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新奥能源控股有限公司 ENN Energy Holdings Limited

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

Annual Results Announcement For The Year Ended 31 December 2021

Annual Results Highlights:

	2021	2020	Increase
Profit attributable to owners of the Company (RMB million)	7,755	6,278	23.5%
Core profit [△] (RMB million)	7,154	6,242	14.6%
Basic earnings per share (RMB)	6.88	5.59	23.1%
Total dividends per share* (HK\$)	2.70	2.42	11.6%
Retail gas sales volume [#] (million m ³)	25,269	21,953	15.1%
Sales volume of integrated energy [#] (million kWh)	19,065	12,042	58.3%

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

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

*Total dividends per share in 2021 include the interim dividend of HK\$0.59 per share paid and the proposed final dividend of HK\$2.11 per share, while total dividends per share in 2020 included the final dividend and special dividend paid per share.

The Board of Directors (the “**Board**”) of ENN Energy Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2021 together with the comparative audited figures for the corresponding period in 2020. The annual results and the audited consolidated financial statements have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>RMB million</i>	2020 <i>RMB million</i>
Revenue	3	93,113	71,617
Cost of sales		<u>(79,057)</u>	<u>(59,285)</u>
Gross profit		14,056	12,332
Other income		1,077	952
Other gains and losses	4	984	282
Distribution and selling expenses		(1,122)	(951)
Administrative expenses		(3,725)	(3,230)
Share of results of associates		261	306
Share of results of joint ventures		438	476
Finance costs		<u>(576)</u>	<u>(609)</u>
Profit before tax		11,393	9,558
Income tax expense	5	<u>(2,398)</u>	<u>(2,227)</u>
Profit for the year		<u>8,995</u>	<u>7,331</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value change of equity instruments at fair value through other comprehensive income (“FVTOCI”)		15	65
Fair value change of a property transferred from property, plant and equipment to investment properties		16	-
Income tax relating to items that will not be reclassified		<u>(7)</u>	<u>(16)</u>
		<u>24</u>	<u>49</u>
<i>Items that have been reclassified or may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		5	1
Fair value change of derivative financial instruments under hedge accounting		164	(122)
Income tax relating to items that may be reclassified		<u>(37)</u>	<u>14</u>
Other comprehensive income for the year		<u>156</u>	<u>(58)</u>
Total comprehensive income for the year		<u>9,151</u>	<u>7,273</u>
Profit for the year attributable to:			
Owners of the Company		7,755	6,278
Non-controlling interests		<u>1,240</u>	<u>1,053</u>
		<u>8,995</u>	<u>7,331</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		7,905	6,220
Non-controlling interests		<u>1,246</u>	<u>1,053</u>
		<u>9,151</u>	<u>7,273</u>
<i>RMB</i>			
<i>RMB</i>			
Earnings per share	7		
Basic		<u>6.88</u>	<u>5.59</u>
Diluted		<u>6.86</u>	<u>5.57</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	<i>Notes</i>	2021 <i>RMB million</i>	2020 <i>RMB million</i>
Non-current Assets			
Property, plant and equipment		46,793	41,861
Right-of-use assets		2,119	2,129
Investment properties		288	261
Goodwill		2,520	2,511
Intangible assets		4,311	4,446
Interests in associates		3,655	3,619
Interests in joint ventures		5,063	4,141
Other receivables		18	73
Derivative financial instruments		946	292
Financial assets at fair value through profit or loss (“FVTPL”)		4,406	4,760
Equity instruments at FVTOCI		266	211
Amounts due from associates		21	6
Amounts due from joint ventures		4	10
Deferred tax assets		1,212	1,370
Deposits paid for investments		60	1
Prepayment and deposits paid for acquisition of property, plant and equipment, land use rights and right of operation		126	134
Restricted bank deposits		622	650
		<u>72,430</u>	<u>66,475</u>
Current Assets			
Inventories		1,508	1,285
Trade and other receivables	8	10,568	9,053
Contract assets		775	732
Derivative financial instruments		1,585	336
Financial assets at FVTPL		152	70
Amounts due from associates		1,165	892
Amounts due from joint ventures		2,440	2,106
Amounts due from related companies		318	348
Restricted bank deposits		363	116
Cash and cash equivalents		8,684	8,630
		<u>27,558</u>	<u>23,568</u>
Current Liabilities			
Trade and other payables	9	10,172	8,302
Contract liabilities		14,908	14,242
Deferred income		48	38
Amounts due to associates		424	319
Amounts due to joint ventures		1,249	976
Amounts due to related companies		964	925
Taxation payables		909	971
Lease liabilities		75	89
Derivative financial instruments		956	401
Bank and other loans – due within one year		6,150	4,590
Corporate bonds		2,099	-
Unsecured bonds		3,601	-
Senior notes		-	2,380
Share-based payment liabilities		24	-
		<u>41,579</u>	<u>33,233</u>
Net Current Liabilities		<u>(14,021)</u>	<u>(9,665)</u>
Total Assets less Current Liabilities		<u>58,409</u>	<u>56,810</u>

Capital and Reserves

Share capital	117	117
Reserves	35,660	30,444
Equity attributable to owners of the Company	35,777	30,561
Non-controlling interests	6,373	5,611
Total Equity	42,150	36,172
Non-current Liabilities		
Contract liabilities	2,993	3,212
Deferred income	789	729
Amounts due to associates	215	-
Amounts due to joint ventures	325	585
Lease liabilities	280	310
Derivative financial instruments	806	526
Bank and other loans – due after one year	3,318	2,078
Corporate bonds	-	2,097
Senior notes	4,722	4,827
Unsecured bonds	-	3,712
Deferred tax liabilities	2,785	2,562
Financial guarantee liabilities	21	-
Share-based payment liabilities	5	-
	16,259	20,638
	58,409	56,810

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2021, the Group has net current liabilities of approximately RMB14,021 million. The directors of the Company (the “**Directors**”) have given careful consideration to the Group’s future financial resource when preparing the consolidated financial statements. Taking into account of the continuity and availability of financial resources to the Group, among other things, the cash flows generated from its principal operations, availability of banking facilities and its expected future working capital requirements. The Directors are therefore satisfied that the Group will be able to meet in full its financial obligations when they fall due and continue its existing operation in the foreseeable future. Accordingly, the consolidated financial statements for the year ended 31 December 2021 have been prepared on a going concern basis.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

3. SEGMENT INFORMATION

Information reported to the vice chairman of the Board of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and performance assessment among segments focuses specifically on different types of goods and services. Segment profit represents the profit earned by each segment without allocation of central administration costs, distribution and selling expenses, share of results of associates and joint ventures, other income, other gains and losses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at prevailing market rates.

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

2021

	Retail gas sales business <i>RMB million</i>	Integrated energy business <i>RMB million</i>	Wholesale of gas <i>RMB million</i>	Construction and installation <i>RMB million</i>	Value added business <i>RMB million</i>	Total <i>RMB million</i>
Segment revenue	71,195	7,880	61,328	9,593	7,798	157,794
Inter-segment sales	<u>(21,948)</u>	<u>(75)</u>	<u>(35,694)</u>	<u>(1,507)</u>	<u>(5,457)</u>	<u>(64,681)</u>
Revenue from external customers	<u>49,247</u>	<u>7,805</u>	<u>25,634</u>	<u>8,086</u>	<u>2,341</u>	<u>93,113</u>
Segment profit before depreciation and amortisation	7,317	1,558	362	4,831	1,727	15,795
Depreciation and amortisation	<u>(1,153)</u>	<u>(193)</u>	<u>(4)</u>	<u>(385)</u>	<u>(4)</u>	<u>(1,739)</u>
Segment profit	<u>6,164</u>	<u>1,365</u>	<u>358</u>	<u>4,446</u>	<u>1,723</u>	<u>14,056</u>

2020

	Retail gas sales business <i>RMB million</i>	Integrated energy business <i>RMB million</i>	Wholesale of gas <i>RMB million</i>	Construction and installation <i>RMB million</i>	Value added business <i>RMB million</i>	Total <i>RMB million</i>
Segment revenue	57,875	5,099	38,451	7,434	6,391	115,250
Inter-segment sales	<u>(17,365)</u>	<u>(57)</u>	<u>(20,515)</u>	<u>(990)</u>	<u>(4,706)</u>	<u>(43,633)</u>
Revenue from external customers	<u>40,510</u>	<u>5,042</u>	<u>17,936</u>	<u>6,444</u>	<u>1,685</u>	<u>71,617</u>
Segment profit before depreciation and amortisation	7,576	1,049	366	3,616	1,315	13,922
Depreciation and amortisation	<u>(1,085)</u>	<u>(146)</u>	<u>(4)</u>	<u>(352)</u>	<u>(3)</u>	<u>(1,590)</u>
Segment profit	<u>6,491</u>	<u>903</u>	<u>362</u>	<u>3,264</u>	<u>1,312</u>	<u>12,332</u>

4. OTHER GAINS AND LOSSES

	2021 <i>RMB million</i>	2020 <i>RMB million</i>
Net loss of financial assets at FVTPL	(43)	(45)
Net gain of derivative financial instruments (note a)	980	102
Gain on foreign exchange, net (note b)	189	608
Impairment loss under expected credit loss model, net of reversal:		
- Trade and other receivables	(109)	(106)
Impairment loss recognised in respect of property, plant and equipment	(37)	(70)
Net (loss) gain on disposal of:		
- Property, plant and equipment	(26)	(128)

- Subsidiaries	41	(62)
Others	(11)	(17)
	<u>984</u>	<u>282</u>

Notes:

- Included in the amount for the year are net realised gain of RMB198 million (2020: RMB171 million) and net unrealised gain of RMB796 million (2020: RMB32 million) recognised by the Group in relation to commodity derivative contracts.
- Included in the amount for the year ended 31 December 2021 is an exchange gain of approximately RMB230 million (2020: RMB605 million) arising from the translation of senior notes, unsecured bonds and bank loans denominated in USD to RMB.

5. INCOME TAX EXPENSE

	2021 <i>RMB million</i>	2020 <i>RMB million</i>
Current tax	2,139	1,736
Underprovision (overprovision) in prior years	2	(10)
Withholding tax	30	63
Overprovision of withholding tax in prior years	(60)	(71)
	<u>2,111</u>	<u>1,718</u>
Deferred tax	287	509
	<u>2,398</u>	<u>2,227</u>

As the major operating income of the Group are sourced from People's Republic of China (the "PRC"), the tax charge substantially represents PRC Enterprise Income Tax for both years. According to the PRC Enterprise Income Tax Law and its implementation regulations, China enterprise is subject to 25% tax rate.

For Hong Kong sourced operating income, Hong Kong Profits tax rate is calculated at 16.5% of the estimated assessable profit.

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

6. DIVIDEND

(a) Dividend policy

The Company's dividend policy allows shareholders to share the Company's profits while reserving sufficient reserves for the Group's future development. In the case of the Company making profit and under circumstances not affecting the normal operation of the Group, the Company intends to maintain annual total dividends in an amount of no less than 15% of the Group's annual consolidated net profit attributable to the owners of the Company. Proposed dividends, if any, by the Board, will depend upon, among others things, the Group's general financial conditions and strategies, expected operating cash flows and capital expenditure needed for future expansion, surplus, contractual restrictions, actual and expected government financial conditions, macroeconomics and such other factors as the Board may deem relevant. Since the financial year 2021, the Company's annual dividend will be divided and distributed twice a year.

(b) Dividends recognised and distributed during the year

2021 <i>RMB million</i>	2020 <i>RMB million</i>
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Dividends declared and paid		
Interim dividend	554	-
Final dividend	1,972	1,719
Special dividend	301	-
	554	1,719

The interim dividend declared in 2021 of HK\$0.59 (equivalent to approximately RMB0.49) per share, the final dividend declared in the financial year 2020 of HK\$2.10 (equivalent to approximately RMB1.77) per share and the special dividend of HK\$0.32 (equivalent to approximately RMB0.27) per share, amounting to approximately RMB2,827 million in aggregate was paid during the year ended 31 December 2021.

The 2019 final dividend of HK\$1.67 (equivalent to approximately RMB1.50) per share or approximately RMB1,719 million in aggregate was paid during the year ended 31 December 2020.

(c) Proposed final dividend after the end of the reporting period

After the end of the reporting period, the Board has recommended a final dividend of HK\$2.11 per share (equivalent to approximately RMB1.72 per share) for the year ended 31 December 2021, and is subject to approval by the shareholders in the forthcoming Annual General Meeting (“AGM”). The final dividend proposed after the end of the reporting period has not been recognised as a liability in the consolidated financial statements.

7. EARNINGS PER SHARE

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

(a) Basic earnings per share

Basic earnings per share for the years ended 31 December 2021 and 2020 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of shares in issue during the year.

	2021	2020
Profit for the year attributable to the owners of the Company (RMB million)	7,755	6,278
Weighted average number of shares	1,126,611,575	1,123,467,932
Basic earnings per share (RMB)	6.88	5.59

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2021 and 2020 are calculated assuming all dilutive potential shares were converted during the year.

	2021 <i>RMB million</i>	2020 <i>RMB million</i>
Earnings		
Earnings for the purpose of diluted earnings per share	7,755	6,278

	2021	2020
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	1,126,611,575	1,123,467,932
Effect of dilutive potential shares:		
- share options	4,177,613	2,714,693
Weighted average number of shares for the	1,130,789,190	1,126,182,625

purpose of diluted earnings per share	<u>1,130,789,188</u>	<u>1,126,182,625</u>
Diluted earnings per share (RMB)	<u>6.86</u>	<u>5.57</u>

8. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables are trade receivables of RMB3,630 million (2020: RMB2,184 million). The following is an aged analysis of trade receivables, net of impairment, presented based on invoice date at the end of the reporting period:

	2021 <i>RMB million</i>	2020 <i>RMB million</i>
0 to 3 months	2,663	1,418
4 to 6 months	343	301
7 to 9 months	212	181
10 to 12 months	113	16
More than one year	299	268
	<u>3,630</u>	<u>2,184</u>

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB7,623 million (2020: RMB6,186 million). The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	2021 <i>RMB million</i>	2020 <i>RMB million</i>
0 to 3 months	5,087	3,472
4 to 6 months	1,038	1,094
7 to 9 months	389	535
10 to 12 months	261	236
More than one year	848	849
	<u>7,623</u>	<u>6,186</u>

BUSINESS REVIEW

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

	For the year ended		Increased/ (Decreased) by
	31 December	2020	
<u>Key financial data</u>	2021	2020	
Revenue (<i>RMB million</i>)	93,113	71,617	30.0%
Gross profit (<i>RMB million</i>)	14,056	12,332	14.0%
Profit attributable to owners of the Company (<i>RMB million</i>)	7,755	6,278	23.5%
Core profit [△] (<i>RMB million</i>)	7,154	6,242	14.6%
Basic earnings per share (RMB)	6.88	5.59	23.1%
Net gearing ratio	26.6%	30.6%	(4.0ppt)

Key operational data[#]

Number of city-gas projects in China	252	235	17
Connectable urban population coverage (<i>thousand</i>)	124,271	112,331	10.6%
New natural gas customers developed during the year:			
– residential households (<i>thousand</i>)	2,622	2,293	14.3%
– C/I customers (<i>sites</i>)	25,331	28,367	(10.7%)
– installed designed daily capacity for C/I customers (<i>thousand m³</i>)	21,036	17,078	23.2%
Accumulated number of customers:			
– residential households (<i>thousand</i>)	25,835	23,213	11.3%
– C/I customers (<i>sites</i>)	202,459	177,128	14.3%
– installed designed daily capacity for C/I customers (<i>thousand m³</i>)	162,822	141,787	14.8%
Piped gas penetration rate	62.4%	62.0%	0.4ppt
Retail gas sales volume (<i>million m³</i>)	25,269	21,953	15.1%
Wholesale of gas volume (<i>million m³</i>)	7,828	7,616	2.8%
Combined daily capacity of natural gas processing stations (<i>thousand m³</i>)	181,464	155,264	16.9%
Total length of existing intermediate and main pipelines (<i>km</i>)	72,849	63,096	15.5%
Accumulated number of integrated energy projects in operation	150	119	31
Integrated energy projects under construction	42	24	18
Sales volume of integrated energy (<i>million kWh</i>)	19,065	12,042	58.3%

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

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

FINANCIAL PERFORMANCE

During the year, total revenue of the Group increased by 30.0% to RMB93,113 million compared to last year. The significant increase was attributable to the robust growth of the Group's core businesses including integrated energy, retail gas sales and value-added business. Profit attributable to the owners of the Company amounted to RMB7,755 million, representing an increase of 23.5% year on year. Stripping out the impact of other gains and losses (excluding net settlement amount realised from commodity derivative contracts), deferred tax arose from unrealised gain of commodity derivative contracts and share-based payment expenses amounted to RMB601 million, core profit driven by operating activities increased by 14.6% to RMB7,154 million. Basic earnings per share increased by 23.1% year on year to RMB6.88. During the year, the Group's operating cash inflow was RMB10,466 million, leading to positive free cash inflow of RMB2,936 million. The Board has recommended a final dividend of HK\$2.11 (equivalent to approximately RMB1.72) per share to the shareholders on the register of members of the Company on 26 May 2022, together with the interim dividend of HK\$0.59 (equivalent to approximately RMB0.49) per share paid, total dividends for the year amount to HK\$2.70 (equivalent to approximately RMB2.21) per share, increase by 11.6% year-on-year.

OPERATION HIGHLIGHTS

Ensured intrinsic safety, built a brand for safety

As a pioneer in the industry, ENN Energy firmly believes that strengthening intrinsic safety is an inevitable requirement for the sustainable development of the gas industry. The Group consolidated key responsibilities internally, enhanced safety capabilities for each position and comprehensively implemented hidden risk management. The Group strived to achieve industry-best performance in terms of safety rectification, establish a benchmark for safety digital intelligence, and build a brand for safety. During the year, a comprehensive security assessment of member companies was carried out, and security inspection guidelines for all scenarios were issued, achieving 100% rectification and control rate of hidden dangers. The Group focused on key safety issues of its four major business scenarios, namely engineering, pipeline network, citygate stations and users' sites to build intrinsically safe facilities. The Group applied IoT and digital

intelligence technologies to achieve a digitally intelligent safety management model of “visible, on point and well-managed” under all scenarios.

The Group constructed digitalised engineering system to achieve proactive early warning and risks alert, effectively eliminating hidden problems and improving safety level. During the year, the coverage rate of the engineering visualisation system reached 97%. During pipeline network operations, the Group focused on special monitoring and treatment of pipeline networks which were over 20 years, and carried out retrofitting and restoration for pipeline networks with potential safety risks. At the citygate stations, the Group has actively planned and implemented the installation of cloud-based laser methane monitoring system since last August. By the end of the year, 20.2% of the Group’s citygate stations have already installed the system, and is expected to reach 100% by the end of 2022. In order to ensure gas safety for C/I and residential users, the Group actively promoted IoT meters and smart gas meters. During the year, the penetration rate of IoT meters for C/I users and smart gas meters for residential users reached 48.5% and 36.6%, respectively.

Integrated Energy Business

The goal of reaching carbon peak by 2030 and carbon neutrality by 2060 “dual carbon” outlined by China is perceived as an immense opportunity for integrated energy business which the Group has been proactively developing in recent years. The Group will seize opportunities from these policies and industry reform by vigorously developing four major customer types, namely, low-carbon industrial parks, low-carbon factories, low-carbon buildings and low-carbon transportation. The Group formulated optimal energy solutions according to local conditions of the projects, customer needs as well as energy load forecast while also endeavoring to the expansion of energy conservation, process optimisation, energy facilities management and operation and other demand-side services for end-users. The Group has been actively and strategically deploying distributed photovoltaics and energy storage business and exploring the integrated solution of “load, source, network and storage” to elevate investment return. During the year, the capacity of distributed photovoltaics which the Group contracted was 380MW.

In 2021, the integrated energy projects that were put into operation during the year incorporated the use of various clean energy sources and technology, including biomass, photovoltaic, geothermal energy, natural gas and energy storage. Beijing Daxing International Airport Economic Zone, a national airport economic demonstration zone, was put into operation last year. It capitalised on the smart city + “LoRa” IoT technology with digitalised terminals and smart energy system, and utilised renewable energy such as geothermal heat and solar, to support the region’s integrated energy management and the achievement of its dual carbon goals. The annual energy consumption demand of the project is expected to be 44.31million kWh after reaching its designed capacity, which is expected to save 9,000 tons of standard coal and reduce carbon dioxide emission by 24,000 tons per year.

During the year, the construction of 31 integrated energy projects were completed and were put into operation. The number of operational projects increased to 150, generating a total of 19,065 million kWh of integrated energy sales including cooling, heating, electricity and steam, up 58.3% year on year. The Group is also constructing 42 integrated energy projects, when these projects and the operating projects reach full utilisation, total integrated energy demand is expected to reach 36 billion kWh. During the year, revenue of integrated energy business surged 54.8% to RMB 7,805 million, gross profit also increased significantly by 51.2% to RMB 1,365 million.

Natural Gas Sales Business

As of the end of 2021, total natural gas sales volume of the Group increased by 12% year on year to 33.1 billion cubic meters. Natural gas retail volume increased by 15.1% to 25,269 million cubic meters, driving the revenue of retail gas sales business growth at 21.6% to RMB49,247 million. In the first half of 2021, stabilisation of the COVID-19 pandemic led to economic recovery which accelerated the growth of energy demand. However in the second half of the year, changes in global environment resulted in natural gas supply shortage and price hike, coupled with increasing safety-related expenses, gross profit of retail gas sales business during the year declined by 5.0% to RMB 6,164 million.

The Group developed 25,331 C/I customers (gas appliances installed with daily designed capacity of 21.036 million cubic meters) during the year. By the end of 2021, the Group has served a total of 202,459 C/I customers (gas appliances installed with the daily designed capacity of 162.822 million cubic meters). Total volume of natural gas sold to C/I customers reached 19,900 million cubic meters during the year, representing an increase of 17.9% compared with last year, and accounting for 78.8% of the retail gas sales volume. The real estate market in the Group's regions remained stable. The construction and installation for 2.62 million new residential customers were completed, increased by 329,000 households as compared to last year. As of the end of 2021, the Group has developed 25.835 million residential customers cumulatively, the average piped gas penetration rate increased to 62.4%. Total volume of natural gas sold to residential customers increased by 12.4% to 4,703 million cubic meters, accounting for 18.6% of the retail gas sales volume. The Group seized the opportunity arising from industry consolidation. Leveraging on its keen market insight, excellent safety and operation management, flexible project development strategies, and leading integrated energy service philosophy, during the year, the Group acquired exclusive operation rights in 17 citygas projects including Ruyang Industrial Cluster Zone in Henan province, as well as 3 regional pipeline network projects including Henan Tongyu Pipeline. Most of the above newly acquired projects are located in the surrounding areas of our existing projects, thus creating significant synergies. New projects will also provide the Group with business opportunity in terms of integrated energy and value added business. As of the end of 2021, the Group had exclusive operating rights in 252 citygas projects, covering a total of 20 provinces, municipalities and autonomous regions.

Value Added Business

ENN Energy has adhered to the “customer-oriented” principle to construct a value-creating product portfolio which offered safety, low-carbon and smart solutions, that met the diversified and differentiated needs of customers. The product offerings included 360° kitchen solutions, concealed pipeline installation, heating systems, security systems, fully furnished housing facilities, LoRa digital intelligent IoT, NFC debit cards, etc., further unleashing the commercial value of gas users in terms of extended service provision.

In 2021, the Group's revenue of value added business amounted to RMB2,341 million, representing an increase of 38.9%. The revenue of value added business per customer reached RMB99, a significant increase of 28.6% compared to the previous year. Benefiting from the diversified value added services provided to customers and continuous efforts to promote high-end and smart products, gross profit increased by 31.3% to RMB1,723 million. The penetration rate of value added business among the Group's existing customers was only 9%, while among the newly developed customers during the year, the penetration rate was 21%, reflecting significant growth potential.

SUSTAINABLE DEVELOPMENT

The promotion of continuous ESG development

The Company's ESG Committee regularly conducts in-depth reviews on the ESG governance and progress performance, and formulates targeted improvement plans. The ESG working group under the Committee maintains efficient and closed communication and collaboration with other strategic departments; functional departments; business teams; and group companies to enhance the integration of sustainable and business development strategies to improve the Group's ESG performance in various aspects. The Group's management remuneration has been linked to the ESG indices and established the related clawback mechanism to ensure the key actions and performance can be achieved and strengthen the Group's ESG governance capabilities. In addition, the annual assessment report issued by MSCI in October 2021 has upgraded the Group's ESG rating to “A”, which illustrates the high affirmation of the capital market towards the Group's ESG development.

Actively responded to climate change, set carbon neutrality targets and formulated action plans

As an energy enterprise, the Group regards the forthcoming implementation of its own green development and promotion of clean development among customers and society as an indispensable part of its responsibilities, as such, it actively takes actions to accelerate and lead the low-carbon development of the industry. During the year, the Group sets a long-term goal of achieving its own carbon neutrality by 2050 and

creates the first phase of action plans in three aspects of “advocating reduction of self-emission, serving low-carbon development of society and promoting practice and application of green technologies”. For details, please refer to the [“Decarbonisation Action 2030 – Journey to Net Zero”](#) released by the Group in October 2021. Being the first enterprise to structure carbon neutrality pathway, the Group has taken a step forward in responding to climate change by setting up a dedicated climate change response team to identify and analyse the importance of climate risk opportunities, in order to strengthen the capabilities for the Group to respond to climate change risk.

[Methane emission control and joint action amongst industry peers](#)

The Group regards methane emission control as the top priority in addressing climate change and achieving the goal of carbon neutrality in the city-gas sector. The Group has joined Methane Guiding Principles, an international methane emission control organisation. The Group has established a working group responsible for implementing methane emission control, by exploring and formulating standards for methane data monitoring and analysis, promoting the pilot application of monitoring technology, deploying continuous methane emission reduction measures, improving methane management system and standardising operation process. The Group became a founding member of the China Oil & Gas Methane Alliance in October 2021 advocating China’s citygas operators to conduct methane emission control. Ten domestic citygas operators signed the pledge leading the industry to take a big step forward in methane emission control.

OUTLOOK

Entering into 2022, the impact of geopolitical tensions has intensified, commodity prices have been hovering at high levels pushing up inflation which will affect global economic growth. High commodity prices will exert cost pressure on the operation of companies, but this will also provide business opportunity for the Group’s integrated solutions.

[Grasp the “dual carbon” opportunity and accelerate the expansion of Integrated Energy business](#)

In 2022, the Group will proactively strengthen and develop integrated energy business focusing on four aspects. Firstly, the Group will explore integrated energy business opportunity of its existing 200,000 industrial and commercial customers. Secondly, provide integrated energy solutions including low-carbon parks, low-carbon factories, low-carbon buildings and low-carbon transportation for customers with huge energy demand. Thirdly, accelerate technological and operational breakthroughs of renewable energy such as biomass, photovoltaic, geothermal and hydrogen energy, and enhancing the competitive advantage of integrated energy business. Lastly, the Group will also vigorously develop asset-light energy services such as carbon consulting, carbon asset management and facilities operation for end-users. It is expected the economic value of integrated energy projects will be further enhanced in the future.

[Integration of diversified resources and expansion of the citygas business](#)

In 2022, The Group will deepen its collaboration with the three oil & gas SOEs to steadily expand the volume of piped gas procurement. The Group will also proactively obtain unconventional gas sources, and utilise its long-term LNG import resources which have distinctive cost advantage, to enhance the diversity and competitiveness of its gas source structure. At the same time, we are dedicated to help more commercial and industrial customers and residential households to transit into a low-carbon environment through innovative development strategies. In the aspect of development of large customers, the Group will continue to focus on the replacement of high-carbon energy to gas in order to prioritise the deployment of resources and achieve larger scale of development. In the aspect of small-sized commercial and industrial customers, the Group will cooperate with local governments to increase the conversion of bottles to pipes and improve the utilisation rate of pipeline network. At the same time, the Group will continue to seize the opportunity of industrial consolidation, we will leverage our excellent safety management, innovative business model, efficient operational capabilities and stable financial position, to invest and acquire projects to continue expanding our business scope.

The Group will strive to explore customer needs, focus on value added business scenarios such as security, heating and smart home, and build a diversified product portfolio to meet customer needs. At the same time, we will explore a variety of new marketing channels and strengthen brand promotion to increase the penetration rate of value-added services among existing customers, enhance customer loyalty and drive the

Group's profit growth.

2021 was the 20th listing anniversary of ENN Energy. It has also officially become a constituent stock of the Hang Seng Index since December 2021. Over the past 20 years, ENN has grown to be an integrated energy service provider that provides multiple sources of energy such as gas, electricity, cooling and heating for more than 25 million household customers and 200,000 industrial and commercial customers in 252 cities, from a natural gas supplier that began its operations in just four small and medium-sized cities at the start. ENN Energy has become a blue-chip stock demonstrating how the Group's achievements in the past 20 years are highly recognised by the capital market and, more importantly, reflects their confidence in our development prospects. We will continue to adhere to ENN's root for innovation, strive to create more value for our customers, bring more returns for our shareholders, share more with our business partners, and contribute more to the society!

FINANCIAL RESOURCES REVIEW

Financial Resources and Liquidity

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

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

	2021 <i>RMB million</i>	2020 <i>RMB million</i>	Increased/ (Decreased) by <i>RMB million</i>
Bank balances and cash (excluding restricted bank deposits)	8,684	8,630	54
Long-term debts (including bonds)	8,040	12,714	(4,674)
Short-term debts (including bonds)	11,850	6,970	4,880
Total debts	19,890	19,684	206
Net debts¹	11,206	11,054	152
Total equity	42,150	36,172	5,978
Net gearing ratio²	26.6%	30.6%	(4.0ppt)
Net current liabilities	14,021	9,665	4,356

Working Capital Management

The Group's bank balances and cash (excluding restricted bank deposits) amounted to RMB8,684 million, an increase of RMB54 million from the beginning of the year, mainly reflecting the increase in debt and operating income. As at 31 December 2021, the Group's operating cash inflow was RMB10,466 million, while the free cash flow³ decreased slightly by RMB80 million to approximately RMB2,936 million year on year.

As at 31 December 2021, the Group recorded net current liabilities of approximately RMB14,021 million, mainly because of the Group's three corporate bonds and unsecured bonds aggregating to approximately RMB5,700 million will be due in 2022. As at the date of this announcement, two corporate bonds amounted to RMB1,500 million expired and had been refinanced by long-term loans. For the other expiring corporate bonds and unsecured bonds, the Group will continue to monitor the market changes and take the opportunity to refinance these bonds by issuing long-term bonds. By the time, the net current liabilities would be

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

²Net gearing ratio = Net debts / Total equity x 100%

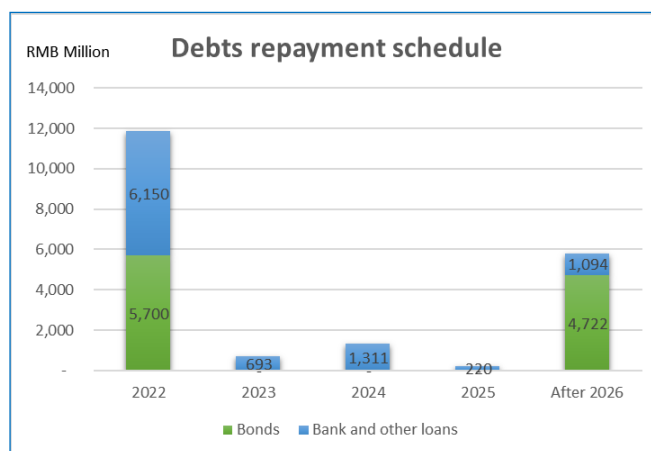
³Free cash flow = Cash flow from operating activities - capital expenditure - financing cost + dividend income

improved significantly.

As the Group has high quality current assets and good credit ratings, and given that the cash on hand, taking the opportunity to issue long-term bonds in the future and the available standby credit provided by the correspondent bank, the Group's capital expenditures, finance costs and external dividends payment will be sufficiently met.

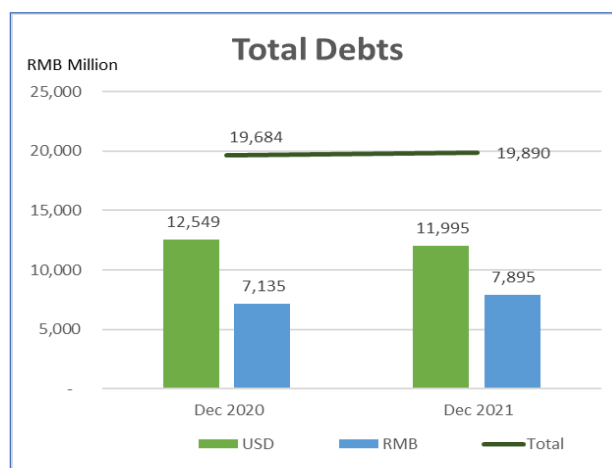
Borrowings Structure

As at 31 December 2021, the Group's total debts amounted to RMB19,890 million, representing an increase of RMB206 million compared to the total debts as of 31 December 2020. The Group's net gearing ratio reduced to 26.6% as at 31 December 2021 (2020: 30.6%). The Group seeks to maintain strict control over the debt level and strike a balance between duration of debt and cost of financing.



Foreign exchange risk management

As at 31 December 2021, the principal amount of the Group's borrowings denominated in foreign currencies amounted to USD1,891 million (2020: USD1,936 million), equivalent to approximately RMB11,995 million (2020: RMB12,549 million), and among which 39% (2020: 68.0%) is long-term debt. As of 31 December 2021, the Group has hedged debt principal of USD550 million (2020: USD750 million) and the hedge ratio of long-term USD debts reached 41.8% (2020: 40.9%). In view of the existence of fluctuation in RMB/USD rate, the Group will continue to closely monitor the foreign exchange market and strive to use foreign currency derivative contracts to mitigate the impact on its results when deemed appropriate.



COMMODITY PRICE RISK MANAGEMENT

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

As at 31 December 2021, the Group has recognised realised gains arising from commodity derivative contracts of RMB198 million (31 December 2020: RMB171 million) and unrealised gain of RMB796 million (31 December 2020: RMB32 million).

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no significant contingent liabilities.

FINANCIAL GUARANTEE LIABILITY

As at 31 December 2021, the Group had issued guarantees to banks to secure loan facilities granted to an

associate and joint ventures. The guaranteed facilities amount utilised was approximately RMB520 million (2020: RMB775 million).

CAPITAL EXPENDITURES AND COMMITMENTS

(a) Capital expenditures

The Group's capital expenditure in 2021 amounted to RMB7,657 million (2020: RMB6,741 million), mainly used for piped gas projects, integrated energy projects and acquisition of new projects.

(b) Capital commitments

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

	2021 <i>RMB million</i>	2020 <i>RMB million</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	824	899
Capital commitments in respect of		
- investments in joint ventures	479	518
- investments in associates	445	469
- other equity investments	2	2

(c) Other commitments

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

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE

The Company established an Audit Committee in accordance with requirements under the Listing Rules for the purpose of reviewing (together with the management) the accounting principles and practices adopted by the Group, as well as auditing, risk management, internal control and financial reporting matters. The Audit Committee also maintains an appropriate relationship with the Company's independent auditor and provides advice and comments to the Board.

A meeting of the Audit Committee was held on 17 March 2022 to review with the management the Group's

annual results and the Audited Consolidated Financial Statements for the year ended 31 December 2021.

DISTRIBUTABLE RESERVES

According to the applicable laws of the Cayman Islands, the Company's reserve available for distribution as at 31 December 2021 amounted to RMB2,198 million.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board now recommends a final dividend of HK\$2.11 (2020: HK\$2.10) (equivalent to approximately RMB1.72 (2020: RMB1.77)) per share payable to shareholders whose names are on the register of members of the Company on Thursday, 26 May 2022. Together with the interim dividend of HK\$0.59 (2020: nil) (equivalent to approximately RMB0.49 (2020: nil)) per share, total annual dividends proposed amounted to HK\$2.70 (equivalent to approximately RMB2.21) per share, the pay-out ratio is about 35% of the Group's core profits. The resolution on the final dividend is subject to approval by the shareholders in the forthcoming AGM and will be paid to shareholders of the Company on or before Friday, 22 July 2022.

For the purpose of ascertaining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 13 May 2022 to Wednesday, 18 May 2022, both days inclusive. In order to qualify for the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 12 May 2022.

For the determination of entitlement to the final dividend to be approved at the AGM, the register of members of the Company will be closed from Wednesday, 25 May 2022 to Thursday, 26 May 2022, both days inclusive. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates should be lodged with Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Tuesday, 24 May 2022.

The address of Computershare Hong Kong Investor Services Limited is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

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

During year 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

As at 31 December 2021, there were 2,685,100 shares of the Company held in the trust under the Share Award Scheme, approximately 0.24% of the issued share capital of the Company. During the year, the Company has granted notional gain of 866,600 Award Shares to various outperformed employees under the scheme to reflect their changes in roles and commitment subsequent to the grant of share options to them under the Scheme, the Award Prices were also HK\$76.36, and the vesting of the notional gains (if any) were subject to the fulfillment of their respective performance targets. For details about the Company's Share Award Scheme, reference should be made to the announcement on the adoption of the share award scheme issued by the Company on 30 November 2018.

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

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

Senior managers and staff who, because of their office in the Company, are likely to be in possession of

Inside Information (which term shall bear the same meaning as in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) of the Company, have also been requested to comply with the provisions of the Model Code.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year of 2021, the Company has complied all the Code Provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

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

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

The Company's 2021 Annual Report will be available on the websites of the Company and the Stock Exchange's HKEXnews on and before or after Wednesday, 6 April 2022, and despatch to shareholders.

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

Hong Kong, 18 March 2022

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