ENN 新奥

ENN Energy Holdings Limited

(Stock code: 2688)

Responsibility
Reliability
Resilience

ANNUAL REPORT 2023

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2023 SNAPSHOT OF ENN

STRATEGIC REPORT

GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Wang Yusuo (Chairman)
Zhang Yuying (Chief Executive Officer)
Liu Jianfeng (President)
Wang Dongzhi (Chief Financial Officer)
Zhang Jin
Jiang Chenghong

Non-executive Director

Wang Zizheng

Independent Non-executive Directors

Ma Zhixiang
Yuen Po Kwong
Law Yee Kwan, Quinn *CPA*
Wong Lai, Sarah *FCCA*

Company Secretary

Leung Mui Yin

Authorised Representatives

Wang Dongzhi
Zhang Jin

Members of the Audit Committee

Wong Lai, Sarah* *FCCA*
Ma Zhixiang
Yuen Po Kwong
Law Yee Kwan, Quinn *CPA*

Members of the Remuneration Committee

Ma Zhixiang*
Yuen Po Kwong
Law Yee Kwan, Quinn *CPA*
Wong Lai, Sarah *FCCA*

Members of the Nomination Committee

Wang Yusuo*
Zhang Jin
Ma Zhixiang
Yuen Po Kwong
Law Yee Kwan, Quinn *CPA*
Wong Lai, Sarah *FCCA*

Members of the Risk Management Committee

Zhang Yuying *
Liu Jianfeng
Wang Dongzhi
Jiang Chenghong
Ma Zhixiang
Yuen Po Kwong
Law Yee Kwan, Quinn *CPA*
Wong Lai, Sarah *FCCA*

Registered Office

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Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal Place of Business in Hong Kong

Room 3101–04, 31st Floor
Tower 1, Lippo Centre
No. 89 Queensway
Hong Kong

Head Office in The PRC

Building A, ENN Industrial Park
Xinyuan DongDao
Economic and Technological
Development Zone
Langfang City
Hebei Province
The PRC

Principal Share Registrar and Transfer Office in the Cayman Islands

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
PO Box 1586
Gardenia Court, Camana Bay
Grand Cayman
KY1-1100
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor
Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Stock Exchange Listing

The Stock Exchange of Hong Kong Limited

Stock Code

2688

Auditor

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditor
35th Floor, One Pacific Place
No. 88 Queensway
Hong Kong

Legal Adviser

Woo, Kwan, Lee & Lo
26th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

Principal Bankers

Bank of China
Bank of Communications
China Development Bank Corporation
Citibank
DBS Bank Limited
The Hongkong and Shanghai Banking
Corporation

Website

www.ennenergy.com

E-mail address

enn@enn.cn

* Chairman of the relevant Board committees

USING INTELLIGENT INNOVATIVE SERVICES, AND BUILDING ON THE FOUNDATION OF OUR NATURAL GAS BUSINESS, WE ASPIRE TO BECOME A SERVICE PROVIDER THAT CREATES MULTI-PRODUCT VALUE FOR CUSTOMERS

ENN AT A GLANCE

Our Purpose

ENN Energy is a leading clean energy distributor and solutions provider in China, focusing on satisfying the needs of our customers through technological innovation and digitalisation. Our goal is to help our customers transit to a safe, convenient, and low-carbon future, and create sustainable return for our shareholders.

Key Performance Highlights

Growing business

259
No. of City Gas Project
2022: 254

33,621
million m^3
Natural Gas Sales Volume
2022: 32,697 million m^3

296
No. of Integrated Energy Project
2022: 210

34,700
million kWh
Integrated Energy Sold
2022: 22,239 million kWh

Decarbonisation performance

56.10
million tons
Helped Society & Clients Reduce Carbon Emissions
2022: 52.69 million tons

6,969
tce./bil m^3
Carbon Intensity
2022: 7,036 tce./bil m^3

44.9%
Proportion of Integrated Energy Projects Utilising Renewable Energy
2022: 48.1%

76
No. of Project Companies Obtained ISO 14001 & ISO 45001
2022: 62

Leverage digitisation & technology to grow

RMB 1,430
million
Investment in Operation Safety
2022: RMB1,540 million

91%*
Proportion of Construction Projects with Digitalised Management
2022: 97%

85%
Proportion of Gas Purchased Online
2022: 83%

Enhance operational performance

Safety Performance
0.40
Occupational Injury Case/mil Hrs
2022: 0.41

0 case
Fatalities
2022: 0 case

90.8%*
Customer Satisfaction Rate
2022: 95.4%

0
Environmental Regulatory Non-compliance Cases
2022: 0 case

* The calculation formula is adjusted in 2023, and the coverage is expanded from a portion of projects to all projects.

Our Key Customers

Large Industrial
- Stable natural gas supply
- Low-carbon services & solutions
- Energy system optimisation

Small-mid Industrial and Commercial
- Stable natural gas supply
- Facilities operation and maintenance
- Convenient customer services

Residential
- Stable natural gas supply
- Clean heating
- Smart home solutions and in-home services

Key indices

Hang Seng ESG50 Index
Hang Seng Corporate Sustainability Benchmark Index
Hang Seng Stock Connect Hydrogen Energy Index

Hang Seng Index – Index Constituents
Hang Seng China Enterprises Index
Hang Seng Composite Large Cap Index
MSCI China Large Cap Index

Key ratings

Sustainability

A+	Hang Seng Corporate Sustainability Index
AA	MSCI
B	CDP
22.7	Sustainalytics
63	S&P Global

Financial

BBB+	(Stable)	Standard & Poor's
Baa1	(Stable)	Moody's
BBB+	(Positive)	Fitch

Awards & Rankings

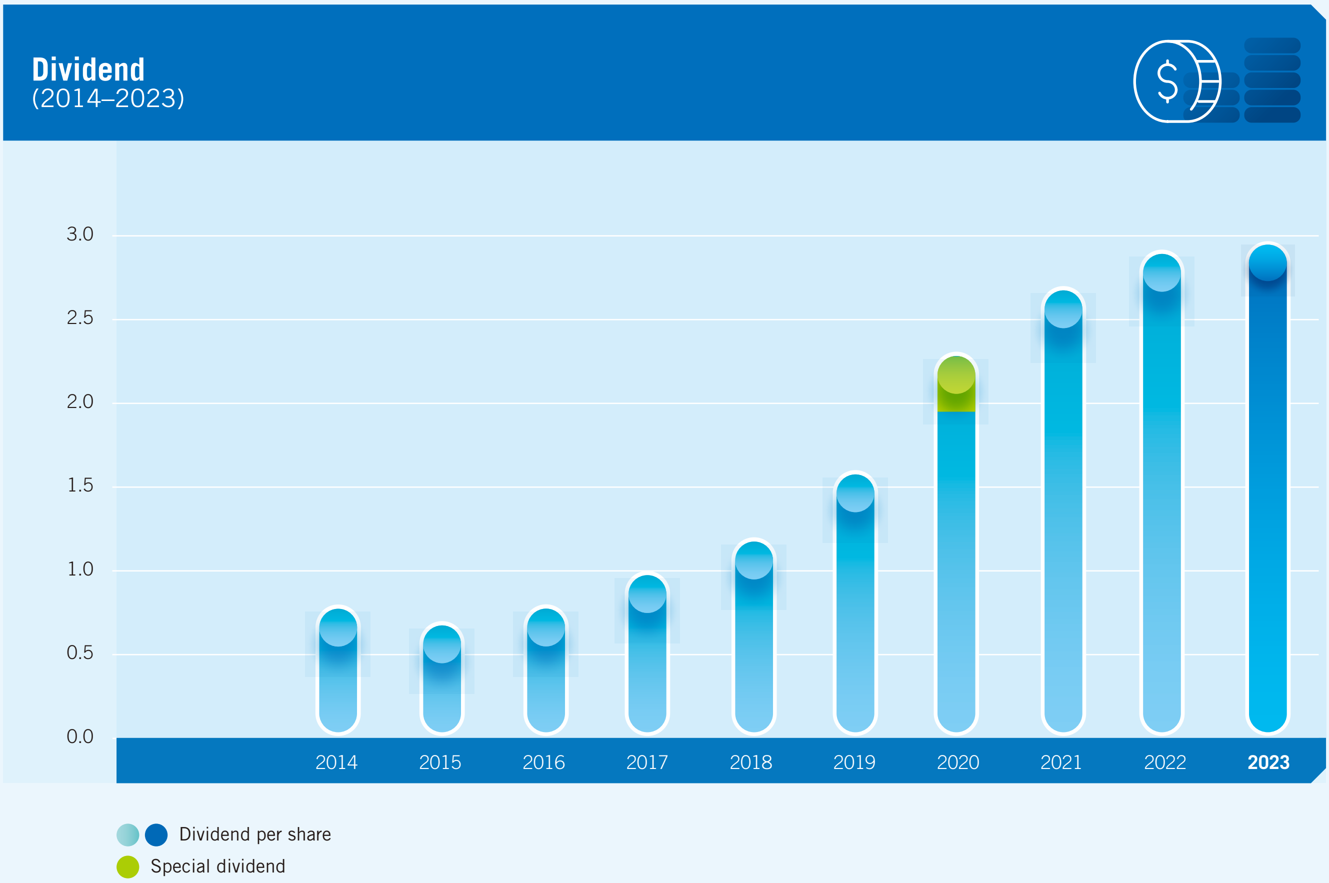
Forbes Global 2000
World's Largest Public Companies 2023
Ranked 958

Institutional Investor 2023
All-Asia Executive Team Ranking
Most Honored Company
Best Board of Directors
Best ESG
Best IR Team

Wind
Best ESG Practices for Chinese Listed Companies 2023

SHAREHOLDER VALUE

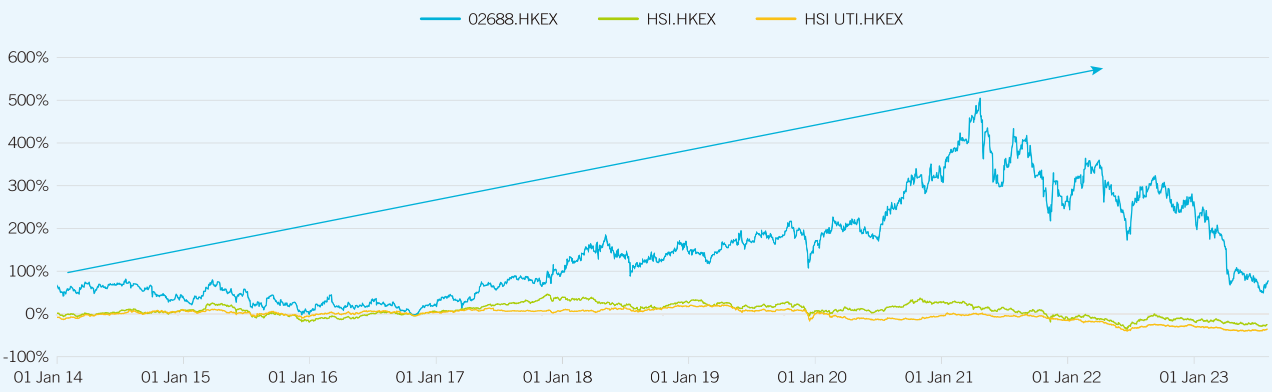
Delivering Value to Shareholders



Dividend Payments

The Company currently distributes its annual dividends to our shareholders by two tranches, with the aim of sharing the Company's profit and ensuring a sound financial position of the Company which is sufficient to support our business growth. The Board takes into consideration various factors, including but not limited to the Group's business condition, industry development trend, investment opportunity, as well as providing stable and reliable dividend return to shareholders. The Company started to distribute dividends since 2004, our dividend amounts have been steadily increased most of the time.

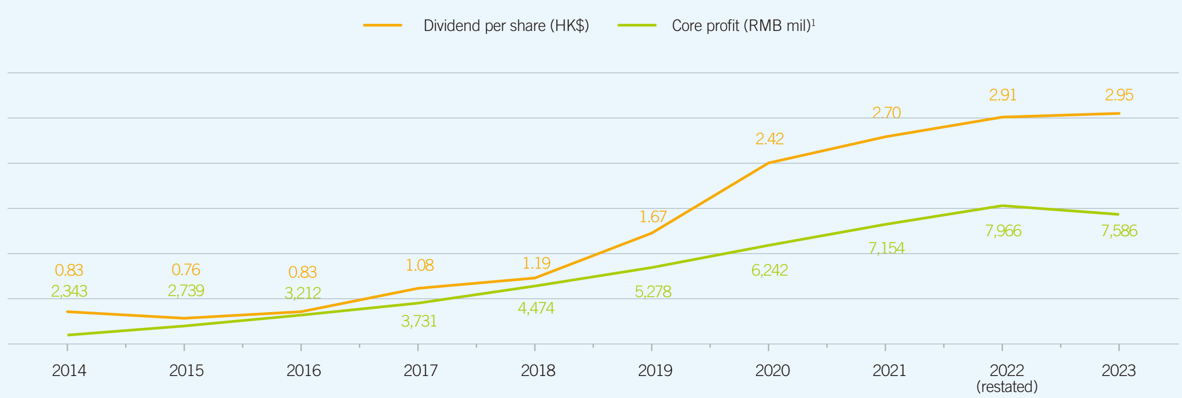
10-year Share Price Performance (1 Jan 2014–31 Dec 2023)



Share performance in 2023

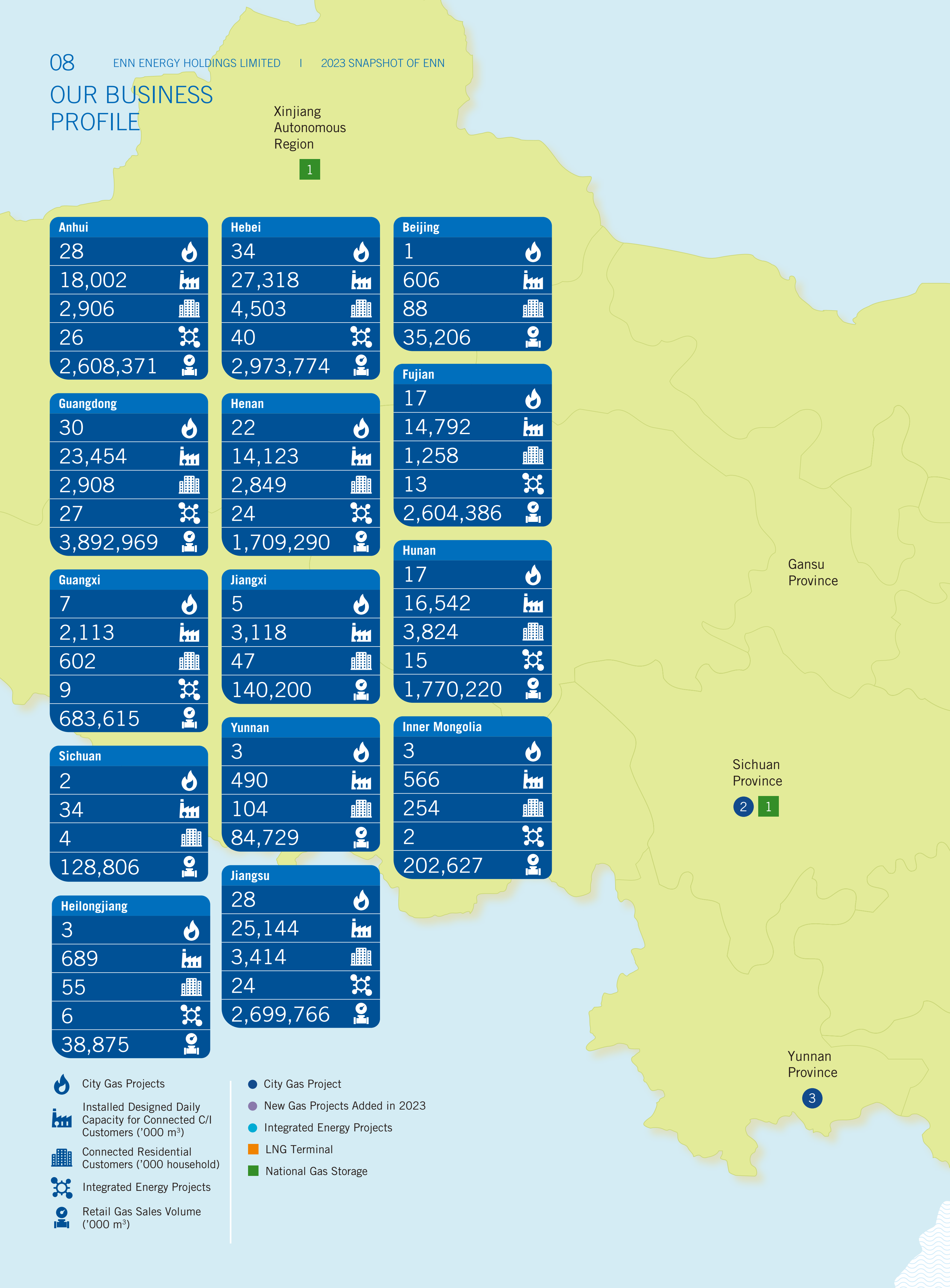
Highest closing price 26 January 2023	Average closing price
HK$126.00	HK$88.57

10-year Dividend Performance (1 Jan 2014–31 Dec 2023)



1 Profit attributable to owners of the Company but stripping out other gains and losses (excluding net settlement amount realised from commodity derivative financial instruments and gain on repurchase of senior notes), deferred tax arose from net unrealised (loss) gain of commodity derivative financial instruments and share-based payment expenses.

OUR BUSINESS PROFILE



Province	City Gas Projects	Installed Designed Daily Capacity for Connected C/I Customers ('000 m³)	Connected Residential Customers ('000 household)	Integrated Energy Projects	Retail Gas Sales Volume ('000 m³)
Anhui	28	18,002	2,906	26	2,608,371
Hebei	34	27,318	4,503	40	2,973,774
Beijing	1	606	88		35,206
Guangdong	30	23,454	2,908	27	3,892,969
Henan	22	14,123	2,849	24	1,709,290
Fujian	17	14,792	1,258	13	2,604,386
Guangxi	7	2,113	602	9	683,615
Jiangxi	5	3,118	47		140,200
Hunan	17	16,542	3,824	15	1,770,220
Sichuan	2	34	4		128,806
Yunnan	3	490	104		84,729
Inner Mongolia	3	566	254	2	202,627
Heilongjiang	3	689	55	6	38,875
Jiangsu	28	25,144	3,414	24	2,699,766

- City Gas Projects
- Installed Designed Daily Capacity for Connected C/I Customers ('000 m^3)
- Connected Residential Customers ('000 household)
- Integrated Energy Projects
- Retail Gas Sales Volume ('000 m^3)

- City Gas Project
- New Gas Projects Added in 2023
- Integrated Energy Projects
- LNG Terminal
- National Gas Storage

Shandong
26
27,636
4,038
68
2,622,718

Zhejiang
22
23,905
2,470
30
2,464,898

Shanghai
2
48
7
4
22,140

Tianjin
2
1
36,183

Shaanxi
1
14
74,946

Liaoning
6
2,266
431
4
350,160

Shanxi
30
13

Hainan
1

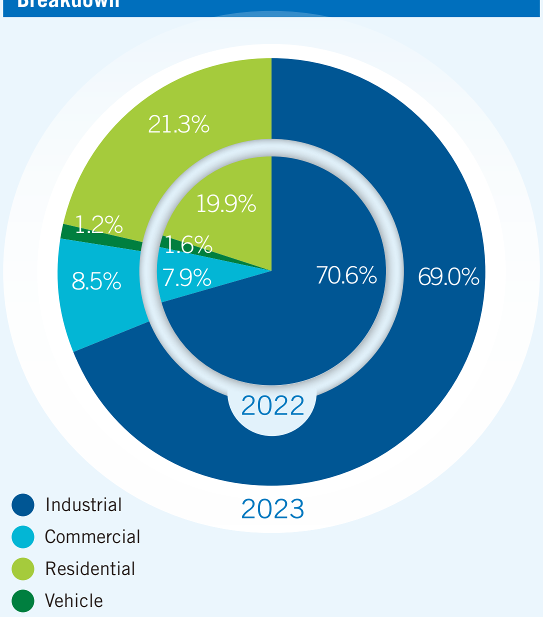
Hubei
2
247

OPERATIONAL & FINANCIAL HIGHLIGHTS

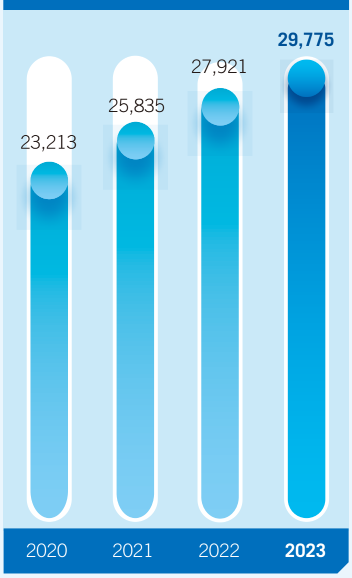
As at December 31

	2023	2022	Increase/(Decrease)
Key operating data*			
Number of city-gas projects in China	**259**	254	5
Urban population coverage (thousand)	**137,097**	133,196	2.9%
New natural gas customers developed during the year:			
– residential households (thousand)	**1,854**	2,086	(11.1%)
– C/I customers (sites)	**18,706**	22,003	(15.0%)
– installed designed daily capacity for C/I customers (thousand m^3)	**17,564**	20,504	(14.3%)
Accumulated number of piped gas customers:			
– residential households (thousand)	**29,775**	27,921	6.6%
– C/I customers (sites)	**243,168**	224,462	8.3%
– installed designed daily capacity for C/I customers (thousand m^3)	**200,890**	183,326	9.6%
Piped gas penetration rate	**65.2%**	62.9%	2.3 ppt
Retail gas sales volume (million m^3)	**25,144**	25,941	(3.1%)
Wholesale of natural gas sales volume (million m^3)	**8,477**	6,756	25.5%
Total length of existing intermediate and main pipelines (km)	**81,604**	77,677	5.1%
Accumulated number of integrated energy projects in operation	**296**	210	86
Integrated energy projects under construction	**60**	54	6
Sales volume of integrated energy (million kWh)	**34,700**	22,239	56.0%

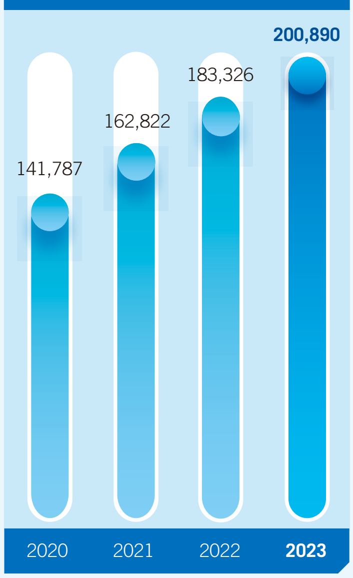
Retail Gas Sales Volume Breakdown



Accumulated Number of Connected Residential Household
(thousand)



Accumulated Installed Daily Capacity for Commercial Industrial Users
(thousand m^3)



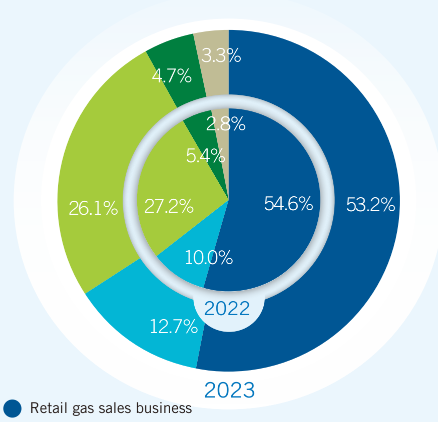
* The Group's operational data included the data of its subsidiaries, joint ventures and associates.

	2023	2022 (restated)	Increase/ (Decrease)
For the year *(in RMB million)*			
Revenue			
Retail gas sales business	**60,611**	60,082	0.9%
Integrated energy business	**14,513**	10,951	32.5%
Wholesale of gas	**29,695**	29,954	(0.9%)
Construction and installation	**5,337**	5,950	(10.3%)
Value added business	**3,702**	3,114	18.9%
Total	**113,858**	110,051	3.5%
Gross profit			
Retail gas sales business	**6,049**	6,445	(6.1%)
Integrated energy business	**1,907**	1,556	22.6%
Wholesale of gas	**1,095**	2,736	(60.0%)
Construction and installation	**2,770**	2,941	(5.8%)
Value added business	**2,517**	2,078	21.1%
Total gross profit	**14,338**	15,756	(9.0%)
Core profit[1]	**7,586**	7,966	(4.8%)
Free cash flow[2]	**2,132**	2,365	(9.9%)
As at 31 December *(in RMB million)*			
Total assets	**103,131**	102,358	0.8%
Total borrowings	**21,923**	19,792	10.8%
Earnings and Dividend per share			
Earnings per share (RMB)	**6.05**	5.20	16.3%
Dividend per share (HK$)[3]	**2.95**	2.91	1.4%
Ratios			
Return on equity[4]	**16.0%**	15.0%	1.0 ppt
Net gearing ratio[5]	**25.3%**	25.8%	(0.5 ppt)

Notes:

1. Profit attributable to owners of the Company but stripping out other gains and losses (excluding net settlement amount realised from commodity derivative financial instruments and gain on repurchase of senior notes), deferred tax arose from net unrealised (loss) gain of commodity derivative financial instruments and share-based payment expenses.
2. Free cash flow = Cash flow from operating activities – Capital expenditure – Net finance cost + Dividend income
3. Total dividends per share in 2023 include the interim dividend of HK$0.64 per share paid and the proposed final dividend of HK$2.31 per share, while total dividends per share in 2022 included the interim dividend and final dividend paid per share.
4. Return on equity = Profit for the year attributable to owners of the Company/Equity attributable to owners of the Company
5. Net gearing ratio = Net debts/Total equity x 100%

Turnover Breakdown by Segment

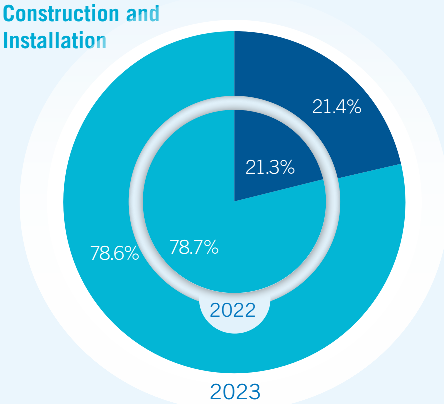


- Retail gas sales business
- Integrated energy business
- Wholesale of gas
- Construction & installation
- Value added business

Turnover Breakdown by Customer

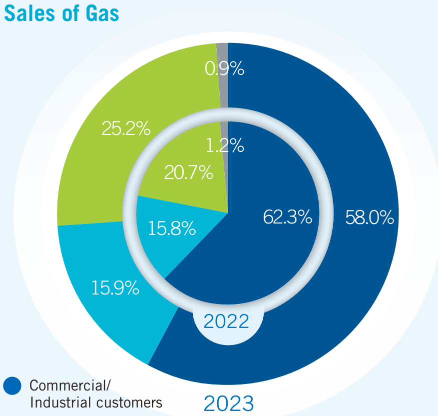
(including subsidiaries, joint ventures and associates)

Construction and Installation



- Commercial/Industrial customers
- Residential households

Sales of Gas



- Commercial/ Industrial customers
- Residential households
- Wholesale of gas
- Vehicles gas refuelling stations

COMPARISON OF TEN-YEAR RESULTS

	2023	2022 (restated)	2021	2020
Highlights (Group)*				
Number of households developed (thousand)	**29,775**	27,921	25,835	23,213
Installed designed daily capacity for C/I customers (thousand m³)	**200,890**	183,326	162,822	141,787
Units of piped gas sold				
– Residential households# (thousand m³)	**5,359,365**	5,160,954	4,707,980	4,197,249
– C/I customers (thousand m³)	**19,537,845**	20,490,323	19,915,629	16,882,284
Gas sold to vehicles gas refuelling stations (thousand m³)	**310,779**	415,214	681,304	909,712
Wholesale of gas sales volume (thousand m³)	**8,476,566**	6,755,548	7,827,611	7,616,141
Length of existing pipelines(1) (km)	**81,604**	77,677	72,849	63,096
Revenue & Profit *(RMB million)*				
Revenue	**113,858**	110,051	93,113	71,617
Profit before tax	**10,005**	9,052	11,393	9,558
Income tax expense	**(2,273)**	(2,386)	(2,398)	(2,227)
Profit for the year	**7,732**	6,666	8,995	7,331
Profit for the year attributable to non-controlling interests	**(916)**	(799)	(1,240)	(1,053)
Profit for the year attributable to owners of the Company	**6,816**	5,867	7,755	6,278
Dividends	**3,029**	2,936	2,593	2,273
Assets & Liabilities *(RMB million)*				
Non-current assets (excluding interests in associates and joint ventures)	**66,931**	66,748	63,712	58,715
Interests in associates	**4,708**	3,607	3,655	3,619
Interests in joint ventures	**5,117**	4,870	5,063	4,141
Current assets	**26,375**	27,133	27,558	23,568
Current liabilities	**(34,923)**	(36,082)	(41,579)	(33,233)
Non-current liabilities	**(19,946)**	(20,714)	(16,259)	(20,638)
Net assets	**48,262**	45,562	42,150	36,172
Capital & Reserves *(RMB million)*				
Share capital	**117**	117	117	117
Reserves	**42,543**	38,923	35,660	30,444
Equity attributable to owners of the Company	**42,660**	39,040	35,777	30,561
Non-controlling interests	**5,602**	6,522	6,373	5,611
Total equity	**48,262**	45,562	42,150	36,172
Earnings per share – basic (RMB)	**6.05**	5.20	6.88	5.59

(1) Length of existing pipelines consists of intermediate pipelines and main pipelines.

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

Residential gas sales volume includes household users and social welfare institutions since 2019.

2019	2018	2017	2016	2015	2014
20,920	18,523	16,221	14,147	12,326	10,605
124,709	106,553	87,901	71,182	58,608	50,243
3,806,381	2,889,578	2,153,314	1,821,136	1,490,416	1,225,825
14,879,404	13,228,550	10,934,583	7,966,280	7,001,499	6,676,785
1,276,484	1,293,930	1,447,063	1,561,737	1,588,928	1,441,323
7,038,805	5,958,069	5,140,957	3,036,778	1,231,521	804,160
54,344	46,397	39,146	32,921	29,936	27,065
70,183	60,698	48,269	34,103	32,063	29,087
8,841	5,601	5,190	4,195	4,027	4,747
(1,980)	(1,783)	(1,517)	(1,307)	(1,306)	(1,127)
6,861	3,818	3,673	2,888	2,721	3,620
(1,191)	(1,000)	(871)	(737)	(685)	(652)
5,670	2,818	2,802	2,151	2,036	2,968
1,719	1,176	952	775	705	709
54,581	45,706	36,155	32,487	30,328	23,715
3,308	3,049	1,505	1,350	1,024	882
3,841	3,620	3,929	3,704	3,810	3,436
19,515	21,539	17,626	13,840	11,857	15,002
(31,288)	(33,017)	(25,605)	(18,341)	(19,408)	(13,540)
(18,937)	(15,343)	(13,393)	(15,186)	(11,516)	(14,954)
31,020	25,554	20,217	17,854	16,095	14,541
116	116	112	112	113	113
25,752	21,269	16,840	14,854	13,355	11,985
25,868	21,385	16,952	14,966	13,468	12,098
5,152	4,169	3,265	2,888	2,627	2,443
31,020	25,554	20,217	17,854	16,095	14,541
5.05	2.56	2.59	1.99	1.88	2.74

CHAIRMAN'S STATEMENT

In 2024, opportunities and challenges coexist. The implementation of the "carbon neutrality" strategy is driving the further development of natural gas. Additionally, people's desire for a better quality of life has opened up new possibilities for upgrading family lifestyles. Furthermore, this year marks the beginning of practical application of generative artificial intelligence technology. ENN Energy will continue to deeply understand customer demands, leverage intelligent solutions to rapidly expand its gas sales business, pursue scalable growth in the integrated energy business and deepen its involvement in value added business, thus driving sustained growth and cross-cycle development for the Company.

Dear Shareholders,

2023 was an extraordinary and challenging year for ENN Energy. The natural gas industry encountered numerous challenges stemming from macroeconomic factors, climate change, energy substitution, and pricing fluctuation. Meanwhile, the competition is also growing increasingly intense as a result of a notable surge in the intensity of innovation and the continuous iteration of integrated energy technologies and models.

Facing a complex and challenging external environment, ENN Energy utilises intelligent and continuous innovation in natural gas products and service models. It implements enterprise-level carbon-integrated solutions and continuously expands quality of life services for households, thereby creating long-term value for shareholders. For the year ended 31 December 2023, the Group's revenue increased by 3.5% to RMB113,858 million and core profit driven by operating activities decreased by 4.8% to RMB7,586 million. Basic earnings per share reached RMB6.05. The board of the directors of the Company (the "Board") recommended a final dividend payment of HK$2.31 per share, and together with the interim dividend of HK$0.64 per share paid, total dividends for the year amount to HK$2.95 per share, representing an increase of 1.4 % year-on-year.

Safety is the paramount to ENN Energy in fulfilling its social responsibilities and ensuring the development of the Company. In 2023, ENN Energy continued to increase safety investments to strengthen hazard identification, control, and enhance intrinsic safety measures. Simultaneously, the Company deepened its application of safety intelligent and capability building. Innovations such as AI shut-off valves for gas and other safety intelligent technologies were introduced. The Company increased deployment of IoT across various scenarios, and upgraded intelligent security inspections, smart stations, and other safety intelligent models. These efforts aim to further elevate safety measures to a new level characterised by visibility, focus on key areas, and effective supervision, establishing the Company as a leader in the safety branding industry.

Wang Yusuo
Chairman

CHAIRMAN'S STATEMENT

In 2024, the external environment remains fraught with uncertainty, but opportunities and challenges coexist. The "Dual Carbon" strategy is being further advanced, driving the continued development of natural gas and accelerating the low-carbon transformation of enterprises. People's aspiration for a better life has also created new opportunities for the upgrade of quality living. Simultaneously, the introduction of generative artificial intelligence technology in its inaugural year of application will strongly promote the intelligent transformation across various industries, facilitating high-quality development. ENN Energy will persistently explore customer demands, harness intelligent solutions to rapidly expand its gas business, scale up integrated energy operations, and deepen its value added business. These endeavors will foster continuous growth and sustainable development of the Company across multiple cycles.

The natural gas business will adopt an intelligent upgrading and development model, utilising intelligent integration across the entire chain of demand, resources, delivery, and operations. This approach aims to deepen our understanding of customer and resources, foster products and services innovation, achieve intelligent aggregation of demand and resources, flexible matching of supply and demand, intelligent risk control, and intelligent cost reduction and efficiency enhancement. These measures will ensure the healthy and steady growth of the business.

Integrated energy business is the core driver for serving customers' low-carbon development needs. It will leverage intelligent products such as a decision-making intelligence, operational intelligence, and delivery intelligence. Focusing on scenarios such as parks, industries, and buildings, the Company will implement integrated load-source-grid-storage energy solutions. The goal is to scale up integrated energy micro-grids and expand integrated energy business.

Value added business will be built upon a customer base of 29.77 million residential customers, offering comprehensive intelligent upgrades to value added services. By leveraging real-time IoT data to dynamically analyse customer demands, smart technology will facilitate precise matching of supply and demand, ensuring visibility and controllability of quality. This will effectively cater to the increasing demand for intelligent shopping, health, tourism, and other facets of enhanced living, consequently establishing a new growth pole.

Finally, on behalf of the Board, I would like to express my gratitude once again. It is your trust and unwavering support that have propelled us forward. As we look ahead, our natural gas business has a solid foundation and is poised to benefit from the great opportunities presented by the era of intelligence. We are filled with confidence in the Company's growth and eagerly anticipate your ongoing partnership as we embrace opportunities, seize the opportunities presented by the era and industry, and forge a brighter future together.

Chairman
Wang Yusuo
22 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Highlights

Practical Essence of Safety, Continuously Building a Strong Safety Brand

Safety is paramount to ENN Energy in fulfilling its social responsibilities and ensuring the development of the Company. The Company consistently strives to enhance safety foundation throughout the entire energy operation scenario by adopting new technologies and innovative safety intelligence models. To ensure indoor gas safety, the Company employs gas alarms and AI shut-off valves. Additionally, the Company ensures the stable operation of the pipeline network through the implementation of IoT sensing, intelligent inspections, and other effective methods. The Company utilises cloud-based laser and remote control systems to support the intelligent operation of stations. Systems such as Engineering Smart Eyes enable the monitoring of the engineering process. By continuously promoting intelligent coverage across various scenarios and the entire value chain, the Company elevates safety to a new level characterised by visibility, focus, and effective management. These efforts further enhance the Company's leading position in safety branding.

By the end of 2023, a total of 76 member companies within the Group have obtained the internationally recognised ISO45001 safety management system certification.

ESG rating by the MSCI

"AA"

2023 S&P Global Corporate Sustainability Assessment

63 Scores

Requirements into Our Top-level Design, Daily Operations and Overall Risk Management

The Group has consistently adhered to the principles of sustainable development by integrating environment, social and governance ("ESG") practices into its corporate governance, strategies making, daily operations and performance appraisal. Recognising the substantial impact that climate change may have on the Company's business, ENN Energy released its first "2022 Climate-Related Financial Disclosure Report" in 2023. This report demonstrates the Company's dedication to addressing climate change issues and its proactive stance in responding to climate risks and seizing climate-related opportunities.

During the year, the Group officially launched the ESG smart ecological platform to enhance ESG information management and analysis capabilities, effectively improve data quality, and drive the digital and intelligent development of the Group's ESG initiatives. At the same time, an internal promotion of the low-carbon office system and the dissemination of the low-carbon office concept among employees have been carried out, thereby advancing the Company's internal carbon emission reduction efforts.

The Company has received MSCI's AA rating for two consecutive years, which is currently the highest rating for companies among peers in the Greater China region. The Company's rating in the 2023 S&P Global Corporate Sustainability Assessment (CSA) has also shown significant improvement, with the score increasing from 56 points to 63 points. This places the Company at a leading level within the industry.

The Group continues to practice green actions and recorded natural gas sales of 33,621 million cubic meters in 2023, which is equivalent to reducing the use of 15.12 million tons of standard coal and reducing carbon dioxide emissions by 45.11 million tons for society. As a total of 296 integrated energy projects have been put into operation during the year, the Group recorded 34,700 million kWh of energy sales for cooling, heating, electricity, and steam, etc., equivalent to reducing 2.67 million tons of standard coal consumption and 10.99 million tons of carbon dioxide emission for customers.

Capital Market Recognition

In addition to the Hang Seng Index, Hang Seng China Enterprises Index, Hang Seng Composite LargeCap Index, Hang Seng ESG 50 Index, Hang Seng Corporate Sustainability Benchmark Index and MSCI China Large Cap Index Constituents, the Group was included in the Hang Seng Stock Connect Hydrogen Energy Index on 20 February 2023.

With years of accumulation, the Group has continuously optimised its business matrix to align with customers' demand. During the year, the Group received 35 awards, including the "Most Honored Company", "Best CEO", "Best CFO", "Best Board of Directors", "Best IR Team" and "Best ESG" from Institutional Investor, as well as "Best ESG Practices for Chinese Listed Companies 2023" from Wind.

Business Highlights

The State Council's "Opinions on Comprehensively Promoting the Construction of a Beautiful China" (the "Opinions") explicitly states that the country's economic and social development has entered an accelerated phase of green, low-carbon and high-quality growth. The Opinions propose a faster transformation of green development. It will work actively and prudently toward the goals of reaching peak carbon emissions and carbon neutrality, and speed up the planning and development of a system for new energy sources. Additionally, the Opinions suggest continuing to intensify pollution prevention and control efforts. It will make further efforts to keep our skies blue, adopt measures such as clean energy and centralised heating substitution according to local conditions, and continue to control the pollution from scattered coal, coal-fired boilers, and industrial furnaces. It will implement total coal consumption control in key areas continuously.

ENN Energy is dedicated to aligning with the trends of green and low-carbon development. It is focused on strengthening natural gas business while simultaneously expanding integrated energy business. In doing so, the Company actively contributes to the "dual carbon" goals and the realisation of a beautiful China.

Natural Gas Sales Business: Stabilised and Consolidated Business Foundation

In 2023, economic recovery supports the continuous rebound of the natural gas market. However, issues such as weak exports and a sluggish real estate sector have structurally suppressed the demand for natural gas. In terms of prices, the decline in corporate profits has directly led to an increased sensitivity to costs. In 2023, revenue from the retail gas business slightly increased by 0.9% to RMB60,611 million. The Group's total gas sales volume reached 33,621 million cubic meters, a year-on-year slight increase of 2.8%. Retail gas sales volume decreased by 3.1% year-on-year to 25,144 million cubic meters. Among this total, total volume of natural gas sold to C/I customers reached 19,486 million cubic meters, representing a year-on-year decrease of 4.4% and accounting for 77.5% of retail gas sales volume; total volume of natural gas sold to residential households increased by 3.8% to 5,348 million cubic meters, accounting for 21.3% of retail gas sales volume.

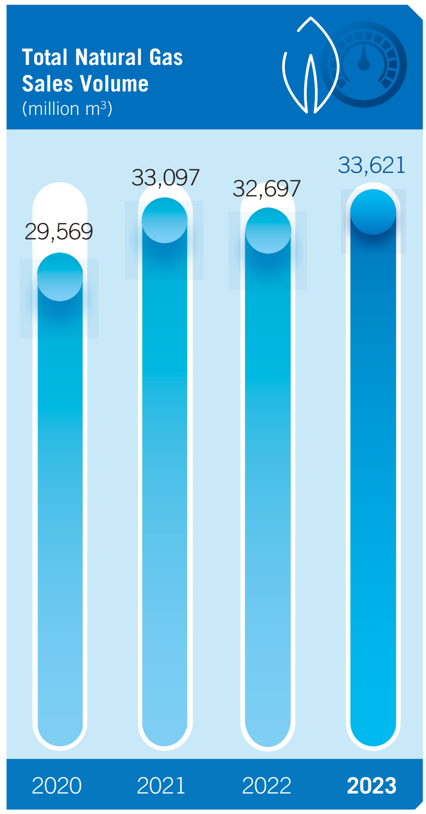
Number of city-gas projects

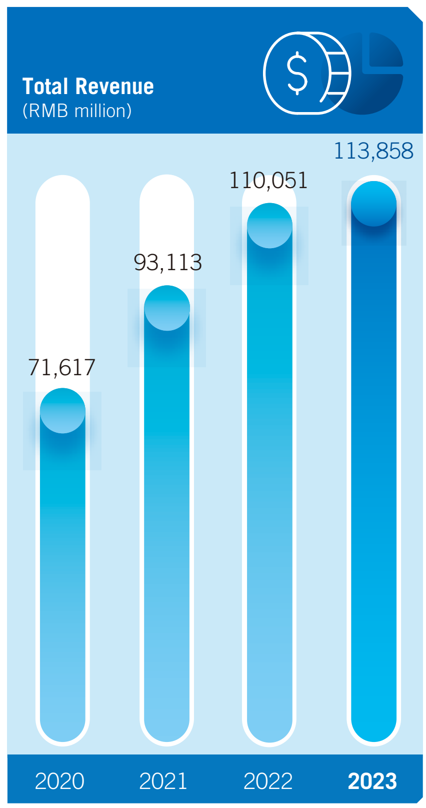
259

In 2023, the Group's revenue and gross profit from gas wholesale business decreased by 0.9% and 60.0% respectively compared to the same period last year, reaching RMB29,695 million and RMB1,095 million. This was mainly due to the international natural gas prices retreat from high level, which resulted in a substantial reduction in international market opportunities for the Group.

In 2023, the Group's construction and installation business is under significant pressure. During the year, the Group developed 18,706 C/I customers (gas appliances installed with daily designed capacity of 17.56 million cubic meters) and completed the construction and installation for 1.85 million new residential households. By the end of 2023, the Group has served a total of 243,168 C/I customers (gas appliances installed with daily designed capacity of 200.89 million cubic meters) and has developed 29.77 million residential households cumulatively, with an average piped-gas penetration rate of 65.2%.

The Group has been pursuing a prudent and strategically synergistic merger and acquisition strategy. During the year, the Company obtained 5 new city gas projects. By the end of 2023, the Group had a total of 259 exclusive operating rights for city gas projects, covering 20 provinces, cities and autonomous regions.





Accumulated Integrated Energy Projects in Operation

86

296

Integrated Energy Sold

56.0%

34,700 million kWh

Revenue of Value added business per customer

RMB **124**

Integrated Energy Business: Focused on Core Business Scenarios and Maintained Rapid Growth

Driven by a combination of policy guidance, market forces, and technological advancements, various enterprises are actively exploring and leading the way in the green and low-carbon transformation. Through collaborative efforts and practical experiences with them, the Company has witnessed the immense potential of the integrating digitalisation and decarbonisation. It is evident that the emerging green wave, centered around renewable energy, low-carbon technologies, and digital innovations, will continue to drive profound economic and social transformations.

From the perspectives of high efficiency and energy conservation, substitution of green energy, and efficient utilisation of resources, ENN Energy supports customers in creating low-carbon factories and low-carbon buildings by using “Load-Source-Grid-Storage” as a critical measure. Additionally, the Company seizes the window of opportunity presented by industrial upgrading and the emergence of new industrial parks to expand its competitive advantage and concentrate efforts on scaling up the integrated energy micro-grids.

During the year, 86 integrated energy projects were completed and put into operation, which lifted the number of total projects in operation to 296, generating sales of a total of 34,700 million kWh of integrated energy including cooling, heating, electricity and steam, up 56.0% year-on-year. In 2023, revenue from integrated energy business surged 32.5% to RMB14,513 million, and gross profit also increased by 22.6% to RMB1,907 million.

Value Added Business: Enriching the Product Portfolio and Achieving Scalable Growth

As household incomes rises and consumer preference evolves, there is a growing demand among individuals for high-quality, customised, and innovative products and services. Enhancing the quality of life and meeting customised needs guide the development of value added business. In light of vast household consumer market, the Group is committed to enhancing customer awareness and vigorously promoting gas-related products that encompasses security, heating, kitchen and sanitation. Also, the Group continues to encourage member companies to provide innovative products according to local conditions, by expanding the promotion and sales of digital intelligence products such as safety intelligence, gas alarms, and LoRa digital intelligence IoT.

The Group currently provides gas supply to over 29.77 million residential household customers and 243,168 commercial and industrial customers. To enhance customer service experience, the Group has been committed to gaining deep insights into customer needs since the beginning of the year. It focuses on various scenarios such as safety, kitchen, and community, and addresses multidimensional customer demands. By combining online sales with offline service experiences, the Group accelerates the implementation of innovative value added business models to increase business output scale.

In 2023, the Group’s revenue from the value added business amounted to RMB3,702 million, representing an increase of 18.9%, and the gross profit increased by 21.1% to RMB2,517 million. Revenue from the value added business per customer reached RMB124, representing an increase of 5.1% compared to last year.

Outlook

2024 is an important year for achieving the objectives of the "14th Five-Year Plan". The Company will firmly seize opportunities presented by China's high-quality economic development and realise the steady performance, structural optimisation, and intelligent upgrade of our core business. The Company will fully leverage our customer advantages, diversified natural gas resources, and leading position in the broader energy sector. The Company will make best efforts to consolidate our natural gas business, expand the scale in the broader energy sector, and deepen our presence in the value added business. By promoting synergy among business segments, the Company aims to achieve resilient development and sustained growth across different economic cycles.

Seize the "Dual-carbon" Opportunity to Expand the Natural Gas Business

The natural gas business will ensure healthy and sustainable growth through intelligent upgrades and innovative models. By implementing flexible sales strategies and pricing mechanisms tailored to customers' needs, the Company can effectively meet their requirements. Through the coordination of domestic and international markets and the utilisation of downstream scale advantages, the Company can establish a diversified and low-risk gas supply structure. By leveraging the intelligent platform of the natural gas industry, the Company can achieve precise matching of supply and demand while fully unlocking the value of resources. Furthermore, by enhancing the intelligent operation of the pipeline network, the Company can ensure essential safety measures and improve operational efficiency.

The Company will seize the "Dual-carbon" opportunity to expand its natural gas business, support the fast expansion of integrated energy business with diversified products and the breakthrough of integrated energy micro-grid model, and continue upgrading value-added services to provide customers with a safe, intelligent, warm, and green life.

Support Integrated Energy Business by Diversified Products and Make a Breakthrough in Electricity Business

Following the concept of integrated energy, the Group has achieved rapid development in its integrated energy business by meeting customer demands and providing diversified energy sources such as gas, electricity, cooling, and heating according to local conditions. With the implementation of China's dual-carbon policies, economic development and industrial upgrading, small and micro industrial parks that attracted specialised and innovative enterprises emerged. The adjustment of energy structure and the increasing demand for enhanced ESG orientation in enterprises have led customers to shift their single-product demand for natural gas towards a multi-product demand for diversified energy sources, safety, and carbon services. With the deeper power reforms, advancements in energy storage technologies and the application of digital intelligence, the Group has innovatively proposed an integrated energy micro-grid model with electricity as its core. Leveraging the Group's three core capabilities in customer understanding, solution development, and intelligent operations, the Company has implemented the source-generation-network-storage solution. Furthermore, the Company provides a range of services to end users, including energy and carbon consulting, energy efficiency diagnosis, operation management, and energy trading. In the next stage, the integrated energy business will rely on the innovative integrated energy micro-grid model to seize strategic opportunities for fast expansion. It will target three typical scenarios: low-carbon factories, low-carbon buildings, and low-carbon parks, to rapidly acquire customers, further explore customer demands, aggregate industry ecosystems, promote the creation of value through multiple energy and carbon products, and achieve significant development in the integrated energy business.

Keep Upgrading the Value-added Business for a Safe, Intelligent, Warm and Green Life

Following rapid economic development, accompanied by the fulfillment of basic consumption and shifts in consumer subjects and household demographics, resident consumption has increasingly gravitated towards high-quality, specialised, and digitised experiences. The Company will upgrade the value added business by consolidating customer trust and creating value with diversified energy products. By leveraging IoT and intelligent technologies to upgrade gas services, the Company aims to provide customers with improved experiences and enhanced safety in gas usage. This will enable the Company to earn their trust and establish a new customer connection that goes beyond gas. To meet the rational consumption demands of households, the Company aggregates ecologically preferred products and utilises intelligent connectivity throughout the industry chain. This enable the Company to achieve product quality with transparent and reliable information, alongside more competitive pricing. Additionally, the Company addresses the quality living demands of families in terms of safety, health, and home environment by undertaking product and model innovations through partnership with ecological alliances. The ultimate goal is to transform the value added business into a key driver for growth.

FINANCIAL REVIEW

Financial Performance

PRC's economy is transitioning from high-speed growth to high-quality development, and the business opportunities for the Company have shifted from an outward-focused, scaled development approach to a stage that emphasised both "existing" and actively expanding "new" sources of growth. In 2023, the performance of the Group's integrated energy and value added business was outstanding, consistently delivering considerable profits. Due to lower industrial gas consumption, the Group faced constraints in natural gas demand, resulting in a modest overall revenue growth of 3.5%, amounting to RMB113,858 million. Affected by various factors, including a significant reduction in international market opportunities and the sustained bottoming adjustment of the domestic real estate market during the year, the overall gross profit and gross profit margin were under pressure, with a year-on-year decreases of 9.0% to RMB14,338 million and 1.7 percentage points to 12.6% respectively.

The central parity rate of Renminbi against US dollars on 31 December 2023 had a smaller fluctuation as compared to the end of the previous year. As a result, when the Group translated its outstanding debts denominated in US dollars to Renminbi at the end of the year, it incurred a significant reduction of RMB804 million of unrealised exchange losses to RMB184 million (2022: RMB988 million). This translation did not have any impacts on cash flow. Despite the global inflationary pressure, the Group successfully maintained effective cost control. The ratio of selling and administrative expenses to revenue decreased 0.2 percentage points to 4.7%.

Taking into account all the aforementioned factors, the profit attributable to the owners of the Company and basic earnings per share amounted to RMB6,816 million and RMB6.05 respectively. This represents a year-on-year increase of 16.2% and 16.3% respectively. Stripping out the impact of other gains and losses (excluding net settlement amount realised from commodity derivative financial instruments and gain on repurchase of senior notes), deferred tax arose from net unrealised loss of commodity derivative financial instruments and share-based payment expenses amounted to RMB770 million, core profit driven by operating activities decreased by 4.8% to RMB7,586 million. This included the relevant after-tax profit of RMB1,495 million (2022: RMB2,335 million) from overseas LNG sales (including net settlement amount realised from commodity derivative financial instruments).

In 2023, the Group adopted prudent financial management and managed its expenditures well to ensure smooth cash flow. For the year ended 31 December 2023, the Group's operating cash inflow was RMB9,612 million, leading to positive free cash inflow[1] of RMB2,132 million.

Financial Resources Review

As at 31 December 2023, an analysis of the Group's cash, current and non-current debts is as follows:

	2023 RMB million	2022 RMB million (restated)	Increase/ (Decrease) by RMB million
Bank balances and cash (excluding restricted bank deposits)	**9,689**	8,056	1,633
Long-term debts (including bonds)	**13,156**	13,451	(295)
Short-term debts	**8,767**	6,341	2,426
Total debts	**21,923**	19,792	2,131
Net debts[2]	**12,234**	11,736	498
Total equity	**48,262**	45,562	2,700
Net gearing ratio[3]	**25.3%**	25.8%	(0.5 ppt)
Net current liabilities	**8,548**	8,949	(401)

1 Free cash flow = Cash flow from operating activities – capital expenditure – net financing cost + dividend income
2 Net debts = Total debts – Bank balances and cash (excluding restricted bank deposits)
3 Net gearing ratio = Net debts/Total equity x 100%

Working Capital Management

In 2023, the Group adhered to the principle of ecological win-win situation and cooperated with ecological partners to overcome the difficult times. As at 31 December 2023, the Group managed its receivables, payables and inventory turnover days strictly to within its healthy range, which were 12 days, 22 days and 6 days respectively. As at 31 December 2023, the Group's bank balances and cash (excluding restricted bank deposits) amounted to RMB9,689 million, an increase of RMB1,633 million from the beginning of the year, mainly due to the increase in the Company's borrowings during the year.

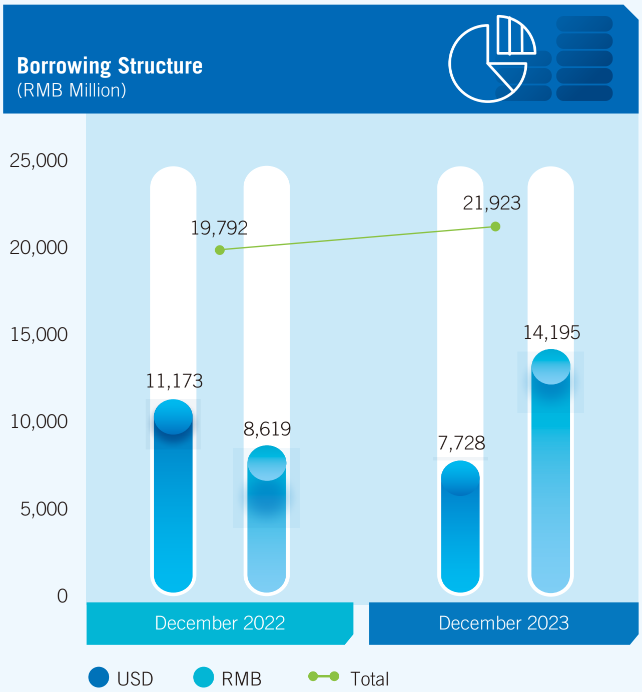
Borrowings Structure and Foreign Exchange Risk Management

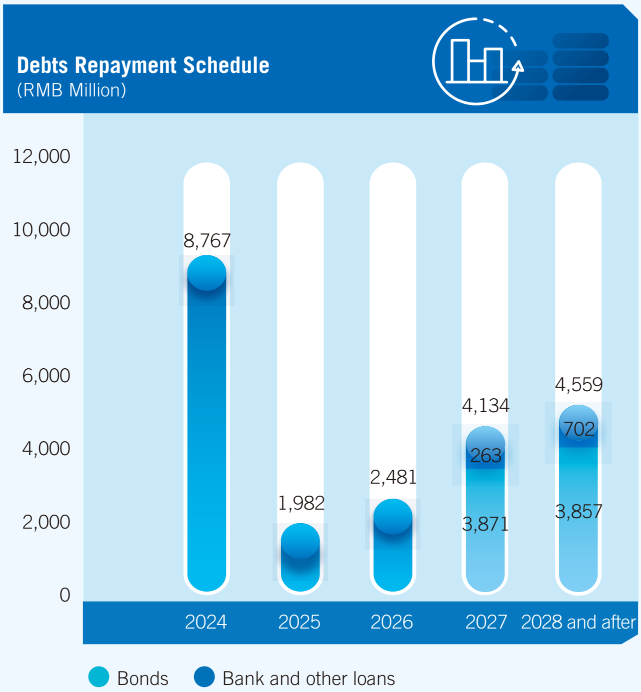
As at 31 December 2023, the Group's total debts amounted to RMB21,923 million, representing an increase of RMB2,131 million compared to the total debts as of 31 December 2022. The Group's net gearing ratio reduced to 25.3% as at 31 December 2023 (2022: 25.8%). Around 70.2% of the Group's total debts have a fixed interest rate. The Group seeks to maintain strict control over total debt level and strike a balance between duration of debt and cost of financing.

During the year, the Group undertook a currency swap to reduce the outstanding non-functional currency-denominated debts, thereby mitigating exchange rate risks and optimising the Group's capital structure. As at 31 December 2023, the principal amount of the Group's borrowings denominated in foreign currencies amounted to USD1,100 million (2022: USD1,617 million), equivalent to approximately RMB7,728 million (2022: RMB11,173 million), and among which all (2022: 80.2%) are long-term debt. In managing foreign exchange risk arising from the two outstanding USD senior notes, the Company entered into foreign currency derivative contracts, mainly cross currency swaps, with various financial institutions. As of 31 December 2023, the Group has hedged debt principal of USD440 million (2022: USD320 million) and the hedge ratio of long-term USD debts reached 40.0% (2022: 24.6%). In view of the fluctuation in RMB/USD exchange rate, the Group will continue to closely monitor the foreign exchange market. It will also strive to utilise foreign currency derivative contracts or take advantage of favourable interest rate differentials to replace high-cost debts to mitigate any potential impact on its results, as and when deemed appropriate.

Net Current Liabilities

The Group's current liabilities mainly include a large amount of receipts in advance of gas fee, and construction and installation contracts. These funds are stable and will normally not be returned, therefore the Group has invested the funds in development of new projects and maintained a reasonable cash level, resulting in net current liabilities amounted to approximately RMB8,548 million as at 31 December 2023. As the Group has stable operating cash flow, high quality current assets and good credit ratings, plus sufficient cash on hand and unutilised banking facilities, the Group is able to meet its working capital requirements and future capital expenditure.





Commodity Price Risk Management

In 2023, the Group has three regular international LNG sale and purchase agreements and the pricing of these 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 its 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.

Due to the foreign exchange risk associated with the aforementioned trades, the Group has entered into forward foreign exchange contracts with several financial institutions to stabilise procurement costs. In 2023, the Group has hedged an amount of USD213 million, with a hedging ratio for trade risk exposure reaching 20.3%.

Charge on Assets

As at 31 December 2023, the Group pledged certain assets as securities for bank and other loans, bill facilities and contracts granted to the Group, associates and joint ventures in the ordinary course of business, details are set out in Note 49 to the consolidated financial statements.

Credit Rating

During the year, the Company's rating was maintained at BBB+ by international credit agency Fitch, with the outlook being upgraded from "Stable" to "Positive". Standard & Poor's and Moody's also maintained their BBB+ (Stable) and Baa1 (Stable) ratings for the Company, respectively. These ratings demonstrate the Company's strong financial position and resilient cash flow.

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

	Standard & Poor's	Moody's	Fitch
Long-term credit rating	**BBB+**	Baa1	BBB+
Outlook	**Stable**	Stable	Positive

These ratings reflect the Group's sound financial position which can generate highly visible and stable operating cash flow. The management of the Company believes that the good credit rating will continue to provide the Group with sufficient financial resources for its long-term development.

Material events after the reporting period and Contingent Liabilities

There were no material events which casted material impact on the Group since the end of the reporting period, and the Group had no material contingent liabilities as at 31 December 2023.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. WANG Yusuo – Chairman of the Board N (Chairman)

Aged 60 + Founder of the Group + Appointed on 4 December 2000* + Controlling shareholder + Father of Mr. Wang Zizheng

Expertise

Mr. Wang is a founder of the Group. He has over 30 years of experience in investment and the management of the energy business in the PRC. He has solid knowledge of business management and strategy and corporate governance, and has a profound understanding and profession insights on the trend, digitalisation and sustainable development of energy industry.

Mr. WANG Yusuo

Titles, Qualifications and Education

Doctor of Philosophy in Management, Tianjin University of Finance and Economics

Other Major Offices

Chairman of ENN Natural Gas Co., Ltd.# (stock code: 600803.SH), the controlling shareholder of the Company

Independent Director of DiDi Global Inc.▲

Past Experience

Mr. Wang is the Chairman of the Board. He is responsible for overseeing the Group's overall strategic planning and providing leadership for and overseeing the functioning of the Board. He previously served as a non-executive director of Legend Holdings Corporation# (stock code: 3396.HK) and a director of ENC Digital Technology Co., Ltd# (stock code: 603869.SH), an affiliate of the Company.

Mr. ZHANG Yuying – R (Chairman) E

Aged 51 + Appointed on 12 December 2023* + Chief Executive Officer (CEO)

Expertise

Mr. Zhang has in-depth involvement in city-gas business for many years, and possesses acute customer understanding and market insights, as well as outstanding strategic thinking and execution capabilities. He has extensive practical experience in digital transformation and integration of industry and intelligence in group companies.

Mr. ZHANG Yuying

Titles, Qualifications and Education

Executive Master's Degree in Business Administration, Renmin University of China

Other Major Offices

Director and President of ENN Natural Gas Co., Ltd.# (stock code: 600803.SH), the controlling shareholder of the Company

Past Experience

Prior to joining the Group in 2003, Mr. Zhang worked in Kaifeng Electromechanical Group and Henan Tongli Electrical Appliances Group. After joining the Group, he held various important positions in business planning and strategic performance management of the Group, and has in-depth involvement in city-gas business. He also accumulated rich experience in the creation of smart products and platforms for cyber security and basic IoT facilities (pipeline networks). Mr. Zhang previously served as the executive director and President of the Company from December 2019 to December 2021. In this role, he was responsible for the day-to-day operational management of the Group's businesses, strategic execution reviews and adjustments, as well as achieving business objectives. Following a job reassignment, he assumed the position of a non-executive director of the Company from December 2021 to January 2023. He previously served as the executive vice president of ENN Group Co., Ltd. and the chairman of ENC Digital Technology Co., Ltd.# (stock code: 603869.SH), the affiliates of the Company, and a non-executive director of Huzhou Gas Co., Ltd.# (stock code: 6661.HK), an associate of the Company.

Mr. LIU Jianfeng – R E

Aged 47 + Appointed on 16 January 2023* + President

Expertise

Mr. Liu has over 20 years of experience in the operation, financial management, domestic and overseas investment and M&A of energy companies, and has relevant knowledge in energy business management and strategy, corporate governance, risk management and sustainable development.

Mr. LIU Jianfeng

Titles, Qualifications and Education

Bachelor's Degree in Economics, Central University of Finance and Economics
Master's Degree in Law, China University of Political Science and Law
MBA, Boston College
Master's Degree in Law, Boston College
Member of CPA Australia
Qualified PRC lawyer
Qualified PRC corporate legal consultant

Other Major Offices

Non-executive director of Huzhou Gas Co., Ltd.# (stock code: 6661.HK), an associate of the Company

Past Experience

Prior to joining the Group in 2018, Mr. Liu had served in leading law firms in the PRC, held key financial management positions in several companies in the energy industry, and participated in a number of large scale multinational M&A transactions. After joining the Group, he first served as the Company's Chief Financial Officer and was later re-designated to the Company's President. He was responsible for assisting the Chief Executive Officer to ensure the upgrading of the Group's business model and the implementation of strategies, as well as the achievement of the Group's development goals. Mr. Liu actively promotes the Company to adopt and implement international standards for methane emission reduction, and leads industry companies to jointly promote environment, social and governance ("ESG") management.

Mr. WANG Dongzhi – R E

Aged 55 + Appointed on 25 March 2011* + Chief Financial Officer

Expertise

Mr. Wang has rich experience in energy industry. He has extensive knowledge on business management and strategy, capital market, corporate governance, internal control, risk management and sustainable development.

Mr. WANG Dongzhi

Titles, Qualifications and Education

Bachelor's Degree in Engineering Management, Beijing Chemical University
Bachelor's Degree in Economics, Hebei University of Economics and Business
Master's Degree in Business Management, Tianjin University
EMBA, China Europe International Business School (CEIBS)
Chinese Certified Public Accountant Qualification

Past Experience

Prior to joining the Group in 2000, Mr. Wang was in charge of the finance department in a Sino-foreign joint venture company. He has extensive experience in finance and financial management. After joining the Group, he has been dedicated to continuously improving the financial management capabilities of the Group, and is responsible for the corporate governance, designing internal control strategies, and monitoring their implementation within the Group. He previously served as the chief financial officer of ENN Natural Gas Co., Ltd.# (stock code: 600803.SH), the controlling shareholder of the Company and independent director of Abterra Ltd.▲.

DIRECTORS AND SENIOR MANAGEMENT

Ms. ZHANG Jin – N

Aged 50 + Appointed on 25 August 2023

Expertise

Mr. Zhang has rich experience in corporate governance, human resources management and sustainable development. She has extensive knowledge on concepts and management methods such as talent retention and motivation, performance remuneration, and capability improvement.

Ms. ZHANG Jin

Titles, Qualifications and Education

Bachelor's Degree in Economics, Renmin University of China
Master's Degree in Management, Renmin University of China

Other Major Offices

Director of ENN Natural Gas Co., Ltd.# (stock code: 600803.SH), the controlling shareholder of the Company
Director of ENC Digital Technology Co., Ltd# (stock code: 603869.SH), an affiliate of the Company

Past Experience

Prior to joining the Group in 2016, Ms. Zhang served as the Chief Administrative Officer of Shanda Games Limited, the Senior Vice President of Shanda Network Co., Ltd, the Vice President of Human Resources of Shanda Group and the Vice President of Human Resources of Lenovo Group. After joining the Group, she is responsible for the succession planning of the directors and senior management within the Group, upgrading and establishing the operational rules of the Group, driving the enhancement of critical capabilities, and promoting the construction of intelligent products that inspire talent.

Mr. JIANG Chenghong – R E

Aged 49 + Appointed on 12 December 2023

Expertise

Mr. Jiang possesses keen risk insights, excellent organisational coordination and analytical decision-making abilities. He has extensive experience and unique insights in financial and value-based operational management, investment and financing management, and capital operations in group companies.

Mr. JIANG Chenghong

Titles, Qualifications and Education

Bachelor's degree in Economics, Wuhan University
EMBA, Xiamen University

Other Major Offices

Director and Co-CEO of ENN Natural Gas Co., Ltd.# (stock code: 600803.SH), the controlling shareholder of the Company
Director of Tibet Tourism Co., Ltd.# (stock code: 600749.SH), an affiliate of the Company

Past Experience

Prior joining the Group in 2023, Mr. Jiang held important positions in the treasury and finance departments, as well as served a director of finance company and China Foreign Economy and Trade Trust Co., Ltd under Sincochem Group. In September 2017, he joined a group company of the Company's controlling shareholder as a senior executive, and he also served as a derivatives trading advisor to the Group, assisting in the effective management of the Group's commodity price and foreign exchange risks.

Non-executive Director

Mr. WANG Zizheng – E (Chairman) Aged 35 + Appointed on 24 March 2014* + Son of Mr. Wang Yusuo

Expertise

Mr. Wang has extensive experience in investment, M&A, risk management and operation management of overseas LNG refuelling stations. He also possesses extensive ESG knowledge.

Titles, Qualifications and Education

Bachelor's Degree in Urban Planning, Tongji University

Other Major Offices

Director of ENN Natural Gas Co., Ltd.# (stock code: 600803.SH), the controlling shareholder of the Company

Past Experience

Prior joining the Group in 2014, he was a founder of a platform software developer. After joining the Group, he served as a non-executive director, and then the Executive Chairman of the Company during 11 May 2018 to 16 March 2020, responsible for assisting the Chairman and Vice Chairman of the Board in overseeing the Group's overall strategic planning and functioning of the Board. He is currently a non-executive director of the Company. He has served as the chairman of the Company's ESG Committee since April 2022, responsible for reviewing and monitoring the Company's ESG policies and practices.

Independent Non-executive Directors

Mr. MA Zhixiang – A N $ (Chairman) R E Aged 71 + Appointed on 24 March 2014

Expertise

Mr. Ma has over 40 years of extensive experience in corporate management practices and experience in the petroleum and natural gas industry, and possesses extensive knowledge of business strategy, corporate governance, risk management and human resource management. He has unique point of views on the historical evolution, development pain points and prospects of China's energy industry.

Titles, Qualifications and Education

Bachelor's Degree in Storage and Transportation, School of Mechanics of University of Petroleum (East China)
Doctor of Philosophy in Engineering, Southwest Petroleum University
PRC Senior Engineer

Past Experience

Mr. Ma has held senior management positions in China Petroleum Pipeline Bureau and PetroChina Company Limited and has resigned from these positions in March 2012.

Mr. YUEN Po Kwong – A N $ R Aged 54 + Appointed on 24 March 2014

Expertise

Mr. Yuen is a lawyer specialising in dispute resolution and contentious regulatory compliance. He has extensive experience in risk management, regulatory and corporate compliance.

Titles, Qualifications and Education

Master's Degree in Chemistry, Oxford University in England
Master's Degree in Synthetic Organic Chemistry, Cornell University
Diploma in Law (with Distinction) and Diploma in Legal Studies, College of Law in Guildford, England
Member of the Law Society of Hong Kong

Other Major Office

A partner of a major law firm and managing partner of its Hong Kong office, specialising in dispute resolution and contentious regulatory compliance.

Past Experience

Before studying law in England, Mr. Yuen was a teaching fellow at Cornell University. Prior to joining his present law firm to establish its Hong Kong office in 2012, he was formerly a partner of a renowned British "Magic Circle Firms", specialising in resolving China related disputes.

Mr. LAW Yee Kwan, Quinn – A N $ R Aged 71 + Appointed on 30 May 2014

Expertise

Mr. Law has extensive experience in accounting and finance, business strategy, corporate governance, internal control and risk management, human resources management and sustainable development.

Titles, Qualifications and Education

Justice of the Peace (JP)
Honorary fellow of Hong Kong University of Science and Technology ("HKUST")
Fellow member of The Hong Kong Institute of Certified Public Accountants ("HKICPA")
Fellow member of the Association of Chartered Certified Accountants in the United Kingdom
Member of The Chartered Governance Institute in the United Kingdom
Member of The Hong Kong Chartered Governance Institute

Public Service

Court member of HKUST and a governing board member of HKUST (Guangzhou)
Consultant of Hong Kong Institute of Business Accountants

Other Major Office

Independent non-executive director of BOC Hong Kong (Holdings) Limited# (stock code: 2388.HK)

Past Experience

Mr. Law began his professional career at an international accounting firm and thereafter had held senior management positions with diverse corporate and operational responsibilities both in the private and public sector. He previously served as a council member cum audit committee chairman and standing committee member of the HKUST, and also as member of a number of committees of HKICPA, including Corporate Governance Committee, Professional Accountants in Business Committee, Professional Conduct Committee and Ethics Committee. He held directorship in several listed companies both in Hong Kong and overseas in the past, including an independent non-executive director of Bank of Tianjin Co Ltd# (stock code: 1578.HK) and HKBN Limited# (stock code: 1310.HK) respectively.

Ms. WONG Lai, Sarah – A (Chairman) N $ R Aged 45 + Appointed on 25 August 2023

Expertise

Ms. Wong has more than 20 years of extensive experience in banking and financial services sector, including corporate governance, corporate finance, capital markets, acquisitions and mergers, financial management, risk management and sustainable development.

Titles, Qualifications and Education

Honours Bachelor's Degree in accounting, London Metropolitan University
Fellow member of the Association of Chartered Certified Accountants in the United Kingdom

Other Major Offices

Managing Director of a financial institution
Independent non-executive director of CIMC Enric Holdings Limited# (stock code: 3899.HK)

Past Experience

Ms. Wong has previously served as the deputy head of the Investment Banking Division and head of Coverage and Financial Sponsors of the group of Guotai Junan International Holdings Limited# (stock code: 1788.HK) in Hong Kong, head of Financial Sponsor team under Global Coverage Department of BOC International, senior vice president of Fixed Income Division of the Greater China Region of DBS Bank Limited, director of Debt Capital Markets Department of BOC International and senior auditor at PricewaterhouseCoopers.

Senior Management

Mr. LIU Jun Chief Human Resources Officer, Aged 45

Titles, Qualifications and Education

Master's degree in Developmental and Educational Psychology, Beijing Normal University

Major Responsibilities Held with the Group and Past Experience

Mr. Liu is the Chief Human Resources Officer of the Company. He is responsible for the all human resources related matters across the Group and ensuring the close integration of the Group's human resources strategies and business objectives. Before joining the Group in 2023, he served as senior consultant of Beijing Hejun Entrepreneurship Management Consulting Co., Ltd., global human resources general manager of Shell (China) Co., Ltd., human resources director of New Hope Group Co., Ltd. and chief human resources officer of Meicai.com. He has extensive experience in human resources management, especially in concepts and management methods such as talent retention and motivation, compensation performance, and capability improvement.

Ms. SU Li — Senior Vice President, Aged 51

Titles, Qualifications and Education

EMBA, Shanghai Jiao Tong University

Major Responsibilities Held with the Group and Past Experience

Ms. Su is the Senior Vice President of the Company. She is responsible for the marketing and sales, industrial parks projects, and business expansion of Zhejiang and Shanghai provincial companies. After joining the Group in 2002, she held deputy general manager and general manager positions of various subsidiaries. Based on her outstanding business development performance, she was promoted as the regional general manager and has been actively implementing the Group's development goals over the years. She has extensive experience in business operation and market development for energy companies. She is currently an executive director of Huzhou Gas Co., Ltd.# (stock code: 6661.HK), an associate of the Company.

Mr. GONG Luojian — Senior Vice President, Aged 52

Titles, Qualifications and Education

EMBA, Nankai University

Major Responsibilities Held with the Group and Past Experience

Mr. Gong is the Senior Vice President of the Company. He is responsible for marketing and sales, industrial parks projects, and business expansion of Jiangsu provincial companies, as well as leading the value added business. After joining the Group in 2007, he served as the marketing director and assistant general manager, deputy general manager and general manager in different regions and member companies. Based on his outstanding business development performance, he was promoted as regional general manager and was responsible for the marketing and sales businesses in Jiangsu province, as well as the business expansion of industrial parks projects. He has extensive past experience in energy enterprise operations and market development.

Mr. ZHANG Jinyu — Vice President, Aged 49

Titles, Qualifications and Education

Bachelor's degree in Urban Gas Engineering, Chongqing University
PRC Senior Engineer

Major Responsibilities Held with the Group and Past Experience

Mr. Zhang is the Senior Vice President of the Company. He is responsible for marketing and sales, industrial parks projects, and business expansion of Anhui provincial companies. He is also an engineer. He joined the Group in 2000, and has deep involvement in the gas industry for many years in Shandong provincial companies. With his outstanding performance, he was promoted to regional general manager and has been actively implementing the Group's development goals over the years. With his outstanding leadership skills and in-depth industry insights, he has promoted a number of important projects and strategies within the Group and achieved outstanding results. He has extensive past experience in energy enterprise operations and market development.

Ms. LEUNG Mui Yin — Company Secretary, Aged 41

Titles, Qualifications and Education

Bachelor of Business Administration (Honours) in Accountancy, The Hong Kong Polytechnic University
Member of The Hong Kong Chartered Governance Institute
Member of The Chartered Governance Institute in the United Kingdom
Member of the HKICPA

Major Responsibilities Held with the Group and Past Experience

Ms. Leung, the Company Secretary, is responsible for the Company's information disclosure and compliance affairs. After joining the Group in 2011, successively held various positions in finance function and as the deputy company secretary of the Company. She has over 15 years of experience in accounting and financial reporting, finance, corporate governance and company secretarial practices.

The securities of these companies are currently listed on the Hong Kong Stock Exchange or overseas stock exchange(s)
▲ The securities of these companies have currently been delisted from the Hong Kong Stock Exchange or overseas stock exchange(s)
* This shows the time of their most recent appointment as executive/non-executive/independent non-executive director of the Company, rather than the time of their initial appointment or change of role.

A Audit Committee
N Nomination Committee
$ Remuneration Committee
R Risk Management Committee
E Environmental, Social and Governance Committee

CORPORATE GOVERNANCE REPORT

Corporate governance is the collective responsibility of the board of directors of the Company (the "Board") and the Board strongly believes that good corporate governance is fundamental in ensuring the proper management of the Company in the interests and expectation of all of its stakeholders. The Board is conscious about continuous improvement in the area of corporate governance, including but not limited to an effective board of directors, prudent internal and risk controls, transparency as well as clear and comprehensive disclosure and, most importantly, takes prompt actions in responding to identified improved opportunities. While pursuing its business development, the Group also actively fulfils its environmental and social responsibilities, expands and deepens a win-win situation with mutual benefits with its ecological partners, creates long-term stable environmental, social and corporate values for its stakeholders, and continuously promotes sustainable development of the Group.

LEADERSHIP

BOARD GOVERNANCE
- Corporate Governance Code
- Model Code
- Onboarding Guideline for Directors
- Board's terms of reference
- Articles of association

BOARD COMPOSITION
- Comprise 6 EDs, 1 NED and 4 INEDs currently
- All directors are subject to retirement and re-election at AGM at least once every three years
- Diverse skills, knowledge and experience

CORPORATE STRATEGY
- Set strategy and participate in significant decision-making
- Oversee financial performance and environmental, social and governance management ("ESG") development of the Group

EFFECTIVENESS

EVALUATION
- Board evaluation process via questionnaire covering the Board's effectiveness, and develop measures for improvement

INFORMATION & SUPPORT
- Good information flow between the Board and the management
- Access to independent professional advice and support from Company Secretary
- Management are invited to attend Board/Committee meetings to present and answer questions to facilitate the decision-making process

DIVERSITY
- Board Diversity Policy
- Diversity of skills and expertise (See page 46)

COMMITMENT
- All directors are committed to devoting sufficient time and attention to the Company's affairs

INDEPENDENCE
- The Chairman of the Board holds meetings with the independent non-executive directors without other executive directors presence

CONTINUOUS PROFESSIONAL DEVELOPMENT
- Directors receive various trainings and development programmes to refresh their skills and knowledge and to keep up to date with current development
- Visit the Company's key projects, and understand the Company's development

THE ROLE OF THE COMPANY SECRETARY
- Review and implement corporate governance practices
- Provide advice and support to directors
- Keep directors updated on legislative, regulatory and governance matters

ACCOUNTABILITY

COMMITTEES
- 4 Board committees and 4 responsibility committees have been established
- Board committees and responsibility committees report to the Board

MANAGEMENT PROCESS
- Day-to-day management by the management (executive directors and senior management) and report to the Board

RISK MANAGEMENT AND INTERNAL CONTROL
- Regular review and monitor risk management process
- Robust assessment of principal risks and effectiveness of internal controls
- "Risk Management and Internal Controls" (see pages 48 to 49)

FINANCIAL REPORT AND AUDITORS
- "Independent Auditor's Report" (see pages 72 to 74)
- External Auditor's independence and appointment
- Internal Audit function

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE (ESG)
- Green Finance Framework developed
- Decarbonisation Action 2030 publication – ENN Energy's Zero Carbon Journey
- ESG Committee and ESG Working Group as a robust support
- Separate ESG report publication since 2018

ENGAGEMENT

CONSTRUCTIVE USE OF GENERAL MEETINGS
- Encourage shareholders to attend AGM at hybrid meetings
- Committee chairmen available at AGM to answer questions (in person or via electronic meeting)
- Notice is sent out more than 21 days before each meeting (this exceed the requirement of Corporate Governance Code)

DIALOGUE WITH SHAREHOLDERS
- Enhance shareholder communications by electronic channels
- Organise shareholders' visits to enhance their understanding on the Group's development and other businesses as circumstances permit
- Share promotional video of key projects with shareholders

COMMUNICATION CHANNELS WITH STAKEHOLDERS
- Physical meetings/teleconferences, webcasts for analysts and media briefings
- Investment community communications including roadshows
- Publication of financial reports, announcements, circulars and press releases
- Company's website

BOARD ACTIVITIES DURING 2023

The key areas of Board activities during the year are as follows:

DIRECTIONS

- Reviewed the Group's position and all the challenges that the Group will be facing (including the impact brought by the policies), the progress in digitalised transformation and security renovation, as well as the resources and skills the business may require in future
- Discussed business plans and opportunities, as well as long-term directional strategies for the growth of the Group

RISK MANAGEMENT AND INTERNAL CONTROLS

- Reviewed the Group's risk appetite and assessed changes in external and internal risk level, imminent risks and mitigating actions
- Reviewed the effectiveness of the Group's risk management and internal control systems

ACCOUNTABILITY

- Filled in the Board evaluation form and gave recommendations to the Chairman/Vice Chairman of the Board for further improvement
- The Chairman of Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and each Responsibility Committee updated the Board on the proceedings of their meetings held during the year, including key discussion points and any areas of concern
- Reviewed major corporate governance related reports

PEOPLE AND LEADERSHIP

- Reviewed the Board structure, size, composition and diversity, as well as the independence of independent non-executive directors
- Identified individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorship
- Reviewed and evaluated the fee of non-executive directors
- Reviewed the compensation of the executive directors and the senior management
- Rotated committee chairs appropriately to achieve better corporate governance
- Considered the changes of directors and composition of the Board to support the strategic development of the Company

FINANCIAL, OPERATIONAL AND BUSINESS PERFORMANCE

- Reviewed the interim and annual results, approved the interim and annual reports
- Reviewed the ESG performance and approved the ESG annual report
- Reviewed and approved the material funding and repurchase plan
- Declared dividends
- Reviewed the operating results of the Group's core business and regular updates for financial and investment

Corporate Culture and Strategies

The Company deeply knows that healthy corporate culture is not only the core of good governance, but also the soul of an enterprise and an essential part of its sustainable development. The Company develops its corporate culture according to the operating environment, values and strategies, including the value concepts of same belief in the aspects of compliance, integrity, safety, environmental protection, health and employee care, thereby adhering to the core value concept of sustainable development, and running through safety production, operation management, occupational health and other aspects. Our company is guided by the mission and vision of "Building a Modern Energy System, Co-building a Better Ecology". We focus on four strategic goals: innovative implementation of dual-carbon initiatives, leading digital transformation, creating a high-quality lifestyle, and enhancing safety management. Through our dedicated and effective work, we have established our strategic positioning as a "smart city service provider that dedicated to enhancing the quality of living in homes and enabling intelligent carbon management in enterprises".

Corporate Governance Practices

The Company is committed to high-quality corporate governance practices, so the Board and the management have been continually reviewing and enhancing the corporate governance practices with reference to local and international standards. Since its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company has adopted the Corporate Governance Code (the "CG Code") as contained in the Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the main guideline for corporate governance practices. The Company also continues to monitor developments in the area of corporate governance externally to ensure the suitability and robustness of its corporate governance framework in light of the rapidly changing business environment and to meet the expectations of stakeholders.

Corporate Governance Code Compliance

For the year ended 31 December 2023, the Company was in compliance with all the code provisions of the CG Code. The Company reviews the compliance of the CG Code on an annual basis in order to ensure that the Company has complied with the code provisions, incorporates the code based on "comply or explain", and makes reference and executes applicable best recommended practices, to achieve continuous improvement of corporate governance.

The Company is honoured to have continuously received numerous awards from independent bodies over the previous years in recognition of the achievements of the Company and its subsidiaries (collectively, the "Group") in its business and management. The latest awards garnered during the year are set out in the section headed "Awards & Rankings" under the "ENN at a Glance" on page 5 of this Annual Report.

Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the code of conduct for securities transactions by the directors of the Company. After having made specific enquiry, the Company confirms that all directors have complied with the Model Code throughout the year.

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

The Board

According to the articles of association of the Company, the Board is a standing decision-making body of the Company. It assumes the responsibility of leading, guiding and supervising the affairs of the Group, and develops long-term strategic goals and policies for the Group. The Board is also responsible for performing the corporate governance functions of the Company, which include developing, reviewing and monitoring the Company's corporate governance policies and practices, ensuring compliance with legal and regulatory requirements and codes applicable to employees and directors of the Company, and reviewing the Company's compliance with the CG Code. It also pays attention to value creation and risk management during the process, and ensures that appropriate and sufficient disclosures are made in the annual report.

The Board has established Board committees and other responsibility committees, they performed their duties and report to the Board in accordance with their respective terms of references. Details have been set out in below under the section headed "Board Committees" and "Other Responsibility Committees". The Board has delegated insignificant and cumbersome issues that require Board approval to the Management Committee (details have been set out in below under the section headed "Management Committee"). The Management Committee has to report its decisions made to the Board bi-yearly. The Board has delegated the daily operations of the Group to executive directors and senior management of the Company (collectively, the "Management"). Whenever the Board delegates its powers in management and administrative functions to the Management, they have simultaneously provided clear guidance, especially as to under what circumstances the Management should report to and obtain approval from the Board before making any decisions or entering into any undertakings on behalf of the Company.

The Chairman of the Board and the Management will ensure all Directors (including the independent non-executive directors) of the Company have access to adequate, complete and timely information so that they can make informed decisions and discharge their duties and responsibilities as directors. Directors may request further briefing or explanation on any aspect of the Group's operations or business and seek advice from the Company Secretary on the Company's compliance management matters, including Board procedures and corporate governance practices. Where appropriate, they can also seek independent professional advice at the Company's expenses.

The Company has insured director's liability insurances for the directors, which provided protection to the directors for liabilities that might arise in the course of their performance of duties according to law and facilitate directors to fully perform their duties.

Appointment, Re-election and Retirement of Directors

The Nomination Committee of the Board is responsible for evaluating the appointment of new directors, re-election of directors or filling the vacancies of directors, advising to the Board and submitting for approval at the shareholders' general meeting upon approval by the Board. All directors of the Company have entered into formal service agreements/letters of appointment with the Company, and are subject to retirement by rotation in accordance with the articles of association of the Company. Article 116 of the articles of association provides that at each annual general meeting ("AGM"), one-third of the directors for the time being (or if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every director shall be subject to retirement by rotation at least once every three years. Also, pursuant to Article 99 of the articles of association of the Company, any director appointed to fill a casual vacancy or as an addition to the Board is subject to re-election at the next following general meeting or next following AGM of the Company. According to the historical information of the past five years, the average term of re-election of each director is two (2) years.

The re-election of any independent non-executive directors who has served on the Board for more than nine years is subject to (i) a separate resolution to be approved by the shareholders of the Company; and (ii) further information to be set out in the circular to shareholders of the Company stating why the Board or the Nomination Committee believes that the relevant independent non-executive director is still independent and should be re-elected.

Chairman and Chief Executive

The posts of the Chairman and the Chief Executive of the Company are responsible by different persons to ensure a balance of power and authority and their roles are segregated with a clear division of responsibilities set out in writing.

Mr. Wang Yusuo is the Chairman of the Company (the "Chairman") who is responsible for the management of the Board. Throughout the year, Chairman is responsible for ensuring the effective functioning of the Board, monitoring the performance of the Management, and establishing good corporate governance practice and procedure. Moreover, the Chairman held a meeting with the independent non-executive directors without the presence of other executive directors.

During the year, Mr. Zheng Hongtao, being the then Executive Chairman, was assisting the Chairman of the Board to ensure the effective operation of the Board, establish good corporate governance practices and procedures, and will be responsible for the strategic planning of the Group, especially on the development of the Group's ESG strategies; while Ms. Wu Xiaojing, being the then Chief Executive Officer, was responsible for promoting and implementing the strategies and plans established by the Board, monitoring and correcting the implementation of strategies, as well as ensuring the acquisition of key resources and capabilities of the Group. Mr. Liu Jianfung, being the President, was responsible for assisting the Chief Executive Officer to ensure the upgrading of the Group's business model and the implementation of strategies, as well as the achievement of the Group's development goals.

The Company made a change on 12 December 2023. Mr. Zhang Yuying was appointed as the Chief Executive Officer and was responsible for promoting and implementing the strategies and plans established by the Board, monitoring and correcting the implementation of strategies, ensuring the acquisition of key resources and capabilities, as well as promoting and implementing the digital transformation of the Group. Mr. Zhang possesses acute customer understanding and market insights, and outstanding strategic thinking and execution capabilities., and practical experience in digital transformation in a group company, he will be able to help the Group achieve long-term stable growth and excellent operations.

Non-executive Directors and Independent Non-executive Directors

Non-executive directors do not belong to the Management as they do not participate in the daily operation and management of the Group. However, they are also not considered to be independent. Independent non-executive directors are independent directors who meet the independence criteria under the Listing Rules. The non-executive directors (including the independent non-executive directors) of the Company have a term of appointment of three years. They have the same duties of care and skill and fiduciary duties as the executive directors. They possess skills and experience in other aspects (such as human resources, law, information technology, etc.) other than the Group's business knowledge, which helps to enhance the Board's balance of skills, experience and diversity of perspectives, whereby playing an important role in the Board.

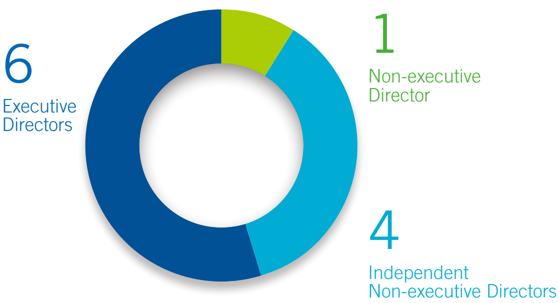
The non-executive directors (including independent non-executive directors) serve as members of the Company's Board committees (including audit, remuneration, nomination and risk management) and other responsibility committees, provide independent judgment to the Board to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct, and monitor the Company's performance in achieving agreed corporate goals and objectives and the relevant reporting. The independent non-executive directors will take the lead where potential conflicts of interests arise in the decision making of the Board.

During the year, the Board has at all times complied with the requirements of the Listing Rules about the qualification and number of the non-executive directors, including the appointment of at least three independent non-executive directors, of which at least one has appropriate professional qualification, or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules, and pursuant to the requirement of Rule 3.10A of the Listing Rules, the Company's independent non-executive directors representing at least one-third of the Board.

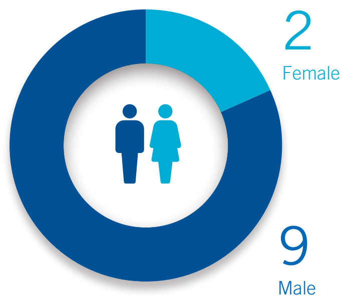
The Company has received from each independent non-executive director a written confirmation of his/her independence pursuant to the requirement of the Listing Rules. With reference to such confirmations, the Company, to its best knowledge, considers all the independent non-executive directors fulfilled the guidelines on independence as set out in Rule 3.13 of the Listing Rules and all to be independent. The respective capacity of independent non-executive director is expressly identified in all corporate communications that disclose the names of the directors of the Company.

Board Composition

As at the date of this Annual Report, the Board had 11 directors, made up of 6 executive directors, 1 non-executive director and 4 independent non-executive directors. Details are as follows:



Gender



Executive directors:
Mr. Wang Yusuo (Chairman)
Mr. Zhang Yuying (Chief Executive Officer)
Mr. Liu Jianfeng (President)
Mr. Wang Dongzhi (Chief Financial Officer)
Ms. Zhang Jin
Mr. Jiang Chenghong

Non-executive director:
Mr. Wang Zizheng

Independent non-executive directors:
Mr. Ma Zhixiang
Mr. Yuen Po Kwong
Mr. Law Yee Kwan, Quinn
Ms. Wong Lai, Sarah

A list of the directors of the Company and their role and function is available on the websites of the Company and the Stock Exchange, and the biographical details of each of the directors are set out on pages 26 to 30 of this Annual Report.

Mr. Liu Jianfeng, Ms. Zhang Jin and Ms. Wong Lai, Sarah, Mr. Zhang Yuying and Mr. Jiang Chenghong were appointed as directors by the Company on 16 January 2023, 25 August 2023 and 12 December 2023 respectively. They obtained legal advice referred to in Rule 3.09D of the Listing Rules from a firm of solicitors qualified to advice on Hong Kong law on 16 January 2023, 24 August 2023, and 15 December 2023, respectively. They all confirmed their understanding of their obligations as directors of the Company.

The directors of the Company, with their diverse expertise, relevant industrial experience and background in areas such as legal, accounting and finance, economics, corporate governance and industry expertise, provide valuable contributions and advices to the Group in relation to its business development. Currently, out of the 11 directors, two are female, representing 18% of the Board. To further promote Board diversity, the Company plans to reach a 30% female board ratio by financial year 2025 and will continue to maintain a diversified Board. In addition to implementing gender diversity at the board level, the Group also actively promotes gender diversity among senior management and employees of its subsidiaries. By the end of 2023, the proportion of female employees in all staff of the Group was 26.4%, while the proportion of female employees in senior management reached 40%, which was attributed to the nature of our industry. Nevertheless, the Group encourages and supports female employees to shine bright in the workplace and we provide relevant training courses to enhance their competitiveness, whereby the proportion of female employees will be gradually improved. For details of Board diversity, please refer to the section headed "Nomination Committee" on pages 44 to 46 of this Annual Report.

As at the date of this report, except that Mr. Wang Zizheng (Non-executive director of the Company) is the son of the Chairman, no relationship (neither financial, business nor family) exists among members of the Board, and in particular, there is no relationship (neither financial, business nor family) between the Chairman and chief executives.

Meetings of the Board

The Board meet regularly to keep abreast of the Group's conduct, business activities, operational performance and latest development. Notice of a regular Board meeting is given to all directors of the Company at least 14 days in advance. Directors are invited to include items which they wish to be included in the agenda for the same to be finalised and the agenda will, together with the relevant meeting papers, be given to the directors at least 3 days prior to a Board or Board's committee meetings.

The Company has adopted the following practices to keep the directors informed of the latest information about the Group and facilitate the working of an effective and accountable Board:

- The public relations company appointed by the Company informs the directors of the news and stock closing price relating to the Company on every working day.
- The Management timely communicates the possible reasons causing the significant fluctuation in stock price that they are aware of.
- Send the Group's market and media updates to the directors of the Company on a non-periodic basis.
- Send the report about the operational, investment and financial performance of the Group to the directors of the Company on a monthly basis.
- As most of the directors of the Company are on occasional, and sometimes unexpected, business trips and/or are stationed in different regions of China, apart from encouraging them to attend in person, the directors could attend the meeting through electronic means of communication. For simple and straight forward Board resolutions, or a resolution that has been fully communicated through different communication channels and obtained the consent of all directors before the meeting, the Company Secretary will suggest the resolutions to be passed in the form of a written resolution with the relevant materials circulated together with draft resolutions to the full Board.
- Where a director is unable to attend a meeting, he/she is informed about the matters to be discussed and encouraged to express his/her views to the Chairman of the Board or the Company Secretary prior to the meeting.
- Agree and execute the next annual plan for Board meetings and Board's committees meetings as well as corporate events with directors by the Company Secretary in December every year to reserve their times for attendance.
- In relation to notifiable transactions/issues about the Company, external independent professional advices will be sought upon request by the directors of the Company, the expenses will be borne by the Company.
- The Company has set up an independent board committee comprising independent non-executive directors to review all discloseable connected transactions of the Company or other transactions which the committee considered to have conflicts of interests, and an independent financial advisor will be engaged to give independent opinion on such transactions to the Board.

The Company Secretary is responsible for taking minutes of Board and Board's committees meetings with details of the matters considered by the Board and decisions reached, including any concerns raised by the members of the Board or dissenting views expressed, as well as the recommendations to improve the Company's corporate governance and internal control systems. Minutes of the Board's meetings and committees meetings have been recorded in sufficient details, and maintained by the Company Secretary for inspection by any directors of the Company within a reasonable time upon a reasonable notice given.

Directors' attendance

The Board held five meetings (including four regular meetings, but excluding Board approvals obtained by circulating written resolutions) during 2023 and other additional meetings when Board approvals are needed for other issues. Details of the directors' attendance record of Board meetings, general meetings and directors' trainings during the year are as follows:

	Attendance/number of meetings held		Types of Trainings
	Board meetings	**Annual general meeting**	**(See Remarks)**
Executive directors:			
Wang Yusuo	5/5	1/1	A,B
Zheng Hongtao (resigned on 12 December 2023)	4/5	1/1	B
Wu Xiaojing (resigned on 12 December 2023)	5/5	1/1	B
Zhang Yuying (resigned as a non-executive director on 16 January 2023, and appointed as an executive director on 12 December 2023)	N/A	N/A	A,B
Liu Jianfeng (appointed on 16 January 2023)	4/4	1/1	A,B
Wang Dongzhi	5/5	1/1	A,B
Zhang Jin (appointed on 25 August 2023)	1/1	N/A	A,B
Jiang Chenghong (appointed on 12 December 2023)	N/A	N/A	A,B
Non-executive directors:			
Wang Zizheng	5/5	1/1	A,B
Jin Yongsheng (resigned on 25 August 2023)	4/4	1/1	B
Independent non-executive directors:			
Ma Zhixiang	5/5	0/1	A,B
Yuen Po Kwong	4/5	1/1	A,B
Law Yee Kwan, Quinn	5/5	1/1	A,B
Yien Yu Yu, Catherine (resigned on 25 August 2023)	4/4	1/1	A,B
Wong Lai, Sarah (appointed on 25 August 2023)	1/1	N/A	A,B

Remarks:

A: attending seminars, conferences and/or forums

B: reading journals, updates, articles and/or materials, etc.

Time Devotion of Directors

In order to ensure the all directors of the Company devote sufficient time to the affairs of the Company, they have to disclose to the Company, upon their appointment, of their offices held in other public companies or organisations and other significant commitments, if any. They need to disclose to the Company from time to time for any changes and the time involved annually. After having made specific enquiry, the Company confirms that no independent non-executive directors served seven listed companies or more.

The Board of the Company has established the Board attendance policy that unless there is a special reason or the low attendance rate due to a small number of meetings, the attendance rate of the directors in the Board meetings and major committees meetings of the Company should not be less than 75%. The attendance rate of all the directors of the Company in 2023 had reached 75% or above, and the overall attendance rate of all the directors in the meetings had reached 98%. The directors of the Company have also confirmed that they have given sufficient time and attention to the affairs of the Company for the year ended 31 December 2023.

Mechanism Ensuring The Board Can Obtain Independent Views

The Board has formulated the mechanism to ensure that the Board can obtain independent views and opinions, and reviewed its implementation and effectiveness during the year. Taking into account the following channels, the Board considered that the Company had effective mechanism to ensure that the Board can obtain independent views, the details are as follows:

- the Board comprises four independent non-executive directors (representing one-third of the Board) and all of them continue to devote sufficient time to the Company;
- in addition to the requirements about the combination of certain board committees under the Listing Rules, the Company also invites independent non-executive directors to serve as chairman or members of other responsibility committees whenever possible, providing opportunities for them to express their views and opinions and monitor the development of the Company;
- the directors can seek independent professional opinions from external legal advisors or other independent professional individuals when necessary and invite outsiders with relevant experience and expertise to attend meetings to perform their duties to the Company at the expense of the Company. The arrangement for seeking independent professional opinions can be made through Chief Financial Officer or Company Secretary;
- the directors can seek information from the staff of the Group to perform their duties, including but not limited to the Company's accounts, books and records and staff are required to provide assistance in compliance with applicable laws and regulations;
- annual meeting between the Chairman and all independent non-executive directors without presence of other executive directors, this provides effective platform for the Chairman to listen their independent views on various issues concerning the Group; and
- the independent non-executive directors have fixed fees and the equity-linked (such as share options) remuneration granted by the Company to them is not related to performance goals, with an aggregate amount not exceeding 0.1% of issued shares. This assures that such remuneration will not affect the objectivity and independence of their decision-making.

Assessment of Board Performance

The Board believes that regular reviews of its own performance are essential for good corporate governance and board effectiveness, and hence has conducted a review at least once a year since 2020. The Board delivered a questionnaire to all directors, with the aim of understanding the directors' opinions and suggestions on the following three aspects, including the structure of the Board, Board competence and Board operation mechanism. In addition, other issues related to corporate culture, diversity of Board members, independent opinion mechanism and minority shareholders' rights were also included, positive responses from the directors were received. The improvement plan on the directors' opinions and suggestions were also formulated.

Directors' Training and Professional Development

Directors are encouraged to participate in continuous professional development to enhance and refresh their knowledge and skills, ensuring that their contributions to the Board remain informed and relevant.

Newly appointed directors of the Company had been offered an induction training, and briefed by external compliance lawyer of the Company on director's responsibilities under the relevant legal and regulatory requirements (including but not limited to the Companies Ordinances, the Listing Rules and the SFO). They were provided with an information memorandum on directors' duties and obligations which assists them in understanding their responsibilities as a director of the Company. Subsequently, they also should receive any briefing and professional development necessary to ensure that they have a proper understanding of the issuer's operations and business and are fully aware of their responsibilities under statute, legal and other regulatory requirements and the issuer's business and governance policies. During the year, the Company held a full-day internal training for directors and senior management, with special topics focusing on directors' responsibilities and the update on the latest compliance, financial compliance, ESG compliance and development trends. Also, the directors actively participated in various seminars and trainings to enrich their knowledge. For the newly appointed directors, the Company Secretary provided relevant materials on Listing Rules and compliance, serving as a reference for their directorship responsibilities as needed.

The President of the Company updated the business and prospects of the Group in detail to the Board twice during the year, providing the directors of the Company an update on the operation and business of the Group, as well as the development of the energy industry.

For the year ended 31 December 2023, all the directors of the Company had provided their training records to the Company and the training records have been set out in above under the section headed "Directors' attendance".

Board Committees

To streamline its duties and uphold good corporate governance, the Board allocates certain of its executive and monitoring functions to four Board committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Management Committee, which are comprised of directors only.

Audit Committee

The Audit Committee is made up of all independent non-executive directors and is mainly responsible for monitoring the completeness of the financial statements, annual and interim reports and accounts of the Group, and reviewing the risk management and internal control system. The Committee maintains a decent relationship with the Company's external auditor, and makes recommendation to the Board on the appointment, reappointment and removal of external auditor, and related matters. A written term of reference explaining its role and the authority delegated to it by the Board is published on the websites of the Company and the Stock Exchange.

All members have sufficient experience in reviewing the effectiveness of the risk management and internal control systems, the internal audit functions, as well as reviewing the audited financial statements as aided by auditors and senior management of the Group whenever required. Mr. Law Yee Kwan, Quinn, Ms. Yien Yu Yu, Catherine (resigned on 25 August 2023) and Ms. Wong Lai, Sarah (appointed on 25 August 2023), being the members of the Audit Committee, have appropriate professional qualifications, or accounting and/or related financial management expertise and experience.

Five Audit Committee meetings were held during the year. The Chief Financial Officer, head of internal audit function and the representatives of the external auditor also attended the relevant meetings. Attendance of the members is set out below:

Members	Attendance	Number of meetings
Law Yee Kwan, Quinn (Chairman of the Audit Committee) (Note 2)	5	5
Ma Zhixiang	5	100% Attendance
Yuen Po Kwong	5	100% Independence
Yien Yu Yu, Catherine (Note 1)	4	
Wong Lai, Sarah (Notes 1 & 2)	1	

Notes:

1. On 25 August 2023, Ms. Yien Yu Yu ceased to be a member and Ms. Wong Lai, Sarah had been appointed as a member.
2. On 22 March 2024, Mr. Law Yee Kwan, Quinn ceased to be the chairman but remains as a member, while Ms. Wong Lai, Sarah has been appointed as the new chairman.

The Audit Committee held meetings during the year principally for the following issues:

- reviewed the consolidated financial statements of the Group for the year ended 31 December 2022 and for the six months ended 30 June 2023, and the significant financial reporting judgements contained therein;
- reviewed the continuing connected transactions of the Group for the year ended 31 December 2022 under the Listing Rules;
- discussed with the management and external auditor the issues that may have significant impact on the financial statements, including but not limited to debt repayment plans that are about to be due, significant financing arrangements and cash flow management, and asset impairment;
- discussed with the external auditor the impact of any changes in accounting policies as well as the nature and scope of annual audit and interim review before the commencement of the audit work, and their reporting responsibilities;
- reviewed the external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards;
- made recommendations to the Board on the appointment and reappointment of external auditor, and approved the remuneration and terms of engagement of the external auditor;

- listened to the work report of the head of internal audit department, and reviewed the effectiveness of the Group's risk management and internal control systems bi-yearly, and monitored the improvement (if any); and
- assessed whether there were adequate resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions provided by the Management.

Auditor's remuneration

For the year ended 31 December 2023, Deloitte Touche Tohmatsu ("Deloitte"), the auditor of the Company provided audit service and non-audit services to the Group, and the amounts of remuneration paid and payable in connection therewith are as follows:

	Approximate Amount (RMB)
Annual audit service	8,400,000
Non-audit services – interim review service	2,140,000
– ESG Report advisory service	125,000
Total	10,665,000

Save as disclosed above, the Group did not engage Deloitte to provide other services during the year and up to the date of this report.

As stated by the Audit Committee to the Board, the Audit Committee is of the view that service fees paid/payable by the Company to external auditor for the services provided for the year were reasonable. External auditor had no material disagreement with the Management of the Company during the year.

Remuneration Committee

The Remuneration Committee is made up of all independent non-executive directors of the Company and is responsible for establishing a formal and transparent procedures for developing the overall remuneration policy and structure for all directors and senior management of the Company and making recommendations about the remuneration of individual executive directors and senior management to the Board, and ensuring no director or any of his/her associates is involved in deciding his/her own remuneration. A written term of reference explaining its role and the authority delegated to it by the Board is published on the websites of the Company and the Stock Exchange.

The objective of the remuneration policy of the Company is to maintain at a reasonable and competitive remuneration package so as to attract and retain the best employees (including directors) to serve the needs for the development of the Company. The remuneration package consists of fixed and variable remuneration, cash and benefits in kind, including but not limited to: basic salary which is fixed to commensurate with market rate and each individual's experience and ability; year-end bonus and/or share options granted with reference to an individual employee's position, performance and ability to contribute to the overall corporate success (the granting of share options is subject to shareholders' mandates as required and the applicable laws and regulations of relevant jurisdictions) and/or awarded shares; and other customary and/or mandatory benefits to employees, such as retirement fund scheme, insurance and paid holiday, with reference to prevailing practices in relevant jurisdictions. If employees violate applicable rules and regulations, depends on circumstances, his/her monthly performance sharing, year-end value sharing and/or medium to long term incentives payments, will be deducted as punishment.

In determining the remuneration packages for executive directors and senior management of the Company, in addition to the aforesaid remuneration policy and structure, the Remuneration Committee also takes into consideration various factors such as salaries paid by comparable companies, time commitment, responsibilities and employment terms elsewhere in the Group. The Human Resources Department of the Company provides materials on relevant remuneration data, remuneration benchmarks, market analysis and proposals to the Remuneration Committee for consideration. As the remuneration package is performance-based, most of their remuneration are linked with the Company and personal performance, such as the profitability of the Company, ESG performance indicators, aimed to be competitive to attract and retain talented employees. Therefore, the remuneration of executive directors and senior management includes basic salary, year-end bonus, retirement and other benefits. The remuneration of non-executive directors mainly consists of fixed fees. Furthermore, the Company also grants share options or awarded shares to directors and senior management pursuant to the Share Option Scheme/Share Award Scheme.

Four Remuneration Committee meetings were held during the year. Attendance of the members is set out below:

Members	Attendance	Number of meetings
Yuen Po Kwong (Chairman of the Remuneration Committee) (Note 2)	4	4 100% Attendance 100% Independence
Ma Zhixiang (Note 2)	4	
Law Yee Kwan, Quinn	4	
Yien Yu Yu, Catherine (Note 1)	3	
Wong Lai, Sarah (Note 1)	1	

Notes:

1. On 25 August 2023, Ms. Yien Yu Yu ceased to be a member and Ms. Wong Lai, Sarah had been appointed as a member.
2. On 22 March 2024, Mr. Yuen Po Kwong ceased to be the chairman but remains as a member, while Mr. Ma Zhixiang has been appointed as the new chairman.

The works of Remuneration Committee during the year principally for the following issues:

- reviewed the policy and structure of remuneration for all directors and senior management of the Company, and made recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy;
- made recommendations to the Board on the remuneration of each executive director and senior management of the Company for year 2023;
- reviewed the fees of the non-executive directors (including independent non-executive directors) of the Company;
- made recommendations to the Board on the remuneration of new directors;
- approved the terms of services contract/appointment and remuneration packages of directors appointed during the year, and made recommendations to the Board; and
- reviewed the vesting and exercise/redeem conditions of the share options/awarded shares held by the resigned directors within the year, and made recommendation to the Board for the extension of their exercise period at their discretion.

The remuneration payable to the senior management (other than Directors) of the Company for the year ended 31 December 2023 fell within the following bands:

Remuneration Bands (HK$)	Number of individuals
0 to 1,000,000	1
1,000,001 to 1,500,000	3
2,500,001 to 3,000,000	1
3,000,001 to 3,500,000	1
4,000,001 to 4,500,000	1
Total	7

Details of Directors' remuneration and equity interest in the Company held by the Directors for the two years ended 31 December 2023 and 2022 respectively are listed out in Notes 11 and 42 to the consolidated financial statements.

Nomination Committee

The Company has established Nomination Committee which the chairman is the Chairman of the Board, and the majority of the members are independent non-executive directors. The Nomination Committee is responsible for reviewing the structure, composition and diversity of the Board, identifying and making recommendations to the Board of suitable candidates as directors, making recommendations to the Board on matters relating to the appointment and re-appointment of directors, succession planning for directors, and evaluating the independence of independent non-executive directors. A written term of reference explaining its role and the authority delegated to it by the Board is published on the websites of the Company and the Stock Exchange.

The Board adopted its "Nomination Policy" and "Board Diversity Policy", details had been uploaded onto the Company's website. The "Nomination Policy" aims to provide guidance to the Nomination Committee of the Company to identify and evaluate an appropriate candidate. It offers assistance to the Board and makes recommendations to the Board on, among others, the appointment or re-appointment of directors and succession planning for directors. Candidate is required by the Nomination Committee to provide personal information in prescribed form, and the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate. Suitable candidate will be nominated by Nomination Committee to the Board with reasons of recommendation and voting intention of the Nomination Committee for the Board's consideration. The objective of the "Board Diversity Policy" is that the appointments of director should be based on merit with due regard for the benefits of diversity to the Board. In determining the composition of the Board, the Company seeks to achieve board diversity through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

During the year under review, the Nomination Committee has reviewed the "Board Diversity Policy" and considered that the "Board Diversity Policy" suitable and effective.

Four Nomination Committee meeting was held during the year (resolutions passed by way of written resolutions were not included). Attendance of the members is set out below:

Members	Attendance	Number of meetings
Wang Yusuo (Chairman of the Nomination Committee)	4	4 96% Attendance 71% Independence
Zheng Hongtao (Note 1)	2	
Jin Yongsheng (Note 2)	3	
Zhang Jin (Note 2)	1	
Ma Zhixiang	4	
Yuen Po Kwong	4	
Law Yee Kwan, Quinn	4	
Yien Yu Yu, Catherine (Note 2)	3	
Wong Lai, Sarah (Note 2)	1	

Notes:

1. On 12 December 2023, Mr. Zheng Hongtao ceased to be a member.

2. On 25 August 2023, Mr. Jin Yongsheng and Ms. Yien Yu Yu, Catherine ceased to be members, and Ms. Zhang Jin and Ms. Wong Lai, Sarah have been appointed as members.

The Nomination Committee held meetings during the year principally for the following issues:

- reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, as well as diversity of Board members, and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- made recommendations to the Board on the composition of the Board's committees;
- assessed the independence of independent non-executive directors; and
- made recommendation to the Board on retirement plan of the Directors in AGM according to the requirements of the articles of associations of the Company.

New Directors in 2023

Ms. Zhang Jin and Ms. Wong Lai, Sarah were appointed as an executive director and independent non-executive director respectively on 25 August 2023. Ms. Zhang was the then chief human resources officer and was mainly responsible for the human resources management and administrative office work of the Group. She had always been one of the potential director candidates. She has extensive knowledge on concepts and management methods such as talent retention and motivation, compensation performance, and capability improvement. Ms. Wong has over 20 years of experience in corporate financing and capital market operation. She has handled numerous projects, including corporate financing, large-scale IPO, mergers and acquisitions, as well as placement. In addition to maintaining Board diversity, the Nomination Committee considers that her inclusion further elevates the standards of accounting and finance, and investment management within the Company.

Mr. Zhang Yuying and Mr. Jiang Chenghong were appointed as executive directors on 12 December 2023, and Mr. Zhang was appointed as the chief executive officer at the same time. After joining the Group in 2003, Mr. Zhang held various important positions in business planning and strategic performance management of the Group, and has in-depth involvement in city-gas business. Mr. Zhang possesses acute customer understanding and market insights, and outstanding strategic thinking and execution capabilities. With his practical experience in digital transformation in group companies, the Nomination Committee believes that he will contribute to the long-term stable growth and excellent operations of the Group. Mr. Jiang possesses keen risk insights, excellent organisational coordination and analytical decision-making abilities. The Nomination Committee believes that his extensive experience and unique insights in financial and value-based operational management, investment and financing management, and capital operations in group companies will contribute to better risk management for the Group.

CORPORATE GOVERNANCE REPORT

Currently, the Board reflects various genders, cultural and educational backgrounds, and professional development. The directors' average years of service is 7, therefore they have deep knowledge of the Company's business. At the same time, the addition of new directors has brought a new direction of thinking to the team and has provided a fresh impact on existing ideas. They have a broad range of individual attributes, interests and values, experiences and skills are balanced, therefore the Nomination Committee and the Board are of the view that the Board is diversified.

Risk Management Committee

The Risk Management Committee is responsible for assisting the Board to evaluate and determine the class and extent of the risks the Group is willing to take in achieving its strategic objectives, and to ensure the Group has established and maintained suitable and effective risk management and internal monitoring systems. Its written terms of reference explaining its role and the authority delegated to it by the Board is published on the websites of the Company and the Stock Exchange.

Further information relating to the key features and measures of risk management and internal monitoring systems is set out in the section headed "Risk Management and Internal Control". Two Risk Management Committee meetings were held during the year. Attendance of the members is set out below:

Members	Attendance	Number of meetings
Zhang Yuying (Chairman of the Risk Management Committee) (Note 1)	N/A	
Zheng Hongtao (Note 2)	1	
Wu Xiaojing (Note 2)	2	
Liu Jianfeng (Note 3)	2	
Wang Dongzhi	1	
Jiang Chenghong (Note 4)	N/A	
Ma Zhixiang	2	
Yuen Po Kwong	2	
Law Yee Kwan, Quinn	2	
Yien Yu Yu, Catherine (Note 5)	1	2
Wong Lai, Sarah (Note 5)	1	

88% Attendance

50% Independence

Notes:

1. On 16 January 2023, Mr. Zhang Yuying ceased to be a member, and on 12 December 2023, he has been appointed as the chairman.
2. On 12 December 2023, Mr. Zheng Hongtao and Ms. Wu Xiaojing ceased to be the chairman and a member respectively.
3. On 16 January 2023, Mr. Liu Jianfeng has been appointed as a member.
4. On 12 December 2023, Mr. Jiang Chenghong has been appointed as a member.
5. On 25 August 2023, Ms. Yien Yu Yu, Catherine ceased to be a member, and Ms. Wong Lai, Sarah has been appointed as a member.

The Risk Management Committee held meeting during the year to handle, among others, the followings:

- listened to the risk management work reports from the Management, considered the changes in the nature and extent of significant risks, and the Company's ability to respond to the changes in its business and the external environment;
- reviewed the Group's risk management procedure for identifying, assessing and managing the substantial risks; and
- made recommendations on the optimisation of the risk management and the internal monitoring systems to the Board.

Other Responsibility Committees

In order to make effective use of the Board's valuable time and resources, the Board has established other responsibility committees to handle insignificant and cumbersome Board matters, ESG report, share award scheme and discloseable connected transactions etc.. The responsibility committees may include non-director as members.

Management Committee

The Board has established the Management Committee (formerly known as "Executive Committee") on 21 March 2019 comprising all executive directors appointed by the Board from time to time. The Management Committee is responsible for the insignificant and cumbersome Board affairs which need approvals from the Board.

During the year, the Management Committee held 13 meetings which dealt with the opening of bank accounts, changes in authorised signers of the bank accounts and related matters, as well as approving the acceptance of facilities offered by certain banks and the provision of guarantee to wholly owned subsidiaries of the Company.

Environmental, Social and Corporate Governance Committee

The Board has established the ESG Committee on 21 March 2019 and currently is comprised of six directors, namely Mr. Wang Zizheng, Mr. Zhang Yuying, Mr. Liu Jianfeng, Mr. Wang Dongzhi, Mr. Jiang Chenghong and Mr. Ma Zhixiang. The ESG Committee is responsible for formulating and reviewing the Company's ESG policies and practices, setting the Company's ESG goals, updating major ESG issues and ESG risks regularly, reporting and making recommendations to the Board; reviewing and monitoring the training and continuous professional development in ESG by directors and the senior management of the Company; and reviewing and monitoring the Company's policies and practices in compliance with rules and regulations. A written term of reference explaining its role and the authority delegated to it by the Board is published on the website of the Company and the Stock Exchange.

During the year, the ESG Committee held two meetings to review the results of work relating to ESG in 2022 and formulate a work plan for 2023 to 2024. The Company is committed to improving the management of ESG, actively responding to the topics concerned by the capital market, and constantly integrating ESG culture and strategies into its daily operation. For more information on our ESG development, please refer to the Company's 2023 ESG Report.

Share Award Committee

The Board has established the Share Award Committee on 30 November 2018, and currently comprising Ms. Zhang Jin, Mr. Ma Zhixiang, Mr. Yuen Po Kwong, Mr. Law Yee Kwan, Quinn and the Company Secretary, is responsible for the execution of the Board's instruction and the administration of the Share Award Scheme of the Company.

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities. However, the trustee in accordance with the rules and trust deed of the Share Award Scheme of the Company, purchased a total of 4,047,500 shares from the exchange for a total consideration of approximately HK$250,236,212. As at 31 December 2023, there were 6,732,600 shares of the Company held in the trust under the Share Award Scheme, approximately 0.60% of the issued share capital of the Company.

Independent Board Committee

The Board has established the Independent Board Committee on 23 October 2020 comprising all independent non-executive directors of the Company as appointed by the Board from time to time. The chairman was changed from Ms. Yien Yu Yu, Catherine to Mr. Ma Zhixiang on 25 August 2023, and then to Mr. Law Yee Kwan, Quinn on 22 March 2024. The Committee is set up for the purpose of, among others, reviewing and recommending for the Board's approval of all discloseable connected transactions of the Company, and assessing the appropriateness of the continuing connected transactions of the Company, as well as the matters the Board deemed to be appropriate such as identification and judgement on potential competing business.

During the year, the Independent Board Committee held one meeting, and discussed the renewal of continuing connected transactions and review the acceptance of the invitations about new projects issued by the Covenantor, and made recommendation to the Board. The compliance advisor was engaged voluntarily by the Company to advise the Independent Board Committee on the abovementioned matters.

Accountability and Audit

Financial reporting

The directors are responsible for preparing financial statements for every financial year of the Company with the support of the accounting and finance team. The Board is collectively responsible for ensuring a balanced, clear and understandable assessment of the Group's annual and interim reports and other financial disclosures and reports under statutory requirements. In order to enable the Board to make an informed assessment of the financial and other information before its approval, the Board is provided with general financial information with explanation thereof (if appropriate) of the Group on a regular basis, as well as monthly report on operation, investment and financial performance to enable them to assess the Company's operational performance and financial position in a timely manner. Moreover, the Management also regularly meets with the directors to present results and discuss any variance between the budget and the actual results. During the year, the Audit Committee discussed and assessed with the Management and external auditor the issues that may affect the going concern of the Group, such as the major issues that may have an impact on the financial performance of the Company, including repurchase of senior notes, impairment assessment, expiration of operating rights and etc..

The accounting and finance department of the Company, headed by the Chief Financial Officer of the Company, is specifically responsible for the accounting and financial reporting functions of the Group and for coordinating and supervising the relevant departments of all the operating subsidiaries of the Company. A majority of the staff of such departments possess academic qualifications and extensive working experience in accounting and financial reporting. The Group also provides continuous training seminars, on-the-job training and offers allowance for external training programmes by professional bodies to motivate the staff to enhance and refresh their knowledge on an on- going basis. The dedicated staff responsible for preparing the annual and interim reports have professional knowledge on Hong Kong Financial Reporting Standards, the Listing Rules and Companies Ordinance to ensure the reports complied with relevant standards, rules and regulations. They are responsible for clearing audit matters for the annual and interim reports with the external auditor and then the Audit Committee. In addition, all new and amended accounting standards and requirements, as well as any changes in accounting policies adopted by the Group, have been thoroughly discussed and approved by the Audit Committee before adoption by the Group.

The financial statements are prepared on a going concern basis, the Board is of the view that they give a true and fair view of the financial position, performance and cash flow of the Group for the year ended 31 December 2023, and the disclosure of other financial information and report therein complies with relevant legal requirements.

A statement of the reporting responsibility of the external auditor is set out in the Independent Auditor's Report on pages 72 to 74 of this Annual Report.

Risk Management and Internal controls

The Board is responsible for the Group's risk management and internal control systems, setting appropriate policies and strategies to review the effectiveness of the risk management and internal control systems. These strategies and policies are aimed at evaluating and determining the nature and extent of the risks that are compatible with the Group's strategic objectives and risk appetite, with main purpose for provision of reasonable assurance against material misstatement or loss rather than absolute elimination of the risk of failure to achieve business objectives.

The Risk Management Committee that set up by the Board is responsible for overseeing and reviewing the risk management and internal control systems of the Group, as well as monitoring the Management's design, implementation and monitoring functions on the risk management and internal control systems. Through the reporting and recommendation given by the independent internal audit team, the Audit Committee is responsible for reviewing and commenting on the effectiveness of the risk management and internal control systems.

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations, the nine category of risks include policy and price risk, compliance risk, operational risk, media risk, legal risk, health, safety and environmental risk, market risk, financial risk and climate changes; and
- Through the daily communication between the Management and the operational departments (covering the Group's market, engineering, procurement, operation and maintenance, etc.), from bottom to top, and paying attention to the development and change of international and domestic political and economic situation, identify other risks that may have a potential impact on the Group's business and operation.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the Management; and
- Considers the impact on the business and the likelihood of risk occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment;
- Determines the risk management strategies and internal control procedures to prevent, avoid or mitigate the risks;
- Strengthens the monitoring and warning function of the internal control and risk management systems continuously based on the result of risk assessment, including the use of digital applications to achieve dynamic early alert of business risks, providing business with risk control rules and standards, business based risk scenarios and coping strategies, customised solutions, and professional risk communication platform; and
- Provides different trainings according to the needs of different groups of people, including online safety certification training for all staff, anti fraud/anti-corruption training for key personnel, etc., promotion of compliance culture and enhance risk prevention awareness and risk alert capability of all staff.

Risk Monitoring and Reporting

- Establishes hierarchical supervisory responsibilities in the Group to ensure that risk monitoring is objective and effective;
- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control procedures are in place;
- Revises the risk management strategies and internal control procedures in case of any significant change of situation; and
- Reports the results of risk monitoring to the Management and the Board regularly.

After consolidation from the subsidiaries and a holistic review of the Group, the Management of the Company submitted a written report on the effectiveness of the Group's risk management and internal control systems to the Audit Committee for review on a yearly basis.

The Management has reported and confirmed to the Audit Committee and the Board that no significant control failings or weaknesses have been identified during the year, and the risk management and internal control systems (including financial, operational and compliance controls) have been effective and adequate for the year ended 31 December 2023 and the Board has considered the results of the review of the Audit Committee and confirmed that the Group's risk management and internal control systems are effective.

Internal Audit Team

The Group has established an internal audit team, which assesses the adequacy and effectiveness of the risk management and internal control systems of the Group regularly, and reports to the Audit Committee and the Board on the audit results semi-annually and makes recommendations to the Management and the Board to address the significant deficiencies of the system or problems that are identified during the monitoring process. The internal audit team has the right of access to all information of the Company to perform its duties.

Whistleblowing Policy and Anti-Fraud Policy

The Company is committed to achieving and maintaining the highest corporate cultures of openness, probity and accountability. Apart from setting up strict "Compliance Code" and "Policy on Anti-Fraud, Corruption and Bribery", a whistleblowing policy is also in place to create a system for the employees and business partners to report directly to the internal audit department in confidence for any serious concerns of the Company about suspected fraud, corruption and bribery and other improprieties. The internal audit department conducts investigations according to procedures and the identity of whistleblower will be kept confidential. The Group will take accountability into practice according to the investigation results and those who violate the laws will be pursued for legal responsibilities. In case of any fraud, corruption and bribery cases that have a significant impact or loss on the Company, the Management will timely report to the Audit Committee and the Board. For details, please refer to "Whistleblowing and Whistleblower Protection Policy", "Compliance Code" and "Policy on Anti-Fraud, Corruption and Bribery" on the Company's website.

Inside Information

Regarding the disclosure of inside information, the Company has a mechanism in place for monitoring its business development so that potential inside information can be promptly identified and escalated up. In determining whether certain information constitutes inside information, the Company adopts a bottom-up approach to escalate information about business developments of the organisation. The final decision on the outcome of inside information assessment shall rest with the Board. The Board will ensure the Company following the requirements to disclose inside information in accordance with the SFO and the Listing Rules and conducts its affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission to promote consistent disclosure practices. The Company designates the directors of the Company, the Chief Financial Officer/Financial Controller, the Company Secretary and staff responsible for investor relations who is properly delegated to speak on behalf of the Company when communicating with external parties such as investors, analysts or media. Other internal control measure such as limiting the number of employees on a need-to-know basis and Management preview, designation of project codes and assignment of project coordinators to monitor the maintenance of confidentiality for the projects, etc., are instituted in the reporting procedures. The Company has also included in its Code of Conduct a strict prohibition on the unauthorised use of confidential or inside information. The Company's Information Disclosure Policy is available on the Company's website.

During the reporting period, the Company sought for advice from the compliance advisor in accordance with the requirements of information disclosure under the SFO and the Listing Rules from time to time. The Board is of the view that the Company's procedures on and internal control of handling and disseminating inside information are effective.

Non-compete Undertakings

In order to protect the best interests of the Group and uphold the integrity of independence from its controlling shareholder, the Company entered into the Deed of Non-compete Undertakings with its controlling shareholder on 18 April 2002, which was amended by entering the Supplemental Deed of Non-competition on 21 November 2013 to specify the restricted scopes of business. Such amendment was approved by an extraordinary general meeting held on 30 December 2013. Details of the amended Deed of Non-compete Undertakings are set out in the circular of the Company dated 9 December 2013.

Company Secretary

The Company Secretary is a full-time employee of the Company and has the knowledge of the daily affairs of the Company. The Company Secretary reported to the Chairman of the Board/Executive Chairman on corporate governance issues and was responsible to provide assistance to the Chairman/Executive Chairman, the Board and Board committees, and ensure good information flow within the Board and the policy and procedures of the Board are followed.

During the year, the Company Secretary confirmed that she undertook no less than 15 hours of professional training to update her skills and knowledge in accordance with the requirement under Rule 3.29 of the Listing Rules. Her biography is set out on page 31 of this Annual Report under the section headed "Directors and Senior Management" and on the Company's website.

Communication with Shareholders

Effective communication

The Board believes that effective communication of full and clear information of the Company is the key to enhance corporate governance standards and shareholders' confidence. The Company has adopted its "Shareholders Communication Policy" and conducts a regular review with an aim to confirm its effectiveness and ensure our shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including the Group's financial performance, strategic goals and plans, material developments, governance and risk profile), in order to enable our shareholders to exercise their rights in an informed manner, and to allow our shareholders to engage actively with the Company.

The Group uses several formal channels to ensure fair disclosure and comprehensive and transparent reporting of its performance and activities, including issue/publication of, among others, annual report and interim report, announcement, circular and press release both in English and Chinese, in order to provide our shareholders and the capital market with the Company's latest development, these information are posted and made available for downloading at the Company's website. Constantly being updated in a timely manner, the website contains a wide range of additional information on the Group's business activities.

As a part of the day-to-day investor relations programme, the senior management holds regular briefings with institutional investors and financial analysts as well as media, and announces our annual and interim results. To facilitate communications with our shareholders and the capital market, Directors and designated staff members maintain dialogue with investors and analysts through face-to-face interaction, road show and investors relations promotion activities.

AGM provides a constructive forum to maintain communication with shareholders, and shareholders are encouraged to attend AGM to ensure a high level of accountability and allow our shareholders to timely understand the strategy and development of the Group. The Company will arrange the Chairman of the Board and the respective chairman of each of the Board Committees, or if failing so due to unexpected and/or uncontrollable reasons, his/their duly appointed delegate(s), to attend the general meetings to exchange views with shareholders and answer their questions. All Directors are encouraged to attend general meetings and develop a balanced understanding of the view of shareholders.

The external auditor will also be invited to attend the AGM of the Company to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence.

The notice of the AGM is distributed to all shareholders at least 21 days prior to such AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. Separate resolutions are proposed on each substantially separate issue, including the election or re-election of each Director nominated.

To ensure the votes cast are properly counted and recorded, it is the practice of the Company to appoint representatives of its branch share registrar as scrutineer of the voting procedures in general meetings.

Therefore, the Board considers that the Company's shareholder communication policy is still valid.

Shareholders' rights

Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar and Transfer Office.

Shareholders may make enquiries with the Board at the general meetings. Alternatively, shareholders may send written enquiries together with their contact details (such as postal address or email address) to the principal place of business of the Company in Hong Kong at Rooms 3101–04, 31st Floor, Tower 1, Lippo Centre, No. 89 Queensway, Hong Kong or to send e-mail to the Company (email address: enn@enn.cn).

Communication

Please note that the English and Chinese versions of all Corporate Communications are available on the Company's website at www.ennenergy.com and the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. Shareholders who wish to receive the relevant printed materials should submit the request to the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited.

A notice of publication of the Website Version of Corporate Communications, in both English and Chinese, will be sent by the Company to Shareholders by email or by post (only if the Company does not possess the functional email address of a Shareholder) on the publication date of the Corporate Communications. Shareholders have the right to change the their choice of communication channel or language(s) at any time. Shareholders can make such changes by providing written notification or sending an email to ennenergy.ecom@computershare.com.hk.

Procedures to convene extraordinary general meetings and putting forward proposals at general meetings

Pursuant to article 72 of the articles of association of the Company, any two or more members of the Company or any one member of the Company which is a recognised clearing house (or its nominee(s)) may convene a general meeting by depositing at the principal office of the Company in Hong Kong the written requisition specifying the proposed agenda and signed by the requisitionist(s), provided that such requisitionist(s) hold(s) as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition convene the meeting in accordance with the established procedures, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Subject to the articles of association of the Company and the law of Cayman Islands, the Company may by ordinary resolution at a general meeting elect any person to be a director either to fill a casual vacancy on the Board, or as an addition to the existing Board. Shareholders may nominate any person other than the directors of the Company to be a candidate for director at a general meeting, shareholders may refer to "Procedures for Putting Forward Proposals at General Meetings" under "Shareholders' rights" on the Company website for details.

General meetings held during the Year

The Company held the shareholders' meeting successively in the form of "network + site" during the year to encourage more shareholders to join the meeting. The AGM was held on 24 May 2023 at Tianshan and Lushan Rooms, Level 5, Island Shangri-La Hotel, Two Pacific Place, Supreme Court Road, Central, Hong Kong. In addition to the proposed resolutions, the Management also delivered an update to the shareholders about the latest development of the Group. All ordinary resolutions proposed at the AGM were passed as more than half of the votes were cast in favour of these resolutions, with voting percentage exceeding 87%. The Chairman of the Board and the chairmen of the Board committees attended the AGM, details of their attendance record are set out in the section headed "Directors' attendance". The resolutions considered and approved mainly include:

- To receive and consider the audited consolidated financial statements for the year ended 31 December 2022 together with the directors' and independent auditor's reports;
- To declare a final dividend of HK$2.27 per share for the year ended 31 December 2022;
- To re-elect retiring Directors and to authorise the Board to fix its Directors' remuneration;
- To re-appoint external auditor and to authorise the Board to fix their remuneration;
- To grant a general mandate to the Directors to issue new shares of the Company and repurchase shares of the Company; and
- to approve and adopt the amended and restated articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company and authorise the directors of the Company to do all things necessary to implement the adoption of the amended and restated articles of association.

The full text of the above resolutions was set out in the Notice of the AGM of the Company dated 19 April 2023. The poll result of the AGM was published on the websites of the Stock Exchange and the Company.

Investor Relations

The Company values the opinion from shareholders, investors and the public, therefore the Company established an investor relations department, which is responsible for communicating with institutional and other investors regularly, so as to enhance the transparency of the Group and collect opinions from the market.

Regular investor relations activities are conducted to facilitate the communications, including projects visits, non-deal roadshows, investor conferences, etc.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Hotline telephone number:	(852) 2528 5666/(86) 316 2599928
By fax:	(852) 2865 7204
By post:	Rooms 3101–04, 31st Floor, Tower 1, Lippo Centre, No. 89 Queensway, Hong Kong
Attention:	Ms. Liu Min Karen/Ms. Sun Mei
By email:	ir@enn.cn

The latest information on investor relations is uploaded on the link http://ir.ennenergy.com.

Amendments to the Memorandum and Articles of Association

In order to (i) allow (but not mandate) general meetings to be held in electronic format, enabling the Company to handle matters related to general meetings in a flexible manner; (ii) comply with the core shareholder protection standards as set out in Appendix A1 to the Listing Rules; and (iii) make internal amendments, including corresponding revisions to the then existing Memorandum and Articles of Association in light of the aforementioned revisions, as well as making appropriate revisions to other provisions of the Memorandum and Articles of Association to clarify and align with the wording of the Listing Rules and applicable laws of the Cayman Islands, the Company convened its 2023 AGM on 24 May 2023, and through a special resolution, approved the amendment to the Memorandum and Articles of Association.

The latest consolidated version of the Company's memorandum and articles of association has been published on the websites of the Company and the Stock Exchange.

DIRECTORS' REPORT

The Directors are pleased to present this Annual Report together with the audited Consolidated Financial Statements (the "Consolidated Financial Statements") of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023.

Principal Activities

The Company is an investment holding company. The Group is principally engaged in investing in, constructing, operating, and managing gas pipeline infrastructure, as well as the sales and distribution of piped gas, LNG and other multi-energy products. The Group also provides commercial & industrial customers with intelligent services related to low-carbon integrated solutions and has developed diversified value added business meeting the needs of residential customers.

A list of principal subsidiaries as of 31 December 2023 and their particulars are set out in Note 53 to the Consolidated Financial Statements.

Business Review

The Group's revenue is driven primarily from business activities conducted in China, an analysis of the Group's performance for the year by operating segment is set out in Note 6 to the Consolidated Financial Statements. The Company is committed to providing a more detailed and comprehensive review in different sections of this Annual Report about the Group's business in 2023, the relevant disclosures are set out below:

Disclosures		Relevant sections
(1)	Fair review of the Group's business for the year ended 31 December 2023 (including an analysis using financial key performance indicators)	• Chairman's Statement (pages 14 to 16) • Management Discussion and Analysis (pages 17 to 22) • Financial Review (pages 23 to 25)
(2)	Description of the principal risks and uncertainties facing by the Group	• Management Discussion and Analysis (pages 17 to 22) • Financial Review (pages 23 to 25) • Notes 4 and 50 to the Consolidated Financial Statements
(3)	Particulars of important events affecting the Group that have occurred since the end of the financial year 2023	• There were no important events after the reporting period
(4)	Future development in the Group's business	• Chairman's Statement (pages 14 to 16) • Management Discussion and Analysis (pages 17 to 22)
(5)	Compliance with the relevant laws and regulations that have a significant impact on the Company	• Section in this report • Corporate Governance Report (pages 32 to 52) • 2023 Environmental, Social and Governance Report
(6)	The Group's environmental policies and performance	• Section in this report • Chairman's Statement (pages 14 to 16) • 2023 Environmental, Social and Governance Report
(7)	The Group's relationship with key stakeholders	• Section in this report • 2023 Environmental, Social and Governance Report

Business Review *(continued)*

Environmental Policies and Performance

The Group's mission is "Building a Modern Energy System, Co-building a Better Ecology". With an aim to meet customers' needs, the Group leverages its clean energy reserve and transportation resources accumulated for a long time and develops the most efficient tailor-made energy solutions for clients through its system efficiency technology platforms. The Group reduced the harm to the environment caused by economic development by promoting clean energy and conducting energy saving and emission reduction projects. In 2023, the Group recorded a volume of 33,621 million cubic meters of natural gas sales for city-gas and energy trading business, equivalent to reducing 15.12 million tons of standard coal consumption and 45.11 million tons of carbon dioxide emissions. As a total of 296 integrated energy projects had been put into operation during the year, the Group recorded 34,700 million kWh of energy sales for cooling, heating, electricity and steam etc., equivalent to reducing 2.67 million tons of standard coal consumption and 10.99 million tons of carbon dioxide emission.

Compliance with Laws and Regulations

The Group understands the importance of complying regulatory requirements. The existing compliance procedures of the Group are in place to ensure adherence to applicable laws, rules and regulations, in particular those which have significant impact on the Group. The Board reviews and monitors the Group's policies and practices on compliance with relevant legal and regulatory requirements in a regular basis. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

During the year under review, to the best of our knowledge, the Group has complied with the Companies Laws of the Cayman Islands, the Companies Ordinance (Cap. 622, laws of Hong Kong), the Listing Rules, the Securities and Futures Ordinance (the "SFO"), and other relevant rules and regulations. In addition, the subsidiaries of the Group continue to comply with applicable local laws and relevant laws and regulations that have a significant impact on their business and operations. During the year, the Company was not aware of any special laws and regulations that have a significant impact on the business and operation of the Group.

Relationships with Key Stakeholders

The Group's success depends on the support from stakeholders, including but not limited to shareholders, customers, suppliers and employees. Therefore, the Group attaches great importance to the valuable opinions from the stakeholders, and actively understands their demands and expectations of the Group through two-way communication via different channels and platforms, and these provide a strong basis for the formulation or adjustment to the Group's sustainable development strategies.

Shareholders

The Group targets to foster business development for achieving sustainable earnings growth and rewarding shareholders by stable dividend payouts, taking into account capital adequacy levels, liquidity positions and business expansion needs of the Group.

Customers

Providing stable energy supply and quality services to customers are the foundation for sustainable development of the Company. The Group continues to promote the improvement of service quality, creates diversified services and communication channels, and is committed to providing customers with high quality services and safe energy and value added products. During the year, the percentage of the revenue attributable from the Group's five largest customers was approximately 5.50%, while the largest customer was approximately 2.09%. None of the Directors, their associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers' noted above.

Suppliers

Suppliers are important partners for the sustainable development of the Company. The Group continues to optimise the supply chain management system, drives partners to grow together. During the year, the percentage of the purchases attributable from the Group's five largest suppliers was approximately 12.63%, while the largest supplier was approximately 3.58%. None of the Directors, their associates or any shareholder (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major suppliers noted above.

Employees

We know the success of our Company depends on the contributions of our employees, so we regard our employees as valuable assets of the Group. The Group has different talent training programs for employees to participate in to ensure that employees continue to add value and make the greatest contribution to the Group. The Group also has a system to encourage employees to mobilise internally between different departments, strengthen collaboration, cultivate more "all-rounded" talents who have deepened understanding about the Group's business, and provide special training to potential management trainees for succession planning of the Group.

Business Review *(continued)*

Employees *(continued)*

As at 31 December 2023, the Group has 34,907 employees. More than 99% of the Group's employees work in China. The Group determines remuneration based on individual performance, job nature and responsibilities involved. The Group provides on-the-job training as well as optimal benefits packages for employees, including medical welfare, retirement plans, year-end bonuses and other incentives. The Group also encourages employees to work and rest in an orderly manner, and adopt a work-life balance.

Details of the remuneration of the employees (including directors) are set out in Note 11 to the Consolidated Financial Statements and the Corporate Governance Report on pages 32 to 52 of this Annual Report.

Results and Appropriation

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 75 in this Annual Report.

The Company's dividend policy allows shareholders to share the Company's profits while reserving sufficient reserves for the Group's future development. Provided the Group is profitable and without affecting the normal operation of the Group, the Company intends to share its profit with shareholders in the form of annual dividend in an amount of no less than 15% of the Group's annual consolidated profit attributable to the owners of the Company. Proposed dividends, if any, will be declared at the discretion of the Board and 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. Beginning in fiscal year 2021, the Company distributes its full-year dividends by two tranches.

The Directors recommend the payment of a final dividend of HK$2.31 (equivalent to approximately RMB2.09) per ordinary share to the shareholders on the register of members on Tuesday, 11 June 2024. The distributions to shareholders are subject to the approval by shareholders at the 2024 AGM to be held on Friday, 31 May 2024. For the purpose of ascertaining shareholders who are entitled to the final dividend, the register of members of the Company will be closed from Friday, 7 June 2024 to Tuesday, 11 June 2024, both days inclusive, during which period no transfer of shares of the Company will be effected.

The final dividend will be payable in cash to each shareholder in Hong Kong dollars ("HK$") unless an election is made to receive the same in renminbi ("RMB"). Shareholders will be given the option to elect to receive all or part of the final dividend in RMB at the average benchmark exchange rate of HK$1.0 to RMB0.907382 as published by the People's Bank of China during the five business days before 22 March 2024 (this day inclusive). If shareholders choose to receive the final dividend in RMB, the dividend will be paid to shareholders in RMB2.096052 per share. To make such election, shareholders should complete the Dividend Currency Election Form, which is expected to be despatched to shareholders as soon as practicable after Monday, 17 June 2024, after the record date of Tuesday, 11 June 2024 to determine shareholders' entitlement to the proposed final dividend, and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited not later than 4:30 p.m. on Wednesday, 3 July 2024. Shareholders who are minded to elect to receive all or part of the final dividend in RMB by cheques should note that (i) they should ensure that they have an appropriate bank account to which the RMB cheques for dividend can be presented for payment; and (ii) there is no assurance that RMB cheques can be cleared without material handling charges or delay in Hong Kong or that RMB cheques will be honoured for payment upon presentation outside Hong Kong. The cheques are expected to be posted to the relevant shareholders by ordinary post on Friday, 26 July 2024 at the shareholders' own risk.

Withholding and Payment of Enterprise Income Tax for Non-Resident Enterprises in respect of the 2023 Final Dividend

According to the Notice Regarding Matters on Determination of Tax Residence Status of Chinese-Controlled Offshore Incorporated Enterprises under Rules of Effective Management, the Enterprise Income Tax Law of the PRC and the Implementation Rules, the Hebei Provincial Tax Service of the State Administration of Taxation of the PRC issued an approval confirming that the Company is treated as a Chinese resident enterprise, with effect from 1 January 2022. Accordingly, when the Company distributes the 2023 final dividend to non-resident enterprise shareholders, it shall withhold and pay 10% of the enterprise income tax.

If any resident enterprise listed on the Company's register of members does not desire to have the Company withholding and paying the said 10% enterprise income tax, it shall lodge with Computershare Hong Kong Investor Services Limited documents from its governing tax authority confirming that the Company is not required to withhold and pay the enterprise income tax in respect of the dividends that it is entitled to, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, at or before 4:30 p.m. on Thursday, 6 June 2024.

For non-resident enterprises, please refer to the Company Information Sheet published by the Company on 30 June 2022 for details on withholding tax.

DIRECTORS' REPORT

Financial Summary

Details of the summary of the published financial information of the Group for the past ten financial years are set out on pages 12 to 13 of this Annual Report.

Property, Plant and Equipment

Details of the movements during the year in property, plant and equipment of the Group are set out in Note 15 to the Consolidated Financial Statements.

Share Capital

Details of movements during the year in the share capital of the Company are set out in Note 38 to the Consolidated Financial Statements.

Equity-Linked Agreements

Save for Share Option Schemes and Share Award Scheme as disclosed in this Annual Report, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Purchase, Sale or Redemption of Listed Securities

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the terms of the rules and trust deed of the Share Award Scheme, purchased a total of 4,047,500 shares of the Company at a total consideration of HK$250,236,210.

Reserves

According to the applicable laws of the Cayman Islands, the Company's reserve available for distribution as at 31 December 2023 amounted to RMB4,995 million.

Details of movements during the year in the reserves of the Group and the Company are set out in the consolidated statement of changes in equity on page 78 of this Annual Report and Note 54 to the Consolidated Financial Statements.

Bank and Other Loans

Details of bank and other loans of the Group are set out in the Financial Review on pages 23 to 25 of this Annual Report and Note 39 to the Consolidated Financial Statements.

Directors

The list of Directors of the Company during the year and up to the date of this report is set out below:

Executive Directors:

Mr. Wang Yusuo
Mr. Zheng Hongtao (resigned on 12 December 2023)
Ms. Wu Xiaojing (resigned on 12 December 2023)
Mr. Zhang Yuying (resigned as Non-executive Director on 16 January 2023, and re-appointed as Executive Director on 12 December 2023)
Mr. Liu Jianfeng (appointed on 16 January 2023)
Mr. Wang Dongzhi
Ms. Zhang Jin (appointed on 25 August 2023)
Mr. Jiang Chenghong (appointed on 12 December 2023)

Non-executive Directors:

Mr. Wang Zizheng
Mr. Jin Yongsheng (resigned on 25 August 2023)

Independent Non-executive Directors:

Mr. Ma Zhixiang
Mr. Yuen Po Kwong
Mr. Law Yee Kwan, Quinn
Ms. Yien Yu Yu, Catherine (resigned on 25 August 2023)
Ms. Wong Lai, Sarah (appointed on 25 August 2023)

In accordance with article 99 of the Company's Article of Association, Mr. Zhang Yuying, Ms. Zhang Jin, Mr. Jiang Chenghong and Ms. Wong Lai, Sarah shall retire at the forthcoming AGM of the Company, while in accordance with article 116 of the Company's Article of Association, Mr. Wang Yusuo, Mr. Wang Dongzhi, Mr. Wang Zizheng and Mr. Law Yee Kwan, Quinn, shall retire by rotation at the forthcoming AGM of the Company. All the above retiring Directors are eligible and offer themselves for re-election. Details of these Directors proposed for re-election are set out in the circular sent together with this Annual Report.

The Company has received separate written notices from all the directors who resigned during the year, and none of these resignations was due to reasons relating to the affairs of the Company.

As of 31 December 2023, none of the Directors had entered, or proposed to enter, into any service contract with any members of the Group which does not expire or is not determinable by the Group within one year without compensation (other than statutory compensation).

The Company has received an annual confirmation from each independent non-executive director with each confirming his/her independence pursuant to rule 3.13 of the Listing Rules, and the Company still considers such Directors as independent of the Company.

The biographical details of the Directors of the Company are set out on pages 26 to 30 of this Annual Report.

Permitted Indemnity Provision

The articles of association of the Company provides that every director shall be indemnified out of the assets of the Company against all loss or liability incurred or sustained by him as such director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company.

Disclosure of Interests

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

As at 31 December 2023, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, as set out in Appendix C3 to the Listing Rules on the Stock Exchange, were as follows:

(a) The shares of the Company

Name of Director	Capacity	Personal interests	Corporate interests	Interests in shares pursuant to share options	Interest in Awarded Shares (Note 2)	Total aggregate interests	Approximate percentage of the Company's total issued share capital
Wang Yusuo ("Mr. Wang")	Beneficial owner and interest of controlled corporation	–	385,114,034 (Note 1)	320,000	–	385,434,034	34.07%
Zhang Yuying	Beneficial owner	–	–	80,925	80,000	160,925	0.01%
Liu Jianfeng	Beneficial owner	40,600	–	60,000	120,000	220,600	0.02%
Wang Dongzhi	Beneficial owner	4,800	–	106,700	–	111,500	0.01%
Zhang Jin	Beneficial owner	–	–	115,000	–	115,000	0.01%
Jiang Chenghong	Beneficial owner	–	–	124,500	–	124,500	0.01%
Wang Zizheng	Beneficial owner	–	–	120,000	–	120,000	0.01%
Ma Zhixiang	Beneficial owner	–	–	60,000	–	60,000	0.01%
Yuen Po Kwong	Beneficial owner	–	–	60,000	–	60,000	0.01%
Law Yee Kwan, Quinn	Beneficial owner	–	–	44,000	–	44,000	0.00%

Notes:

1. Such shares are beneficially owned by Mr. Wang and Ms. Zhao Baoju ("Ms. Zhao"), the spouse of Mr. Wang through their controlled corporations, including ENN Yingchuang Technology Co., Ltd. ("EYCT"), Langfang City Natural Gas Company Limited ("LCNG"), ENN Capital Management Co., Ltd. ("ECM"), ENN Investment Holdings Company Limited ("EIH"), ENN Group International Investment Limited ("EGII"), ENN Natural Gas Co., Ltd. ("ENN-NG"), Xinneng (Hong Kong) Energy Investment Limited ("Xinneng HK"), Surging Strength Capital Company Limited and Jade Elephant Investment Company Limited.
2. Awarded Shares refer to shares of the Company granted under Share Award Scheme adopted by the Company on 30 November 2018.
3. As at 31 December 2023, the Company had 1,131,219,375 shares in issue.

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

Disclosure of Interests *(continued)*

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

(b) The shares of the associated corporation

Company Name	Name of Director	Capacity	Number of shares	Subscribed share capital RMB	Percentage of share capital
EYCT*	Mr. Wang	Beneficial owner (Note 1)	–	50 million	100%
LCNG*	Mr. Wang	Beneficial owner and interest of controlled corporation (Note 1)	–	123 million	100%
ECM*	Mr. Wang	Interest of controlled corporation	–	1,200 million	100%
EIH*	Mr. Wang	Beneficial owner and interest of controlled corporation (Note 1)	8,000,000,000	–	100%
EGII	Mr. Wang	Interest of controlled corporation	1,000	–	100%
ENN-NG	Mr. Wang	Beneficial owner and interest of controlled corporation	2,243,499,808	–	72.40%
Xinneng HK	Mr. Wang	Interest of controlled corporation	2,132,377,984	–	72.40%
Beijing Xinyi Aite Art Development Company Limited*	Mr. Wang	Beneficial owner and interest of controlled corporation	–	10 million	100%
Xinyi Theater (Langfang) Culture Development Company Limited*	Mr. Wang	Beneficial owner and interest of controlled corporation	–	10 million	100%
ENN Group Co., Ltd.*	Mr. Wang	Beneficial owner and interest of controlled corporation	7,476,603,935	–	99.69%
Yicheng Yijia Internet Technology Company Limited*	Wang Zizheng	Beneficiary of a trust	–	6.93 million	1%
Xin'ao Data IT Company Limited*	Wang Zizheng	Beneficial owner and interest of controlled corporation	–	80 million	40%
ENN-NG	Zhang Yuying	Beneficial owner (Note 2)	500,000	–	0.02%
ENN-NG	Liu Jianfeng	Beneficial owner (Note 2)	292,500	–	0.01%
ENN-NG	Wang Dongzhi	Beneficial owner (Note 2)	800,000	–	0.03%
ENN-NG	Jiang Chenghong	Beneficial owner (Note 2)	910,068	–	0.03%
ENN-NG	Zhang Jin	Beneficial owner (Note 2)	510,000	–	0.02%

* For identification purpose only

Notes:

1. Such shares are beneficially owned by Mr. Wang and Ms. Zhao.
2. Such interests refer to the restricted ordinary shares of ENN-NG granted and to be issued to them pursuant to the restricted share award scheme adopted by the company on 26 March 2021. These restricted ordinary shares are subject to the restrictions on sale of the scheme and shall be lifted in batches according to the relevant terms after meeting the conditions for lifting the restrictions. The first batch of the restricted ordinary shares has been lifted on 8 July 2022. Details of the scheme are set out in the announcements of ENN-NG (stock code: 600803.SH) published on the Shanghai Stock Exchange on 21 January 2021, 9 February 2021 and 27 March 2021 respectively.

Disclosure of Interests *(continued)*

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

Save as disclosed above, as at 31 December 2023, there were no other interests or short positions of the Directors and chief executives in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) in the register maintained by the Company pursuant to section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share-based Compensation Scheme

The Company operates share option schemes ("Share Option Schemes") and share award scheme ("Share Award Scheme") for the purpose of attracting, retaining and incentivising major employees. The eligible persons for the schemes are employees (including directors) and business consultants who contributed to the success of the Group. The company has also formulated Shares and Options Management Regulations as the Company's management guidelines for granting share options and Awarded Shares. The purpose of this management regulations refers to the implementation of the Company's concept of value sharing, co-creation and sharing, aligning the interests of selected persons and shareholders, focusing on the Company's medium and long-term business, and promoting the long-term sustainable development of the group. The Board may, depending on the circumstances, impose any conditions, restrictions or limitations it may at its absolute discretion think fit when making an offer. With regard to the Share Option Schemes, grantees have a period of 28 days from the proposed grant date to accept the share options. Upon acceptance, grantees are required to pay HK$1 to the Company. Grantees who intend to accept the awarded shares from the Company submit the acceptance form within 5 business days from the proposed grant date.

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

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

Share-based Compensation Scheme *(continued)*

Share Option Schemes

2012 Scheme

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

The 2012 scheme was early terminated by passing an ordinary resolution at the AGM held on 18 May 2022. Thereunder, no further options will be granted under the 2012 Scheme; however, the rules of the 2012 Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of options granted prior to its termination or otherwise as may be required in accordance with the rules of the 2012 Scheme. Therefore, the termination of the 2012 Scheme will not in any event affect the terms of the grant of such outstanding options that has already been granted under the 2012 Scheme and the below outstanding options granted under the 2012 Scheme shall continue to be subject to the provisions of the 2012 Scheme.

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

Grantee	Date of grant	Exercise period	Exercise price	Number of shares subject to outstanding options as at 1 January 2023	Exercised during the year	Lapsed during the year	Reclassified during the year	Number of shares subject to outstanding options as at 31 December 2023
		(Note 1)	(HK$)		(Note 4)			(Note 3)
2012 Scheme – Batch 1								
Directors	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	58,025	–	–	(42,500)	15,525
Employees	09.12.2015	01.04.2017–08.12.2025	40.34	68,250	–	–	–	68,250
	09.12.2015	01.04.2018–08.12.2025	40.34	94,824	(100)	–	–	94,724
	09.12.2015	01.04.2019–08.12.2025	40.34	141,650	–	–	–	141,650
	09.12.2015	01.04.2020–08.12.2025	40.34	279,986	(4,500)	–	42,500	317,986
Sub-total				687,735	(4,600)	–	–	683,135

Share-based Compensation Scheme *(continued)*

Share Option Schemes *(continued)*

2012 Scheme (continued)

Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2023	Exercised during the year (Note 4)	Lapsed during the year	Reclassified during the year	Number of shares subject to outstanding options as at 31 December 2023 (Note 3)
2012 Scheme – Batch 2								
Directors	28.3.2019	01.04.2020–27.03.2029	76.36	15,000	–	–	–	15,000
	28.3.2019	01.04.2021–27.03.2029	76.36	152,400	–	–	(38,900)	113,500
	28.3.2019	01.04.2022–27.03.2029	76.36	395,000	–	–	(23,800)	371,200
	28.3.2019	01.04.2023–27.03.2029	76.36	601,700	–	(100,000)	29,200	530,900
Employees	28.3.2019	01.04.2020–27.03.2029	76.36	185,150	(16,350)	–	(15,000)	153,800
	28.3.2019	01.04.2021–27.03.2029	76.36	1,051,225	(76,550)	–	53,400	1,028,075
	28.3.2019	01.04.2022–27.03.2029	76.36	1,527,024	(190,550)	(40,200)	56,300	1,352,574
	28.3.2019	01.04.2023–27.03.2029	76.36	2,403,508	(50)	(846,366)	3,300	1,560,392
Business Consultants	28.3.2019	01.04.2020–27.03.2029	76.36	68,000	(2,500)	–	–	65,500
	28.3.2019	01.04.2021–27.03.2029	76.36	151,500	(18,000)	–	(29,500)	104,000
	28.3.2019	01.04.2022–27.03.2029	76.36	165,000	–	–	(47,500)	117,500
	28.3.2019	01.04.2023–27.03.2029	76.36	178,500	–	(27,000)	(47,500)	104,000
Other eligible participants (Note 2)	28.3.2019	01.04.2020–27.03.2029	76.36	–	–	–	15,000	15,000
	28.3.2019	01.04.2021–27.03.2029	76.36	–	–	–	15,000	15,000
	28.3.2019	01.04.2022–27.03.2029	76.36	–	–	–	15,000	15,000
	28.3.2019	01.04.2023–27.03.2029	76.36	–	–	–	15,000	15,000
Sub-total				6,894,007	(304,000)	(1,013,566)	–	5,576,441
Total				7,581,742	(308,600)	(1,013,566)	–	6,259,576

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. These share options are owned by resigned employee(s) of the Company (including director(s)). They have vested but not been exercised when they resigned. The exercise period has been extended by the Board of directors based on their individual circumstances. As at 31 December 2023, all of them belong to Ms. Yien Yu Yu, Catherine, a former director of the Company.
3. A total number of 6,259,576 shares, representing 0.55% of the issued shares of the Company as at the date of this report, are available for issue under the 2012 Scheme. Except the Chairman of the Board and the independent non-executive directors, the vesting of all the share options is subject to the fulfilment of performance target.
4. The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised is approximately HK$110.71. During the year, the Company has received a total of HK$23,399,004 from the exercise of the share options by the grantees.

2022 Scheme

The Company has adopted the "2022 Scheme" of the Share Option Schemes pursuant to an ordinary resolution passed at an AGM of the Company held on 18 May 2022. The 2022 Scheme will remain in force for 10 years. As at 31 December 2023, the remaining life of the 2022 Scheme is approximately 8.4 years. The Company may grant up to 56,507,503 share options under the 2022 Scheme. The maximum entitlement of share options each participant under 2022 Scheme, within any 12-month period up to and including the date of grant, would result in the aggregated number of Shares issued and to be issued upon exercise of the share options already granted and to be granted to such participant not exceeding 1% or 0.1% (depending on the participant) of the Shares in issue for the time being. Otherwise, any further grant of share options must be approved by the Shareholders in general meeting. As at 31 December 2023, the Company has not granted any share options pursuant thereto.

Details of the Share Option Schemes are set out in Note 42 to the Consolidated Financial Statements.

Share-based Compensation Scheme *(continued)*

Directors' right to acquire shares

Pursuant to the above Share Option Schemes, the Company has granted rights to subscribe for the Company's ordinary shares in favour of certain directors of the Company. The interest of each director and chief executive in the share options of the Company as at 31 December 2023 were as follows:

Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2023	Exercised during the year (Note 2)	Lapsed during the year (Note 2)	Reclassified during the year (Note 2)	Number of shares subject to outstanding options as at 31 December 2023
Wang Yusuo	28.03.2019	01.04.2022–27.03.2029	76.36	160,000	–	–	–	160,000
	28.03.2019	01.04.2023–27.03.2029	76.36	160,000	–	–	–	160,000
Zhang Yuying (Notes 3 & 4)	09.12.2015	01.04.2020–08.12.2025	40.34	525	–	–	–	525
	28.03.2019	01.04.2022–27.03.2029	76.36	66,700	–	–	(53,000)	13,700
	28.03.2019	01.04.2023–27.03.2029	76.36	66,700	–	–	–	66,700
Wu Xiaojing (Notes 3 & 5)	09.12.2015	01.04.2020–08.12.2025	40.34	42,500	–	–	(42,500)	–
	28.03.2019	01.04.2021–27.03.2029	76.36	73,400	–	–	(73,400)	–
	28.03.2019	01.04.2022–27.03.2029	76.36	73,300	–	–	(73,300)	–
	28.03.2019	01.04.2023–27.03.2029	76.36	73,300	–	–	(73,300)	–
Liu Jianfeng (Notes 3 & 6)	28.03.2019	01.04.2020–27.03.2029	76.36	–	–	–	15,000	15,000
	28.03.2019	01.04.2021–27.03.2029	76.36	–	–	–	15,000	15,000
	28.03.2019	01.04.2022–27.03.2029	76.36	–	–	–	15,000	15,000
	28.03.2019	01.04.2023–27.03.2029	76.36	–	–	–	15,000	15,000
Wang Dongzhi (Note 3)	28.03.2019	01.04.2023–27.03.2029	76.36	106,700	–	–	–	106,700
Zhang Jin (Notes 3 & 7)	28.03.2019	01.04.2021–27.03.2029	76.36	–	–	–	5,000	5,000
	28.03.2019	01.04.2022–27.03.2029	76.36	–	–	–	55,000	55,000
	28.03.2019	01.04.2023–27.03.2029	76.36	–	–	–	55,000	55,000
Jiang Chenghong (Notes 3 & 8)	28.03.2019	01.04.2021–27.03.2029	76.36	–	–	–	29,500	29,500
	28.03.2019	01.04.2022–27.03.2029	76.36	–	–	–	47,500	47,500
	28.03.2019	01.04.2023–27.03.2029	76.36	–	–	–	47,500	47,500
Wang Zizheng (Note 3)	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	–	–	15,000
	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	120,000	–	(100,000)	–	20,000
Ma Zhixiang	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	–	20,000
Yuen Po Kwong	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	–	20,000
Law Yee Kwan, Quinn	28.03.2019	01.04.2021–27.03.2029	76.36	4,000	–	–	–	4,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	–	20,000
Yien Yu Yu, Catherine (Note 9)	28.03.2019	01.04.2020–27.03.2029	76.36	15,000	–	–	(15,000)	–
	28.03.2019	01.04.2021–27.03.2029	76.36	15,000	–	–	(15,000)	–
	28.03.2019	01.04.2022–27.03.2029	76.36	15,000	–	–	(15,000)	–
	28.03.2019	01.04.2023–27.03.2029	76.36	15,000	–	–	(15,000)	–
Total				1,267,125	–	(100,000)	(76,000)	1,091,125

Share-based Compensation Scheme *(continued)*

Directors' right to acquire shares *(continued)*

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. "Year" refers to the period from 1 January 2023 to 31 December 2023.
3. The vesting of share options is subject to the fulfilment of performance target.
4. Mr. Zhang Yuying resigned from his position as a non-executive director of the Company on 16 January 2023, and reappointed as an executive director on 12 December 2023, therefore, the share options held by him during the year were first classified from being held by "Directors" to being held by "Employees", and then were reclassified from being held by "Employees" to being held by "Directors".
5. Ms. Wu Xiaojing resigned from her position as an executive director of the Company on 12 December 2023, therefore, the share options held by her during the year were reclassified from being held by "Directors" to being held by "Employees".
6. Mr. Liu Jianfeng was appointed as an executive director of the Company on 16 January 2023, therefore, the share options held by him during the year were reclassified from being held by "Employees" to being held by "Directors".
7. Ms. Zhang Jin was appointed as an executive director of the Company on 25 August 2023, therefore, the share options held by her during the year were reclassified from being held by "Employees" to being held by "Directors".
8. Mr. Jiang Chenghong was appointed as an executive director of the Company on 12 December 2023, therefore, the share options held by him during the year were reclassified from being held by "Business Consultants" to being held by "Directors".
9. Ms. Yien Yu Yu, Catherine resigned from her position as an independent non-executive director of the Company on 25 August 2023 and her share options shall be lased at the expiration of 6 months after the date of cessation of employment in accordance with the Share Option Schemes. However, the Board considered that all the share options held by her have vested in her as a reward for her valuable contributions to the Company over the past 17 years and agreed to extend the exercise period of her share options to 27 March 2029, which is the last day of the share options can be exercised, with exercise price of HK$76.36 remains unchanged. As she was no longer a director of the Company, the share options have been reclassified from being held by "Directors" to being held by "Other eligible participants".

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

Share Award Scheme

On 30 November 2018, the Company adopted the Share Award Scheme under which the shares of the Company may be granted to selected employees (including, without limitation, any executive directors and non-executive directors) of any members of the Group (the "Selected Employees") pursuant to the terms of the Share Award Scheme and the trust deed of the Share Award Scheme. As discussed above, the Share Award Scheme is mainly used as a supplement to the Share Option Schemes. The Share Award Scheme became effective on the adoption date and, unless otherwise terminated or amended, will remain in force for 10 years from the date. As at 31 December 2023, the remaining life of the Share Award Scheme is approximately 4.9 years.

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

When a Selected Employee has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the trustee shall transfer the relevant Awarded Shares to that employee at once.

For the year ended 31 December 2023, there were 6,732,600 shares of the Company held in the trust under the Share Award Scheme, approximately 0.60% of the issued share capital of the Company. For the year ended 31 December 2023, the Company has granted notional gain of 928,600 Awarded Shares to certain outperformed employees under the scheme to reflect their changes in roles and commitment subsequent to the grant of share options to them under the 2012 Scheme, the Award 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.

Share-based Compensation Scheme *(continued)*

Share Award Scheme *(continued)*

The following table discloses details of the Company's Awarded Shares held by the selected employees (including directors) and their movement in such holdings during the year, from 1 January 2023 to 31 December 2023:

Grantee	Financial year to which the performance targets relate (Note 1)	Exercise Period (Note 3)	Award Price (HK$) (Note 2)	Outstanding as at 1 January 2023	Granted during the year	Vested during the year (Note 4)	Lapsed during the year	Reclassified during the year	Outstanding as at 31 December 2023
Directors	2020	01.04.2021–27.03.2029	76.36	10,000	–	(5,000)	–	35,000	40,000
	2021	01.04.2022–27.03.2029	76.36	160,000	–	–	–	(80,000)	80,000
	2022	01.04.2023–27.03.2029	76.36	160,000	–	–	–	(80,000)	80,000
Employees	2020	01.04.2021–27.03.2029	76.36	138,867	–	(2,000)	(12,367)	(40,000)	84,500
	2021	01.04.2022–27.03.2029	76.36	133,867	–	–	(12,367)	(40,000)	81,500
	2022	01.04.2023–27.03.2029	76.36	144,366	–	–	(39,366)	(40,000)	65,000
Other eligible	2020	01.04.2021–11.12.2024	76.36	–	–	–	–	5,000	5,000
participants	2021	01.04.2022–11.12.2024	76.36	–	–	–	–	120,000	120,000
(Note 5)	2022	01.04.2023–11.12.2024	76.36	–	–	–	–	120,000	120,000
Total				747,100	–	(7,000)	(64,100)	–	676,000

Notes:

1. Such Awarded Shares were granted during the period from 2 September 2020 to 5 March 2021 to employees (including directors of the Company), which were intended to recognise the role changes and/or outstanding performance of existing grantees under the 2012 Scheme – Batch 2, as well as to include newly selected participants during that grant cycle. As Awarded Shares act as a supplement to Share Option Schemes, multiple grants may occur during the financial year, however the financial year to which the performance targets relate is consistent with respect to the Share Option Schemes.

2. The award price is the exercise price of vesting the Awarded Shares by the selected employees, which is consistent with the exercise price of share options granted in 2012 Scheme – Batch 2.

3. Notional gains of the Awarded Shares can be vested to the grantees as early as on 1 April in the year following the financial year to which the respective performance conditions relate, or they can opt for deferral of vesting of the notional gains which should not be later than 27 March 2029. Hence, the vesting periods of these Awarded Shares are from the date of grant to the respective vesting dates.

4. Notional gains vested during the year were paid out of the funds in the designated account under the Share Award Scheme.

5. These Awarded Shares are owned by resigned employee(s) of the Company (including director(s)). They have vested but not been exercised when they resigned. The exercise period has been extended by the Board of directors based on their individual circumstances. As at 31 December 2023, all of them belong to Mr. Zheng Hongtao, a former director of the Company.

6. The weighted average closing price of the Company's shares immediately before the dates on which the notional gains of the Awarded Shares vested during the financial year ended 31 December 2023 was approximately HK$107.47.

Details of the Share Award Scheme are set out in Note 42 to the Consolidated Financial Statements.

Share-based Compensation Scheme *(continued)*

Share Award Scheme *(continued)*

The interest of each director and chief executive in the Awarded Shares of the Company as at 31 December 2023 were as follows：

Grantee	Financial Year to which the performance target (Notes 1 & 2)	Exercise period (Note 3)	Awards Price (HK$)	Outstanding as at 1 January 2023	Granted during the year (Note 1)	Vested during the year (Note 1)	Lapsed during the year (Note 1)	Reclassified during the year (Note 1)	Outstanding as at 31 December 2023
Zheng Hongtao (Notes 2 & 4)	2020	01.04.2021–27.03.2029	76.36	10,000	–	(5,000)	–	(5,000)	–
	2021	01.04.2022–27.03.2029	76.36	120,000	–	–	–	(120,000)	–
	2022	01.04.2023–27.03.2029	76.36	120,000	–	–	–	(120,000)	–
Zhang Yuying (Notes 2 & 5)	2021	01.04.2022–27.03.2029	76.36	40,000	–	–	–	–	40,000
	2022	01.04.2023–27.03.2029	76.36	40,000	–	–	–	–	40,000
Liu Jianfeng (Notes 2 & 6)	2020	01.04.2021–27.03.2029	76.36	–	–	–	–	40,000	40,000
	2021	01.04.2022–27.03.2029	76.36	–	–	–	–	40,000	40,000
	2022	01.04.2023–27.03.2029	76.36	–	–	–	–	40,000	40,000
Total				330,000	–	(5,000)	–	(125,000)	200,000

Notes:

1. "Year" refers to the period from 1 January 2023 to 31 December 2023.
2. The vesting of Awarded Shares is subject to the fulfilment of performance target.
3. The exercise period of the Awarded Shares are aligned with 2012 Scheme – Batch 2.
4. Mr. Zhang Hongtao resigned as an executive director of the Company on 12 December 2023 and his Awarded Shares shall be lased at the expiration of 6 months after the date of cessation of employment in accordance with the Share Award Scheme. However, the Board considered that all the Awarded Share held by him have granted to him as a reward for his valuable contributions to the Company in the past and agreed to extend the exercise period of his Awarded shares to 11 December 2024, with exercise price of HK$76.36 remains unchanged. As he was no longer a director of the Company, the Awarded Shares were reclassified from the category of grantees under "Directors" to "Other eligible participants".
5. Mr. Zhang Yuying resigned from his position as a non-executive director of the Company on 16 January 2023, and reappointed as an executive director of the Company on 12 December 2023, therefore, the Awarded Shares granted to him during the year were first classified from the category of grantees under "Directors" to "Employees", and then were reclassified from the category of grantees under "Employees" to "Directors".
6. Mr. Liu Jianfeng was appointed as an executive director of the Company on 16 January 2023, and the Awarded Shares granted to him were reclassified from the category of grantees under "Employees" to "Directors"

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

Directors' Rights to Acquire Shares or Debentures

Other than the Share Option Schemes as set out in the section headed "Share-based Compensation Scheme" and disclosed in Note 42 to the Consolidated Financial Statements, and the Shares Award Scheme as set out in the section headed "Share-based Compensation Scheme" in this report, the Company had no other outstanding convertible securities, options, warrants or other similar rights as at 31 December 2023. At no time during the year was the Company, its parent company, or any of its subsidiaries a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other corporate.

Management Contracts

Except the employment contracts with employees, no contract concerning the management and administration of the whole or any substantial part of the business of the company was entered into or existed during the year.

Substantial Shareholders

As at 31 December 2023, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO were as follows:

Name of shareholder	Capacity	Corporate interests	Interests in shares pursuant to share options	Total aggregate interests in shares and underlying shares (Note 9)	Approximate percentage of the Company's total issued share capital
Mr. Wang	Beneficial owner and interest of controlled corporation	385,114,034 (Notes 1, 2, 3, 4 & 5)	320,000 (Note 5)	385,434,034 (L)	34.07%
Ms. Zhao	Interest of controlled corporation and interest of spouse	385,114,034 (Notes 1, 2, 3, 4 & 5)	320,000 (Note 5)	385,434,034 (L)	34.07%
EYCT*	Interest of controlled corporation	385,114,034 (Notes 1, 2, 3 & 4)	–	385,114,034 (L)	34.04%
LCNG*	Interest of controlled corporation	385,114,034 (Notes 1, 2 & 3)	–	385,114,034 (L)	34.04%
ECM*	Interest of controlled corporation	385,114,034 (Notes 1, 2 & 3)	–	385,114,034 (L)	34.04%
EIH*	Interest of controlled corporation	385,114,034 (Notes 1 & 2)	–	385,114,034 (L)	34.04%
EGII	Interest of controlled corporation	385,114,034 (Note 1)	–	385,114,034 (L)	34.04%
ENN-NG	Interest of controlled corporation	384,444,234 (Note 1)	–	384,444,234 (L)	33.98%
Xinneng HK	Beneficial owner	384,444,234 (Note 1)	–	384,444,234 (L)	33.98%
The Capital Group Companies, Inc.	Interest of controlled corporation	134,981,480	–	134,981,480 (L) (Note 6)	11.93%
JPMorgan Chase & Co.	Interest of controlled corporation, investment manager, person having a security interest in shares, trustee and approved lending agent	88,221,962	–	88,221,962 (L) (including 7,819,358 (S) 71,060,314 (P)) (Note 7)	7.80%
BlackRock, Inc.	Interest of controlled corporation	67,499,696	–	67,499,696 (L) (including 531,100 (S)) (Note 8)	5.97%

* For identification purpose only

Substantial Shareholders *(continued)*

Notes:

1. EGII holds 44.24% interests in ENN-NG. Therefore, it holds 33.98% of the shares of the Company through Xinneng HK, a wholly-owned subsidiary of ENN-NG. In addition to holding 0.06% of the shares of the Company through its direct and indirect wholly owned subsidiaries, Surging Strength Capital Company Limited and Jade Elephant Investment Company Limited, EGII holds a total of 34.04% of the Company's shares. EGII is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.
2. On 30 November 2018, Mr. Wang and Ms. Zhao entered into an equity entrustment agreement with EIH, pursuant to which each of Mr. Wang and Ms. Zhao entrusts EIH to manage their respective shareholding of 50% in EGII till 31 December 2040. Pursuant to the agreement, EGII is controlled by EIH. Accordingly, EIH is deemed to be interested in the shares in which EGII is interested in (1) above. In addition, EIH directly and indirectly holds 16.77% interests of ENN-NG.
3. EIH is 100% owned by Mr. Wang, Ms. Zhao and ECM in total, and ECM is a wholly-owned subsidiary of LCNG, EIH hence is deemed to be interested in the shares in which EIH is interested in (1) and (2) above. In addition, EIH and LCNG directly and indirectly hold 3.17% and 8.16% interests in ENN-NG respectively.
4. LCNG is 100% owned by Mr. Wang, Ms. Zhao and EYCT (beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao) in total, hence they are deemed to be interested in the shares in which LCNG is interested in (1), (2) and (3) above. In addition, Mr. Wang holds 0.06% interests of ENN-NG.
5. As Mr. Wang's spouse, Ms. Zhao is deemed as holding Mr. Wang's interests in shares.
6. Including 1,196,976 shares (L) are physically settled unlisted derivatives.
7. It included an aggregate interest in 7,739,849 underlying shares among which, 2,000 shares (S) are cash settled listed derivatives, 609,900 shares (L) and 7,040,398 shares (S) are cash settled unlisted derivatives, and 87,551 shares (S) are physically settled unlisted derivatives.
8. It included an aggregate interest in 2,413,300 underlying shares among which, 1,911,900 shares (L) and 501,400 shares (S) are cash settled unlisted derivatives.
9. (L) represents Long Position; (S) represents Short Position; (P) represents Lending Pool.
10. As at 31 December 2023, the Company had 1,131,219,375 shares in issue.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 December 2023, were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

Save as disclosed above, as at 31 December 2023, the Company had not been notified of any other person who had interest or short position in the shares or underlying shares of the Company, which are required to be recorded in the register maintained by the Company pursuant to section 336 of Part XV of the SFO and Listing Rules.

Controlling shareholder and Directors' Interests in Competing Business

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules. Mr. Wang and his spouse, Ms. Zhao, hold 33.98% of the issued share capital of the Company through Xinneng HK, a wholly-owned subsidiary of ENN-NG (a controlling shareholder of the Company). Five directors of the Company, namely Mr. Wang, Mr. Wang Zizheng, Mr. Zhang Yuying, Ms. Zhang Jin and Mr. Jiang Chenghong, being directors of ENN-NG and/or certain subsidiary(ies) (for this purpose excluding the Group) and/or associate(s) of ENN-NG (the "ENN-NG Group"), are considered as having an interest in ENN-NG Group under Rule 8.10(1) and (2) of the Listing Rules.

The business of ENN-NG Group (excluding the Group) mainly includes the gas sales based on obtaining upstream natural gas resources (including the import and production of liquefied natural gas), energy engineering and energy chemical business. Among them, gas sales business may be considered as competing business for the Group. However, the Group's gas sales are mainly to match the needs of downstream customers. Given the Group has extensive experience in gas sales business, diversified distribution channels, and large and sticky customer base, it is capable of carrying on independently of ENN-NG Group (excluding the Group).

For safeguarding the interests of the Group, the Company established an independent board committee composed of all independent non-executive directors of the Company in 2020 to review the situation of the Group from time to time to ensure that (among other things) the Group and ENN-NG Group operate gas sales business based on their respective interest.

Save as disclosed above, during the year, none of the directors or the management shareholders of the Company or their respective associates had an interest in a business which compete with the business of the Group.

Connected Transactions

During the year, the Group has entered into the transactions and arrangements as described below with connected persons for the purposes of the Listing Rules.

Continuing Connected Transactions

During the year, the Group carried out the following transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and were subject to annual review.

The following table sets out the continuing connected transactions between the Group and the Wang Family Companies for the year ended 31 December 2023:

	Transaction details	**Annual Cap** (RMB million)	**Transaction Sum** (RMB million)
(A)	Equipment Purchasing and Modification Services (Note 3)		
	On 17 November 2021, the Company entered into a Master Equipment Purchasing and Modification Services Agreement with LCNG for a term commencing from 1 January 2022 and expiring on 31 December 2023, whereby the Wang Family Companies agreed to provide equipment as well as equipment modification and enhancement services to the Group.	250	216
(B)	Construction Services (Note 3)		
	On 17 November 2021, the Company entered into a Master Construction Services Agreement with ENN-NG for a term commencing from 1 January 2022 and expiring on 31 December 2023, whereby the Wang Family Companies agreed to provide the Group with engineering design and construction services.	1,650	903
(C)	Information Technology Services (Note 3)		
	On 17 November 2021, the Company entered into a Master Information Technology Services Agreement with LCNG for a term commencing from 1 January 2022 and expiring on 31 December 2023, whereby the Wang Family Companies agreed to provide the Group with information technology services.	420	260
(D)	Natural Gas Purchasing (Note 3)		
	On 30 November 2020, the Company entered into a Master Natural Gas Purchasing Agreement with ENN-NG for a term commencing from 1 January 2021 and expiring on 31 December 2023, whereby the Wang Family Companies agreed to provide the Group with natural gas supply.	2,200	1,709
(E)	LNG Terminal Usage Services (Note 4)		
	On 28 September 2018, the Company entered into a Master LNG Terminal Usage Services Agreement with LCNG for a term commencing from 1 October 2018 and expiring on 31 December 2028, whereby the Wang Family Companies agreed to provide LNG terminal usage services to the Group, such that the Group will be able to receive imported LNG through Zhoushan LNG Terminal.	1,294	439
(F)	Logistic Services		
	On 17 November 2021, the Company entered into a Master Logistic Services Agreement with ENN-NG, whereby the Group agreed to provide logistic services to ENN-NG from 17 November 2021 to 31 December 2023.	310	2

Notes:

1. Wang Family Company is a company controlled (entitled to exercise, or control the exercise of 30% or more of the voting power at any general meeting of the relevant company) by Mr. Wang, the Chairman, an Executive Director and a controlling shareholder of the Company, and/or his associates (including Ms. Zhao, a controlling shareholder of the Company and the spouse of Mr. Wang), thereby being connected persons of the Group during the year.
2. Wang Family Companies refers to the Wang Family Company and its subsidiaries and associates (as the case may be).

Connected Transactions *(continued)*

Continuing Connected Transactions *(continued)*

Notes: *(continued)*

3. Since these Agreements would expire on 31 December 2023 and the Company would continue to have similar transactions. Thus, on 12 December 2023, the Company renewed the Master Natural Gas Purchasing Agreement and the Master Construction Services Agreement with ENN-NG, and Master Equipment Purchasing and modification Services Agreement and Master Information Technology Services Agreement with LCNG.
4. The Group also expects that the annual transaction amounts of the existing Master LNG Terminal Usage Services Agreement in the next few years may be lower than the currently announced annual caps. Therefore, the Company has revised the relevant annual caps from 2024 to 2028 of the existing Master LNG Terminal Usage Services Agreement in accordance with Rule 14A.54 of the Listing Rules on 12 December 2023.

The continuing connected transactions mentioned above have been reviewed by the independent non-executive directors of the Company. The independent non-executive directors of the Company have confirmed that the transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the relevant agreements governing such transactions and on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board engaged the Auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 69 to 70 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange.

The Board confirmed that the disclosure requirements of Chapter 14A of the Listing Rules have been complied with.

Details of the related party transactions undertaken in the normal course of business are set out in Note 52 to the Consolidated Financial Statements. In relation to parts of those related party transactions that also constituted connected transactions under the Listing Rules, they are in compliance with applicable requirements under the Listing Rules and are reported in this Annual Report in accordance with the Listing Rules.

Other Connected Transactions

Save as disclosed above, the Group did not enter into any other notifiable connected transactions under the Listing Rules during the year.

Directors' Interests in Transactions, Arrangement or Contracts of Significance

Save as disclosed in the section headed "Connected Transactions", no other transaction, arrangement or contract that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had, directly or indirectly, a material interest subsisted at the end of or at any time during the year ended 31 December 2023.

Loan Agreements Imposing Specific Performance Obligations on Controlling Shareholders

The Company issued 10-year green senior notes on 17 September 2020 and 5-year green senior notes on 17 May 2022 (collectively, the "Green Senior Notes") with principal amounts of USD750 million (equivalent to RMB5,137 million) and USD550 million (equivalent to RMB3,612 million) respectively. The terms and conditions of the Green Senior Notes require Mr. Wang, Ms. Zhao and any affiliate of any of them, controlling shareholders of the Company, collectively to retain their interests in the Company of at least 20% of the total issued share capital of the Company throughout the terms of the relevant notes. As at 31 December 2023, the outstanding balances of the Green Senior Notes are USD543 million (equivalent to RMB3,848 million) and USD548 million (equivalent to RMB3,879 million) respectively.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB23.06 million (2022: RMB8.27 million).

Public Float

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

Review of Financial Result

A meeting of the Audit Committee was held on 21 March 2024 to review with the Company's external auditor on the Group's annual results and the Audited Consolidated Financial Statements for the year ended 31 December 2023. Based on the relevant reviews and discussions with the Management, the Audit Committee was satisfied that the Consolidated Financial Statements have been prepared in accordance with applicable accounting standards, and it presents fairly the financial position and results of the Group for the year ended 31 December 2023.

Auditor

The Consolidated Financial Statements for the year ended 31 December 2023 have been audited by Deloitte Touche Tohmatsu who would retire at the 2024 AGM and, being eligible, offer themselves for re-appointment. A resolution to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company and authorise the Board to fix their remuneration will be proposed at the 2024 AGM.

The other sections, reports and notes in the Annual Report as mentioned above form parts of this Directors' Report.

On behalf of the Board
WANG Yusuo
Chairman
22 March 2024

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF ENN ENERGY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of ENN Energy Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 75 to 184, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill allocated to integrated energy business	
We identified the impairment assessment of goodwill attributable to integrated energy business (the "Integrated Energy CGU") as a key audit matter owing to the significance of the carrying amount of this goodwill and the key assumptions adopted by the management in determining the recoverable amounts of the Integrated Energy CGU, including revenue growth rate, gross profit rate and discount rate as disclosed in Note 4 to the consolidated financial statements. As disclosed in Note 18 to the consolidated financial statements, the carrying amount of goodwill attributable to Integrated Energy CGU amounted to RMB2,028 million as at 31 December 2023.	Our audit procedures in relation to impairment assessment of goodwill allocated to the Integrated Energy CGU included: • Evaluating management's methodology for impairment assessment of goodwill and the reasonableness of the discount rate used based on the market information with the assistance of internal valuation expert; and • Evaluating the discounted cash flows prepared by the management in deriving the recoverable amounts of the Integrated Energy CGU for the impairment assessment by checking the mathematical accuracy of discounted cash flow calculation, assessing the reasonableness of the key assumptions adopted by the management in the model with reference to the Group's historical performances and external market data, and reviewing the budget of the underlying projects approved by the management on a sample basis.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of commodity derivative contracts	
We identified the fair value measurement of commodity derivative contracts as disclosed in Note 23 to the consolidated financial statements as a key audit matter due to the judgment and estimation required in establishing the relevant valuation approach and inputs. The carrying amount of commodity derivative assets amounted to RMB230 million and of commodity derivative liabilities amounted to RMB43 million as at 31 December 2023. As further disclosed in Notes 4 and 50 to the consolidated financial statements, any changes in these factors could affect the fair values of commodity derivative contracts.	Our audit procedures in relation to the fair value measurement of commodity derivative contracts included: • Understanding the design and implementation of key controls over the valuation of commodity derivative contracts; • Testing the completeness of commodity derivative contracts by arranging confirmations to the counterparties; and • With the assistance of internal valuation expert, performing the following procedures on sample basis: – evaluating the appropriateness of management's valuation approach; – checking the relevant inputs used by the management to our independently sourced market inputs; and – comparing the valuation based on our inputs with the management's results and investigating any differences.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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 significant 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 a 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.

The engagement partner on the audit resulting in the independent auditor's report is Lam Kam Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023 RMB million**	2022 RMB million (restated)
Revenue	5	**113,858**	110,051
Cost of sales		**(99,520)**	(94,295)
Gross profit		**14,338**	15,756
Other income	7	**1,023**	953
Other gains and losses	8	**267**	(1,569)
Distribution and selling expenses		**(1,171)**	(1,180)
Administrative expenses		**(4,144)**	(4,261)
Share of results of associates		**14**	68
Share of results of joint ventures		**464**	(43)
Finance costs	9	**(786)**	(672)
Profit before tax	10	**10,005**	9,052
Income tax expense	12	**(2,273)**	(2,386)
Profit for the year		**7,732**	6,666
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Fair value change of equity instruments at fair value through other comprehensive income ("FVTOCI")		**(7)**	(28)
Fair value change of a property transferred from property, plant and equipment to investment properties		**1**	6
Income tax relating to items that will not be reclassified to profit or loss		**1**	3
		(5)	(19)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**97**	92
Fair value gain of derivative financial instruments under hedge accounting		**1**	38
Income tax relating to items that may be reclassified subsequently to profit and loss		**18**	1
Other comprehensive income for the year		**111**	112
Total comprehensive income for the year		**7,843**	6,778
Profit for the year attributable to:			
Owners of the Company		**6,816**	5,867
Non-controlling interests		**916**	799
		7,732	6,666
Total comprehensive income for the year attributable to:			
Owners of the Company		**6,927**	5,979
Non-controlling interests		**916**	799
		7,843	6,778

		RMB	RMB
Earnings per share	14		
– Basic		**6.05**	5.20
– Diluted		**6.04**	5.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	2023 RMB million	2022 RMB million (restated)
Non-current Assets			
Property, plant and equipment	15	**50,330**	50,380
Right-of-use assets	16	**2,751**	2,323
Investment properties	17	**268**	276
Goodwill	18	**2,504**	2,520
Intangible assets	19	**4,341**	4,549
Interests in associates	20	**4,708**	3,607
Interests in joint ventures	21	**5,117**	4,870
Other receivables	22	**14**	4
Derivative financial instruments	23	**55**	–
Financial assets at fair value through profit or loss ("FVTPL")	24	**4,334**	4,327
Equity instruments at FVTOCI	25	**219**	238
Amounts due from associates	28	**–**	8
Deferred tax assets	31	**1,442**	1,564
Deposits paid for investments		**–**	10
Prepayment and deposits paid for acquisition of property, plant and equipment, land use rights and right of operation		**135**	100
Restricted bank deposits	33	**538**	449
		76,756	75,225
Current Assets			
Inventories	32	**1,682**	1,708
Trade and other receivables	22	**11,091**	10,675
Contract assets	27	**632**	638
Derivative financial instruments	23	**203**	1,462
Financial assets at FVTPL	24	**100**	26
Amounts due from associates	28	**649**	909
Amounts due from joint ventures	29	**1,736**	2,862
Amounts due from related companies	30	**247**	339
Restricted bank deposits	33	**346**	458
Cash and cash equivalents	33	**9,689**	8,056
		26,375	27,133

	Notes	2023 RMB million	2022 RMB million (restated)
Current Liabilities			
Trade and other payables	35	**8,171**	8,066
Contract liabilities	36	**13,714**	15,410
Deferred income	37	**98**	58
Amounts due to associates	28	**675**	425
Amounts due to joint ventures	29	**805**	2,039
Amounts due to related companies	30	**1,148**	1,003
Taxation payables		**1,287**	1,517
Lease liabilities	34	**170**	91
Derivative financial instruments	23	**43**	1,101
Bank and other loans	39	**8,767**	6,341
Financial guarantee liabilities		**37**	5
Share-based payment liabilities	42	**8**	26
		34,923	36,082
Net Current Liabilities		**(8,548)**	(8,949)
Total Assets less Current Liabilities		**68,208**	66,276
Capital and Reserves			
Share capital	38	**117**	117
Reserves		**42,543**	38,923
Equity attributable to owners of the Company		**42,660**	39,040
Non-controlling interests		**5,602**	6,522
Total Equity		**48,262**	45,562
Non-current Liabilities			
Contract liabilities	36	**2,687**	2,825
Deferred income	37	**890**	858
Amounts due to associates	28	**–**	215
Amounts due to joint ventures	29	**–**	25
Lease liabilities	34	**633**	284
Derivative financial instruments	23	**6**	45
Bank and other loans	39	**5,428**	4,486
Senior notes	40	**7,728**	8,965
Deferred tax liabilities	31	**2,574**	2,974
Financial guarantee liabilities		**–**	37
		19,946	20,714
		68,208	66,276

The consolidated financial statements on pages 75 to 184 were approved and authorised for issue by the board of directors on 22 March 2024 and are signed on its behalf by:

Zhang Yuying
DIRECTOR

Wang Dongzhi
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Equity attributable to owners of the Company													
	Share capital RMB million (Note 38)	Treasury stocks RMB million	Share premium RMB million	Special reserve RMB million (note a)	Revaluation reserve RMB million	Share options reserve RMB million	Exchange reserve RMB million	Surplus reserve fund RMB million (note b)	Hedging reserve RMB million (Note 41)	Designated safety fund RMB million (note c)	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2022 (audited)	117	(168)	1,253	(128)	90	138	6	3,546	119	84	30,720	35,777	6,373	42,150
Impacts of Amendments to HKAS 12 (Note 2)	–	–	–	–	–	–	–	–	–	–	4	4	1	5
At 1 January 2022 (restated)	117	(168)	1,253	(128)	90	138	6	3,546	119	84	30,724	35,781	6,374	42,155
Profit for the year	–	–	–	–	–	–	–	–	–	–	5,865	5,865	799	6,664
Other comprehensive income for the year	–	–	–	–	(19)	–	92	–	39	–	–	112	–	112
Total comprehensive income for the year	–	–	–	–	(19)	–	92	–	39	–	5,865	5,977	799	6,776
Cumulative gain transferred to initial carrying amount of hedged items (Note 41)	–	–	–	–	–	–	–	–	(161)	–	–	(161)	–	(161)
Recognition of equity-settled share-based payment expenses (Note 42)	–	–	–	–	–	21	–	–	–	–	–	21	–	21
Issue of ordinary shares on exercise of share options (Notes 38 & 42)	–	–	64	–	–	(16)	–	–	–	–	–	48	–	48
Acquisition of subsidiaries (Note 44)	–	–	–	–	–	–	–	–	–	–	–	–	1	1
Disposal/deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(20)	(20)
Acquisition/disposal of additional interests in subsidiaries	–	–	–	29	–	–	–	–	–	–	–	29	(45)	(16)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	90	90
Capital reduction of non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(12)	(12)
Dividends appropriation (Note 13)	–	–	(1,253)	–	–	–	–	–	–	–	(1,404)	(2,657)	–	(2,657)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(665)	(665)
Transfer to surplus reserve fund (note b)	–	–	–	–	–	–	–	1,127	–	–	(1,127)	–	–	–
Transfer to designated safety fund (note c)	–	–	–	–	–	–	–	–	–	6	(6)	–	–	–
At 31 December 2022 (restated)	117	(168)	64	(99)	71	143	98	4,673	(3)	90	34,052	39,038	6,522	45,560
Impacts of Amendments to HKAS 12 (Note 2)	–	–	–	–	–	–	–	–	–	–	2	2	–	2
At 1 January 2023 (restated)	117	(168)	64	(99)	71	143	98	4,673	(3)	90	34,054	39,040	6,522	45,562
Profit for the year	–	–	–	–	–	–	–	–	–	–	6,816	6,816	916	7,732
Other comprehensive income for the year	–	–	–	–	(5)	–	97	–	19	–	–	111	–	111
Total comprehensive income for the year	–	–	–	–	(5)	–	97	–	19	–	6,816	6,927	916	7,843
Cumulative gain transferred to initial carrying amount of hedged items (Note 41)	–	–	–	–	–	–	–	–	(112)	–	–	(112)	–	(112)
Recognition of equity-settled share-based payment expenses (Note 42)	–	–	–	–	–	7	–	–	–	–	–	7	–	7
Issue of ordinary shares on exercise of share options (Notes 38 & 42)	–	–	28	–	–	(8)	–	–	–	–	–	20	–	20
Purchase of shares under Share Award Scheme	–	(229)	–	–	–	–	–	–	–	–	–	(229)	–	(229)
Acquisition of subsidiaries (Note 44)	–	–	–	–	–	–	–	–	–	–	–	–	72	72
Disposal/deregistration of subsidiaries (Note 46)	–	–	–	–	–	–	–	–	–	–	–	–	(1,039)	(1,039)
Acquisition/disposal of additional interests in subsidiaries	–	–	–	(16)	–	–	–	–	–	–	–	(16)	(53)	(69)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	70	70
Capital reduction of non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(7)	(7)
Dividends appropriation (Note 13)	–	–	(64)	–	–	–	–	–	–	–	(2,913)	(2,977)	–	(2,977)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(879)	(879)
Transfer to surplus reserve fund (note b)	–	–	–	–	–	–	–	686	–	–	(686)	–	–	–
At 31 December 2023	117	(397)	28	(115)	66	142	195	5,359	(96)	90	37,271	42,660	5,602	48,262

Notes:

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

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

c. Pursuant to relevant PRC regulation, the Group is required to transfer 1.5% on revenue generated from construction and installation, transportation of gas or other dangerous chemical into a designated fund. The fund will be used for installation and repair and maintenance of safety facilities. The movement during the year represents the difference between the amount provided and the amount utilised during the year.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Note	**2023** **RMB million**	2022 RMB million
OPERATING ACTIVITIES			
Profit before tax		**10,005**	9,052
Adjustments for:			
Share of results of associates		**(14)**	(68)
Share of results of joint ventures		**(464)**	43
Exchange differences		**211**	1,003
Net (gain) loss of financial assets at FVTPL		**(13)**	63
Net gain on fair value change of derivative financial instruments		**(900)**	(39)
Impairment loss under expected credit loss model, net of reversal		**280**	250
Impairment losses on property, plant and equipment		**160**	96
Impairment losses on intangible assets		**16**	33
Impairment losses on goodwill		**16**	–
Loss on disposal of property, plant and equipment		**64**	128
Gain on disposal of right-of-use assets		**(10)**	(20)
Loss on disposal of subsidiaries	46	**102**	9
Loss on disposal of joint ventures		**–**	6
Gain on disposal of associates		**(1)**	–
Dividend income from financial assets at FVTPL		**(133)**	(127)
Dividend income from equity instruments at FVTOCI		**(7)**	(4)
Decrease in fair value of investment properties		**10**	22
Share-based payment expenses		**9**	21
Gain on fair value change of awarded shares		**(20)**	–
Gain on repurchase of Senior Notes		**(227)**	–
Depreciation of property, plant and equipment		**2,233**	2,081
Depreciation of right-of-use assets		**212**	167
Amortisation of intangible assets		**395**	355
Interest income on bank deposits and loan receivables		**(189)**	(192)
Finance costs		**786**	672
Financial guarantee income		**(5)**	(2)
Others in other gain and losses		**15**	(11)
		12,531	13,538
Movements in working capital:			
Increase in inventories		**(56)**	(201)
Increase in trade and other receivables		**(680)**	(546)
Decrease in contract assets		**5**	141
(Decrease) increase in contract liabilities		**(594)**	334
Decrease in amounts due from associates		**35**	155
Decrease in amounts due to associates		**(7)**	(76)
Decrease (increase) in amounts due from joint ventures		**183**	(17)
(Decrease) increase in amounts due to joint ventures		**(888)**	427
Decrease (increase) in amounts due from related companies		**96**	(32)
Increase (decrease) in amounts due to related companies		**171**	(48)
Increase (decrease) in trade and other payables		**1,221**	(1,701)
Increase in deferred income		**111**	79
Cash generated from operations		**12,128**	12,053
PRC enterprise income tax paid		**(2,516)**	(1,951)
Net cash generated from operating activities		**9,612**	10,102

	Notes	2023 RMB million	2022 RMB million
INVESTING ACTIVITIES			
Dividends received from joint ventures		**243**	207
Dividends received from associates		**119**	170
Dividends received from financial assets at FVTPL		**187**	75
Dividends received from equity instruments at FVTOCI		**7**	4
Gross cash outflow from derivative financial instruments		**(1,577)**	(5,905)
Gross cash inflow from derivative financial instruments		**2,549**	6,469
Option premium paid in relation to derivative financial instruments		**–**	(68)
Interest received		**189**	192
Purchases of property, plant and equipment		**(6,495)**	(6,241)
Acquisition of intangible assets		**(274)**	(495)
Proceeds from disposal of property, plant and equipment		**201**	384
Purchases of wealth management products		**(9,891)**	(10,515)
Redemptions of wealth management products		**9,817**	10,641
Addition of right-of-use assets		**(218)**	(172)
Deposits paid for investments		**–**	(10)
Deposits paid for acquisition of right-of use assets		**–**	(5)
Net cash inflow (outflow) on acquisition of subsidiaries	44 & 45	**5**	(81)
Net cash (outflow) inflow on disposal of subsidiaries	46	**(84)**	80
Net cash inflow on deregistration of subsidiaries		**5**	–
Proceeds from refund of financial assets at FVTPL		**6**	16
Proceeds from disposal/deregistration of joint ventures		**11**	32
Proceeds from disposal/deregistration of associates		**1**	6
Proceeds from disposal of right-of-use assets		**66**	31
Investments in joint ventures		**(63)**	(510)
Investments in associates		**(394)**	(7)
Addition of restricted bank deposits		**(444)**	(302)
Release of restricted bank deposits		**467**	380
Amounts advanced to third parties		**(4,005)**	(3,831)
Amounts repaid by third parties		**3,517**	4,044
Amounts advanced to associates		**(18)**	(112)
Amounts repaid by associates		**250**	228
Amounts advanced to joint ventures		**(280)**	(830)
Amounts repaid by joint ventures		**1,253**	402
Amounts advanced to related companies		**(10)**	(5)
Amounts repaid by related companies		**11**	2
Net cash used in investing activities		**(4,849)**	(5,726)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB million	2022 RMB million
FINANCING ACTIVITIES		
Interest paid	**(891)**	(814)
Advanced from banks and other financial institutions	**6,120**	9,485
Amounts repaid to banks and other financial institutions	**(6,120)**	(9,485)
Repurchase of treasury stocks	**(229)**	–
Net proceeds from ordinary shares issued upon exercise of share options	**20**	48
Proceeds from issuance of Senior Notes	**–**	3,579
Capital contribution from non-controlling shareholders	**70**	90
Capital reduction of non-controlling shareholders	**(7)**	(18)
Net cash outflow on acquisition of additional interests in subsidiaries	**(36)**	(25)
Net cash inflow on disposal of partial interest in subsidiaries	**12**	147
Dividends paid to non-controlling shareholders	**(879)**	(665)
Dividends paid to shareholders	**(2,977)**	(2,657)
New bank loans raised	**17,518**	13,482
Repayment of bank loans	**(13,964)**	(12,440)
Repurchase of Senior Notes	**(1,202)**	–
Repayment of unsecured bond	**–**	(3,780)
Repayment of corporate bonds	**–**	(2,099)
Repayment of lease liabilities	**(140)**	(96)
Amounts advanced from associates	**21**	101
Amounts repaid to associates	**(62)**	(24)
Amounts advanced from joint ventures	**116**	125
Amounts repaid to joint ventures	**(487)**	(62)
Amounts advanced from related companies	**10**	94
Amounts repaid to related companies	**(36)**	(7)
Net cash used in financing activities	**(3,143)**	(5,021)
Net increase (decrease) in cash and cash equivalents	**1,620**	(645)
Cash and cash equivalents at the beginning of the year	**8,056**	8,684
Effect of foreign exchange rate changes	**13**	17
Cash and cash equivalents at the end of the year	**9,689**	8,056

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. General Information

ENN Energy Holdings Limited (the "Company") is an exempted company incorporated in the Cayman Islands under the Companies Law and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of its registered office and principal place of business are disclosed in the section headed "Corporate Information" of the Company's Annual Report.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to the "Group") are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company.

The Company is an investment holding company. The activities of its principal subsidiaries are set out in Note 53.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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 years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction ("Amendments to HKAS 12")

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The details of the impacts on each financial statement line item and earning per share arising from the application of the amendments are set out under "Impacts of application of amendments to HKFRSs on the consolidated financial statements" in this Note. Comparative figures have been restated.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

Impacts on application of Amendments to HKAS 12 Income Taxes International Tax Reform – Pillar Two Model Rules

The Group has applied the amendments for the first time in the current year. HKAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group is yet to apply the temporary exception during the current year because the Group's entities are operating in jurisdictions which the Pillar Two legislation has not yet been enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements when the Pillar Two legislation is enacted or substantially enacted and will disclose separately current tax expense/income related to Pillar Two income taxes when it is in effect.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Impacts of application of amendments to HKFRSs on the consolidated financial statements

The effects of the changes in accounting policy as a result of application of the Amendments to HKAS 12 on the consolidated statement of profit or loss and other comprehensive income, are as follows:

	2023 **RMB million**	2022 RMB million
Impact on profit for the year		
Decrease in income tax expense	**(1)**	(2)
Net increase in profit for the year	**1**	2
Increase in total comprehensive income for the year attributable to:		
– Owners of the Company	**1**	2
– Non-controlling interests	**–**	–
	1	2

The effects of the changes in accounting policy as a result of application of the Amendments to HKAS 12 on the consolidated statement of financial position as at the end of the immediately preceding financial year, i.e. 31 December 2022 and the beginning of the comparative period, i.e. 1 January 2022, are as follows:

	At 31 December 2022 (originally stated) RMB million	**Adjustment** RMB million	**At 31 December 2022** (restated) RMB million
Deferred tax assets	1,557	7	1,564
Deferred tax liabilities	(2,974)	–	(2,974)
Total effects on net assets	(1,417)	7	(1,410)

	At 31 December 2022 (originally stated) RMB million	**Adjustment** RMB million	**At 31 December 2022** (restated) RMB million
Non-controlling interests	6,521	1	6,522
Equity attributable to owners of the Company	39,034	6	39,040
Total effects on equity	45,555	7	45,562

	At 1 January 2022 (originally stated) RMB million	**Adjustment** RMB million	**At 1 January 2022** (restated) RMB million
Deferred tax assets	1,212	5	1,217
Deferred tax liabilities	(2,785)	–	(2,785)
Total effects on net assets	(1,573)	5	(1,568)

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Impacts of application of amendments to HKFRSs on the consolidated financial statements *(continued)*

	At 1 January 2022 (originally stated) RMB million	Adjustment RMB million	At 1 January 2022 (restated) RMB million
Non-controlling interests	6,373	1	6,374
Equity attributable to owners of the Company	35,777	4	35,781
Total effects on equity	42,150	5	42,155

The application of the Amendments to HKAS 12 in the current year had no impact on the earnings per share. Financial items that were not affected by the changes have not been included.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

The Directors anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

In preparing the consolidated financial statements for the year ended 31 December 2023, the directors of the Company (the "Directors") have given careful consideration of the Group's net current liabilities of approximately RMB8,548 million on that date. Taking into account 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 2023 have been prepared on a going concern basis.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Revenue from contracts with customers

The Group recognises 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised 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 benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Performance obligations for contracts with customers

The Group recognises revenue from the following sources:

(1) Retail gas sales

The Group sells natural gas to customers through pipelines, including both residential households and commercial and industrial customers. Revenue is recognised when the piped natural gas is transferred to and consumed by customers of which the volume of gas sold is measured by gas meters installed at customer sites.

The Group also operates vehicle gas refuelling stations to refuel vehicles with liquefied natural gas ("LNG") and compressed natural gas ("CNG"). Revenue is recognised when the refuelling is completed at the refuelling stations, being the time when LNG or CNG is transferred to customers.

(2) Sales of integrated energy

The Group supplies various energy products, such as gas, electricity, cooling, heating and steam. Revenue from sales of integrated energy is recognised when the energy is transferred to and consumed by the customers.

(3) Construction and installation

The Group provides construction and installation service under construction contracts with its customers. Such contracts are entered into for customers to gain access to the Group's gas pipelines or supply of integrated energy. Revenue is recognised over time based on the completion status of respective construction. The construction period is typically less than one year. The management considers that this output method is an appropriate measure of the progress towards complete satisfaction of the performance obligation.

(4) Wholesale of gas

The Group supplies LNG to wholesale customers. Revenue is recognised when control of LNG has transferred, being when the LNG has been bulk delivered to the customers' specific location.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Revenue from contracts with customers (continued)

Performance obligations for contracts with customers *(continued)*

(5) Value added business

The Group provides customers with a variety of value added services, including but not limit to kitchen solutions, heating systems and security systems. The performance obligations transferred are integral. Revenue is recognised when installation service is rendered, being at the point the customers accept the services.

In addition, the Group also sells construction materials and other energy products to commercial and industrial customers. Revenue is recognised when control of goods has transferred, being at the point the customers purchase the goods.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognised revenue on the basis of direct measurement of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of considerations for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advanced payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Revenue from contracts with customers (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Business combinations or asset acquisition

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

(a) deferred tax assets or liabilities, and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 and HKAS 19 *Employee Benefits* respectively;

(b) liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;

(c) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

(d) lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases at the acquisition date, except for leases for which the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Business combinations or asset acquisition (continued)

Business combinations *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (which cannot exceed one year from the acquisition date), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets included building and leasehold land (classified as finance lease) that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost or deemed cost for properties transferred from investment properties, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of HKAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the costs or deemed cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An Item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") (or groups of CGUs) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A CGU (or group of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on acquisition in a reporting period, the CGU (or group of CGUs) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of CGUs). Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income and would not be reversed in subsequent periods.

On disposal of the relevant CGU or any of the CGU within the group of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU (or a CGU within a group of CGUs), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the CGU) disposed of and the portion of the CGU (or the group of CGUs) retained.

The Group's policy for goodwill arising on the acquisition of an associate and joint venture is described below.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development or from the development phase of an internal project is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss in the period when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amounts of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or group of units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if applicable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade day basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments (continued)

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit-risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "Other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables and part of other receivables, restricted bank deposits, cash and cash equivalents, amounts due from associates/joint ventures/related companies) and other items (contract assets and financial guarantee contracts) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings for the remaining.

For all other financial assets at amortised cost, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt instrument to have low credit risk when it has an external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Default has been considered occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtors or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL *(continued)*

Lifetime ECL for trade receivables, contract assets and amounts due from associates/joint ventures/related companies arising from contracts with customers are considered individually for debtors with significant balances and collectively for the remaining taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, contract assets and amounts due from associate/joint ventures/related companies where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “Other gains and losses” line item (Note 8) as part of the net foreign exchange gains/(losses);
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “Other gains and losses” line item as part of the gain/(loss) from changes in fair value of financial assets (Note 8);
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the fair value through other comprehensive income/revaluation reserve.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments (continued)

Financial liabilities and equity instruments *(continued)*

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to associates/joint ventures/related companies, bank and other loans and senior notes) that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other gains and losses" line item in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other gains and losses" line item in profit or loss (Note 8) as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments (continued)

Derecognition

The Group derecognises a financial asset only when the rights to receive cash flows from the assets expire or, when it transfers the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months.

Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Hedge accounting

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

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

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Financial instruments (continued)

Hedge accounting *(continued)*

Assessment of hedging relationship and effectiveness

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

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

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time period related, the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a straight-line basis. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Cash flow hedges

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

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedge reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

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

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

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any assets, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Investments in associates and joint ventures (continued)

When a group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

The Group applies HKFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying HKFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by HKAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with HKAS 28).

Changes in the Group's interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid is recognised in the profit or loss in the period in which the additional interest are acquired.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be recognised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is recognised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the Amendments to HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Inventories

Inventories, including construction materials, gas appliances, natural gas, spare parts and consumables and integrated energy appliances and other energy inventories, are stated at the lower of cost and net realisable value. Costs of inventories are determined using weighted average cost formula. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and the costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under financial instruments/hedge accounting); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

Share-based payment

Equity-settled share-based payment transactions

Share options granted to employees (including Directors)

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). Vesting conditions, other than market condition, shall not be taken into account when estimating the fair value of the share options at the measurement date. Instead, vesting conditions, i.e. a specified service period with or without a performance target, shall be taken into account in estimating the number of equity instrument that will ultimately vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share premium.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Share-based payment (continued)

Cash-settled share-based payment transactions

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. The fair value of the cash-settled share-based payments is determined without taking into consideration all non-market vesting conditions.

At the end of each reporting period until the liability is settled, and at the date of settlement, the liability is remeasured to fair value. For cash-settled share-based payments that are already vested, any changes in fair value are recognised in profit or loss for the year. For cash-settled share-based payments which are still subject to non-market vesting conditions, the effects of vesting and non-vesting conditions are accounted on the same basis as equity-settled share-based payments.

Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of various offices, warehouses, equipment and vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information *(continued)*

3.2 Material accounting policy information *(continued)*

Lease (continued)

The Group as a lessee *(continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate; and
- amounts expected to be paid under residual value guarantees.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised if the revision affects only that reporting period, or in the reporting period of the revision and future reporting periods if the revision affects both current and future reporting periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of goodwill, intangible assets and certain property, plant and equipment

Determining whether goodwill, intangible assets and certain property, plant and equipment are impaired requires the estimation of the recoverable amount of the CGUs to which goodwill, intangible assets and certain property, plant and equipment have been allocated which is the higher of the fair value less costs of disposal and its value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and assess the reasonableness of the key assumptions, including revenue growth rate, gross profit rate and discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As at 31 December 2023, the carrying amounts of goodwill, intangible assets and certain property, plant and equipment which were carried out by impairment testing are RMB2,504 million, RMB302 million and RMB1,561 million (2022: RMB2,520 million, RMB1,116 million and RMB1,152 million), respectively. Details of the impairment assessment are set out in Note 18, 19 and 15.

Fair value measurement of financial instruments

Certain of the Group's financial instruments, including investment in unlisted equity security and derivative financial instruments net amounting to RMB4,379 million (2022: RMB4,486 million) as at 31 December 2023 are measured at fair values with fair values being determined based on various valuation approach and unobserved inputs. Judgment and estimation are required in establishing the relevant valuation approach and the relevant inputs such as liquidity discount, estimates of future prices, market price volatility and credit risk. Changes in these factors could affect the fair values of these instruments. Further disclosures are set out in Note 50.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change. As at 31 December 2023, the carrying amount of property, plant and equipment is RMB50,330 million (2022: RMB50,380 million).

5. Revenue

	2023 **RMB million**	2022 RMB million
Revenue from contract with customers comprises the following:		
Sales of goods		
Retail gas sales business	**60,611**	60,082
Integrated energy business	**13,542**	10,108
Wholesale of gas	**29,695**	29,954
Value added business	**2,143**	2,043
	105,991	102,187
Provision of services		
Construction and installation	**5,337**	5,950
Integrated energy business	**971**	843
Value added business	**1,559**	1,071
	7,867	7,864
	113,858	110,051

Disaggregation of revenue from contracts with customers

	2023			2022		
	Sales of goods RMB million	**Provision of services RMB million**	**Total RMB million**	Sales of goods RMB million	Provision of services RMB million	Total RMB million
Types of goods or services						
Retail gas sales business	**60,611**	**–**	**60,611**	60,082	–	60,082
Integrated energy business	**13,542**	**971**	**14,513**	10,108	843	10,951
Wholesale of gas	**29,695**	**–**	**29,695**	29,954	–	29,954
Construction and installation	**–**	**5,337**	**5,337**	–	5,950	5,950
Value added business	**2,143**	**1,559**	**3,702**	2,043	1,071	3,114
Total	**105,991**	**7,867**	**113,858**	102,187	7,864	110,051

The performance obligations of the Group are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

During the year ended 31 December 2023, the Group recognised revenue at a point in time amounted to RMB107,550 million (2022: RMB103,258 million) and recognised revenue over time amounted to RMB6,308 million (2022: RMB6,793 million).

6. Segment Information

Information reported to the chief operating decision maker (the "CODM") of the Company, for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services.

Segment revenue and results

Segment profit represents the profit earned by each segment without allocation of full amount of administrative expenses, 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 year:

2023	**Retail gas sales business RMB million**	**Integrated energy business RMB million**	**Wholesale of gas RMB million**	**Construction and installation RMB million**	**Value added business RMB million**	**Total RMB million**
Segment revenue	**68,513**	**14,664**	**40,590**	**6,575**	**7,938**	**138,280**
Inter-segment sales	**(7,902)**	**(151)**	**(10,895)**	**(1,238)**	**(4,236)**	**(24,422)**
Revenue from external customers	**60,611**	**14,513**	**29,695**	**5,337**	**3,702**	**113,858**
Segment profit before depreciation and amortisation	**7,457**	**2,217**	**1,099**	**3,216**	**2,522**	**16,511**
Depreciation and amortisation	**(1,408)**	**(310)**	**(4)**	**(446)**	**(5)**	**(2,173)**
Segment/gross profit	**6,049**	**1,907**	**1,095**	**2,770**	**2,517**	**14,338**

2022	Retail gas sales business RMB million	Integrated energy business RMB million	Wholesale of gas RMB million	Construction and installation RMB million	Value added business RMB million	Total RMB million
Segment revenue	67,949	10,997	42,020	7,230	7,607	135,803
Inter-segment sales	(7,867)	(46)	(12,066)	(1,280)	(4,493)	(25,752)
Revenue from external customers	60,082	10,951	29,954	5,950	3,114	110,051
Segment profit before depreciation and amortisation	7,783	1,814	2,740	3,348	2,082	17,767
Depreciation and amortisation	(1,338)	(258)	(4)	(407)	(4)	(2,011)
Segment/gross profit	6,445	1,556	2,736	2,941	2,078	15,756

6. Segment Information *(continued)*

Segment assets and liabilities

An analysis of the Group's total assets and liabilities by segments is as follows:

2023	**Retail gas sales business RMB million**	**Integrated energy business RMB million**	**Wholesale of gas RMB million**	**Construction and installation RMB million**	**Value added business RMB million**	**Total RMB million**
Assets:						
Segment assets	**41,881**	**12,556**	**3,754**	**11,881**	**4,521**	**74,593**
Interests in associates						**4,708**
Interests in joint ventures						**5,117**
Unallocated corporate assets						**18,713**
Consolidated total assets						**103,131**
Liabilities:						
Segment liabilities	**14,636**	**2,632**	**206**	**13,066**	**2,239**	**32,779**
Bank and other loans						**14,195**
Senior notes						**7,728**
Unallocated corporate liabilities						**167**
Consolidated total liabilities						**54,869**

2022	Retail gas sales business RMB million	Integrated energy business RMB million	Wholesale of gas RMB million	Construction and installation RMB million	Value added business RMB million	Total RMB million (restated)
Assets:						
Segment assets	40,936	11,644	3,993	11,771	4,419	72,763
Interests in associates						3,607
Interests in joint ventures						4,870
Unallocated corporate assets						21,118
Consolidated total assets						102,358
Liabilities:						
Segment liabilities	14,435	4,335	212	14,680	2,504	36,166
Bank and other loans						10,827
Senior notes						8,965
Unallocated corporate liabilities						838
Consolidated total liabilities						56,796

6. Segment Information *(continued)*

Segment assets and liabilities *(continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated corporate assets, which mainly including certain property, plant and equipment, right-of-use assets, intangible assets, goodwill, investment properties, interests in associates, interests in joint ventures, deferred tax assets, certain other receivables, deposits, amounts due from associates, joint ventures and related companies, equity instruments at FVTOCI, financial assets at FVTPL, derivative financial instruments, restricted bank deposits and cash and cash equivalents. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to reportable segments other than unallocated corporate liabilities, which mainly including certain other payables, amounts due to associates, joint ventures and related companies, taxation payables, lease liabilities, bank and other loans, senior notes, derivative financial instruments and deferred tax liabilities. Liabilities for which segments are jointly liable are allocated in proportion to segments assets.

For the purposes of presenting segment revenue, results, assets and liabilities, the Group allocates certain property, plant and equipment, intangible assets and right-of-use assets to certain segments with the related depreciation and amortisation to those segments.

Other segment information

Amounts included in the measurement of segment profit and segment assets:

	Retail gas sales business RMB million	Integrated energy business RMB million	Wholesale of gas RMB million	Construction and installation RMB million	Value added business RMB million	Total RMB million
2023						
Additions to non-current assets (note b)	**4,788**	**1,851**	**42**	**870**	**142**	**7,693**
Depreciation and amortisation	**1,408**	**310**	**4**	**446**	**5**	**2,173**
2022						
Additions to non-current assets (note b)	4,385	1,638	137	933	230	7,323
Depreciation and amortisation	1,338	258	4	407	4	2,011

	Additions to non-current assets (note b)		Depreciation and amortisation	
	2023 **RMB million**	2022 RMB million	**2023** **RMB million**	2022 RMB million
Segment total	**7,693**	7,323	**2,173**	2,011
Adjustments (note a)	**273**	110	**667**	592
Total	**7,966**	7,433	**2,840**	2,603

Notes:

(a) Adjustments represent amounts incurred for corporate headquarters and are not allocated to operating segments.

(b) Non-current assets represent property, plant and equipment, right-of-use assets, goodwill and intangible assets.

There is no single customer contributing more than 10% of the total revenue of the Group for both years.

In previous year, the geographical information was grouped as PRC operation and overseas operation. During the year, the geographical information was regrouped due to the alignment of the Group's long term strategy, as Mainland China operation and overseas operation. The geographical information of non-Mainland China operation was regrouped as overseas geographical information. Thus, certain figures were regrouped for comparative purpose.

Substantially all of the Group's revenue, segment profit and non-current assets are from the Mainland China. For the year ended 31 December 2023, the revenues from the Mainland China and overseas were RMB110,817 million (2022: RMB106,328 million) and RMB3,041 million (2022: RMB3,723 million), respectively. For the year ended 31 December 2023, the segment profit of the Mainland China and overseas were RMB13,303 million (2022: RMB13,521 million) and RMB1,035 million (2022: RMB2,235 million), respectively. Of which, the segment profit of overseas wholesales of gas was RMB1,004 million (2022: RMB2,195 million). As of 31 December 2023, the non-current assets excluded financial instruments, deferred tax assets located in the Mainland China were RMB70,056 million (2022: RMB68,535 million) and overseas were RMB98 million (2022: RMB100 million).

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For the year ended 31 December 2023

7. Other Income

	2023 RMB million	2022 RMB million
Other income mainly includes:		
Incentive subsidies (note a)	**370**	326
Dividend income from equity instruments at FVTOCI	**7**	4
Dividend income from financial assets at FVTPL (note b)	**133**	127
Interest income on bank deposits	**96**	63
Interest income on loan receivables from joint ventures, associates and related parties	**24**	36
Interest income on loan receivables from third parties	**69**	93
Rental income from investment properties	**12**	8
Rental income from equipment	**42**	46

Notes:

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

(b) During the year ended 31 December 2023, the Group recognised dividend income of approximately RMB4 million (2022: RMB7 million) and RMB129 million (2022: RMB 118 million) from Shanghai Dazhong Public Utilities (Group) Co., Ltd ("Shanghai Utilities") and Sinopec Marketing Co., Ltd ("Sinopec Marketing"), respectively.

8. Other Gains and Losses

	2023 RMB million	2022 RMB million
Net (loss) gain on disposal of:		
– Property, plant and equipment	**(64)**	(128)
– Right-of-use assets	**10**	20
– Subsidiaries (Note 46)	**(102)**	(9)
– Joint ventures/associates	**1**	(6)
Decrease in fair value of investment properties (Note 17)	**(10)**	(22)
Net gain (loss) of:		
– Financial assets at FVTPL (Note 24)	**13**	(63)
– Derivative financial instruments (Note 23)	**900**	39
– Repurchase of senior notes	**227**	–
– Fair value change of awarded shares	**20**	–
Impairment losses under ECL model, net of reversal		
– Trade and other receivables	**(270)**	(214)
– Contract assets	**(1)**	5
– Amounts due from associates/joint ventures/related companies	**(9)**	(41)
Gain on remeasurement of the interest in a joint venture/ an associate (Note 44)	**3**	–
Impairment losses recognised in respect of:		
– Property, plant and equipment	**(160)**	(96)
– Intangible assets	**(16)**	(33)
– Goodwill	**(16)**	–
Loss on foreign exchange, net (note)	**(241)**	(1,032)
Others	**(18)**	11
	267	(1,569)

Note: Included in the amount for the year ended 31 December 2023 is an exchange loss of approximately RMB184 million (2022: exchange loss of approximately RMB988 million) arising from the translation of senior notes and bank loans denominated in United States dollars ("USD") to RMB.

9. Finance Costs

	2023 RMB million	2022 RMB million
Interest on:		
Bank and other loans	**479**	398
Senior notes	**388**	252
Corporate bonds	**–**	30
Unsecured bonds	**–**	71
Lease liabilities	**28**	19
	895	770
Less: Amount capitalised under properties under construction (note)	**(103)**	(116)
	792	654
Fair value loss reclassified from equity on foreign currency derivative designated as cash flow hedges for USD debts	**(6)**	18
	786	672

Note: Borrowing costs capitalised during both years were incurred on funds borrowed specifically and generally for the purpose of expenditure on qualifying assets. In respect of funds borrowed generally for the purpose of expenditure on qualifying assets, the amount of borrowing costs capitalised during the year was calculated by applying a capitalisation rate of 3.53% (2022: 3.21%) per annum.

10. Profit Before Tax

	2023 RMB million	2022 RMB million
Profit before tax has been arrived at after charging (crediting):		
Share-based payment expenses, including directors' emoluments (included in administrative expenses)	**9**	21
Other staff costs, including directors' emoluments	**4,193**	4,163
Less: Amount of other staff costs capitalised under properties under construction	**(187)**	(188)
	4,015	3,996
Depreciation and amortisation:		
Property, plant and equipment	**2,233**	2,081
Intangible assets	**395**	355
Right-of-use assets	**212**	167
Total depreciation and amortisation (note)	**2,840**	2,603
Auditors' remuneration (including subsidiaries' auditors)	**21**	26
Research and development costs recognised as an expense (included in administrative expenses)	**498**	764
Expense relating to short-term lease and others	**64**	35

Note: Allocation of total staff costs and depreciation and amortisation are as follows:

	2023 RMB million	2022 RMB million
Staff costs included in:		
Cost of sales	**1,148**	1,174
Distribution and selling expenses	**717**	718
Administrative expenses	**2,150**	2,104
	4,015	3,996
Depreciation and amortisation included in:		
Cost of sales	**2,173**	2,011
Distribution and selling expenses	**180**	158
Administrative expenses	**487**	434
	2,840	2,603

11. Directors', Chief Executive's and Employees' Emoluments

a. Directors' emoluments

Emoluments paid and payable to the Directors for the year were as follows:

	2023					
Name of director	Fee RMB'000	Salaries and allowance RMB'000	Discretionary performance bonus RMB'000	Share-based payment RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Executive Directors: (note a)						
Wang Yusuo	–	2,900	–	142	–	3,042
Zhang Yuying[1]	–	122	–	46	19	187
Liu Jianfeng[2]	–	2,632	1,303	203	152	4,290
Wang Dongzhi	–	1,950	948	95	109	3,102
Zhang Jin[3]	–	601	827	–	54	1,482
Jiang Chenghong[4]	–	68	–	–	–	68
Zheng Hongtao[5]	–	1,898	1,598	682	–	4,178
Wu Xiaojing[6]	–	1,898	1,358	65	92	3,413
Sub-total	–	12,069	6,034	1,233	426	19,762
Non-executive Directors:						
Wang Zizheng	500	–	–	16	16	532
Jin Yongsheng[7]	333	–	–	–	–	333
Zhang Yuying[1]	20	–	–	–	–	20
Sub-total	853	–	–	16	16	885
Independent Non-executive Directors: (note b)						
Ma Zhixiang	500	–	–	18	–	518
Yuen Po Kwong	500	–	–	18	–	518
Law Yee Kwan, Quinn	500	–	–	18	–	518
Yien Yu Yu, Catherine[8]	333	–	–	18	–	351
Wong Lai, Sarah[9]	176	–	–	–	–	176
Sub-total	2,009	–	–	72	–	2,081
Total	2,862	12,069	6,034	1,321	442	22,728

11. Directors', Chief Executive's and Employees' Emoluments *(continued)*

a. Directors' emoluments *(continued)*

	2022					
Name of director	Fee RMB'000	Salaries and allowance RMB'000	Discretionary performance bonus RMB'000	Share-based payment RMB'000	Retirement benefit scheme contributions RMB'000	Total emoluments RMB'000
Executive Directors: (note a)						
Wang Yusuo	–	2,900	–	742	–	3,642
Zheng Hongtao[5]	–	2,000	1,917	4,297	–	8,214
Wu Xiaojing[6]	–	2,000	1,877	329	70	4,276
Wang Dongzhi	–	1,950	–	495	–	2,445
Sub-total	–	8,850	3,794	5,863	70	18,577
Non-executive Directors:						
Wang Zizheng	500	–	–	557	15	1,072
Jin Yongsheng[7]	500	–	–	–	–	500
Zhang Yuying[1]	500	–	–	1,741	–	2,241
Sub-total	1,500	–	–	2,298	15	3,813
Independent Non-executive Directors: (note b)						
Ma Zhixiang	500	–	–	93	–	593
Yuen Po Kwong	500	–	–	93	–	593
Law Yee Kwan, Quinn	500	–	–	93	–	593
Yien Yu Yu, Catherine[8]	500	–	–	93	–	593
Sub-total	2,000	–	–	372	–	2,372
Total	3,500	8,850	3,794	8,533	85	24,762

[1] Mr. Zhang Yuying resigned as a non-executive director of the Company on 16 January 2023, and has been appointed as an executive director on 12 December 2023. The amount in 2023 included the emoluments paid for his service as an executive director of the Company during the year ended 31 December 2023.

[2] Mr. Liu Jianfeng has been appointed as an executive director of the Company on 16 January 2023.

[3] Ms. Zhang Jin has been appointed as an executive director of the Company on 25 August 2023.

[4] Mr. Jiang Chenghong has been appointed as an executive director of the Company on 12 December 2023.

[5] Mr. Zheng Hongtao resigned as an executive director of the Company on 12 December 2023.

[6] Ms. Wu Xiaojing resigned as an executive director of the Company on 12 December 2023.

[7] Mr. Jin Yongsheng resigned as a non-executive director of the Company on 25 August 2023.

[8] Ms. Yien Yu Yu, Catherine resigned as an independent non-executive director of the Company on 25 August 2023.

[9] Ms. Wong Lai, Sarah has been appointed as an independent non-executive director of the Company on 25 August 2023.

11. Directors', Chief Executive's and Employees' Emoluments *(continued)*

a. Directors' emoluments *(continued)*

Notes:

a. The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

b. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

None of the Directors waived any emoluments or received any compensation for loss of office in connection with the management of the affairs of any member of the Group or as inducement to join the Company during both years. The discretionary performance bonus is determined by reference to the Group's performance during the year.

b. Five highest paid individuals

None of the five highest paid individuals received any compensation for loss of office in connection with the management of the affairs of any member of the Group or as inducement to join the Company during both years.

The five highest paid employees of the Group during the year included four (2022: two) directors, details of whose remuneration are set out in Note 11(a). Details of the remuneration for the year of the remaining one (2022: three) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and allowance	**1,800**	6,350
Discretionary performance bonus	**1,807**	5,654
Share-based payment	**40**	2,758
Retirement benefits scheme contributions	**131**	418
	3,778	15,180

The number of the highest paid employees in Hong Kong Dollar ("HK$") including the Directors whose remuneration fell within the following bands is as follows:

	2023 **Number of employees**	2022 Number of employees
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	–
HK$4,500,001 to HK$5,000,000	**2**	2
HK$5,500,001 to HK$6,000,000	**–**	1
HK$7,000,001 to HK$7,500,000	**–**	1
HK$7,500,001 to HK$8,000,000	**–**	–
HK$8,000,001 to HK$8,500,000	**–**	–
HK$9,500,001 to HK$10,000,000	**–**	1
	5	5

12. Income Tax Expense

	2023 RMB million	2022 RMB million (restated)
Current tax	**2,389**	2,666
Overprovision in prior years	**(103)**	(56)
Overprovision of withholding tax in prior years	**–**	(51)
	2,286	2,559
Deferred tax (Note 31)	**(13)**	(173)
	2,273	2,386

The expense substantially represents PRC Enterprise Income Tax for both years.

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

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

For tax jurisdictions outside the Mainland China, income tax is calculated at the range of 16.5% to 17.0% of the estimated assessable profit for both years.

Income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 RMB million	2022 RMB million (restated)
Profit before tax	**10,005**	9,052
Tax at the PRC Enterprise Income Tax rate of 25% (2022: 25%)	**2,501**	2,263
Tax effects of share of results of associates	**(3)**	(17)
Tax effects of share of results of joint ventures	**(116)**	11
Tax effects of income not taxable for tax purpose	**(130)**	(138)
Tax effects of expenses not deductible for tax purpose	**289**	235
Tax effects of tax losses not recognised	**502**	795
Utilisation of tax losses previously not recognised	**(224)**	(101)
Tax effect of deductible temporary differences not recognised	**48**	29
Tax concession and exemption granted to certain PRC subsidiaries	**(253)**	(231)
Effect of different tax rates of non-PRC subsidiaries	**(100)**	(180)
Overprovision in prior years	**(103)**	(56)
Withholding tax on undistributed profit of PRC entities	**(138)**	(224)
Income tax expense for the year	**2,273**	2,386

13. Dividends

	2023 RMB million	2022 RMB million
Final dividend of HK$2.27 (equivalent to approximately RMB2.05) per share (2022: HK$2.11 (equivalent to approximately RMB1.72) per share) (note a)	**2,312**	2,039
Interim dividend of HK$0.64 (equivalent to approximately RMB0.59) per share (2022: HK$0.64 (equivalent to approximately RMB0.55) per share) (note b)	**665**	618
	2,977	2,657

Note a: The final dividend for the fiscal year 2022 of the Company was declared on 24 March 2023 and paid on 21 July 2023.

Note b: The interim dividend for the fiscal year 2023 of the Company was paid on 29 November 2023.

Note c: After the end of the reporting period, the Board has recommended a final dividend of HK$2.31 per share (equivalent to approximately RMB2.09 per share) for the year ended 31 December 2023, and is subject to approval by the shareholders in the forthcoming AGM. The final dividend proposed after the end of the reporting period has not been recognised as a liability in the consolidated financial statements.

14. Earnings Per Share

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

Basic earnings per share

Basic earnings per share for the years ended 31 December 2023 and 2022 are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2023	2022 (restated)
Profit for the year attributable to the owners of the Company (RMB million)	**6,816**	5,867
Weighted average number of ordinary shares	**1,127,615,310**	1,127,721,566
Basic earnings per share (RMB)	**6.05**	5.20

Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2023 and 2022 are calculated assuming all dilutive potential shares were converted during the year.

	2023	2022 (restated)
Earnings		
Earnings for the purpose of diluted earnings per share (RMB million)	**6,816**	5,867
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**1,127,615,310**	1,127,721,566
Effect of dilutive potential shares:		
– share options	**1,160,589**	2,708,970
Weighted average number of shares for the purpose of diluted earnings per share	**1,128,775,899**	1,130,430,536
Diluted earnings per share (RMB)	**6.04**	5.19

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15. Property, Plant and Equipment

	Leasehold land and buildings RMB million	Pipelines RMB million	Machinery and equipment RMB million	Motor vehicles RMB million	Office equipment RMB million	Properties under construction RMB million	Total RMB million
COST							
At 1 January 2022	5,683	39,432	5,320	466	2,434	3,961	57,296
Acquisition of subsidiaries (Notes 44 & 45)	14	31	15	–	1	4	65
Additions	146	188	432	43	217	5,331	6,357
Reclassification	256	4,049	845	–	61	(5,211)	–
Transfer to investment properties	(1)	–	–	–	–	–	(1)
Disposal of subsidiaries (Note 46)	(11)	(3)	(14)	–	–	(125)	(153)
Disposals	(61)	(201)	(438)	(43)	(51)	(1)	(795)
At 31 December 2022	6,026	43,496	6,160	466	2,662	3,959	62,769
Acquisition of subsidiaries (Note 44)	24	204	4	1	2	38	273
Additions	55	495	873	37	113	5,018	6,591
Reclassification	366	3,436	1,273	–	129	(5,204)	–
Disposal of subsidiaries (Note 46)	(276)	(4,737)	(106)	(20)	(32)	(315)	(5,486)
Disposals	(53)	(139)	(180)	(109)	(60)	(23)	(564)
At 31 December 2023	6,142	42,755	8,024	375	2,814	3,473	63,583
DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	1,032	6,580	1,289	255	1,347	–	10,503
Provided for the year	173	1,190	470	50	198	–	2,081
Impairment loss	4	67	25	–	–	–	96
Disposal of subsidiaries (Note 46)	(2)	–	(6)	–	–	–	(8)
Eliminated on disposals	(15)	(114)	(88)	(35)	(31)	–	(283)
At 31 December 2022	1,192	7,723	1,690	270	1,514	–	12,389
Provided for the year	177	1,223	562	60	211	–	2,233
Impairment loss	37	27	89	6	1	–	160
Disposal of subsidiaries (Note 46)	(62)	(1,090)	(37)	(11)	(30)	–	(1,230)
Eliminated on disposals	(10)	(50)	(105)	(87)	(47)	–	(299)
At 31 December 2023	1,334	7,833	2,199	238	1,649	–	13,253
CARRYING VALUES							
At 31 December 2023	4,808	34,922	5,825	137	1,165	3,473	50,330
At 31 December 2022	4,834	35,773	4,470	196	1,148	3,959	50,380

15. Property, Plant and Equipment *(continued)*

The above items of property, plant and equipment, other than properties under construction, are depreciated on a straight-line basis as follows:

Leasehold land and buildings	Over the shorter of 30 years or the term of the leases
Pipelines	Over the shorter of 30 years or the term of the leases
Machinery and equipment	10–15 years
Motor vehicles	6 years
Office equipment	6 years

At the end of the reporting period, except for certain land and buildings with carrying value of RMB33 million (2022: RMB34 million) which are located in Hong Kong, the remaining land and buildings are located in the PRC.

At the end of the reporting period, the Group is in the process of applying for ownership certificates for its certain buildings in the PRC amounting to approximately RMB507 million (2022: RMB470 million).

Impairment assessment

The management of the Group concluded there was indication for impairment when the financial performance of the relevant subsidiaries is not as expected and the management conducted impairment assessment on relevant property, plant and equipment. The recoverable amounts of CGUs have been determined based on their value in use calculations.

CGUs related to integrated energy business in the PRC

For the CGUs related to integrated energy business in the PRC, the Group prepares a cash flow projection based on management best estimate. The cash flow projections for the first three years are based on financial budgets approved by management which are prepared based on the pattern consistent with the track record of the respective entities taking into account the stage of the development of the respective integrated energy projects. The revenues beyond the 3 years period but within the fifth (2022: fifth) year were estimated using an annualised growth rates for each CGU ranging from 0.00% to 5.42% (2022: 0.00% to 13.90%). For cash flow on the remaining contractual operating period, a steady growth rate of 2.50% (2022: 2.50%) will be adopted.

The Directors estimate discount rate using pre-tax rate that reflect current market assessment of the time value of money and the risks specific to the CGU and determined the discount rate to be 15.37% (2022: 15.28%).

CGUs of sales of piped gas business in the PRC

For the CGUs of sales of piped gas business in the PRC, the Group prepares a cash flow projection based on management best estimate. The details were set out in note 18.

Based on the result of the assessment, management of the Group determined that the relevant assets were impaired to their recoverable amount of RMB1,401 million (2022: RMB1,056 million), which is their carrying values at year end and the impairment of RMB160 million (2022: RMB 96 million), in which RMB112 million is related to the CGUs of integrated energy business as certain projects does not develop under market volatility and RMB48 million is related to the CGUs of sales of piped gas business as the same reason set out in note 18, has been recognised in profit or loss within the relevant functions to which these assets relate during the year.

16. Right-of-Use Assets

	Land use rights RMB million	Leasehold land and buildings RMB million	Motor vehicles RMB million	Equipment RMB million	Total RMB million
As at 1 January 2022	1,786	327	3	3	2,119
Acquisition of subsidiaries (Notes 44 & 45)	72	–	–	–	72
Additions	196	97	–	20	313
Disposal of subsidiaries (Note 46)	(3)	–	–	–	(3)
Disposals	(10)	(1)	–	–	(11)
Depreciation	(66)	(93)	(2)	(6)	(167)
As at 31 December 2022	1,975	330	1	17	2,323
Acquisition of subsidiaries (Note 44)	15	–	–	–	15
Additions	218	195	–	400	813
Disposal of subsidiaries (Note 46)	(105)	–	–	–	(105)
Disposals	(56)	(27)	–	–	(83)
Depreciation	(71)	(114)	(1)	(26)	(212)
As at 31 December 2023	1,976	384	–	391	2,751

	2023 RMB million	2022 RMB million
Expense relating to short-term lease	**64**	35
Variable lease payments not included in the measurement of lease liabilities	**18**	5
Total cash outflow for leases	**236**	136

The Group leases various offices, warehouses, equipment and vehicles for its operations. Lease contracts are entered into for fixed term of 1 month to 50 years, but may have extension and termination options. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

At the end of the reporting period, the Group is in the process of applying for the land use right certificates for the land in the PRC amounting to approximately RMB51 million (2022: RMB45 million). In the opinion of the Directors, the Group is not required to incur additional cost in obtaining the land use right certificates.

The Group entered into several short-term leases for various offices, warehouses, equipment and vehicles. As at 31 December 2023, the total outstanding commitments of such leases is RMB5 million (2022: RMB6 million).

The management conducted impairment assessment on relevant right-of-use assets in a way disclosed in note 15 and no impairment has been recognised.

17. Investment Properties

	RMB million
FAIR VALUE	
At 1 January 2022	288
Exchange realignment	3
Net decrease in fair value recognised in other gains and losses	(22)
Transfer from property, plant and equipment	7
At 31 December 2022	276
Exchange realignment	1
Net decrease in fair value recognised in other gains and losses	(10)
Transfer from property, plant and equipment	1
At 31 December 2023	268

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. These investment properties include land and buildings which comprise operating leases in respect of properties situated in the Mainland China and Hong Kong.

The fair value of the Group's investment properties at 31 December 2023 and 2022 has been arrived at on the basis of a valuation carried out on those dates by Knight Frank Petty Limited, a firm of independent valuers. The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. A significant increase in the market rent used would result in a significant increase in fair value, and vice versa. The Group's investment properties were classified in the Level 3 of fair value hierarchy as at 31 December 2023 and 2022.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

18. Goodwill

	2023 RMB million	2022 RMB million
COST		
At 1 January and 31 December	**2,571**	2,571
IMPAIRMENT		
At 1 January	**(51)**	(51)
Impairment loss	**(16)**	–
At 31 December	**(67)**	(51)
CARRYING VALUES		
At 31 December	**2,504**	2,520

18. Goodwill *(continued)*

Note: For the purposes of impairment testing, goodwill has been allocated to the following CGUs. At the end of the reporting period, the carrying value of goodwill mainly represents goodwill arising from the acquisition of:

	2023	2022
	RMB million	RMB million
Integrated energy business located in the PRC	**2,028**	2,028
Sale of piped gas business located in Xuancheng, the PRC	**100**	100
Sale of piped gas business located in Linyi, the PRC	**15**	15
Sale of piped gas business located in Pujiang, the PRC	**27**	27
Sale of piped gas business located in Inner Mongolia, the PRC	**21**	21
Sale of piped gas business located in Jiangsu, the PRC	**62**	62
Sale of piped gas business located in Haerbin, the PRC	**18**	18
Other CGUs of sales of piped gas business, the PRC	**233**	249
	2,504	2,520

Impairment assessment

The Group assess goodwill for impairment annually, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined based on their value in use calculations.

CGU of integrated energy business in the PRC

The Group prepares cash flow projection for integrated energy business in the PRC covering a 5 years (2022: 5 years) period and the cash flow beyond the 5 years (2022: 5 years) period was extrapolated using a steady growth rate of 2.50% (2022: 2.50%). For the 5 years (2022: 5 years) period, the first three years are based on financial budgets approved by management and based on the pattern consistent with the track record of the respective entities taking into account the stage of the development of the respective integrated energy projects. The revenues beyond the 3 years period but within the fifth (2022: fifth) year were estimated using an annualised growth rates of 5.37% (2022: 7.52%). The growth rates are based on the management's estimation on the respective entities projected market share and do not exceed average long-term growth rate for the relevant industry. The gross profit margin will be assumed the same beyond the 5 years (2022: 5 years) period.

The Directors estimate discount rate using pre-tax rate that reflect current market assessment of the time value of money and the risks specific to the CGU and determined the discount rate to be 15.37% (2022: 15.28%).

The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amounts of goodwill to exceed the recoverable amount of respective CGUs.

CGUs of sales of piped gas business in the PRC

For the CGUs of sales of piped gas business in the PRC, the Group prepares a cash flow projection based on management best estimate. The cash flow projections for the first three years are based on financial budgets approved by management which are prepared based on the pattern consistent with the track record of the respective entities taking into account the stage of the development of the respective gas projects. From the fourth to the tenth years, cash flow are extrapolated using an estimated growth pattern at an annualised growth rates of revenue for each CGU ranging from 0.56% to 4.88% (2022: 3.75% to 5.06%). For cash flow on the remaining contractual operating period, i.e. beyond the tenth year, a steady growth rate of 2.50% (2022: 2.50%) will be adopted. The gross profit margin is based on past practices and economic data relevant to the industry.

The growth rates are based on the management's estimation on the respective entities' projected market share and will not exceed the growth rate of natural gas consumption projected by the relevant government authorities.

The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs and determined the discount rate to be 12.37% to 15.49% (2022: 13.44% to 17.01%).

The Directors believe that any reasonably possible change in any of these assumptions would not cause the carrying amounts of goodwill to exceed the recoverable amount of respective CGUs.

Based on the result of the assessment, an impairment of RMB16 million (2022: nil) has been recognised during the year as certain entity of the retail gas sales business have suffered losses due to the market volatility of the natural gas.

19. Intangible Assets

	Right of operation RMB million	Customer base RMB million	Software RMB million	Technology RMB million	Development cost RMB million	Total RMB million
COST						
At 1 January 2022	5,053	91	250	549	10	5,953
Acquisition of subsidiaries (Notes 44 & 45)	89	–	42	–	–	131
Additions	25	–	1	–	469	495
Reclassification	–	–	338	–	(338)	–
At 31 December 2022	5,167	91	631	549	141	6,579
Disposal of subsidiaries (Note 46)	(86)	(1)	(35)	–	(21)	(143)
Additions	3	–	39	–	232	274
Reclassification	–	–	32	–	(32)	–
At 31 December 2023	5,084	90	667	549	320	6,710
AMORTISATION AND IMPAIRMENT						
At 1 January 2022	1,351	32	75	184	–	1,642
Charge for the year	246	6	48	55	–	355
Impairment loss	33	–	–	–	–	33
At 31 December 2022	1,630	38	123	239	–	2,030
Charge for the year	241	5	94	55	–	395
Impairment loss	16	–	–	–	–	16
Eliminated on disposals of subsidiaries (Note 46)	(58)	–	(14)	–	–	(72)
At 31 December 2023	1,829	43	203	294	–	2,369
CARRYING VALUES						
At 31 December 2023	3,255	47	464	255	320	4,341
At 31 December 2022	3,537	53	508	310	141	4,549

Right of operation and customer base are amortised on a straight-line method over the operation periods ranging from 10 to 50 years and from 15 to 50 years, respectively.

Software and technology are amortised on a straight-line method over the periods ranging from 1 to 10 years.

Development cost mainly represents expenditure incurred during the development phase of the Group's integrated energy service technologies and online LNG data platform.

Impairment assessment

The management of the Group concluded there was indication of impairment when the financial performance of the relevant subsidiaries is not as expected and the management conducted impairment assessment on intangible assets. For the CGUs of sales of piped gas business in the PRC, the Group prepares a cash flow projection based on management best estimate. The details were set out in note 18.

Based on the result of the assessment, the management of the Group determined that the relevant assets were impaired to their recoverable amount of RMB286 million (2022: RMB1,083 million), which is their carrying values at year end and the impairment of RMB16 million (2022: RMB33 million) as certain entities of the retail gas sales business have suffered losses due to the market volatility of the natural gas.

20. Interests in Associates

	2023 RMB million	2022 RMB million
Cost of investments	**3,826**	2,559
Share of post-acquisition profits, net of dividends received	**882**	1,022
	4,708	3,581
Deemed capital contribution		
Financial guarantee	**–**	26
	4,708	3,607

Included in the interests in associates is goodwill of approximately RMB57 million (2022: RMB57 million) arising on acquisitions.

The associates are accounted for using the equity method in these consolidated financial statements.

Details of the Group's principal associates as at 31 December 2023 and 2022 are as follows:

Name of company	Form of business structure	Place of establishment/ operation	Proportion of nominal value of registered capital held by the Group 2023	2022	Principal activities
石家莊昆侖新奧燃氣有限公司 (“Shijiazhuang Kunlun”)	Incorporated	The PRC	**46%**	46%	Investment in gas pipeline infrastructure and sales of piped gas and gas appliances
長沙新奧燃氣有限公司 (“Changsha Xinao”)	Incorporated	The PRC	**49%**	see note 46	Investment in gas pipeline infrastructure and sales of piped gas and gas appliances

The table above lists the associates of the Group which, in the opinion of the Directors, principally affected the results or net assets of the Group. To give details of other associates of the Group would, in the opinion of the Directors, result in particulars of excessive length.

Summarised financial information of material associates

Summarised financial information in respect of the Group's material associates are set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

Shijiazhuang Kunlun

	2023 RMB million	2022 RMB million
Current assets	**704**	769
Non-current assets	**2,111**	2,021
Current liabilities	**1,040**	1,210
Non-current liabilities	**414**	346
Non-controlling interests	**137**	126

20. Interests in Associates *(continued)*

Summarised financial information of material associates *(continued)*

Shijiazhuang Kunlun (continued)

	2023 RMB million	2022 RMB million
Revenue	**1,943**	1,962
Profit and total comprehensive income for the year	**170**	161
Dividends received from Shijiazhuang Kunlun during the year	**25**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shijiazhuang Kunlun is recognised in the consolidated financial statements:

	2023 RMB million	2022 RMB million
Net assets of Shijiazhuang Kunlun attributable to the owners	**1,224**	1,108
Proportion of the Group's ownership interest in Shijiazhuang Kunlun	**563**	510

Changsha Xinao

	2023 RMB million
Current assets	**1,664**
Non-current assets	**5,170**
Current liabilities	**3,974**
Non-current liabilities	**467**
Non-controlling interests	**38**

	2023.9.1– 2023.12.31 RMB million
Revenue	**1,545**
Loss and total comprehensive expense for the year	**(19)**

Reconciliation of the above summarised financial information to the carrying amount of the interest in Changsha Xinao is recognised in the consolidated financial statements:

	2023 RMB million
Net assets of Changsha Xinao attributable to the owners	**2,355**
Proportion of the Group's ownership interest in Changsha Xinao	**1,154**

Aggregate information of associates that are not individually material:

	2023 RMB million	2022 RMB million
Loss and total comprehensive expense for the year	**(164)**	(371)
Group's share of loss and total comprehensive expense from associates for the year	**(55)**	(6)
Aggregate carrying amount of the Group's interests in these associates	**2,991**	3,097

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21. Interests in Joint Ventures

	2023 RMB million	2022 RMB million
Cost of investments	3,320	3,315
Share of post-acquisition profits, net of dividends received	1,698	1,452
	5,018	4,767
Deemed capital contribution		
Financial guarantee	95	99
Fair value adjustments on interest-free advances	4	4
	99	103
	5,117	4,870

Included in the interests in joint ventures is goodwill of approximately RMB259 million (2022: RMB259 million) arising on acquisitions.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Details of the Group's principal joint ventures as at 31 December 2023 and 2022 are as follows:

Name of company	Form of business structure	Place of establishment/ operation	Proportion of nominal value of registered capital held by the Group 2023	2022	Principal activities
東莞新奧燃氣有限公司 ("Dongguan Xinao") (note)	Incorporated	The PRC	55%	55%	Investment in gas pipeline infrastructure and sales of piped gas and gas appliances
東莞新奧燃氣發展有限公司 ("Dongguan Xinao Development") (note)	Incorporated	The PRC	55%	55%	Sales of piped gas

Note: The Group holds more than 50% of the registered capital of these entities but it does not have the power to appoint sufficient number of directors to control these entities and the joint venture partners in each entity control jointly on the operational and financial policies of each entity. Accordingly, these entities are classified as joint ventures of the Group.

The table above lists the joint ventures of the Group which, principally affected the results or net assets of the Group. To give details of other joint ventures of the Group would, in the opinion of the Directors, result in particulars of excessive length.

21. Interests in Joint Ventures *(continued)*

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures are set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

Dongguan Xinao

	2023 **RMB million**	2022 RMB million
Current assets	**710**	1,338
Non-current assets	**5,439**	4,576
Current liabilities	**3,832**	3,971
Non-current liabilities	**227**	150
Non-controlling interests	**225**	179

The above amounts of assets and liabilities include the following:

	2023 **RMB million**	2022 RMB million
Cash and cash equivalents	**64**	422
Current financial liabilities (excluding trade and other payables)	**773**	721

	2023 **RMB million**	2022 RMB million
Revenue	**6,841**	7,931
Profit and total comprehensive income for the year	**251**	202
Dividends received from Dongguan Xinao during the year	**–**	55

The above profit for the year includes the following:

	2023 **RMB million**	2022 RMB million
Depreciation and amortisation	**174**	184
Interest income	**28**	30
Interest expense	**62**	68
Income tax expense	**72**	18

Reconciliation of the above summarised financial information to the carrying amount of the interest in Dongguan Xinao recognised in the consolidated financial statements:

	2023 **RMB million**	2022 RMB million
Net assets of Dongguan Xinao attributable to the owners	**1,865**	1,614
Proportion of the Group's ownership interest in Dongguan Xinao	**1,026**	888
Goodwill	**31**	31
Carrying amount of the Group's interest in Dongguan Xinao	**1,057**	919

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21. Interests in Joint Ventures *(continued)*

Summarised financial information of material joint ventures *(continued)*

Dongguan Xinao Development

	2023 RMB million	2022 RMB million
Current assets	1,182	998
Non-current assets	40	41
Current liabilities	185	236
Non-controlling interests	82	65

The above amounts of assets and liabilities include the following:

	2023 RMB million	2022 RMB million
Cash and cash equivalents	34	104
Current financial liabilities (excluding trade and other payables)	148	174

	2023 RMB million	2022 RMB million
Revenue	1,619	854
Profit and total comprehensive income for the year	317	207
Dividends received from Dongguan Xinao Development during the year	55	55

The above profit for the year includes the following:

	2023 RMB million	2022 RMB million
Interest income	6	8
Income tax expense	111	71

Reconciliation of the above recognised financial information to the carrying amount of the interest in Dongguan Xinao Development recognised in the consolidated financial statements:

	2023 RMB million	2022 RMB million
Net assets of Dongguan Xinao Development attributable to the owners	955	738
Proportion of the Group's ownership interest in Dongguan Xinao Development	525	406

Aggregate information of joint ventures that are not individually material:

	2023 RMB million	2022 RMB million
Profit (loss) and total comprehensive income (expense) for the year	289	(410)
Group's share of profit (loss) and total income (expense) from joint ventures for the year	152	(268)
Aggregate carrying amount of the Group's interests in these joint ventures	3,535	3,545

22. Trade and Other Receivables

	2023 RMB million	2022 RMB million
Trade receivables	**3,972**	3,659
Less: Allowance for credit losses	**(882)**	(652)
	3,090	3,007
Bills receivable (note)	**1,642**	1,448
Other receivables	**858**	711
Loan receivables	**245**	165
	2,745	2,324
Less: Allowance for credit losses	**(68)**	(28)
	2,677	2,296
Deductible input value added tax and prepayment of other taxes and charges	**1,553**	1,434
Advances to suppliers and prepayments	**3,785**	3,942
Total trade and other receivables	**11,105**	10,679
Analysed for reporting purpose as:		
Current portion	**11,091**	10,675
Non-current portion	**14**	4

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

As at 31 December 2023, all bills receivable are with a maturity period of less than one year.

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

	2023 RMB million	2022 RMB million
0 to 3 months	**1,713**	1,705
4 to 6 months	**383**	398
7 to 9 months	**234**	250
10 to 12 months	**118**	206
More than one year	**642**	448
	3,090	3,007

As at 1 January 2022, trade receivables, net of allowance for credit losses amounted to RMB3,630 million.

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,844 million (2022: RMB1,526 million) which are past due at the end of the reporting period and is not considered as in default because the Group has assessed the historical payment pattern of the debtors and the credit quality of these customers.

Details of impairment assessment of trade and other receivables for the year ended 31 December 2023 are set out in Note 50.

23. Derivative Financial Instruments

	2023 RMB million	2022 RMB million
Derivative financial assets		
Derivatives designated as cash flow hedges:		
Foreign currency derivative contracts (note a)	**27**	–
Commodity derivative contracts (note b)	**4**	90
Derivatives not designated in hedge accounting:		
Foreign currency derivative contracts (note a)	**1**	–
Commodity derivative contracts (note b)	**226**	1,372
	258	1,462
Derivative financial liabilities		
Derivatives designated as cash flow hedges:		
Foreign currency derivative contracts (note a)	**6**	45
Commodity derivative contracts (note b)	**2**	–
Derivatives not designated in hedge accounting:		
Commodity derivative contracts (note b)	**41**	1,101
	49	1,146
Analysed for reporting purpose as:		
Assets		
Current portion	**203**	1,462
Non-current portion	**55**	–
Liabilities		
Current portion	**43**	1,101
Non-current portion	**6**	45

For the year ended 31 December 2023

	Commodity Derivatives RMB million	**Foreign Currency Derivatives RMB million**	**Total RMB million**
Net unrealised fair value (loss) gain included in other gains and losses			
Derivatives designated as cash flow hedges – ineffective portion	**(1)**	**9**	**8**
Derivatives not designated in hedge accounting	**90**	**–**	**90**
	89	**9**	**98**
Net realised fair value gain included in other gains and losses			
Derivatives not designated in hedge accounting	**786**	**16**	**802**
	875	**25**	**900**

23. Derivative Financial Instruments *(continued)*

For the year ended 31 December 2022

	Commodity Derivatives RMB million	Foreign Currency Derivatives RMB million	Total RMB million
Net unrealised fair value gain (loss) included in other gains and losses			
Derivatives designated as cash flow hedges – ineffective portion	5	1	6
Derivatives not designated in hedge accounting	(569)	–	(569)
	(564)	1	(563)
Net realised fair value gain included in other gains and losses			
Derivatives not designated in hedge accounting	602	–	602
	38	1	39

Notes:

(a) The Group is exposed to exchange rate risk mainly arising from various bonds and bank loans denominated in USD. To manage and mitigate the foreign exchange exposure, the Group entered into various foreign currency derivative contracts (the "Foreign Currency Derivatives") with certain financial institutions. As at 31 December 2023, the Foreign Currency Derivatives have a total notional amount of USD440 million (2022: USD320 million), of which the maturity dates match to the maturity dates of certain debts denominated in USD. The Foreign Currency Derivatives will enable the Group to buy USD at the predetermined RMB/USD exchange rates on maturity dates.

(b) The Group has entered into sale and purchase agreements to acquire LNG from certain international suppliers.

The Group is exposed to price risk as the purchase prices of agreements are linked to certain commodity price indexes. The Group manages significant portion of such price exposure through entering into various commodity derivative contracts (the "Commodity Derivatives") with certain financial institutions. These contracts have been classified as derivative under HKFRS 9 and are required to be measured at FVTPL, in which, certain Commodity Derivatives are designated as hedging instruments and accounted for under hedge accounting.

24. Financial Assets at FVTPL

	2023 RMB million	2022 RMB million
Financial assets at FVTPL		
Listed equity interest in		
Shanghai Utilities (note a)	**148**	134
Unlisted equity interest in		
Sinopec Marketing (note b)	**4,170**	4,170
Unlisted equity securities (note c)	**16**	23
Unlisted wealth management products	**100**	26
	4,434	4,353
Analysed for reporting purpose as:		
Assets		
Current portion	**100**	26
Non-current portion	**4,334**	4,327
Net unrealised gain (loss) included in other gains and losses		
Listed equity interest in Shanghai Utilities (note a)	**14**	(47)
Other unlisted equity securities (note c)	**(1)**	(16)
	13	(63)

24. Financial Assets at FVTPL *(continued)*

Notes:

(a) It represents 4.38% equity interest in Shanghai Utilities (1635.HK).

(b) It represents 1.13% unlisted equity interest in Sinopec Marketing.

(c) The unlisted equity securities represent investments in entities incorporated in the PRC.

25. Equity Instruments at FVTOCI

	2023 **RMB million**	2022 RMB million
Listed equity securities	**80**	87
Unlisted equity securities	**139**	151
	219	238

The above unlisted equity securities represent investments in entities incorporated in the PRC. The Directors have elected to designate these investments as equity instruments at FVTOCI as they believe that the Group will hold these investments for strategic cooperation purpose and has no intention to dispose of these investments in the foreseeable future.

26. Transfer of Financial Assets

The following were the Group's financial assets as at 31 December 2023 and 2022 that were transferred to banks or suppliers by discounting, pledging to banks or endorsing those receivables on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and the corresponding liabilities included in secured borrowings or trade payables respectively. These financial assets are carried at amortised cost in the consolidated statement of financial position.

At 31 December 2023

	Bills receivable discounted or pledged to banks **RMB million**	**Bills receivable endorsed to suppliers** **RMB million**	**Total** **RMB million**
Carrying amount of transferred assets	**586**	**594**	**1,180**
Carrying amount of associated liabilities	**(586)**	**(594)**	**(1,180)**
	–	**–**	**–**

At 31 December 2022

	Bills receivable discounted or pledged to banks RMB million	Bills receivable endorsed to suppliers RMB million	Total RMB million
Carrying amount of transferred assets	357	444	801
Carrying amount of associated liabilities	(357)	(444)	(801)
	–	–	–

27. Contract Assets

	2023 RMB million	2022 RMB million
Gas pipeline installation	**591**	564
Integrated energy construction contracts	**41**	74
	632	638

As at 1 January 2022, contract assets amounted to RMB775 million.

28. Amounts Due From/to Associates

	2023 RMB million	2022 RMB million
Amounts due from associates:		
Current portion	**649**	909
Non-current portion	**–**	8
	649	917
Amounts due to associates:		
Current portion	**675**	425
Non-current portion	**–**	215
	675	640

The aged analysis of the trade receivables from/payables to associates presented based on the invoice date, at the end of the reporting period is as follows:

	2023 RMB million	2022 RMB million
Trade receivables due from associates		
0 to 3 months	**151**	131
4 to 6 months	**9**	24
7 to 9 months	**6**	24
10 to 12 months	**3**	16
More than one year	**238**	234
	407	429

	2023 RMB million	2022 RMB million
Trade payables due to associates		
0 to 3 months	**184**	88
4 to 6 months	**4**	2
7 to 9 months	**–**	20
10 to 12 months	**5**	–
More than one year	**19**	26
	212	136

There is no formal credit period applied and the balance was repayable on demand. Owing to the strategic relationship with the associates, the Directors are of the view that the balance is not considered as in default.

28. Amounts Due From/to Associates *(continued)*

The amounts due from/to associates are unsecured, interest-free and repayable on demand except for the amounts due from/to associates detailed in the following table.

At 31 December 2023

	Maturity date	Effective interest rate per annum	2023 RMB million
Loans to associates			
Unsecured	01/01/2024–15/01/2028	4.00%–5.00%	**60**
Loan payables to associates			
Deposit placing in the Group's finance company	–	0.35%	**181**
Unsecured	31/03/2024–14/10/2028	2.00%–3.45%	**221**
			402

At 31 December 2022

	Maturity date	Effective interest rate per annum	2022 RMB million
Loans to associates			
Unsecured	16/01/2023–10/03/2024	4.00%–8.00%	47
Loan payables to associates			
Deposit placing in the Group's finance company	–	0.35%	185
Unsecured	28/02/2023–14/10/2024	2.00%–3.85%	264
			449

Details of impairment assessment of amounts due from associates are set out in Note 50.

29. Amounts Due From/to Joint Ventures

	2023 RMB million	2022 RMB million
Amounts due from joint ventures:		
Current portion	**1,736**	2,862
Amounts due to joint ventures:		
Current portion	**805**	2,039
Non-current portion	**–**	25
	805	2,064

Included in the amounts due from joint ventures was approximately RMB265 million (2022: RMB348 million) arising from the deposits placed for purchases of gas by the Group from the joint ventures which is repayable on demand.

The aged analysis of the trade receivables from/payables to joint ventures presented based on the invoice date, at the end of the reporting period is as follows:

	2023 RMB million	2022 RMB million
Trade receivables due from joint ventures		
0 to 3 months	**362**	282
4 to 6 months	**43**	111
7 to 9 months	**23**	22
10 to 12 months	**14**	18
More than one year	**47**	90
	489	523

	2023 RMB million	2022 RMB million
Trade payables due to joint ventures		
0 to 3 months	**351**	1,142
4 to 6 months	**24**	128
7 to 9 months	**32**	14
10 to 12 months	**8**	5
More than one year	**48**	62
	463	1,351

There is no formal credit period applied and the balance was repayable on demand. Owing to the strategic relationship with the joint ventures, the Directors are of the view that the balance is not considered as in default.

29. Amounts Due From/to Joint Ventures *(continued)*

The amounts due from/to joint ventures are unsecured, interest-free and repayable on demand except for the amounts due from/to joint ventures detailed in the following table:

At 31 December 2023

	Maturity date	Effective interest rate per annum	2023 RMB million
Loans to joint ventures			
Unsecured	16/01/2024–28/12/2024	4.00%–4.35%	**397**
Loan payables to joint ventures			
Unsecured	03/03/2023–21/03/2024	3.85%	**18**
Deposit placing in the Group's finance company	–	0.35%	**183**
			201

At 31 December 2022

	Maturity date	Effective interest rate per annum	2022 RMB million
Loans to joint ventures			
Unsecured	19/01/2023–17/12/2023	4.00%–6.00%	350
Loan payables to joint ventures			
Unsecured	13/08/2023–24/08/2025	3.85%–4.75%	350
Deposit placing in the Group's finance company	–	0.35%	241
			591

Details of impairment assessment of amounts due from joint ventures are set out in Note 50.

30. Amounts Due From/to Related Companies

	2023 RMB million	2022 RMB million
Amounts due from companies controlled by a director and shareholder with significant influence	**247**	339
Amounts due to companies controlled by a director and shareholder with significant influence	**1,148**	1,003

The related companies are controlled by Mr. Wang Yusuo ("Mr. Wang") who is a director and shareholder of the Company with significant influence. The maximum amount outstanding during the year in respect of the related companies is RMB493 million (2022: RMB633 million).

30. Amounts Due From/to Related Companies *(continued)*

The aged analysis of the trade receivables from/payables to related parties presented based on the invoice date, at the end of the reporting period is as follows:

	2023 **RMB million**	2022 RMB million
Trade receivables due from related companies		
0 to 3 months	**56**	34
4 to 6 months	**2**	8
7 to 9 months	**6**	4
10 to 12 months	**8**	5
More than one year	**49**	53
	121	104

	2023 **RMB million**	2022 RMB million
Trade payables due to related companies		
0 to 3 months	**620**	528
4 to 6 months	**136**	74
7 to 9 months	**57**	121
10 to 12 months	**28**	18
More than one year	**173**	102
	1,014	843

There is no formal credit period applied and the balance was repayable on demand. Owing to the strategic relationship with the related companies, the Directors are of the view that the balance is not considered as in default.

Details of impairment assessment of amounts due from related companies are set out in Note 50.

31. Deferred Taxation

	2023 **RMB million**	2022 RMB million (restated)
Deferred tax assets	**1,442**	1,564
Deferred tax liabilities	**(2,574)**	(2,974)
	(1,132)	(1,410)

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31. Deferred Taxation *(continued)*

The following are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2023 and 2022:

	Intangible assets RMB million	Capitalisation of interest in property, plant and equipment RMB million	Undistributed retained profits of PRC entities from 1 January 2008 RMB million (note)	Deferred income RMB million	Unrealised profits RMB million	Equipment for one time deduction RMB million	Right of use assets RMB million	Lease liabilities RMB million	Others RMB million	Total RMB million
At 1 January 2022	925	269	373	(1,031)	(557)	1,510	–	–	84	1,573
Impacts of Amendments to HKAS 12 (Note 2)	–	–	–	–	–	–	83	(88)	–	(5)
As at 1 January 2022 (restated)	925	269	373	(1,031)	(557)	1,510	83	(88)	84	1,568
Acquisition of subsidiaries (Note 44)	19	–	–	–	–	–	–	–	–	19
(Credit) charge to profit or loss	(67)	19	(172)	18	(46)	243	4	(6)	(166)	(173)
Credit to other comprehensive income	–	–	–	–	–	–	–	–	(4)	(4)
As at 1 January 2023 (restated)	877	288	201	(1,013)	(603)	1,753	87	(94)	(86)	1,410
Acquisition of subsidiaries (Note 44)	13	–	–	–	–	–	–	–	–	13
Disposal of subsidiaries (Note 46)	(22)	(31)	–	–	37	(250)	–	–	7	(259)
(Credit) charge to profit or loss	(67)	16	(138)	29	(37)	244	107	(108)	(59)	(13)
Credit to other comprehensive income	–	–	–	–	–	–	–	–	(19)	(19)
At 31 December 2023	801	273	63	(984)	(603)	1,747	194	(202)	(157)	1,132

Note: During the year ended 31 December 2022, the Company received the approval from the Hebei Provincial Tax Service of State Administration of Taxation of PRC, confirming the Company is to be treated as a PRC Tax Resident Enterprise starting from 1 January 2022. Therefore, the Company did not recognise withholding tax on undistributed profits of the PRC subsidiaries from then on.

As at 31 December 2023, the Group has unused tax losses of approximately RMB6,207 million (2022: RMB5,387 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the uncertainty of future profit streams. The unrecognised tax losses will be expired in the following years ending 31 December:

	2023 RMB million	2022 RMB million
2023	**–**	305
2024	**579**	656
2025	**438**	423
2026	**673**	824
2027	**2,509**	3,179
2028	**2,008**	–
	6,207	5,387

32. Inventories

	2023 RMB million	2022 RMB million
Construction materials	**763**	881
Gas appliances	**143**	223
Natural gas	**697**	530
Integrated energy appliances	**71**	69
Other energy inventories	**8**	5
	1,682	1,708

The cost of inventories recognised as an expense during the year was approximately RMB94,578 million (2022: RMB89,459 million).

33. Cash and Cash Equivalents/Restricted Bank Deposits

	2023 RMB million	2022 RMB million
Cash and cash equivalents	**9,689**	8,056
Restricted bank deposits		
Current portion	**346**	458
Non-current portion	**538**	449
	884	907

	2023 RMB million	2022 RMB million
Bank deposits secured for:		
Right of operation	**16**	37
Mandatory reserves in the People's Bank of China ("PBOC")	**436**	417
Energy supplies	**220**	234
Bills payable	**212**	219
	884	907

Cash and cash equivalents include bank balances with original maturities less than three months carrying interest at market rates ranging from 0.01% to 1.70% (2022: 0.01% to 2.11%) per annum as at 31 December 2023. The bank balances denominated in RMB are deposited with banks in the PRC.

At the end of the reporting period, the cash and cash equivalents denominated in foreign currencies other than the functional currency of respective group entities is RMB1,316 million (2022: RMB1,134 million), of which approximately RMB1,287 million (2022: RMB1,095 million) and approximately RMB29 million (2022: RMB39 million) are denominated in USD and HK$, respectively.

As at 31 December 2023, the restricted bank deposits carry fixed interest rate ranging from 0.05% to 4.13% (2022: from 0.05% to 4.13%) per annum. Except for the amount of mandatory reserves in the PBOC, other restricted bank deposits will be released upon the settlement of bank loans, the expiry of purchase contracts or right of operation. The mandatory reserves in the PBOC classified as non-current assets are deposits placed by ENN Finance and the reserves amount is subject to change with respect to the savings accepted by ENN Finance and the PBOC reserve rate is adjusted from time to time.

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34. Lease Liabilities

	2023 RMB million	2022 RMB million
Lease liabilities payables:		
Within one year	170	91
More than one year, but not more than two years	106	79
More than two years, but not more than five years	167	122
More than five years	360	83
	803	375
Analysed for reporting purpose as:		
Current portion	170	91
Non-current portion	633	284
	803	375

The weighted average incremental borrowing rates applied to lease liabilities ranging from 3.04% to 5.23% (2022: from 3.04% to 5.23%).

35. Trade and Other Payables

	2023 RMB million	2022 RMB million
Trade payables	6,147	5,962
Accrued staff cost	672	682
Other tax payables	224	251
Accrued charges and other payables	1,128	1,171
	8,171	8,066

The following is an aged analysis of trade payables presented based on the billing date at the end of the reporting period.

	2023 RMB million	2022 RMB million
0 to 3 months	3,609	3,223
4 to 6 months	841	1,021
7 to 9 months	319	360
10 to 12 months	188	286
More than one year	1,190	1,072
	6,147	5,962

The average credit period on purchases of goods is 30 to 90 days.

36. Contract Liabilities

	2023 RMB million	2022 RMB million
Deposit for gas charges and other sales (note a)	**9,734**	9,105
Deposit for construction and installation contracts (note b)	**3,741**	5,992
Deferred income (note c)	**2,926**	3,138
	16,401	18,235
Analysed for reporting purpose as:		
Current portion	**13,714**	15,410
Non-current portion	**2,687**	2,825
	16,401	18,235

As at 1 January 2022, contract liabilities amounted to RMB17,901 million.

Contract liabilities are classified as current and non-current based on the Group's earliest obligation to transfer goods or services to the customers.

The amount of revenue recognised in the current year relates to carried-forward contract liabilities were RMB12,687 million (2022: RMB12,084 million).

Notes:

(a) The Group requires the customers to deposit gas charges into magnetic cards which connected to the gas meters or into "IoT meters". When the customers consume the natural gas, corresponding value of deposits will be recognised as revenue in line with the volume of gas consumed at pre-determined unit price. The deposit would be typically consumed within one year.

(b) For construction and installation contracts, the Group normally receives a deposit before construction work commences. The Group continues to recognise revenue over time and apply output method in estimating the performance obligations satisfied throughout the construction and the installation period.

(c) The deferred income represents fees received from certain customers for maintaining the ongoing deliverability to supply gas at the discretion of the customers. The period to supply gas would be consistent with the operating period as stated in the right of operation.

37. Deferred Income

	2023 RMB million	2022 RMB million
Government grants		
At 1 January	**916**	837
Additions	**188**	135
Disposal of subsidiaries (Note 46)	**(39)**	–
Release to profit or loss	**(77)**	(56)
At 31 December	**988**	916
Analysed for reporting purposes as:		
Current portion	**98**	58
Non-current portion	**890**	858
	988	916

38. Share Capital

	2023 Number of shares	2022 Number of shares	2023 HK$ million	2022 HK$ million
Shares of HK$0.10 each				
Authorised:				
At beginning and end of the year	**3,000,000,000**	3,000,000,000	**300**	300
Issued and fully paid:				
At beginning of the year	**1,130,910,775**	1,130,135,775	**113**	113
Issue of shares upon exercise of share options (note)	**308,600**	775,000	**–**	–
At end of the year	**1,131,219,375**	1,130,910,775	**113**	113

	2023 RMB million	2022 RMB million
Presented in consolidated financial statements as:		
At beginning and end of the year	**117**	117

Note: During the year ended 31 December 2023, 4,600 shares and 304,000 shares (2022: 127,300 shares and 647,700 shares) were issued at the exercise price of HK$40.34 and HK$76.36 per ordinary share under Scheme 2012, respectively, in relation to the exercise of outstanding share options. These shares rank pari-passu with the then existing shares in all respects as set out in note 42.

Save as disclosed above and in Note 42, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities up to 31 December 2023.

39. Bank and Other Loans

	2023 RMB million	2022 RMB million
Bank loans		
Secured	**627**	418
Unsecured	**13,472**	10,313
	14,099	10,731
Other loans		
Unsecured	**96**	96
	14,195	10,827

	2023 RMB million	2022 RMB million
The bank and other loans are repayable:		
On demand or within one year	**8,767**	6,341
More than one year, but not more than two years	**1,982**	1,777
More than two years, but not more than five years	**3,020**	2,008
More than five years	**426**	701
	14,195	10,827
Analysed for reporting purpose as:		
Current portion	**8,767**	6,341
Non-current portion	**5,428**	4,486
	14,195	10,827

As at 31 December 2023, all the bank and other loans are denominated in the functional currency of respective group entities (2022: except for approximately RMB2,208 million which are denominated in USD).

The secured bank and other loans are secured by property, plant and equipment, rights to receive fee income of certain subsidiaries as set out in Note 49.

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39. Bank and Other Loans *(continued)*

Details of the terms of the Group's borrowings are set out below:

At 31 December 2023

	Maturity date	Effective interest rate per annum	Carrying amount RMB million
Fixed-rate borrowings			
Unsecured bank loans in RMB	04/01/2024 to 20/10/2029	2.50%–4.30%	**8,017**
Unsecured other loans in RMB	31/12/2024	3.79%	**96**
Secured bank loans in RMB	15/03/2024 to 25/12/2024	3.50%–4.41%	**627**
Total fixed-rate borrowings			**8,740**
Floating-rate borrowings			
Unsecured bank loans in RMB at PBOC base rate	12/01/2024 to 07/11/2032	0.08%–5.04%	**5,455**
Total borrowings			**14,195**

At 31 December 2022

	Maturity date	Effective interest rate per annum	Carrying amount RMB million
Fixed-rate borrowings			
Unsecured bank loans in RMB	16/01/2023 to 20/10/2029	1.75%–4.40%	4,816
Unsecured other loans in RMB	31/12/2023	3.79%	96
Secured bank loans in RMB	20/06/2023 to 25/12/2024	3.00%–4.41%	418
Unsecured bank loans in USD	09/01/2023 to 27/01/2023	4.35%–4.85%	2,208
Total fixed-rate borrowings			7,538
Floating-rate borrowings			
Unsecured bank loans in RMB at PBOC base rate	05/08/2024 to 07/11/2032	3.10%–5.39%	3,289
Total borrowings			10,827

40. Senior Notes

As at 31 December 2023, the Green Senior Notes recognised in the consolidated statement of financial position are calculated cumulatively as follows:

	2020 Green Senior Notes (a) RMB million	**2022 Green Senior Notes (b) RMB million**	**Total RMB million**
Nominal value	**5,137**	**3,612**	**8,749**
Discount cost	**(43)**	**(16)**	**(59)**
Issue costs	**(29)**	**(17)**	**(46)**
Fair value at date of issuance	**5,065**	**3,579**	**8,644**
Repurchased (note)	**(1,421)**	**–**	**(1,421)**
Cumulative effective interest recognised	**454**	**299**	**753**
Cumulative interest paid/payable	**(433)**	**(288)**	**(721)**
Exchange loss	**192**	**281**	**473**
Carrying amount at 31 December	**3,857**	**3,871**	**7,728**

Note: In November 2023, the Company has early redeemed the note with principal amount of USD200 million (equivalent to approximately RMB1,436 million) for a consideration of RMB1,202 million (included the applicable premium and accrued interests), and a gain of RMB227 million was recognised and included in other gains or losses as set out in Note 8.

As at 31 December 2022, the Green Senior Notes recognised in the consolidated statement of financial position are calculated cumulatively as follows:

	2020 Green Senior Notes (a) RMB million	2022 Green Senior Notes (b) RMB million	Total RMB million
Nominal value	5,137	3,612	8,749
Discount cost	(43)	(16)	(59)
Issue costs	(29)	(17)	(46)
Fair value at date of issuance	5,065	3,579	8,644
Cumulative effective interest recognised	312	113	425
Cumulative interest paid/payable	(298)	(109)	(407)
Exchange loss	86	217	303
Carrying amount at 31 December	5,165	3,800	8,965

40. Senior Notes *(continued)*

a. 2020 Green Senior Notes

On 17 September 2020, the Company issued 2.63% green senior notes with an aggregated nominal value of USD750 million (equivalent to approximately RMB5,137 million) (the "2020 Green Senior Notes") at face value. The net proceeds, after deducting the issuance costs, amounted to USD739 million (equivalent to approximately RMB5,065 million). The 2020 Green Senior Notes will be matured on 17 September 2030. The 2020 Green Senior Notes are listed on the Stock Exchange and dealt in over-the-counter market through a financial institution as the principal agent.

According to the terms of the 2020 Green Senior Notes, the Company may, at any time and from time to time redeem the 2020 Green Senior Notes. The applicable 2020 Green Senior Notes will be redeemable at: (A) prior to 17 June 2030, the greater of (1) 100% of the principal amount of the applicable 2020 Green Senior Notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the applicable 2020 Green Senior Notes to be redeemed, discounted to the date of redemption on a semi-annual basis at the Adjusted Treasury Rate (as defined in the offering memorandum dated 10 September 2020) plus 50 basis points, plus accrued and unpaid interest on the applicable 2020 Green Senior Notes to be redeemed; or (B) on or after 17 June 2030, 100% of the principal amount of the 2020 Green Senior Notes to be redeemed, plus accrued and unpaid interest, if any.

The fair value of the early redemption right is insignificant at initial recognition and at the end of the reporting periods. The effective interest rate is approximately 2.81% per annum after the adjustment for transaction costs.

b. 2022 Green Senior Notes

On 17 May 2022, the Company issued 4.625% green senior notes with an aggregated nominal value of USD550 million (equivalent to approximately RMB3,612 million) (the "2022 Green Senior Notes") at face value. The net proceeds, after deducting the issuance costs, amounted to USD545 million (equivalent to approximately RMB3,579 million). The 2022 Green Senior Notes will be matured on 17 May 2027. The 2022 Green Senior Notes are listed on the Stock Exchange and dealt in over-the-counter market through a financial institution as the principal agent.

According to the terms of the 2022 Green Senior Notes, the Company may, at any time and from time to time redeem the 2022 Green Senior Notes. The applicable 2022 Green Senior Notes will be redeemable at: (A) prior to 17 April 2027, the greater of (1) 100% of the principal amount of the applicable 2022 Green Senior Notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the applicable 2022 Green Senior Notes to be redeemed, discounted to the date of redemption on a semi-annual basis at the Adjusted Treasury Rate (as defined in the offering memorandum dated 18 May 2022) plus 30 basis points, plus accrued and unpaid interest on the applicable 2022 Green Senior Notes to be redeemed; or (B) on or after 17 April 2027, 100% of the principal amount of the 2022 Green Senior Notes to be redeemed, plus accrued and unpaid interest, if any.

The fair value of the early redemption right Is insignificant at initial recognition and at the end of the reporting periods. The effective interest rate is approximately 4.77% per annum after the adjustment for transaction costs.

41. Hedging Reserve

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

	Foreign exchange risk RMB million	Commodity risk RMB million	Total RMB million
Cash flow hedge reserve			
At 1 January 2022	(1)	98	97
Changes in fair value of hedging instruments	15	175	190
Gain reclassified to profit or loss – hedged item has affected profit or loss	(135)	–	(135)
Cumulative gain transferred to initial carrying amount of hedged items	–	(161)	(161)
Income tax relating to items that may be reclassified subsequently	–	(2)	(2)
At 31 December 2022	(121)	110	(11)
Changes in fair value of hedging instruments	**53**	**7**	**60**
Gain reclassified to profit or loss – hedged item has affected profit or loss	**(35)**	**–**	**(35)**
Cumulative gain transferred to initial carrying amount of hedged items	**–**	**(112)**	**(112)**
Income tax relating to items that may be reclassified subsequently	**–**	**17**	**17**
At 31 December 2023	**(103)**	**22**	**(81)**
Of which:			
At 31 December 2023			
Balance related to continuing cash flow hedges	**(81)**		
Balance related to discontinued cash flow hedges	**–**		
At 31 December 2022			
Balance related to continuing cash flow hedges	(11)		
Balance related to discontinued cash flow hedges	–		

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41. Hedging Reserve *(continued)*

	Foreign exchange risk RMB million	Commodity risk RMB million	Total RMB million
Cost of hedging reserve			
At 1 January 2022	5	17	22
Changes in fair value of time value/foreign currency basis components of time period related hedged items	15	–	15
Changes in the fair value in relation to transaction related hedged items	–	(16)	(16)
Amortisation to profit or loss on changes in fair value in relation to time period related hedged items	(16)	–	(16)
Income tax relating to items that may be reclassified subsequently	–	3	3
At 31 December 2022	**4**	**4**	**8**
Changes in fair value of time value/foreign currency basis components of time period related hedged items	**4**	**–**	**4**
Changes in the fair value in relation to transaction related hedged items	**–**	**(4)**	**(4)**
Amortisation to profit or loss on changes in fair value in relation to time period related hedged items	**(24)**	**–**	**(24)**
Income tax relating to items that may be reclassified subsequently	**–**	**1**	**1**
At 31 December 2023	**(16)**	**1**	**(15)**
At 31 December 2023	**(119)**	**23**	**(96)**

The cash flow hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain and loss arising from changes in fair value of the hedging instrument that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss when the hedged transaction affects the profit or loss or when the hedged forecast transaction is no longer expected to occur. When the hedged forecast transaction results in the recognition of a non-financial item, the cumulative gain or loss is included in the initial measurement of the cost of such item.

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

42. Share Based Payment Transactions

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

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

During the year, the Group recognised total share-based payment expenses of RMB9 million (2022: RMB21 million) in respect to the Scheme 2012 and Share Award Scheme, and transferred RMB8 million (2022: RMB16 million) from share options reserve to share premium upon exercise of share options. As at 31 December 2023, the Group has recorded liabilities of RMB8 million (2022: RMB26 million) in respect of the Share Award Scheme.

a. Scheme 2012

On 9 December 2015, the Company granted share options to the Directors and certain employees (the "2015 Grantees") to subscribe for a total of 12,000,000 ordinary shares of the Company under the Scheme 2012. Among the share options granted, 2,659,000 share options were granted to the Directors and the remaining were granted to certain employees of the Group. Vesting of the share options is conditional upon the fulfilment of certain vesting conditions as set out in the respective offer letters of the 2015 Grantees, which may involve fulfilment of performance targets.

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

2015 Grantees and 2019 Grantees should satisfy stipulated minimum service periods and performance targets for the attainment of the designated vesting conditions and periods. The vesting period of the share options is from the date of the grant until the commencement of the exercisable period.

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

					Number of options			
		Date of grant	Exercise period	Exercise price (HK$)	Outstanding at 1.1.2023	Exercised during the year	Reclassified during the year	Outstanding at 31.12.2023
Scheme 2012 – batch 1								
Directors	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	40.34	15,000	–	–	15,000
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	40.34	15,000	–	–	15,000
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	40.34	15,000	–	–	15,000
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	40.34	58,025	–	(42,500)	15,525
Employees	Tranche 1	9.12.2015	1.4.2017 to 8.12.2025	40.34	68,250	–	–	68,250
	Tranche 2	9.12.2015	1.4.2018 to 8.12.2025	40.34	94,824	(100)	–	94,724
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	40.34	141,650	–	–	141,650
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	40.34	279,986	(4,500)	42,500	317,986
Subtotal					687,735	(4,600)	–	683,135
Exercisable at the end of the year								683,135
Weighted average exercise price								HK$40.34

42. Share Based Payment Transactions *(continued)*

a. Scheme 2012 *(continued)*

		Date of grant	Exercise period	Exercise price (HK$)	Number of options Outstanding at 1.1.2023	Exercised during the year	Reclassified during the year	Lapsed during the year	Outstanding at 31.12.2023
Scheme 2012 – batch 2									
Directors	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	15,000	–	–	–	15,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	152,400	–	(38,900)	–	113,500
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	395,000	–	(23,800)	–	371,200
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	601,700	–	29,200	(100,000)	530,900
Employees	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	185,150	(16,350)	(15,000)	–	153,800
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	1,051,225	(76,550)	53,400	–	1,028,075
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	1,527,024	(190,550)	56,300	(40,200)	1,352,574
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	2,403,508	(50)	3,300	(846,366)	1,560,392
Business Consultants	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	68,000	(2,500)	–	–	65,500
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	151,500	(18,000)	(29,500)	–	104,000
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	165,000	–	(47,500)	–	117,500
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	178,500	–	(47,500)	(27,000)	104,000
Other eligible participants	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	–	–	15,000	–	15,000
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	–	–	15,000	–	15,000
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	–	–	15,000	–	15,000
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	–	–	15,000	–	15,000
Subtotal					6,894,007	(304,000)	–	(1,013,566)	5,576,441
Exercisable at the end of the year									5,576,441
Weighted average exercise price									HK$76.36
Total					7,581,742	(308,600)	–	(1,013,566)	6,259,576

Exercise price of the share options granted on 9 December 2015 is HK$40.34 per share, which represents the highest of (i) the closing price of HK$39.00 per share as stated in the daily quotations sheet of the Stock Exchange on 9 December 2015, being the date of grant; (ii) the average closing price of HK$40.34 per share as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the share.

Exercise price of the share options granted on 28 March 2019 is HK$76.36 per share, which represents the highest of (i) the closing price of HK$74.10 per share as stated in the daily quotations sheet of the Stock Exchange on 28 March 2019, being the date of grant; (ii) the average closing price of HK$76.36 per share as stated in the daily quotations sheets of the Stock Exchange for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the share.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$112.48 (2022: HK$117.42).

No share options were granted in both years presented. 308,600 (2022: 775,000) share options were exercised and 1,013,566 (2022: 892,084) share options were lapsed or forfeited during the year. As at 31 December 2023, the number of outstanding share options is 6,259,576 (2022: 7,581,742).

At the end of each annual period, the Group revises its estimates of the number of options that are expected to be ultimately vested based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognised in profit and loss, with a corresponding adjustment to the share options reserve.

42. Share Based Payment Transactions *(continued)*

b. Share Award Scheme

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

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

During the year of 2023, the trustee in accordance with the rules and trust deed of the Share Award Scheme of the Company, purchased a total of 4,047,500 shares from the stock market for a total consideration of approximately HK$250,236,212. As at 31 December 2023, 6,732,600 shares (31 December 2022: 2,685,100 shares) were held by the Trustee. The cost of the shares purchased was recognised in equity as treasury stocks.

No shares had been nominally granted in both years presented. Vesting of such shares is subject to satisfying relevant performance conditions and a service condition requiring continuous service until the respective vesting dates, and can occur as early as on 1 April in the year following the financial year to which the corresponding performance conditions related. Hence, the vesting period of these shares is from the date of the grant to the respective vesting dates.

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

The following table discloses details of the Awarded Shares held by the grantees and movements in such holdings during the year:

					Number of awarded shares				
		Financial year to which the performance conditions related	Exercise Period	Award price (HK$)	Outstanding at 1.1.2023	Exercised during the year	Reclassified during the year	Lapsed during the year	Outstanding at 31.12.2023
Directors	Tranche 1	2020	01.04.2021 to 27.03.2029	76.36	**10,000**	**(5,000)**	**35,000**	**–**	**40,000**
	Tranche 2	2021	01.04.2022 to 27.03.2029	76.36	**160,000**	**–**	**(80,000)**	**–**	**80,000**
	Tranche 3	2022	01.04.2023 to 27.03.2029	76.36	**160,000**	**–**	**(80,000)**	**–**	**80,000**
Employees	Tranche 1	2020	01.04.2021 to 27.03.2029	76.36	**138,867**	**(2,000)**	**(40,000)**	**(12,367)**	**84,500**
	Tranche 2	2021	01.04.2022 to 27.03.2029	76.36	**133,867**	**–**	**(40,000)**	**(12,367)**	**81,500**
	Tranche 3	2022	01.04.2023 to 27.03.2029	76.36	**144,366**	**–**	**(40,000)**	**(39,366)**	**65,000**
Other eligible participants	Tranche 1	2020	01.04.2021 to 11.12.2024	76.36	**–**	**–**	**5,000**	**–**	**5,000**
	Tranche 2	2021	01.04.2022 to 11.12.2024	76.36	**–**	**–**	**120,000**	**–**	**120,000**
	Tranche 3	2022	01.04.2023 to 11.12.2024	76.36	**–**	**–**	**120,000**	**–**	**120,000**
Total					**747,100**	**(7,000)**	**–**	**(64,100)**	**676,000**
Exercisable at the end of the year									**676,000**

In respect of the awarded shares exercised during the year, the weighted average share price at the dates of exercise was HK$109.56 (2022: HK$106.24).

42. Share Based Payment Transactions *(continued)*

b. Share Award Scheme *(continued)*

The following assumptions were used to calculate the fair values of awarded shares as at 31 December 2023:

	Directors	Employees
Spot price	HK$57.50	HK$57.50
Exercise price	HK$76.36	HK$76.36
Expected life	5.24 years	5.24 years
Expected volatility	39.81%	39.81%
Expected dividend yield	2.36%	2.36%
Risk-free interest rate	3.01%	3.01%
Early exercise behaviour	280% of the exercise price	220% of the exercise price

The variables and assumptions used in computing the fair value of the awarded shares are based on the Directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the awarded shares. The expected volatility was determined by referencing to the historical volatility of the Company's share price over the previous 5.24 years.

At the end of each annual period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognised in other gains and losses as set out in Note 8, with a corresponding adjustment to the share-based payment liabilities.

43. Retirement Benefits Scheme

	2023 **RMB million**	2022 RMB million
Retirement benefits scheme contribution made during the year	**273**	265

According to the relevant laws and regulations in the PRC, the PRC subsidiaries within the Group are required to contribute a certain percentage of the payrolls of their employees to the retirement benefits scheme to fund the retirement benefits of their employees.

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. Under the scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000.

44. Acquisition of Businesses

a. Acquisition of businesses during the year ended 31 December 2023

Acquisition date	**Company acquired**	**Registered capital acquired**	**Consideration** RMB million	**Nature of business**
12 May 2023	海寧市新欣天然氣有限公司 ("Haining Xinxin") (note a)	60.00%	see below	Retail gas sales business
19 July 2023	江蘇大通管輸天然氣有限公司 ("Jiangsu") (note b)	–	–	Retail gas sales business

Haining Xinxin and Jiangsu were acquired (collective referred to as "2023 Companies Acquired') with the objective of expansion in market coverage of the Group's business.

Note a: The Group acquired the remaining 60% equity interest of Haining Xinxin from its joint venture partner, and became a wholly owned subsidiary of the Group. The consideration for this acquisition is the Group's 5% equity interest in one of its subsidiaries.

Note b: The Jiangsu revised the article of association, pursuant to which the Group has the power to control to board and 51% voting rights in the shareholders' meeting. The board of directors of Jiangsu is responsible for making decisions on the financing and operating activities of Jiangsu, where these decisions require a simple majority of the voting right of the board of directors. Accordingly, the Group has control over Jiangsu this year.

At the same time, an associate of the Group entered into a sales and purchases agreement with third parties for 30% equity interest in Jiangsu, which indirectly caused the Group to acquire 14.7% equity interest in Jiangsu. Upon this acquisition eventually, the Group effectively hold 65.7% equity interest in Jiangsu.

44. Acquisition of Businesses *(continued)*

a. Acquisition of businesses during the year ended 31 December 2023 *(continued)*

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

	Haining Xinxin RMB million	Jiangsu RMB million	Total RMB million
Non-current assets			
Property, plant and equipment	49	224	273
Interests in joint ventures	50	–	50
Right-of-use assets	8	7	15
Current assets			
Trade and other receivables	1	14	15
Inventories	–	1	1
Cash and cash equivalents	6	28	34
Current liabilities			
Trade and other payables	(28)	(44)	(72)
Contract liabilities	(2)	–	(2)
Non-current liabilities			
Deferred tax liabilities	–	(13)	(13)
Net assets acquired	84	217	301
Goodwill arising on acquisition			
5% equity interest in a subsidiary	50	–	50
Fair value of interest in previously held interest	34	117	151
Fair value of interest in an associate	–	28	28
Non-controlling interest	–	72	72
Less: Fair value of identified net assets acquired	(84)	(217)	(301)
	–	–	–
Total consideration satisfied by			
5% equity interest in a subsidiary	50	–	50
	50	–	50
Gain (loss) on remeasurement of the interest in a joint venture/an associate previously held by the Group			
Fair value of interest in a joint venture/an associate	34	117	151
Less: Carrying amount of the equity interest	(24)	(124)	(148)
	10	(7)	3
Net cash inflow arising on acquisition			
Cash and cash equivalents acquired	6	28	34
Less: Cash consideration paid	–	–	–
	6	28	34

44. Acquisition of Businesses *(continued)*

a. Acquisition of businesses during the year ended 31 December 2023 *(continued)*

Impact of acquisition on the results of the Group

The fair value of property, plant and equipment has been arrived at on the basis of a valuation carried out at the date of acquisition by an independent valuer.

Included in the profit for the year ended 31 December 2023 was RMB15 million of profit attributable to the additional businesses generated by 2023 Companies Acquired. Revenue for the year ended 31 December 2023 included RMB134 million generated from 2023 Companies Acquired.

Had the acquisitions of 2023 Companies Acquired been completed on 1 January 2023, the revenue of the Group for the year ended 31 December 2023 would have been approximately RMB114,334 million, and the profit for the year would have been approximately RMB7,798 million. The "pro-forma" information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is intended to be a projection of future results.

In determining the "pro-forma" revenue and result of the Group, had 2023 Companies Acquired been acquired on 1 January 2023, the Directors have calculated the depreciation and amortisation of property, plant and equipment, right-of-use assets acquired on the basis of the fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

b. Acquisition of businesses during the year ended 31 December 2022

Acquisition date	Company acquired	Registered capital acquired	Consideration RMB million	Nature of business
28 March 2022	平山中誠燃氣有限公司 ("Pingshan")	100%	60	Retail gas sales business

Pingshan was acquired with the objective of expansion in market coverage of the Group's business.

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

	Pingshan RMB million
Non-current assets	
Property, plant and equipment	49
Intangible assets	74
Right-of-use assets	10
Current assets	
Trade and other receivables	15
Cash and cash equivalents	4
Current liabilities	
Trade and other payables	(73)
Non-current liabilities	
Deferred tax liabilities	(19)
Net assets acquired	60
Net cash inflow arising on acquisition of Pingshan in current year:	
Total consideration	(60)
Less: Deposit paid in the prior year	60
Add: Cash and cash equivalents acquired	4
	4

44. Acquisition of Businesses *(continued)*

b. Acquisition of businesses during the year ended 31 December 2022 *(continued)*

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

Included in the profit for the year ended 31 December 2022 was RMB14 million of gain attributable to the additional businesses generated by Pingshan. Revenue for the year ended 31 December 2022 includes RMB14 million generated from Pingshan.

Had the acquisitions of Pingshan been completed on 1 January 2022, the revenue of the Group for the year ended 31 December 2022 would have been approximately RMB110,052 million, and the profit for the year would have been approximately RMB6,605 million. The "pro-forma" information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is intended to be a projection of future results.

In determining the "pro-forma" revenue and result of the Group, had Pingshan been acquired on 1 January 2022, the Directors have calculated the depreciation and amortisation of right-of-use assets, property, plant and equipment and intangible assets acquired on the basis of the fair values rather than the carrying amounts recognised in the pre-acquisition financial statements.

45. Acquisition of Assets through Acquisitions of Subsidiaries

a. There was no acquisition of assets through acquisitions of subsidiaries during the year ended 31 December 2023.

b. Acquisition of assets through acquisitions of subsidiaries during the year ended 31 December 2022

To facilitate the Group's expansion, the Group will from time to time liaise with the local PRC governments and potential vendors to acquire the local rights of operation, gas assets and integrated energy related assets through acquisition of subsidiaries. During the year ended 31 December 2022, the Group has acquired assets through the acquisition of the following subsidiaries:

Acquisition date	Company acquired	Registered capital acquired	Consideration RMB million
26 April 2022	廊坊新奧高博科技有限公司 (note)	100.00%	62
23 June 2022	汝州市裕潤天然氣有限公司	100.00%	24
21 July 2022	一城一家網絡科技有限公司 (note)	50.00%	1

Note: The Group acquired the respective equity interests from companies controlled by Mr. Wang during the year.

45. Acquisition of Assets Through Acquisitions of Subsidiaries *(continued)*

b. Acquisition of assets through acquisitions of subsidiaries during the year ended 31 December 2022 *(continued)*

The transaction was accounted for as acquisition of assets through acquisition of subsidiaries and the fair value of the consideration allocated to the assets and liabilities acquired are as follows:

	RMB million
Non-current assets	
Property, plant and equipment	16
Right-of-use assets	62
Intangible assets	57
Current assets	
Trade and other receivables	38
Cash and cash equivalents	40
Current liabilities	
Trade and other payables	(125)
Net assets acquired	88
Less: Non-controlling interests	(1)
Total consideration	87
Total consideration satisfied by:	
Cash	80
Consideration payables	7
	87
Net cash outflow arising on acquisition:	
Cash consideration paid	(80)
Add: Cash and cash equivalents acquired	40
	(40)

46. Disposal of Businesses

a. Disposal of subsidiaries during the year ended 31 December 2023

Disposal date	Company disposed	Registered capital disposed	Consideration RMB million
Category A:			
9 January 2023	鹽城市亭湖區新城智慧家居有限公司	100%	1
11 April 2023	永登新奧能源發展有限公司	100%	–
31 May 2023	好買氣電子商務有限公司 (note a)	100%	1
Category B:			
31 August 2023	長沙新奧燃氣有限公司 ("Changsha Group") (note b)	6%	See below for details

Note a: The Group disposed the respective equity interest to a company controlled by Mr. Wang during the period.

Note b: The Changsha Group include six subsidiaries and seven joint ventures and associates of the Group.

46. Disposal of Businesses *(continued)*

a. Disposal of subsidiaries during the year ended 31 December 2023 *(continued)*

The net assets of category A at the dates of disposal were as follow:

	RMB million
Non-current assets	
Property, plant and equipment	9
Right-of-use assets	2
Intangible asset	47
Current assets	
Trade and other receivables	3
Cash and cash equivalents	3
Non-current liability	
Deferred income	(1)
Current liability	
Trade and other payables	(58)
Net assets attributable to the owners of the Company disposed of	5

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

	RMB million
Consideration received	2
Less: Net assets attributable to owners of the Company derecognised	(5)
Loss on disposal of subsidiaries	(3)
Net cash outflow arising from the disposal:	
Cash consideration received	2
Less: Cash and cash equivalents disposed of	(3)
	(1)

46. Disposal of Businesses *(continued)*

b. Changsha Group operates a retail gas sales business in the urban planning area of Changsha City, Hunan Province. By the end of August 2023, the concession rights of Changsha for retail gas had expired. Changsha Group successfully renewed the concession rights with relevant government department to extend the concession right for 10 years.

In August 2023, the Group entered into a sales and purchase agreement with a counterparty, pursuant to which the Group disposed of 6% of its equity interest in Changsha Group. The Group holds a 49% equity interest of Changsha Group after disposal and Changsha Group is an associate of the Group.

The consideration is subject to price adjustments that have not been finalised. As of 31 December 2023, the consideration is therefore provisional. The finalisation of the consideration could be completed within 12 months from the disposal date.

The net assets of Changsha Group at the dates of disposal were as follow:

	RMB million
Non-current assets	
Interests in joint ventures	19
Property, plant and equipment	4,247
Intangible assets	24
Right-of-use assets	103
Current assets	
Inventories	83
Trade and other receivables	460
Cash and cash equivalents	83
Current liabilities	
Trade and other payables	(1,271)
Contract liabilities	(1,242)
Bank loans	(164)
Non-current liabilities	
Bank loans	(36)
Deferred income	(38)
Deferred taxation	(259)
Net assets	2,009
Less: Non-controlling interests	(1,037)
Net assets attributable to the owners of the Changsha Group disposed of	972

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

	RMB million
Fair value of interests in associates	863
Provisional consideration receivable	10
Less: Net assets attributable to owners of the Changsha Group derecognised	(972)
Loss on disposal of Changsha Group	(99)
Net cash outflow arising from the disposal:	
Cash and cash equivalents disposed of	(83)
	(83)

46. Disposal of Businesses *(continued)*

c. Disposal of subsidiaries during the year ended 31 December 2022

Disposal date	Company disposed	Registered capital disposed	Consideration RMB million
16 August 2022	溧陽新奥百邁斯科技發展有限公司	51.00%	1
29 August 2022	定遠縣新奥燃氣有限公司	100.00%	26
1 October 2022	石家莊新奥城市燃氣發展有限公司	51.00%	64
30 December 2022	建德新奥能源發展有限公司	100.00%	22

	RMB million
Non-current assets	
Property, plant and equipment	145
Right-of-use assets	3
Current assets	
Inventories	1
Trade and other receivables	33
Cash and cash equivalents	3
Net assets	185
Less: Non-controlling interests	(2)
Net assets attributable to the owners of the Company disposed of	183

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

	RMB million
Fair value of investment in an associate	61
Consideration received	83
Consideration receivable	30
Less: Net assets attributable to owners of the Company derecognised	(183)
Loss on disposal of subsidiaries	(9)
Net cash inflow arising from the disposal:	
Cash consideration received	83
Less: Cash and cash equivalents disposed of	(3)
	80

47. Commitments

a. Capital commitments

	2023 RMB million	2022 RMB million
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**333**	575
Capital commitments in respect of		
– investments in joint ventures	**506**	513
– investments in associates	**679**	438
– other equity investments	**2**	2

b. Other commitments

During the year, the Group has three long-term sale and purchase agreements in place to acquire LNG from international suppliers. The Group is obliged to make "take-or-pay" payment to suppliers for the quantity contracted but not delivered.

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

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

48. Operating Leasing Arrangements

The Group as lessor

All of the properties held have committed tenants for terms ranging from one to twenty years. Undiscounted lease payments receivable on leases are as follow:

	2023 RMB million	2022 RMB million
Within one year	**62**	57
In the second year	**15**	47
In the third year	**15**	8
In the fourth year	**13**	6
In the fifth year	**13**	6
After five years	**56**	36
	174	160

49. Pledge of Assets

At the end of the reporting period, the Group pledged certain assets as securities for bank and other loans, bill facilities and contracts granted to the Group as follows:

	2023 **RMB million**	2022 RMB million
Carrying amount of:		
Property, plant and equipment	**25**	27
Restricted bank deposits	**448**	490
Bills receivable	**586**	357

In addition to the above, the Group has also pledged its rights to receive construction and installation and gas supply fee income of certain subsidiaries in favor of banks to secure banking facilities amounting to RMB100 million (2022: RMB100 million) granted to the Group, of which RMB30 million (2022: RMB30 million) has been utilised up to 31 December 2023.

50. Capital Management and Financial Instruments

a. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern, to maintain the confidence of creditors, to sustain future development of the entities and to maximise the return to the equity holders of the Company. The capital structure of the Group consists of net debt (borrowings disclosed in Notes 39 and 40, net of cash and cash equivalents) and total equity of the Group.

The Group manages its capital base through net gearing ratio. The Directors review the capital structure on a semi-annual basis. The Group has a target of net gearing ratio below 100% and will maintain the ratio within target by issue of new debts, repayment of debts, issue of new shares, repurchase of shares or payment of dividends. The Group's overall strategy remains unchanged from prior year. The net gearing ratio at the end of the reporting period was as follows:

	2023 **RMB million**	2022 RMB million (restated)
Bank and other loans	**14,195**	10,827
Senior notes	**7,728**	8,965
	21,923	19,792
Less: Cash and cash equivalents	**(9,689)**	(8,056)
Net debt	**12,234**	11,736
Total equity	**48,262**	45,562

	2023 **%**	2022 %
Net debt to total equity ratio	**25.3**	25.8

50. Capital Management and Financial Instruments *(continued)*

b. Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are set out as follows:

	2023	2022
	RMB million	RMB million
Financial assets		
Financial assets at FVTPL	**4,434**	4,353
Derivative financial instruments	**258**	1,462
Equity instruments at FVTOCI	**219**	238
Financial assets at amortised cost	**18,640**	17,818
Financial liabilities		
Derivative financial instruments	**49**	1,146
Financial liabilities at amortised cost	**31,826**	31,565
Financial guarantee contracts	**37**	42

c. Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risks, and price risk), credit risk, liquidity risk.

The Group' s treasury department identifies, evaluates and monitors financial risks in close co-operation with the Group' s operating units, focusing on the unpredictability of financial markets. The Group seeks to minimise the effects of financial risks by using different derivative financial instruments to manage these exposures. All derivative financial instruments are used for the financial risk management and not for speculative purposes.

The Board provides written principal for overall risk management. The Group has written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivatives financial instruments and cash management. Exposure to foreign exchange rates, interest rates and prices risk movements are regularly reviewed and positions are amended in compliance with internal guidelines and limits.

The Group treasury department reports regularly or on demand basis to the Financial Risk Management Working Group, an independent body that monitor risks and policies implemented to mitigate risk exposures.

Foreign currency risk management

The functional currency of the Group's most entities is RMB in which most of the transactions are denominated. However, certain loans and senior notes issued by the Group, certain bank balances kept by the Group are denominated in foreign currencies.

To mitigate the foreign exchange exposure, the Group entered into various Foreign Currency Derivatives with certain financial institutions during the current and prior years as set out in Note 23. The management of the Group monitors foreign exchange exposure and designates all derivatives as hedging instruments for cash flow hedges. The foreign exchange derivative contracts must be in the same currency as the hedged item. On this basis, the Group has entered into such cross currency swap contracts in relation to the foreign currency denominated monetary assets and monetary liabilities amounting to USD440 million (2022: USD320 million), equivalent to RMB3,129 million (2022: RMB2,229 million). It is the Group's policy to negotiate the terms of the hedge derivatives, to the extent possible, to match or approximate the terms of the hedged items to maximise hedge effectiveness (see Note 23 and Note 41 for details).

50. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Foreign currency risk management (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2023	2022	**2023**	2022
	RMB million	RMB million	**RMB million**	RMB million
Foreign currency:				
USD	**1,287**	1,095	**7,728**	11,173
HK$	**29**	39	**–**	–

The following table details the Group's sensitivity to a reasonable possible change in exchange rate of each foreign currency against RMB, while all other variables are held constant. The sensitivity adjusts their translations at the end of the reporting period for a change in foreign currency exchange rate as set out below:

	USD		HK$	
	2023	2022	**2023**	2022
	%	%	**%**	%
Possible change in foreign exchange rate	**5**	5	**5**	5

	2023	2022	**2023**	2022
	RMB million	RMB million	**RMB million**	RMB million
(Decrease) increase in profit after taxation for the year:				
– if RMB weakens against foreign currencies	**(113)**	(407)	**1**	2
– if RMB strengthens against foreign currencies	**113**	407	**(1)**	(2)

In the opinion of the Directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure and does not reflect the exposure during the year, and some of the Group's foreign currency exposure has been reduced due to the offsetting effect of the Foreign Currency Derivatives.

Hedges of foreign currency risk

The Group designates cross currency swaps and foreign currency options as hedging instruments in cash flow hedges and does not separate the forward and spot element of a currency forward contract but instead designates the currency forward contract in its entirety in a hedging relationship. Correspondingly, the hedged item is measured based on the forward exchange rate. Foreign currency basis spread of financial instruments may be separated and excluded from the designated hedging instruments. As at 31 December 2023 and 2022, the notional profile of USD440 million and USD320 million are with maturity of less than 5 years.

The Group applies a hedge ratio of 1:1 and determines the existence of an economic relationship between the foreign currency borrowings and Foreign Currency Derivatives based on their currency types, currency amounts and the timing of their respective cash flows.

50. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Foreign currency risk management (continued)

Hedges of foreign currency risk *(continued)*

The following table summarises the effect of the hedge accounting on financial position and performance of the Group for the reporting period:

	Average exchange rate	Notional value: USD USD million	Notional value: RMB RMB million	Carrying amount of the hedging instruments RMB million	Favourable/(Unfavourable) changes in fair value used for measuring ineffectiveness: Current period hedging instruments RMB million	Favourable/(Unfavourable) changes in fair value used for measuring ineffectiveness: Current period hedged items RMB million	Hedging losses recognised in cash flow hedge reserve RMB million	Hedge ineffectiveness recognised in profit or loss RMB million	Cost of hedging recognised in OCI RMB million	Gain from cash flow hedge reserve due to hedged item affecting profit or loss RMB million	Gain reclassified from cost of hedging reserve to profit or loss RMB million	Line item in profit or loss in which hedge ineffectiveness is included	Line items in profit or loss affected by the reclassification	Balance in cash flow hedge reserve for continuing hedge RMB million
Cash flow hedges														
Cross currency swaps	6.72	440	2,957	21	62	(57)	(57)	(5)	(4)	39	24	Other gains and losses	Other gains and losses & Finance costs	94

Interest rate risk management

The Group does not have any specific interest rate hedging policy except that the Group would regularly review the market interest rates to capture the potential opportunities to reduce the cost of borrowings. Accordingly, the Group will enter into interest rate swap arrangement to mitigate the interest rate risk if appropriate.

Fair value interest rate risk

The Group's fair value interest rate risk relates primarily to non-current amounts due from associates and joint ventures, amounts due to associates and joint ventures, and fixed-rate bank and other loans, and senior notes (see Notes 28, 29, 39 and 40 for details of these amounts, loans and notes respectively).

The fair value interest rate risk on bank balance and deposits is insignificant as the terms of the fixed deposits are relatively short.

Cash flow interest rate risk

The Group's cash flow interest rate risk relates primarily to floating-rate bank loans (see Note 39 for details of these amounts). The Directors consider that the Group is not exposed to significant cash flow interest rate risk relating to bank deposits, which are primarily short-term in nature and basically carried at stable market interest rates.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. The Group has assessed that the interest rate benchmark reform has no material impact to the cashflow during the year.

50. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Interest rate risk management (continued)

Cash flow interest rate risk *(continued)*

The Group's sensitivity to cash flow interest rate risk has been determined based on the exposure to interest rates for the floating-rate bank loans. The analysis is prepared assuming that the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year and excluding the interest expected to be capitalised.

	2023 %	2022 %
Possible change in interest rate	**50 basis points**	50 basis points

	2023 RMB million	2022 RMB million
(Decrease) increase in profit after taxation for the year		
– as a result of increase in interest rate	**(20)**	(12)
– as a result of decrease in interest rate	**20**	12

The possible change in the interest rate does not affect the equity of the Group in both years.

Commodity price risk

In the normal course of business, the Group imports LNG to satisfy the demands of downstream customers under "take-or-pay" purchase agreements. Accordingly, the Group is exposed to fluctuations in prevalent crude oil/gas market prices, which are used for the determination of the price of LNG. This exposure is significantly managed with the use of derivative financial instruments by the Group. The profit or loss generated from these derivatives is dependent on the combination of contracts which generate payoffs in any particular range of commodity prices.

Derivative financial instruments are used solely for financial risk management purposes and the Group does not hold or issue derivative financial statements for speculation purposes. The management of the Group monitors commodity price risk exposure regularly and designates certain derivatives as cash flow hedge of highly probable purchases.

The following table summarises the commodity options designated as cash flow hedges outstanding at the end of the reporting period, which expires through December 2023, as well as the effect on financial position and performance of the Group for the reporting period. Commodity options are presented in the line "Derivative financial instruments" within the consolidated statement of financial position (see Note 23 for further details):

				Favourable/(Unfavourable) changes in fair value used for measuring ineffectiveness						
	Strike price range	Remaining quantity bbl	Carrying amount of the hedging instruments RMB million	Cumulative hedging instruments RMB million	Cumulative hedged items RMB million	Hedging (gain) losses recognised in cash flow hedge reserve RMB million	Hedge ineffectiveness recognised in profit or loss RMB million	Cost of hedging recognised in OCI RMB million	Line item in profit or loss in which hedge ineffectiveness is included	Amount from cash flow hedge reserve transferred to inventory RMB million
Cash flow hedges										
Collar for Brent Oil	52.85–68.5	20,000	2	90	(105)	(89)	(1)	–	Other gains and losses	(75)
Collar for Brent Oil	57–64.4	20,000	2	97	(114)	(97)	–	–	Other gains and losses	(85)
Swap for Brent Oil	71.5–81	95,000	–	11	(13)	(11)	–	–	Other gains and losses	(3)
Swap for Japan Crude Cocktail	82–83.95	120,000	(2)	(2)	2	2	–	–	Other gains and losses	–

50. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Commodity price risk (continued)

An increase/decrease of 20% (2022: increase/decrease of 20%) in relevant commodity prices at the end of the year ended 31 December 2023 would have affected profit or loss for the years by amount shown below. These amounts represent the change in fair value of commodity derivative contracts at the reporting date.

	2023 **RMB million**	2022 RMB million
(Decrease) increase in profit before taxation for the year		
– as a result of increase in commodity price risk	**(163)**	(354)
– as a result of decrease in commodity price risk	**163**	358
Increase (decrease) in other comprehensive income		
– as a result of increase in commodity price risk	**13**	51
– as a result of decrease in commodity price risk	**(13)**	(52)

Other price risk

The Group is mainly exposed to price risk through equity instruments measured at FVTPL and FVTOCI. The Directors do not implement specific measurements to mitigate the price risk.

If the market price of equity instruments measured at FVTPL and FVTOCI increased or decreased by 5%, the Group would recognise additional gains or losses of RMB217 million (2022: RMB216 million) and the OCI change of RMB11 million (2022: RMB12 million), respectively.

Credit risk and impairment assessment

Other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of financial guarantees provided by the Group. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with loan receivables is mitigated because they are secured over equipment, receivables and certain entities' equities and settlement of certain trade receivables are backed by bills issued by reputable financial institutions.

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on individually assessment for significant balances and on provision matrix for the remaining.

Other receivables, amounts due from associates/joint ventures/related companies and cash and cash equivalents

In order to minimise the credit risk, the Group performs impairment assessment under ECL model upon application of HKFRS 9 on other receivables and on amounts due from associates/joint ventures/related companies individually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The credit risks on cash and cash equivalents are limited because the counterparties are reputable international and PRC banks and other financial institutions with high credit ratings assigned by international credit-rating agencies regulated by the PRC government.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

50. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

Financial guarantee contracts

At the end of the reporting period, the management has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12-month ECL. No loss allowance was recognised in the profit or loss. Details of the financial guarantee contracts are set out in note 52.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2023 RMB million	2022 RMB million
Financial assets at amortised cost						
Amounts due from associates*	28	N/A	(note a)	12-month ECL	**240**	474
				Lifetime ECL (not credit-impaired)	**419**	447
					659	921
Amounts due from joint ventures*	29	N/A	(note a)	12-month ECL	**1,041**	2,010
				Lifetime ECL (not credit-impaired)	**691**	546
					1,732	2,556
Amounts due from related companies*	30	N/A	(note a)	12-month ECL	**76**	79
				Lifetime ECL (not credit-impaired)	**134**	122
					210	201
Restricted bank deposits	33	AA	N/A	12-month ECL	**884**	907
Cash and cash equivalents	33	AA+	N/A	12-month ECL	**9,689**	8,056
Other receivables	22	N/A	(note a)	12-month ECL	**858**	711
Loan receivables	22	N/A	(note a)	12-month ECL	**245**	165
Trade receivables	22	N/A	(note b)	Lifetime ECL (provision matrix)	**3,481**	3,304
				Lifetime ECL (not credit-impaired)	**31**	29
				Credit-impaired	**460**	326
					3,972	3,659
Bills receivable	22	N/A	(note a)	12-month ECL	**1,634**	1,440
				Credit-impaired	**8**	8
Contract assets	27	N/A	(note b)	Lifetime ECL (provision matrix)	**651**	656
				Credit-impaired	**2**	1
					653	657

* The gross carrying amounts disclosed above include both trade nature receivables and non-trade nature receivables. All trade nature receivables are applying lifetime ECL.

50. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

Notes:

(a) For the purposes of internal credit risk management, the Group uses financial information of the counter parties to assess whether credit risk has increased significantly since initial recognition.

2023

	Past due RMB million	Not past due/ No fixed terms of repayment RMB million	Total RMB million
Amounts due from associates	–	659	659
Amounts due from joint ventures	–	1,732	1,732
Amounts due from related companies	–	210	210
Other receivables	–	858	858
Loan receivables	–	245	245
Bills receivable	8	1,634	1,642

2022

	Past due RMB million	Not past due/ No fixed terms of repayment RMB million	Total RMB million
Amounts due from associates	–	921	921
Amounts due from joint ventures	–	2,556	2,556
Amounts due from related companies	–	201	201
Other receivables	–	711	711
Loan receivables	–	165	165
Bills receivable	8	1,440	1,448

(b) For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances, the Group determines the ECL on these items by using a provision matrix, grouped by past due status.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at 31 December 2023 within lifetime ECL. A full provision was made for debtors that were credit-impaired.

50. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Credit risk and impairment assessment (continued)

Notes: *(continued)*

b. *(continued)*

Gross carrying amount

	2023		2022	
	Average loss rate	**Trade receivables and contract assets RMB million**	Average loss rate	Trade receivables and contract assets RMB million
0 to 3 months	**0.89%**	**2,330**	0.26%	2,224
4 to 6 months	**7.81%**	**420**	8.61%	494
7 to 9 months	**9.98%**	**264**	8.76%	312
10 to 12 months	**12.72%**	**154**	9.39%	252
1 to 2 years	**27.22%**	**633**	29.23%	518
2 to 3 years	**41.98%**	**331**	41.02%	159
		4,132		3,959

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2023, the Group provided RMB391 million (2022: RMB297 million) and RMB19 million (2022: RMB18 million) impairment allowance for trade receivables and contract assets respectively, based on the provision matrix. Impairment allowance of RMB460 million (2022: RMB326 million) and RMB2 million (2022: RMB1 million) were made for trade receivables and contract assets respectively, based on debtors that were credit-impaired.

The following table shows reconciliation of loss allowances that have been recognised for trade receivables, contract assets, bills receivable, other receivables, amounts due from associates, joint ventures, related companies.

	12-month ECL RMB million	**Lifetime ECL (not credit-impaired)** RMB million	**Lifetime ECL (credit-impaired)** RMB million	**Total** RMB million
As at 1 January 2022	66	77	430	573
Changes due to financial instruments recognised				
– Impairment losses recognised	81	130	220	431
– Impairment losses reversed	(74)	(104)	(3)	(181)
As at 31 December 2022	73	103	647	823
Changes due to financial instruments recognised				
– Impairment losses recognised	61	133	271	465
– Impairment losses reversed	(66)	(118)	(1)	(185)
As at 31 December 2023	68	118	917	1,103

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs earlier.

50. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Liquidity risk management

To manage the liquidity risk, the Group takes into account the continuity and availability of financial resources to the Group, including the cash flows generated from its principal operations, availability of banking facilities, the level of cash and cash equivalents and capital expansion plans as to meet its expected future working capital requirements and mitigate the fluctuation in cash flows level.

The Group also relies on senior notes and bank and other loans as a significant source of liquidity, detail of which are set out in Notes 40 and 39. The Group reviews the utilisation of borrowings and ensures the compliance of loan covenants regularly.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are carried at floating rate, the undiscounted amount is derived from interest rate existed at the end of the reporting period.

	Weighted average interest rate %	Repayable on demand or within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	Over five years RMB million	Total undiscounted cash flow RMB million	Carrying amount at end of the reporting period RMB million
At 31 December 2023									
Non-derivative financial liabilities									
Trade and other payables		8,171	–	–	–	–	–	8,171	8,171
Amounts due to associates	1.14	678	–	–	–	–	–	678	675
Amounts due to joint ventures	0.14	805	–	–	–	–	–	805	805
Amounts due to related companies		1,148	–	–	–	–	–	1,148	1,148
Bank and other loans									
– fixed rate	3.46	6,858	319	1,428	143	137	71	8,956	8,740
– variable rate	3.54	2,173	1,817	1,130	157	166	378	5,821	5,455
Lease liabilities	3.84	177	148	117	96	83	333	954	803
2022 Green Senior Notes	4.63	180	180	180	3,971	–	–	4,511	3,871
2020 Green Senior Notes	2.63	102	102	102	102	102	4,074	4,584	3,857
Financial guarantee contracts		100	14	14	23	23	83	257	37
		20,392	2,580	2,971	4,492	511	4,939	35,885	33,562
Derivatives: Cross currency swaps									
– inflow		(142)	(137)	(134)	(2,926)	–	–	(3,339)	
– outflow		143	142	143	3,028	–	–	3,456	
Derivatives: Commodity									
– inflow		(197)	(28)	–	–	–	–	(225)	
– outflow		5	–	–	–	–	–	5	

50. Capital Management and Financial Instruments *(continued)*

c. Financial risk management objectives and policies *(continued)*

Liquidity risk management (continued)

	Weighted average interest rate %	Repayable on demand or within one year RMB million	Within the second year RMB million	Within the third year RMB million	Within the fourth year RMB million	Within the fifth year RMB million	Over five years RMB million	Total undiscounted cash flow RMB million	Carrying amount at end of the reporting period RMB million
At 31 December 2022									
Non-derivative financial liabilities									
Trade and other payables		8,066	–	–	–	–	–	8,066	8,066
Amounts due to associates	1.53	434	221	–	–	–	–	655	640
Amounts due to joint ventures	0.87	2,054	1	26	–	–	–	2,081	2,064
Amounts due to related companies		1,003	–	–	–	–	–	1,003	1,003
Bank and other loans									
– fixed rate	3.79	6,405	686	158	151	144	210	7,754	7,538
– variable rate	4.02	177	1,246	1,421	156	144	534	3,678	3,289
Lease liabilities	4.47	107	88	65	42	31	105	438	375
2022 Green Senior Notes	4.63	177	177	177	177	3,934	–	4,642	3,800
2020 Green Senior Notes	2.63	137	137	137	137	137	5,601	6,286	5,165
Financial guarantee contracts		783	53	14	19	24	139	1,032	42
		19,343	2,609	1,998	682	4,414	6,589	35,635	31,982
Derivatives: Cross currency swaps									
– inflow		(101)	(100)	(99)	(99)	(2,169)	–	(2,568)	
– outflow		105	105	104	105	2,201	–	2,620	
Derivatives: Commodity									
– inflow		(584)	–	–	–	–	–	(584)	
– outflow		393	–	–	–	–	–	393	

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantees. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, these estimates are subject to change depending on the probability of the counterparties claiming under the guarantees in case that the financial receivables held by the counterparties suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The contractual expiry periods of financial guarantee contracts at the end of the reporting period are as follows:

	2023		2022	
	RMB million	**Expiry period**	RMB million	Expiry period
Guarantees issued to banks to secure loan facilities granted to an associate and joint ventures	**257**	**2032**	1,032	2032

50. Capital Management and Financial Instruments *(continued)*

d. Fair value measurement of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The Group measures its following financial instruments at fair value at the end of the reporting period on a recurring basis:

	Fair value as at 31 December		Fair value hierarchy	Valuation technique and key input
	2023 RMB million	2022 RMB million		
Financial assets				
Derivative financial instruments	**258**	1,462	Level 2	Discounted cash flow for swaps Present value of estimated future cash flows are based on forward rates and contract rates, discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable Black-Scholes Model for options Fair value estimated based on strike price, commodity price, time to expiration, volatility and risk-free interest rate
Listed equity securities, equity interest in Shanghai Utilities	**148**	134	Level 1	Fair values are derived from quoted bid prices in an active market
Unlisted wealth management products	**100**	26	Level 3	Discounted cash flow Future cash flows are estimated based on the recoverable amount expected, discounted at a rate that reflects the credit risk of the counterparty
1.13% equity interest in Sinopec Marketing	**4,170**	4,170	Level 3	Fair value estimated based on P/E ratio of comparable listed companies and a liquidity discount rate
Other unlisted equity securities – FVTPL	**16**	23	Level 3	Fair value are derived from price multiples of similar assets that have been traded in the market
Unlisted equity securities – FVTOCI	**139**	151	Level 3	Fair values are derived from the fair value of the underlying assets and liabilities held by the investee
Listed equity securities – FVTOCI	**80**	87	Level 1	Fair values are derived from quoted bid prices in an active market
Financial liabilities				
Derivative financial instruments	**49**	1,146	Level 2	Discounted cash flow for swaps Present value of estimated future cash flows are based on forward rates and contract rates, discounted at a rate that reflects the credit risk of the relevant counterparty or own credit risk, when applicable Black-Scholes Model for options Fair value estimated based on strike price, commodity price, time to expiration, volatility and risk-free interest rate
Financial guarantees	**46**	46	Level 3	Expected Credit Losses Model Fair values are derived on the basis of credit rating, expected default rate and expected recovery rate

50. Capital Management and Financial Instruments *(continued)*

d. Fair value measurement of financial instruments *(continued)*

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The Group's 1.13% equity interest in Sinopec Marketing which is classified as financial assets at FVTPL under Level 3 hierarchy amounted to RMB4,170 million as at 31 December 2023 under HKFRS 9. The significant unobservable input is the liquidity discount rate. The higher liquidity discount rate, the lower fair value of the financial assets at fair value will be. A 5% increase/decrease in the liquidity discount rate, holding all other variables constant, the fair value of the investments would decrease/increase by RMB26 million as at 31 December 2023.

During the year ended 31 December 2023, additions and reductions to investment costs of unlisted wealth management products amounted to RMB9,817 million and RMB9,891 million, respectively. No fair value change on the said investments were noted during the year.

During the year ended 31 December 2023, reduction on investment costs of other unlisted equity securities – FVTPL amounted to RMB6 million. Fair value loss of RMB1 million on the said investments were noted (during the year ended 31 December 2022: loss of RMB 16 million).

During the year ended 31 December 2023, additions and disposal to investment costs of unlisted equity securities – FVTOCI amounted to RMB3 million and RMB14 million. Fair value loss of RMB1 million on the said investments were noted (during the year ended 31 December 2022: loss of RMB2 million).

There were no transfers between Level 1, 2 and 3 during the year.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the Directors consider that the carrying amounts of financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values:

	2023		2022	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Fixed-rate bank and other loans	**8,740**	**8,419**	7,538	7,319
Senior notes	**7,728**	**7,200**	8,965	7,927

In the above table, other than the fair values of bank and other loans disclosed which are under the fair value hierarchy of Level 3, the rest of the fair values disclosed are under the fair value hierarchy of Level 2. The fair values of the senior notes and unsecured bonds are derived from the quoted prices in an over-the-counter market, and the fair values of corporate bonds are derived from the inactive quoted prices in the Shanghai Stock Exchange. The fair values of the rest of the financial liabilities at amortised cost are derived from discount cash flow technique by reference to the market interest rate of the loans with comparable maturity and credit risk of the respective group entities at the end of the reporting period.

51. Reconciliation of Liabilities Arising From Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the consolidated statement of cash flows as cash flows from financing activities.

	Bank and other loans RMB million (Note 39)	**Lease liabilities RMB million (Note 34)**	**Senior notes RMB million (Note 40)**	**Others RMB million (note)**	**Total RMB million**
At 1 January 2023	**10,827**	**375**	**8,965**	**1,438**	**21,605**
Financing cash flows	**3,654**	**(140)**	**(1,202)**	**(5,191)**	**(2,879)**
Disposal of subsidiaries	**(200)**	**–**	**–**	**–**	**(200)**
Disposal of lease liabilities	**–**	**(27)**	**–**	**–**	**(27)**
Foreign exchange translation	**14**	**–**	**170**	**–**	**184**
New leases entered	**–**	**595**	**–**	**–**	**595**
Dividends paid to shareholders	**–**	**–**	**–**	**2,977**	**2,977**
Dividends paid to non-controlling shareholders	**–**	**–**	**–**	**879**	**879**
Interest expense	**–**	**–**	**22**	**892**	**914**
Net gain of repurchase of senior notes	**–**	**–**	**(227)**	**–**	**(227)**
At 31 December 2023	**14,295**	**803**	**7,728**	**995**	**23,821**

	Bank and other loans RMB million (Note 39)	Lease liabilities RMB million (Note 34)	Corporate bonds RMB million	Unsecured bonds RMB million	Senior notes RMB million (Note 40)	Others RMB million (note)	Total RMB million
At 1 January 2022	9,468	355	2,099	3,601	4,722	1,316	21,561
Financing cash flows	1,042	(96)	(2,099)	(3,780)	3,579	(3,226)	(4,580)
Disposal of lease liabilities	–	(1)	–	–	–	–	(1)
Foreign exchange translation	317	–	–	176	654	–	1,147
New leases entered	–	117	–	–	–	–	117
Dividends paid to shareholders	–	–	–	–	–	2,657	2,657
Interest expense	–	–	–	3	10	691	704
At 31 December 2022	10,827	375	–	–	8,965	1,438	21,605

Note: The amounts include the interest payables, non-trade payables due to joint ventures, associates and related companies.

52. Related Party Transactions

Saved as disclosed in Notes 28, 29, 30, 45 and 46, the Group had the following transactions with certain related parties:

	2023 RMB million	2022 RMB million
Nature of transaction		
Associates:		
– Sales of gas to	**2,637**	2,094
– Sales of materials to	**120**	90
– Purchase of gas from	**1,657**	1,299
– Purchase of equipment from	**5**	11
– Loan interest received from	**2**	11
– Provision of gas transportation services from	**74**	126
– Deposit interest paid to	**1**	2
– Provision of supporting services to	**12**	31
– Provision of supporting services from	**8**	5
– Provision of construction and installation services to	**9**	19
– Loan interest paid to	**2**	–
– Provision of training service to	**1**	1
– Provision of electronic business services to	**1**	–
Joint ventures:		
– Sales of gas to	**3,744**	3,007
– Sales of materials to	**374**	508
– Sales of properties to	**–**	298
– Purchase of gas from	**5,565**	5,645
– Provision of gas transportation services to	**190**	278
– Loan interest received from	**16**	20
– Loan interest paid to	**3**	2
– Provision of supporting services to	**80**	71
– Provision of supporting services by	**134**	–
– Purchase of equipment from	**37**	21
– Deposit interest paid to	**1**	1
– Provision of construction services by	**28**	12
– Provision of administrative services by	**51**	17
– Lease of vehicles to	**–**	2
– Provision of technology services by	**17**	5
– Provision of construction and installation services to	**29**	93
– Provision of gas transportation services from	**62**	104
– Provision of energy efficiency technology service to	**1**	1
– Provision of electronic business services to	**1**	1
– Provision of training services to	**3**	3
– Lease of premises to	**5**	1
– Lease of premises from	**1**	–

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52. Related Party Transactions *(continued)*

	2023 RMB million	2022 RMB million
Nature of transaction *(continued)*		
Companies controlled by Mr. Wang:		
Transactions exempt from shareholders' approval:		
– Purchase of equipment from	**216**	180
– Provision of construction services by	**903**	937
– Provision of information technology services by	**260**	328
– Purchase of natural gas from	**1,709**	1,259
– Provision of LNG terminal usage services by	**439**	329
– Provision of logistic service to	**2**	20
Transactions fully exempt from shareholders' approval, annual review and all disclosure requirement:		
– Sales of gas, gasoline and diesel to	**16**	24
– Sales of materials to	**46**	20
– Provision of construction and installation services to	**18**	22
– Provision of property management services by	**16**	19
– Provision of property management services to	**1**	1
– Lease of premises to	**27**	5
– Lease of premises from	**5**	5
– Provision of administrative services by	**52**	50
– Provision of supporting services to	**57**	70
– Provision of outsourcing services by	**10**	8
– Provision of electronic business services by	**44**	33
– Provision of technology services to	**54**	89
– Provision of energy efficiency technology services to	**14**	10
– Loan interest received from	**6**	5
– Provision of training service to	**17**	22
– Purchase of equity interest from	**–**	63
– Disposal of equity interest to	**1**	–

Except for the transactions above, a subsidiary of the Group has entered into a leasing agreement with a joint venture for the use of LNG Supply Vessel for a period of 10 years which will be matured in 2032 for a daily charge of RMB150,000 payable monthly. A right-of-use assets and lease liability of RMB375 million and RMB379 million, respectively, was recognised as at 31 December 2023.

The Company issued senior notes on 17 May 2022 and 17 September 2020. The terms and conditions of these debts require Mr. Wang and any affiliate of him to retain certain percentage of shareholding over the Company, failing which the Company would be required to repay or repurchase all outstanding debts at predetermined prices.

Compensation of key management personnel

The remuneration of the Directors who are also the members of key management personnel during the years ended 31 December 2023 and 2022 was disclosed in note 11.

Financial guarantee contracts

As at 31 December 2023, the guaranteed facilities amount utilised by an associate and the joint ventures were RMB257 million (2022: RMB1,032 million).

During the year ended 31 December 2023, the fair value of financial guarantee contracts of the Group is RMB46 million (2022: RMB46 million) with a carrying amount of RMB37 million (2022: RMB42 million). In addition, the Directors do not consider it probable that a claim will be made against the Group under any of these guarantees.

53. Particular of Principal Subsidiaries

Name of Company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest/voting power held by the Group 2023	2022	Principal activities
ENN Gas Investment Group Limited ("ENN Gas")	British Virgin Islands	USD1,000	**100.00%**	100.00%	Investment holding
北京新奧華鼎貿易有限公司Beijing Xinao Huading Trading Company Limited*	PRC	USD23,800,000	**100.00%**	100.00%	Retail of gas pipelines, related materials and equipment
常州新奧燃氣發展有限公司 Changzhou Xinao Gas Development Company Limited*	PRC	USD600,000	**60.00%**	60.00%	Sales of piped gas
常州新奧燃氣工程有限公司Changzhou Xinao Gas Engineering Company Limited*	PRC	USD5,000,000	**60.00%**	60.00%	Investment in gas pipeline infrastructure
泉州市燃氣有限公司Quanzhou City Gas Company Limited*	PRC	RMB450,000,000	**60.00%**	60.00%	Investment in gas pipeline infrastructure and sales of piped gas
晉江新奧燃氣有限公司Jinjiang Xinao Gas Company Limited	PRC	RMB60,000,000	**60.00%**	60.00%	Investment in gas pipeline infrastructure and sales of piped gas
洛陽新奧華油燃氣有限公司Luoyang Xinao Huayou Gas Company Limited*	PRC	RMB160,000,000	**70.00%**	70.00%	Investment in gas pipeline infrastructure and sales of piped gas
石家莊新奧燃氣有限公司Shijiazhuang Xinao Gas Company Limited*	PRC	RMB300,000,000	**60.00%**	60.00%	Investment in gas pipeline infrastructure and sales of piped gas
肇慶新奧燃氣有限公司Zhaoqing Xinao Gas Company Limited*	PRC	RMB52,700,000	**100.00%**	100.00%	Investment in gas pipeline infrastructure and sales of piped gas
蚌埠新奧燃氣發展有限公司Bengbu Xinao Gas Development Company Limited*	PRC	USD600,000	**70.00%**	70.00%	Sales of piped gas
青島新奧新城燃氣有限公司Qingdao Xinao Xincheng Gas Company Limited*	PRC	USD839,000,000	**90.00%**	90.00%	Sales of piped gas
浙江新奧智能裝備貿易有限公司Zhejiang Xinao Intelligent Equipment Trading Company Limited*	PRC	RMB10,000,000	**100.00%**	100.00%	Retail of gas pipelines and intelligent equipment
新奧泛能網絡科技有限公司ENN Ubiquitous Energy Network Technology Company Limited*	PRC	RMB103,000,000	**100.00%**	100.00%	Solutions and operating services of integrated energy
新奧能源物流有限公司Xinao Energy Logistics Company Limited*	PRC	USD22,230,000	**100.00%**	100.00%	Transportation of oil products and gas
新奧能源貿易有限公司Xinao Energy Sales Company Limited*	PRC	USD30,200,000	**100.00%**	100.00%	Wholesale and retail of LNG and CNG, piped gas facilities, gas equipment, appliances and others

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53. Particular of Principal Subsidiaries *(continued)*

Name of Company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of ownership interest/voting power held by the Group 2023	2022	Principal activities
新奧液化天然氣貿易有限公司ENN LNG Trading Company Limited	Hong Kong	HK$1,000	**100.00%**	100.00%	Sourcing and sales of LNG
新奧財務有限責任公司ENN Finance*	PRC	RMB2,600,000,000	**100.00%**	100.00%	Provision of financial services in accordance to the Financial License granted by the China Banking Regulatory Commission and act as the Group's finance company
新奧燃氣發展有限公司Xinao Gas Development Company Limited*	PRC	USD620,000,000	**100.00%**	100.00%	Sourcing of compressed pipeline gas and investment in gas pipeline infrastructure and sales of piped gas
新奧新能源工程技術有限公司Xinao New Energy Engineering Technology Company Limited*	PRC	USD7,000,000	**100.00%**	100.00%	Investment in gas pipeline infrastructure
新奧(中國)燃氣投資有限公司 Xinao (China)*	PRC	USD431,778,124	**100.00%**	100.00%	Investment holding
廊坊新奧燃氣有限公司 Langfang Xinao Gas Company Limited*	PRC	USD89,333,900	**100.00%**	100.00%	Investment in gas pipeline infrastructure and sales of piped gas
廊坊新奧智能科技有限公司Langfang Xinao Intelligent Technology Company Limited*	PRC	USD18,000,000	**100.00%**	100.00%	Retail of gas pipelines and intelligent equipment
舟山新奧能源貿易有限公司 Zhoushan Xinao LNG Trading Company Limited	PRC	RMB50,000,000	**100.00%**	100.00%	Wholesale and retail of LNG and CNG, piped gas facilities, gas equipment, appliances and others
淮安新奧燃氣有限公司Huaian Xinao Gas Company Limited*	PRC	RMB125,000,000	**100.00%**	100.00%	Investment in gas pipeline infrastructure and sales of piped gas
寧波城際能源貿易有限公司Ningbo Chengji Energy Trading Company Limited	PRC	RMB5,000,000	**100.00%**	100.00%	Sourcing and sales of LNG
ENN Global Trading Pte. Ltd, ("ENN Global Trading")	Singapore	USD1,000,000	**100.00%**	100.00%	Sourcing and sales of LNG

* Foreign-invested enterprises

All of the above subsidiaries, except for ENN Gas, ENN LNG Trading and Xinao (China), are indirectly held by the Company.

All of the above subsidiaries operate principally in the places of their incorporation/establishment respectively, except that ENN Gas operates principally in Hong Kong. The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or net assets of the Group. Giving the details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries issued any debt securities as at 31 December 2023.

There were no subsidiaries that have non-controlling interests that are material to the Company as at 31 December 2023.

54. Statement of Financial Position of the Company

	2023 RMB million	2022 RMB million
Non-current Assets		
Investments in subsidiaries	11,277	11,216
Amount due from a subsidiary	3,954	4,153
Derivative financial instruments	27	–
	15,258	15,369
Current Assets		
Derivative financial instruments	1	–
Amounts due from subsidiaries	2,178	2,708
Cash and cash equivalents	190	80
	2,369	2,788
Current Liabilities		
Other payables	58	69
Amounts due to subsidiaries	1,313	3,585
Bank loans	3,775	2,208
Derivative financial instruments	–	48
Share-based payment liabilities	8	26
	5,154	5,936
Net Current Liabilities	(2,785)	(3,148)
Total Assets less Current Liabilities	12,473	12,221
Capital and Reserves		
Share capital	117	117
Reserves	4,622	3,139
Total Equity	4,739	3,256
Non-current Liabilities		
Derivative financial instruments	6	–
Senior notes	7,728	8,965
	7,734	8,965
	12,473	12,221

54. Statement of Financial Position of the Company *(continued)*

The statement of changes in equity is as follow:

	Share capital RMB million	**Treasury stocks** RMB million	**Share premium** RMB million	**Hedging reserve** RMB million	**Share options reserve** RMB million	**Retained earnings** RMB million	**Total** RMB million
At 1 January 2022	117	(168)	1,253	4	138	945	2,289
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	(120)	–	3,675	3,555
Recognition of share-based payment expenses (Note 42)	–	–	–	–	21	–	21
Issue of ordinary shares upon exercise of share options (Notes 38 & 42)	–	–	64	–	(16)	–	48
Dividends appropriation (Note 13)	–	–	(1,253)	–	–	(1,404)	(2,657)
At 31 December 2022	117	(168)	64	(116)	143	3,216	3,256
(Loss) profit and total comprehensive (expense) income for the year	–	–	–	(2)	–	4,664	4,662
Recognition of share-based payment expenses (Note 42)	–	–	–	–	7	–	7
Repurchase of shares for share award	–	(229)	–	–	–	–	(229)
Issue of ordinary shares upon exercise of share options (Notes 38 & 42)	–	–	28	–	(8)	–	20
Dividends appropriation (Note 13)	–	–	(64)	–	–	(2,913)	(2,977)
At 31 December 2023	117	(397)	28	(118)	142	4,967	4,739

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