ENN 新奧

ENN Energy Holdings Limited

(Stock code: 2688)

Soaring Towards Sustainability

ANNUAL REPORT 2024

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2024 SNAPSHOT OF ENN

STRATEGIC REPORT

GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Wang Yusuo (Chairman)
Zhang Yuying (Chief Executive Officer)
Gong Luojian (President)
Wang Dongzhi (Chief Financial Officer)
Zhang Jin
Su Li

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*
Gong Luojian
Wang Dongzhi
Su Li
Ma Zhixiang
Yuen Po Kwong
Law Yee Kwan, Quinn *CPA*
Wong Lai, Sarah *FCCA*

Registered Office

PO Box 309
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

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

Website

www.ennenergy.com

E-mail address

enn@enn.cn

* Chairperson 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 Vision

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 vision 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

261
No. of City Gas Project
2023: 259

33,651
million m^3
Natural Gas Sales Volume
2023: 33,621 million m^3

356
No. of Scalable Integrated Energy Project
2023: 296

41,569
million kWh
Integrated Energy Sold
2023: 34,700 million kWh

Decarbonisation performance

57.93
million tons
Helped Society & Clients Reduce Carbon Emissions
2023: 56.10 million tons

6,103
tce./bil m^3
Carbon Intensity
2023: 6,969 tce./bil m^3

42.4%
Proportion of Integrated Energy Projects Utilising Renewable Energy
2023: 44.9%

86
No. of Project Companies Obtained ISO 14001 & ISO 45001
2023: 76

Leverage digitisation & technology to grow

RMB 1,252
million
Investment in Operation Safety
2023: RMB1,430 million

93.7%
Proportion of Construction Projects with Digitalised Management
2023: 91%

97%
Proportion of Gas Purchased Online
2023: 85%

Enhance operational performance

Safety Performance
0.27
Occupational Injury Case/mil Hrs
2023: 0.40

0 case
Fatalities
2023: 0 case

92.5%
Customer Satisfaction Rate
2023: 90.8%

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

Key ratings

Sustainability

AA	B	24.7	64	A+
MSCI	CDP	Sustainalytics	S&P Global	Hang Seng Corporate Sustainability Index

Financial

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

Awards & Rankings

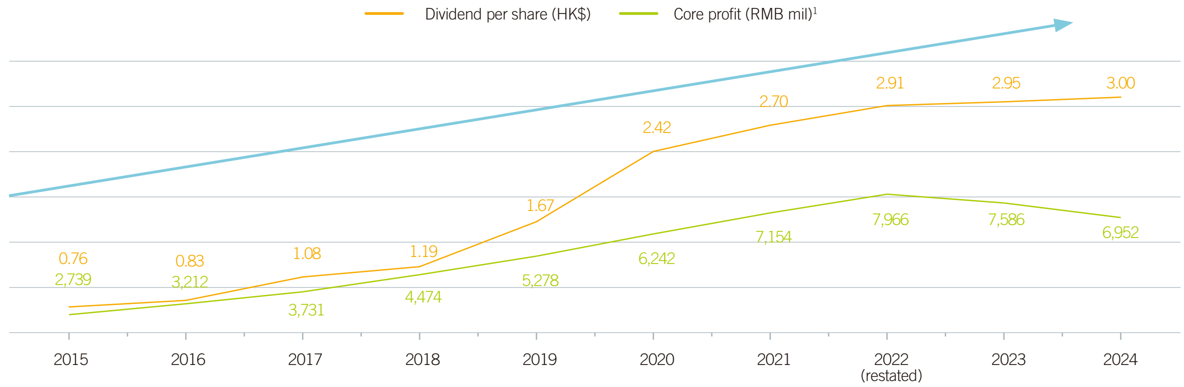
Forbes Global 2000
World's Largest Public Companies 2024
Ranked 1117

Institutional Investor 2024
All-Asia Executive Team Ranking
Best CEO
Best CFO
Best ESG
Best IR Program

S&P Global
2024 Sustainability Yearbook (China Edition)
Top 5% S&P Global CSA Score
Industry Mover

SHAREHOLDER VALUE

10 year Dividend Performance (1 Jan 2015–31 Dec 2024)

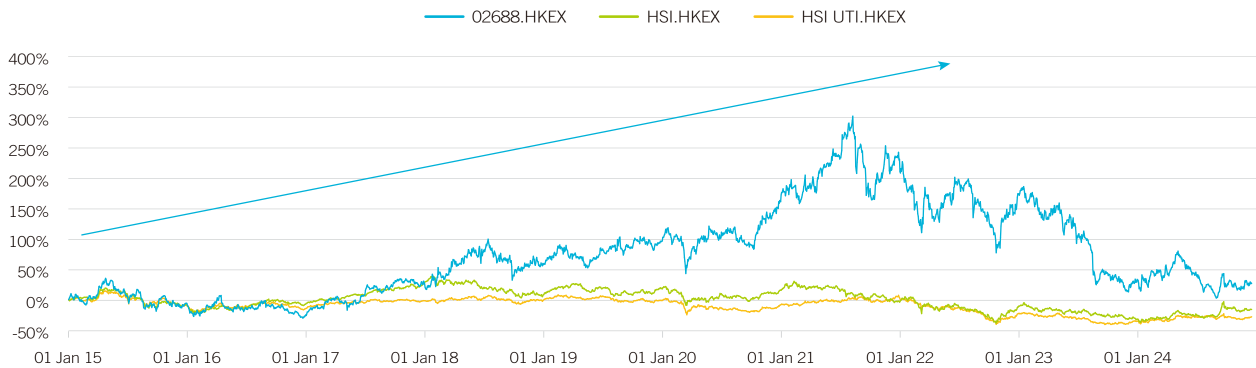


1 Profit attributable to owners of the Company but stripping out other gains and losses (excluding net settlement amount realised from commodity derivative financial instruments, net compensation income and gain on repurchase of senior notes), deferred tax arose from net unrealised (loss) gain of commodity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

Dividend Payments

The Company distributes dividends to our shareholders biannually, 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 2015–31 Dec 2024)



Share performance in 2024

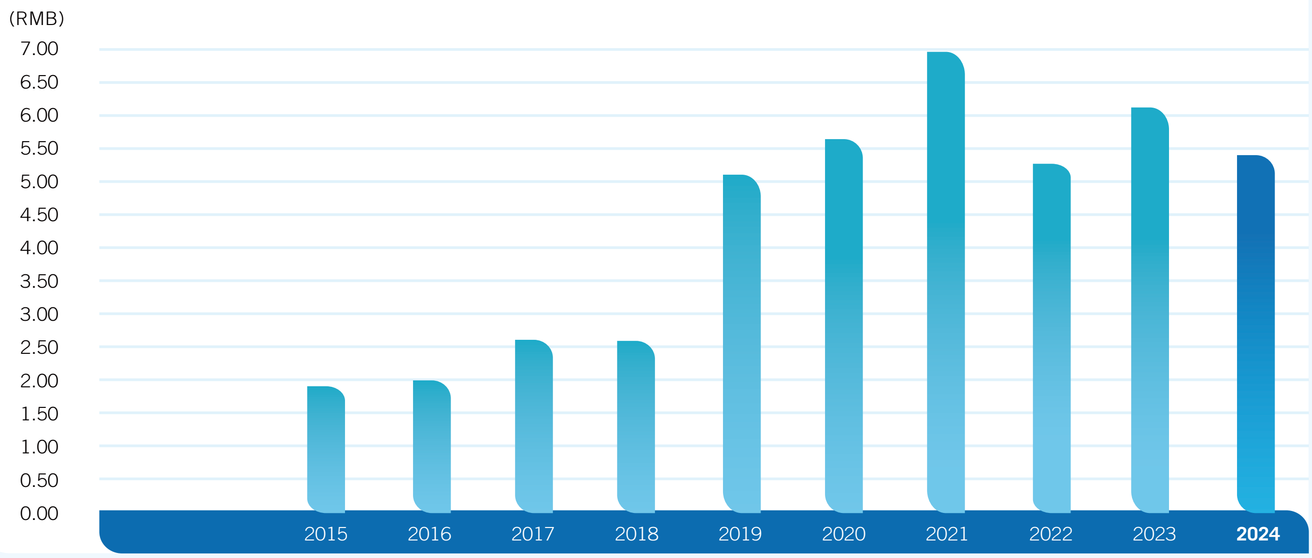
Highest closing price
20 May 2024

HK$79.30

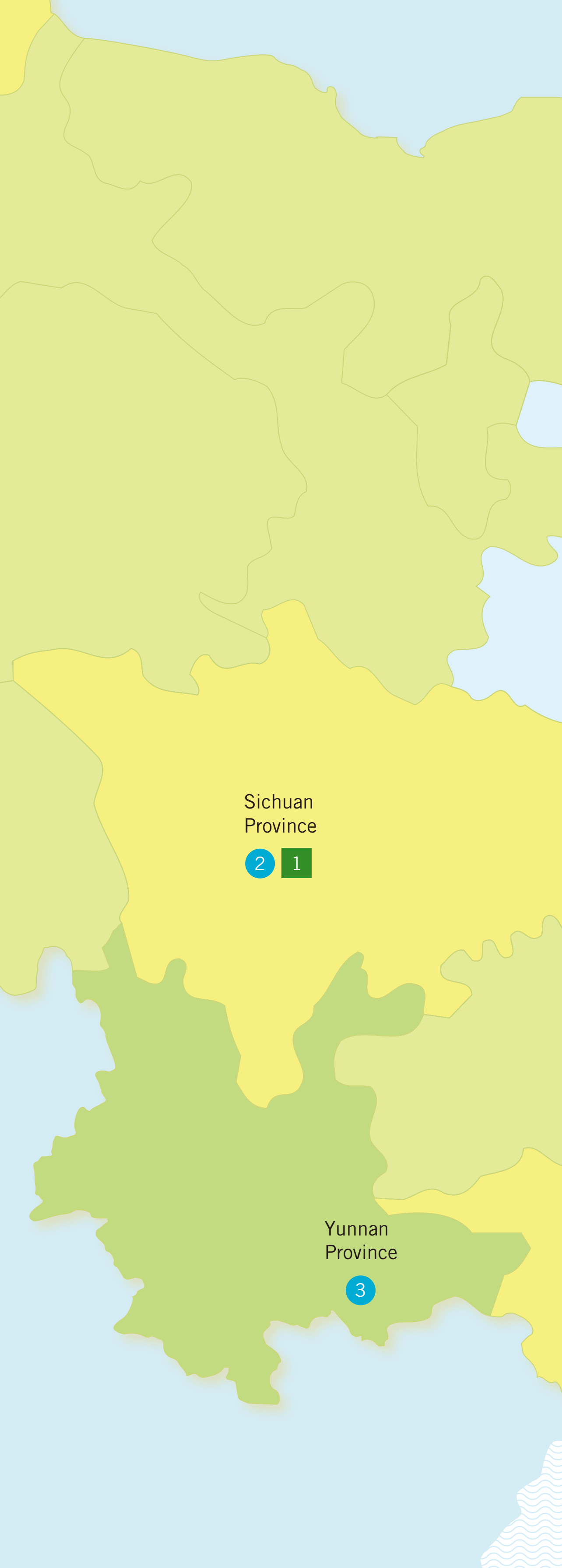
Average closing price

HK$59.58

Basic Earning per Share
(2015–2024)



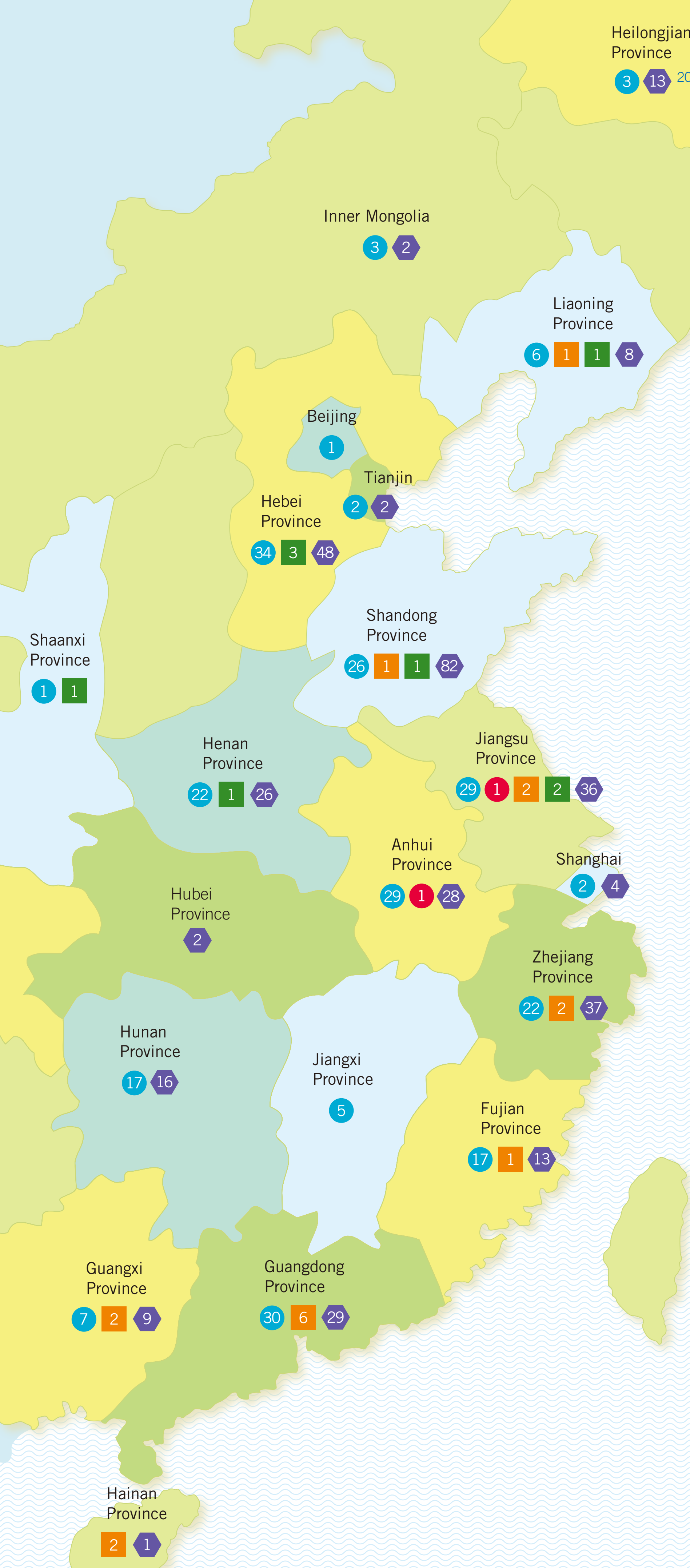
OUR BUSINESS PROFILE



Province	City Gas Projects	Installed Designed Daily Capacity for Connected C/I Customers ('000 m³)	Connected Residential Customers ('000 household)	Scalable Integrated Energy Projects
Anhui	29	20,113	3,029	28
Hebei	34	28,804	4,672	48
Beijing	1	616	91	
Guangdong	30	24,722	3,107	29
Henan	22	15,498	3,033	26
Fujian	17	16,180	1,394	13
Guangxi	7	2,195	640	9
Jiangxi	5	3,761	56	
Hunan	17	17,677	4,032	16
Sichuan	2	34	5	
Yunnan	3	507	112	
Inner Mongolia	3	765	263	2
Heilongjiang	3	776	60	13
Jiangsu	29	27,051	3,602	36

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

- ENN Project
- ENN Projects added in 2024
- LNG Terminal
- National Gas Storage
- Scalable Integrated Energy Projects



Shandong

26
28,911
4,172
82

Zhejiang

22
25,890
2,665
37

Shanghai

2
68
9
4

Tianjin

2
1
2

Shaanxi

1
15
1

Liaoning

6
2,378
436
8

Hainan

1

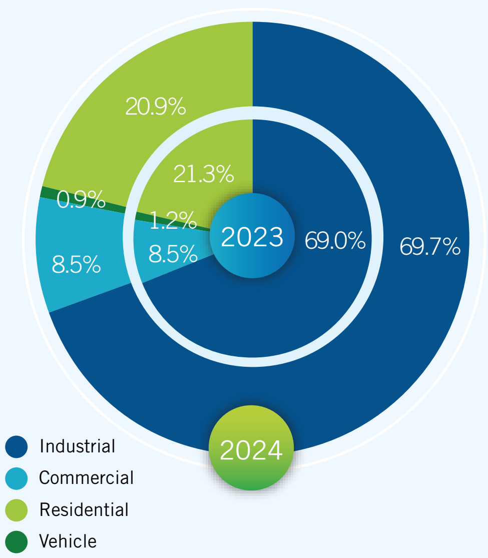
Hubei

2

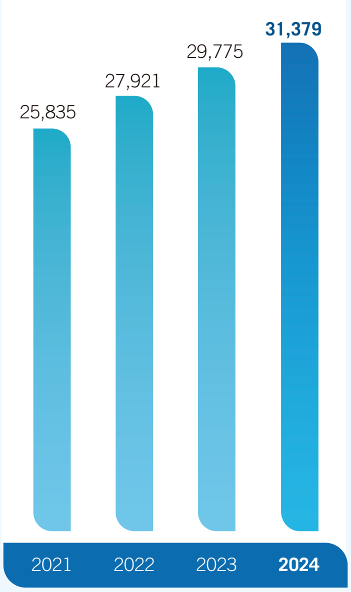
OPERATIONAL & FINANCIAL HIGHLIGHTS

	As at December 31		
	2024	**2023**	**Increase/(Decrease)**
Key operating data*			
Number of city-gas projects in China	**261**	259	2
Urban population coverage (thousand)	**143,123**	137,097	4.4%
New natural gas customers developed during the year:			
– residential households (thousand)	**1,617**	1,854	(12.8%)
– C/I customers (sites)	**27,775**	18,706	48.5%
– installed designed daily capacity for C/I customers (thousand m^3)	**15,101**	17,564	(14.0%)
Accumulated number of piped gas customers:			
– residential households (thousand)	**31,379**	29,775	5.4%
– C/I customers (sites)	**270,943**	243,168	11.4%
– installed designed daily capacity for C/I customers (thousand m^3)	**215,962**	200,890	7.5%
Piped gas penetration rate	**65.8%**	65.2%	0.6 ppt
Retail gas sales volume (million m^3)	**26,200**	25,144	4.2%
Wholesale of natural gas sales volume (million m^3)	**7,451**	8,477	(12.1%)
Accumulated number of scalable integrated energy projects in operation	**356**	296	60
Scalable integrated energy projects under construction	**50**	60	(10)
Sales volume of integrated energy (million kWh)	**41,569**	34,700	19.8%

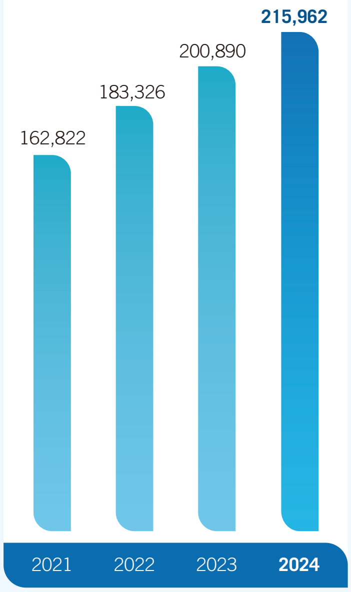
Retail Gas Sales Volume Breakdown



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.

	2024	2023	Increase/ (Decrease)
For the year (in RMB million)			
Revenue			
Retail gas sales business	**60,749**	60,611	0.2%
Integrated energy business	**15,273**	14,513	5.2%
Wholesale of gas	**25,143**	29,695	(15.3%)
Construction and installation	**4,095**	5,337	(23.3%)
Value added business	**4,593**	3,702	24.1%
Total	**109,853**	113,858	(3.5%)
Gross profit			
Retail gas sales business	**6,225**	6,049	2.9%
Integrated energy business	**2,220**	1,907	16.4%
Wholesale of gas	**94**	1,095	(91.4%)
Construction and installation	**1,895**	2,770	(31.6%)
Value added business	**2,971**	2,517	18.0%
Total gross profit	**13,405**	14,338	(6.5%)
Core profit from domestic businesses[1]	**6,712**	6,091	10.2%
As at 31 December (in RMB million)			
Total assets	**103,220**	103,131	0.1%
Total borrowings	**19,532**	21,923	(10.9%)
Earnings and Dividend per share			
Earnings per share (RMB)	**5.35**	6.05	(11.6%)
Dividend per share (HK$)[2]	**3.00**	2.95	1.7%
Ratios			
Return on equity[3]	**13.3%**	16.0%	(2.7 ppt)
Net gearing ratio[4]	**23.2%**	25.3%	(2.1 ppt)

Notes:

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

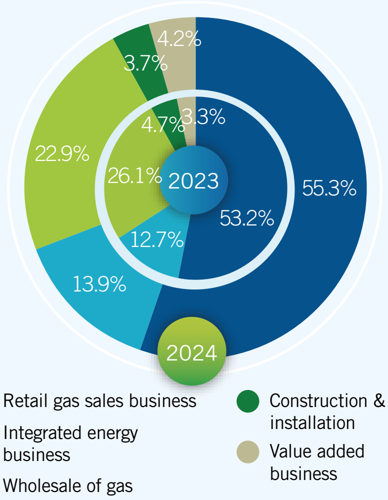
   * The related after-tax profits from wholesales of gas (overseas sales) (including net settlement amount realised from commodity derivative financial instruments) amounted to RMB240 million (2023: RMB1,495 million).

2. Total dividends per share in 2024 include the interim dividend of HK$0.65 per share paid and the proposed final dividend of HK$2.35 per share, while total dividends per share in 2023 included the interim dividend and final dividend paid per share.

3. Return on equity = Profit for the year attributable to owners of the Company/Equity attributable to owners of the Company

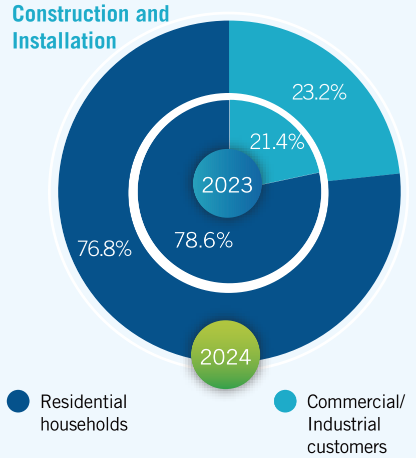
4. Net gearing ratio = Net debts/Total equity x 100%

Turnover Breakdown by Segment

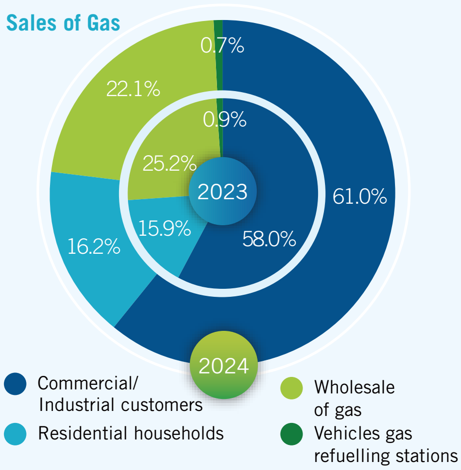


Turnover Breakdown by Customer
(including subsidiaries, joint ventures and associates)

Construction and Installation



Sales of Gas



COMPARISON OF TEN-YEAR RESULTS

	2024	2023	2022 (restated)	2021
Highlights (Group)*				
Number of households developed (thousand)	**31,379**	29,775	27,921	25,835
Installed designed daily capacity for C/I customers (thousand m^3)	**215,962**	200,890	183,326	162,822
Units of piped gas sold				
– Residential households# (thousand m^3)	**5,479,843**	5,359,365	5,160,954	4,707,980
– C/I customers (thousand m^3)	**20,488,875**	19,537,845	20,490,323	19,915,629
Gas sold to vehicles gas refuelling stations (thousand m^3)	**253,488**	310,779	415,214	681,304
Wholesale of gas sales volume (thousand m^3)	**7,451,015**	8,476,566	6,755,548	7,827,611
Revenue & Profit (RMB million)				
Revenue	**109,853**	113,858	110,051	93,113
Profit before tax	**8,797**	10,005	9,052	11,393
Income tax expense	**(1,921)**	(2,273)	(2,386)	(2,398)
Profit for the year	**6,876**	7,732	6,666	8,995
Profit for the year attributable to non-controlling interests	**(889)**	(916)	(799)	(1,240)
Profit for the year attributable to owners of the Company	**5,987**	6,816	5,867	7,755
Dividends	**3,150**	3,029	2,936	2,593
Assets & Liabilities (RMB million)				
Non-current assets (excluding interests in associates and joint ventures)	**70,660**	66,931	66,748	63,712
Interests in associates	**4,943**	4,708	3,607	3,655
Interests in joint ventures	**5,433**	5,117	4,870	5,063
Current assets	**22,184**	26,375	27,133	27,558
Current liabilities	**(32,502)**	(34,923)	(36,082)	(41,579)
Non-current liabilities	**(19,642)**	(19,946)	(20,714)	(16,259)
Net assets	**51,076**	48,262	45,562	42,150
Capital & Reserves (RMB million)				
Share capital	**117**	117	117	117
Reserves	**44,984**	42,543	38,923	35,660
Equity attributable to owners of the Company	**45,101**	42,660	39,040	35,777
Non-controlling interests	**5,975**	5,602	6,522	6,373
Total equity	**51,076**	48,262	45,562	42,150
Earnings per share – Basic (RMB)	**5.35**	6.05	5.20	6.88

* 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.

	2020	2019	2018	2017	2016	2015
	23,213	20,920	18,523	16,221	14,147	12,326
	141,787	124,709	106,553	87,901	71,182	58,608
	4,197,249	3,806,381	2,889,578	2,153,314	1,821,136	1,490,416
	16,882,284	14,879,404	13,228,550	10,934,583	7,966,280	7,001,499
	909,712	1,276,484	1,293,930	1,447,063	1,561,737	1,588,928
	7,616,141	7,038,805	5,958,069	5,140,957	3,036,778	1,231,521
	71,617	70,183	60,698	48,269	34,103	32,063
	9,558	8,841	5,601	5,190	4,195	4,027
	(2,227)	(1,980)	(1,783)	(1,517)	(1,307)	(1,306)
	7,331	6,861	3,818	3,673	2,888	2,721
	(1,053)	(1,191)	(1,000)	(871)	(737)	(685)
	6,278	5,670	2,818	2,802	2,151	2,036
	2,273	1,719	1,176	952	775	705
	58,715	54,581	45,706	36,155	32,487	30,328
	3,619	3,308	3,049	1,505	1,350	1,024
	4,141	3,841	3,620	3,929	3,704	3,810
	23,568	19,515	21,539	17,626	13,840	11,857
	(33,233)	(31,288)	(33,017)	(25,605)	(18,341)	(19,408)
	(20,638)	(18,937)	(15,343)	(13,393)	(15,186)	(11,516)
	36,172	31,020	25,554	20,217	17,854	16,095
	117	116	116	112	112	113
	30,444	25,752	21,269	16,840	14,854	13,355
	30,561	25,868	21,385	16,952	14,966	13,468
	5,611	5,152	4,169	3,265	2,888	2,627
	36,172	31,020	25,554	20,217	17,854	16,095
	5.59	5.05	2.56	2.59	1.99	1.88

CHAIRMAN'S STATEMENT

In 2024, amidst a backdrop of subdued global economic momentum and transformative energy dynamics, ENN Energy harnessed intelligent innovation to propel its growth trajectory. By advancing the three core businesses: deepening the natural gas sales business, elevating the quality of integrated energy business, and expanding the ecosystem of its value added business, the Company achieved resilient and sustainable growth. Confronting a complex global landscape, we fortified our operational foundation through intelligent supply-demand optimisation, ensuring precise resource allocation while embracing the emerging opportunities of the intelligent era. Looking ahead to 2025, ENN Energy will deepen its integration of cutting-edge AI technologies, including DeepSeek, to redefine the energy services landscape, bolster cross-cycle growth capabilities, and collaborate with stakeholders to pioneer a new era of intelligent, low-carbon energy solutions.

Dear Shareholders,

The year 2024 was marked by numerous challenges. The global economy experienced insufficient growth momentum, while the domestic market faced a combination of cyclical contradictions and structural imbalances. Challenges such as sluggish demand, slowing investment, and weakened market expectations intensified operational pressures for enterprises. In addition, heightened sensitivity to energy prices, coupled with growing demands for energy conservation and carbon reduction, drove the widespread adoption of integrated energy solutions as a strategic imperative within the industry.

In response to the complex external environment, ENN Energy focused on customer needs and actively leveraged intelligent innovations in products and services to improve capabilities and upgrade business models. These efforts effectively drove steady growth in the natural gas business, promoted quality improvement in the integrated energy business, and facilitated rapid expansion of the value added business, contributing to the Company's resilient development. Meanwhile, the Company steadfastly implemented its "visible, prioritised, and well managed" safety philosophy, centred on IoT sensing and intelligent technologies, thereby reinforcing a robust safety foundation for sustainable growth. For the year ended 31 December 2024, the Group's revenue decreased by 3.5% to RMB109,853 million, and the core profit from domestic business grew 10.2% to RMB6.71 billion. The basic earnings per share amounted to RMB5.35. The board of directors of the Company (the "Board") recommended the payment of a final dividend of HK$2.35 per share, and together with the interim dividend of HK$0.65 per share already paid, the total dividend for the year amounted to HK$3.00 per share, representing a year-on-year increase of 1.7%.

Wang Yusuo
Chairman

The year 2025 will witness a profound transformation in the global governance system, characterised by increasingly complex geopolitical dynamics and escalating trade protectionism, which will amplify uncertainties in economic development. Domestically, intensified counter-cyclical adjustments and policy initiatives, such as the implementation of major national strategies and building of security capacity in key areas, and the new round of large-scale equipment renewal and trade-in of consumer goods, are expected to stimulate new investment and consumption demand, presenting fresh growth opportunities. The commercial application of Artificial Intelligence (AI) has reached an inflection point, with DeepSeek redefining large-scale model development paradigms. As intelligent applications become more cost-effective and are integrated into various aspects of production and daily life, the era of intelligence is transitioning from technological breakthroughs to practical implementation.

ENN Energy will remain committed to a customer-centric approach, strategically capitalising on opportunities presented by the era of intelligence. Through AI-powered demand analytics, core competency enhancement, business model innovation, and ecosystem-based self-reinforcing value creation mechanisms, the Company will orchestrate a comprehensive organisational transformation to accelerate growth and advancement.

Regarding the natural gas business, the Company will focus on addressing customer demand for low-cost gas consumption by leveraging intelligent technologies to gain deeper insights into demand, resources, and infrastructure. This will involve innovating diversified product services and implementing tailored strategies for key clients ("one enterprise, one approach") to drive sustained gas consumption growth. The Company will explore cost-effective resource channels, expand self-sourced resource reserves, and strengthen flexible resource portfolio management capabilities. Through demand stratification, facility integration, and resource portfolio optimisation enabled by intelligent systems, new development models will be established to achieve efficient coordination of supply, demand, transmission, and storage, ensuring optimal spatiotemporal matching of volume and pricing. Meanwhile, the Company will focus on reducing pipeline network costs and enhancing operational efficiency to continuously strengthen the foundation of natural gas operations.

Regarding the integrated energy business, the Company will deepen its understanding of diverse customer needs to capitalise on opportunities arising from the energy-carbon transition. By leveraging intelligent technologies to strengthen critical capabilities in customer demand analysis, solution optimisation, and lean operations, it will comprehensively establish intelligent energy-carbon solutions across various industrial scenarios, creating benchmark demonstrations to drive expansion in key sectors. In building scenarios, the Company will focus on strengthening collaboration with corporate clients through capability enhancement and ecosystem-based development. In industrial park scenarios, it will pursue both market expansion and optimisation of existing customer relationships, enhancing customer acquisition through network strategies. Concurrently, it will accelerate scaled deployment of integrated energy micro-grid solutions, intensify efforts to extend multiple product offerings on the demand side, and unlock the value of integrated energy supply-demand coordination with synergies between load, source, grid, storage, and carbon management. These initiatives will simultaneously address customer demands for energy conservation, cost reduction, and decarbonisation.

For the value added business, the Company will focus on addressing the quality living needs of 31.38 million households, starting with gas consumption demands to establish a new intelligent safety-centric gas utilisation model. This initiative will enhance service quality while reducing service costs, thereby strengthening foundational product offerings. The Company will continuously upgrade the "e-City e-Home" platform to precisely identify the diverse needs of households, expanding services from kitchen-focused scenarios to broader domains including low-carbon household living. This evolution will extend offerings from basic gas services to a range of solutions encompassing safety, health, and shopping, ultimately constructing a comprehensive household service matrix for low-carbon living. By improving capabilities in rational decision-making support and value demonstration for families, the business will drive efficient enterprise responsiveness to achieve transformative growth in intelligent home services.

Meanwhile, the focused implementation of ENN Energy's Enterprise Intelligence System will drive organisational transformation through intelligent technologies. This initiative will empower partners to autonomously cultivate capabilities and facilitate role-based, on-demand deployment of competencies. Guided by customer value creation as the paramount principle, the system will foster collaborative value co-creation and sharing mechanisms, transforming every participant into self-driven contributors to enhance organisational dynamism.

Finally, on behalf of the Board, I would like to extend my sincere gratitude for your long-standing trust and support. We look forward to your continued partnership as we advance together. Moving forward, we will capitalise on opportunities presented by the era of intelligence, converge industrial ecosystems, and pursue continuous innovation and breakthroughs. We will drive sustained quality enhancement in corporate development while propelling operational performance to new heights.

Chairman
Wang Yusuo
26 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION HIGHLIGHTS

In 2024, amidst multiple challenges such as increasing uncertainties in the international situation, frequent extreme weather events, and insufficient effective demand, China's GDP growth still reached 5%. The overall operation of the national economy is stable and progressing steadily, demonstrating strong national resilience and sustainable development capabilities. The implementation of policies to expand domestic demand, such as large-scale equipment upgrades and trade-ins for consumer goods, the deepening of energy transformation, the continuous improvement of low-carbon mechanisms, and the rapid development of intelligent technologies have created favorable conditions for the Company's growth. Commercial and Industrial (C/I) customers are increasingly releasing demands for cost reduction and low-carbon green solutions, while residential customers are showing ongoing interest in safety, quality, and smart features. Meanwhile, community infrastructure upgrades are being widely carried out. In response to opportunities presented by the evolving macro environment, industry transformations, and diverse customer demands, we proactively upgraded our strategy, leveraging intelligent innovations to transition into a multi-value service provider anchored in natural gas. Through a steadfast focus on customer-centricity and intelligent innovation, the Group continuously strengthened safety foundation and enhanced customer satisfaction to drive business upgrades, thereby achieving sustained growth in 2024.

Natural Gas Sales Business: Focusing on Customer Demand to Achieve Scale-Driven Profits, Laying a Solid Foundation for the Natural Gas Sales Business

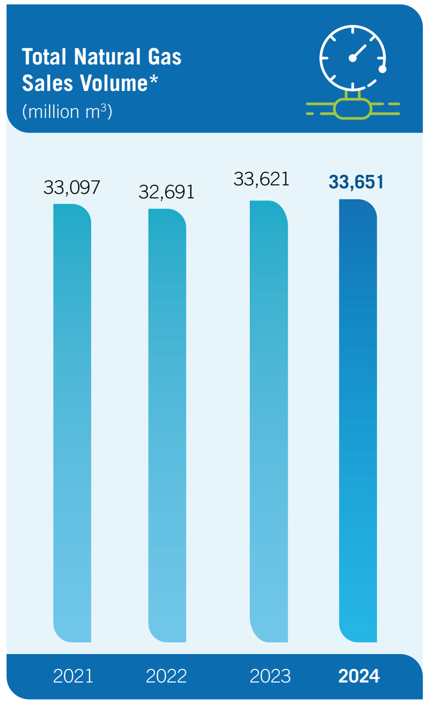
In 2024, the implementation of policies such as the *Measures for the Administration of Infrastructure and Public Utilities* and the *Natural Gas Utilisation Policy* further propelled the sustained and healthy development of China's natural gas industry. With the accelerated integration of domestic and international natural gas resources, coupled with heightened market volatility risks, customers' demand for cost efficiency and supply stability has amplified. The Group adheres to a customer-centric approach, expanding its customer base through customer segmentation, lean resource allocation, and intelligent operations, as well as growing profit through sales volume to achieve economies of scale and mutual success with customers.

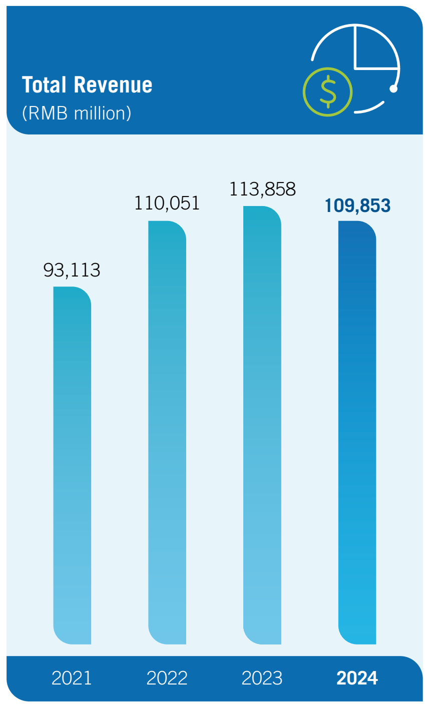
Industry is a major player in energy consumption and carbon emissions, and natural gas plays a critical role in substituting high-carbon energy sources with low-carbon energy sources. Amid the current economic pressures, CI customers are prioritising on cost reduction. We tailored models based on customer profiling, analysing their industries, production processes, energy consumption patterns, and alternative energy options. By leveraging IoT devices, we promptly monitored energy usage and developed a flexible strategy, customising strategies tailored to each enterprise. In addition, by mobilising domestic and international resources, the Company optimises energy supply matches to achieve optimal alignment with client needs. For example, for a petrochemical client producing LPG in-house, the Company pegged natural gas prices to LPG market fluctuations based on calorific value equivalence, implementing a resource strategy combining flexible base volumes, contractual increments, and supplementary spot purchases. This approach lowered the client's energy costs and drove a measurable increase in gas consumption. In 2024, through such volume-driven initiatives we installed gas appliances with a total daily designed capacity of 12.17 million cubic meters for industrial customers, reaching a cumulative total daily designed capacity of 185 million cubic meters, driving a 5.2% year-on-year growth in industrial gas sales.

A significant number of commercial customers remained unconnected within the concessionary area, we capitalised on the government's "bottled-to-piped-gas conversion" policy, we addressed commercial customers' demand for safe and stable energy supply while enhancing pipeline asset utilisation and optimising customer mix; In 2024, we launched a specialised campaign by using optimised designs, flat-rate pricing, and block-based cluster development to develop 25,000 new commercial customers, bringing the cumulative total to 227,000 commercial customers, with installed gas appliances achieving a total daily designed capacity of 2.93 million cubic meters, thereby bringing the cumulative daily capacity to 31 million cubic meters. This drove a 4.5% year-on-year growth in commercial gas sales.

Number of City-gas Projects

261





Accumulated Scalable Integrated Energy Projects in Operation

^ 60

356

Integrated Energy Sold

^ 19.8%

41,569 million kWh

Average transaction value of Value Added Business per Household

RMB **612**

The residential customer base continued to expand. In 2024, we seized opportunities from national initiatives to renovate old residential communities to actively responded to downward pressures in the real estate market, and deepened efforts to develop existing households, thereby completing the installation of gas supply facilities for 1,617 thousand households. The cumulative number of household customers reached 31.38 million, significantly strengthening the foundation for value added business. In alignment with national reforms to rationalise residential pricing, we proactively advanced adjustments for residential gas prices. By the end of 2024, we have cumulatively adjusted gas prices for 63% of the household customers to market rates, further enhancing the Group's profitability.

The extensive customer base and substantial gas consumption scale of the Group have created opportunities to optimise spatiotemporal resource allocation, and have enabled the Group to unlock operational economies of scale. In 2024, driven by customer demand, we continuously increased contract volumes with the three major oil companies in China, improved the long-term agreement resources with PetroChina and strengthened the security of self-sourced overseas resources. By synergising domestic and international resources, we effectively reduced procurement costs. Concurrently, we leveraged professional teams to implement hedging strategies, mitigating price volatility and ensuring long-term price stability for customers. Operational efficiency initiatives included piloting unmanned pipeline inspection models and deploying intelligent solutions across maintenance, metering, and station operations, enhancing infrastructure capabilities to ensure safe and efficient performance.

In 2024, the Group achieved a 4.2% year-on-year increase in natural gas sales volume, with revenue and gross profit rising 0.2% and 2.9% to RMB60,749 million and RMB6,225 million, respectively. With the decline in international natural gas prices, the Company primarily focused on the domestic market, with the revenue and gross profit of wholesale of gas business decreasing by 15.3% and 91.4% to RMB25,143 million and RMB94 million, respectively. The construction and installation business continued to be under pressure from the downturn in the real estate sector, with revenue and gross profit declining 23.3% and 31.6% year-on-year to RMB4,095 million and RMB1,895 million, respectively.

Integrated Energy Business: Implementing Integrated Energy Concept to Promote the Steady Growth of Integrated Energy Business

With the implementation of China's dual-carbon strategy, declining costs of photovoltaic (PV) and energy storage equipment, and advancements in intelligent technologies, customers' demand for green solutions, efficiency improvements, and cost reductions has grown rapidly. Building on years of accumulated expertise, we leveraged intelligent systems to refine best practices and deployed integrated energy solutions tailored to major energy-intensive customers. In 2024, we expanded our customer base across industrial parks, factories, and public infrastructure sectors, leveraging delivery intelligence and operational intelligence to enhance project execution efficiency and optimise operational performance.

Building upon our existing base of 270,000 C/I customers and a broader accessible customer network, we adopted a customer-centric approach, leveraging simulation-based intelligence to align with customer demands, thereby achieving 1.7GW of newly commissioned installed capacity. For industrial park customers, we have developed integrated "Load-Source-Grid-Storage-Sales" capabilities to facilitate project implementation. For large-scale parks, aligning with government-driven investment initiatives and green development objectives, secured clients by integrating holistic planning and delivering comprehensive "Load-Source-Grid-Storage" solutions. For small and micro parks, targeting enterprises with the characteristics of specialisation, refinement, uniqueness and innovation (專精特新) with urgent demands for cost-effective, sustainable, and user-friendly power solutions, the Company prioritises upgrades to distribution systems and promotes synergistic "PV-Storage-intelligent Control" deployments. The proprietary Intelligent PV-Storage-Control Product employs intelligent algorithms to optimise power generation and charge/discharge strategies, enhancing photovoltaic utilisation rates, boosting energy storage revenue, and reducing client electricity costs. In 2024, the total installed capacity of newly commissioned industrial parks reached 0.5 GW. Among these, 236 MW of newly installed PV capacity and 80 MWh of newly installed energy storage capacity were connected to the grid. For factory and building customers, we are guided by customers' end-to-end energy and carbon management requirements across their operational chains to develop AI-driven energy-carbon solutions tailored to key industries, thereby intensifying collaborations with enterprise groups. In 2024, the Group achieved a commission of 1.2 GW of low-carbon factory and building capacity.

During the year, the Group completed the construction and commissioning of 60 scalable projects, bringing the total number of operational scalable projects to 356. Through investments and management arrangements, the cumulative installed capacity reached 13.3GW, driving 41.57 billion kWh of integrated energy sales (including cooling, heating, electricity, and steam), representing a 19.8% year-on-year increase. Developed multiple intelligent models for integrated energy operations and implemented efficiency-enhancing measures such as system-wide energy-saving upgrades, precision metering, and pipeline loss management, improving utilisation rate and profitability. Income generated from installation services, electricity trading, and green certificates, totalling RMB834 million. While service income currently accounts for a relatively small proportion of total revenue, significant growth potential exists as technology advances. In 2024, the revenue and gross profit of the integrated energy business increased by 5.2% and 16.4%, respectively, reaching RMB15,273 million and RMB2,220 million, with gross margin rising to 14.5%.

Value Added Business: Enhancing Products and Services to Scale Operations

In 2024, the government vigorously promoted the implementation of policies related to consumer goods trade-in programs and the renovation of old communities, stimulating the demand for home furnishings, household appliances, etc. Facing the vast residential consumption market and a customer base of 31.38 million household customers, the Group has broadened its focus beyond household gas demand. It has ventured into promoting a high-quality lifestyle that encompasses kitchen solutions, whole-house innovations, health services, and shopping experiences, progressively unlocking the full potential of its household customer base. We increased the penetration rate through core products and services, and enhanced performance through innovative intelligent products, and expanded the customer base through the output of capabilities. At the same time, based on customers' demand for quality living, we are actively exploring quality services such as community direct drinking water and home health products to continuously enhance customer value.

In terms of core products and services, we improved the efficiency of our employees through intelligent capabilities such as intelligent scheduling, optimised the customer service system, promoted the lean operation of the grid, and achieved the value creation through core products and services such as range hood, boiler, cooking stove and heating furnace products. The comprehensive customer penetration rate reached 23.9%. By optimising the product portfolio, the sales volume of self-owned brand, Gratle, rose 62.2%, and the average transaction value per household increased to RMB612.

In terms of intelligent products, we entered the market through IoT to develop innovative products and services. Focusing on the safety needs of household customers and combining the application of intelligent technologies, we cultivated and developed products such as AI safety valves, fire-leaving detection system, and safety guards, effectively combining products and services. The contract value of intelligent products reached RMB820 million in 2024, laying a solid foundation for enhancing long-term performance.

In 2024, we focused on the demand for quality family living by utilising intelligent tools and collaborating with external ecosystems to expand models such as kitchen renovation, elder-friendly modifications, and health services. Concurrently, we leveraged the standardised products and services developed through our value added business to achieve expansion beyond our current markets and continuously meet the needs of family customers. In 2024, the revenue and gross profit of the Group's value added business were RMB4,593 million and RMB2,971 million, representing a year-on-year increase of 24.1% and 18.0%, respectively.

SUSTAINABLE DEVELOPMENT

Safety as the Foundation: Deepening Digital Intelligence in Key Energy Sectors to Reinforce Safety Standards

In recent years, central and local governments have rolled out a series of policies and measures to continuously advance the special rectification of urban gas safety. In response to stricter safety mandates, the Group has implemented its "visible, prioritised, and well managed" safety philosophy, centred on "IoT Sensing + Intelligent Technology" to establish a digital intelligence-driven safety system covering end-to-end business scenarios. In 2024, we developed an intelligent safety risk mapping system and pioneered role-specific AI capabilities, equipping critical frontline roles with integrated tools for hazard identification, intelligent solution, and real-time risk analysis-systematically enhancing employees' safety competencies. In addition, the Company had successfully eliminated three hidden dangers: non-extinguishing protective stoves, and indoor venting water heaters and rubber hoses, achieving comprehensive and dynamic hazard elimination. Furthermore, the Company established digital and intelligent supervision over the entire lifecycle of contractor management, covering aspects such as access control, process management, and performance evaluation. Enabling multi-dimensional assessments, fostering a competitive environment, and ensuring safety from the source. By adopting digital and intelligent technologies, the Group aims to establish a long-term safety mechanism that supports intrinsic safety.

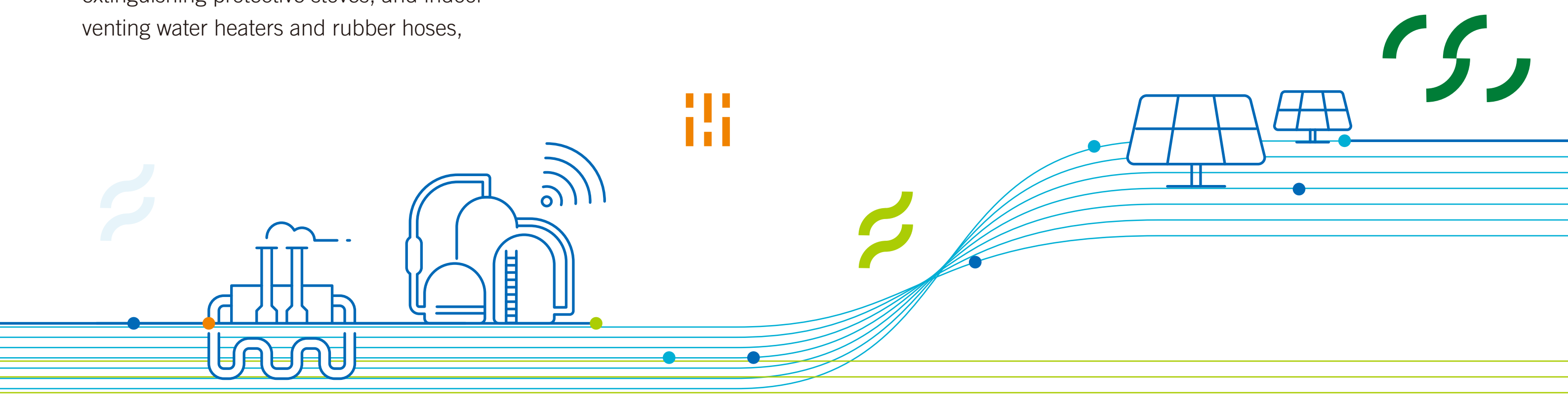
Customer-Centricity: Reconstructing the Service Ecosystem to Enhance Customer Satisfaction

Customer satisfaction remains ENN People's unwavering priority. With the advancement of digital and intelligent technologies, the rapid dissemination of information and the diversification of customer demands, the Group strives to provide satisfactory services to 31.38 million residential households and 270,000 C/I customers. In order to deepen customer engagement, enhance loyalty, and build trust, the Group have leveraged intelligent technologies to reconstruct its customer service system and to strengthen its service platform in 2024. Focusing on customer feedback, the Group expanded feedback channels by collecting data from platforms like 12345 and Douyin, to fully capture customer feedback. It also optimised processing workflows to enhance resolution speed, deployed AI-powered hotline robots for efficient self-service that quickly addresses customer inquiries, and continuously refined customer profiling to predict customers' needs, enabling proactive service.

Intelligent Applications: Accelerating Capability Development to Unlock Intelligent Value

We actively adopts digital and intelligent technologies. Firstly, it fosters deep integration among industry, academia, and research by establishing joint research and development centers with top universities such as Peking University and Nankai University. These collaborations focus on tackling industry pain points such as energy distribution and safety, and have led to significant technological breakthroughs in the field of pipeline robotics. Secondly, the Company integrates general-purpose AI models such as OpenAI, Tongyi Qianwen, ERNIE Bot and DeepSeek to develop industry-specific vertical models and intelligent agents that empower its three core businesses: value added business, integrated energy business, and natural gas business.

To advance its "cloud-intelligence integration" strategy, the Company collaborates with Huawei Cloud and Alibaba Cloud to build a high-bandwidth hybrid cloud architecture that exceeds 80G. This infrastructure facilitates elastic resource scaling, supports PB-level data processing, and withstands 100G-level DDoS attacks, releasing private cloud terminals and host security protections. Notably, 76 city-gas companies have obtained National Information Security Level Protection Certification for their automated control systems, completing the construction of disaster recovery systems for core business platforms. With ISO UKAS and CNAS certifications, the system achieves a recovery time objective (RTO) of ≤3 hours during disaster events, providing a secure foundation for large-scale AI deployment.



Continuous ESG Improvement: Unlocking the Green Growth Potential

In 2024, the Group intensified ESG practices driven by innovation. By implementing the "4S" sustainable development strategy, it established a carbon neutrality system across the entire value chain. The Group achieved a consecutive AA ranking in the MSCI ESG Ratings for three years and was selected as one of the "Top 5%" enterprises in the S&P Global Sustainability Yearbook 2024 (China Edition), demonstrating a leading position in the industry. In addition, the Company's green finance framework received the highest "Dark Green" rating from S&P Global. Through standardised and transparent fund management, we are leading the industry's low-carbon transition, achieving a synergistic enhancement of both environmental benefits and commercial value.

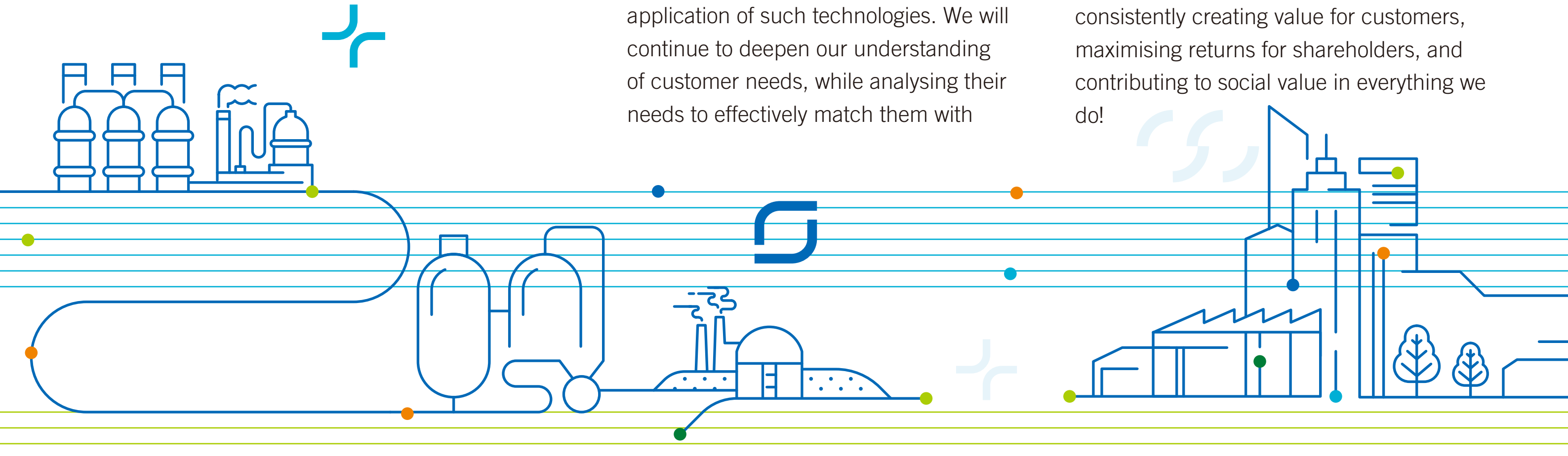
In terms of environmental initiatives, the Company has outlined the net-zero pathways for all scenarios and established a dynamic management mechanism for climate risks. In 2024, the Group achieved the sales of 33,651 million cubic meters of natural gas, which is equivalent to a reduction in of 15.13 million tons of standard coal, thereby reducing carbon dioxide emissions by 45.2 million tons. The scalable integrated energy projects had reached a total of 356, and integrated energy sales amounted to 41.57 billion kWh, helping customers reduce consumption by 3.15 million tons of standard coal and decrease carbon emissions by 12.73 million tons.

OUTLOOK

Looking ahead to 2025, the complexity and uncertainty of the international and domestic economic environment are expected to intensify. The government will promote stable economic development through a series of measures, including implementing more proactive and effective macro policies, expanding domestic demand across all aspects, driving scientific and technological innovation and industrial upgrading, advancing high-level opening up to the outside world, and mitigating risks in key areas. In 2025, AI technology is expected to develop advance rapidly and with costs continuing to decline, facilitating the widespread application of AI across industries and profoundly transforming people's ways of life and mode of production. By focusing on customer needs and aligning with development trend, we are determined to upgrade our business strategy. Building on a foundation of 31.38 million residential household customers, 270,000 C/I customers, and an even broader market reach, the Group will leverage demand and intelligence to build long-term sustainable development capabilities. Through the integration of industry and intelligence, the Group will drive systematic innovation, deepening the application of intelligent technologies, and fostering the continuous business upgrade and the steady operational performance growth.

Meanwhile, we will accelerate the application of intelligent technologies, build on valuable industrial experience, and develop intelligent capabilities to empower employees in achieving cost reductions and efficiency improvements through the application of such technologies. We will continue to deepen our understanding of customer needs, while analysing their needs to effectively match them with tailored solutions, thereby driving rapid business expansion. In the natural gas business, we will seize the opportunity arising from the industry reforms by actively promoting the cost pass-through for residential gas prices and enhancing connection with existing residential household customers. We will also continuously optimise our resource pool, improve the operational efficiency of natural gas facilities, and encourage C/I customers to increase their gas consumption, and enhance performance through higher sales volume. In the integrated energy business, we will utilise integrated energy simulation technology to support factories, buildings, large-scale parks, and small and micro parks in expanding their installed capacity. In the value added business, we will leverage the e-City e-Home platform to analyse residential households' energy usage data and enhance our understanding of customer needs, enabling the development of intelligent home solutions tailored to these needs and supporting the growth of supply capabilities. In addition, we will connect with various ecosystems to accelerate the penetration of core products and upgrade quality products and services, thereby driving the growth of value added business.

Looking back, we have capitalised on the opportunities presented by China's rapid economic development, achieving significant growth through the synergy of "Natural Gas Resources + Urbanisation". Moving forward, we will continue to seize the opportunities presented by the era of intelligence and upgrade our business model through the integration of "Customer Resources + Digital Intelligence", consistently creating value for customers, maximising returns for shareholders, and contributing to social value in everything we do!



FINANCIAL REVIEW

FINANCIAL PERFORMANCE

In 2024, the Group strengthened the foundation of its natural gas business and accelerated value creation across multiple products, further optimising its earning structure. The gross profit contributed from the sustained businesses, such as natural gas sales business, integrated energy business, and value added business increased by 5.2 percentage points to 85.9%. The Group recorded revenue of RMB109,853 million (2023: RMB113,858 million), representing year-on-year decrease of 3.5%, primarily due to the Company's wholesale of gas business focusing more on the domestic market and the sluggish domestic real estate market, which impacted the construction and installation business during the year. The overall gross profit and gross profit margin were also under pressure, down 6.5% year-on-year to RMB13,405 million and by 0.4 percentage points to 12.2%, respectively.

During the year, the Group adopted prudent financial management, controlled cost effectively and managed foreign exchange risks. The ratio of selling and administrative expenses to revenue, along with foreign exchange fluctuations, remained at a similar level as last year, effectively reducing their impact on financial indicators. At the same time, the profit contributed by associates and joint ventures to the Group improved significantly during the year, representing a year-on-year increase of 90.8% to RMB912 million, thanks to the ongoing implementation of cost pass-through policy.

Taking all the above factors into consideration, profit attributable to the owners of the Company and basic earnings per share amounted to RMB5,987 million and RMB5.35 respectively, representing a year-on-year decrease of 12.2% and 11.6%, respectively. Stripping out the impact of the related after-tax profits from wholesales of gas (overseas sales), other gains and losses (excluding net settlement amount realised from commodity derivative financial instruments, net compensation income and gain on repurchase of senior notes) and deferred tax arose from net unrealised loss of commodity derivative financial instruments amounted to RMB725 million, the year-on-year growth of core profits from domestic business, which better reflects the Company's sustainability, increased by 10.2% year-on-year to RMB6,712 million.

In 2024, the Group adopted prudent financial management and managed its expenditures well to ensure smooth cash flow. For the year ended 31 December 2024, the Group's operating cash inflow was RMB10,294 million, representing a year-on-year increase of 7.1%.

FINANCIAL RESOURCES REVIEW

As at 31 December 2024, an analysis of the Group's cash, current and non-current debts is as follows:

	2024 RMB million	2023 RMB million	Increased/ (Decreased) by RMB million
Bank balances and cash (excluding restricted bank deposits)	**7,693**	9,689	(1,996)
Long-term debts (including bonds)	**13,068**	13,156	(88)
Short-term debts	**6,464**	8,767	(2,303)
Total debts	**19,532**	21,923	(2,391)
Net debts[1]	**11,839**	12,234	(395)
Total equity	**51,076**	48,262	2,814
Net gearing ratio[2]	**23.2%**	25.3%	(2.1 ppt)
Net current liabilities	**10,318**	8,548	1,770

Working Capital Management

During the year, the Company effectively reduced financial costs by improving capital turnover efficiency and minimising excess funds. As at 31 December 2024, the Group's receivables, payables and inventory turnover days were 14 days, 21 days and 6 days respectively.

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

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

Borrowings Structure

During the year, the Group reduced the outstanding debts denominated in non-functional currency through repurchasing USD61 million of its senior notes in the secondary market, further optimising its capital structure. As at 31 December 2024, the principal amount of the Group's borrowings denominated in foreign currencies amounted to USD 1,039 million (2023: USD 1,100 million), equivalent to approximately RMB7,420 million (2023: RMB7,728 million), and among which all are long-term debt. Around 72.3% of the Group's total debts have a fixed interest rate.

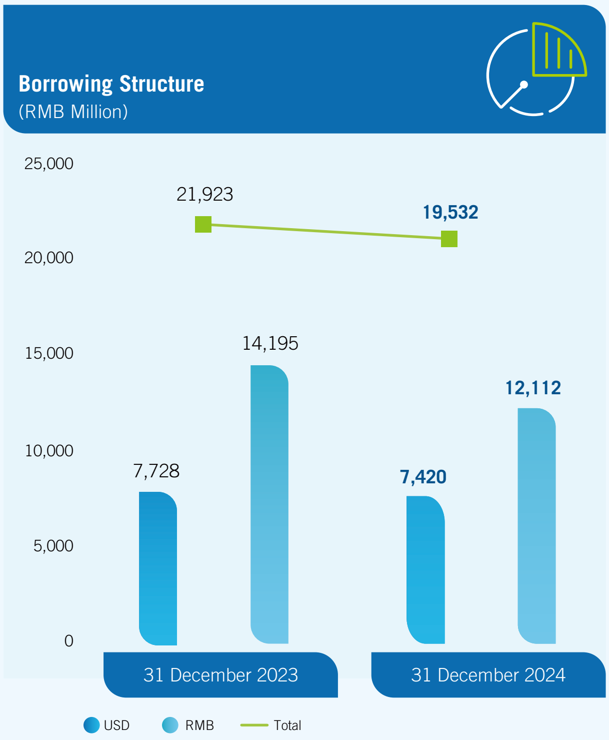
As at 31 December 2024, the Group's total debts amounted to RMB19,532 million, representing a decrease of RMB2,391 million compared to the total debts as of 31 December 2023. The Group's net gearing ratio reduced to 23.2% as at 31 December 2024 (2023: 25.3%).

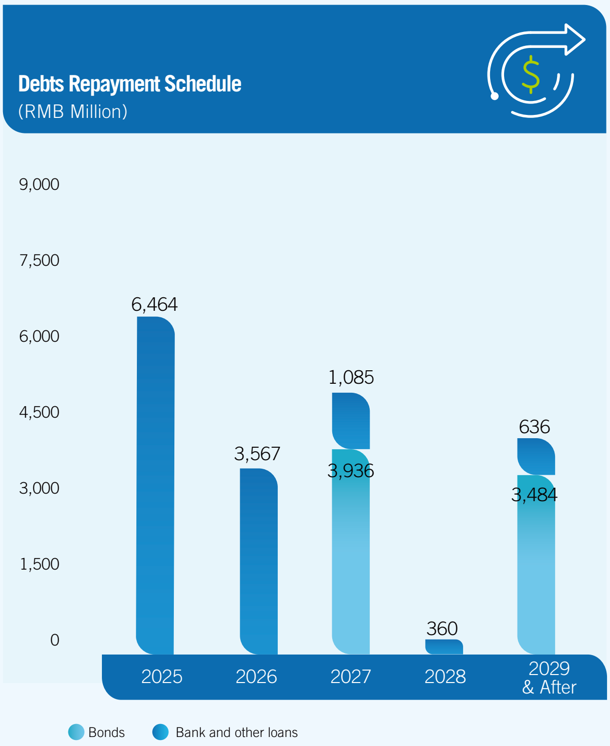
Foreign Exchange Risk Management for US Dollar Debt

In light of the ongoing fluctuations in the RMB to USD exchange rate during the year, the Company has further strengthened its management of foreign exchange risk associated with US dollar debt to mitigate its impact on performance. For the two outstanding US dollar senior notes, the Company has entered into foreign currency derivative contracts primarily consisting of cross-currency swaps with several financial institutions to reduce foreign exchange risk. As at 31 December 2024, the Group has hedged debt principal of USD820 million (2023: USD440 million) and the hedge ratio of long-term USD debts reached 78.9% (2023: 40.0%).

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 the development of new projects and maintained a reasonable cash level, resulting in net current liabilities amounted to approximately RMB10,318 million as at 31 December 2024. 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 and Foreign Exchange Risk Management

The Group's two regular operated international long-term LNG sale and purchase agreements, along with certain domestic long-term natural gas procurement agreements, are primarily priced based on international crude oil or natural gas price indices. Price fluctuations 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 sales and purchases 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 also associated with the aforementioned trades, the Group has entered into foreign exchange forward contracts with several financial institutions to stabilise procurement costs. In 2024, the Group had hedged an amount of USD751 million, with a hedging ratio for trade risk exposure reaching 46.9%.

Charge on Assets

As at 31 December 2024, the Group pledged certain assets as securities for bank and other loans, bill facilities and contracts granted to the Group in the ordinary course of business, details are set out in Note 49 to the consolidated financial statements.

RATINGS AND CAPITAL MARKET RECOGNITION

During the year, the Company's credit ratings from the three major rating agencies: Standard & Poor's, Moody's and Fitch were maintained at "BBB+", "Baa1" and "BBB+" respectively, with a "stable" outlook. This reaffirms its solid business foundation and robust financial position. 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	Stable

In the selection of "2024 All-Asia (ex-Japan) Executive Team" organised by Institutional Investor, and a renowned international financial magazine, the Group won eight awards, including the "Best CEO", "Best CFO", "Best ESG Program", and "Best IR Program", which once again served as testaments to the capital market's recognition of the Group's management team, its commitment to investor relations, and its performance in environmental, social and governance practices.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group has 35,197 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 insurance, retirement plans, year-end bonuses and other incentives. The Group participates in government pension schemes for its employees in Mainland China and in a mandatory provident fund scheme for its employees in Hong Kong. Particulars of retirement benefits are set out in Note 44 to the Consolidated Financial Statements. 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 35 to 57 of this Annual Report. The Group also encourages employees to maintain a regular routine, and achieve a balance between work and life.

MATERIAL EVENTS AFTER THE REPORTING DATE AND CONTINGENT LIABILITIES

On 18 March 2025, Xinneng (Hong Kong) Energy Investment Limited (the "Offeror") (a company with limited liability incorporated under the laws of Hong Kong), being the controlling shareholder of the Company and a wholly-owned subsidiary of ENN Natural Gas Co., Ltd. ("ENN-NG"), has requested the Board to, subject to the satisfaction of certain pre-conditions, put forward the proposal to the registered holders of all the shares of the Company in issue other than those held by the Offeror (the "Scheme Shares", and such holders, the "Scheme Shareholders") for the privatisation of the Company by way of a scheme of arrangement (the "Scheme") under section 86 of the Companies Act (2025 Revision) of the Cayman Islands. Upon the fulfilment of certain conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive 2.9427 newly issued H shares of ENN-NG and a cash consideration of HK$24.50 to be paid by the Offeror for every cancelled Scheme Share.

Save as disclosed above, there is no other material event that casted material impact on the Group since the end of the reporting period, and the Group has no material contingent liability as at 31 December 2024.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

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

Aged 61 + 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

Past Experience

Mr. Wang is the Chairman of the Board. He is responsible for overseeing the overall strategic planning of the Group, leading the Board and supervising the functioning of the Board, establishing good corporate governance practices and procedures. He previously served as a director of ENC Digital Technology Co., Ltd# (stock code: 603869.SH), an affiliate of the Company, and as an independent director of DiDi Global Inc.▲.

Mr. ZHANG Yuying – R (Chairman) E

Aged 52 + 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. Mr. Zhang is currently mainly responsible for driving and implementing the strategies and plans set by the board of directors, reviewing and correcting the execution of strategies, ensuring the implementation of the intelligent ecosystem operations, and achieving sustainable high-quality development of the business. 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. GONG Luojian – R E

Aged 53 + Appointed on 25 February 2025 + President

Expertise

Mr. Gong has accumulated over 16 years of extensive experience in energy enterprise operations and market expansion. In his previous roles, he demonstrated exceptional leadership, strategic vision, and execution capabilities. His innovative thinking, customer orientation, and strategic perspective are of significant importance for the Company's future development and market competitiveness.

Mr. GONG Luojian

Titles, Qualifications and Education

Master of Business Administration, Nankai University
Executive Master of Business Administration, Guanghua School of Management, Peking University

Past Experience

Prior to joining the Group, Mr. Gong took senior positions at Jiangsu Taizhou Chunlan E-business Co., Ltd and Jiangsu Chunlan Automobile Co., Ltd, where he was responsible for the promotional and marketing affairs. After joining the Group in 2007, he served various managerial positions, including marketing director and general manager of member companies. Due to his outstanding performance, he was subsequently promoted to regional general manager, overseeing business operations in the Yuwan and Jiangsu regions. From January 2024 to February 2025, he served as the Senior Vice President of the Company, continuing to be responsible for the Jiangsu region's business while also overseeing the overall development and customer service of the Group's value added business. Mr. Gong is currently mainly responsible for ensuring the implementation and operation of the strategies for the Group's three core businesses, as well as achieving the development goals of the Group.

Mr. WANG Dongzhi – R E

Aged 56 + 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 driving the implementation of the Company's compliance initiatives, enhancing the Group's financial management capabilities, formulating financial policies and strategies, and ensuring the effective execution and oversight of internal control measures. 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 51 + Appointed on 25 August 2023

Expertise

Ms. 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 currently mainly 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.

Ms. SU Li – R E

Aged 52 + Appointed on 25 February 2025

Expertise

Ms. Su possesses extensive experience in energy enterprise operations and market expansion. With her keen insights into customer needs and exceptional market analysis abilities, she can accurately grasp industry trends and identifies market opportunities.

Ms. SU Li

Titles, Qualifications and Education

Executive Master of Business Administration, Shanghai Jiao Tong University in China

Other Major Offices

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

Past Experience

Ms. Su joined the Group in 2002 and has served general manager positions at various member companies. Due to her outstanding performance, she was subsequently promoted to regional general manager, actively implementing the Group's development goals over the years. Ms. Su served as the Senior Vice President of the Company from February 2018 to February 2025, overseeing marketing and sales, industrial park, and business development for the Zhejiang and Shanghai provincial companies. Ms. Su is currently mainly responsible for the efficient coordination and operation of the full-scenario natural gas business, as well as regulating the natural gas business. Ms. Su has previously served as the director of Huzhou Gas Co., Ltd.# (stock code: 6661.HK), and an associate of the Company.

Non-executive Director

Mr. WANG Zizheng – E (Chairman) Aged 36 + 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 to 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 from 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 been serving 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 72 + 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 had held senior management positions in China Petroleum Pipeline Bureau and PetroChina Company Limited and had resigned from these positions in March 2012.

Mr. YUEN Po Kwong – A N $ R Aged 55 + 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 72 + 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 Bank of Tianjin Co Ltd# (stock code: 1578.HK) and HKBN Limited# (stock code: 1310.HK) as an independent non-executive director.

Ms. WONG Lai, Sarah – A (Chairperson) N $ R Aged 46 + 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 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. CHENG Lu	Executive Vice President, Aged 44

Titles, Qualifications and Education

PhD in Electrical Engineering, Huazhong University of Science and Technology
Senior Electrical Engineering Engineer

Major Responsibilities Held with the Group and Past Experience

Mr. Cheng is the Executive Vice President of the Company and is responsible for the integrated energy business. Prior to joining the Group in 2018, he served as chief engineer and expert researcher of the Energy Strategy and Planning Institute of State Grid Energy Research Institute, and deputy director of the chairman's office of ENN Group Co., Ltd., the affiliates of the Company. After joining the Group, he served as General Manager of Langfang gas and Shijiazhuang gas, and later focused on the transformation of integrated energy business. He has extensive experience in the transformation of integrated energy.

Mr. ZHANG Jinyu	Executive Vice President, Aged 50

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 currently 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.

Mr. LIU Jun	Chief Human Resources Officer, Aged 46

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 all the 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 Meicaiwang. 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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZONG Bo — Deputy Chief Financial Officer, Aged 41

Titles, Qualifications and Education

Bachelor of Economics and Management from Jiangxi University of Finance and Economics
Master of Accounting from Tsinghua University
China Intermediate Accounting Professional Technical Qualification
China Certified Tax Agent

Major Responsibilities Held with the Group and Past Experience

Mr. Zong is the Deputy Chief Financial Officer of the Company. He is responsible for the daily financial management, internal control, taxation and fund management of the Group and assists the Chief Financial Officer of the Company in improving the efficiency and quality of the overall financial management of the Group. After joining the Group in 2005, he served in various key financial positions and accumulated rich experience. Therefore, he has a deep understanding of the financial system and operation of the Group. Mr. Zong also served as the Chief Financial Officer of ENN Natural Gas Co., Ltd.# (stock code: 600803.SH), the controlling shareholder of the Company. Mr. Zong has extensive experience in finance and financial management, as well as corporate operations.

Ms. LIU Min Karen — Chief Investor Relations and ESG Director, Aged 47

Titles, Qualifications and Education

Bachelor of International Economics and Trade, Harbin Institute of Technology
Master of Finance, University of Reading in the United Kingdom
EMBA from CEIBS Business School
Member of the Association of Chartered Certified Accountants in the United Kingdom

Major Responsibilities Held with the Group and Past Experience

Ms. Liu is the Chief Investor Relations and ESG Director of the Company and is responsible for the Group's investor relations and ESG management. After joining the Group in 2013, she served as the Joint Financial Director and Investor Relations Director, focusing on building good investor relations and the Company's ESG development, and actively responding to the needs of the capital market. Ms. Liu has over 20 years of rich experience in financial management, investor relations management, ESG and sustainable development.

Ms. LEUNG Mui Yin — Company Secretary, Aged 42

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 is the Company Secretary of the Company and is responsible for the Company's information disclosure and compliance affairs. After joining the Group in 2011, she had 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 expectations 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 the sustainable development of the Group.

CORPORATE GOVERNANCE REPORT

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 49)

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 latest 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 52 to 54)

FINANCIAL REPORT AND AUDITORS
- "Independent Auditor's Report" (see pages 77 to 79)
- 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 (2024 version)
- ESG Committee and ESG Working Group as a robust support

ENGAGEMENT

CONSTRUCTIVE USE OF GENERAL MEETINGS
- Encourage shareholders to attend AGM at hybrid meetings
- Committee chairpersons available at AGM to answer questions (in person or via electronic meeting)
- Notice is sent out more than 21 days before each meeting (this exceeds 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 videos of key projects with shareholders

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

BOARD ACTIVITIES DURING 2024

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
- Identify significant risks and opportunities, and formulate corresponding strategies
- 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 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 directors' fee of non-executive directors
- Assessed the performance of the executive directors and the senior management, and reviewed their compensation
- 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 the 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 is 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 2024, 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 staff, who because of their office in the Company are, likely to be in possession of Inside Information (which term shall bear the same meaning as in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) of the Company, have also been requested to comply with the provisions of the Model Code.

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, reviewing and monitoring the training and continuous professional development of directors and senior management, 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 perform 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 expense.

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 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. In addition, 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 code provisions of the Listing Rules, 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, the Chairman was responsible for ensuring the effective functioning of the Board, monitoring the performance of the Management, and establishing good corporate governance practices and procedures, and responsible for the strategic planning of the Group, especially on the development of the Group's ESG strategies. Moreover, the Chairman held a meeting with the independent non-executive directors without the presence of other executive directors.

During the year, Mr. Zhang Yuying, being the Chief Executive Officer, was responsible for promoting and implementing the strategies and plans established by the Board, reviewing 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 then 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. Since 25 February 2025, Mr. Gong Luojian has assumed the position of President.

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. 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 ESG, 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.

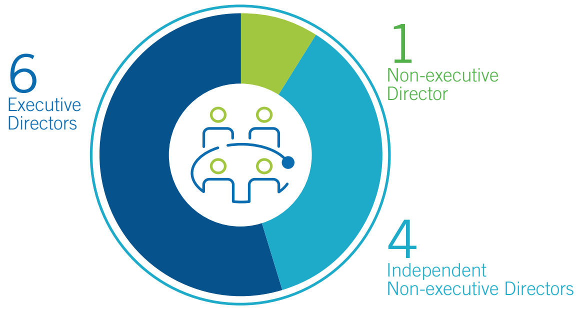
The non-executive directors (including independent non-executive directors) serve as members of the Company's Board committees (including audit, remuneration, nomination and risk management) and other responsibility committees, provide independent judgment to the Board to bear on issues of strategy, 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 interest 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 appointments of the non-executive director and the independent non-executive directors do not have a specific term, however, they are subject to retirement by rotation at least once every three years.

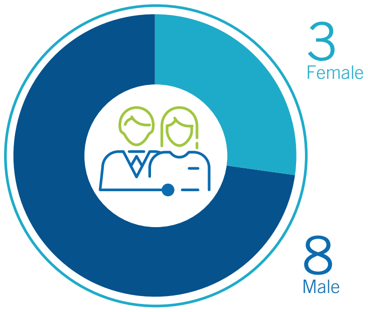
The Company has received from each independent non-executive director a written confirmation of his/her independence pursuant to the requirement of the Listing Rules. With reference to such confirmations, the Company, to its best knowledge, considers all the independent non-executive directors have fulfilled 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 directors 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, including 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. Gong Luojian (President)
Mr. Wang Dongzhi (Chief Financial Officer)
Ms. Zhang Jin
Ms. Su Li

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 roles and functions 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 28 to 32 of this Annual Report.

Both Mr. Gong Luojian and Ms. Su Li were appointed as directors by the Company on 25 February 2025. On the same day, they obtained the legal advice referred to in Rule 3.09D of the Listing Rules and confirmed their understanding of their obligations as directors of the Company. On the same day, Mr. Liu Jianfeng and Mr. Jiang Chenghong ceased to be directors of the Company. They have confirmed that they have no disagreements with the Board and that there are no matters relating to their resignations that need to be brought to the attention of the shareholders of the Company and the Stock Exchange.

Currently, out of the 11 directors, 3 are female, representing 27% of the Board. There is still a slight gap from the Company's goal of achieving 30% female directors by financial year 2025. The Company endeavors to identify female candidates through internal promotion, referrals, engaging employment agencies and other reasonable means, and recommends for the Board's consideration any potential appointments as Director. To exercise prudence, the Company has deferred achieving the target of 30% female directors to the financial year 2027 or earlier. In addition to implementing gender diversity at the Board level, the Group has also formulated a Human Rights and Employee Diversity Policy to actively promote gender diversity among senior management and employees of its subsidiaries. By the end of 2024, the proportion of female employees in all staff of the Group was 25.6%, 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 47 to 49 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 developments. 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 the 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, to facilitate the functioning 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 straightforward 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 by the Company Secretary 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 of the Company, external independent professional advice will be sought upon request by the directors of the Company, while the expenses will be borne by the Company.
- The Company has set up an independent board committee comprising only of 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 provide independent opinion on such transactions to the Board.

The Company Secretary is responsible for taking minutes of the 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 4 Board meetings (but excluding Board approvals obtained by circulating written resolutions) during 2024 and other additional meetings when Board approvals are needed for other issues. Details of the directors' attendance record of Board meetings, Board's committees meetings and general meeting, as well as directors' trainings during the year are as follows:

	Attendance/number of meetings held						
	Board meeting	Audit committee meeting	Nomination committee meeting	Remuneration committee meeting	Risk management committee meeting	Annual general meeting	Types of trainings (See Remarks)
Executive directors:							
Wang Yusuo	2/4	–	1/1	–	–	1/1	A, B
Zhang Yuying	4/4	–	–	–	2/2	1/1	A, B
Liu Jianfeng (resigned on 25 February 2025)	4/4	–	–	–	2/2	1/1	A, B
Wang Dongzhi	4/4	–	–	–	2/2	1/1	A, B
Zhang Jin	4/4	–	1/1	–	–	1/1	A, B
Jiang Chenghong (resigned on 25 February 2025)	4/4	–	–	–	2/2	1/1	A, B
Non-executive director:							
Wang Zizheng	4/4	–	–	–	–	1/1	A, B
Independent non-executive directors:							
Ma Zhixiang	4/4	5/5	1/1	1/1	2/2	1/1	A, B
Yuen Po Kwong	4/4	5/5	1/1	1/1	2/2	1/1	A, B
Law Yee Kwan, Quinn	4/4	5/5	1/1	1/1	2/2	1/1	A, B
Wong Lai, Sarah	4/4	5/5	1/1	1/1	2/2	1/1	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 that 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 enquiries, the Company confirms that no independent non-executive directors serving as directors in six listed companies or more simultaneously.

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 Board's committees meetings of the Company should not be less than 75%. In 2024, the overall attendance rate of all the directors in the meetings (including the responsibility committees) had reached 99%. 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 2024.

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 an 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 comprehensive 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 the Chief Financial Officer or Company Secretary;
- the directors can seek information from the employees of the Group to discharge their duties, including but not limited to the Company's accounts, books and records, and employees are required to provide assistance in compliance with applicable laws and regulations;
- the directors (including independent non-executive directors) who have a material interest in a contract, arrangement or other proposal shall not vote or be counted in the quorum on any Board resolution approving such matter;
- an annual meeting between the Chairman and all independent non-executive directors without the presence of other executive directors, this provides an effective platform for the Chairman to listen to 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. In 2024, the Company conducted an internal evaluation of the Board's operational effectiveness through a questionnaire, and engaged an independent third-party organisation for an objective assessment of the Board members. This assessment covered aspects such as the composition of the Board, time commitment, decision-making capabilities, receipt of information disclosures, satisfaction with training, and communication between directors and management. The Company will develop and implement improvement plans based on the evaluation results and feedback from the directors.

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 would be 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 updates to the regulatory policies for Hong Kong stocks and A-shares, financial and ESG compliance, value management of development trends, and the promotion and requirements of corporate compliance management, as well as sharing on the topic of artificial intelligence. In addition, the directors also actively participated in various externally organised 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 2024, 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 recommendations to the Board on the appointment, reappointment and removal of external auditor, and related matters. A 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. The members of the committee during the reporting period (the year of 2024 and up to the date of this report in 2025) were:

Members	
Wong Lai, Sarah (Chairperson of the Audit Committee) (Note 1)	100% Independence
Ma Zhixiang	
Yuen Po Kwong	
Law Yee Kwan, Quinn (Note 1)	

Note:

1. The Company implements a rotation plan for the chairperson of the committee. Since 22 March 2024, Ms. Wong Lai, Sarah has been appointed as the new chairperson, while Mr. Law Yee Kwan, Quinn ceased to be the chairperson but remains as a member.

The members of the Audit Committee all have sufficient experience in risk management and internal controls, internal auditing, and reviewing audited financial statements. Assistance is provided by the Group's auditors and senior management as necessary. Among the members of the audit committee, Mr. Law Yee Kwan, Quinn and Ms. Wong Lai, Sarah hold appropriate professional qualifications and experience in accounting and/or related financial management.

In the 5 meetings held by the audit committee in 2024, the Chief Financial Officer, the head of the internal audit department, and the representative of the external auditor also attended the relevant committee meetings, primarily responsible for the following issues:

- reviewed the consolidated financial statements of the Group for the year ended 31 December 2023 and for the six months ended 30 June 2024, and the significant financial reporting judgements contained therein;
- reviewed the continuing connected transactions of the Group for the year ended 31 December 2023 under the Listing Rules, as well as the daily management of other related transactions, and to assess the effectiveness of internal controls;
- discussed with the management and the external auditor the issues that may have significant impact on the financial statements, including but not limited to fund security management, foreign exchange risk 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 2024, 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	8,470,000
Non-audit services – interim review service	2,280,000
– ESG Report advisory service	135,000
Total	10,885,000

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 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. The members of the committee during the reporting period (the year of 2024 and up to the date of this report in 2025) were:.

Members	
Ma Zhixiang (Chairman of the Remuneration Committee) (Note 1)	100% Independence
Yuen Po Kwong (Note 1)	
Law Yee Kwan, Quinn	
Wong Lai, Sarah	

Note:

1. The Company implements a rotation plan for the chairperson of the committee. Since 22 March 2024, Mr. Ma Zhixiang has been appointed as the new chairman, while Mr. Yuen Po Kwong ceased to be the chairman but remains as a member,.

The Remuneration Committee held a meeting during 2024 to handle, among others, the following:

- reviewed the policy and structure of remuneration for all directors and senior management of the Company (including but not limited to the salary, year-end bonus, share schemes), and made recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewed the implementation of the 2023 remuneration of each executive director and senior management of the Company;
- assessed the performance of each of executive directors and senior management of the Company, and recommended their remuneration for 2024 to the Board;
- reviewed the director's fees of the non-executive directors (including independent non-executive directors) of the Company; and
- approved the terms of services contract/appointment and remuneration packages of directors appointed during the year, and made recommendations to the Board.

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, depending on circumstances, his/her monthly performance sharing, year-end value sharing and/or medium to long-term incentive 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.

The remuneration payable to the senior management (other than Directors) of the Company for the year ended 31 December 2024 fell within the following bands:

Remuneration Bands (HK$)	Number of individuals
1,000,001 to 1,500,000	1
2,000,001 to 2,500,000	1
2,500,001 to 3,000,000	2
4,000,001 to 4,500,000	1
Total	5

Details of directors' remuneration and equity interest in the Company held by the directors for the two years ended 31 December 2024 and 2023 respectively are listed out in Notes 11 and 43 to the consolidated financial statements.

Nomination Committee

The Company has established the Nomination Committee in which the chairman is the Chairman of the Board, and the majority of the members are independent non-executive directors. The members of the committee during the reporting period (the year of 2024 and up to the date of this report in 2025) were:

Members	
Wang Yusuo (Chairman of the Nomination Committee)	
Zhang Jin	
Ma Zhixiang	
Yuen Po Kwong	71%
Law Yee Kwan, Quinn	Independence
Wong Lai, Sarah	

During the year, the Nomination Committee held a meeting (excluding the approval by way of written resolutions) to conduct, among other things, the following:

- reviewed the structure, size and composition (including the skills, knowledge and experience) and the implementation of Board Diversity Policy, including gender diversity targets;
- considered implementing a committee chair rotation program to enhance the independence of the Board;
- assessed the independence of independent non-executive directors; and
- made recommendations to the Board on the retirement plan of the directors in AGM according to the requirements of the articles of association of the Company.

The results of the Nomination Committee's review indicate that, as of the report date, the directors' average years of service is 7, providing that the Board has a sufficient understanding of the Company's business. Based on historical data from the past 5 years, the average cycle for each director to retire and be re-elected was 2 years, which was faster than 3 years stipulated in the Company's articles of association, allowing shareholders more opportunities to participate in the election of Board members.

The Company has adopted its "Nomination Policy" and the terms of reference of the Nomination Committee covers this policy, details had been uploaded onto the Company's website. The "Nomination Policy" sets out the criteria and principles for nominating directors of the Company and provides measures that the Committee should take to implement the policy, including but not limited to requiring candidates to submit necessary personal information in a specified form, conducting interviews or other assessment methods deemed appropriate by the committee. When recommending candidates to the Board, the Nomination Committee will fully consider factors such as the skills of the Board, the "Board Diversity Policy" and the talent required for the Company's strategic planning and development, and recommends the candidates with the reasons and the voting intentions of the Nomination Committee to the Board for final consideration.

As mentioned in the above section "Board Composition", on 25 February 2025, Mr. Gong Luojian and Ms. Su Li were appointed as executive directors, while Mr. Liu Jianfeng and Mr. Jiang Chenghong ceased to be executive directors. In considering the appointment of Mr. Gong, the committee took into account his past experience and capabilities within the Group. Mr. Gong was the then Senior Vice President of the Company. He has accumulated over 16 years of extensive experience in energy enterprise operations and market expansion, and was on the list of the succession planning for the President and the director. In his previous roles, he demonstrated exceptional leadership, strategic vision, and execution capabilities. His innovative thinking, customer orientation, and strategic perspective are of significant importance for the Company's future development and market competitiveness. Ms. Su was also the then Senior Vice President of the Company. She possesses precise insight into customer needs and keen market analysis capabilities, and is able to accurately grasp industry trends and market opportunities. The committee is confident that Ms. Su will drive the long-term and stable growth of the Group's business with her outstanding industry vision and efficient execution. Additionally, her addition will contribute to the diversity of perspectives and experiences on the Board, facilitating more informed decision-making.

The Nomination Committee reviewed the management's report on the diversity of the Board in 2024 and after the above changes, and considered that the Company's Board is diverse, with members having different professional backgrounds and industry experience, including in the fields of law, accounting and finance, economics, corporate governance, risk management, etc., which provides valuable advice for the business development of the Group. At the same time, the Committee also recognised the Company's efforts in implementing the "Policy on Diversity of Board Members". As of the reporting date, the diversity of the Company's Board of directors is as follows:

In addition, in response to the amendments to the Corporate Governance Code, the terms of reference of the Committee have been updated accordingly on 25 February 2025. The latest terms of reference of the committee are available on the Company's and the Stock Exchange's websites. The main responsibilities of the Nomination Committee under the new terms of reference include:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, as well as the Board Diversity Policy, including gender diversity targets, at least annually;
- making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors;
- supporting the Company in the periodic assessment of the Board's performance;
- evaluating annually the implementation and effectiveness of the independence mechanism, the independence of independent non-executive directors, the time and contributions each director invests in the Board, and whether directors devote sufficient time to fulfill their responsibilities; and
- reviewing and monitoring the training programs and continuous professional development plans for directors.

Looking ahead, the Company plans to gradually replace independent non-executive directors who have served for more than nine years. The committee will fully consider the Group's strategic direction and development needs, seize the opportunity to identify the most suitable candidates for directors, and ensure a smooth and orderly process of personnel renewal.

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. The members of the committee during the reporting period (the year of 2024 and up to the date of this report in 2025) were:

Members	
Zhang Yuying (Chairman of the Risk Management Committee)	
Gong Luojian (Note 1)	
Liu Jianfeng (Note 1)	
Wang Dongzhi	
Su Li (Note 1)	
Jiang Chenghong (Note 1)	50%
Ma Zhixiang	Independence
Yuen Po Kwong	

Note:

1. On 25 February 2025, Mr. Gong Luojian and Ms. Su Li have been appointed as members. On the same day, Mr. Liu Jianfeng and Mr. Jiang Chenghong ceased to be members.

The Risk Management Committee held 2 meetings during the year to handle, among others, the following:

- 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.

Further details on the key features and measures of the risk management and internal control systems, please refer to the section headed "Risk Management and Internal Controls".

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-directors 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 26 meetings, mainly focusing on account opening, changes to bank account authorisers, and related matters. They also approved the acceptance of credit facilities provided by certain banks and offered guarantees for its wholly-owned subsidiaries.

Environmental, Social and Corporate Governance Committee

The Board has established the ESG Committee on 21 March 2019, which 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 terms 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 2 meetings to approve the 2023 ESG report, review the results of work relating to ESG for 2023 to 2024 and formulate a work plan for 2024 to 2025. 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. Since 25 February 2025, Mr. Gong Luojian and Ms. Su Li were appointed as members. On the same day, Mr. Liu Jianfeng and Mr. Jiang Chenghong ceased to serve as members. As of the date of this report, the ESG Committee consists of six directors, namely Mr. Wang Zizheng, Mr. Zhang Yuying, Mr. Gong Luojian, Mr. Wang Dongzhi, Ms. Su Li and Mr. Ma Zhixiang.

For information regarding the Company's developments in ESG and more details, please refer to the Company's 2024 Environmental, Social, and Governance 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, the Share Award Committee approved by way of written resolution the proposed amendments to the Trust Deed to allow the Trust to transfer idle funds back to the Company's account.

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, which is responsible for reviewing and recommending to the Board the approval of all discloseable connected transactions of the Company, and assessing the appropriateness of the Company's ongoing connected transactions, as well as matters that the Board deems appropriate, such as identifying and judging potential competing businesses. The Company implements a rotation plan for the chairman of the committee, and Mr. Law Yee Kwan, Quinn was appointed as the new chairman since 22 March 2024. At the same day, Mr. Ma Zhixiang ceased to be the chairman but remains as a member.

During the year, the Independent Board Committee held a meeting to discuss new connected transactions and provide recommendations to the Board. The compliance advisor was engaged voluntarily by the Company to advise the Independent Board Committee on the new connected transaction. In addition, the committee also regularly reviews the compliance of the contractors with their commitments under the terms of the Deed of Non-competition and the effectiveness of the mechanism for inviting new projects to the Group.

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 information and reports required to be disclosed 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, including but not limited to capital security management, exchange rate risk management and asset impairment assessment, which are major issues that may have an impact on the Company's finances.

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 ongoing 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 2024, 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 77 to 79 of this Annual Report.

Risk Management and Internal Controls

The Board is responsible for the Group's risk management and internal control systems and is responsible for formulating appropriate policies and strategies and reviewing the effectiveness of such systems. The Board has established a Risk Management Committee to monitor the Group's risks, assess and review the effectiveness of the system to ensure that the nature and extent of risks are consistent with the Company's strategic objectives and risk tolerance, and to avoid material misstatements or losses, rather than striving for the absolute elimination of the risk of failing to achieve business objectives. The Audit Committee is responsible for supervising the risk management and internal control systems designed and implemented by management, and for providing comments and suggestions on the internal audit department's work reports on major control systems.

Based on the comprehensive enterprise risk management framework of the Committee of Sponsors of the Treadway Commission (COSO), the company has formulated risk assessment standards based on the risk tolerance and risk limit in the risk appetite system, and ranked the importance of risks from the two dimensions of the possibility of risk occurrence and the degree of impact to determine the priority of risk control. The Group has established a risk management system with three lines of defense, including operations, risk control (internal control and compliance), and audit. It clearly defines the management processes and specifications for risk identification, risk assessment, and risk response, implements risk monitoring and early warning, and forms a closed loop of procedural measures such as risk supervision and improvement.

First line of defense	Each business and functional unit and professional group	directly responsible for daily operations, identifying, assessing and controlling risks, integrating risk management requirements into daily business and ensuring compliance with relevant policies and procedures
Second line of defense	Risk Management Committee and Corporate Risk Management Department, and Compliance Department	provide professional risk management consulting and training to the first line of defense, supervise the implementation of its risk management work, and assist in identifying potential risks
Third line of defense	Internal audit department of the Company	through regular audits and special reviews, ensure that the risk control measures of the first and second lines of defense are effectively implemented and provide suggestions for improvement, reporting to the Audit Committee and the Board of directors every six months on the effectiveness of corporate governance, risk management and internal controls

Risk Appetite

In order to fulfill the Group's mission and respond to stakeholder expectations, the Group is willing to undertake reasonable risks that are highly aligned with business development indicators and within controllable limits. This is to drive innovation momentum and sustainable growth, while avoiding the following situations:

- violations of national and local laws and regulations, leading to hefty fines, revocation of business licenses, or business suspension events;
- significant financial losses impacting the normal operation of business units due to reasons such as policy judgments, decision-making errors, or poor management;
- major quality and safety incidents, gas supply interruptions, environmental accidents, and safety incidents affecting employee health;
- events leading to the cancellation of gas franchise rights for business units by the government due to various factors; and
- incidents causing severe damage to the Group's reputation and brand due to various factors.

The Group focuses on the construction of significant risk prevention and control mechanisms, managing the entire process from risk identification, risk assessment, strategy formulation and response, to monitoring and improvement, as briefly outlined below:

Risk Identification

- Utilises the COSO risk management integration framework, pays attention to national macro policies, combines energy industry experience, comprehensively judges the business development stage, focuses on strategic goals and the Company's sustainable development direction, evaluates risk exposure in various fields on an annual cycle, and conduct risk identification;
- In addition, through daily communication between the management and various operating departments (covering the Group's marketing, engineering, procurement, operation and maintenance, etc.), risks are identified from bottom to top, and paying attention to the development and changes in domestic and international political and economic situations and identify other risks that may have a potential impact on the Group's business and operations; and
- During the year, the Company identified significant risks that may have a potentially significant impact on the Group's business and operations, including regulatory risks, climate risks (including physical risks and transition risks), market and brand risks.

Risk Assessment

- Evaluates the identified risks according to the likelihood of occurrence and impact, classify the risks, and assign different levels of ranking such as major, important, and general;
- During the process, the Company will use a risk matrix to help visualise and prioritise risks.

Risk Response

- Develops targeted risk management plans to prevent, avoid or reduce risks, such as adopting a "Zero Tolerance" risk management strategy for security, fraud, compliance and other risks. For innovative business models, such as expansion of integrated energy business and deepening value added deep-rooted business, a balance will be struck between market expansion and potential 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;
- Regularly conducts risk assessments on strategies, reports, operations, and compliance objectives, analyses and responds to risks based on the assessment results, and adjusts and optimises risk control measures in a timely manner. In 2024, the Company will enrich more than 20 business risk scenarios, optimise risk identification methods and response strategies, and gradually realise intelligent early warning for some business scenarios based on risk indication rules by using IoT data, innovative algorithms and models; and
- In addition, during the year, the Company took the opportunity to update its Green Action 2030 to review its ability to achieve its goals in addressing climate change (such as reducing greenhouse gas emissions and improving energy efficiency) and adjust its goals.

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.

The management conducts a comprehensive review of the Group's risk management and internal control systems by gathering information from subsidiaries and submits written reports to the Audit Committee for review and approval every six months. The management has provided written confirmation to the Audit Committee and the Board that for the year ended 31 December 2024, no major control failures occurred or major control weaknesses were discovered and the Group's risk management and internal control systems (including financial control, operational control and compliance control), as well as the procedures for financial reporting and compliance with the Listing Rules, were effective and adequate. After reviewing the results provided by the Audit Committee, the Board has confirmed the effective operation of the Group's risk management and internal control systems.

In addition to the above measures, the Company continues to deepen the construction of risk culture, regularly conducts risk prevention and management training, and enhances employees' awareness and response capabilities to risks. With the help of ENN iCome platform, risk maps are pushed to all employees. Employees can find risk scenario descriptions and analyses of related businesses through R search, which enhances the Company's overall awareness and attention to risk management and control, makes the concept of risk deeply rooted in the hearts of the people, and builds a strong ideological defense line for the Company's stable development. In 2024, the Company conducted 13 risk-related training sessions, with a total of more than 4,500 participants, demonstrating the Company's good management of risk culture construction at multiple levels and covering all employees.

Internal Audit Team

The Group has an internal audit team that regularly reviews the adequacy and effectiveness of the Group's risk management and internal control systems. It reports the review results to the Audit Committee and Risk Management Committee every six months and makes recommendations to the management and the Board to improve major deficiencies in the system or control deficiencies discovered. The team has access to all company information to perform its duties. The management attaches great importance to the issues found in the audit and has put forward rectification requirements. The audit department promotes the implementation of relevant rectification work to ensure the effectiveness and continuous improvement of risk management. In addition, the Group has incorporated risk control effectiveness into the performance appraisal system. It conducts risk assessments and formulates response plans at the beginning of each year, evaluates risk responses every quarter and incorporates them into the appraisal, and conducts an overall assessment at the end of the year and links it with performance incentives.

The Board ensures that the Company has adequate resources in accounting, internal audit, financial reporting and ESG functions, that employees have relevant qualifications and experience, and that training plans have been developed to support employee development and relevant budgets have been allocated to employees.

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 a 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. In determining whether certain information constitutes inside information, the Company adopts a bottom-up approach to obtaining information about business developments. The final decision on the outcome of the 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 measures 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 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 reports to the Chairman of the Board/Executive Chairman on corporate governance issues and is responsible to provide assistance to the Chairman/Executive Chairman, the Board and Board committees, and ensures good information flow within the Board and the policies 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 34 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 views 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.

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 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 31 May 2024 at Harbour Rooms, Level 56, 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 84%. 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 2023 together with the directors' and independent auditor's reports;
- To declare a final dividend of HK$2.31 per share for the year ended 31 December 2023;
- 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; and
- To grant a general mandate to the Directors to issue new shares of the Company and repurchase shares of the Company.

The full text of the above resolutions was set out in the Notice of the AGM of the Company dated 22 April 2024. 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.

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 2024.

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 2024 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 2024, the relevant disclosures are set out below:

Disclosures		Relevant sections
(1)	Fair review of the Group's business for the year ended 31 December 2024 (including an analysis using financial key performance indicators)	• Chairman's Statement (pages 14 to 17) • Management Discussion and Analysis (pages 18 to 23) • Financial Review (pages 24 to 27)
(2)	Description of the principal risks and uncertainties facing by the Group	• Management Discussion and Analysis (pages 18 to 23) • Financial Review (pages 24 to 27) • 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 2024	• Material Events After the Reporting Date and Contingent Liabilities (page 27)
(4)	Future development in the Group's business	• Chairman's Statement (pages 14 to 17) • Management Discussion and Analysis (pages 18 to 23)
(5)	Compliance with the relevant laws and regulations that have a significant impact on the Company	• Section in this report • Corporate Governance Report (pages 35 to 57) • 2024 Environmental, Social and Governance Report
(6)	The Group's environmental policies and performance	• Section in this report • Chairman's Statement (pages 14 to 17) • 2024 Environmental, Social and Governance Report
(7)	The Group's relationship with key stakeholders	• Section in this report • 2024 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 2024, the Group recorded a volume of 33,651 million cubic meters of natural gas sales for city-gas and energy trading business, equivalent to reducing 15.13 million tons of standard coal consumption and 45.20 million tons of carbon dioxide emissions. As a total of 356 integrated energy projects had been put into operation during the year, the Group recorded 41,569 million kWh of energy sales for cooling, heating, electricity and steam etc., equivalent to reducing 3.15 million tons of standard coal consumption and 12.73 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 regulations which have a significant impact on the Group. The Board reviews and monitors the Group's compliance policies and practices to meet 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 have also been complying 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 upholds the highest standards of corporate governance to ensure operating in an ethical and transparent manner, and committed to protecting the rights and interests of stakeholders, including 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 through two-way communication via different channels and platforms, which provides a strong basis for the formulation and 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.

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, safe energy and diversified value added products. During the year, the percentage of the revenue attributable from the Group's five largest customers was approximately 2.09%, while the largest customer was approximately 0.46%. 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 achieving the sustainable development of the Company. The Group continues to optimise the supply chain management system, and is committed to fostering shared growth with ecosystem partners. During the year, the percentage of the purchases attributable from the Group's five largest suppliers was approximately 14.37%, while the largest supplier was approximately 3.71%. 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 deeply understand the success of our Company depends on the contributions of our employees, therefore we regard our employees as valuable assets of the Group. The Group has diversified talent training programs, to ensure that employees continue to add value and make the greatest contribution to the Group. Meanwhile, through an established system we encourage employees to mobilise internally between different departments, strengthen collaboration, cultivate more "all-rounded" talents who have deepened understanding about the Group's business. Additionally, we provide special training to potential management trainees to prepare for long-term succession of talents within the Group.

Results and Appropriation

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 80 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, 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 comprehensively consider multiple factors, including but not limited to the Group's general financial conditions and strategies, expected operating capital requirement, future expansion plans, profitability 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 had distributed its full-year dividends by two tranches.

The Directors recommend the payment of a final dividend of HK$2.35 (equivalent to approximately RMB2.19) per ordinary share to the shareholders on the register of members on Monday, 2 June 2025. The distributions to shareholders are subject to the approval by shareholders at the 2025 AGM to be held on Friday, 23 May 2025, and are expected to be paid to shareholders on or before Friday, 25 July 2025. 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, 30 May 2025 to Monday, 2 June 2025, both days inclusive, during which period no transfer of shares of the Company will be effected.

Withholding and Payment of Enterprise Income Tax for Non-Resident Enterprises in respect of the 2024 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 2024 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, 29 May 2025.

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

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 39 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 (including the sale of treasury shares), 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 13,252,000 shares of the Company at a total consideration of approximately HK$731 million. As at 31 December 2024, the trustee cumulatively held 19,984,600 shares of the company, representing approximately 1.77% of the issued share capital of the Company.

Treasury Shares
As at 31 December 2024, the Company did not hold any treasury shares (2023: Nil).

Reserves
According to the applicable laws of the Cayman Islands, the Company's reserve available for distribution as at 31 December 2024 amounted to RMB8,376 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 83 to 84 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 24 to 27 of this Annual Report and Note 40 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. Zhang Yuying
Mr. Gong Luojian (appointed on 25 February 2025)
Mr. Liu Jianfeng (resigned on 25 February 2025)
Mr. Wang Dongzhi
Ms. Zhang Jin
Ms. Su Li (appointed on 25 February 2025)
Mr. Jiang Chenghong (resigned on 25 February 2025)

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

In accordance with article 99 of the Company's Article of Association, Mr. Gong Luojian and Ms. Su Li shall retire at the forthcoming AGM of the Company, while in accordance with article 116 of the Company's Article of Association, Mr. Wang Dongzhi, Ms. Zhang Jin, Mr. Ma Zhixiang and Mr. Yuen Po Kwong, 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.

As at 25 February 2025, Mr. Gong Luojian and Ms. Su Li was appointed as the Executive Directors of the Company. On the same date, Mr. Liu Jianfeng and Mr. Jiang Chenghong resigned as the Executive Directors of the Company. The Company has received separate written notices from all the directors who resigned, and none of these resignations was due to reasons relating to the affairs of the Company, and should draw the attention of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

As of 31 December 2024, 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 28 to 32 of this Annual Report.

Permitted Indemnity Provision

Based on the articles of association of the Company, every directors 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 purchased insurance to cover 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 2024, 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	–	387,768,034 (Note 1)	320,000	–	388,088,034	34.31%
Zhang Yuying	Beneficial owner	10,000	–	80,925	80,000	170,925	0.02%
Liu Jianfeng (Note 3)	Beneficial owner	40,600	–	60,000	120,000	220,600	0.02%
Wang Dongzhi	Beneficial owner	25,800	–	106,700	–	132,500	0.01%
Zhang Jin	Beneficial owner	–	–	115,000	–	115,000	0.01%
Jiang Chenghong (Note 3)	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") and Xinneng (Hong Kong) Energy Investment Limited ("Xinneng HK").
2. Awarded Shares refer to shares of the Company granted under Share Award Scheme adopted by the Company on 30 November 2018.
3. Mr. Liu Jianfeng and Mr. Jiang Chenghong resigned as the Executive Directors of the Company on 25 February 2025.
4. As at 31 December 2024, the Company had 1,131,224,275 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	–	72.44%
Xinneng HK	Mr. Wang	Interest of controlled corporation	2,132,377,984	–	72.44%
Beijing Xinyi Aile Cultural Technology Company Limited*	Mr. Wang	Beneficial owner and interest of controlled corporation	–	800 million	80%
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	–	500 million	8%
ENN-NG	Zhang Yuying	Beneficial owner (Note 2)	375,000	–	0.01%
ENN-NG	Liu Jianfeng	Beneficial owner (Notes 2 & 3)	75,000	–	0.00%
ENN-NG	Wang Dongzhi	Beneficial owner (Note 2)	600,000	–	0.02%
ENN-NG	Jiang Chenghong	Beneficial owner (Notes 2 & 3)	857,568	–	0.03%
ENN-NG	Zhang Jin	Beneficial owner (Note 2)	382,500	–	0.01%

* 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. Therefore, such interests include both unlocked and still-locked restricted shares. 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.
3. Mr. Liu Jianfeng and Mr. Jiang Chenghong resigned as the Executive Directors of the Company on 25 February 2025.

Disclosure of Interests *(continued)*

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

(c) The debenture of the Company

Name of the Debenture	Name of Director	Capacity	Capital USD
2.625% Green Senior Notes Due 2030 (Stock Code: 40383)	Mr. Wang	Interest of controlled corporation (Note)	30,024,000

Note: Such debentures are beneficially owned by Mr. Wang, through his controlled corporations, including EYCT, LCNG, ECM, EIH, EGII, ENN-NG and Xinneng HK.

Save as disclosed above, as at 31 December 2024, there were no other interests or short positions of the Directors and chief executives in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) in the register maintained by the Company pursuant to section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules.

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 include employees (including directors) and business consultants who contributed to the success of the Company. 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 I") 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), business consultants and other eligible participants, and movements in such holdings under the 2012 Scheme during the year:

Grantee	Date of grant	Exercise period (Note 1)	Exercise price (HK$)	Number of shares subject to outstanding options as at 1 January 2024	Exercised during the year (Note 5)	Lapsed during the year	Cancelled during the year	Number of shares subject to outstanding options as at 31 December 2024 (Note 4)
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	15,525	–	–	–	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	94,724	(2,900)	–	–	91,824
	09.12.2015	01.04.2019–08.12.2025	40.34	141,650	(2,000)	–	–	139,650
	09.12.2015	01.04.2020–08.12.2025	40.34	317,986	–	–	–	317,986
Sub-total				683,135	(4,900)	–	–	678,235

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 2024	Exercised during the year (Note 5)	Lapsed during the year	Cancelled during the year	Number of shares subject to outstanding options as at 31 December 2024 (Note 4)
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	113,500	–	–	–	113,500
	28.3.2019	01.04.2022–27.03.2029	76.36	371,200	–	–	–	371,200
	28.3.2019	01.04.2023–27.03.2029	76.36	530,900	–	–	–	530,900
Employees	28.3.2019	01.04.2020–27.03.2029	76.36	153,800	–	(40,000)	–	113,800
	28.3.2019	01.04.2021–27.03.2029	76.36	1,028,075	–	(40,000)	–	988,075
	28.3.2019	01.04.2022–27.03.2029	76.36	1,352,574	–	(55,750)	–	1,296,824
	28.3.2019	01.04.2023–27.03.2029	76.36	1,560,392	–	–	–	1,560,392
Business Consultants	28.3.2019	01.04.2020–27.03.2029	76.36	65,500	–	–	–	65,500
	28.3.2019	01.04.2021–27.03.2029	76.36	104,000	–	–	–	104,000
	28.3.2019	01.04.2022–27.03.2029	76.36	117,500	–	–	–	117,500
	28.3.2019	01.04.2023–27.03.2029	76.36	104,000	–	–	–	104,000
Other eligible participants (Note 3)	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				5,576,441	–	(135,750)	–	5,440,691
Total				6,259,576	(4,900)	(135,750)	–	6,118,926

Notes:

1. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
2. 'Year' refers to the period from 1 January 2024 to 31 December 2024.
3. These share options are owned by a resigned employee of the Company (who is also the former director), whose exercise period has been discretionarily extended by the Board to 27 March 2029.
4. As of 31 December 2024, A total number of 6,118,926 shares, representing 0.54% of the weighted average number of the Company's issued shares, 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
5. The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised is approximately HK$62.89. During the year, the Company has received a total of HK$197,666 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 2024, the remaining life of the 2022 Scheme is approximately 7.4 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 issued Shares for the time being. Otherwise, any further grant of share options must be approved by the Shareholders in general meeting. As at 31 December 2024, the Company has not granted any share options pursuant thereto.

Details of the Share Option Schemes are set out in Note 43 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 2024 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 2024	Exercised during the year (Note 2)	Lapsed during the year (Note 2)	Cancelled during the year (Note 2)	Number of shares subject to outstanding options as at 31 December 2024
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	09.12.2015	01.04.2020–08.12.2025	40.34	525	–	–	–	525
(Note 3)	28.03.2019	01.04.2022–27.03.2029	76.36	13,700	–	–	–	13,700
	28.03.2019	01.04.2023–27.03.2029	76.36	66,700	–	–	–	66,700
Liu Jianfeng	28.03.2019	01.04.2020–27.03.2029	76.36	15,000	–	–	–	15,000
(Notes 3 & 4)	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	28.03.2019	01.04.2021–27.03.2029	76.36	5,000	–	–	–	5,000
(Note 3)	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	28.03.2019	01.04.2021–27.03.2029	76.36	29,500	–	–	–	29,500
(Notes 3 & 4)	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	09.12.2015	01.04.2017–08.12.2025	40.34	15,000	–	–	–	15,000
(Note 3)	09.12.2015	01.04.2018–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2019–08.12.2025	40.34	15,000	–	–	–	15,000
	09.12.2015	01.04.2020–08.12.2025	40.34	15,000	–	–	–	15,000
	28.03.2019	01.04.2021–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2022–27.03.2029	76.36	20,000	–	–	–	20,000
	28.03.2019	01.04.2023–27.03.2029	76.36	20,000	–	–	–	20,000
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,	28.03.2019	01.04.2021–27.03.2029	76.36	4,000	–	–	–	4,000
Quinn	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
Total				1,091,125	–	–	–	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 2024 to 31 December 2024.
3. The vesting of share options is subject to the fulfilment of performance target.
4. Mr. Liu Jianfeng and Mr. Jiang Chenghong resigned as the Executive Directors of the Company on 25 February 2025.

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 2024, the remaining life of the Share Award Scheme is approximately 3.9 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, the trustee of the Company's Share Award Scheme (the "Trustee") will, at its absolute discretion, determine the terms and conditions of the award and grant the selected employees a certain number of Awarded Shares at no cost.

For the year ended 31 December 2024, there were 19,984,600 shares of the Company held in the trust under the Share Award Scheme, approximately 1.77% of the issued share capital of the Company. For the year ended 31 December 2024, the Company has cumulatively 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. As at 31 December 2024, notional gains of 431,000 Awarded Shares remain deferred and outstanding.

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 2024 to 31 December 2024:

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 2024	Granted during the year	Vested during the year (Note 4)	Lapsed during the year	Cancelled during the year	Outstanding as at 31 December 2024
Directors	2020	01.04.2021–27.03.2029	76.36	40,000	–	–	–	–	40,000
	2021	01.04.2022–27.03.2029	76.36	80,000	–	–	–	–	80,000
	2022	01.04.2023–27.03.2029	76.36	80,000	–	–	–	–	80,000
Employees	2020	01.04.2021–27.03.2029	76.36	84,500	–	–	–	–	84,500
	2021	01.04.2022–27.03.2029	76.36	81,500	–	–	–	–	81,500
	2022	01.04.2023–27.03.2029	76.36	65,000	–	–	–	–	65,000
Other eligible participants (Note 5)	2020	01.04.2021–11.12.2024	76.36	5,000	–	–	(5,000)	–	–
	2021	01.04.2022–11.12.2024	76.36	120,000	–	–	(120,000)	–	–
	2022	01.04.2023–11.12.2024	76.36	120,000	–	–	(120,000)	–	–
Total				676,000	–	–	(245,000)	–	431,000

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 a resigned employee of the Company (former director). The Board had discretionarily decided to extend the Awarded Shares to 11 December 2024. However, the Award Shares were lapsed by the extended deadline.
6. None of the employees or other eligible participants listed in the table who were granted Awarded Shares are among the five highest paid individuals during the financial year.

Save as disclosed above, no Awarded Shares were cancelled during the year, and the Company did not grant or vest any Awarded Shares under the Share Award Scheme.

Details of the Share Award Scheme are set out in Note 43 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 2024 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 2024	Granted during the year (Note 1)	Vested during the year (Note 1)	Lapsed during the year (Note 1)	Cancelled during the year (Note 1)	Outstanding as at 31 December 2024
Zhang Yuying	2021	01.04.2022–27.03.2029	76.36	40,000	–	–	–	–	40,000
(Note 2)	2022	01.04.2023–27.03.2029	76.36	40,000	–	–	–	–	40,000
Liu Jianfeng	2020	01.04.2021–27.03.2029	76.36	40,000	–	–	–	–	40,000
(Notes 2 & 3)	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				200,000	–	–	–	–	200,000

Notes:

1. "Year" refers to the period from 1 January 2024 to 31 December 2024.
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. Liu Jianfeng resigned as an executive director of the Company on 25 February 2025.

Save as disclosed above, at no time during the year was the Company and 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.

Since the adoption of the share award scheme in 2018, the Company has not cancelled any Awarded Shares. Save as disclosed above, no Awarded Shares were granted, vested, lapsed, or cancelled during the year.

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 43 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 2024. In addition, 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 2024, 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 7)	Approximate percentage of the Company's total issued share capital
Mr. Wang	Beneficial owner and interest of controlled corporation	387,768,034 (Notes 1, 2, 3, 4 & 5)	320,000 (Note 5)	388,088,034 (L)	34.31%
Ms. Zhao	Interest of controlled corporation and interest of spouse	387,768,034 (Notes 1, 2, 3, 4 & 5)	320,000 (Note 5)	388,088,034 (L)	34.31%
EYCT*	Interest of controlled corporation	387,768,034 (Notes 1, 2, 3 & 4)	–	387,768,034 (L)	34.28%
LCNG*	Interest of controlled corporation	387,768,034 (Notes 1, 2 & 3)	–	387,768,034 (L)	34.28%
ECM*	Interest of controlled corporation	387,768,034 (Notes 1, 2 & 3)	–	387,768,034 (L)	34.28%
EIH*	Interest of controlled corporation	387,768,034 (Notes 1 & 2)	–	387,768,034 (L)	34.28%
EGII	Interest of controlled corporation	387,768,034 (Note 1)	–	387,768,034 (L)	34.28%
ENN-NG	Interest of controlled corporation	387,768,034 (Note 1)	–	387,768,034 (L)	34.28%
Xinneng HK	Beneficial owner	387,768,034 (Note 1)	–	387,768,034 (L)	34.28%
BlackRock, Inc.	Interest of controlled corporation	79,291,442	–	79,291,442 (L) (including 3,700 (S)) (Note 6)	7.01%

* For identification purpose only

Substantial Shareholders *(continued)*

Notes:

1. EGII holds 44.26% interests in ENN-NG. Therefore, EGII holds 34.28% of the shares of the Company through Xinneng HK, a wholly-owned subsidiary of ENN-NG. EGII is beneficially owned as to 50% by Mr. Wang and 50% by Ms. Zhao, the spouse of Mr. Wang.
2. On 30 November 2018, Mr. Wang and Ms. Zhao entered into an equity entrustment agreement with EIH, pursuant to which each of Mr. Wang and Ms. Zhao 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 14.97% 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 3.18% and 9.97% 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. It included an aggregate interest in 6,258,000 underlying shares among which, 6,254,300 shares (L) and 3,700 shares (S) are cash settled unlisted derivatives.
7. (L) represents Long Position; (S) represents Short Position.
8. As at 31 December 2024, the Company had 1,131,224,275 shares in issue.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 December 2024, 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 2024, 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 as at 31 December 2024, Mr. Wang and his spouse, Ms. Zhao, hold 34.28% 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"), were 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. These 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. And 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 business competition situation of the Group regularly to ensure that 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 any 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 2024:

	Transaction details	Annual Cap (RMB million)	Transaction Sum (RMB million)
(A)	Equipment Purchasing and Modification and Enhancement Services		
	On 12 December 2023, the Company entered into a Master Equipment Purchasing and Modification Services Agreement with LCNG for a term commencing from 1 January 2024 and expiring on 31 December 2026, whereby the Wang Family Companies agreed to provide equipment as well as equipment modification and enhancement services to the Group.	350	335
(B)	Construction Services		
	On 12 December 2023, the Company entered into a Master Construction Services Agreement with ENN-NG for a term commencing from 1 January 2024 and expiring on 31 December 2026, whereby the Wang Family Companies agreed to provide the Group with engineering design and construction services.	1,200	1,193
(C)	Information Technology Services		
	On 12 December 2023, the Company entered into a Master Information Technology Services Agreement with LCNG for a term commencing from 1 January 2024 and expiring on 31 December 2026, whereby the Wang Family Companies agreed to provide the Group with information technology services.	500	247
(D)	Natural Gas Purchasing		
	On 12 December 2023, the Company entered into a Master Natural Gas Purchasing Agreement with ENN-NG for a term commencing from 1 January 2024 and expiring on 31 December 2026, whereby the Wang Family Companies agreed to provide the Group with natural gas supply.	1,750	1,675
(E)	LNG Terminal Usage Services		
	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.	800	415
(F)	Risk Prevention Services (Note 3)		
	On 25 October 2024, the Company entered into a Master Risk Prevention Services Agreement with ENN Insurance Brokerage Company Limited ("ENN Insurance Brokerage"), whereby the Group agreed to provide risk prevention services to designated customers of ENN Insurance Brokerage and its fellow subsidiaries ("ENN Insurance Brokerage Group") members from 25 October 2024 to 31 December 2026.	120	94

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. During the year, the proposed annual cap under the newly Master Risk Prevention Services Agreement significantly exceeded the actual transaction amount in the past, primarily due to the following key factors. First, as public awareness of home safety continues to rise, the Group's customers have shown increasing demand for risk prevention and protection-related products and services. The Group intends to deepen its collaboration with existing ecosystem partners like ENN Insurance Brokerage Group, to fully leverage their respective advantages and achieve a balance of supply and demand. This not only creates mutual benefits but also enhances customer loyalty and satisfaction toward the Group's value added services, thereby promoting the development of the Group's value added business. Consequently, the Group expects a substantial increase in the volume of risk prevention services conducted with ENN Insurance Brokerage Group, with an estimated fourfold growth in service demand. Furthermore, as the Group's value added business continues to expand, such services will become increasingly diversified, and demand will continue to grow. Meanwhile, considering factors such as inflation, future fees will be adjusted by an increase of approximately 5%. In determining the annual cap, the Company also considered the following factors, including: (a) the cost levels of past risk prevention service transactions between the Group and ENN Insurance Brokerage Group; (b) the prevailing market prices of comparable risk prevention services; and (c) the estimated demand for the Group's risk prevention services based on communication with ENN Insurance Brokerage Group, including different customer types and service frequencies. Regarding the reasonableness of the proposed annual cap, the Board had voluntarily engaged Altus Capital Limited as the Company's independent financial advisor to provide advice on the transaction to the independent board committees.

The Company has established internal control processes to effectively manage connected transactions, and connected transactions conducted during the year also complied with the applicable pricing policies and guidelines mentioned in the relevant disclosures. The Company's internal audit department conducts regular audits to ensure that all connected transactions carried out during the year comply with the applicable pricing policies and guidelines mentioned in the relevant disclosures. During the year, the internal audit department reported its audit findings to the Company's audit committee twice.

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 confirmation letter to the Company containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 74 to 75 of this Annual Report in accordance with Rule 14A.56 of the Listing Rules.

The Board confirms that disclosures have been made in accordance with Chapter 14A of the Listing Rules and comply with the relevant requirements.

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 information 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 2024.

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 2024, the outstanding balances of the Green Senior Notes are USD489 million (equivalent to RMB3,514 million) and USD550 million (equivalent to RMB3,954 million) respectively.

Charitable Donations

Charitable donations made by the Group during the year amounted to RMB19.05 million (2023: RMB23.06 million).

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of 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 24 March 2025 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 2024. 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 2024.

Auditor

The Consolidated Financial Statements for the year ended 31 December 2024 have been audited by Deloitte Touche Tohmatsu who would retire at the 2025 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 2025 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
ZHANG Yuying
Director
26 March 2025

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 80 to 184, which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards 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 2024.	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 RMB24 million and of commodity derivative liabilities amounted to RMB345 million as at 31 December 2024. 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 HKFRS Accounting Standards 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 this independent auditor's report is Lam Kam Chiu.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024 RMB million**	2023 RMB million
Revenue	5	**109,853**	113,858
Cost of sales		**(96,448)**	(99,520)
Gross profit		**13,405**	14,338
Other income	7	**1,046**	1,023
Other gains and losses	8	**(642)**	267
Distribution and selling expenses		**(1,276)**	(1,171)
Administrative expenses		**(3,915)**	(4,144)
Share of results of associates		**339**	14
Share of results of joint ventures		**573**	464
Finance costs	9	**(733)**	(786)
Profit before tax	10	**8,797**	10,005
Income tax expense	12	**(1,921)**	(2,273)
Profit for the year		**6,876**	7,732
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")		**4**	(7)
Fair value change of a property transferred from property, plant and equipment to investment properties		**–**	1
Income tax relating to items that will not be reclassified to profit or loss		**(1)**	1
		3	(5)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**13**	97
Fair value gain of derivative financial instruments under hedge accounting		**158**	1
Income tax relating to items that may be reclassified subsequently to profit and loss		**7**	18
Other comprehensive income for the year		**181**	111
Total comprehensive income for the year		**7,057**	7,843
Profit for the year attributable to:			
Owners of the Company		**5,987**	6,816
Non-controlling interests		**889**	916
		6,876	7,732
Total comprehensive income for the year attributable to:			
Owners of the Company		**6,168**	6,927
Non-controlling interests		**889**	916
		7,057	7,843

		2024 RMB	2023 RMB
Earnings per share	14		
– Basic		**5.35**	6.05
– Diluted		**5.35**	6.04

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	2024 RMB million	2023 RMB million
Non-current Assets			
Property, plant and equipment	15	**53,151**	50,330
Right-of-use assets	16	**2,753**	2,751
Investment properties	17	**246**	268
Goodwill	18	**2,504**	2,504
Intangible assets	19	**4,420**	4,341
Interests in associates	20	**4,943**	4,708
Interests in joint ventures	21	**5,433**	5,117
Other receivables	22	**3**	14
Derivative financial instruments	23	**139**	55
Financial assets at fair value through profit or loss (“FVTPL”)	24	**4,434**	4,334
Equity instruments at FVTOCI	25	**224**	219
Deferred tax assets	32	**1,518**	1,442
Other non-current assets	27	**688**	135
Restricted bank deposits	34	**580**	538
		81,036	76,756
Current Assets			
Inventories	33	**1,513**	1,682
Trade and other receivables	22	**9,828**	11,091
Contract assets	28	**848**	632
Derivative financial instruments	23	**196**	203
Financial assets at FVTPL	24	**–**	100
Amounts due from associates	29	**619**	649
Amounts due from joint ventures	30	**1,080**	1,736
Amounts due from related companies	31	**233**	247
Restricted bank deposits	34	**174**	346
Cash and cash equivalents	34	**7,693**	9,689
		22,184	26,375

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	**2024 RMB million**	2023 RMB million
Current Liabilities			
Trade and other payables	36	**8,203**	8,171
Contract liabilities	37	**12,943**	13,714
Deferred income	38	**73**	98
Amounts due to associates	29	**713**	675
Amounts due to joint ventures	30	**968**	805
Amounts due to related companies	31	**1,503**	1,148
Taxation payables		**1,059**	1,287
Lease liabilities	35	**195**	170
Derivative financial instruments	23	**345**	43
Bank and other loans	40	**6,464**	8,767
Financial guarantee liabilities	52	**32**	37
Share-based payment liabilities	43	**4**	8
		32,502	34,923
Net Current Liabilities		**(10,318)**	(8,548)
Total Assets less Current Liabilities		**70,718**	68,208
Capital and Reserves			
Share capital	39	**117**	117
Reserves		**44,984**	42,543
Equity attributable to owners of the Company		**45,101**	42,660
Non-controlling interests		**5,975**	5,602
Total Equity		**51,076**	48,262
Non-current Liabilities			
Contract liabilities	37	**2,500**	2,687
Deferred income	38	**967**	890
Lease liabilities	35	**667**	633
Derivative financial instruments	23	**–**	6
Bank and other loans	40	**5,648**	5,428
Senior notes	41	**7,420**	7,728
Deferred tax liabilities	32	**2,440**	2,574
		19,642	19,946
		70,718	68,208

The consolidated financial statements on pages 80 to 184 were approved and authorised for issue by the board of directors on 26 March 2025 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 2024

	Equity attributable to owners of the Company													
	Share capital RMB million (Note 39)	Shares held under Share Award Scheme 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 42)	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 2023	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 42)	–	–	–	–	–	–	–	–	(112)	–	–	(112)	–	(112)
Recognition of equity-settled share-based payment expenses (Note 43)	–	–	–	–	–	7	–	–	–	–	–	7	–	7
Issue of ordinary shares on exercise of share options (Notes 39 & 43)	–	–	28	–	–	(8)	–	–	–	–	–	20	–	20
Purchase of shares under Share Award Scheme	–	(229)	–	–	–	–	–	–	–	–	–	(229)	–	(229)
Acquisition of subsidiaries (Note 45)	–	–	–	–	–	–	–	–	–	–	–	–	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
Profit for the year	–	–	–	–	–	–	–	–	–	–	5,987	5,987	889	6,876
Other comprehensive income for the year	–	–	–	–	3	–	13	–	165	–	–	181	–	181
Total comprehensive income for the year	–	–	–	–	3	–	13	–	165	–	5,987	6,168	889	7,057
Cumulative gain transferred to initial carrying amount of hedged items (Note 42)	–	–	–	–	–	–	–	–	(47)	–	–	(47)	–	(47)
Purchase of shares under Share Award Scheme	–	(665)	–	–	–	–	–	–	–	–	–	(665)	–	(665)
Disposal of subsidiaries (Note 46)	–	–	–	–	–	–	–	–	–	–	–	–	(5)	(5)
Partial disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	15	15
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	25	25
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	158	158
Dividends appropriation (Note 13)	–	–	(28)	–	–	–	–	–	–	–	(2,987)	(3,015)	–	(3,015)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	–	(709)	(709)
Transfer to surplus reserve fund (note b)	–	–	–	–	–	–	–	389	–	–	(389)	–	–	–
At 31 December 2024	117	(1,062)	–	(115)	69	142	208	5,748	22	90	39,882	45,101	5,975	51,076

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

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. There is no movement in both years presented.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	**2024** **RMB million**	2023 RMB million
OPERATING ACTIVITIES			
Profit before tax		**8,797**	10,005
Adjustments for:			
Share of results of associates		**(339)**	(14)
Share of results of joint ventures		**(573)**	(464)
Exchange differences		**210**	211
Net gain of financial assets at FVTPL		**(110)**	(13)
Net loss (gain) on fair value change of derivative financial instruments		**145**	(900)
Impairment loss under expected credit loss model, net of reversal		**326**	280
Impairment losses on property, plant and equipment		**119**	160
Impairment losses on intangible assets		**43**	16
Impairment losses on goodwill		**–**	16
Loss on disposal of property, plant and equipment		**89**	64
Gain on disposal of right-of-use assets		**(6)**	(10)
(Gain) loss on disposal of subsidiaries	46	**(41)**	102
Loss on disposal of joint ventures		**1**	–
Gain on disposal of associates		**–**	(1)
Dividend income from financial assets at FVTPL		**(128)**	(133)
Dividend income from equity instruments at FVTOCI		**(10)**	(7)
Decrease in fair value of investment properties		**16**	10
Gain on fair value change of awarded shares		**–**	(20)
Gain on repurchase of Senior notes		**(47)**	(227)
Depreciation of property, plant and equipment		**2,473**	2,233
Depreciation of right-of-use assets		**241**	212
Amortisation of intangible assets		**392**	395
Interest income on bank deposits and loan receivables		**(234)**	(189)
Finance costs		**733**	786
Financial guarantee income		**(5)**	(5)
Net compensation income		**(108)**	–
Others in other gain and losses		**(2)**	24
		11,982	12,531
Movements in working capital:			
Decrease (increase) in inventories		**168**	(56)
Decrease (increase) in trade and other receivables		**923**	(680)
(Increase) decrease in contract assets		**(223)**	5
Decrease in contract liabilities		**(1,458)**	(594)
(Increase) decrease in amounts due from associates		**(61)**	35
Decrease in amounts due to associates		**(2)**	(7)
(Increase) decrease in amounts due from joint ventures		**(38)**	183
Increase (decrease) in amounts due to joint ventures		**271**	(888)
Decrease in amounts due from related companies		**5**	96
Increase in amounts due to related companies		**358**	171
Increase in trade and other payables		**525**	1,221
Increase in deferred income		**197**	111
Cash generated from operations		**12,647**	12,128
PRC enterprise income tax paid		**(2,353)**	(2,516)
Net cash generated from operating activities		**10,294**	9,612

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Note	2024 RMB million	2023 RMB million
INVESTING ACTIVITIES			
Dividends received from joint ventures		**207**	243
Dividends received from associates		**202**	119
Dividends received from financial assets at FVTPL		**128**	187
Dividends received from equity instruments at FVTOCI		**10**	7
Gross cash outflow from derivative financial instruments		**(56)**	(1,577)
Gross cash inflow from derivative financial instruments		**315**	2,549
Interest received		**234**	189
Payment for property, plant and equipment and other non-current assets		**(6,177)**	(6,495)
Acquisition of intangible assets		**(509)**	(274)
Proceeds from disposal of property, plant and equipment		**212**	201
Purchases of wealth management products		**(15,705)**	(9,891)
Redemptions of wealth management products		**15,805**	9,817
Addition of right-of-use assets		**(48)**	(218)
Net cash inflow on acquisition of subsidiaries		**6**	5
Net cash inflow (outflow) on disposal of subsidiaries	46	**70**	(84)
Net cash inflow on deregistration of subsidiaries		**–**	5
Proceeds from refund of financial assets at FVTPL		**10**	6
Proceeds from disposal/deregistration of joint ventures		**23**	11
Proceeds from disposal/deregistration of associates		**15**	1
Proceeds from disposal of right-of-use assets		**30**	66
Purchase of financial assets at FVTOCI		**(1)**	–
Investments in joint ventures		**(28)**	(63)
Investments in associates		**(111)**	(394)
Addition of restricted bank deposits		**(234)**	(444)
Release of restricted bank deposits		**364**	467
Amounts advanced to third parties		**(2,867)**	(4,005)
Amounts repaid by third parties		**2,890**	3,517
Amounts advanced to associates		**(5)**	(18)
Amounts repaid by associates		**58**	250
Amounts advanced to joint ventures		**(98)**	(280)
Amounts repaid by joint ventures		**812**	1,253
Amounts advanced to related companies		**(2)**	(10)
Amounts repaid by related companies		**12**	11
Net cash used in investing activities		**(4,438)**	(4,849)

	2024 RMB million	2023 RMB million
FINANCING ACTIVITIES		
Interest paid	**(823)**	(891)
Advanced from banks and other financial institutions	**4,540**	6,120
Amounts repaid to banks and other financial institutions	**(4,540)**	(6,120)
Repurchase of shares under Share Award Scheme	**(665)**	(229)
Net proceeds from ordinary shares issued upon exercise of share options	**–**	20
Capital contribution from non-controlling shareholders	**122**	70
Capital reduction of non-controlling shareholders	**–**	(7)
Net cash outflow on acquisition of additional interests in subsidiaries	**(70)**	(36)
Net cash inflow on disposal of partial interest in subsidiaries	**15**	12
Dividends paid to non-controlling shareholders	**(709)**	(879)
Dividends paid to shareholders	**(3,015)**	(2,977)
New bank loans raised	**17,371**	17,518
Repayment of bank loans	**(19,454)**	(13,964)
Repurchase of Senior notes	**(388)**	(1,202)
Repayment of lease liabilities	**(171)**	(140)
Amounts advanced from associates	**69**	21
Amounts repaid to associates	**(29)**	(62)
Amounts advanced from joint ventures	**20**	116
Amounts repaid to joint ventures	**(128)**	(487)
Amounts advanced from related companies	**9**	10
Amounts repaid to related companies	**(12)**	(36)
Net cash used in financing activities	**(7,858)**	(3,143)
Net (decrease) increase in cash and cash equivalents	**(2,002)**	1,620
Cash and cash equivalents at the beginning of the year	**9,689**	8,056
Effect of foreign exchange rate changes	**6**	13
Cash and cash equivalents at the end of the year	**7,693**	9,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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 HKFRS Accounting Standards and Agenda Decisions of the IFRS Interpretations Committee (the "Committee")

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards 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 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

In addition, the Group applied the agenda decision of the Committee, including Climate-related Commitments, which is relevant to the Group. The management has assessed the impact of climate risk on the Group's financial position and has concluded that there is no material impact on the financial statements for the year ended 31 December 2024. While the effects of climate change are a source of uncertainty, as at 31 December 2024, the management did not consider there to be a material impact on the critical judgements and estimates from the physical and transition risks in the short to medium term.

The application of the amendments to HKFRS Accounting Standards and the Committee's agenda decision 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.

New and amendments to HKFRS Accounting Standards in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS	Annual Improvements to HKFRS – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

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 2025.

3 Effective for annual periods beginning on or after 1 January 2026.

4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the Directors anticipate that the application of all new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

2. Application of New and Amendments to HKFRS Accounting Standards and Agenda Decisions of the IFRS Interpretations Committee (the "Committee") *(continued)*

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and HKFRS 7 *Financial Instruments: Disclosures*. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

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 HKFRS Accounting Standards 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 2024, the directors of the Company (the "Directors") have given careful consideration of the Group's net current liabilities of approximately RMB10,318 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 2024 have been prepared on a going concern basis.

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.

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

3.2 Material accounting policy information *(continued)*

Basis of consolidation (continued)

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 HKFRS Accounting Standards). 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.

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.

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

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.

In addition, the Group also provides customers with a variety of integrated energy services, including but not limit to power services and technology services. Revenue is recognised over time.

(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.

(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, gas appliances and other energy products to customers, including both residential households and 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.

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)

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.

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.

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

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.

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.

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)*

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.

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, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

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 collecting contractual cash flows and selling the financial assets; 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.

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.

Expect 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.

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. 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.

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.

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)

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.

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.

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

3.2 Material accounting policy information *(continued)*

Taxation (continued)

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.

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).

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

3.2 Material accounting policy information *(continued)*

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.

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

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception of the contract. 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.

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)*

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.

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.
- a lease contract is modified and the lease modification is not accounted for as a separate lease (see below for the accounting policy for "lease modifications").

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

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 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 margin 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. Furthermore, the estimated cash flows and discount rate are subject to change due to ongoing uncertain macroeconomic and geopolitical environment, which includes the persistent effects of climate change, higher interest rates, inflation and energy security concerns.

As at 31 December 2024, the carrying amounts of goodwill, intangible assets and certain property, plant and equipment which were carried out by impairment testing are RMB2,504 million, RMB606 million and RMB3,598 million (2023: RMB2,504 million, RMB302 million and RMB4,066 million), respectively. Details of the impairment assessment are set out in Notes 18, 19 and 15.

Fair value measurement of financial instruments

As at 31 December 2024, certain financial instruments of the Group, including investment in unlisted equity security and derivative financial instruments, have a net amount of RMB4,160 million (2023: RMB4,379 million) measured at fair value, determined by using different valuation techniques and unobservable inputs. Judgment and estimation are required in establishing the relevant valuation approach and 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.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(continued)*

Key sources of estimation uncertainty *(continued)*

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 expectations vary from the initial estimates, these differences will affect the depreciation charges in the year the estimates are revised. As at 31 December 2024, the carrying amount of property, plant and equipment is RMB53,151 million (2023: RMB50,330 million).

5. Revenue

	2024 **RMB million**	2023 RMB million
Revenue from contracts with customers comprises the following:		
Sales of goods		
Retail gas sales business	**60,749**	60,611
Integrated energy business	**14,439**	13,542
Wholesale of gas	**25,143**	29,695
Value added business	**2,448**	2,143
	102,779	105,991
Provision of services		
Construction and installation	**4,095**	5,337
Integrated energy business	**834**	971
Value added business	**2,145**	1,559
	7,074	7,867
	109,853	113,858

Disaggregation of revenue from contracts with customers

	2024			2023		
	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	**60,749**	**–**	**60,749**	60,611	–	60,611
Integrated energy business	**14,439**	**834**	**15,273**	13,542	971	14,513
Wholesale of gas	**25,143**	**–**	**25,143**	29,695	–	29,695
Construction and installation	**–**	**4,095**	**4,095**	–	5,337	5,337
Value added business	**2,448**	**2,145**	**4,593**	2,143	1,559	3,702
Total	**102,779**	**7,074**	**109,853**	105,991	7,867	113,858

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

During the year ended 31 December 2024, the Group recognised revenue at a point in time amounted to RMB104,924 million (2023: RMB107,550 million) and recognised revenue over time amounted to RMB4,929 million (2023: RMB6,308 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 central 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:

2024	**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	**69,304**	**15,482**	**40,236**	**5,184**	**8,400**	**138,606**
Inter-segment sales	**(8,555)**	**(209)**	**(15,093)**	**(1,089)**	**(3,807)**	**(28,753)**
Revenue from external customers	**60,749**	**15,273**	**25,143**	**4,095**	**4,593**	**109,853**
Segment profit before depreciation and amortisation	**7,772**	**2,618**	**97**	**2,313**	**2,978**	**15,778**
Depreciation and amortisation	**(1,547)**	**(398)**	**(3)**	**(418)**	**(7)**	**(2,373)**
Segment/gross profit	**6,225**	**2,220**	**94**	**1,895**	**2,971**	**13,405**

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

6. Segment Information *(continued)*

Segment assets and liabilities

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

2024	**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	**43,453**	**13,410**	**3,649**	**11,743**	**4,651**	**76,906**
Interests in associates						**4,943**
Interests in joint ventures						**5,433**
Unallocated corporate assets						**15,938**
Consolidated total assets						**103,220**
Liabilities:						
Segment liabilities	**14,762**	**2,701**	**216**	**12,017**	**2,269**	**31,965**
Bank and other loans						**12,112**
Senior notes						**7,420**
Unallocated corporate liabilities						**647**
Consolidated total liabilities						**52,144**

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

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
2024						
Additions to non-current assets (note b)	**4,065**	**1,372**	**34**	**794**	**76**	**6,341**
Depreciation and amortisation	**1,547**	**398**	**3**	**418**	**7**	**2,373**
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

	Additions to non-current assets (note b)		Depreciation and amortisation	
	2024 RMB million	2023 RMB million	**2024 RMB million**	2023 RMB million
Segment total	**6,341**	7,693	**2,373**	2,173
Adjustments (note a)	**230**	273	**733**	667
Total	**6,571**	7,966	**3,106**	2,840

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.

Substantially all of the Group's revenue, segment profit and non-current assets are from the Mainland China. For the year ended 31 December 2024, the revenues from the Mainland China and overseas were RMB109,347 million (2023: RMB110,817 million) and RMB506 million (2023: RMB3,041 million), respectively. For the year ended 31 December 2024, the segment profit of Mainland China and overseas were RMB13,350 million (2023: RMB13,303 million) and RMB55 million (2023: RMB1,035 million), respectively. Of which, the segment profit of overseas wholesales of gas was RMB34 million (2023: RMB1,004 million). As of 31 December 2024, the non-current assets excluded financial instruments and deferred tax assets located in the Mainland China were RMB74,051 million (2023: RMB70,056 million) and overseas were RMB87 million (2023: RMB98 million).

7. Other Income

	2024 RMB million	2023 RMB million
Other income mainly includes:		
Incentive subsidies (note a)	**484**	370
Dividend income from equity instruments at FVTOCI	**10**	7
Dividend income from financial assets at FVTPL (note b)	**128**	133
Interest income on bank deposits	**153**	96
Interest income on loan receivables from joint ventures, associates and related parties	**16**	24
Interest income on loan receivables from third parties	**65**	69
Rental income from investment properties	**13**	12
Rental income from equipment	**36**	42

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 2024, the Group received and recognised dividend income of approximately RMB5 million (2023: RMB4 million) and RMB123 million (2023: RMB129 million) from Shanghai Dazhong Public Utilities (Group) Co., Ltd ("Shanghai Utilities") and Sinopec Marketing Co., Ltd ("Sinopec Marketing"), respectively.

8. Other Gains and Losses

	2024 RMB million	2023 RMB million
Net (loss) gain on disposal of:		
– Property, plant and equipment	**(89)**	(64)
– Right-of-use assets	**6**	10
– Subsidiaries (Note 46)	**41**	(102)
– Joint ventures/associates	**(1)**	1
Decrease in fair value of investment properties (Note 17)	**(16)**	(10)
Net gain (loss) of:		
– Financial assets at FVTPL (Note 24)	**110**	13
– Derivative financial instruments (Note 23)	**(145)**	900
– Early redemption of senior notes (Note 41)	**47**	227
Impairment losses under ECL model, net of reversal		
– Trade and other receivables	**(281)**	(270)
– Contract assets	**(7)**	(1)
– Amounts due from associates/joint ventures/related companies	**(38)**	(9)
Impairment losses recognised in respect of:		
– Property, plant and equipment	**(119)**	(160)
– Intangible assets	**(43)**	(16)
– Goodwill	**–**	(16)
Loss on foreign exchange, net (note)	**(211)**	(241)
Net compensation income	**108**	–
Others	**(4)**	5
	(642)	267

Note: Included in the amount for the year ended 31 December 2024 is an exchange loss of approximately RMB113 million (2023: RMB184 million) arising from the translation of senior notes and bank loans denominated in United States dollars ("USD").

9. Finance Costs

	2024 RMB million	2023 RMB million
Interest on:		
Bank and other loans	**497**	479
Senior notes	**318**	388
Lease liabilities	**35**	28
	850	895
Less: Amount capitalised under properties under construction (note)	**(89)**	(103)
	761	792
Fair value gain on foreign currency derivatives designated as cash flow hedges for USD debts	**(28)**	(6)
	733	786

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 3.34% (2023: 3.53%) per annum.

10. Profit Before Tax

	2024 RMB million	2023 RMB million
Profit before tax has been arrived at after charging (crediting):		
Share-based payment expenses, including directors' emoluments (included in administrative expenses)	–	9
Other staff costs, including directors' emoluments	4,316	4,193
Less: Amount of other staff costs capitalised under properties under construction	(179)	(187)
	4,137	4,015
Depreciation and amortisation:		
Property, plant and equipment	2,473	2,233
Intangible assets	392	395
Right-of-use assets	241	212
Total depreciation and amortisation (note a)	3,106	2,840
Auditors remuneration:		
Deloitte Touche Tohmatsu		
Audit services	8	8
Non-audit services (note b)	2	2
Other auditors	11	11
Total auditors remuneration:	21	21
Research and development costs recognised as an expense (included in administrative expenses)	366	498
Expense relating to short-term lease and others	51	64

Note a: Allocation of total staff costs and depreciation and amortisation are as follows:

	2024 RMB million	2023 RMB million
Staff costs included in:		
Cost of sales	1,234	1,148
Distribution and selling expenses	869	717
Administrative expenses	2,034	2,150
	4,137	4,015
Depreciation and amortisation included in:		
Cost of sales	2,373	2,173
Distribution and selling expenses	201	180
Administrative expenses	532	487
	3,106	2,840

Note b: Non-audit services provided by Deloitte Touche Tohmatsu comprised interim review and ESG Report advisory services.

11. Directors', Chief Executive's and Employees' Emoluments

a. Directors' emoluments

Emoluments paid and payable to the Directors for the year were as follows:

	2024				
Name of Directors	**Fee RMB'000**	**Salaries and allowance RMB'000**	**Discretionary performance bonus RMB'000**	**Retirement benefit scheme contributions RMB'000**	**Total emoluments RMB'000**
Executive Directors: (note a)					
Wang Yusuo (Chairman)	–	2,901	–	–	2,901
Zhang Yuying[1] (Chief Executive Officer)	–	2,400	2,290	250	4,940
Liu Jianfeng[2] (President)	–	2,750	1,720	250	4,720
Wang Dongzhi (Chief Financial Officer)	–	1,950	1,230	203	3,383
Zhang Jin[3]	–	1,720	1,060	86	2,866
Jiang Chenghong[4]	–	1,330	840	–	2,170
Sub-total	–	13,051	7,140	789	20,980
Non-executive Director:					
Wang Zizheng	600	–	–	16	616
Sub-total	600	–	–	16	616
Independent Non-executive Directors: (note b)					
Ma Zhixiang	600	–	–	–	600
Yuen Po Kwong	600	–	–	–	600
Law Yee Kwan, Quinn	600	–	–	–	600
Wong Lai, Sarah[9]	600	–	–	–	600
Sub-total	2,400	–	–	–	2,400
Total	3,000	13,051	7,140	805	23,996

11. Directors', Chief Executive's and Employees' Emoluments *(continued)*

a. Directors' emoluments *(continued)*

	2023					
Name of directors	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 (Chairman)	–	2,900	–	142	–	3,042
Zhang Yuying[1] (Chief Executive Officer)	–	122	–	46	19	187
Liu Jianfeng[2] (President)	–	2,632	1,303	203	152	4,290
Wang Dongzhi (Chief Financial Officer)	–	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

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, and resigned as an executive director of the Company on 25 February 2025.

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, and resigned as an executive director of the Company on 25 February 2025.

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.

10 Mr. Gong Luojian has been appointed as an executive director of the Company on 25 February 2025.

11 Ms. Su Li has been appointed as an executive director of the Company on 25 February 2025.

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 (2023: four) directors, details of whose remuneration are set out in Note 11(a). Details of the remuneration for the year of the remaining one (2023: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries and allowance	**1,800**	1,800
Discretionary performance bonus	**1,730**	1,807
Share-based payment	**–**	40
Retirement benefits scheme contributions	**132**	131
	3,662	3,778

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:

	2024 Number of employees	2023 Number of employees
HK$3,000,001 to HK$3,500,000	**1**	1
HK$3,500,001 to HK$4,000,000	**1**	1
HK$4,000,001 to HK$4,500,000	**1**	1
HK$4,500,001 to HK$5,000,000	**–**	2
HK$5,000,001 to HK$5,500,000	**2**	–
	5	5

12. Income Tax Expense

	2024 RMB million	2023 RMB million
Current tax	**2,201**	2,389
Overprovision in prior years	**(76)**	(103)
	2,125	2,286
Deferred tax (Note 32)	**(204)**	(13)
	1,921	2,273

As the major operating income of the Group are derived from the PRC, the tax expenses arose principally from PRC for both years. Under the Enterprise Income Tax Law of the PRC (the "EIT Law") and Detailed Rules for the Implementation of the EIT Law (the "Implementation Rules"), the tax rate applicable for PRC entities is 25%.

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.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

The Group is operating in certain jurisdictions where the Global Anti-base Erosion Rules ("GloBE Rules") is effective on 1 January 2025. However, as the Group's estimated effective tax rates of all the jurisdictions in which the Group operates are higher than 15%, after taking into account the adjustments under the GloBE Rules based on management's best estimate, the management of the Group has not made relevant disclosures of qualitative and quantitative information about the Group's exposure to the Pillar Two income taxes.

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:

	2024 RMB million	2023 RMB million
Profit before tax	**8,797**	10,005
Tax at the PRC Enterprise Income Tax rate of 25% (2023: 25%)	**2,199**	2,501
Tax effects of share of results of associates	**(85)**	(3)
Tax effects of share of results of joint ventures	**(143)**	(116)
Tax effects of income not taxable for tax purpose	**(241)**	(130)
Tax effects of expenses not deductible for tax purpose	**211**	289
Tax effects of tax losses not recognised	**355**	502
Utilisation of tax losses previously not recognised	**(169)**	(224)
Tax effect of deductible temporary differences not recognised	**40**	48
Tax concession and exemption granted to certain PRC subsidiaries	**(143)**	(253)
Effect of different tax rates of non-PRC subsidiaries	**(7)**	(100)
Overprovision in prior years	**(76)**	(103)
Withholding tax on undistributed profit of PRC entities	**(20)**	(138)
Income tax expense for the year	**1,921**	2,273

13. Dividends

	2024 RMB million	2023 RMB million
Final dividend of HK$2.31 (equivalent to approximately RMB2.09) per share (2023: HK$2.27 (equivalent to approximately RMB2.05) per share) (note a)	**2,376**	2,317
Interim dividend of HK$0.65 (equivalent to approximately RMB0.59) per share (2023: HK$0.64 (equivalent to approximately RMB0.59) per share) (note b)	**673**	669
Less: Dividend for shares held under the Share Award Scheme	**(34)**	(9)
	3,015	2,977

Note a: The final dividend for the fiscal year 2023 of the Company was declared on 22 March 2024 and paid on 26 July 2024.

Note b: The interim dividend for the fiscal year 2024 of the Company was paid on 29 November 2024.

Note c: After the end of the reporting period, the Board has recommended a final dividend of HK$2.35 per share (equivalent to approximately RMB2.19 per share), with a total amount of HK$2,658 million for the year ended 31 December 2024, and is subject to the approval by the shareholders in the forthcoming Annual General Meeting ("AGM"). The final dividend proposed after the end of the reporting period has not been recognised as a liability in the consolidated financial statements.

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 2024 and 2023 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.

	2024	2023
Profit for the year attributable to the owners of the Company (RMB million)	**5,987**	6,816
Weighted average number of ordinary shares	**1,119,061,515**	1,127,615,310
Basic earnings per share (RMB)	**5.35**	6.05

Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2024 and 2023 are calculated assuming all dilutive potential shares were converted during the year.

	2024	2023
Earnings		
Earnings for the purpose of diluted earnings per share (RMB million)	**5,987**	6,816
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**1,119,061,515**	1,127,615,310
Effect of dilutive potential shares:		
– share options	**219,986**	1,160,589
Weighted average number of shares for the purpose of diluted earnings per share	**1,119,281,501**	1,128,775,899
Diluted earnings per share (RMB)	**5.35**	6.04

Details of potential ordinary share transactions that occur after the reporting period was disclosed in Note 55.

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 2023	6,026	43,496	6,160	466	2,662	3,959	62,769
Acquisition of subsidiaries (Note 45)	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
Acquisition of subsidiaries	–	83	1	–	1	4	89
Additions	68	461	734	52	150	4,204	5,669
Transfer from investment properties	7	–	–	–	–	–	7
Reclassification	455	2,904	1,220	–	86	(4,665)	–
Disposal of subsidiaries (Note 46)	(22)	(28)	(13)	(9)	(1)	(6)	(79)
Disposals	(84)	(217)	(181)	(74)	(57)	–	(613)
At 31 December 2024	6,566	45,958	9,785	344	2,993	3,010	68,656
DEPRECIATION AND IMPAIRMENT							
At 1 January 2023	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
Provided for the year	178	1,374	665	40	216	–	2,473
Impairment loss	27	26	64	–	2	–	119
Disposal of subsidiaries (Note 46)	(5)	(4)	(12)	(6)	(1)	–	(28)
Eliminated on disposals	(27)	(65)	(113)	(65)	(42)	–	(312)
At 31 December 2024	1,507	9,164	2,803	207	1,824	–	15,505
CARRYING VALUES							
At 31 December 2024	5,059	36,794	6,982	137	1,169	3,010	53,151
At 31 December 2023	4,808	34,922	5,825	137	1,165	3,473	50,330

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 RMB31 million (2023: RMB33 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 RMB512 million (2023: RMB507 million).

Impairment assessment

The management of the Group concluded there was an indication of impairment when the financial performance of the relevant subsidiaries was not in accordance with expectation. As a result, impairment assessments based on certain CGUs within the integrated energy business and the sales of piped gas business segments were conducted respectively.

CGUs of integrated energy business in the PRC

For the individual asset or CGUs of 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 (2023: fifth) year are estimated using the annualised growth rates for each CGU ranging from 0.00% to 5.41% (2023: 0.00% to 5.42%). For cash flow on the remaining contractual operating period, a steady growth rate of 2.00% (2023: 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 individual asset or CGU and determined the discount rate to be 14.24% (2023: 15.37%).

CGUs of sales of piped gas business in the PRC

For the individual asset or 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 carrying values of relevant assets were impaired to their recoverable amount of RMB3,479 million (2023: RMB3,906 million) at year end, and an impairment of RMB119 million (2023: RMB160 million) was recognised, in which RMB91 million is related to the individual assets or CGUs of integrated energy business as certain projects does not develop under market volatility and RMB28 million is related to the CGUs of sales of piped gas business at 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 2023	1,975	330	1	17	2,323
Acquisition of subsidiaries (Note 45)	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
Acquisition of subsidiaries	3	–	–	–	3
Additions	55	86	1	154	296
Disposal of subsidiaries (Note 46)	(21)	–	–	–	(21)
Disposals	(24)	(11)	–	–	(35)
Depreciation	(64)	(120)	–	(57)	(241)
As at 31 December 2024	1,925	339	1	488	2,753

	2024 RMB million	2023 RMB million
Expenses relating to short-term leases	**51**	64
Variable lease payments not included in the measurement of lease liabilities	**9**	18
Total cash outflow for leases	**273**	236

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 RMB49 million (2023: RMB51 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 2024, the total outstanding commitments of such leases is RMB13 million (2023: RMB5 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 2023	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
Exchange realignment	1
Net decrease in fair value recognised in other gains and losses	(16)
Transfer to property, plant and equipment	(7)
At 31 December 2024	246

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 PRC and Hong Kong.

The fair value of the Group's investment properties at 31 December 2024 and 2023 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 2024 and 2023.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

18. Goodwill

	2024 RMB million	2023 RMB million
COST		
At 1 January and 31 December	**2,571**	2,571
IMPAIRMENT		
At 1 January	**(67)**	(51)
Impairment loss	**–**	(16)
At 31 December	**(67)**	(67)
CARRYING VALUES		
At 31 December	**2,504**	2,504

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:

	2024 RMB million	2023 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 Harbin, the PRC	**18**	18
Other CGUs of sales of piped gas business, the PRC	**233**	233
	2,504	2,504

Impairment assessment

The Group assesses 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.

CGUs of integrated energy business in the PRC

The recoverable amounts of the CGU of a group of entities principally engaged in integrated energy business in the PRC with allocated goodwill are determined based on value in use calculations. The Group prepares cash flow projection for integrated energy business in the PRC covering a 5-year (2023: 5-year) period and the cash flow beyond the 5-year (2023: 5-year) period was extrapolated using a steady growth rate of 2.00% (2023: 2.50%). For the 5-year (2023: 5-year) 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-year period but within the fifth (2023: beyond the 3-year period but within the fifth year) were estimated using an annualised growth rate of 3.56% (2023: 5.37%). The growth rate is based on the management's estimation on the respective entities projected market share and do not exceed the average long-term growth rate for the relevant industry. The gross profit margin will be assumed the same beyond the 5-year (2023: 5-year) 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 14.24% (2023: 15.37%).

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 the annualised growth rates of revenue for each CGU ranging from 0.71% to 5.80% (2023: 0.56% to 4.88%). For cash flow on the remaining contractual operating period, i.e. beyond the tenth year, a steady growth rate of 2.00% (2023: 2.50%) will be adopted.

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 gross profit margin is based on past practices and economic data relevant to the industry.

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 15.44% (2023: 12.37% to 15.49%).

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, there was no impairment (2023: RMB16 million) recognised during the year.

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 2023	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
Additions	203	–	120	–	191	514
Reclassification	–	–	280	–	(280)	–
At 31 December 2024	5,287	90	1,067	549	231	7,224
AMORTISATION AND IMPAIRMENT						
At 1 January 2023	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
Charge for the year	230	5	102	55	–	392
Impairment loss	43	–	–	–	–	43
At 31 December 2024	2,102	48	305	349	–	2,804
CARRYING VALUES						
At 31 December 2024	3,185	42	762	200	231	4,420
At 31 December 2023	3,255	47	464	255	320	4,341

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 an indication of impairment when the financial performance of the relevant subsidiaries was not in accordance with expectation. 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 carrying values of relevant assets were impaired to their recoverable amount of RMB563 million (2023: RMB286 million) at year end, and an impairment of RMB43 million (2023: RMB16 million) was recognised, as certain entities of the sales of piped gas business have been suffering losses due to market volatility of the natural gas.

20. Interests in Associates

	2024 RMB million	2023 RMB million
Cost of investments	**3,912**	3,826
Share of post-acquisition profits, net of dividends received	**1,031**	882
	4,943	4,708

Included in the interests in associates is goodwill of approximately RMB57 million (2023: 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 2024 and 2023 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 2024	2023	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%**	49%	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, are 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 HKFRS Accounting Standards.

Shijiazhuang Kunlun

	2024 RMB million	2023 RMB million
Current assets	**640**	704
Non-current assets	**2,111**	2,111
Current liabilities	**827**	1,040
Non-current liabilities	**453**	414
Non-controlling interests	**139**	137

20. Interests in Associates *(continued)*

Summarised financial information of material associates *(continued)*

Shijiazhuang Kunlun (continued)

	2024 RMB million	2023 RMB million
Revenue	**1,891**	1,943
Profit and total comprehensive income for the year	**177**	170
Dividends received from Shijiazhuang Kunlun during the year	**31**	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:

	2024 RMB million	2023 RMB million
Net assets of Shijiazhuang Kunlun attributable to the owners	**1,332**	1,224
Proportion of the Group's ownership interest in Shijiazhuang Kunlun	**613**	563

Changsha Xinao

	2024 RMB million	2023 RMB million
Current assets	**1,274**	1,664
Non-current assets	**5,052**	5,170
Current liabilities	**3,252**	3,974
Non-current liabilities	**452**	467
Non-controlling interests	**50**	38

	2024 RMB million	2023.9.1– 2023.12.31 RMB million
Revenue	**5,250**	1,545
Profit (loss) and total comprehensive income (expense) for the year	**217**	(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:

	2024 RMB million	2023 RMB million
Net assets of Changsha Xinao attributable to the owners	**2,572**	2,355
Proportion of the Group's ownership interest in Changsha Xinao	**1,260**	1,154

Aggregate information of associates that are not individually material:

	2024 RMB million	2023 RMB million
Profit (loss) and total comprehensive income (expense) for the year	**468**	(164)
Group's share of profit (loss) and total comprehensive income (expense) from associates for the year	**151**	(55)
Aggregate carrying amount of the Group's interests in these associates	**3,070**	2,991

21. Interests in Joint Ventures

	2024 RMB million	2023 RMB million
Cost of investments	**3,302**	3,320
Share of post-acquisition profits, net of dividends received	**2,032**	1,698
	5,334	5,018
Deemed capital contribution		
Financial guarantee	**95**	95
Fair value adjustments on interest-free advances	**4**	4
	99	99
	5,433	5,117

Included in the interests in joint ventures is goodwill of approximately RMB259 million (2023: 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 2024 and 2023 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 2024	2023	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 HKFRS Accounting Standards.

Dongguan Xinao

	2024 **RMB million**	2023 RMB million
Current assets	**1,824**	710
Non-current assets	**5,563**	5,439
Current liabilities	**4,921**	3,832
Non-current liabilities	**59**	227
Non-controlling interests	**271**	225

The above amounts of assets and liabilities include the following:

	2024 **RMB million**	2023 RMB million
Cash and cash equivalents	**122**	64
Current financial liabilities (excluding trade and other payables)	**716**	773

	2024 **RMB million**	2023 RMB million
Revenue	**9,955**	6,841
Profit and total comprehensive income for the year	**270**	251

The above profit for the year includes the following:

	2024 **RMB million**	2023 RMB million
Depreciation and amortisation	**220**	174
Interest income	**23**	28
Interest expense	**57**	62
Income tax expense	**62**	72

Reconciliation of the above summarised financial information to the carrying amount of the interest in Dongguan Xinao recognised in the consolidated financial statements:

	2024 **RMB million**	2023 RMB million
Net assets of Dongguan Xinao attributable to the owners	**2,136**	1,865
Proportion of the Group's ownership interest in Dongguan Xinao	**1,175**	1,026
Goodwill	**31**	31
Carrying amount of the Group's interest in Dongguan Xinao	**1,206**	1,057

21. Interests in Joint Ventures *(continued)*

Summarised financial information of material joint ventures *(continued)*

Dongguan Xinao Development

	2024 RMB million	2023 RMB million
Current assets	**1,730**	1,182
Non-current assets	**38**	40
Current liabilities	**482**	185
Non-controlling interests	**79**	82

The above amounts of assets and liabilities include the following:

	2024 RMB million	2023 RMB million
Cash and cash equivalents	**123**	34

	2024 RMB million	2023 RMB million
Revenue	**1,519**	1,619
Profit and total comprehensive income for the year	**322**	317
Dividends received from Dongguan Xinao Development during the year	**70**	55

The above profit for the year includes the following:

	2024 RMB million	2023 RMB million
Interest income	**8**	6
Income tax expense	**116**	111

Reconciliation of the above recognised financial information to the carrying amount of the interest in Dongguan Xinao Development recognised in the consolidated financial statements:

	2024 RMB million	2023 RMB million
Net assets of Dongguan Xinao Development attributable to the owners	**1,207**	955
Proportion of the Group's ownership interest in Dongguan Xinao Development	**664**	525

Aggregate information of joint ventures that are not individually material:

	2024 RMB million	2023 RMB million
Profit and total comprehensive income for the year	**497**	289
Group's share of profit and total income from joint ventures for the year	**247**	152
Aggregate carrying amount of the Group's interests in these joint ventures	**3,563**	3,535

22. Trade and Other Receivables

	2024 RMB million	2023 RMB million
Trade receivables	**4,319**	3,972
Less: Allowance for credit losses	**(1,169)**	(882)
	3,150	3,090
Bills receivable (note)	**1,132**	1,642
Other receivables	**666**	858
Loan receivables	**249**	245
	2,047	2,745
Less: Allowance for credit losses	**(62)**	(68)
	1,985	2,677
Deductible input value added tax and prepayment of other taxes and charges	**1,697**	1,553
Advances to suppliers and prepayments	**2,999**	3,785
Total trade and other receivables	**9,831**	11,105
Analysed for reporting purpose as:		
Current portion	**9,828**	11,091
Non-current portion	**3**	14

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 2024, 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:

	2024 RMB million	2023 RMB million
0 to 3 months	**1,718**	1,713
4 to 6 months	**211**	383
7 to 9 months	**252**	234
10 to 12 months	**164**	118
More than one year	**805**	642
	3,150	3,090

As at 1 January 2023, trade receivables, net of allowance for credit losses amounted to RMB3,007 million.

As at 31 December 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB2,356 million (2023: RMB1,844 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 2024 are set out in Note 50.

23. Derivative Financial Instruments

	2024 **RMB million**	2023 RMB million
Derivative financial assets		
Derivatives designated as cash flow hedges:		
Foreign currency derivative contracts (note a)	**229**	27
Commodity derivative contracts (note b)	**15**	4
Derivatives not designated in hedge accounting:		
Foreign currency derivative contracts (note a)	**82**	1
Commodity derivative contracts (note b)	**9**	226
	335	258
Derivative financial liabilities		
Derivatives designated as cash flow hedges:		
Foreign currency derivative contracts (note a)	**–**	6
Commodity derivative contracts (note b)	**36**	2
Derivatives not designated in hedge accounting:		
Commodity derivative contracts (note b)	**309**	41
	345	49
Analysed for reporting purpose as:		
Assets		
Current portion	**196**	203
Non-current portion	**139**	55
Liabilities		
Current portion	**345**	43
Non-current portion	**–**	6

For the year ended 31 December 2024

	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	**(15)**	**13**	**(2)**
Derivatives not designated in hedge accounting	**(508)**	**78**	**(430)**
	(523)	**91**	**(432)**
Net realised fair value gain included in other gains and losses			
Derivatives not designated in hedge accounting	**254**	**33**	**287**
	(269)	**124**	**(145)**

23. Derivative Financial Instruments *(continued)*

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

Notes:

a. The Group is exposed to exchange rate risk mainly arising from various bonds, bank loans and LNG purchases from international suppliers 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 2024, the Foreign Currency Derivatives have a total notional amount of USD1,850 million (2023: USD440 million), of which the maturity dates match to the maturity dates of certain debts and transaction dates of certain highly probable LNG purchases denominated in USD, of which USD1,391 million are accounted for under hedge accounting. The Foreign Currency Derivatives will enable the Group to buy USD at the predetermined RMB/USD exchange rates on maturity dates.

b. The Group's two regular operated international long-term LNG sale and purchase agreements, along with certain domestic long-term natural gas procurement agreements, are primarily priced based on international crude oil or natural gas price indices.

   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

	2024 RMB million	2023 RMB million
Financial assets at FVTPL		
Listed equity interest in Shanghai Utilities (note a)	**260**	148
Unlisted equity interest in Sinopec Marketing (note b)	**4,170**	4,170
Unlisted equity securities (note c)	**4**	16
Unlisted wealth management products	**–**	100
	4,434	4,434
Analysed for reporting purpose as:		
Assets		
Current portion	**–**	100
Non-current portion	**4,434**	4,334
Net unrealised gain (loss) included in other gains and losses		
Listed equity interest in Shanghai Utilities (note a)	**112**	14
Other unlisted equity securities (note c)	**(2)**	(1)
	110	13

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

	2024 RMB million	2023 RMB million
Listed equity securities	**81**	80
Unlisted equity securities	**143**	139
	224	219

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 2024 and 2023 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 2024

	Bills receivable discounted or pledged to banks RMB million	**Bills receivable endorsed to suppliers RMB million**	**Total RMB million**
Carrying amount of transferred assets	**83**	**541**	**624**
Carrying amount of associated liabilities	**(83)**	**(541)**	**(624)**
	–	**–**	**–**

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)
	–	–	–

27. Other Non-Current Assets

The balance mainly represents the deposits paid for acquisition of property and equipment, land use rights and right of operation, as well as the Group's contract cost for the renovation and enhancement to the existing pipeline as to improve the operational safety of the Group. The contract cost incurred will be recognised to profit or loss over the shorter of the estimated useful life of the pipeline or future economic benefit of the Group.

28. Contract Assets

	2024 RMB million	2023 RMB million
Gas pipeline installation	**786**	591
Integrated energy construction contracts	**62**	41
	848	632

As at 1 January 2023, contract assets amounted to RMB638 million.

Details of the impairment assessment are set out in Note 50.

29. Amounts Due From/to Associates

	2024 RMB million	2023 RMB million
Amounts due from associates:		
Current portion	**619**	649
Amounts due to associates:		
Current portion	**713**	675

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:

	2024 RMB million	2023 RMB million
Trade receivables due from associates		
0 to 3 months	**124**	151
4 to 6 months	**21**	9
7 to 9 months	**15**	6
10 to 12 months	**6**	3
More than one year	**223**	238
	389	407

	2024 RMB million	2023 RMB million
Trade payables due to associates		
0 to 3 months	**85**	58
4 to 6 months	**12**	1
7 to 9 months	**1**	–
10 to 12 months	**15**	2
More than one year	**21**	3
	134	64

29. Amounts Due From/to Associates *(continued)*

At 31 December 2024

	Maturity date	Effective interest rate per annum	2024 RMB million
Loans to associates			
Unsecured	22/07/2026–15/01/2028	3.65%–4.75%	**37**
Loan payables to associates			
Deposit placing in the Group's finance company	–	0.35%	**225**
Unsecured	07/01/2025–14/10/2025	1.60%–3.85%	**248**
			473

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

There is no formal credit period applied to the amounts due from/to associates. The balances are unsecured, interest-free and repayable on demand upon request except for the amounts due from/to associates detailed in the above table.

Owing to the strategic relationship with the associates, the Directors are of the view that the balance is not considered as in default.

Details of impairment assessment of amounts due from associates are set out in Note 50.

30. Amounts Due From/to Joint Ventures

	2024 RMB million	2023 RMB million
Amounts due from joint ventures:		
Current portion	**1,080**	1,736
Amounts due to joint ventures:		
Current portion	**968**	805

Included in the amounts due from joint ventures was approximately RMB157 million (2023: RMB265 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:

	2024 RMB million	2023 RMB million
Trade receivables due from joint ventures		
0 to 3 months	**399**	362
4 to 6 months	**92**	43
7 to 9 months	**51**	23
10 to 12 months	**26**	14
More than one year	**56**	47
	624	489

	2024 RMB million	2023 RMB million
Trade payables due to joint ventures		
0 to 3 months	**520**	229
4 to 6 months	**21**	14
7 to 9 months	**4**	17
10 to 12 months	**5**	8
More than one year	**57**	42
	607	310

30. Amounts Due From/to Joint Ventures *(continued)*

At 31 December 2024

	Maturity date	Effective interest rate per annum	2024 RMB million
Loans to joint ventures			
Unsecured	10/06/2025–30/12/2030	3.00%–4.00%	**87**
Loan payables to joint ventures			
Unsecured	27/09/2025–03/03/2026	3.60%	**10**
Deposit placing in the Group's finance company	–	0.35%	**126**
			136

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

There is no formal credit period applied to the amounts due from/to joint ventures. The balance was are unsecured, interest-free and repayable on demand upon request except for the amounts due from/to joint ventures detailed in the above table.

Owing to the strategic relationship with the joint ventures, the Directors are of the view that the balance is not considered as in default.

Details of impairment assessment of amounts due from joint ventures are set out in Note 50.

31. Amounts Due From/to Related Companies

	2024 RMB million	2023 RMB million
Amounts due from companies controlled by a director and shareholder with significant influence	**233**	247
Amounts due to companies controlled by a director and shareholder with significant influence	**1,503**	1,148

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 RMB566 million (2023: RMB493 million).

31. 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:

	2024 RMB million	2023 RMB million
Trade receivables due from related companies		
0 to 3 months	**56**	56
4 to 6 months	**10**	2
7 to 9 months	**10**	6
10 to 12 months	**11**	8
More than one year	**64**	49
	151	121

	2024 RMB million	2023 RMB million
Trade payables due to related companies		
0 to 3 months	**823**	616
4 to 6 months	**210**	136
7 to 9 months	**90**	57
10 to 12 months	**62**	28
More than one year	**181**	170
	1,366	1,007

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.

32. Deferred Taxation

	2024 RMB million	2023 RMB million
Deferred tax assets	**1,518**	1,442
Deferred tax liabilities	**(2,440)**	(2,574)
	(922)	(1,132)

32. Deferred Taxation *(continued)*

The following are the major deferred tax assets and liabilities recognised and movements thereon during the years ended 31 December 2024 and 2023:

	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
As at 1 January 2023	877	288	201	(1,013)	(603)	1,753	87	(94)	(86)	1,410
Acquisition of subsidiaries (Note 45)	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)
As at 1 January 2024	801	273	63	(984)	(603)	1,747	194	(202)	(157)	1,132
(Credit) charge to profit or loss	(73)	11	(20)	37	(42)	(1)	13	(16)	(113)	(204)
Credit to other comprehensive income	–	–	–	–	–	–	–	–	(6)	(6)
At 31 December 2024	728	284	43	(947)	(645)	1,746	207	(218)	(276)	922

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 2024, the Group has unused tax losses of approximately RMB6,440 million (2023: RMB6,207 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:

	2024 RMB million	2023 RMB million
2024	**–**	579
2025	**361**	438
2026	**582**	673
2027	**2,286**	2,509
2028	**1,791**	2,008
2029	**1,420**	–
	6,440	6,207

33. Inventories

	2024 RMB million	2023 RMB million
Construction materials	**615**	763
Gas appliances	**125**	143
Natural gas	**710**	697
Integrated energy appliances	**56**	71
Other energy inventories	**7**	8
	1,513	1,682

The cost of inventories recognised as an expense during the year was approximately RMB91,465 million (2023: RMB94,578 million).

34. Cash and Cash Equivalents/Restricted Bank Deposits

	2024 RMB million	2023 RMB million
Cash and cash equivalents	**7,693**	9,689
Restricted bank deposits		
Current portion	**174**	346
Non-current portion	**580**	538
	754	884

	2024 RMB million	2023 RMB million
Bank deposits secured for:		
Right of operation	**19**	16
Mandatory reserves in the People's Bank of China ("PBOC")	**438**	436
Energy supplies	**205**	220
Bills payable	**92**	212
	754	884

Cash and cash equivalents include bank balances with original maturities less than three months carrying interest at market rates ranging from 0.01% to 1.50% (2023: 0.01% to 1.70%) per annum as at 31 December 2024. 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 RMB343 million (2023: RMB1,316 million), of which approximately RMB210 million (2023: RMB1,287 million) and approximately RMB133 million (2023: RMB29 million) are denominated in USD and HK$, respectively.

As at 31 December 2024, the restricted bank deposits carry fixed interest rate ranging from 0.05% to 4.13% (2023: 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 the Group's finance company and the reserves amount is subject to change with respect to the savings accepted by the Group's finance company and the PBOC reserve rate is adjusted from time to time.

35. Lease Liabilities

	2024 RMB million	2023 RMB million
Lease liabilities payables:		
Within one year	**195**	170
More than one year, but not more than two years	**152**	106
More than two years, but not more than five years	**247**	167
More than five years	**268**	360
	862	803
Analysed for reporting purpose as:		
Current portion	**195**	170
Non-current portion	**667**	633
	862	803

The weighted average incremental borrowing rates applied to lease liabilities ranging from 3.04% to 5.23% (2023: from 3.04% to 5.23%).

36. Trade and Other Payables

	2024 RMB million	2023 RMB million
Trade payables	**5,536**	5,350
Bills payables (note)	**678**	797
Accrued staff cost	**687**	672
Other tax payables	**269**	224
Accrued charges and other payables	**1,033**	1,128
	8,203	8,171

Note: These relate to trade payables in which the Group has issued bills to the relevant suppliers for settlement of trade payables. The suppliers can obtain the invoiced amounts from the bank on the maturity date of the bills. The Group continues to recognise these trade payables as the Group are obliged to make payments to the relevant banks on due dates of the bills, under the same conditions as agreed with the suppliers without further extension. In the consolidated statement of cash flows, settlements of these bills by the Group are included within operating cash flows based on the nature of the arrangements.

The following is an aged analysis of trade payables presented based on the billing date at the end of the reporting period.

	2024 RMB million	2023 RMB million
0 to 3 months	**3,447**	3,177
4 to 6 months	**480**	540
7 to 9 months	**223**	255
10 to 12 months	**185**	188
More than one year	**1,201**	1,190
	5,536	5,350

The average credit period on purchases of goods is 30 to 90 days.

37. Contract Liabilities

	2024 **RMB million**	2023 RMB million
Deposit for gas charges and other sales (note a)	**9,871**	9,734
Deposit for construction and installation contracts (note b)	**2,821**	3,741
Deferred income (note c)	**2,751**	2,926
	15,443	16,401
Analysed for reporting purpose as:		
Current portion	**12,943**	13,714
Non-current portion	**2,500**	2,687
	15,443	16,401

As at 1 January 2023, contract liabilities amounted to RMB18,235 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 RMB11,727 million (2023: RMB12,687 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 typically be 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.

38. Deferred Income

	2024 RMB million	2023 RMB million
Government grants		
At 1 January	**988**	916
Additions	**140**	188
Disposal of subsidiaries (Note 46)	**–**	(39)
Release to profit or loss	**(88)**	(77)
At 31 December	**1,040**	988
Analysed for reporting purposes as:		
Current portion	**73**	98
Non-current portion	**967**	890
	1,040	988

39. Share Capital

	2024 Number of shares	2023 Number of shares	2024 HK$ million	2023 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	**1,131,219,375**	1,130,910,775	**113**	113
Issue of shares upon exercise of share options (note)	**4,900**	308,600	**–**	–
At end of the year	**1,131,224,275**	1,131,219,375	**113**	113

	2024 RMB million	2023 RMB million
Presented in consolidated financial statements as:		
At beginning and end of the year	**117**	117

Note: During the year ended 31 December 2024, 4,900 shares were issued at exercise price of HK$40.34 per ordinary share (2023: 4,600 shares and 304,000 shares were issued at the exercise price of HK$40.34 and HK$76.36 per ordinary share respectively) under Scheme 2012, 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 43.

Save as disclosed above and in Note 43, none of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities up to 31 December 2024.

40. Bank and Other Loans

	2024 RMB million	2023 RMB million
Bank loans		
Secured	**433**	627
Unsecured	**11,583**	13,472
	12,016	14,099
Other loans		
Unsecured	**96**	96
	12,112	14,195
The bank and other loans are repayable:		
On demand or within one year	**6,464**	8,767
More than one year, but not more than two years	**3,567**	1,982
More than two years, but not more than five years	**1,746**	3,020
More than five years	**335**	426
	12,112	14,195
Analysed for reporting purpose as:		
Current portion	**6,464**	8,767
Non-current portion	**5,648**	5,428
	12,112	14,195

As at 31 December 2024 and 2023, all the bank and other loans are denominated in the functional currency of respective group entities.

The secured bank loans are secured by rights to receive fee income by certain subsidiaries as set out in Note 49.

40. Bank and Other Loans *(continued)*

Details of the terms of the Group's borrowings are set out below:

At 31 December 2024

	Maturity date	Effective interest rate per annum	Carrying amount RMB million
Fixed-rate borrowings			
Unsecured bank loans in RMB	02/01/2025–06/03/2027	1.95%–3.80%	6,176
Unsecured other loans in RMB	31/12/2025	3.79%	96
Secured bank loans in RMB	21/06/2025–14/11/2025	2.90%–3.20%	433
Total fixed-rate borrowings			6,705
Floating-rate borrowings			
Unsecured bank loans in RMB at PBOC base rate	18/03/2025–20/12/2033	1.50%–4.05%	5,407
Total borrowings			12,112

At 31 December 2023

	Maturity date	Effective interest rate per annum	Carrying amount RMB million
Fixed-rate borrowings			
Unsecured bank loans in RMB	04/01/2024–20/10/2029	2.50%–4.30%	8,017
Unsecured other loans in RMB	31/12/2024	3.79%	96
Secured bank loans in RMB	15/03/2024–25/12/2024	3.50%–4.41%	627
Total fixed-rate borrowings			8,740
Floating-rate borrowings			
Unsecured bank loans in RMB at PBOC base rate	12/01/2024–07/11/2032	0.08%–5.04%	5,455
Total borrowings			14,195

41. Senior Notes

As at 31 December 2024, 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	**(1,853)**	**–**	**(1,853)**
Cumulative effective interest recognised	**556**	**487**	**1,043**
Cumulative interest paid/payable	**(531)**	**(469)**	**(1,000)**
Exchange loss	**247**	**339**	**586**
Carrying amount at 31 December	**3,484**	**3,936**	**7,420**

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	(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

41. 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.

In 2023, the Company has early redeemed the 2020 Green Senior Notes 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.

In 2024, the Company has early redeemed the 2020 Green Senior Notes with principal amount of USD61 million (equivalent to approximately RMB432 million) for a consideration of RMB388 million (included the applicable premium and accrued interests), and a gain of RMB47 million was recognised and included in other gains or losses as set out in Note 8.

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.

42. 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 2023	(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)
Changes in fair value of hedging instruments	**129**	**17**	**146**
Gain reclassified to profit or loss – hedged item has affected profit or loss	**15**	**–**	**15**
Cumulative gain transferred to initial carrying amount of hedged items	**–**	**(47)**	**(47)**
Income tax relating to items that may be reclassified subsequently	**–**	**5**	**5**
At 31 December 2024	**41**	**(3)**	**38**
Of which:			
At 31 December 2024			
Balance related to continuing cash flow hedges	**38**		
At 31 December 2023			
Balance related to continuing cash flow hedges	(81)		

42. Hedging Reserve *(continued)*

	Foreign exchange risk RMB million	**Commodity risk** RMB million	**Total** RMB million
Cost of hedging reserve			
At 1 January 2023	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)**
Changes in fair value of time value/foreign currency basis components of time period related hedged items	**84**	**–**	**84**
Changes in the fair value in relation to transaction related hedged items	**–**	**(10)**	**(10)**
Amortisation to profit or loss on changes in fair value in relation to time period related hedged items	**(77)**	**–**	**(77)**
Income tax relating to items that may be reclassified subsequently	**–**	**2**	**2**
At 31 December 2024	**(9)**	**(7)**	**(16)**
At 31 December 2024	32	(10)	22

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.

43. 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, there was no share-based payment expenses (2023: RMB9 million in respect to the Scheme 2012 and Share Award Scheme), and there was approximate RMB28,000 transferred from share options reserve to share premium upon exercise of share options (2023: RMB8 million). As at 31 December 2024, the Group has recorded liabilities of RMB4 million (2023: RMB8 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.

The 2015 Grantees and the 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 1.1.2024	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.12.2024
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	**15,525**	–	–	–	**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	**94,724**	**(2,900)**	–	–	**91,824**
	Tranche 3	9.12.2015	1.4.2019 to 8.12.2025	40.34	**141,650**	**(2,000)**	–	–	**139,650**
	Tranche 4	9.12.2015	1.4.2020 to 8.12.2025	40.34	**317,986**	–	–	–	**317,986**
Subtotal					**683,135**	**(4,900)**	–	–	**678,235**
Exercisable at the end of the year									**678,235**
Weighted average exercise price									**HK$40.34**

43. Share Based Payment Transactions *(continued)*

a. Scheme 2012 *(continued)*

		Date of grant	Exercise period	Exercise price (HK$)	Outstanding at 1.1.2024	Number of options Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.12.2024
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	**113,500**	–	–	–	**113,500**
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	**371,200**	–	–	–	**371,200**
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	**530,900**	–	–	–	**530,900**
Employees	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	**153,800**	–	**(40,000)**	–	**113,800**
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	**1,028,075**	–	**(40,000)**	–	**988,075**
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	**1,352,574**	–	**(55,750)**	–	**1,296,824**
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	**1,560,392**	–	–	–	**1,560,392**
Business Consultants	Tranche 1	28.3.2019	1.4.2020 to 27.3.2029	76.36	**65,500**	–	–	–	**65,500**
	Tranche 2	28.3.2019	1.4.2021 to 27.3.2029	76.36	**104,000**	–	–	–	**104,000**
	Tranche 3	28.3.2019	1.4.2022 to 27.3.2029	76.36	**117,500**	–	–	–	**117,500**
	Tranche 4	28.3.2019	1.4.2023 to 27.3.2029	76.36	**104,000**	–	–	–	**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					**5,576,441**	–	**(135,750)**	–	**5,440,691**
Exercisable at the end of the year									**5,440,691**
Weighted average exercise price									**HK$76.36**
Total					**6,259,576**	**(4,900)**	**(135,750)**	–	**6,118,926**

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$62.83 (2023: HK$112.48).

No share options were granted in both years presented. 4,900 (2023: 308,600) share options were exercised and 135,750 (2023: 1,013,566) share options were forfeited during the year. As at 31 December 2024, the number of outstanding share options is 6,118,926 (2023: 6,259,576).

43. 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 ended 31 December 2024, 13,252,000 shares were purchased by the trustee (2023: 4,047,500). As at 31 December 2024, 19,984,600 shares (31 December 2023: 6,732,600 shares) were held by the Trustee. The cost of the shares purchased was recognised in equity as shares held under the Share Award Scheme.

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

The following table discloses details of the Awarded Shares held by the grantees and movements in such holdings during the year:

					Number of options				
		Financial year to which the performance conditions related	Exercise period	Award price (HK$)	Outstanding at 1.1.2024	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding at 31.12.2024
Directors	Tranche 1	2020	1.4.2021 to 27.3.2029	76.36	40,000	–	–	–	40,000
	Tranche 2	2021	1.4.2022 to 27.3.2029	76.36	80,000	–	–	–	80,000
	Tranche 3	2022	1.4.2023 to 27.3.2029	76.36	80,000	–	–	–	80,000
Employees	Tranche 1	2020	1.4.2021 to 27.3.2029	76.36	84,500	–	–	–	84,500
	Tranche 2	2021	1.4.2022 to 27.3.2029	76.36	81,500	–	–	–	81,500
	Tranche 3	2022	1.4.2023 to 27.3.2029	76.36	65,000	–	–	–	65,000
Other eligible participants	Tranche 1	2020	1.4.2021 to 11.12.2024	76.36	5,000	–	(5,000)	–	–
	Tranche 2	2021	1.4.2022 to 11.12.2024	76.36	120,000	–	(120,000)	–	–
	Tranche 3	2022	1.4.2023 to 11.12.2024	76.36	120,000	–	(120,000)	–	–
Total					676,000	–	(245,000)	–	431,000
Exercisable at the end of the year									431,000

The fair values for these Awarded Shares granted were calculated using the Binomial Option Pricing Model.

No Awarded Shares were exercised during the year, the weighted average share price at the dates of exercise was HK$109.56 in 2023.

43. 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 2024:

	Directors	Employees
Spot price	HK$55.85	HK$55.85
Award price	HK$76.36	HK$76.36
Expected life	4.24 years	4.24 years
Expected volatility	43.44%	43.44%
Expected dividend yield	3.42%	3.42%
Risk-free interest rate	3.40%	3.40%
Early exercise behaviour	280% of the award price	220% of the award 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 4.24 years.

44. Retirement Benefits Scheme

	2024 RMB million	2023 RMB million
Retirement benefits scheme contribution made during the year	**290**	273

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.

45. Acquisition of Businesses

a. There was no significant acquisition of business during the year ended 31 December 2024.

b. **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 right to appoint 4 out of 7 directors 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.

45. Acquisition of Businesses *(continued)*

b. 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
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

45. Acquisition of Businesses *(continued)*

b. Acquisition of businesses during the year ended 31 December 2023 *(continued)*

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.

46. Disposal of Businesses

a. Disposal of subsidiaries during the year ended 31 December 2024

Disposal date	Companies disposed	Registered capital disposed	Consideration RMB million
19 January 2024	浙江帆倍物流有限公司	100%	9
12 March 2024	北京通達豐陽能源科技有限公司	100%	4
22 March 2024	宣城市安捷天然氣運輸有限公司	100%	1
19 April 2024	廣西北海順利清潔能源有限公司	100%	47
29 August 2024	襄陽新奥新能能源發展有限公司	100%	20
06 November 2024	涼山州綠燃燃氣有限公司 ("Liangshan Group")	41%	17

The Liangshan Group include three subsidiaries, which entered into a sales and purchase agreement with an independent third party to dispose of its 41% equity interest for a total consideration of RMB17 million. Following the transaction, the Group retain a 49% equity interest in the Liangshan Group, which the fair value is RMB21 million.

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

	RMB million
Non-current assets	
Property, plant and equipment	51
Right-of-use assets	21
Current assets	
Inventories	3
Trade and other receivables	3
Cash and cash equivalents	28
Current liability	
Trade and other payables	(23)
Net assets	83
Less: Non-controlling interests	(5)
Net assets attributable to the owners of the Company disposed of	78

46. Disposal of Businesses *(continued)*

a. Disposal of subsidiaries during the year ended 31 December 2024 *(continued)*

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

	RMB million
Fair value of remaining interest in associates	21
Consideration received	98
Less: Net assets attributable to owners of the Company derecognised	(78)
Gain on disposal of subsidiaries	**41**
Net cash inflow arising from the disposal:	
Cash consideration received	98
Less: Cash and cash equivalents disposed of	(28)
	70

b. 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)*

b. Disposal of subsidiaries during the year ended 31 December 2023 *(continued)*

Category A

The net assets 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. Disposal of subsidiaries during the year ended 31 December 2023 *(continued)*

Category 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 consideration are not expected to have a material impact on the Group.

The net assets 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

46. Disposal of Businesses *(continued)*

b. Disposal of subsidiaries during the year ended 31 December 2023 *(continued)*

Category B (continued)

The 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)

47. Commitments

a. Capital commitments

	2024 RMB million	2023 RMB million
Capital commitments in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**267**	333
Capital commitments in respect of		
– investments in joint ventures	**601**	506
– investments in associates	**672**	679
– other equity investments	**2**	2

b. Other commitments

As at 31 December 2024, the Group has two long-term sale and purchase agreements 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:

	2024 RMB million	2023 RMB million
Within one year	**83**	62
In the second year	**72**	15
In the third year	**66**	15
In the fourth year	**23**	13
In the fifth year	**20**	13
After five years	**120**	56
	384	174

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:

	2024 RMB million	2023 RMB million
Carrying amount of:		
Property, plant and equipment	**6**	25
Restricted bank deposits	**317**	448
Bills receivable	**83**	586

In addition to the above, the Group has also pledged its rights to receive construction and installation and gas supply fee income by certain subsidiaries in favor of banks to secure banking facilities amounting to RMB690 million (2023: RMB100 million) granted to the Group, of which RMB340 million (2023: RMB30 million) has been utilised up to 31 December 2024.

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 40 and 41, 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:

	2024 RMB million	2023 RMB million
Bank and other loans	**12,112**	14,195
Senior notes	**7,420**	7,728
	19,532	21,923
Less: Cash and cash equivalents	**(7,693)**	(9,689)
Net debt	**11,839**	12,234
Total equity	**51,076**	48,262

50. Capital Management and Financial Instruments *(continued)*

a. Capital risk management *(continued)*

	2024 **%**	2023 %
Net debt to total equity ratio	**23.2**	25.3

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:

	2024 **RMB million**	2023 RMB million
Financial assets		
Financial assets at FVTPL	**4,434**	4,434
Derivative financial instruments	**335**	258
Equity instruments at FVTOCI	**224**	219
Financial assets at amortised cost	**15,295**	18,640
Financial liabilities		
Derivative financial instruments	**345**	49
Financial liabilities at amortised cost	**29,754**	31,826
Financial guarantee liabilities	**32**	37

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 and 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 and certain LNG purchases from international suppliers 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.

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	
	2024	2023	**2024**	2023
	RMB million	RMB million	**RMB million**	RMB million
Foreign currency:				
USD	**210**	1,287	**7,420**	7,728
HK$	**133**	29	**–**	–

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$	
	2024	2023	**2024**	2023
	%	%	**%**	%
Possible change in foreign exchange rate	**5**	5	**5**	5

	2024	2023	**2024**	2023
	RMB million	RMB million	**RMB million**	RMB million
(Decrease) increase in profit after taxation for the year:				
– if RMB weakens against foreign currencies	**(49)**	(113)	**5**	1
– if RMB strengthens against foreign currencies	**49**	113	**(5)**	(1)

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 exchange forward as hedging instruments in cash flow hedges. The Group designates the hedge of foreign currency risk on a hedge by hedge basis. For cross currency swaps, the Group separates the forward and spot element of the contract and the hedged item is measured based on the spot exchange rate only. For foreign exchange forward, the Group does not separate the forward and spot element of the contract but instead designates 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. 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.

As at 31 December 2024 and 2023, the hedge derivatives have a total notional amount of USD1,391 million and USD440 million (see Notes 23 and 42 for details).

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		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	Loss 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
					Current period hedging instruments RMB million	Current period hedged items RMB million								
Cash flow hedges														
Cross currency swaps	6.69	820	5,488	134	113	(72)	(12)	41	9	(37)	77	Other gains and losses	Other gains and losses & Finance costs	31
Foreign exchange forward	7.12	571	4,066	95	95	(95)	–	–	–	–	–	Other gains and losses	Other gains and losses & Finance costs	(95)

Due to the impact on profit and loss from cross currency swaps (hedging instrument) contributable to the foreign exchange movement will be offset by that of the debt denominated in USD (hedged item), therefore no sensitivity calculation is performed.

An increase/decrease of 2.75% (2023: had no foreign exchange forward contracts) in forward exchange rate at the end of the year ended 31 December 2024 would have affected profit or loss for the years by amount shown below. These amounts represent the change in fair value of foreign exchange forward ("FX forward") derivative contracts at the reporting date.

	2024 RMB million	2023 RMB million
(Decrease) increase in profit before taxation for the year		
– if RMB weakens against USD	**93**	–
– if RMB strengthens against USD	**(94)**	–
Increase (decrease) in other comprehensive income		
– if RMB weakens against USD	**114**	–
– if RMB strengthens against USD	**(114)**	–

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, fixed-rate bank and other loans, and senior notes (see Notes 29, 30, 40 and 41 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.

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

The Group's cash flow interest rate risk relates primarily to floating-rate bank loans (see Note 40 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.

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.

	2024	2023
	%	%
Possible change in interest rate	**50 basis points**	50 basis points

	2024	2023
	RMB million	RMB million
(Decrease) increase in profit after taxation for the year		
– as a result of increase in interest rate	**(20)**	(20)
– as a result of decrease in interest rate	**20**	20

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 after December 2024, 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	Carrying amount of the hedging instruments	Cumulative hedging instruments	Cumulative hedged items	Hedging (gain) losses recognised in cash flow hedge reserve	Hedge ineffectiveness recognised in profit or loss	Cost of hedging recognised in OCI	Line item in profit or loss in which hedge ineffectiveness is included	Amount from cash flow hedge reserve transferred to inventory
		bbl	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million		RMB million
Cash flow hedges										
Collar for Japan Crude Cocktail	52.85–68.5	1,410,000	14	–	–	–	10	3	Other gains and losses	–
Collar for Brent Oil	62–85	1,740,000	(8)	–	–	–	1	7	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% (2023: increase/decrease of 20%) in relevant commodity prices at the end of the year ended 31 December 2024 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.

	2024 **RMB million**	2023 RMB million
(Decrease) increase in profit before taxation for the year		
– as a result of increase in commodity price risk	**(268)**	(163)
– as a result of decrease in commodity price risk	**267**	163
Increase (decrease) in other comprehensive income		
– as a result of increase in commodity price risk	**178**	13
– as a result of decrease in commodity price risk	**(192)**	(13)

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 RMB222 million (2023: RMB217 million) and the other comprehensive income of RMB11 million (2023: RMB11 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 2024 RMB million	2023 RMB million
Financial assets at amortised cost						
Amounts due from associates*	29	N/A	(note a)	12-month ECL	**189**	240
				Lifetime ECL (not credit-impaired)	**450**	419
					639	659
Amounts due from joint ventures*	30	N/A	(note a)	12-month ECL	**320**	1,041
				Lifetime ECL (not credit-impaired)	**679**	691
					999	1,732
Amounts due from related companies*	31	N/A	(note a)	12-month ECL	**67**	76
				Lifetime ECL (not credit-impaired)	**162**	134
					229	210
Restricted bank deposits	34	AA	N/A	12-month ECL	**754**	884
Cash and cash equivalents	34	AA+	N/A	12-month ECL	**7,693**	9,689
Other receivables	22	N/A	(note a)	12-month ECL	**666**	858
Loan receivables	22	N/A	(note a)	12-month ECL	**249**	245
Trade receivables	22	N/A	(note b)	Lifetime ECL (provision matrix)	**3,500**	3,481
				Lifetime ECL (not credit-impaired)	**–**	31
				Credit-impaired	**819**	460
					4,319	3,972
Bills receivable	22	N/A	(note a)	12-month ECL	**1,129**	1,634
				Credit-impaired	**3**	8
Contract assets	28	N/A	(note b)	Lifetime ECL (provision matrix)	**866**	651
				Credit-impaired	**10**	2
					876	653

* 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.

2024

	Past due RMB million	Not past due/ No fixed terms of repayment RMB million	Total RMB million
Amounts due from associates	**–**	**639**	**639**
Amounts due from joint ventures	**–**	**999**	**999**
Amounts due from related companies	**–**	**229**	**229**
Other receivables	**–**	**666**	**666**
Loan receivables	**–**	**249**	**249**
Bills receivable	**3**	**1,129**	**1,132**

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

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 2024 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

	2024		2023	
	Average loss rate	**Trade receivables and contract assets RMB million**	Average loss rate	Trade receivables and contract assets RMB million
0 to 3 months	**0.62%**	**2,531**	0.89%	2,330
4 to 6 months	**7.43%**	**244**	7.81%	420
7 to 9 months	**8.01%**	**269**	9.98%	264
10 to 12 months	**8.33%**	**190**	12.72%	154
1 to 2 years	**26.17%**	**710**	27.22%	633
2 to 3 years	**51.85%**	**422**	41.98%	331
		4,366		4,132

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 2024, the Group provided RMB398 million (2023: RMB391 million) and RMB18 million (2023: RMB19 million) impairment allowance for trade receivables and contract assets respectively, based on the provision matrix. Impairment allowance of RMB771 million (2023: RMB460 million) and RMB10 million (2023: RMB2 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 2023	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
Changes due to financial instruments recognised				
– Impairment losses recognised	19	193	301	513
– Impairment losses reversed	(43)	(142)	(2)	(187)
As at 31 December 2024	44	169	1,216	1,429

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 uses senior notes and bank and other loans as a significant source of liquidity, detail of which are set out in Notes 41 and 40. 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 2024									
Non-derivative financial liabilities									
Trade and other payables		7,247	–	–	–	–	–	7,247	7,247
Amounts due to associates	0.69	637	–	–	–	–	–	637	637
Amounts due to joint ventures	0.06	841	–	–	–	–	–	841	841
Amounts due to related companies		1,497	–	–	–	–	–	1,497	1,497
Bank and other loans									
– fixed rate	2.85	5,476	574	745	–	–	–	6,795	6,705
– variable rate	3.10	1,203	2,986	721	337	247	277	5,771	5,407
Lease liabilities	3.90	224	189	152	90	80	267	1,002	862
2022 Green Senior Notes	4.63	183	183	4,060	–	–	–	4,426	3,936
2020 Green Senior Notes	2.63	92	92	92	92	92	3,583	4,043	3,484
Financial guarantee liabilities		178	21	50	29	9	13	300	32
		17,584	4,036	5,815	547	428	4,131	32,541	30,648
Derivatives: Cross currency swaps									
– inflow		(228)	(223)	(3,571)	(59)	(58)	(2,228)	(6,367)	
– outflow		216	216	3,451	58	58	2,231	6,230	
Derivatives: FX forward									
– inflow		(120)	(5)	–	–	–	–	(125)	
– outflow		–	–	–	–	–	–	–	
Derivatives: Commodity									
– inflow		(11)	–	–	–	–	–	(11)	
– outflow		313	–	–	–	–	–	313	

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 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 liabilities		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	

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:

	2024		2023	
	RMB million	**Expiry period**	RMB million	Expiry period
Guarantees issued to banks to secure loan facilities granted to joint ventures	**300**	**2032**	257	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 methodology and key input
	2024 RMB million	2023 RMB million		
Financial assets				
Derivative financial instruments	**335**	258	Level 2	Discounted cash flow for swaps and forwards 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	**260**	148	Level 1	Fair values are derived from quoted bid prices in an active market
Unlisted wealth management products	**–**	100	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	**4**	16	Level 3	Fair value are derived from price multiples of similar assets that have been traded in the market
Unlisted equity securities – FVTOCI	**143**	139	Level 3	Fair values are derived from the fair value of the underlying assets and liabilities held by the investee
Listed equity securities – FVTOCI	**81**	80	Level 1	Fair values are derived from quoted bid prices in an active market
Financial liabilities				
Derivative financial instruments	**345**	49	Level 2	Discounted cash flow for swaps and forwards 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 2024 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 2024.

During the year ended 31 December 2024, additions and reductions to investment costs of unlisted wealth management products amounted to RMB15,705 million and RMB15,805 million, respectively. No fair value change on the said investments were noted during the year.

During the year ended 31 December 2024, reduction on investment costs of other unlisted equity securities – FVTPL amounted to RMB10 million. Fair value loss of RMB2 million on the said investments were noted (during the year ended 31 December 2023: loss of RMB1 million).

During the year ended 31 December 2024, additions to investment costs of unlisted equity securities – FVTOCI amounted to RMB1 million. Fair value gain of RMB3 million on the said investments were noted (during the year ended 31 December 2023: loss of RMB 1 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:

	2024		2023	
	Carrying amount RMB million	**Fair value RMB million**	Carrying amount RMB million	Fair value RMB million
Fixed-rate bank and other loans	**6,705**	**6,460**	8,740	8,419
Senior notes	**7,420**	**7,104**	7,728	7,200

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 are derived from the quoted prices in an over-the-counter market. The fair values of the rest of the financial liabilities at amortised cost are derived from discounted cash flow technique by reference to the market interest rate of the loans with comparable maturity and credit risk of the respective group entities at the end of the reporting period.

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 40)	**Lease liabilities RMB million (Note 35)**	**Senior notes RMB million (Note 41)**	**Others RMB million (note)**	**Total RMB million**
At 1 January 2024	**14,195**	**803**	**7,728**	**995**	**23,721**
Financing cash flows	**(2,083)**	**(171)**	**(388)**	**(4,636)**	**(7,278)**
Foreign exchange translation	**–**	**–**	**113**	**–**	**113**
New leases entered	**–**	**241**	**–**	**–**	**241**
Disposal of lease liabilities	**–**	**(11)**	**–**	**–**	**(11)**
Dividends paid to shareholders	**–**	**–**	**–**	**3,015**	**3,015**
Dividends paid to non-controlling shareholders	**–**	**–**	**–**	**709**	**709**
Interest expense	**–**	**–**	**14**	**836**	**850**
Net gain of repurchase of senior notes	**–**	**–**	**(47)**	**–**	**(47)**
At 31 December 2024	**12,112**	**862**	**7,420**	**919**	**21,313**

	Bank and other loans RMB million (Note 40)	Lease liabilities RMB million (Note 35)	Senior notes RMB million (Note 41)	Others RMB million (note)	Total RMB million
At 1 January 2023	10,827	375	8,965	1,438	21,605
Financing cash flows	3,554	(140)	(1,202)	(5,191)	(2,979)
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	14,195	803	7,728	995	23,721

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 29, 30, 31 and 46, the Group had the following transactions with certain related parties:

	2024 RMB million	2023 RMB million
Nature of transaction		
Associates:		
– Sales of gas to	**2,226**	2,637
– Sales of materials to	**171**	120
– Purchase of gas from	**1,246**	1,657
– Purchase of equipment from	**1**	5
– Loan interest received from	**1**	2
– Provision of gas transportation services from	**40**	74
– Deposit interest paid to	**2**	1
– Provision of supporting services to	**15**	12
– Provision of supporting services from	**10**	8
– Provision of construction and installation services to	**88**	9
– Loan interest paid to	**2**	2
– Provision of training service to	**1**	1
– Provision of electronic business services to	**–**	1
Joint ventures:		
– Sales of gas to	**3,642**	3,744
– Sales of materials to	**373**	374
– Purchase of gas from	**4,836**	5,565
– Provision of gas transportation services to	**23**	190
– Loan interest received from	**12**	16
– Loan interest paid to	**1**	3
– Provision of supporting services to	**87**	80
– Provision of supporting services by	**133**	134
– Purchase of equipment from	**55**	37
– Deposit interest paid to	**1**	1
– Provision of construction services by	**6**	28
– Provision of administrative services by	**80**	51
– Provision of technology services by	**6**	17
– Provision of construction and installation services to	**107**	29
– Provision of gas transportation services from	**75**	62
– Provision of energy efficiency technology service to	**2**	1
– Provision of electronic business services to	**–**	1
– Provision of training services to	**3**	3
– Lease of premises to	**4**	5
– Lease of premises from	**1**	1

52. Related Party Transactions *(continued)*

	2024 RMB million	2023 RMB million
Nature of transaction *(continued)*		
Companies controlled by Mr. Wang:		
Transactions exempt from shareholders' approval:		
– Purchase of equipment from	**335**	216
– Provision of construction services by	**1,193**	903
– Provision of information technology services by	**247**	260
– Purchase of natural gas from	**1,675**	1,709
– Provision of LNG terminal usage services by	**415**	439
– Provision of logistic service to	**–**	2
– Provision of risk prevention services by	**94**	–
Transactions fully exempt from shareholders' approval, annual review and all disclosure requirement:		
– Sales of gas, gasoline and diesel to	**7**	16
– Sales of materials to	**57**	46
– Provision of construction and installation services to	**57**	18
– Provision of property management services by	**21**	16
– Provision of property management services to	**1**	1
– Lease of premises to	**6**	27
– Lease of premises from	**6**	5
– Provision of administrative services by	**50**	52
– Provision of supporting services to	**52**	57
– Provision of outsourcing services by	**26**	10
– Provision of electronic business services by	**45**	44
– Provision of technology services to	**59**	54
– Provision of energy efficiency technology services to	**17**	14
– Loan interest received from	**3**	6
– Provision of training service to	**8**	17
– Purchase of equity interest from	**10**	–
– Disposal of equity interest to	**–**	1
– Provision of logistic service to	**56**	–

At 1 January 2024, the Company entered into a back-to-back agency agreement with a significant shareholder of the Company, pursuant to which the significant shareholder agreed to procure natural gas on behalf of the Company at market price without charging any agency fees or commission. Through such agency agreement, the Company purchased approximately RMB5,489 million of natural gas from an independent third-party supplier during the period.

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. At 31 December 2024, right-of-use asset and lease liability of RMB333 million and RMB342 million were recognised (31 December 2023: RMB375 million and RMB379 million) accordingly.

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 2024 and 2023 was disclosed in Note 11.

Financial guarantee contracts

As at 31 December 2024, the guaranteed facilities amount utilised by the joint ventures were RMB300 million (2023: RMB257 million).

As at 31 December 2024, the fair value of financial guarantee contracts of the Group is RMB46 million (2023: RMB46 million) with a carrying amount of RMB32 million (2023: RMB37 million).

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 2024	2023	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
新奧泛能科技有限公司 ENN Ubiquitous Energy 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

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 2024	2023	Principal activities
新奧液化天然氣貿易有限公司 ENN LNG Trading Company Limited ("ENN LNG Trading")	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) Gas Investment Limited* ("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	RMB220,000,000	**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,	Singapore	USD1,000,000	**100.00%**	100.00%	Sourcing and sales of LNG

* Foreign-invested enterprises

53. Particular of Principal Subsidiaries *(continued)*

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 2024.

There were no subsidiaries that have non-controlling interests that are material to the company as at 31 December 2024.

54. Statement of Financial Position of the Company

	2024 RMB million	2023 RMB million
Non-current Assets		
Investments in subsidiaries	11,376	11,277
Amount due from a subsidiary	4,663	3,954
Derivative financial instruments	139	27
	16,178	15,258
Current Assets		
Derivative financial instruments	172	1
Amounts due from subsidiaries	4,284	2,178
Cash and cash equivalents	164	190
	4,620	2,369
Current Liabilities		
Other payables	90	58
Amounts due to subsidiaries	2,753	1,313
Bank loans	3,000	3,775
Share-based payment liabilities	4	8
	5,847	5,154
Net Current Liabilities	(1,227)	(2,785)
Total Assets less Current Liabilities	14,951	12,473
Capital and Reserves		
Share capital	117	117
Reserves	7,414	4,622
Total Equity	7,531	4,739
Non-current Liabilities		
Derivative financial instruments	–	6
Senior notes	7,420	7,728
	7,420	7,734
	14,951	12,473

54. Statement of Financial Position of the Company *(continued)*

The statement of changes in equity is as follow:

	Share capital RMB million	Shares held under Share Award Scheme 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 2023	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 43)	–	–	–	–	7	–	7
Repurchase of shares for share award	–	(229)	–	–	–	–	(229)
Issue of ordinary shares upon exercise of share options (Notes 39 & 43)	–	–	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
Profit and total comprehensive income for the year	–	–	–	76	–	6,396	6,472
Repurchase of shares for share award	–	(665)	–	–	–	–	(665)
Dividends appropriation (Note 13)	–	–	(28)	–	–	(2,987)	(3,015)
At 31 December 2024	117	(1,062)	–	(42)	142	8,376	7,531

Note: The revenue of the Company, derived primarily from dividend income, is RMB6,376 million for the year ended 31 December 2024 (2023: RMB 5,210 million).

55. Non-adjusting Events after the Reporting Period

On 18 March 2025, Xinneng (Hong Kong) Energy Investment Limited (the "Offeror") (a company with limited liability incorporated under the laws of Hong Kong), being the shareholder with significant influence of the Company and a wholly-owned subsidiary of ENN Natural Gas Co., Ltd. ("ENN-NG"), has requested the Board to, subject to the satisfaction of certain pre-conditions, put forward the proposal to the registered holders of all the shares of the Company in issue other than those held by the Offeror (the "Scheme Shares", and such holders, the "Scheme Shareholders") for the privatisation of the Company by way of a scheme of arrangement (the "Scheme") under section 86 of the Companies Act (2025 Revision) of the Cayman Islands. Upon the fulfilment of certain conditions and the Scheme becoming effective, all Scheme Shares will be cancelled and the Scheme Shareholders will be entitled to receive 2.9427 newly issued H shares of ENN-NG and a cash consideration of HK$24.50 to be paid by the Offeror for every cancelled Scheme Share.

Save as disclosed above, there is no other material event that casted material impact on the Group since the end of the reporting period, and the Group has no material contingent liability as at 31 December 2024.

ENN 新奥

Rooms 3101-04, 31/F., Tower 1, Lippo Centre,
No.89 Queensway, Hong Kong

Tel (852) 2528 5666
Fax (852) 2865 7204
Website www.ennenergy.com
E-mail enn@enn.cn