying amount of equity investment in associates	646,364,383.75	5,392,452,491.36	712,650,107.94	5,032,870,308.48
Fair value of equity investment in associates with public quotation				
Operating revenue	2,070,893,959.64	29,248,904,700.00	2,346,154,887.42	24,945,944,100.00
Net profit	148,372,183.55	4,648,375,800.00	394,796,856.79	4,165,371,000.00

Net profit from discontinuing operations				
Other comprehensive income		-996,071,122.00		-445,747,200.00
Total comprehensive income	148,372,183.55	3,652,304,678.00	394,796,856.79	3,719,623,800.00
Dividends received from associates in the current year	120,000,000.00	176,077,035.68		50,498,199.37

(3). **Summary financial information of nonsignificant associates**

Items	Closing balance/Amount incurred in current year	Opening balance/Amount incurred in previous year
Joint ventures:		
Dongguan Xinde Gas Engineering Project Management Co., Ltd.		
Total Carrying value of investment	2,379,483.51	2,670,359.43
Items calculated according to shareholding ratio		
- - Net profit	-290,875.91	-364,527.40
- - Other comprehensive income		
- - Total comprehensive income	-290,875.91	-364,527.40
Associates:		
Beijing Agricultural University Biological Technology Co., Ltd.		
Total Carrying value of investments	12,144,614.38	14,496,016.11
Items calculated according to shareholding ratio		
- Net profit	-2,351,401.73	-1,289,064.95
- - Other comprehensive income		
- - Total comprehensive income	-2,351,401.73	-1,289,064.95
CNOOC Beihai Gas Co., Ltd.		
Total Carrying value of investments	65,296,940.82	64,665,212.84
The total of the following items calculated based on shareholding ratio		
- - Net profit	631,727.98	1,207,365.15
- - Other comprehensive income		
- - Total comprehensive income	631,727.98	1,207,365.15
Erdos Xinneng Logistics Co., Ltd.		
Total Carrying amount of investments	2,442,060.98	3,969,878.30
Items calculated according to shareholding ratio		
- - Net profit	-687,808.32	1,125,813.95
- - Other comprehensive income		
- - Total comprehensive income	-687,808.32	1,125,813.95

(4). There is no Significant restriction on the ability of associates to transfer funds to the company

VIII. Risks relevant to financial instruments

The Company's operating activities are subject to various financial risks: market risks (mainly interest rate risk and exchange rate risk), credit risk and liquidity risk. The overall goal of the Company's risk management is to develop risk management policies that minimize risks without overly affecting the Company's competitiveness and resilience.

1. Market Risk

The market risk of financial instruments refers to the risk that the fair value of financial instruments or future cash flows will fluctuate due to changes in market prices, including interest rate risk and exchange rate risk.

(1) Interest rate risk

The Company's interest rate risk mainly arises from long-term interest-bearing debts such as long-term bank loans and bonds payable. Affected by the overall operation of the national economy, the country's economic policies, monetary policies and many other factors, there is a certain degree of uncertainty in the fluctuation of market interest rates. Financial liabilities with floating interest rates expose the Company to cash flows interest rate risk, and fixed-rate financial liabilities expose the Company to fair value interest rate risk. The Company determines the relative proportion of fixed interest rate and floating interest rate contracts based on the market environment at the time.

The Company continuously monitors the Company's interest rate level. The increase in interest rate will increase the cost of the new interest-bearing debts and the interest expenses of the Company's unpaid interest-bearing debts calculated at floating interest rates, and will adversely affect the Company's financial performance. The management will adjust in a timely manner based on the latest market conditions.

(2) Exchange rate risk

Exchange rate risk refers to the risk that the fair value of financial instruments or the future cash flows will fluctuate due to changes in foreign exchange rates. The exchange rate risk facing the Company primarily originates from bond payable, long-term borrowing and bank deposit denominated in US dollar, and bank deposit denominated in Australian dollar and Hong Kong dollar, the foreign exchange exposure of the abovementioned financial instruments is subject to the change in USD, Australian dollar and Hong Kong dollar exchange rates.

The Company will take the appropriate opportunity to determine whether to adopt hedging and other measures to reduce exchange rate risk according to the trend of exchange rate changes. The Company pays close attention to the risk of exchange rate fluctuations and makes every effort to match foreign currency income with foreign currency expenditure so as to reduce foreign exchange risk.

2. Credit risk

The Company manages credit risk by portfolio classification. Credit risk mainly arises from bank deposits, accounts receivable, other receivables and notes receivable, etc.

The Company places its working capital with banks with high credit rating, good asset status and relatively low credit risk, as a result, its working capital is subject to low credit risk. The Company adheres to the principle of good faith operation and strictly performs the signed contracts, agreements or other commitments. In accordance with the Company's policy, all customers who require the credit method for trading are subject to credit review. Moreover, the Company continuously monitors the balance of accounts receivable through a robust accounts receivable management system and internal control system to make sure that the Company will not be confronted with bad debt risk.

3. Liquidity risk

The Company adopts prudent liquidity risk management policy that secures funds by maintaining sufficient cash and cash equivalents and sufficient credit lines. Due to the nature of the relevant business, the Company maintains reasonable level of cash and cash equivalents and keeps the credit line available as an additional supplement to working capital. The Company's cash requirements are primarily used to purchase materials, machinery, and equipment, and to repay relevant debts. The funds generated by the Company through operating activities and bank loans are used for working capital demand. The management monitors the rolling forecast of the Company's liquidity reserve based on the projected cash flows (the reserve includes undrawn credit lines, cash, and cash equivalents).

IX. Disclosure of fair value

1. Fair value of assets and liabilities measured at fair value at the end of the period

Item	Fair value at the end of the period			
	Fair value measurement at the Level 1	Fair value measurement at the Level 2	Fair value measurement at the Level 3	Total
1. Continuous fair value measurement				
(i) Financial assets held for trading				
1. Financial assets at fair value through profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(3) Derivative financial assets				
2. Financial assets designated at fair value through profit or loss				

(1) Debt instrument investment				
(2) Equity instrument investment				
(ii) Other Debt investment				
(iii) Investment in other equity instruments			2,520,332.53	2,520,332.53
(iv) Financing receivables			75,821,941.91	75,821,941.91
(V) Investment properties				
1. Land use right for lease				
2. Buildings for lease				
3. Land use right held for sale after appreciation				
(VI) Biological assets				
1. Consumptive biological assets				
2. Productive biological assets				
Total assets continuously measured at fair value			78,342,274.44	78,342,274.44
(vii) Financial liabilities held for trading				
1. Financial liabilities at fair value through profit or loss				
Including: trading bonds issued				
Derivative financial liabilities				
Others				
2. Financial liabilities designated at fair value through profit or loss				
Total liabilities continuously measured at fair value				
II. Non-continuous fair value measurement				
(i) Assets held for sale				
Total assets that are not continuously measured at fair value				
Total liabilities that are not continuously measured at fair value				

2. Qualitative and quantitative information on the valuation techniques used and important parameters for continuous and non-continuous level 3 fair value measurement items

The asset or liability uses any input value that is not based on observable market data (unobservable input value)

X. Related Parties and Related Party Transactions

1. The company's parent company

Unit: ten thousand Yuan Currency: RMB

Parent company	Place of registration	Business nature	Registered capital	Shareholding ratio of parent company to the company	Proportion of voting rights of parent company to the company
ENN Holding Investment Limited	Langfang	Investment in industries within the scope permitted by national laws and administrative regulations	800,000	33.04	33.04

The ultimate controller of the Company is Wang Yusuo

2. Subsidiaries of the company

For details of the subsidiaries of the Company, please refer to Note IX. Interests in Other Equities.

3. Joint venture and associates of the enterprise

For details of the joint ventures or associates of the Company, please refer to Note IX. Interests in Other Equities.

Details are provided below regarding other joint venture or associate which has entered into a related party transaction with the Company in the current period, or which had entered into a related party transaction with the Company in a previous period, which generated a balance

Name of joint ventures/associates	Relation with the Company
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Associated enterprises
Beijing Agricultural University Biological Technology Co., Ltd.	Associated enterprises
Erdos Xinneng Logistics Co., Ltd.	Associated enterprises
Tengzhou Xinneng Logistics Co., Ltd.	Associated enterprises
Dongguan Xinde Gas Engineering Project Management Co., Ltd.	Joint ventures

4. Other related parties

Name of other related parties	Relationship with the company
ENN Energy Holdings Limited	The same actual controller
Hebei Financial Leasing Co., Ltd.	Joint stock company of actual controller
ENN Photovoltaic Energy Co., Ltd.	The same actual controller
ENN Group	The same actual controller
ENN Technology Development Co., Ltd.	The same actual controller
Hebei Veyong Group Co., Ltd.	Joint stock shareholders
ENN GROUP INTERNATIONAL INVESTMENT LIMITED	The same actual controller
Sun-Yard Agricultural Co., Ltd.	The same actual controller
Ovation Seven-Cultivation Hotel Management Co., Ltd.	The same actual controller
Langfang Gas Co., Ltd.ENN Gas Station	The same actual controller
Langfang Golden Elephant Property Service Co., Ltd.	The same actual controller
Langfang Tongcheng Auto Service Co., Ltd.	The same actual controller

Langfang Yida International Travel Service Co., Ltd.	The same actual controller
Ovation Health Management Co., Ltd.	The same actual controller
ENN (China) Gas Investment Co., Ltd.	The same actual controller
Tianjin ENN Billiton Machinery Equipment Co., Ltd.	The same actual controller
Beijing Novel Environmental Protection Co., Ltd.	The same actual controller
Bazhou Xinsheng Water Supply Co., Ltd.	The same actual controller
ENN (Zhoushan) LNG Co., Ltd.	The same actual controller
ENN Ubiquitous Network Technology Co., Ltd.	The same actual controller
Langfang ENN Longhe Environmental Protection Technology Co., Ltd.	The same actual controller
Shijiazhuang Kunlun ENN Gas Co., Ltd.	The same actual controller
Shijiazhuang ENN Zhonghong Gas Co., Ltd.	The same actual controller
Quanzhou Gas Co., Ltd.	The same actual controller
E-Cheng E-Jia Network Technology Co., Ltd.	The same actual controller
Langfang ENN Ubiquitous Network Technology Service Co., Ltd.	The same actual controller
Ennew Cloud Data Service Co., Ltd.	The same actual controller
Beijing Ovation Art Development Co., Ltd.	The same actual controller
Shijiazhuang ENN Environmental Protection Technology Co., Ltd.	The same actual controller
Shijiazhuang ENN Gas Co., Ltd.	The same actual controller
BHP Electronic Commerce Co., Ltd.	The same actual controller
Nanjing ENN Environmental Protection Technology Co., Ltd.	The same actual controller
Ennew Energy System Control Co., Ltd.	The same actual controller
Ovation Laikang (Langfang) Sports and Leisure Sports Development Co., Ltd.	The same actual controller
ENN Graphene Technology Co., Ltd.	The same actual controller
ENN (Zhoushan) Natural Gas Pipeline Co., Ltd.	The same actual controller
ENN (Inner Mongolia) Graphene Materials Co., Ltd.	The same actual controller
Tangshan ENN Yongshun Clean Energy Co., Ltd.	The same actual controller
Shijiazhuang ENN Vehicle Gas Co., Ltd.	The same actual controller
Shijiazhuang Airport Natural Gas Co., Ltd.	The same actual controller
Langfang Huijia Property Service Co., Ltd.	The same actual controller
Ennew Chengfu (Langfang) Public Service Technology Co., Ltd.	The same actual controller
BOCOM Smart Network Technologies Inc.	The same actual controller
Huanghua Xinzhi Green Technology Co., Ltd.	The same actual controller
Nanjing ENN Intelligent Technology Co., Ltd.	The same actual controller
Zhoushan ENN Energy Trading Co., Ltd.	The same actual controller
Xinzhi Wolai Network Technology Co., Ltd.	The same actual controller
Xinyilai Kangjun (Langfang) Commercial Operation & Management Co., Ltd.	The same actual controller
Laikang Technology Co., Ltd.	The same actual controller
ENN Charitable Foundation	The same actual controller

ENN Energy Power Technology (Shanghai) Co., Ltd.	The same actual controller
Kunlun ENN Gas Company Limited of Luquan District, Shijiazhuang	The same actual controller
Changsha ENN Gas Co., Ltd.	The same actual controller
Hebei Veyong Biochemical Co., Ltd.	Shareholders' subsidiaries
Ningde ENN Gas Co., Ltd.	The same actual controller
Langfang ENN Real Estate Development Co., Ltd.	The same actual controller
Xinyi Cultural Development Co., Ltd.	The same actual controller
ENC Data Service Co., Ltd.,	The same actual controller
Xinyi Tiancheng (Langfang) Cultural Exchange Co., Ltd.	The same actual controller
ENN Yangguang Yicai Technology Co., Ltd.	The same actual controller
ENN Digital Energy Technology Co., Ltd.	The same actual controller
Gu An Xingeng Agricultural Technology Co., Ltd.	The same actual controller
Beihai Xinju Safety Technology Service Co., Ltd.	The same actual controller
ENN Power Technology (Langfang) Co., Ltd.	The same actual controller
Kunlun ENN Energy Development Co., Ltd, Shijiazhuang	The same actual controller
ENN Finance Co., Ltd.	The same actual controller
Changsha ENN Changran Energy Development Co., Ltd.	The same actual controller
Yancheng ENN Gas Co., Ltd.	The same actual controller
Bengbu ENN Gas Co., Ltd.	The same actual controller

5. Related party transactions

(1). Related party transactions of purchase and sales of goods, render and accept services

Purchase of goods / accept of services

Unit：RMB Yuan

Related party	Related party transaction	Amount incurred in the current period	Amount incurred in the prior period
ENN (China) Gas Investment Co., Ltd.	Training expenses	1,196,019.51	1,635,351.20
Beijing Novel Environmental Protection Co., Ltd.	Payments for equipment and engineering	2,602,472.31	68,312,975.95
Total of subsidiaries individually and jointly controlled by ENN Energy Holdings Limited	Service fee	2,468,529.70	1,510,386.38
Total of subsidiaries individually and jointly controlled by ENN Energy Holdings Limited	Payments for subcontract	8,583,478.77	1,185,163.63
Total of subsidiaries individually and jointly controlled by ENN Energy Holdings Limited	Payment for material	38,129,033.64	36,475,916.08
ENN Photovoltaic Energy Co., Ltd.	Power cost	729,731.36	782,973.03
Ovation Seven-Cultivation Hotel Management Co., Ltd.	Service and dining fee	3,828,745.98	3,406,307.85

Langfang Yida International Travel Service Co., Ltd.	Service fee	1,143,086.48	3,856,124.60
Langfang Golden Elephant Property Service Co., Ltd.	Property service fee	3,282,399.50	2,459,210.79
Langfang Gas Co., Ltd.ENN Gas Station	Service fee	162,098.78	144,455.83
ENN Technology Development Co., Ltd.	Technical service fee	3,188,000.01	5,777.24
ENN Technology Development Co., Ltd.	Payments for equipment	370,689.65	
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Procurement of carbinol	187,246,424.48	114,681,393.03
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Labor services fee	1,642,610.52	966,138.44
Langfang Tongcheng Auto Service Co., Ltd.	Service fee	108,481.42	480,010.85
Sun-Yard Agricultural Co., Ltd.	Procurement of welfare	483,274.00	425,646.00
Ovation Health Management Co., Ltd.	Medical examination expense and service fee	535,172.00	608,395.00
ENN Ubiquitous Network Technology Co., Ltd.	Service fee and power cost	480,949.32	443,503.82
Ennew Cloud Data Service Co., Ltd.	Service fee	44,197,477.31	11,311,226.86
Beijing Ovation Art Development Co., Ltd.	Procurement of commodities	1,712,512.58	2,317,564.68
Shijiazhuang ENN Gas Co., Ltd.	Gas purchase		43,505.30
Ennew Energy System Control Co., Ltd.	Technical service		2,203,858.55
Ennew Energy System Control Co., Ltd.	Materials procurement	92,085.18	
Ovation Laikang (Langfang) Sports and Leisure Sports Development Co., Ltd.	Entertainment expense	391,993.00	72,200.00
Ennew Chengfu (Langfang) Public Service Technology Co., Ltd.	Welfare	311,520.34	172,546.80
Erdos Xinneng Logistics Co., Ltd.	Freight	6,674,174.95	28,223,246.67
BOCOM Smart Network Technologies Inc.	Technical service		3,108,962.27
Langfang Huijia Property Service Co., Ltd.	Canteen meal fee	4,020,673.60	2,458,559.50
Shijiazhuang ENN Vehicle Gas Co., Ltd.	Gas expense	18,181.82	45,290.75
Hebei Veyong Biochemical Co., Ltd.	Purchase of vehicles		23,314.50
Huanghua Xinzhi Green Technology Co., Ltd.	Treatment of hazardous wastes		4,417,537.59
Xinyilai Kangjun (Langfang) Commercial Operation & Management Co., Ltd.	Procurement of welfare	12,042.00	780.00
Langfang ENN Real Estate Development Co., Ltd.	Purchase of apartment buildings		40,381,093.00
Nanjing ENN Intelligent Technology Co., Ltd.	Employee benefit expenses		188,760.00

Shijiazhuang ENN Environmental Protection Technology Co., Ltd.	Treatment of hazardous wastes	984,855.45	4,736,632.77
Tangshan ENN Yongshun Clean Energy Co., Ltd.	Training and technical service fee	181,571.73	487,886.79
Tengzhou Xinneng Logistics Co., Ltd.	Freight	16,336,446.29	1,010,684.04
Xinyi Cultural Development Co., Ltd.	Welfare		3,500.00
Xinzhi Wolai Network Technology Co., Ltd.	Information technology service	12,169,811.34	5,660,377.38
Zhoushan ENN Energy Trading Co., Ltd.	Materials procurement		976,893.54
ENN Graphene Technology Co., Ltd.	Commodity procurement and business entertainment expenses	6,631.15	42,619.77
ENN Charitable Foundation	Charitable donations	10,155,000.00	17,750,000.00
ENC Data Service Co., Ltd.,	System development	971,698.11	
Xinyi Tiancheng (Langfang) Cultural Exchange Co., Ltd.	Procurement of welfare	260.00	
ENN Yangguang Yicai Technology Co., Ltd.	Material purchase and service expenses	13,095,666.65	
ENN Digital Energy Technology Co., Ltd.	Materials procurement	1,027,465.31	
Laikang Technology Co., Ltd.	Service fee	66,100.00	
Gu An Xingeng Agricultural Technology Co., Ltd.	Welfare	139,360.00	
Beihai Xinju Safety Technology Service Co., Ltd.	Inspection fee	84,905.66	

Sales of goods / render of services

Related party	Related party transaction	Amount incurred in the current period	Amount incurred in the prior period
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Selling coal	337,031,255.67	84,970,713.38
Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	Service	9,611,962.48	
Total of subsidiaries individually and jointly controlled by ENN Energy Holdings Limited	Selling materials	189,997,153.65	289,150,231.09
Total of subsidiaries individually and jointly controlled by ENN Energy Holdings Limited	Selling machinery equipment	24,015,627.24	53,327,479.38
Total of subsidiaries individually and jointly controlled by ENN Energy Holdings Limited	Income from project construction and design	1,408,140,657.87	1,302,335,711.05
Bazhou Xinsheng Water Supply Co., Ltd.	Income from project construction and design		8,387,076.35
Bazhou Xinsheng Water Supply Co., Ltd.	Selling materials		2,399,050.08
Langfang ENN Longhe Environmental Protection Technology Co., Ltd.	Income from project construction and design		39,829,980.04
ENN (Zhoushan) LNG Co., Ltd.	Selling materials	4,902,720.12	192,374,759.68

ENN (Zhoushan) LNG Co., Ltd.	Design fee and project construction	43,324,433.91	541,982,967.22
Shijiazhuang Kunlun ENN Gas Co., Ltd.	Income from project construction and design	2,347,278.21	5,788,003.74
Shijiazhuang ENN Zhonghong Gas Co., Ltd.	Income from design fee	1,157,643.35	113,207.54
Shijiazhuang ENN Zhonghong Gas Co., Ltd.	Selling equipment		2,181,034.48
Beijing Novel Environmental Protection Co., Ltd.	Selling materials	868,982.45	625,517.68
Beijing Novel Environmental Protection Co., Ltd.	Professional service and labor service fee	2,562,464.11	1,325,296.06
Nanjing ENN Environmental Protection Technology Co., Ltd.	Income from project construction and design	9,208,172.22	17,451,100.26
Nanjing ENN Environmental Protection Technology Co., Ltd.	Selling machinery equipment	125,000.00	
ENN Technology Development Co., Ltd.	Income from project construction and design	2,008,163.52	377,358.50
ENN Technology Development Co., Ltd.	Income from sales of equipment	88,495.57	4,567,470.13
Shijiazhuang ENN Environmental Protection Technology Co., Ltd.	Income from project construction and design	617,924.53	8,560,682.11
Beijing Agricultural University Biological Technology Co., Ltd.	Selling pesticide	133,055.46	1,641,840.89
ENN Graphene Technology Co., Ltd.	Project construction and design		555,166.67
ENN Group	Project construction and design	889,581.66	5,803,096.86
ENN Group	Selling materials		634,827.59
ENN (Zhoushan) Natural Gas Pipeline Co., Ltd.	Project construction and design	715,907,515.73	72,468,509.24
ENN (Zhoushan) Natural Gas Pipeline Co., Ltd.	Selling materials	152,898,643.35	87,145,802.26
ENN (Inner Mongolia) Graphene Materials Co., Ltd.	Project construction and design		858,490.56
ENN (Inner Mongolia) Graphene Materials Co., Ltd.	Hotel expense	229,089.13	
ENN (Inner Mongolia) Graphene Materials Co., Ltd.	Service fee	448,045.12	92,407.92
ENN (Inner Mongolia) Graphene Materials Co., Ltd.	Selling materials	1,758,835.12	872,922.87
Shijiazhuang Airport Natural Gas Co., Ltd.	Income from design fee	160,450.94	
Erdos Xinneng Logistics Co., Ltd.	Unloading charge	47,169.80	132,075.47
Erdos Xinneng Logistics Co., Ltd.	Hotel expense	56,953.96	72,938.61
Erdos Xinneng Logistics Co., Ltd.	Sale of coal		16,957.93
Erdos Xinneng Logistics Co., Ltd.	Sale of vehicle		338,041.16

Erdos Xinneng Logistics Co., Ltd.	Sale of methanol	51,827.79	
Hebei Financial Leasing Co., Ltd.	Selling equipment		345,315.47
Langfang Tongcheng Auto Service Co., Ltd.	Sale of vehicle		186,943.42
Shijiazhuang ENN Gas Co., Ltd.	Training service		62,452.83
ENN Energy Power Technology (Shanghai) Co., Ltd.	Sale of equipment	194,690.27	
ENN Power Technology (Langfang) Co., Ltd.	Sale of equipment	2,044,247.79	
Tangshan ENN Yongshun Clean Energy Co., Ltd.	Technical service	1,341,509.44	
Kunlun ENN Gas Company Limited of Luquan District, Shijiazhuang	Design	805,006.60	
Kunlun ENN Energy Development Co., Ltd, Shijiazhuang	Design	156,000.00	

(2). **Related entrusted management**

Unit：RMB Yuan

Name of client	Name of trustee	Types of entrusted assets	Start date of commission	Termination date of entrustment	Pricing basis of custody income income	Custody income income recognized in the current period
Xinneng Energy Co., Ltd.	Beijing Novel Environmental Protection Co., Ltd.	Other asset custody	2019/1/1	2019/12/31	Custody contract	44,159,557.08

(3). **Related lease**

The Company as a lessor:

Lessee	Type of leased assets	Lease income in the current period	Lease income in the prior period
ENN Group	Vehicles leasing		689,655.17
ENN (Inner Mongolia) Graphene Materials Co., Ltd.	Vehicles leasing	43,805.31	

The Company as a lessee:

Lessor	Types of leased assets	Lease expenses in the current period	Lease expenses in the prior period
ENN Technology Development Co., Ltd.	Houses	1,622,935.78	965,909.09
ENN Technology Development Co., Ltd.	Houses	97,247.71	
ENN Technology Development Co., Ltd.	Houses	126,605.50	
ENN Technology Development Co., Ltd.	Houses	291,743.12	181,818.18
ENN Finance Co., Ltd.	Houses		677,440.00
Hebei Veyong Group Co., Ltd.	Houses		200,000.00
Quanzhou Gas Co., Ltd.	Houses	117,380.00	122,976.97
Changsha ENN Gas Co., Ltd.	Houses	245,714.29	245,714.29

Ningde ENN Gas Co., Ltd.	Houses		45,818.18
Changsha ENN Changran Energy Development Co., Ltd.	Houses	189,357.80	
Yancheng ENN Gas Co., Ltd.	Houses	95,596.33	
Bengbu ENN Gas Co., Ltd.	Houses	45,871.56	
Hebei Financial Leasing Co., Ltd.	Finance lease equipment (direct lease)	5,471,771.37	156,383,079.13

(4). **Related party guarantee**

Related party guarantee

Guarantor	Guarantee amount (ten thousand Yuan)	Guarantee start date	Guarantee expiry date	Whether the guarantee has been fulfilled
ENN Group, Wang Yusuo	12,000.00	2018-4-28	2020-4-9	No
ENN Holding Investment Limited, Wang Yusuo and his wife	20,000.00	2019-12-23	2020-6-23	No
ENN Holding Investment Limited, Wang Yusuo and his wife	20,000.00	2019-1-28	2020-1-28	No
ENN Holding Investment Limited, Wang Yusuo and his wife	30,000.00	2019-5-31	2022-5-30	No
ENN Holding Investment Limited, Wang Yusuo and his wife	19,000.00	2019-6-28	2020-6-28	No
ENN Holding Investment Limited, Wang Yusuo and his wife	30,000.00	2019-9-30	2020-9-30	No
ENN Holding Investment Limited	8,000.00	2019-6-10	2020-6-10	No
ENN Holding Investment Limited	10,000.00	2019-10-30	2020-10-29	No
ENN Holding Investment Limited	20,000.00	2019-12-24	2022-12-24	No
ENN Group, Wang Yusuo and his wife	19,600.00	2019-4-29	2020-4-29	No
Wang Yusuo and his wife	3,750.00	2016-5-16	2021-5-16	No
Note 1 on ENN Holdings Investment Co., Ltd.	3,043.56	2018-7-26	2021-7-15	No
Wang Yusuo and his wife	10,000.00	2019-7-25	2020-7-24	No
Wang Yusuo and his wife	10,000.00	2019-8-30	2020-8-29	No
Wang Yusuo and his wife	623.20	2019-8-14	2020-8-13	No
ENN Group, Wang Yusuo and his wife	50,000.00	2019-4-1	2020-4-1	No
Wang Yusuo and his wife	29.06	2019-10-25	2020-3-31	No
Wang Yusuo and his wife	5.06	2019-10-22	2020-2-29	No
Wang Yusuo and his wife	30.00	2019-6-28	2020-5-30	No
Wang Yusuo and his wife	12,394.94	2019-6-28	2020-6-28	No
Wang Yusuo and his wife	118.22	2019-11-26	2020-5-25	No
Wang Yusuo and his wife	118.22	2019-11-26	2020-5-25	No
Wang Yusuo and his wife	67.09	2019-11-27	2021-11-25	No
Wang Yusuo and his wife	90.08	2019-8-2	2020-5-30	No
Wang Yusuo and his wife	717.90	2019-9-26	2020-3-27	No
Wang Yusuo and his wife	33.50	2019-9-27	2020-2-29	No
Wang Yusuo and his wife	5.20	2019-9-26	2021-6-10	No

Introduction about providing guarantees to affiliates

During the period of January to December 2019, related parties provided guarantee for the Company with a total value of 5,290,440,100 Yuan and 428,500,000 US dollars, specifically, the value of guarantee that has been performed is 2,494,179,700 Yuan and 428,500,000 US dollars, and the value of outstanding guarantee is 2,796,260,400 Yuan.

Note 1: The financing facility represents the funds under a financial lease obtained by Xinneng Energy Co., Ltd. from China Huarong Financial Leasing, in respect of which ENN Holdings Investment Co., Ltd. provided guarantee for 25% of the financing amount.

(5). Funds borrowings from related parties

Related party	Amount	Starting date	Expiry date	Description
Repayment				
ENN GROUP INTERNATIONAL INVESTMENT LIMITED	10,000,000.00	2016.4.29	2019.3.20	USD
Hebei Financial Leasing Co., Ltd.	20,000,000.00	2016.8.17	2019.05.17	
Hebei Financial Leasing Co., Ltd.	100,000,000.00	2016.10.21	2019.06.12	
Hebei Financial Leasing Co., Ltd.	200,000,000.00	2016.10.31	2019.06.27	
Hebei Financial Leasing Co., Ltd.	60,000,000.00	2016.11.10	2019.06.27	
Hebei Financial Leasing Co., Ltd.	220,000,000.00	2016.8.17	2019.7.4	

Note: (1) Xinneng (Hong Kong) borrowed 100,000,000 USD from ENN GROUP INTERNATIONAL INVESTMENT LIMITED on April 29, 2016, it repaid 52,000,000 US dollars in 2017, repaid 38,000,000 US dollars on March 20, 2018, and repaid a principal amount of 10,000,000 US dollars and interest of 6,128,300 US dollars on March 20, 2019; as of the current reporting period, the principal and interest of the loan have been fully repaid.

(2) In August 2016, Xinneng Energy Co., Ltd. borrowed the finance lease payment (sales and leaseback) RMB 600 million from Hebei Financial Leasing Co., Ltd., and borrowed RMB 350 million in 2017, which is used for construction of the stable light hydrocarbon project with annual production of 200,000 tons. On April 11, 2018, the principal amount of RMB 350 million was repaid in advance. It repaid a principal amount of 20,000,000 Yuan in May 2019, and repaid a principal amount of 360,000,000 Yuan in June 2019, and repaid a principal amount of 220,000,000 Yuan in July 2019. In 2019, the interest payable under the lease is 25,201,900 Yuan and the service charge is 9,750,000 Yuan.

(6). Asset transfer and debt restructuring between related parties

None

(7). Remuneration of key management personnel

Item	Amount incurred in the current period (ten thousand Yuan)	Amount incurred in the prior period (RMB 10,000)
Remuneration of key management personnel	1,120.94	1,271.67

6. Receivables and payables of related parties

(1). Receivables

Item	Related party	Closing balance		Opening balance	
		Carrying value	Bad debts	Carrying value	Bad debts
Accounts receivable	Total of subsidiaries individually and jointly controlled by ENN Energy	433,700,576.55	76,157,045.79	390,001,464.39	52,107,139.18

	Holdings Limited				
Accounts receivable	Shijiazhuang Kunlun ENN Gas Co., Ltd.	3,490,005.50	57,198.74	4,282,554.60	43,190.05
Accounts receivable	Beijing Agricultural University Biological Technology Co., Ltd.	394,473.34	394,473.34	721,728.52	7,217.29
Accounts receivable	Bazhou Xinsheng Water Supply Co., Ltd.	40,968,936.53	550,717.22	9,598,370.89	1,170,318.19
Accounts receivable	Beijing Novel Environmental Protection Co., Ltd.			6,311,021.71	1,261,064.34
Accounts receivable	ENN (Zhoushan) Natural Gas Pipeline Co., Ltd.	222,624,118.54	2,226,241.19	202,397,042.87	9,058,812.53
Accounts receivable	Shijiazhuang Airport Natural Gas Co., Ltd.	170,078.00	1,700.78		
Accounts receivable	Langfang ENN Ubiquitous Network Technology Service Co., Ltd.	100,000.00	8,000.00	100,000.00	10,000.00
Accounts receivable	Hebei Financial Leasing Co., Ltd.	3,712,712.11	284,896.40	3,718,808.95	335,519.18
Accounts receivable	Shijiazhuang ENN Zhonghong Gas Co., Ltd.	2,361,930.00	108,579.30	2,144,000.00	21,440.00
Accounts receivable	ENN Graphene Technology Co., Ltd.	516,235.00	25,811.75	516,235.00	5,162.35
Accounts receivable	ENN Technology Development Co., Ltd.	1,822,500.00	87,125.00	1,922,500.00	19,225.00
Accounts receivable	ENN Group	502,330.81	5,023.31	1,238,586.60	12,385.87
Accounts receivable	ENN (Inner Mongolia) Graphene Materials Co., Ltd.	3,735,960.31	85,188.05	1,560,542.92	15,605.43
Accounts receivable	Shijiazhuang ENN Environmental Protection Technology Co., Ltd.	15,320,000.00	173,000.00	2,983,999.75	29,840.00
Accounts receivable	Langfang ENN Longhe Environmental Protection	29,991,462.42	299,914.62	35,179,489.59	624,340.40

	Technology Co., Ltd.				
Accounts receivable	ENN Energy Power Technology (Shanghai) Co., Ltd.	220,000.00	2,200.00		
Accounts receivable	Kunlun ENN Gas Company Limited of Luquan District, Shijiazhuang	724,471.80	26,444.72		
Accounts receivable	ENN Power Technology (Langfang) Co., Ltd.	1,680,000.00	16,800.00		
Prepayments	Langfang Gas Co., Ltd.ENN Gas Station	2,619.88		39,254.08	
Prepayments	E-Cheng E-Jia Network Technology Co., Ltd.	185,339.62			
Prepayments	ENN (China) Gas Investment Co., Ltd.	20,000.00			
Other receivables	Langfang Huijia Property Service Co., Ltd.	12,000.00	1,800.00	12,000.00	1,200.00
Other receivables	Shijiazhuang ENN Vehicle Gas Co., Ltd.			20,000.00	200.00
Other receivables	Total of subsidiaries individually and jointly controlled by ENN Energy Holdings Limited	4,952,329.88	261,015.72	2,996,469.02	211,108.74
Other receivables	ENN Technology Development Co., Ltd.			4,306.20	43.06
Other receivables	ENN (Inner Mongolia) Graphene Materials Co., Ltd.	476,211.21	4,762.11	476,211.21	4,762.11
Other receivables	Shijiazhuang Kunlun ENN Gas Co., Ltd.	20,000.00	200.00	20,000.00	200.00
Other receivables	Beijing Novel Environmental Protection Co., Ltd.			800,000.00	8,000.00

(2). **Payables**

Item	Related party	Closing balance	Opening balance

Accounts payable	ENN Technology Development Co., Ltd.	2,848,704.53	5,209,170.00
Accounts payable	Ovation Seven-Cultivation Hotel Management Co., Ltd.	710,805.99	483,382.00
Accounts payable	Langfang Tongcheng Auto Service Co., Ltd.	119,718.48	103,036.35
Accounts payable	Langfang Golden Elephant Property Service Co., Ltd.	1,653,921.60	1,848,828.21
Accounts payable	Tianjin ENN Billiton Machinery Equipment Co., Ltd.	494,667.32	494,667.32
Accounts payable	Hebei Financial Leasing Co., Ltd.		6,096.84
Accounts payable	Total of subsidiaries individually and jointly controlled by ENN Energy Holdings Limited	112,079,723.72	82,019,603.84
Accounts payable	Beijing Novel Environmental Protection Co., Ltd.	10,489,672.79	47,255,423.07
Accounts payable	Beijing Ovation Art Development Co., Ltd.	242,476.00	
Accounts payable	Langfang ENN Ubiquitous Network Technology Service Co., Ltd.	1,840,439.49	1,840,439.49
Accounts payable	ENN Ubiquitous Network Technology Co., Ltd.	11,035,539.16	10,966,537.01
Accounts payable	Ennew Cloud Data Service Co., Ltd.	10,306,523.62	3,550,594.66
Accounts payable	BHP Electronic Commerce Co., Ltd.	3,519,188.62	3,519,188.62
Accounts payable	ENN Photovoltaic Energy Co., Ltd.	1,439,112.56	609,742.81
Accounts payable	BOCOM Smart Network Technologies Inc.		518,160.38
Accounts payable	Erdos Xinneng Logistics Co., Ltd.	1,820,540.00	501,493.64
Accounts payable	Beijing Agricultural University Biological Technology Co., Ltd.		20,055.00
Accounts payable	Xinzhi Wolai Network Technology Co., Ltd.	5,500,000.00	6,000,000.00
Accounts payable	Ennew Energy System Control Co., Ltd.	108,958.85	698,753.10
Accounts payable	Langfang Yida International Travel Service Co., Ltd.	326,572.00	687,378.00
Accounts payable	Langfang Huijia Property Service Co., Ltd.	506,159.70	105,170.50
Accounts payable	Hebei Veyong Biochemical Co., Ltd.	27,044.82	27,044.82
Accounts payable	Shijiazhuang ENN Gas Co., Ltd.		8,000.00
Accounts payable	ENC Data Service Co., Ltd.,	1,030,000.00	
Accounts payable	Ovation Laikang (Langfang) Sports and Leisure Sports Development Co., Ltd.	41,018.00	
Accounts payable	Ovation Health Management Co., Ltd.	33,900.00	
Accounts payable	Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	4,979,199.96	-2,392,798.72
Accounts payable	ENN Yangguang Yicai Technology Co., Ltd.	10,670,601.11	

Accounts payable	ENN Digital Energy Technology Co., Ltd.	1,161,035.80	
Accounts payable	Gu An Xingeng Agricultural Technology Co., Ltd.	14,040.00	
Accounts payable	ENN Graphene Technology Co., Ltd.	2,250.00	
Accounts payable	Tengzhou Xinneng Logistics Co., Ltd.	500,000.01	
Accounts payable	Laikang Technology Co., Ltd.	4,420.00	
Accounts payable	Ennew Chengfu (Langfang) Public Service Technology Co., Ltd.	3,900.00	
Accounts payable	Hebei Financial Leasing Co., Ltd.	11,632,843.39	4,358,268.98
Receipts in advance	Nanjing ENN Environmental Protection Technology Co., Ltd.	16,687,944.47	4,725,171.20
Receipts in advance	Xinneng Fenghuang (Tengzhou) Energy Co., Ltd.	1,991,385.32	1,674,380.05
Receipts in advance	ENN (Zhoushan) LNG Co., Ltd.	48,386,311.94	-262,462,997.23
Receipts in advance	Erdos Xinneng Logistics Co., Ltd.	9,944.60	-110,709.24
Other payables	Dongguan Xinde Gas Engineering Project Management Co., Ltd.	1,776,206.17	1,910,883.62
Other payables	Hebei Veyong Group Co., Ltd.	800,000.00	800,000.00
Other payables	ENN Group International Investment Limited		109,727,924.88
Other payables	Beijing Novel Environmental Protection Co., Ltd.		100,200.00
Other payables	Erdos Xinneng Logistics Co., Ltd.	100,000.00	
Other payables	ENN Group	99,049.60	
Long-term Payable	Hebei Financial Leasing Co., Ltd.		540,171,389.93
Current portion of non-current liabilities	Hebei Financial Leasing Co., Ltd.		159,257,981.42

XI. Commitments and contingencies

1. Significant commitments

None

2. Contingent event

(1) Xindi Engineering, a subsidiary of the Company, signed an Engineering, Procurement and Construction (EPC) Contract for the 100,000 tons/year Coke Oven Gas-to-LNG Project with Shaanxi Xuqiangrui Clean Energy Co., Ltd. ("Xuqiangrui") on August 15, 2014. According to the EPC contract, Xindi Engineering acts as the general contractor for Xuqiangrui's 100,000 tons/year coke over gas-to-LNG project and is fully responsible for the project design, equipment purchase and construction for the project, the EPC contract has

stipulated in details the relevant issues starting from commencement to completion and final acceptance. The contract stipulated a fixed lump sum of RMB 338,000,000, and also stipulated that the scope of other changes should be agreed by the parties according to the characteristic of the project, and that settlement should be made in respect of the design changes and changes in construction confirmed by the employer according to relevant standard and norm. During the performance of the contract, the parties reduced project cost by a total of 9,984,519.52 Yuan through signing agreements and issuing project change verifications, after offsetting the increase against decrease in amount. After reduction, the settled project cost is 328,015,479.48 Yuan. After the contract entered into effect, Xindi Engineering duly performed contractual obligations by completing and delivering the project to Xuqiangrui. Xuqiangrui paid a total contract sum of 284,246,900.3 Yuan to Xindi Engineering, and 43,768,579.18 Yuan remains outstanding, Xuqiangrui has been refusing payment despite that Xindi Engineering made repeated request for payment. Xindi Engineering brought a lawsuit before the Intermediate People's Court of Weinan City in December 2019. As of the date when the report is released, the case has not yet entered court hearing.

(2). Owing to a dispute over procurement and bidding, a lawsuit was brought against Xindi Engineering, a subsidiary of the Company, before the Maritime Court of Ningbo by China Petroleum Pipeline Engineering Co., Ltd. in June 2019, the case was officially accepted by Ningbo Maritime Court on June 13, involving a total amount of 20,300,000 Yuan. As of the date on which this report is released, the case is waiting for the decision by the court of first instance.

(3). Xinneng (Tianjin), a subsidiary of the Company, signed a Repayment Agreement with Qingdao Zhongyuan Huitong International Trade Co., Ltd. on July 16, 2018 owing to a dispute over a coal supply contract, the agreement stipulated that the counterparty owes Xinneng Tianjin a remaining balance of 5,856,800 Yuan for goods supplied, which will be repaid on installments according to domestic trade practices. However, the counterparty has not yet performed its obligations according to the agreement and the amount owed remains outstanding. Accordingly, in November 2019, the Company sued the counterparty in the People's Court of Langfang Development Zone, seeking repayment of 5,856,800 Yuan for goods supplied and an interest of 336,863.61 Yuan for the period up to November 5, 2019. As of the date on which the report is released, the court has been unable to serve a summons on the defendant, and the timing for court session has not yet been determined.

(4). Xinneng Tianjin, a subsidiary of the Company, signed an Industrial Product Purchase and Sale Contract with Shanxi Zhonghong Energy Co., Ltd. on December 12, 2017, according to which, the counterparty purchased coking coal from the Company and the Company has duly performed the obligation to supply coking coal to the counterparty in accordance with the Contract, and the counterparty should have fully paid the total contract price of 4,795,460 Yuan to the Company. However, despite the repeated request for payment made by the Company, the counterparty failed to perform its payment obligation in full. The Company sought payment of 4,795,460 Yuan and a penalty which accrued until the date when full payment of said amount is made. (As of April 25, 2018, the penalty is 364,455 Yuan). As of the date when this report is released, the court of first instance ruled in favor of our company, the hearing in the court of second instance has ended and judgment is pending.

XII. Subsequent events

1. Important non-adjustment events

None

2. Profit distribution

On March 12, 2020, the 11th Meeting of the 9th Board of Directors of the Company considered and approved the 2019 profit distribution plan. The proposed distribution of cash dividends is RMB 0.21 per share, and this plan is subject to approval by the general meeting of shareholders.

Proposed profit distribution or dividend	254,313,300.15
Profit or dividend declared to be issued upon consideration and approval	254,313,300.15

3. Notes to other subsequent events after the reporting date

1. Since the countrywide outbreak of the COVID-19 in January 2020, efforts to curb the epidemic have been ongoing at a countrywide level. The Company has been making active response to and strictly implementing the various policies and requirements of the communist party of China and the governments at various levels on the prevention and control of the epidemic. To meet the need of disease control and the Company's operation, the Company and its various subsidiaries resumed business activities, and supported the country's fight against the epidemic through ensuring supply, fulfilling social responsibility and internal management. The Company expects that the epidemic and the related prevention and control measures will have a temporary impact on the Company's production and operation to a certain extent, and the extent of such impact will depend on the progress of disease prevention and control, duration of the epidemic and the implementation of prevention and control policy by local governments. The Company will keep a close watch on the development of the epidemic, evaluate and actively cope with the impact caused by it to the Company's financial position and results of operation. As of the date when this report is released, the evaluation is still ongoing.

2. On December 24, 2019, the Company signed a share transfer agreement with Beijing Longran Energy Technology Co., Ltd. ("Beijing Longran") and Chongqing Fuling Energy Industry Group Co., Ltd. ("Fuling Energy"), according to which, Beijing Longran transferred 65% of equity interest owned by it in Chongqing Longran Energy Technology Co., Ltd. ("Chongqing longran") to Fuling Energy and our company, our company accepted transfer of 14% of equity interest for a price of 14,354,500 Yuan. As of the date when this report is

released, Chongqing Longran has completed the formalities for change of registration with the industrial and commercial administration authority, and our company will account for the equity interest as a long-term equity investment.

3. On February 20, 2020, Santos released an announcement of dividend distribution for the year 2019, according to which, Santos will distribute USD 0.05 per share as final dividend for 2019, the record date for dividend distribution is February 26, 2020, and the date for paying out dividend is March 26, 2020. The dividend is determined and declared in US dollar, and will be paid out to shareholders in Australian dollar. Currency exchange for the final dividend will be subject to the exchange rate prevailing at February 26, 2020, the record date. No dividend reinvestment plan has been arranged for the final dividend of 2019. According to the abovementioned dividend payout plan, the Company will receive dividend payment of 10,486,700 US dollars on March 26, 2020.

4. Owing to an underground electromechanical transportation accident caused by an external contractor, the Wangjiata Coal Mine owned by Xinneng Mining, a subsidiary of the Company, has ceased production activity to implement corrective actions since November 9, 2019, for details, refer to the Announcement of ENN Group regarding the Investigation Findings of A Transportation Accident caused by an External Contractor to Wangjiata Coal Mine Owned by a Wholly Owned Subsidiary and the supplemental announcement released by the Company respectively on December 28, 2019 and December 31, 2019 (announcement number: Lin 2019-149 and 150). During the suspension of production and implementation of corrective actions, a safety training was organized among all the employees of Wangjiata Coal Mine to strengthen the safety measures for auxiliary mine transportation and to improve the management of external contractors, safety and technical measures are developed and implemented for resuming production of the mine. The COVID-19 outbreak has affected the resumption of production and acceptance test in Wangjiata Coal Mine to a certain extent, after an active effort is made by the Company in communicating with the local authorities, Wangjiata Coal Mine received a Review Comment on the Safety Supervision of Coal Mine in Ejin Horo Banner issued by the Coal Mine Work Safety Supervision Enforcement Authority of Ejin Horo Banner on February 15, 2020, which approved the resumption of production activity in Wangjiata Coal Mine. Wangjiata Coal Mine resumed production on February 15, 2020, and started to sell its products to external parties from February 16, 2020 onward. Because the COVID-19 epidemic has resulted in a delay of the return of certain employees and the need for their quarantine after returning, the Coal Mine has not yet reached full capacity, and the Company will reasonably allocate the workforce, fully capitalize on the advantage of smart procurement to achieve high efficiency in operation and to minimize the negative impact caused by the epidemic. As the epidemic is gradually being kept in check, the Wangjiata Coal Mine will gradually restore normal production output.

XIII. Other significant matters

1. Correction of prior accounting errors

None

2. Discontinued operation

Item	Revenue	Expenses	Total profit	Income tax expenses	Net profit	Profits from discontinued operations attributable to the owners of the parent company
Pesticide and animal drug business	1,122,426,294.10	1,023,294,039.51	113,909,762.00	16,740,468.53	97,169,293.47	182,994,077.63

3. Segment information

(1). Determination basis and accounting policy of reporting segment

During the reporting period, the Company has six reporting segments which are respectively the energy project segment, the coal segment, the energy chemicals segment, the LNG segment, the bio-pharmaceuticals segment and the trade segment (the bio-pharmaceuticals segment has been sold in May 2019), these segments are respectively responsible for the following business:

1) Energy Engineering Division - Research, development and transformation of energy works technology; foreign works contracting; works consulting: municipal public sector design; general contracting of municipal public utility works; general contracting of chemical oil works, etc. 2) The coal segment: production and sale of coal; 3) the energy chemicals segment: production and sale of methanol, dimethyl ether and stable light hydrocarbon products, and technical service relying on the chemical business; 4) The LNG segment: production and sale of LNG; 5) The bio-pharmaceuticals segment: production and sale of pesticide and veterinary drugs; 6) the Trade segment: the purchase and sale of methanol, coal and other commodities for bulk trading.

The major operating decision maker of the Company evaluates the operating results of the divisions based on pre-tax profits. The prices of sales and transfer of goods between divisions are determined by each division of the Company in accordance with the sales or transfer price for the independent third parties, i.e. the prevailing market price. Segment information is measured in RMB

(2). Financial information of the reporting segment

Reporting period	2019							
Segment	Energy engineering	Coal	Energy and chemical	LNG	Biopharmaceutical	Trade	Inter-segment offset	Total
Revenue from main operations in external transactions	3,546,551,411.15	1,518,667,243.41	2,525,553,278.19	335,511,882.45	1,119,185,394.17	4,290,445,664.10		13,335,914,873.47
Revenue from main operations in transactions between operating segments	22,029,166.11	26,890.11	3,716,153.41				25,772,209.63	
Subtotal of revenue from the main operations of reporting segments	3,568,580,577.26	1,518,694,133.52	2,529,269,431.60	335,511,882.45	1,119,185,394.17	4,290,445,664.10	25,772,209.63	13,335,914,873.47
Cost of main operations in external transaction	2,735,713,908.07	644,331,649.20	2,158,941,145.83	289,609,785.61	908,535,716.11	4,245,511,407.91		10,982,643,612.73
Cost of main operations in transactions between operating segments	18,115,741.30	535,598.03	4,703,061.64	358,148.42			23,712,549.39	
Cost of main operations of reporting segments	2,753,829,649.37	644,867,247.23	2,163,644,207.47	289,967,934.03	908,535,716.11	4,245,511,407.91	23,712,549.39	10,982,643,612.73
Total reporting segment profits	558,155,193.86	530,434,275.94	-71,762,540.85	25,632,282.74	113,909,762.00	13,323,872.78	4,211,901.00	1,165,480,945.47

Other important items:								
- Net interest expense	59,810,864.39	87,469,822.32	144,220,917.31	2,607,529.34	5,099,476.29	5,293,296.05		304,501,905.70
- Depreciation & amortization charge	17,310,688.37	146,041,683.94	343,124,485.10	13,866,631.29	25,217,842.11	237,505.62	358,148.42	545,440,688.01
- Investment income from associated enterprises	-290,875.91	54,346,003.79				-687,808.32		53,367,319.56
On the Reporting date	31 December, 2019							
Total reporting segment assets	5,689,322,972.23	5,787,409,498.46	8,362,009,098.73	282,961,316.70		410,841,704.61	1,888,138,966.57	18,644,405,624.16
Total reporting segment liabilities	3,851,874,018.17	2,744,398,089.61	5,272,862,457.76	117,311,629.61		313,276,496.56	1,064,483,911.21	11,235,238,780.50

Clarification on other issues: The Company completed the sale of its pesticide and veterinary drug business in May 2019, as a result, the current period's consolidated financial statement only includes the profit statement and cash flows statement of the three companies for the period of January to May 2019.

4. Other significant transactions and matters that have an impact on investors' decisions

In response to the government's policy of encouraging the return of high-quality companies and to capitalize on the industrial development opportunity created by the national oil and gas reform, to improve the industrial synergy and management capability of the Group's energy business segment, and to further focus on innovative clean energy integration, the Company proposes acquiring 369,175,534 shares of ENN Energy Holdings Limited ("ENN Energy") owned by ENN Group International Investment Co., Ltd. and CICC Alternative Investment Limited through exchange of assets, issuance of shares and paying cash consideration. As of December 31, 2019, the abovementioned shares represent 32.80% of the total outstanding shares of ENN Energy. After completion of the transaction, the Company will hold the abovementioned 32.80% share in ENN Energy Holdings through its wholly owned subsidiary namely Xinneng Hong Kong. In the meanwhile, the Company proposes issuing shares to no more than thirty-five specified investors including ENN Holdings to raise fund through book-building, the proceeds of fund-raising, after deducting the agency fees and other relevant expenses, will be used to pay the cash consideration for acquiring underlying assets. In connection with the abovementioned proposed asset purchase, the Company has held the eighth session of the ninth board of directors on November 21, 2019 and December 9, 2019 respectively, the sixth extraordinary general meeting of 2019, at which it has approved relevant proposals including the Proposal on Revising the Company's Plan for Replacement of Important Assets, Issuance of Shares, Asset Purchase for Cash Consideration and Fund-Raising. The transaction involves major asset restructuring of the Company, as of the date when this report is released, the Company is undergoing the procedures related to major asset restructuring.

XIV. Notes to major account of the company's financial statements

1. Accounts receivable

(1). Accounts receivable disclosed by category

Aging	Book balance at the end of the reporting period
Within 1 year	
1-2 years	
2-3 years	
3-5 years	
More than 5 years	394,473.34
Total	394,473.34

(2). Disclosed by bad debt provision method

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Carrying amount	Book balance		Bad debt provision		Carrying amount
	Amount	proportion (%)	Amount	proportion (%)		Amount	proportion (%)	Amount	proportion (%)	
Bad debt provision assessed individually						3,482,301.80	89.82	3,482,301.80	100.00	

Bad debt provision assessed by groups	394,473.34	100.00	394,473.34	100.00		394,473.34	10.18	394,473.34	100.00	
Total	394,473.34	100.00	394,473.34	100.00		3,876,775.14	100.00	3,876,775.14	100.00	

Bad debt provision assessed by groups:

Name	Closing balance		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year (inclusive)			
1-2 years (inclusive)			
2-3 years (inclusive)			
3-5 years (inclusive)			
More than 5 years	394,473.34	394,473.34	100.00
Total	394,473.34	394,473.34	100.00

(3). Details of bad debt provision

Category	Opening balance	Change in the current period				Closing balance
		Provision	Recovery or reversal	Elimination or write-off	Other changes	
Provision for bad debts of receivables	3,876,775.14			3,482,301.80		394,473.34
Total	3,876,775.14			3,482,301.80		394,473.34

(4). Accounts receivable written off as at the end of the reporting period

Item	Amount of write-off
Actual write-off of accounts receivable	3,482,301.80

Significant write-off of accounts receivable:

Entity name	Nature of accounts receivable	Amount of written off	Reason for write-off	Write-off procedures performed	Is it arising from related party transactions?
Customer 1	Account receivable for the supply of pesticides	2,058,832.56	The amount has been overdue for more than five years and it is unlikely to be recovered as it is impossible to reach the foreign customer from which the amount is due.	Approved by the management	No
Total	/	2,058,832.56	/	/	/

(5). Top 5 accounts receivable based on debtors

Entity name	Relation with the Company	Amount	Years	Proportion in total accounts receivable (%)
The 1st	Related parties	394,473.34	More than 5 years	100.00
Total	/	394,473.34	/	/

2. Other receivables

Item	Closing balance	Opening balance
Interests receivable	1,029,833.00	25,714,824.87
Dividends receivable	868,516,493.04	1,257,250,000.00
Other receivables	633,181,934.49	1,243,959,972.38

Total	1,502,728,260.53	2,526,924,797.25

Interests receivable

Item	Closing balance	Opening balance
Loan interest		25,714,824.87
Consignment loans	1,029,833.00	
Total	1,029,833.00	25,714,824.87

Dividends receivable

(1). Dividends receivable

Item (or investee)	Closing balance	Opening balance
Xinneng Mining Industry Co., Ltd.	868,516,493.04	1,251,250,000.00
Hebei Veyong Animal Pharmaceutical Co., Ltd.		6,000,000.00
Total	868,516,493.04	1,257,250,000.00

(2). Significant dividends receivable aged over 1 year

Item (or investee)	Closing balance	Aging	Reason for not receivable	Any impairment and basis of judgement?
Xinneng Mining Industry Co., Ltd.	478,516,493.04	1-2 years	Capacity increase, extension and replacement of equipment represent considerable capital demand	No
Total	478,516,493.04	/	/	/

Other receivables

(1). Other receivables disclosed by category

Aging	Book balance at the end of the reporting period
Within 1 year	633,434,566.66
1-2 years	
2-3 years	
3-5 years	
More than 5 years	
Total	633,434,566.66

(2). Details of classification by nature

Nature	Book balance at the end of the reporting period	Book balance as at the beginning of the reporting period
Account current	633,424,566.66	1,249,633,813.05
Including: current accounts within the scope of consolidation	608,171,349.48	1,243,803,995.55
Advances to employees and reserve	10,000.00	1,066,723.21
Housing accumulation fund		3,511,628.72
Total	633,434,566.66	1,254,212,164.98

(3). Details of bad debt provision

Bad debt provision	Stage 1	Stage 2	Stage 3	Total
	12 months expected credit losses	Lifetime expected credit losses (not impaired)	Lifetime expected credit losses (not impaired)Expected credit loss over the entire duration (impaired)	
As at 1 January 2019		48,605.46	10,203,587.14	10,252,192.60
Changes due to				

financial instruments recognized as at 1 January 2019				
--Transfer to stage II				
--Transfer to stage III				
--Reverse to stage II				
--Reverse to stage I				
Provision	252,632.17	135,976.83	2,554,575.86	2,943,184.86
Reversal				
Elimination				
Write-off		184,582.29	12,758,163.00	12,942,745.29
Other changes				
As at 31 December 2019	252,632.17			252,632.17

(4). Details of bad debt provision

Category	Opening balance	Change in the current period				Closing balance
		Provision	Recovery or reversal	Elimination or write-off	Other changes	
bad debt	10,252,192.60	2,943,184.86		12,942,745.29		252,632.17
Total	10,252,192.60	2,943,184.86		12,942,745.29		252,632.17

(5). Other receivables written off as at the end of the reporting period

Item	Amount of write-off
Actual write-off of other receivables	12,942,745.29

Significant write-off of other receivables:

Entity	Nature of other receivables	Amount of write-off	Reason for write-off	Procedures performed	Is it arising from related party transactions?
Customer 1	Receivables and payables	3,511,628.72	The receivable has been overdue for five years and recovery is impossible.	Approved by the management	No
Customer 2	Receivables and payables	1,826,819.00			No
Total	/	5,338,447.72	/	/	/

(6). Top 5 other receivables based on debtors

Entity	Nature	Closing balance	Aging	Proportion to the total closing balance of other receivables (%)	Closing balance of bad debt provision
The 1st	Receivables and payables	369,164,793.50	Within 1 year	57.39	
The 2nd	Receivables and payables	156,773,837.45	Within 1 year	24.37	
The 3rd	Receivables and payables	68,379,900.51	Within 1 year	10.63	
The 4th	Receivables and payables	20,732,723.82	Within 1 year	3.22	207,327.24
The 5th	Receivables and payables	10,429,352.56	Within 1 year	1.62	
Total	/	625,480,607.84	/	97.23	207,327.24

3. Long-term equity investments

Item	Closing balance			Opening balance		
	Carrying value	Impairment	Net carrying value	Carrying value	Impairment	Net carrying value
Investments in subsidiaries	9,179,495,337.08		9,179,495,337.08	7,926,287,965.83		7,926,287,965.83
Investments in joint ventures and associates	10,641,515.10		10,641,515.10	10,244,980.54		10,244,980.54
Total	9,190,136,852.18		9,190,136,852.18	7,936,532,946.37		7,936,532,946.37

Investments in subsidiariesInvestee	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for impairment made in the reporting period	Closing balance of Provision for impairment
Hebei Veyong Animal Pharmaceutical Co., Ltd.	50,800,000.00		50,800,000.00			
Inner Mongolia New Veyong Biochemical Co., Ltd.	62,646,000.00		62,646,000.00			
Xinneng Mining Industry Co., Ltd.	2,493,796,750.86	1,623,883,371.25	1,031,233,263.31	3,086,446,858.80		
Hebei Veyong Biochemical Co., Ltd.	257,230,000.00		257,230,000.00			
Xinneng (Tianjin) Energy Co., Ltd.	80,000,000.00		80,000,000.00			
Xinneng (Hong Kong) Energy Investment Co., Ltd.	4,981,815,214.97			4,981,815,214.97		
ENN (Tianjin) Energy Investment Co., Ltd.		1,111,233,263.31		1,111,233,263.31		
Total	7,926,287,965.83	2,735,116,634.56	1,481,909,263.31	9,179,495,337.08		

(1). **Investment in joint ventures and associates**

Investor	Opening balance	Increase/decrease in current year								Closing balance	Closing balance of provision for impairment
		Increase in investment	Decrease in investment	Investment profit and loss recognized under the equity method	Other comprehensive income adjustment	Other Changes in equity	Declaration of cash dividends or profits	Provision for impairment	Others		
I. Associates											
Beijing Agricultural University Biological Technology Co., Ltd.	10,244,980.54	2,224,000.00		-1,827,465.44						10,641,515.10	
Total	10,244,980.54	2,224,000.00		-1,827,465.44						10,641,515.10	

4. Operating revenue and costs of sales

Item	Amount incurred in the current period		Amount incurred in the prior period	
	Revenue	Cost	Revenue	Cost
Principal operating activities				
Others	163,012,645.71	253,362.24	128,359,430.95	1,463,400.00
Total	163,012,645.71	253,362.24	128,359,430.95	1,463,400.00

5. Investment income

Item	Amount incurred in the current period	Amount incurred in the prior period
Income from long-term equity investments under equity method	-1,827,465.44	-909,928.20
Income from long-term equity investments under cost method	390,000,000.00	922,000,000.00
Investment income on disposal of long-term equity investments	387,881,800.00	-1,523,566.35
Investment income from disposal of held-for-trading financial assets	-6,094,660.00	
Total	769,959,674.56	919,566,505.45

XV. Supplementary information

1. Details of current non-recurring profit and loss

Item	Amount	Description
Gains and losses from the disposal of non-current assets	90,848,533.88	Mainly investment income recognized for the sale of pesticide and veterinary drug assets by the Company and the proceeds arising from the disposal of land-use right by New Veyong
Tax return and reduction with or without formal approval documents		
Government grants included in the current profit and loss (except for the government grant which are closely related to the business of the company and are in accordance with the national unified standard quota)	158,667,199.56	Mainly due to the one-off amortization of the unamortized portion of the deferred income arising from relocation subsidy related to the Company's sale of

		pesticide and veterinary drug assets.
Capital occupation fee charged to non-financial companies included in current profit and loss	2,429,023.79	
The investment cost of subsidiary, joint venture and associates acquired by a company is less than the income from the fair value of the identifiable net assets of the investee when the investment is acquired		
Gains or losses from non-monetary assets exchange		
Profit and loss of entrusting others to invest or manage assets		
Provision for impairment of various assets due to force majeure, such as natural disasters		
Profit and loss of debt restructuring		
The cost of company restructuring, such as the expenses for staff placement and integration		
The profit and loss exceeding the fair value arising from the transaction whose transaction price is obviously unfair		
Current net profit and loss of subsidiaries from the beginning of the period to the date of business combination under the common control		
Profits and losses arising from contingencies unrelated to the normal operation of the company		
In addition to the effective hedging business related to the company's normal business operations, the profit and loss of fair value changes arising from the holding of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities, and investment income obtained from the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investment	-5,954,896.37	Arising from the settlement of foreign exchange hedging transactions entered into by the Company

Reversal of provision for impairment of receivables tested individually		
Profit and loss from external entrusted loans		
Profit and loss from changes in fair value of investment properties measured by fair value model		
The impact of one-off adjustment on the current profit and loss according to the requirements of tax, accounting and other laws and regulations		
Custody fee income from entrusted operation		
Other non-operating income and expenses except the above items	-6,129,724.51	
Other profit and loss items conforming to the definition of non-recurring profit and loss		
The impact of income tax	-3,017,787.10	
The impact on non-controlling interests	1,147,825.69	
Total	237,990,174.94	

2. Return on net assets and earnings per share

Profit in the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share (yuan / share)	Diluted earnings per share (yuan / share)
Net profit attributable to ordinary shareholders of the Company	13.48	0.99	0.99
Net profit attributable to ordinary shareholders of the Company, after deducting non-recurring profit and loss	10.82	0.79	0.79

ENN Ecological Holdings Co., Ltd.

12 March, 2020

统一社会信用代码

91110101085530 78XF

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名　　称　中喜会计师事务所（特殊普通合伙）

类　　型　特殊普通合伙企业

执行事务合伙人　张增刚

经营范围　审查企业会计报表、出具审计报告；验证企业资本、出具验资报告；办理企业合并、分立、清算事宜中的审计业务，出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询、税务咨询、管理咨询、会计培训；法律、法律规定的其他业务。（市场主体依法自主选择经营项目，开展经营活动；依法须经批准的项目，经相关部门批准后依批准的内容开展经营活动；不得从事国家和本市产业政策禁止和限制类项目的经营活动。）

成立日期　2013年11月28日

合伙期限　2013年11月28日至　长期

主要经营场所　北京市东城区崇文门外大街11号11层1101室

登记机关　北京市东城区市场监督管理局

2020年　12月　15日

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国家市场监督管理总局监制

证书序号：000356

会计师事务所
证券、期货相关业务许可证

经财政部、中国证券监督管理委员会审查，批准

中喜会计师事务所（特殊普通合伙） 执行证券、期货相关业务。

首席合伙人：张增刚

中华人民共和国财政部

中国证券监督管理委员会

证书号：04　　发证时间：二〇一九年十二月二十四日

证书有效期至：二〇二一年十二月二十三日

会计师事务所

执业证书

名　　称：中喜会计师事务所（特殊普通合伙）

首席合伙人：张增刚

主任会计师：

经营场所：北京市东城区崇文门外大街11号11层1101室

组织形式：特殊普通合伙

执业证书编号：11000168

批准执业文号：京财会许可〔2013〕0071号

批准执业日期：2013年11月08日

证书序号：0000058

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二〇一八年二月二十五日

中华人民共和国财政部制


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出生日期 Date of birth 1967-01-21
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2017 年 2 月 22 日
/y /m /d

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