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

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

Annual Results Announcement For The Year Ended 31 December 2022

Annual Results Highlights:	2022	2021	Increase/ (Decrease)
Revenue (RMB million)	110,051	93,113	18.2%
Core profit [△] (RMB million)	7,964	7,154	11.3%
Basic earnings per share (RMB)	5.20	6.88	(24.4%)
Total dividends per share* (HK\$)	2.91	2.70	7.8%
Retail gas sales volume [#] (million m ³)	25,941	25,269	2.7%
Sales volume of integrated energy [#] (million kWh)	22,239	19,065	16.6%

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

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

* Total dividends per share in 2022 include the interim dividend of HK\$0.64 per share paid and the proposed final dividend of HK\$2.27 per share, while total dividends per share in 2021 included the interim dividend and final dividend paid per share.

The Board of Directors (the “**Board**”) of ENN Energy Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2022 together with the comparative audited figures for the corresponding period in 2021. The annual results and the audited consolidated financial statements have been reviewed by the Company’s Audit Committee.

BUSINESS REVIEW

2022 was an extraordinary year with profound and sweeping changes in the world. Amidst such complexities, severities and uncertainties, the Company forged ahead by coping with changes and risks with flexible and agile business moves. Adhering to the strategies of customer-centric, gas-focused and product diversification, the Company has continued to create long-term value for shareholders through meticulous decisions and pragmatic relief measures.

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

	For the year ended 31 December		Increased/ (Decreased) by
	2022	2021	
Key financial data			
Revenue (RMB million)	110,051	93,113	18.2%
Gross profit (RMB million)	15,756	14,056	12.1%
Profit attributable to owners of the Company (RMB million)	5,865	7,755	(24.4%)
Core profit [△] (RMB million)	7,964	7,154	11.3%
Basic earnings per share (RMB)	5.20	6.88	(24.4%)
Net gearing ratio	25.8%	26.6%	(0.8ppt)
Key operational data[#]			
Number of city-gas projects in China	254	252	2
Connectable urban population coverage (thousand)	133,196	124,271	7.2%
New natural gas customers developed during the year:			
– residential households (thousand)	2,086	2,622	(20.4%)
– C/I customers (sites)	22,003	25,331	(13.1%)
– installed designed daily capacity for C/I customers (thousand m ³)	20,504	21,036	(2.5%)
Accumulated number of customers:			
– residential households (thousand)	27,921	25,835	8.1%
– C/I customers (sites)	224,462	202,459	10.9%
– installed designed daily capacity for C/I customers (thousand m ³)	183,326	162,822	12.6%
Piped gas penetration rate	62.9%	62.4%	0.5ppt
Retail gas sales volume (million m ³)	25,941	25,269	2.7%
Wholesale of gas volume (million m ³)	6,756	7,828	(13.7%)
Combined daily capacity of natural gas processing stations (thousand m ³)	181,540	181,464	0.0%
Total length of existing intermediate and main pipelines (km)	77,677	72,849	6.6%
Accumulated number of integrated energy projects in operation	210	150	60
Integrated energy projects under construction	54	42	12
Sales volume of integrated energy (million kWh)	22,239	19,065	16.6%

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

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

OPERATION HIGHLIGHTS

Ensured Intrinsic Safety and Built a Safety Brand

The Company is fully committed to developing itself into a safety brand. To this end, it has put continuous efforts on the construction of a safety system and maintained a proven safety record over the years. As the first year for the nationwide three-year campaign for production safety overhaul, 2022 presented an opportunity for the Company to reinforce safety management foundation and enhance intrinsic safety. During the year, the Company completed the replacement and maintenance of all its pipeline networks that are more than 20-years old, continued efforts on the implementation of comprehensive corporate and gas-project governance, progressively overhauled integrated energy projects and completed online tracking of 108 sub-scenarios under five major business scenarios - construction and engineering, pipeline network, citygate stations, customer sites and integrated energy stations, achieving closed-loop safety management. Through these efforts, the Company enhanced its operation quality, reduced risk alerts for safety hazards and refined its safety supervision, thus building a safe and intelligent operation system that can identify and well manage risks under all scenarios.

By the end of 2022, the Group's 62 member companies have obtained ISO45001 safety system certification, and ENN Qingdao's safety intelligence has been selected as an IoT demonstration project by Ministry of Industry and Information Technology of the People's Republic of China. Such excellent safety performance of the Group has received wide recognition from the community and further enhanced ENN's reputation as a

safety brand.

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

As an extensive and profound economic and social change, the carbon peak and carbon neutrality goal in China has spurred a massive demand for clean energy and low-carbon products and services. With years of experience in the integrated energy business, the Group has accumulated abundant clean energy solutions, low-carbon product portfolio and smart energy management tools to meet customers' demand for clean, low-carbon and efficient energy transformation, support customers to develop low-carbon industrial parks, factories, buildings and transportation solutions, which in turn ultimately promotes low-carbon development across the society. Particularly, the Group focused on the four mentioned demand scenarios to rapidly develop city-level integrated energy projects. During the year, the annual energy consumption of our contracted customers exceeded 18 billion kWh, and contracts of nine city-level projects were completed. The old-district renovation project in Haining and the new-city development project in Langfang Area of Daxing Airport are highly representative among these nine city-level projects.

Acceleration of the national unified electricity market system has prospered the Group's electricity business. The Group proactively developed electricity consumption services and products such as decentralised photovoltaic, new energy storage as well as power distribution and distribution network, successfully proposed the integrated solution of "load, source, network and storage" to increase project return and expand electricity service scenarios, and implemented the incremental distribution network project in Xuancheng. During the year, based on four customer demand scenarios, the Group upgraded and introduced 10 integrated energy products, including photovoltaic, electricity sales, distribution network and gas-fired steam boiler operation, etc., which had further supported the Group's rapid growth of integrated energy business. Among them, 850 MW of photovoltaic passed investment review and 436 MW were under construction or completed grid-connection; 1.2 billion kWh was contracted for power distribution; 18.3 billion kWh of electricity were sold and 164 million kWh of green electricity were traded for 18 customers; and 7.3 billion kWh of thermal energy were contracted for supply.

During the year, 60 integrated energy projects were completed and put into operation, which lifted the number of total projects in operation to 210, generating sales of a total of 22,239 million kWh of integrated energy including cooling, heating, electricity and steam, up 16.6% year-on-year. Among them, the proportion of new energy sales increased by 35% year-on-year, while the proportion of electricity sales increased to 8.1%. Coupled with 54 integrated energy projects under construction, the total integrated energy demand is expected to reach 41.7 billion kWh when all these projects reach full capacity. During the year, revenue from integrated energy business surged 40.3% to RMB10,951 million, and gross profit also increased by 14.0% to RMB1,556 million.

Natural Gas Sales Business: Stabilised Fundamentals and Kept Growing in Adversity

In 2022, due to the economic downturn and the resurgent COVID-19 epidemic, China's gas consumption recorded negative growth for the first time since statistics were available, which greatly curbed the growth in our gas sales volume. Coupled with soaring and oscillated-at-high global energy prices caused by geopolitical tensions, our procurement cost was greatly pressured. The Group took prompt measures to address these risks, including accurately forecasting customer demand, optimising the resource structure and rationalising the pricing mechanism, which solidified its natural gas business. By the end of 2022, the Group's total gas sales volume reached 32,697 million cubic meters, a year-on-year slight decrease of 1.2%. Among this total, retail gas sales volume increased by 2.7% year-on-year to 25,941 million cubic meters, driving revenue from the retail gas sales business up by 22.0% to RMB60,082 million. During the year, total volume of natural gas sold to C/I customers reached 20,375 million cubic meters, representing a year-on-year increase of 2.4% and accounting for 78.5% of retail gas sales volume; total volume of natural gas sold to residential customers increased by 9.5% to 5,151 million cubic meters, accounting for 19.9% of retail gas sales volume.

Demand and price of natural gas are under severe pressure as a result of the abovementioned factors, the gross profit of retail gas sales business rose by 4.6% to RMB6,445 million during the year. Facing these complicated difficulties, the Group quickly adjusted its strategy and grasped international market opportunities, the revenue and gross profit of the gas wholesale business increased by 16.9% and 664.2% to RMB29,954 million and RMB2,736 million respectively compared to last year, effectively offsetting the impact of the slow growth of retail gas sales business.

The Group's construction and installation business was subject to unprecedented challenges under the severe

epidemic prevention and control in various regions and the slowdown in real estate sector. During the year, the Group developed 22,003 C/I customers (gas appliances installed with daily designed capacity of 20.504 million cubic meters) and completed the construction and installation for 2.086 million new residential customers. By the end of 2022, the Group has served a total of 224,462 C/I customers (gas appliances installed with daily designed capacity of 183.326 million cubic meters) and has developed 27.92 million residential customers cumulatively, with an average piped-gas penetration rate of 62.9%.

The Group has been pursuing a prudent and strategically synergistic merger and acquisition strategy. Due to the epidemic, it has become difficult to conduct field research on the projects. To ensure the quality of projects, the Company proactively tightened the pace of mergers and acquisitions during the year. By the end of 2022, the Group had a total of 254 exclusive operating rights for city gas projects, covering 20 provinces, cities and autonomous regions.

Value-Added Business¹: Accelerated Product Promotion and Shaped a New Quality Lifestyle for Family

As people pursue a better quality of life, creating a safe, low-carbon, smart and healthy home has become mainstream demand nowadays. The Group's value-added business continued to deep dive residential customers' needs and promoted gas-related products in security, heating, kitchen and sanitation. Meanwhile, based on the Group's product innovation mechanism, the Group continued to encourage its member companies to create innovative products according to local conditions. As a result, a number of digital intelligence products for safety, gas alarms, LoRa digital intelligent IoT emerged during the year.

In 2022, the Group's revenue from the value-added business amounted to RMB3,114 million, representing an increase of 33.0%, and the gross profit increased by 20.6% to RMB2,078 million. Revenue from the value-added business per customer was RMB118, representing an increase of 19.2% compared to last year. Currently, the penetration rate of the value-added business among the Group's existing customers is merely 10.1%, while its penetration rate among newly-developed customers was 27.2% during the year, with great potential for business growth.

FINANCIAL PERFORMANCE

Despite the impact of pandemic and global economic downturn, the Group's core businesses, including integrated energy business, natural gas sales business and value-added business, recorded steady growth. Total revenue of the Group increased by 18.2% to RMB110,051 million compared to last year. Gross profit increased by 12.1% year-on-year to RMB15,756 million, which was mainly benefited from the Company's business strategic planning and effective operational capabilities. As the Group has not passed through fully the rise in purchase cost of natural gas to its customers, and there was a significant decrease in completion volume and an increase in the cost of the construction and installation business as it was affected by the pandemic and the property market slowdown during the year, the gross profit margin decreased slightly by 0.8 percentage points to 14.3%.

The associates and joint ventures were more vulnerable to external environment than the Group, hence the profit contributed to the Group during the year decreased significantly. At the end of 2022 compared to the end of last year, the central parity rate of Renminbi against US dollars fluctuated by 5,889 basis points. As a result, the Group incurred unrealised exchange loss of RMB988 million when outstanding debts denominated in US dollars were translated to Renminbi at the end of the year. However, it did not affect cash flow. The Group's finance costs increased by 16.7% to RMB672 million during the year, which was mainly due to fluctuations in interest rate. Nonetheless, the Group continued to control its costs effectively during the year and the ratio of selling and administrative expenses to revenue decreased by 0.3 percentage points to 4.9%.

As a result of above factors, profit attributable to the owners of the Company and basic earnings per share amounted to RMB5,865 million and RMB5.20 respectively, both representing a decrease of 24.4% year on year. Stripping out the impact of other gains and losses (excluding net settlement amount realised from commodity derivative financial instruments), deferred tax arose from net unrealised loss of commodity derivative financial instruments and share-based payment expenses amounted to RMB2,099 million, core profit driven by operating activities increased by 11.3% to RMB7,964 million.

During the year, the Group adopted prudent financial management and managed its expenditures well to ensure

¹ This note only affects Chinese announcement.

smooth cash flow. For the year ended 31 December 2022, the Group's operating cash inflow was RMB10,102 million, leading to positive free cash inflow² of RMB2,365 million.

FINANCIAL RESOURCES REVIEW

As at 31 December 2022, an analysis of the Group's cash, current and non-current debts is as follows:

	2022 <i>RMB million</i>	2021 <i>RMB million</i>	Increased/ (Decreased) by <i>RMB million</i>
Bank balances and cash (excluding restricted bank deposits)	8,056	8,684	(628)
Long-term debts (including bonds)	13,451	8,040	5,411
Short-term debts (including bonds)	6,341	11,850	(5,509)
Total debts	19,792	19,890	(98)
Net debts³	11,736	11,206	530
Total equity	45,555	42,150	3,405
Net gearing ratio⁴	25.8%	26.6%	(0.8ppt)
Net current liabilities	8,949	14,021	(5,072)

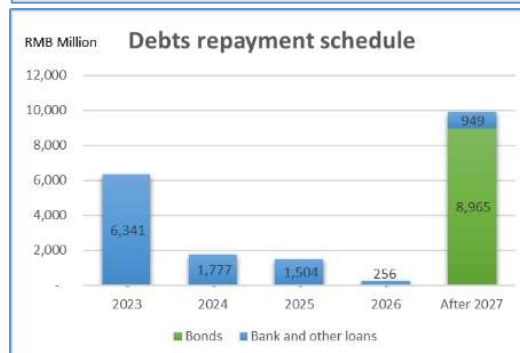
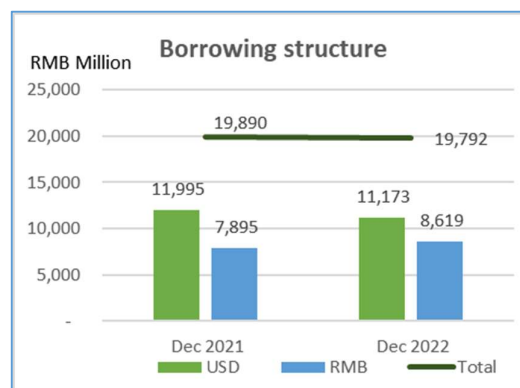
Working Capital Management

During the year, the Group adhered to the principle of ecological win-win situation and cooperated with ecological partners to overcome the difficult times. As at 31 December 2022, the Group managed its receivables, payables and inventory turnover days strictly to within its healthy range, which were 11 days, 26 days and 6 days respectively. As at 31 December 2022, the Group's bank balances and cash (excluding restricted bank deposits) amounted to RMB8,056 million. Compared with the balance as at the beginning of this year, a decrease of RMB628 million mainly was due to the repayment of debts by RMB1,258 million during the year. The total debts had not been reduced correspondingly as the impact was offset by the appreciation of US dollars when the outstanding debts denominated in US dollars were translated to Renminbi.

Borrowings Structure and Foreign Exchange Risk Management

As at 31 December 2022, the Group's total debts amounted to RMB19,792 million, representing a decrease of RMB98 million compared to the total debts as of 31 December 2021. The Group's net gearing ratio reduced to 25.8% as at 31 December 2022 (2021: 26.6%). The Group seeks to maintain strict control over total debt level and strike a balance between duration of debt and cost of financing.

As at 31 December 2022, the principal amount of the Group's borrowings denominated in foreign currencies amounted to USD1,617 million (2021: USD1,891 million), equivalent to approximately RMB11,173 million (2021: RMB11,995 million), and among which 80.2% (2021: 39.4%) is long-term debt. In managing foreign exchange risk arising from the two USD senior notes, the Company entered into foreign currency derivative contracts, mainly cross currency swaps, with various financial institutions. As of 31 December 2022, the Group has hedged debt principal of USD320 million (2021: USD550 million) and the hedge ratio of long-term USD debts reached 24.6% (2021: 41.8%). In view of the existence of fluctuation in RMB/USD rate, the Group will continue to closely monitor the foreign



² Free cash flow = Cash flow from operating activities - capital expenditure - financing cost + dividend income

³ Net debts = Total debts - Bank balances and cash (excluding restricted bank deposits)

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

exchange market and strive to use foreign currency derivative contracts or seize the window period of interest rate gap to replace high cost debts to mitigate the impact on its results when deemed appropriate.

Net Current Liabilities

The Group's current liabilities mainly include a large amount of receipts in advance of gas fee, and construction and installation contracts. These funds are stable and will normally not be returned, therefore the Group has invested the funds in development of new projects and maintained a reasonable cash level, resulting in net current liabilities amounted to approximately RMB8,949 million as at 31 December 2022. Compared with the balance as at the beginning of this year, a significant decrease of RMB5,072 million mainly due to the repayment of corporate bonds and the replacement of unsecured bond in USD amounted to RMB5,879 million at their expiry date. As the Group has stable operating cash flow, high quality current assets and good credit ratings, plus sufficient cash on hand and unutilised banking facilities, the Group is able to meet its working capital requirements and future capital expenditure.

COMMODITY PRICE RISK MANAGEMENT

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

SUSTAINABLE DEVELOPMENT

The Group attaches great importance to sustainability governance and performance, and continues to integrate international standards into daily operation. The ESG Committee meets regularly to review the staged progress of ESG governance and performance and formulate targeted improvement plans. MSCI has upgraded the Group's ESG rating to "AA" at its latest ESG assessment report published in September 2022, marking the fourth consecutive year that the Company's rating has been upgraded by MSCI and the highest rating for companies among peers in the Greater China region.

2022 marks the first year of our Decarbonisation Action 2030 initiative. To implement the initiative, the Group issued USD550 million green bonds during the year, and the net proceeds are going to finance and/or refinance clean energy projects, including photovoltaic projects, biomass projects and residual heat utilisation projects. This further increased the proportion of renewable energy and zero-carbon energy in the total energy supply under our integrated energy business. The Group's headquarters and some of its member companies have also successively implemented green renovation projects for office buildings and new energy vehicle procurement programs to further reduce the energy consumption intensity and increase the proportion of renewable energy consumption in office premises. Meanwhile, to reduce emissions for itself and its customers, the Group has taken initiatives to measure 15 categories of Scope 3 greenhouse gas emissions generated from the entire value chain of the Company, and the Company is expected to become the first natural gas enterprise disclosing Scope 3 key category/complete Scope 3 emissions in China.

With reference to the recommendations and disclosure framework of the Task Force on Climate-Related Financial Disclosure (TCFD), the Company managed its climate risks from four dimensions, i.e. governance structure building, strategic design, risk and opportunity identification, and climate change responses.

During the year ended 31 December 2022, the Group recorded a volume of 32,697 million cubic meters of natural gas sales for city-gas and energy trading business, equivalent to reducing 17.40 million tons of standard coal consumption and 44.90 million tons of carbon dioxide emissions. As a total of 210 integrated energy projects have been put into operation during the year, the Group recorded 22,239 million kWh of energy sales for cooling, heating, electricity and steam etc., equivalent to reducing 2.31 million tons of standard coal consumption and 7.79 million tons of carbon dioxide emissions for customers.

RATINGS AND CAPITAL MARKET RECOGNITION

During the year, international rating agencies Standard & Poor's and Fitch upgraded our rating to BBB+ (stable), while Moody's maintained our rating at Baa1 (stable), indicating a healthy financial position and cash

flows of the Company.

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

With years' accumulation, the Group has been optimising its business matrix based on customers' demand. During the year, the Group received a number of awards, including but not limited to the "Best ESG Issuer", "Best Bond Deal" and "Best ESG Deal" by FinanceAsia. Besides, the Group was named the "Most Honored Company" by Institutional Investor for the sixth consecutive year and received several top three rankings in Utilities of "2022 All-Asia Best Executive Team". The Group was also awarded "Outstanding Green and Sustainable Bond Issuer (Clean Energy) - Largest Single Green Bond" and "ESG Disclosure Pioneer" by the Hong Kong Quality Assurance Agency.

OUTLOOK

As a crucial year for implementing the 14th Five-Year Plan, 2023 also marks a meaningful year to embark on a journey to fully build a modern socialist China. With the easing epidemic and the rapid economic recovery, we will seize the opportunities presented by low-carbonisation, intelligent technology innovation and urbanisation, and make concerted efforts to promote the transformation and upgrade of the Group, thus achieving a new leapfrog from "gasified city" to "smart city".

[Seize the "Dual-carbon" Opportunity to Expand the Natural Gas Business](#)

With the resumption of socio-economic activities in China in 2023, it is expected that domestic demand for natural gas will see improved growth. The dual-carbon strategy and high-quality development will create industrial coal-to-gas and gas-fired power increments, with an annual increment of over 180 billion cubic meters by 2030; urbanisation will generate city-gas increments which is estimated to exceed 40 billion cubic meters by 2030. The Group will keep strengthening the flexibility and resilience of its natural gas business by tapping into existing customers, while further expanding its market share through mergers and acquisitions, with a view to maintaining a sustainable and stable growth in such business.

[Support Integrated Energy Business by Diversified Products and Make a Breakthrough in Electricity Business](#)

We will continue to seize low-carbon opportunities and provide corporate customers with safe, energy efficient, and low carbon management integrated solutions through heat and electricity. We will develop new customers who are using boilers and kilns by utilising residual heat and geothermal products, and upgrading thermal energy system of factories and industrial parks. For micro and small-sized industrial parks, we will explore the opportunities from existing distribution networks and unleash the commercial value of "distribution network + photovoltaic/energy storage/charging/green electricity" by leveraging key capabilities for existing incremental distribution network. For new low-carbon/zero-carbon high-end industrial parks/cities, we will start with low-carbon planning and provide a series of products and services such as infrastructure investment, construction, operation and safety management so as to develop high-end projects. The Group has reserved 34.7 billion kWh demands for potential projects which will firmly underpin the fast growth of integrated energy business when they are contracted and implemented.

[Keep Upgrading the Value-added Business for a Safe, Intelligent, Warm and Green Life](#)

We will strive to enhance customer penetration and value-creation through an analysis of residential users' demand for natural gas and an in-depth understanding of their lifestyles. To meet residential users' demand for kitchen products and services, we will provide smart and healthy kitchen solutions that integrate software and hardware services such as intelligent appliances and facilities. We will also offer all-scenario home solutions based on heating, cooling, lighting, water consumption and air conditioning, as well as home safety-based solutions to ensure the safety of all family scenarios such as gas usage, gas installation and personal safety.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Revenue	4	110,051	93,113
Cost of sales		(94,295)	(79,057)
Gross profit		15,756	14,056
Other income		953	1,077
Other gains and losses	5	(1,569)	984
Distribution and selling expenses		(1,180)	(1,122)
Administrative expenses		(4,261)	(3,725)
Share of results of associates		68	261
Share of results of joint ventures		(43)	438
Finance costs		(672)	(576)
Profit before tax		9,052	11,393
Income tax expense	6	(2,388)	(2,398)
Profit for the year		6,664	8,995
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value change of equity instruments at fair value through other comprehensive income (“FVTOCI”)		(28)	15
Fair value change of a property transferred from property, plant and equipment to investment properties		6	16
Income tax relating to items that will not be reclassified		3	(7)
		(19)	24
<i>Items that have been reclassified or may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		92	5
Fair value change of derivative financial instruments under hedge accounting		38	164
Income tax relating to items that may be reclassified		1	(37)
Other comprehensive income for the year		112	156
Total comprehensive income for the year		6,776	9,151
Profit for the year attributable to:			
Owners of the Company		5,865	7,755
Non-controlling interests		799	1,240
		6,664	8,995
Total comprehensive income for the year attributable to:			
Owners of the Company		5,977	7,905
Non-controlling interests		799	1,246
		6,776	9,151
		<i>RMB</i>	<i>RMB</i>
Earnings per share	8		
Basic		5.20	6.88
Diluted		5.19	6.86

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	<i>Notes</i>	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Non-current Assets			
Property, plant and equipment		50,380	46,793
Right-of-use assets		2,323	2,119
Investment properties		276	288
Goodwill		2,520	2,520
Intangible assets		4,549	4,311
Interests in associates		3,607	3,655
Interests in joint ventures		4,870	5,063
Other receivables		4	18
Derivative financial instruments		-	946
Financial assets at fair value through profit or loss (“FVTPL”)		4,327	4,406
Equity instruments at FVTOCI		238	266
Amounts due from associates		8	21
Amounts due from joint ventures		-	4
Deferred tax assets		1,557	1,212
Deposits paid for investments		10	60
Prepayment and deposits paid for acquisition of property, plant and equipment, land use rights and right of operation		100	126
Restricted bank deposits		449	622
		<u>75,218</u>	<u>72,430</u>
Current Assets			
Inventories		1,708	1,508
Trade and other receivables	9	10,675	10,568
Contract assets		638	775
Derivative financial instruments		1,462	1,585
Financial assets at FVTPL		26	152
Amounts due from associates		909	1,165
Amounts due from joint ventures		2,862	2,440
Amounts due from related companies		339	318
Restricted bank deposits		458	363
Cash and cash equivalents		8,056	8,684
		<u>27,133</u>	<u>27,558</u>
Current Liabilities			
Trade and other payables	10	8,066	10,172
Contract liabilities		15,410	14,908
Deferred income		58	48
Amounts due to associates		425	424
Amounts due to joint ventures		2,039	1,249
Amounts due to related companies		1,003	964
Taxation payables		1,517	909
Lease liabilities		91	75
Derivative financial instruments		1,101	956
Bank and other loans		6,341	6,150
Corporate bonds		-	2,099
Unsecured bonds		-	3,601
Financial guarantee liabilities		5	-
Share-based payment liabilities		26	24
		<u>36,082</u>	<u>41,579</u>
Net Current Liabilities		<u>(8,949)</u>	<u>(14,021)</u>
Total Assets less Current Liabilities		<u>66,269</u>	<u>58,409</u>

Capital and Reserves		
Share capital	117	117
Reserves	38,917	35,660
Equity attributable to owners of the Company	39,034	35,777
Non-controlling interests	6,521	6,373
Total Equity	45,555	42,150
Non-current Liabilities		
Contract liabilities	2,825	2,993
Deferred income	858	789
Amounts due to associates	215	215
Amounts due to joint ventures	25	325
Lease liabilities	284	280
Derivative financial instruments	45	806
Bank and other loans	4,486	3,318
Senior notes	8,965	4,722
Deferred tax liabilities	2,974	2,785
Financial guarantee liabilities	37	21
Share-based payment liabilities	-	5
	20,714	16,259
	66,269	58,409

Notes:

1. REVIEW OF THE RESULT

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group’s auditor, Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year as approved by the Board on 24 March 2023. The work performed by Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Deloitte Touche Tohmatsu on the preliminary announcement. They attended the Audit Committee meeting of the Company on 22 March 2023 to reported their audit results and opinions to the Audit Committee.

2. BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with the revised Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements under Appendix 16 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

As at 31 December 2022, the Group has net current liabilities of approximately RMB8,949 million. The directors of the Company (the “**Directors**”) have given careful consideration to the Group’s future financial resource when preparing the consolidated financial statements. Taking into account of the continuity and availability of financial resources to the Group, among other things, the cash flows generated from its principal operations, availability of banking facilities and its expected future working capital requirements. The Directors are therefore satisfied that the Group will be able to meet in full its financial obligations when they fall due and continue its existing operation in the foreseeable future. Accordingly, the consolidated financial statements for the year ended 31 December 2022 have been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong

Institute of Certified Public Accountants for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	Covid-19-Related Rent Concessions Beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds Before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

In addition, the Group applied the agenda decision of the Committee of the International Accounting Standard Board, including “Demand Deposits with Restrictions on Use arising from a Contract with a Third Party” (IAS 7, “Statement of Cash Flows”) which is relevant to the Group.

The application of the amendments to HKFRSs 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 year and/or on the disclosures set out in these consolidated financial statements.

4. SEGMENT INFORMATION

The following is the information by reportable segments which are also the operating segments used by the chief operating decision maker of the Company for the purposes of resource allocation and performance assessment:

2022

	Retail gas sales business <i>RMB million</i>	Integrated energy business <i>RMB million</i>	Wholesale of gas <i>RMB million</i>	Construction and installation <i>RMB million</i>	Value added business <i>RMB million</i>	Total <i>RMB million</i>
Segment revenue	91,253	11,053	62,124	7,580	8,438	180,448
Inter-segment sales	(31,171)	(102)	(32,170)	(1,630)	(5,324)	(70,397)
Revenue from external customers	<u>60,082</u>	<u>10,951</u>	<u>29,954</u>	<u>5,950</u>	<u>3,114</u>	<u>110,051</u>
Segment profit before depreciation and amortisation	7,783	1,814	2,740	3,348	2,082	17,767
Depreciation and amortisation	(1,338)	(258)	(4)	(407)	(4)	(2,011)
Segment profit	<u>6,445</u>	<u>1,556</u>	<u>2,736</u>	<u>2,941</u>	<u>2,078</u>	<u>15,756</u>

2021

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

The above segment profit represents the profit earned by each segment without allocation of central administration costs, distribution and selling expenses, share of results of associates and joint ventures, other income, other gains and losses and finance costs. Inter-segment sales are charged at prevailing market rates.

5. OTHER GAINS AND LOSSES

	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Net loss of financial assets at FVTPL	(63)	(43)
Net gain of derivative financial instruments (note a)	39	980
(Loss) Gain on foreign exchange, net (note b)	(1,032)	189
Impairment loss for trade and other receivables under expected credit loss model, net of reversal	(214)	(109)
Impairment losses recognised for property, plant and equipment and intangible assets	(129)	(37)
Net (loss) gain on disposal of property, plant and equipment and subsidiaries	(137)	15
Others	(33)	(11)
	(1,569)	984

Notes:

- a. Included in the amount for the year are net realised gain of RMB602 million (2021: RMB198 million) and net unrealised loss of RMB564 million (2021: net unrealised gain of RMB796 million) recognised by the Group in relation to commodity derivative financial instruments.
- b. Included in the amount for the year ended 31 December 2022 is an exchange loss of approximately RMB988 million (2021: exchange gain of RMB230 million) arising from the translation of senior notes, unsecured bonds and bank loans denominated in USD to RMB.

6. INCOME TAX EXPENSE

	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Current tax	2,666	2,139
(Overprovision)/underprovision in prior years	(56)	2
Withholding tax	-	30
Overprovision of withholding tax in prior years	(51)	(60)
	2,559	2,111
Deferred tax	(171)	287
	2,388	2,398

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

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

During the year, the Company received the approval from the Hebei Provincial Tax Service of the State Administration of Taxation of the PRC confirming that the Company is to be treated as a Chinese resident enterprise, with effect from 1 January 2022. Therefore, the Company did not recognise withholding tax on undistributed profits of the PRC subsidiaries in the year concerned.

7. DIVIDEND

(a) Dividends recognised and distributed during the year

	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Dividends declared and paid		
Interim dividend	618	554
Final dividend	2,039	1,972
Special dividend	-	301
	<u> </u>	<u> </u>

The interim dividend declared in 2022 of HK\$0.64 (equivalent to approximately RMB0.55) per share and the 2021 final dividend of HK\$2.11 (equivalent to approximately RMB1.72) per share, amounting to approximately RMB2,657 million in aggregate was paid during the year ended 31 December 2022.

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

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

After the end of the reporting period, the Board has recommended a final dividend of HK\$2.27 per share (equivalent to approximately RMB2.05 per share) for the year ended 31 December 2022, 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.

8. EARNINGS PER SHARE

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

(a) Basic earnings per share

Basic earnings per share for the years ended 31 December 2022 and 2021 are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of shares in issue during the year.

	2022	2021
Profit for the year attributable to the owners of the Company (RMB million)	5,865	7,755
Weighted average number of shares	<u>1,127,721,566</u>	<u>1,126,611,575</u>
Basic earnings per share (RMB)	<u>5.20</u>	<u>6.88</u>

(b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2022 and 2021 are calculated assuming all dilutive potential shares were converted during the year.

	2022 <i>RMB million</i>	2021 <i>RMB million</i>
Earnings		
Earnings for the purpose of diluted earnings per share	<u>5,865</u>	<u>7,755</u>

	2022	2021
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	1,127,721,566	1,126,611,575
Effect of dilutive potential shares:		
- share options	2,708,970	4,177,613
Weighted average number of shares for the purpose of diluted earnings per share	<u>1,130,430,536</u>	<u>1,130,789,188</u>
Diluted earnings per share (RMB)	<u>5.19</u>	<u>6.86</u>

9. TRADE AND OTHER RECEIVABLES

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

	2022 <i>RMB million</i>	2021 <i>RMB million</i>
0 to 3 months	1,705	2,663
4 to 6 months	398	343
7 to 9 months	250	212
10 to 12 months	206	113
More than one year	448	299
	<u>3,007</u>	<u>3,630</u>

10. TRADE AND OTHER PAYABLES

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

	2022 <i>RMB million</i>	2021 <i>RMB million</i>
0 to 3 months	3,223	5,087
4 to 6 months	1,021	1,038
7 to 9 months	360	389
10 to 12 months	286	261
More than one year	1,072	848
	<u>5,962</u>	<u>7,623</u>

11. MATERIAL EVENTS AFTER THE REPORTING DATE AND CONTINGENT LIABILITIES

There were no material events which casted material impact on the Group since the end of the reporting period, and the Group had no material contingent liabilities as at 31 December 2022.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities. As at 31 December 2022, there were 2,685,100 shares of the Company held in the trust under the Share Award Scheme, approximately 0.24% of the issued share capital of the Company.

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

a. Final Dividend

The Company's dividend policy allows shareholders to share the Company's profits while reserving sufficient reserves for the Group's future development. According to the applicable laws of the Cayman Islands, the Company's reserve available for distribution as at 31 December 2022 amounted to RMB3,280 million.

After considering, among others things, the Group's general financial conditions and strategies, expected operating cash flows and capital expenditure needed for future expansion, surplus, contractual restrictions, actual and expected government financial conditions, macroeconomics and such other factors as the Board may deem relevant, the Board recommends a final dividend of HK\$2.27 (2021: HK\$2.11) (equivalent to approximately RMB2.05 (2021: RMB1.72)) per share payable to shareholders whose names are on the register of members of the Company on Thursday, 1 June 2023. Together with the interim dividend of HK\$0.64 (2021: HK\$0.59) (equivalent to approximately RMB0.55 (2021: RMB0.49)) per share, total annual dividends proposed amounted to HK\$2.91 (equivalent to approximately RMB2.60) per share, the pay-out ratio is about 37% of the Group's core profits. The resolution on the final dividend is subject to approval by the shareholders in the forthcoming AGM and will be paid to shareholders of the Company on or before Friday, 21 July 2023.

b. Closure of Register of Members

For the purpose of ascertaining shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 19 May 2023 to Wednesday, 24 May 2023, both days inclusive. In order to qualify for the right to attend and vote at the AGM, all transfers accompanied by the relevant share certificates should be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 18 May 2023.

For the determination of entitlement to the final dividend to be approved at the AGM, the register of members of the Company will be closed from Wednesday, 31 May 2023 to Thursday, 1 June 2023, both days inclusive. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates should be lodged with Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Tuesday, 30 May 2023.

c. Withholding and Payment of Enterprise Income Tax for Non-Resident Enterprises in respect of the 2022 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 EIT Law and the Implementation Rules, the Hebei Provincial Tax Service of the State Administration of Taxation of the People's Republic of China 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 2022 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 or before 4:00 p.m. on Thursday, 18 May 2023.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2022, the Company has complied all the Code Provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE AND REVIEW OF RESULTS

The Company established an Audit Committee in accordance with requirements under the Listing Rules for the purpose of reviewing (together with the management) the accounting principles and practices adopted by the Group, as well as auditing, risk management, internal control and financial reporting matters. The Audit Committee also maintains an appropriate relationship with the Company's independent auditor and provides advice and comments to the Board. A meeting of the Audit Committee was held on 22 March 2023 to review with the management the Group's annual results and the Audited Consolidated Financial Statements for the year ended 31 December 2022.

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

Hong Kong, 24 March 2023

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