湖州燃氣股份有限公司

HUZHOU GAS CO., LTD.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code：6661

2023 ANNUAL REPORT

* For identification purposes only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Hua *(Chairman)*
Ms. Su Li
Mr. Pan Haiming

Non-executive Directors

Mr. Liu Jianfeng *(Appointed on 6 February 2023)*
Mr. Wang Peng *(Appointed on 16 January 2024)*
Mr. Zhang Yuying *(Resigned on 6 February 2023)*
Ms. Wu Zhanghuan *(Resigned on 16 January 2024)*

Independent Non-executive Directors

Mr. Chang Li Hsien Leslie
Dr. Lau Suet Chiu Frederic
Mr. Zhou Xinfa

SUPERVISORS

Ms. Liu Fei
Mr. Cai Rui
Mr. Xu Guoxin

AUDIT COMMITTEE

Mr. Chang Li Hsien Leslie *(Chairman)*
Dr. Lau Suet Chiu Frederic
Mr. Zhou Xinfa

NOMINATION COMMITTEE

Mr. Zhou Xinfa *(Chairman)*
Mr. Chang Li Hsien Leslie
Dr. Lau Suet Chiu Frederic

REMUNERATION COMMITTEE

Dr. Lau Suet Chiu Frederic *(Chairman)*
Mr. Chang Li Hsien Leslie
Mr. Zhou Xinfa

JOINT COMPANY SECRETARIES

Mr. Tang Chunhui
Ms. Lee Mei Yi

AUTHORISED REPRESENTATIVES

Mr. Wang Hua
Mr. Pan Haiming *(Alternate to Mr. Wang Hua)*
Ms. Lee Mei Yi

REGISTERED OFFICE AND HEADQUARTER IN THE PRC

227 Sizhong Road
Huzhou
Zhejiang Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road, Kowloon
Hong Kong

HONG KONG H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISERS

As to Hong Kong law
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC law
Grandall Law Firm (Hangzhou)
Grandall Building
No. 2 & No.15, Block B
Baita Park
Old Fuxing Road
Hangzhou
Zhejiang
310008
China

COMPLIANCE ADVISER

BOCOM International (Asia) Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of Huzhou Co., Ltd. (Riyuecheng Sub-Branch)
701-711 Waihuan North Road
Wuxing District
Huzhou
Zhejiang Province
The PRC

Bank of China Limited (Huzhou Branch)
208 Renmin Road
Wuxing District
Huzhou
Zhejiang Province
The PRC

China Construction Bank Corporation (Chengzhong Sub-Branch)
No. 152-160, Qianzhuang Road, Block 10, Boyafu
Wuxing District
Huzhou
Zhejiang Province
The PRC

STOCK CODE

6661

COMPANY WEBSITE

www.hzrqgf.com

DEFINITIONS

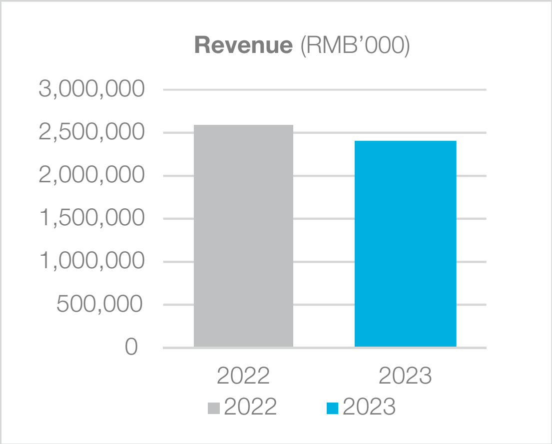
"AGM"	the annual general meeting of the Company to be held on 6 June 2024
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix C1 (formerly known as Appendix 14) to the Listing Rules, as amended from time to time
"City Group"	Huzhou City Investment and Development Group Co., Ltd.* (湖州市城市投資發展集團有限公司), a state-owned enterprise established under the laws of the PRC on 27 February 1993 and directly wholly-owned by Huzhou SASAC, a controlling shareholder of the Company as at the date of this annual report
"Company"	Huzhou Gas Co., Ltd.* (湖州燃氣股份有限公司), a limited liability company established under the laws of the PRC on 16 June 2004 and converted into a joint stock company with limited liability on 2 April 2021
"controlling shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Deqing Xinrui"	Deqing Xinrui New Energy Co., Ltd.* (德清新瑞新能源有限公司), a limited liability company established under the laws of the PRC on 26 September 2021 and an indirect non-wholly owned subsidiary of the Company
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange
"ENN (China)"	Xinao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司), a limited liability company established under the laws of the PRC on 8 January 2004, which is directly wholly-owned by ENN Energy, and a substantial shareholder of the Company as at the date of this annual report
"ENN Energy"	ENN Energy Holdings Limited, an exempted company incorporated in the Cayman Islands on 20 July 2000 with limited liability which is listed on the Main Board of the Stock Exchange (Stock Code: 2688) and a substantial shareholder of the Company as at the date of this annual report
"ENN Energy Group"	collectively, ENN Energy and its subsidiaries
"ENN Group"	ENN Group Co., Ltd.* (新奧集團股份有限公司), a limited liability company established under the laws of the PRC on 5 August 1997, which is owned as to 99.65% by Langfang as at the date of this report, and a controlling shareholder of each of Xinao Energy Development, Nanxun Xinao and Nanxun Xinao Development

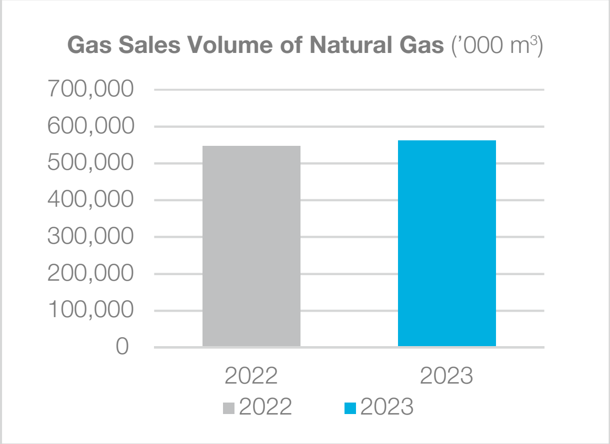
"FY" or "financial year"	financial year of the Company ended or ending 31 December
"Group", "we", "our" or "us"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Huran New Energy"	Huzhou Huran New Energy Development Co., Ltd.* (湖州湖燃新能源開發有限公司), a limited liability company established under the laws of the PRC on 24 April 2022, which is owned as to 95% by the Company and 5% by Huzhou Zhongran Enterprise Management Partnership (Limited Partnership)* (湖州眾燃企業管理合夥企業(有限合夥)), respectively, and a direct non-wholly owned subsidiary of the Company
"Huxun Fuel New Energy"	Huzhou Huxun Fuel New Energy Development Co., Ltd.* (湖州湖潯燃新能源開發有限公司), a limited liability established under the laws of the PRC on 28 July 2022, which is wholly-owned as to 100% by Huran New Energy, a subsidiary of the Company
"Huzhou SASAC"	Huzhou Municipal People's Government State-owned Assets Supervision and Administration Commission* (湖州市人民政府國有資產監督管理委員會), which, as a functional department of Huzhou Municipal People's Government, reports to and is under the leadership of Huzhou Municipal People's Government, and is therefore a PRC government body (as defined under the Listing Rules)
"IFRS"	International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board
"Independent Third Party(ies)"	party(ies) which, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person(s) (as defined in the Listing Rules) of the Company
"Langfang"	Langfang City Natural Gas Company Limited* (廊坊市天然氣有限公司), a limited liability company established under the laws of the PRC on 5 December 1992, which is controlled as to 94.76% by Mr. Wang Yusuo (王玉鎖) and 5.24% by Ms. Zhao Baoju (趙寶菊) as at the date of this report, and a controlling shareholder of ENN Energy and ENN Group
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

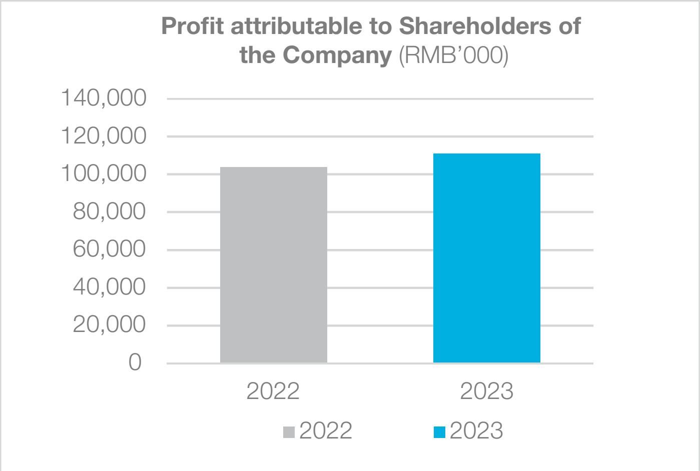
"LNG"	liquefied natural gas
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules
"Nanxun Xinao"	Huzhou Nanxun Xinao Gas Company Limited* (湖州南潯新奧燃氣有限公司), a limited liability company established under the laws of the PRC on 28 September 2009, which is owned as to 51% by the Company and 49% by ENN Group, and a direct non-wholly owned subsidiary of the Company
"Nanxun Xinao Development"	Huzhou Nanxun Xinao Gas Development Company Limited* (湖州南潯新奧燃氣發展有限公司), a limited liability company established under the laws of the PRC on 28 November 2017, which is owned as to 51% by the Company and 49% by ENN Group, and a direct non-wholly owned subsidiary of the Company
"Ningbo Intercity"	Ningbo Chengji Energy Trading Company Limited* (寧波城際能源貿易有限公司), a limited liability company established under the laws of the PRC on 15 May 2018 and an indirect wholly-owned subsidiary of ENN (China)
"Operating Area"	the Wuxing Operating Area and the Nanxun Operating Area
"PNG"	piped natural gas
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this annual report, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus issued by the Company on 29 June 2022
"Reporting Period" or "Year"	the year ended 31 December 2023
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising the Domestic Share(s) and the H Share(s)
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company

FINANCIAL HIGHLIGHTS

- The sales volume of natural gas for the Year was 575.94 million m^3, representing an increase of 2.42% as compared with the year ended 31 December 2022.
- Revenue for the Year was RMB2,435.57 million, representing a decrease of 5.58% as compared with the year ended 31 December 2022.
- Profit attributable to owners of the Company for the Year was RMB110.84 million, representing an increase of 6.48% as compared with the year ended 31 December 2022.
- The Board has proposed to pay the final dividend of RMB0.30 (tax inclusive) per share for the year ended 31 December 2023.







CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Huzhou Gas Co., Ltd.*, I am pleased to present the Annual Report 2023 of the Group to you.

2023 was a year for the economy to resume development after three years of COVID-19 pandemic prevention and control. China's economy withstood the pressure to forge ahead, effectively ensured people's livelihood, and made solid progress towards high-quality development. The gross domestic product (GDP) has reached RMB126 trillion, representing an increase of 5.2% as compared with the previous year. Meanwhile, with the development of China's low-carbon economy, energy structure adjustment and policy drives, the domestic urban gasification rate is gradually increasing, and the total consumption volume of natural gas in China is also showing an upward trend. The apparent consumption of natural gas in China amounted to 394.53 billion m^3, representing a year-on-year increase of 7.6%. Overall, in 2023, China had sufficient and stable energy supply, and its energy security safeguards continued to improve. Due to the requirement of economic development, there is still significant room for growth in energy consumption in China.

The report to the 20th National Congress of the Communist Party of China has pointed out that promoting economic and social development in a green and low-carbon way is the key link to achieve high-quality development. Green and low-carbon technological innovation is the foundation for China to achieve its "double carbon" (雙碳) strategic goal. Since the proposal of the "Opinions on Promoting the Gradual Shift from Dual-control of Energy Consumption to Dual-control of Carbon Emission" (《關於推動能耗雙控逐步轉向碳排放雙控的意見》) in 2023, China's ecological civilization construction has entered a critical period with carbon reduction as the key strategic direction, improving the regulation and control of total energy consumption and intensity, and gradually shifting towards a dual-control system for total carbon emission and intensity.

The Group is the largest pipeline natural gas operator in Huzhou, Zhejiang, China. As a major economic province in China's coastal area, Zhejiang Province has comprehensively deepened economic, industrial and energy structure adjustments, as well as green and low-carbon development. Its natural gas consumption scale ranked among the top in China. According to data statistics, in 2023, Zhejiang Province transported almost 15 billion m^3 of natural gas through network, representing a market share of over 85%, and its consumption showed a recovery growth trend. On the whole, pursuant to the continuous promotion of China's "double carbon" development strategy and the comprehensive recovery of the market economy, the growth rate of natural gas demand has rebounded. In 2023, the daily gas supply of the Company also surpassed the 2 million m^3 "mark", reaching a new record high.

In 2023, in order to better respond to the "double carbon" strategy, supply undertaking, green and low-carbon transformation and other opportunities and challenges, the Group has formulated and introduced an overall work plan for high-quality development, forming a "1+N" general structure, scientifically coordinating transformation and business development, continuously improving development quality and efficiency through reform, innovation drives, management improvement and other measures, and exceeding all business indicators throughout the Year. Over the Year, the Group's customer base has continued to steadily expand, and the resource procurement, transmission and distribution, and reserve peak adjusting system have been increasingly perfected, providing a solid energy guarantee for the high-quality economic and social development of the Huzhou region.

The gross domestic product (GDP) of Huzhou City, Zhejiang Province, where the Group is located, reached a new level in 2023, amounting to RMB401.5 billion, representing an increase of 5.8%. Furthermore, in 2023, the sustainable development index of Huzhou City ranked No. 1 among 11 Innovation Demonstration Zones in China. Benchmarking the special mission of the birthplace of the concept of "lucid waters and lush mountains are invaluable assets", and adhering to the concept of green development, the Group not only has an excellent reputation in the industry, but also is trusted by the government, the society and our customers. Therefore, the Group has sufficient determination and confidence to demonstrate new achievements in the new era and new journey, and to forge a path of green, low-carbon and high-quality development as a pioneer.

Finally, on behalf of the Board of Directors, I would like to express my heartfelt gratitude to all Shareholders, customers and members of the community for their persistent support for the growth and development of the Group!

Wang Hua
Chairman

Huzhou, Zhejiang, the PRC
28 March 2024

INDUSTRY OVERVIEW

The world is at a time of converging waves of undergoing profound changes unseen in a century, the third energy transition, green and low-carbon transformation has become an important driving engine for global development, and the accelerated development of clean energy has made the natural gas industry a promising industry with great potential.

China's "14th Five-Year Plan Modern Energy System Plan" (《「十四五」現代能源體系規劃》) points out the direction for the development objectives and key construction content of the natural gas industry, in the construction of the modern energy system, the convenience of and the ability to ensure people's access to production of energy for living will be further enhanced, the availability of diverse clean energy such as electricity, gas, cold and heat will be significantly increased, and the coverage of natural gas pipeline network will be further expanded. Urban and rural energy supply infrastructure will be developed in a balanced manner, and the ability to supply clean energy to the rural areas will continue to be strengthened.

Under the guidance of the "double carbon" goal, in recent years, the construction of "Clean Energy Demonstration Province" in Zhejiang has been continuously promoted, and the proportion of natural gas consumption in primary energy has increased year by year. The Zhejiang Province 14th Five-Year Plan for Energy Development (《浙江省能源發展「十四五」規劃》) points out that in the future, the market still needs to continue to push forward in the areas of natural gas supply guarantee, infrastructure construction and market system reform to help the healthy development of the natural gas industry in the province.

Huzhou, where the Group is located, clearly points out in the 2023 "Huzhou City Carbon Peak Implementation Plan" (《湖州市碳達峰實施方案》) that it is necessary to build a diversified and clean energy supply system, strengthen energy conservation and energy efficiency management in key areas such as industry, construction, transportation and residents, strengthen the dual-control of energy consumption, and constantly push forward energy efficiency improvement. It is also necessary to facilitate the construction of natural gas storage facilities, strengthen the interconnection of natural gas pipeline network, utilize the provincial natural gas distributed support policy, and develop combined cooling, heating and power services of natural gas in accordance with local conditions, so as to promote the growth of natural gas consumption in an orderly manner.

BUSINESS REVIEW

Since 2004 and 2009, as a concession grantee, the Group has been the exclusive distributor of PNG in its operating areas in Wuxing District and Nanxun District of Huzhou, respectively. The main businesses include the sale of PNG (under the concessions) and LNG in Huzhou, the provision of services to construct and install end-user pipeline network and gas facilities, and the sale of household gas appliances and relevant equipment, energy, distributed photovoltaic power and the leasing of properties in Mainland China. As at the end of the Reporting Period, the Group provided gas supply service to 283,076 residential users and 3,412 industrial and commercial users, with a gas sales volume of approximately 575.94 million m^3, representing an increase of approximately 2.42% as compared with the previous year.

As at the end of the Reporting Period, the Group was the largest PNG distributor in Huzhou City, Zhejiang Province, the PRC, and the length of the natural gas pipeline network operated within the Group's operating areas in Huzhou was approximately 1,559.8 kilometers.

DEVELOPMENT STRATEGY AND OUTLOOK

The Group has always been committed to creating a better and convenient life for customers, creating long-term and stable value for shareholders, relying on the "double carbon" development goal, coordinating development and safety, creating a new integrated development pattern of "gas, heat, cold and electricity", continuously promoting "1+3+N" (1 refers to the principal business of pipeline gas; 3 refers to the smart city business for regional energy management and optimization, smart enterprise business for optimized control and integrated energy business in corporate energy use, smart home business for C-end business extension of gas; and N refers to the various businesses that can be developed in these three areas) industrial development, constantly improving the production, supply, storage and sales system, consolidating the foundation for main businesses of gas equipment installation and natural gas sales, meeting the incremental demand of economic and social development for clean energy, and realizing the coordinated supply of multiple energies and the comprehensive cascade utilization of energy according to the demands of the customers such as energy consumption demand, energy consumption law, energy conservation and emission reduction, so as to optimize the comprehensive operation of clean energies and the complementation of multiple energies, and play a greater role in promoting pollution and carbon reduction.

FINANCIAL OVERVIEW

Revenue

The Group's revenue for the Year was RMB2,435.57 million, representing a decrease of 5.58% as compared with RMB2,579.46 million in the previous year. The decrease in revenue was mainly arising from the reduction in natural gas sales prices for non-residential households starting from 2023.

Gross Profit

The Group's gross profit for the Year was RMB266.93 million, representing an increase of 133.21% as compared with RMB114.46 million in the previous year. During the Reporting Period, natural gas purchase price fell, leading to the decrease in the Group's natural gas procurement cost and the significant increase in gross profit.

Other Income and Gains

The Group's other income and gains for the Year were RMB48.95 million, representing a decrease of 66.52% as compared with RMB146.20 million in the previous year. It was mainly due to the decrease in fiscal subsidy fund received by the Group in 2023.

Finance Costs

The Group's finance costs for the Year were RMB3.57 million, representing an increase of 44.53% as compared with RMB2.47 million in the previous year. It was mainly due to the increase in interest expenses arising from the increase in bank borrowings in the Year.

Income Tax Expense

The Group's income tax expense for the Year increased by 24.87% to RMB52.01 million from RMB41.65 million in the previous year. The effective tax rate for the Year was 24.05% (2022: 24.37%). The increase in income tax expense was mainly due to the increase of 26.57% in profit before tax as compared with the previous year. The decrease in effective tax rate was due to the preferential tax rates enjoyed by certain companies within the Group and the tax policy on an increase in the proportion of the additional deduction for research and development expenses.

Profit attributable to Owners of the Parent

Profit attributable to owners of the parent for the Year was RMB110.84 million, representing an increase of 6.48% as compared with RMB104.09 million in the previous year. It was mainly due to the combined effect of the decrease in the Group's procurement cost and the increase in the gross profit from sale of PNG as a result of the decrease in the procurement price of PNG for the Year, and the decrease in fiscal subsidy fund in 2023, resulting in the increase in the profit attributable to owners of the parent as compared with the previous year.

Liquidity and Financial Position

As at 31 December 2023, the current assets of the Group amounted to RMB1,004.72 million (31 December 2022: RMB1,218.62 million), of which cash and bank balance were equivalent to RMB857.58 million and mainly denominated in Renminbi.

As at 31 December 2023, the current ratio (current assets/current liabilities) of the Group was 1.54 (31 December 2022: 1.41) and the asset-liability ratio (total liabilities/total assets) was 41.96% (31 December 2022: 47.92%). As at 31 December 2023, there was no utilised bank loan. A letter of guarantee of RMB30 million was issued for the performance bond required to be paid to PipeChina under the Agreement on the Access of New Download Point Off-load Facilities of Natural Gas Infrastructure (《天然氣基礎設施新增下載點分輸設施接入協議》) entered into by Nanxun Xinao and National Pipeline Network Group Sichuan to East Natural Gas Pipeline Co., Ltd.* (國家管網集團川氣東送天然氣管道有限公司), and the term of the letter of guarantee was from 1 September 2022 to 30 June 2027. As at 31 December 2023, the unutilised bank credit balance was RMB655.0 million.

As at 31 December 2023, the gearing ratio of the Group was approximately 1.52% (as at 31 December 2022: 0.73%). The ratio was calculated by dividing total interest-bearing liabilities by the total equity of the Group. As at 31 December 2023, the Group maintained a net cash position.

Exchange Rate Fluctuation Risk

As the Group operates all its businesses in the PRC and substantially all of its revenue and expenses are denominated in RMB, the Group is not facing material direct risks related to exchange rate fluctuations. The Group will closely monitor the interest rate and exchange rate in the market and take appropriate countermeasures when necessary.

Contingent Liabilities

As at 31 December 2023, the Group had no material contingent liabilities.

Financial Guarantee Obligations

As at 31 December 2023, the Group had no material financial guarantee obligations.

Pledge of Assets

As at 31 December 2023, the Group had no pledge of assets.

Significant Investments Held, Material Acquisitions or Disposals, and Future Plans for Material Investments or Capital Assets

There were no significant investments held, or material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the Reporting Period, and the Company does not have any future plan for material investments or capital assets as at the date of this annual report.

Human Resources and Employee Compensation

As at 31 December 2023, the Group employed a total of 440 employees in China (31 December 2022: 435). During the Reporting Period, the total employee costs of the Group were approximately RMB93.69 million. The Group further strengthened the training of employees to enhance their professional level and overall quality, by providing targeted training courses to the management, management personnel at various positions, professional technical personnel and service personnel, and by distributing relevant policies and regulations, industry information and knowledge documents to employees. The Group also provided employees with competitive remuneration packages, which is generally structured with reference to market terms and individual merits and reviewed by the management on a regular basis, so as to encourage them to work hard and show their talents when serving customers.

EVENTS AFTER THE REPORTING PERIOD

In the meeting of the Board of Directors held on 28 March 2024, the Board of Directors proposed the payment of a final dividend of RMB0.30 per share, amounting RMB60,814,350 (tax inclusive), for the year ended 31 December 2023. The source of the proposed dividend payment is from the retained profits. The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming annual general meeting (the "**AGM**").

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors were also not aware of any material litigation or claims that were pending or threatened against the Group during the Reporting Period and up to the date of this annual report.

USE OF NET PROCEEDS FROM LISTING

The H shares of the Company (the "**H Share(s)**") were officially listed on the Stock Exchange on 13 July 2022. The net proceeds from the global offering of the H Shares (the "**Global Offering**") (including proceeds from the additional H Shares issued and allotted pursuant to the exercise of the over-allotment option, and deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and exercise of the over-allotment option) were approximately HK$276.3 million (equivalent to RMB236.9 million) (the "**Net Proceeds**"). The Company has utilised and will utilise the Net Proceeds in accordance with the proportion of use allocation as stated under the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 31 December 2023, the details of the use of the above Net Proceeds were as follows:

		Net Proceeds from the Global Offering and use of proceeds			
Designated use of Net Proceeds	Approximate % of Net Proceeds from the Global Offering	Amount allocated *(RMB'000)*	Utilised *(RMB'000)*	Unutilised *(RMB'000)*	Expected to be utilised prior to the following date
Enhance the sales volume of PNG by upgrading our pipeline network and operational facilities	20%	47,400	47,400	0	
Expand our business to other geographical areas through strategic acquisition	30%	71,000	0	71,000	By the end of 2025
Expand into distributed photovoltaic power generation business	30%	71,000	54,859	16,141	By the end of 2024
Promote the use of heat energy from vapour generated by our natural gas through natural gas boilers	10%	23,800	2,765	21,035	By the end of 2025
Working capital and general corporate purposes	10%	23,700	23,700	0	
Total	100%	236,900	128,724	108,176	

As at the date of this annual report, the unutilised Net Proceeds were deposited in an interest-bearing account opened with a licensed bank.

EXECUTIVE DIRECTORS

Mr. Wang Hua (汪驊), aged 47, is an executive Director and the chairman of the Board who is responsible for the overall day-to-day management of the business operation of the Group. Mr. Wang joined the Company in January 2020 as the chief financial officer. Mr. Wang was appointed a Director, the chairman of the Board and the legal representative of the Company on 21 April 2021 and was re-designated as an executive Director on 9 June 2021. Mr. Wang is also the chairman of the board and the legal representative of Huzhou Xinao Gas Development Company Limited* (湖州新奧燃氣發展有限公司) and Huzhou Zhongshihua Xinao Natural Gas Co., Ltd.* (湖州中石化新奧天然氣有限公司).

Mr. Wang has extensive experience in financial management. From December 1999 to May 2003, Mr. Wang served as a staff member of Huzhou Finance Bureau* (湖州市財政局). From May 2003 to March 2011, Mr. Wang successively served as a staff member and the deputy head of the integrated department of Huzhou Local Taxation Inspection Bureau* (湖州市地稅稽查局). From March 2011 to June 2013, Mr. Wang served as a deputy chief of the asset management department of Huzhou Finance Bureau* (湖州市財政局). From June 2013 to June 2014, Mr. Wang served as the vice-chairman of Huzhou Wuxing District Finance Bureau* (湖州市吳興區財政局). From June 2014 to January 2019, Mr. Wang served as the chairman of the finance department of Huzhou Economic and Technological Development Zone Management Committee* (湖州經濟技術開發區管委會). From January 2019 to May 2019, Mr. Wang served as a principal staff member of Huzhou Economic Development Zone Management Committee* (湖州經濟開發區管理委員會). From September 2019 to January 2020, Mr. Wang was a deputy sales general manager of the sales department of Huzhou Zhicheng Road Branch of DFZQ* (東方證券股份有限公司湖州志成路支行), a securities branch principally engaged in securities brokerage.

Mr. Wang graduated from Zhejiang Institute of Finance and Economics* (浙江財經學院) (currently known as Zhejiang University of Finance & Economics* (浙江財經大學)) in the PRC with a professional certificate in taxation in July 1999. He has been a senior economist in the PRC since 2021.

Ms. Su Li (蘇莉), aged 51, is an executive Director who is responsible for the overall business strategies and operation of the Group. Ms. Su was appointed as a Director on 3 April 2014 and re-designated as an executive Director on 9 June 2021. Ms. Su is also a director of Xinao Development, Xinao Energy Development, Nanxun Xinao, Nanxun Xinao Development and Deqing Xinrui.

Ms. Su has extensive experience in business management in the gas industry. From July 2002 to March 2003, she successively interned in ENN Energy and Bengbu Xinao Gas Company Limited* (蚌埠新奧燃氣有限公司), a subsidiary of ENN Energy principally engaged in investment in gas pipeline infrastructure. From April 2003 to April 2012, Ms. Su worked successively as senior project manager and deputy general manager of two coordination centres of ENN Energy in Zhejiang Province. From December 2010 to August 2012, Ms. Su served as the general manager of the Company. From April 2012 to March 2021, Ms. Su successively served as the acting general manager of Zhejiang-Shanghai region, and assistant to chief executive officer and general manager of ENN Energy in Zhejiang province. Ms. Su has been a senior vice president and the convenor of Zhejiang business co-ordination group of ENN Energy since February 2018 and March 2021, respectively.

Ms. Su graduated from Shanghai Jiao Tong University* (上海交通大學) in the PRC through distance learning with an executive master's degree in business administration in December 2015.

Mr. Pan Haiming (潘海明), aged 59, is an executive Director of the Company who is responsible for the overall business strategies and operation of the Group. Mr. Pan was appointed as a Director, the chairman of the Board and the legal representative of the Company on 2 April 2014. Mr. Pan ceased to be the chairman of the Board and the legal representative on 21 April 2021 and was re-designated as an executive Director on 9 June 2021. Mr. Pan is also a director of Xinao Development, Xinao Energy Development, Nanxun Xinao and Nanxun Xinao Development.

Mr. Pan has extensive experience in business administration. From August 1986 to February 1993, Mr. Pan worked in Huzhou Real Estate Management Office* (湖州市房地產管理處), which was principally engaged in real estate management in Huzhou. From March 1993 to December 2013, Mr. Pan successively served as the deputy manager and manager of the budget and final accounts department, chief economist and the deputy general manager responsible for construction projects and financials of City Group, the controlling shareholder of the Company. Since March 2021, Mr. Pan has been deputy secretary of the commission for discipline inspection of City Group.

Mr. Pan graduated from Tongji University* (同濟大學) in the PRC with a professional certificate in industrial and civil construction through distance learning in December 1993. He has been a senior cost engineer in the PRC since January 2011.

NON-EXECUTIVE DIRECTORS

Mr. Liu Jianfeng (劉建鋒), aged 47, is a non-executive Director. Mr. Liu was appointed as a non-executive Director on 6 February 2023, and is currently also the vice chairman of the Board.

Mr. Liu successively received a Bachelor's degree in Economics from the Central University of Finance and Economics* (中央財經大學) and a Master's degree in Law from the China University of Political Science and Law* (中國政法大學) for the period from 1995 to 2003 and a Master of Business Administration and a Master of Laws from Boston College in the United States of America from 2012 to 2014. He is currently a member of the CPA Australia. Prior to joining the Group, he held key financial management positions in several companies in the energy industry, and participated in and completed a number of large-scale multinational M&A transactions. He also served in domestic leading law firms, and has the qualification of PRC lawyer and corporate legal consultant. He has over 20 years of experience in enterprise operation, financial management, domestic and international investment, and M&A. He has worked at ENN Energy since September 2018 till now, and currently is an executive director and the president of ENN Energy.

Mr. Wang Peng (王鵬), aged 49, is a non-executive Director. Mr. Wang was appointed as a non-executive Director on 16 January 2024. Mr. Wang has extensive experience in engineering management. From August 1996 to May 1998, Mr. Wang served as an officer at Huzhou Municipal Engineering Corporation* (湖州市市政工程總公司). From May 1998 to April 2013, he held positions at Huzhou City Construction Development Corporation* (湖州市城市建設發展總公司), including technician, deputy manager and manager of the engineering department, as well as deputy general manager. From April 2013 to January 2014, he served as the deputy director of Huzhou City Construction Development Centre* (湖州市城市建設發展中心). From December 2010 to January 2014, he also served as the head of the construction and industry team of Keping County Headquarters of Huzhou City's counterpart support to Aksu Prefecture, Xinjiang* (湖州市對口支援新疆阿克蘇地區柯坪縣指揮部). From January 2014 to August 2014, Mr. Wang served as the full-time deputy secretary of the party committee of Huzhou Housing and Urban-Rural Construction Bureau* (湖州市住房與城鄉建設局機關黨委). From August 2014 to June 2016, Mr. Wang served as the general manager of Huzhou City Construction Investment Group* (湖州市城市建設投資集團公司). Since June 2016, Mr. Wang has been serving as the deputy general manager of Huzhou City Investment Development Group Co., Ltd.* (湖州市城市投資發展集團有限公司).

Mr. Wang graduated from Zhejiang University of Technology* (浙江工業大學) with a bachelor's degree in Civil Engineering in December 2007. He has been a senior engineer since December 2008.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chang Li Hsien Leslie (張立憲), aged 69, is an independent non-executive Director. Mr. Chang was appointed as an independent non-executive Director of the Company on 11 May 2021.

Mr. Chang has extensive experience in company operations, investment management, finance and professional accounting. From May 1984 to August 1994, Mr. Chang worked at the United States offices of KPMG (formerly known as KPMG Peat Marwick), where his last position was partner and director of Chinese Practice. Mr. Chang joined CITIC Pacific Limited (currently known as CITIC Limited) (stock code: 267) in August 1994. He was an executive director, deputy managing director and finance director of the company when he resigned in October 2008, where he had overall responsibilities in accounting and financial management functions of the CITIC Pacific Group and engaged in management of several businesses of the group. From November 2006 to October 2008, Mr. Chang was an alternate director of the board of Cathay Pacific Airways Limited (stock code: 293). Mr. Chang had a temporary career break between October 2008 and March 2010. In April 2010, Mr. Chang was invited to serve as the managing director and chief financial officer of HKC (Holdings) Limited, the shares of which were listed on the Hong Kong Stock Exchange prior to its privatisation and withdrawal of listing in June 2021 (stock code: 190). Later from September 2010 to December 2013, Mr. Chang was appointed as an executive director and the group chief executive officer. He was responsible for the management and operations of the group. During the same period, Mr. Chang was also the vice-chairman of the board and executive director of HKC (Holdings) Limited's subsidiary listed on the Stock Exchange, China Renewable Energy Investment Limited (stock code: 987). From March 2011 to October 2014, Mr. Chang served as an independent non-executive director of Pou Sheng International (Holdings) Limited listed on the Stock Exchange (stock code: 3813), where he also served as a member of the audit committee of the board.

Since March 2014, Mr. Chang has served as a senior advisor of CITIC Capital (Holdings) Limited. Since September 2020, Mr. Chang has served as an independent director of Canadian Solar Inc., which was listed on NASDAQ in the United States (stock code: CSIQ), meanwhile serving as a non-executive director of its PRC subsidiary, namely CSI Solar Co., Ltd.* (阿特斯陽光電力集團股份有限公司). This company was listed on the Science and Technology Innovation Board of Shanghai Stock Exchange (stock code: 688472) in July 2023.

Mr. Chang graduated from George Mason University in the United States with a bachelor's degree of business administration (major in accountancy) in May 1984. He became a member of the American Institute of Certified Public Accountants in December 1988, the Hong Kong Institute of Certified Public Accountants in February 1989 and the New York State Society of Certified Public Accountants in February 1990, and became a Chartered Global Management Accountant in July 2012.

Dr. Lau Suet Chiu Frederic (劉雪樵), aged 72, is an independent non-executive Director. Dr. Lau was appointed as an independent non-executive Director on 11 May 2021. Dr. Lau has extensive experience in financial regulation and management. From 1994 to 2004, Dr. Lau served in the Hong Kong Monetary Authority successively as a senior manager responsible for derivatives matters, the head of Banking Policy Division, the chief representative in New York and the director of the Banking Supervision Division. From 2005 to 2011, Dr. Lau was an executive director of Dah Sing Bank, where he was responsible for risk management functions of the bank. From March 2007 to January 2011, Dr. Lau served as an executive director of Dah Sing Banking Group Limited, a banking company listed on the Stock Exchange (stock code: 2356), and later served as a non-executive director between January 2011 and May 2011. From May 2011 to January 2014, Dr. Lau was an independent director of Shenzhen Development Bank Co., Ltd.* (深圳發展銀行股份有限公司) (subsequently renamed as Ping An Bank Co., Ltd.* (平安銀行股份有限公司)), a commercial bank. Since October 2017, Dr. Lau has served as a member of the global advisor committee, and subsequently the vice chairman of AMTD Group Company Limited, the holding company of AMTD International Inc. ("**AMTD**"), a Hong Kong financial services group listed on the New York Stock Exchange (stock code: HKIB), chairman of the executive committee of AMTD Group Company Limited and the president and a director of AMTD Digital Inc., a company listed on the New York Stock Exchange on 15 July 2022 (stock code: HKD), a subsidiary of AMTD. Dr. Lau resigned from all the executive and non-executive positions at AMTD Digital Inc. and AMTD Group Company Limited on 30 September 2022. From May 2019 to October 2020, Dr. Lau served as the chief executive officer of Airstar Bank Limited, a Hong Kong virtual bank of which AMTD is a shareholder, and was a director of the bank. Dr. Lau resigned the position as a director of Airstar Bank Limited on 10 February 2023.

Dr. Lau graduated from the University of South Australia in Australia with a doctor of philosophy in Business and Management (Economics) in June 2004.

Mr. Zhou Xinfa (周鑫發), aged 68, is an independent non-executive Director. Mr. Zhou was appointed as an independent non-executive Director on 11 May 2021. Mr. Zhou has extensive experience in energy research and engineering. For example, he was appointed as the director of provincial key laboratory at Zhejiang Energy and Nuclear Technology Application Research Institute* (浙江省能源與核技術應用研究院), which is principally engaged in research and development of new energy and nuclear technology, in August 2013. Mr. Zhou has served as an independent director in Hengsheng Energy Co., Ltd.* (恒盛能源股份有限公司), a Chinese energy company listed on the National Equities Exchange and Quotations (stock code: 872062), an independent director in SolaX Power Network Technology (Zhejiang) Co., Ltd. (浙江艾羅網絡能源技術股份有限公司), a PRC network power technology company listed on the Shanghai Stock Exchange on January 2024 (stock code: 688717) and an independent non-executive director in JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司), a gas company based in Jiaxing City, Zhejiang Province listed on the Stock Exchange (stock code: 9908) since July 2019, December 2020 and June 2021, respectively.

Mr. Zhou graduated from Zhejiang University* (浙江大學) in the PRC with a master's degree in engineering in January 1992. He has been conferred the qualification of professor-level senior engineer in December 2006 by the Department of Personnel of Zhejiang Province* (浙江省人事廳).

SUPERVISORS

Ms. Liu Fei (柳斐), aged 47, is a Supervisor and chairman of the board of Supervisors who is responsible for supervision of the Board and senior management.

Ms. Liu has extensive experience in fire safety and asset management. From July 1999 to December 2016, Ms. Liu successively served as staff officer, engineer, deputy head of fire prevention and supervision office, head of audit division, captain and instructor of the Huzhou branch of Zhejiang Province Fire Corps of Chinese People's Armed Police Force. From December 2016 to January 2019, Ms. Liu worked successively as a deputy general manager and general manager in the asset management division of City Group, a state-owned enterprise principally engaged in urban infrastructure investment and construction in Huzhou and the controlling shareholder of the Company. From September 2017 to January 2019, Ms. Liu was the general manager of Huzhou City Investment Asset Management Company Limited* (湖州市城投資產管理有限公司), a wholly-owned subsidiary of City Group principally engaged in asset management. From January 2019 to June 2023, Ms. Liu has served as the general manager of human resources department of City Group. Since January 2020, Ms. Liu has served as the party committee member of City Group. Since June 2023, Ms. Liu has served as the secretary of the party committee of Huzhou Talent Development Group Co., Ltd. (湖州市人才發展集團有限公司). Since December 2018, she has served as a Supervisor.

Ms. Liu graduated from Zhejiang University* (浙江大學) in the PRC with a bachelor's degree in law in June 1999. She has been an engineer specialising in construction management in the PRC since October 2017.

Mr. Cai Rui (蔡銳), aged 49, is a Supervisor who is responsible for supervision of the Board and senior management.

Mr. Cai has extensive experience in legal and compliance matters. From November 2006 to April 2007, Mr. Cai interned at the legal centre of ENN Group. From April 2007 to January 2008, Mr. Cai served as a senior legal manager of the risk management office in ENN Group. Since January 2008, Mr. Cai has been working in ENN Energy, a substantial shareholder of the Company, where he successively served as the senior legal manager and director of contract management of legal department, senior attorney and deputy chief of risk management department, deputy chief and chief of legal department and deputy convenor of the legal matter empowerment group. He is currently the legal matters professional convenor of the legal matter and compliance empowerment group of ENN Energy. Since December 2018, Mr. Cai has served as a Supervisor of the Company, and a supervisor of Nanxun Xinao and Nanxun Xinao Development, respectively.

Since September 2021, he has also served as the supervisor of Deqing Xinrui. Mr. Cai graduated from Xi'an Jiaotong University* (西安交通大學) in the PRC with a bachelor's degree in economic law in July 1998. He obtained the legal professional qualification certificate in the PRC in February 2005.

Mr. Xu Guoxin (徐國新), aged 53, is an employee representative Supervisor who is responsible for the customer service management of our gas pipeline network and supervision of the Board and senior management. In July 2023, Mr. Xu served as the director of the Company's customer service department and ceased to be the director of the Company's operations department.

Mr. Xu has extensive experience in gas project operations. From December 1986 to October 2005, Mr. Xu served successively as a staff member and deputy manager in Huzhou Coal Gas Company Pipeline Liquified Gas Branch* (湖州市煤氣公司管道液化氣分公司), which was principally engaged in the supply of PNG in Huzhou area. Mr. Xu joined the Company since November 2005, where he successively served as deputy chief and chief of engineering department, promoted to the chief of operations department from September 2012 to July 2023, and served as the director of the customer service department since July 2023. He was appointed as the employee representative Supervisor on 1 April 2021, and appointed as the supervisor of Nanxun Xinao and Nanxun Xinao Development, subsidiaries of Huzhou Gas, on 31 July 2023.

Mr. Xu attended an online course held by Beijing Foreign Studies University* (北京外國語大學) in the PRC and was awarded a professional certificate in business enterprise management in January 2021.

SENIOR MANAGEMENT

Mr. Li Haixiao (李海笑), aged 46, is the general manager of the Company who is responsible for the overall management of the business operations of the Group. He is also the vice chairman of Huran New Energy, the general manager of Xinao Development and the chairman of Nanxun Xinao, Nanxun Xinao Development and Deqing Xinrui.

Mr. Li has extensive experience in management in the gas industry. He had spent his entire career working in companies principally engaged in supply of gas in the PRC. From February 2003 to December 2005, Mr. Li worked as a manager in the production and engineering departments of Nanjing Gaochun Towngas China Company Limited* (南京高淳港華燃氣有限公司) (then known as Nanjing Baijiang Pipe Gas Company Limited* (南京百江管道燃氣有限公司)). From February 2006 to November 2009, Mr. Li served as the director of business development of the Nanjing Office of The Hong Kong and China Gas Company Limited, a gas, water supply and energy company in Hong Kong and the PRC listed on the Stock Exchange (stock code: 3), where he was responsible for developing the company's business in Nanjing, the PRC. From November 2009 to August 2012, Mr. Li served as the general manager of Suining Towngas China Company Limited* (睢寧港華燃氣有限公司), a gas company. From September 2012 to August 2013, Mr. Li worked as the standing deputy general manager of Taizhou Towngas China Company Limited* (泰州港華燃氣有限公司), a gas company. Mr. Li joined ENN Group in September 2013 as a temporary staff member of human resources department. From December 2013 to December 2018, Mr. Li successively served as assistant to general manager, general manager of Ningbo area and general manager of ENN Group's Zhejiang marketing and sales centre. Mr. Li joined the Company in January 2019 and has since served as the general manager of Nanxun Xinao. He was further appointed as the general manager of the Company in January 2020, the chairman of Nanxun Xinao and Nanxun Xinao Development in February 2020, the chairman of Deqing Xinrui in September 2021 and the vice chairman of Huran New Energy in April 2022.

Mr. Li graduated from Chongqing University* (重慶大學) in the PRC with a bachelor's degree in urban gas engineering in June 2002, and he has been a senior economist in the PRC since 2022.

Ms. Sun Xiaohui (孫曉慧), aged 48, is the financial controller of the Company who is responsible for the overall financial and investments management of the Group.

Ms. Sun has extensive experience in financial management. From December 1995 to March 1996, Ms. Sun worked as an accountant in Huzhou Architectural Design Research Institute* (湖州市建築設計研究院). From March 1996 to December 2002, Ms. Sun served as an accounting personnel in Huzhou Construction Industry Management Office* (湖州建築業管理處) of the Huzhou Municipal People's Government. From January 2003 to May 2013, Ms. Sun worked successively as accountant and deputy manager of the finance department of Huzhou Urban Construction Investment Group Company Limited* (湖州市城建投資集團有限公司) ("Huzhou Urban Construction"), a wholly-owned subsidiary of City Group, the controlling shareholder of the Company, primarily engaged in infrastructure investment in Huzhou. From May 2013 to November 2016, Ms. Sun served as a manager of the financing department of Huzhou Urban Construction Development Centre* (湖州市城市建設發展中心). From November 2016 to September 2017, Ms. Sun returned to Huzhou Urban Construction and served as a deputy general manager. From September 2017 to April 2021, Ms. Sun successively served as deputy chief of the safety and security office and deputy general manager of the planning and finance department of City Group. Ms. Sun joined the Company in April 2021 and has since served as our financial controller.

Ms. Sun graduated from Hangzhou Institute of Commerce* (杭州商學院) (currently known as Zhejiang Gongshang University* (浙江工商大學)) in the PRC with a professional certificate in financial accounting in July 1995 and from Zhejiang Gongshang University with a master's degree in project management in October 2013. She has been a senior accountant since April 2010.

Mr. Tang Chunhui (湯春輝), aged 43, is a standing deputy general manager of the Company and the secretary of the Board who is responsible for management of the general administration office and services supervisory office, business development, project tender management and Board secretarial matters. He is also the vice-chairman and a deputy general manager of Xinao Energy Development, and the general manager of Huran New Energy.

Mr. Tang has extensive experience in customer service management. Mr. Tang joined the Company in April 2005 shortly after graduation from university, and has successively held positions such as intern in the marketing department, administrative assistant, deputy head and head of the general office, assistant to general manager, head of customer service department and deputy general manager. Mr. Tang was appointed as the secretary of the Board in April 2021. Mr. Tang was also promoted to the standing deputy general manager in August 2022. Since its establishment in April 2019, Mr. Tang has been the vice-chairman and a standing deputy general manager of Xinao Energy Development. From July 2022 to April 2023, Mr. Tang served as the general manager of Huxun Fuel New Energy. From October 2022 to March 2023, Mr. Tang served as the general manager of Huqingran New Energy. In April 2022, Mr. Tang was appointed as the general manager of Huran New Energy.

Mr. Tang graduated from Huzhou University* (湖州師範學院) in the PRC with a bachelor's degree in computer science and technology in July 2004. He has been a level one enterprise human resources professional in the PRC since July 2012 and a senior economist in the PRC since 2021.

Mr. Li Pang (李龐), aged 53, is a deputy general manager of the Company who is responsible for the gas pipeline engineering construction and station management of the Group.

Mr. Li has extensive experience in gas engineering construction. He engaged in project development at the project department of Xinao Gas Shanghai Regional Coordination Centre* (新奧燃氣上海區域協調中心) from February 2002 to February 2003; served as a planning statistician in the planning and finance department of Quzhou Xinao Gas Company Limited* (衢州新奧燃氣有限公司) from March 2003 to June 2003; served as a budget officer in the planning and finance department of Jinhua Xinao Gas Company Limited* (金華新奧燃氣有限公司) from July 2003 to February 2004; served as the deputy director of the engineering technology department of Jinhua Xinao Gas Company Limited from March 2004 to June 2005; served as the director of the engineering technology department of Jinhua Xinao Gas Company Limited from June 2005 to June 2006; served as the director of the operations department of Jinhua Xinao Gas Company Limited from June 2006 to June 2007; served as the chief of the security department of Jinhua Xinao Gas Company Limited from July 2007 to December 2007; served as the assistant to general manager, chief of the security department (concurrently held from January 2008 to January 2009), and director of the engineering technology department (concurrently held from March 2008 to January 2009) of Jinhua Xinao Gas Company Limited from January 2008 to August 2017; served as the deputy general manager of Jinhua Xinao Gas Company Limited from September 2017 to November 2017; served as the deputy general manager of Sinopec Zhejiang Xinao (Zhoushan) Gas Co., Ltd.* (浙石化新奧（舟山）燃氣有限公司) from December 2017 to February 2018; served as the deputy general manager of Zhoushan Blue Flame Gas Co., Ltd.* (舟山市藍焰燃氣有限公司) from March 2018 to September 2020; served as the acting general manager (concurrently held) of Zhoushan Dinghai Xinao Energy Development Co., Ltd.* (舟山市定海新奧能源發展有限公司) from August 2019 to September 2020. He joined the Company in September 2020 and has served as the deputy general manager.

Mr. Li graduated from Sichuan Architecture Materials Industry College* (四川建築材料工業學院) (currently known as Southwest University of Science and Technology* (西南科技大學)) with a professional certificate in machinery manufacturing technology and equipment in July 1992, and from Tongji University with a master's degree in engineering in June 2017. He has been a senior engineer since November 2013.

Ms. Zheng Jie (鄭婕), aged 46, is a deputy general manager of the Company who is responsible for the gas customer service management of the Group.

Ms. Zheng has extensive experience in gas customer service management. She served as a financial accountant at Huzhou Information Industry Development Corporation* (湖州市信業發展總公司) from August 1996 to December 2000; served as the customer representative and meter reader for Huzhou Guowei Pipeline Gas Co., Ltd.* (湖州國威管道燃氣有限公司) from January 2001 to January 2003; served as the director of the marketing department of Huzhou Guowei Pipeline Gas Co., Ltd. from January 2003 to October 2005. From November 2005 to January 2019, she successively served as the director of customer service department, marketing director of marketing department, deputy manager of customer service department, manager of customer service department, manager of marketing department, and senior manager of marketing department at Huzhou Hong Kong and China Gas Company Limited* (湖州港華燃氣有限公司). From February 2019 to March 2023, she served as the marketing director of Huzhou Hong Kong and China Gas Company Limited. She concurrently served as the general manager of Huzhou Hong Kong and China Technology and Energy Company* (湖州港華科技能源公司) from June 2020 to March 2023, and the head of Huzhou Branch of Hong Kong and China Home Delivery (Hangzhou) Information Technology Company Limited* (港華到家(杭州)信息技術有限公司湖州分公司) from December 2021 to March 2023. She joined the Company in April 2023 and has been serving as a deputy general manager ever since.

Ms. Zheng graduated from Southwest University of Science and Technology* (西南科技大學) with a professional certificate in economic management in June 2006.

Mr. Xu Fazhong (徐發忠), aged 41, is a deputy general manager of the Company who is responsible for the operation and safety management of the Group's gas pipeline network.

Mr. Xu has extensive experience in the operation and safety management of gas pipeline network. He served as the R&D specialist in the transmission and distribution technology department of the Xinao Gas Technology Research Institute* (新奧燃氣技術研究院) from June 2008 to March 2010; served as the R&D supervisor of the transmission and distribution technology department at the Xinao Gas Technology Research Institute from April 2010 to December 2012; served as the operation management manager of the technical management department of ENN Energy from January 2013 to January 2016; served as the deputy director and director of technical safety at the Zhejiang Regional Market and Sales Center of Xinao* (新奧浙江區域市場與銷售中心) from February 2016 to July 2022; served as the deputy general manager of Hangzhou Xiaoshan Pipeline Gas Development Co., Ltd.* (杭州蕭山管道燃氣發展有限公司) from August 2022 to July 2023. He joined the Company in July 2023 and has been serving as a deputy general manager ever since.

Mr. Xu graduated from Southwest Petroleum University* (西南石油大學) in June 2008 with a master's degree in heating, gas supply, ventilation, and air conditioning engineering. He has been an intermediate engineer since November 2011.

JOINT COMPANY SECRETARIES

Mr. Tang Chunhui ("**Mr. Tang**") has been appointed as the joint company secretary of the Company on 9 June 2021. Mr. Tang is one of the senior management. Please refer to the paragraph headed "Senior Management" above for his biography.

Ms. Lee Mei Yi ("**Ms. Lee**") has been appointed as the joint company secretary with effect from 11 August 2022. She has been an Executive Director of Corporate Services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Lee has over 25 years of experience in the corporate secretarial field, holds an Honours Bachelor's Degree in Accountancy and is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

The Directors are pleased to present the Report of the Directors and the audited consolidated financial statements of the Company for the year ended 31 December 2023.

PRINCIPAL BUSINESSES

The Group's principal businesses include (i) the sale of gas, mainly PNG (under the concessions) and LNG in Huzhou; (ii) the provision of construction and installation services to construct and install end-user pipeline network and gas facilities for customers such as property developers and owners or occupants of residential and non-residential properties; and (iii) other businesses, including the sale of household gas appliances and relevant equipment, energy, distributed photovoltaic power and the leasing of properties in the PRC.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year ended 31 December 2023 and the material factors underlying its results and financial position as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are included in the section of "Management Discussion and Analysis" of this annual report. The future development of the Group's business is discussed in the section of the "Management Discussion and Analysis" of this annual report. The section of the "Management Discussion and Analysis" forms part of this report.

RESULTS

The Group's profits for the year ended 31 December 2023 and the Group's financial position as at 31 December 2023 are set out in the consolidated financial statements on pages 71 to 169 of this annual report.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Thursday, 6 June 2024. Shareholders may refer to the notice convening the AGM issued by the Company for details regarding the AGM.

FINAL DIVIDEND

The Board resolved to propose the payment of a final dividend of RMB0.30 (tax inclusive) per share for the Year (the "**2023 Final Dividend**") with an aggregate amount of RMB60,814,350 (tax inclusive) to Shareholders (whether holders of H Shares or holders of Domestic Shares) of the Company with their names appearing on the Company's register of members on Friday, 14 June 2024, subject to the approval by the Shareholders of the Company at the AGM. Subject to the passing of the relevant resolution at the AGM, the 2023 Final Dividend is expected to be paid around Wednesday, 3 July 2024.

Dividends will be paid in Renminbi for holders of Domestic Shares of the Company, and dividends will be paid in Hong Kong dollars for holders of H Shares of the Company (the "**H Shareholders**"). The relevant exchange rate will be the average of the mid-point rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of approval of declaration of dividends at the AGM.

TAX

Under the requirements of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) and the Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) implemented in 2008, the Company has the obligation to withhold enterprise income tax at a rate of 10% on dividends when it pays the 2023 Final Dividend to H Shareholders who are overseas non-resident enterprises (including HKSCC Nominees Limited, other enterprise nominees or trustees, or other organizations and groups) with their names appearing on the H Share register of members on Friday, 14 June 2024.

According to the requirement under Guo Shui Han [2011] No. 348 from the State Taxation Administration (國家稅務總局國稅函[2011]348號) and the relevant laws and regulations, for individual H Shareholders who are residents in Hong Kong or Macau, and residents in other countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold the individual income tax at the rate of 10%. For individual H Shareholders who are residents in the countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate lower than 10%, the Company will withhold the individual income tax on the dividends at the rate of 10%. For individual H Shareholders who are residents in the countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 10% but lower than 20%, the Company will withhold the individual income tax at the effective tax rate under the relevant tax treaty. For individual H Shareholders who are residents in the countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 20%, or residents in the countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold the individual income tax at the rate of 20%.

The Company will determine the residential status of the individual H Shareholders based on the registered address as recorded in the H Share register of members of the Company on Friday, 14 June 2024. If the residential status of individual H Shareholders is not the same as their registered address or if the individual H Shareholders would like to apply for a refund of the additional amount of tax that has been withheld, the individual H Shareholders shall notify and provide relevant supporting documents to the Company on or before Wednesday, 12 June 2024. Upon the supporting documents being reviewed by the relevant tax authorities, the Company will follow the guidance from the tax authorities to implement relevant withholding provisions and arrangements. Individual H Shareholders may either personally or appoint an agent to handle the relevant procedures in accordance with the relevant requirements under the tax treaties notice if they fail to provide the relevant supporting documents to the Company before the time limit stated above.

The Company assumes no responsibility and disclaims any liabilities whatsoever in relation to the tax status or tax treatment of the H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the H Shareholders or any disputes relating to the withholding mechanism or arrangements.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the rights of H Shareholders to attend and vote at the AGM and their entitlements to the 2023 Final Dividend, the H Share register of members of the Company will be closed in the following periods, the details of which are set out as below:

(1) For determining the rights of H Shareholders to attend and vote at the AGM

Latest time to lodge transfer documents of shares for registration	4:30 p.m. on Friday, 31 May 2024
Closure of register of members (both days inclusive)	Monday, 3 June 2024 to Thursday, 6 June 2024
Record date	Thursday, 6 June 2024

(2) For determining the entitlements of H Shareholders to the 2023 Final Dividend

Latest time to lodge transfer documents of shares for registration	4:30 p.m. on Wednesday, 12 June 2024
Closure of register of members (both days inclusive)	Thursday, 13 June 2024 to Friday, 14 June 2024
Record date	Friday, 14 June 2024

During the above relevant periods, the H Share register of members of the Company will be closed. In order to ascertain the right to be eligible to attend and vote at the AGM, and to qualify for the 2023 Final Dividend, all transfer documents of shares, accompanied by the relevant Share certificates, must be lodged with the Company's H Share Registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration, by no later than the aforementioned latest times.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 170 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

As at 31 December 2023, the total share capital of the Company was RMB202,714,500, divided into 202,714,500 Shares (including 150,000,000 Domestic Shares and 52,714,500 H Shares) with a nominal value of RMB1.00 each. Details of movements of the Company's share capital during the year ended 31 December 2023 are set out in note 31 to the consolidated financial statements of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 31 December 2023 are set out in note 14 to the consolidated financial statements of this annual report.

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2023 are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity of this annual report.

As at 31 December 2023, the distributable reserve of the Company was approximately RMB6.28 million.

BANK BORROWINGS AND OTHER BORROWINGS

As at 31 December 2023, the Company and its subsidiaries had no bank borrowings and other borrowings.

PRE-EMPTIVE RIGHTS

Pursuant to the articles of association of the Company and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to issue new issues to its existing Shareholders in proportion to their shareholdings.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing by the Group, some of which are beyond its control. Some of the major risks we face include:

1. Our business is subject to the development of PRC government policies and any future changes in laws or regulations or enforcement policies could materially and adversely affect our business, operating results and financial condition.

2. Our concessions for the operation of our PNG business will expire or may be terminated before expiration and we may not be able to renew our existing concessions or secure new concessions.

3. We are affected by risks arising from the PRC government's price control regime for PNG. For example, given there is generally a time gap between the increase in our purchase price before the increase in our selling price, any price adjustment may negatively affect our profit margin for the relevant period.

4. We require various licences and permits to commence, operate and expand our business operation. Any failure to obtain or renew any or all of these licences and permits or any failure to take legal action against our non-compliance incident may materially and adversely affect our business and expansion plans.

5. We may not have adequate insurance to cover all hazards common to the natural gas industry to which our operations are subject.

6. We require substantial funding for our current and future projects. In addition, the capital expenditures actually required could be higher than expected due to various reasons which are beyond our control. Any failure to obtain adequate funding, or at all, could adversely affect our financial condition and results of operations and could prevent us from fulfilling our financial obligations and business objectives.

DIRECTORS

The Directors during the year ended 31 December 2023 and up to the date of this report ("**First Session of the Board of Directors**") were as follows:

Executive Directors

Mr. Wang Hua *(Chairman)*
Ms. Su Li
Mr. Pan Haiming

Non-executive Directors

Mr. Liu Jianfeng *(Appointed on 6 February 2023)*
Mr. Zhang Yuying *(Resigned on 6 February 2023)*
Mr. Wang Peng *(Appointed on 16 January 2024)*
Ms. Wu Zhanghuan *(Resigned on 16 January 2024)*

Independent Non-executive Directors

Mr. Chang Li Hsien Leslie
Dr. Lau Suet Chiu Frederic
Mr. Zhou Xinfa

The term of office of the First Session of the Board of Directors has expired on 31 March 2024. Pursuant to Article 112 of the Articles of Association, Directors shall be elected at the Shareholders' general meetings and upon the expiration of their term of office, Directors shall be eligible to offer themselves for re-election and re-appointment. Therefore, the Nomination Committee and the Board of Directors have resolved to nominate Mr. Wang Hua, Mr. Yang Fan and Ms. Sun Xiaohui as candidates for the positions of executive Directors of the second session of the Board of Directors, Mr. Liu Jianfeng and Mr. Wang Peng as candidates for the positions of non-executive Directors of the second session of the Board of Directors, and Mr. Chang Li Hsien Leslie, Dr. Lau Suet Chiu Frederic and Mr. Zhou Xinfa as candidates for the positions of independent non-executive Directors of the second session of the Board of Directors.

The nominated candidates, except for Mr. Yang and Ms. Sun, are members of the First Session of the Board of Directors. Ms. Su Li and Mr. Pan Haiming, each an executive Director of the First Session of the Board of Directors, have tendered their resignations as executive Directors with effect from conclusion of the extraordinary general meeting of the Company to be held on 25 April 2024 ("**EGM**") due to adjustments to their other work arrangements. Mr. Yang and Ms. Sun have been nominated by the Nomination Committee and the Board of Directors to fill the vacancies arising as a result of the resignations of Ms. Su and Mr. Pan. Subject to election (in respect of Mr. Yang and Ms. Sun only) or re-election (in respect of the other candidates) by the Shareholders at the EGM, the nominated candidates shall each hold directorship as a member of the second session of the Board of Directors.

For details, please refer to the announcements of the Company dated 28 March 2024 and 10 April 2024, and the circular of the Company dated 9 April 2024.

SUPERVISORS

The Supervisors during the year ended 31 December 2023 and up to the date of this report ("**First Session of the Board of Supervisors**") were as follows:

Ms. Liu Fei *(Chairman)*
Mr. Cai Rui
Mr. Xu Guoxin

Details of the activities conducted by the board of Supervisors during 2023 are set out in the section headed "Report of the Board of Supervisors" of this annual report.

Details of biography of Directors and Supervisors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

The term of office of the First Session of the Board of Supervisors has expired on 31 March 2024. Pursuant to Article 165 of the Articles of Association, Shareholder representative Supervisors shall be elected at the Shareholders' general meetings. Pursuant to Article 161 of the Articles of Association, upon expiration of their term of office, Supervisors shall be eligible to offer themselves for re-election and re-appointment. Therefore, the board of Supervisors has resolved to nominate Ms. Xing Yan and Mr. Cai Rui as candidates for the positions of Shareholder representative Supervisors of the second session of the board of Supervisors.

Mr. Cai is a Shareholder representative Supervisor of the First Session of the Board of Supervisors. Ms. Liu Fei, a Shareholder representative Supervisor of the First Session of the Board of Supervisors, has tendered her resignation as a Shareholder representative Supervisor with effect from conclusion of the EGM due to adjustments to her other work arrangements. Ms. Xing has been nominated by the board of Supervisors to fill the vacancy arising as a result of the resignations of Ms. Liu. A separate ordinary resolution will be proposed at the EGM for the Shareholders to consider and, if thought fit, approve the election of Ms. Xing and re-election of Mr. Cai as a Shareholder representative Supervisor of the second session of the board of Supervisors respectively. Subject to approval by the Shareholders at the EGM, the appointments shall take effect immediately after conclusion of the EGM.

Pursuant to Article 165 of the Articles of Association, the employee representative Supervisor of the board of Supervisors shall be elected through democratic election by the employees of the Company. Under Article 161 of the Articles of Association, upon expiration of their term of office, Supervisors shall be eligible to offer themselves for re-election and re-appointment. Mr. Xu Guoxin, the employee representative Supervisor of the First Session of the Board of Supervisors, has been nominated as the candidate for the position of employee representative Supervisor of the second session of the board of Supervisors. Following the re-election by the employee representatives at the employee representatives' meeting of the Company held on 29 February 2024 (the "**Employee Representatives' Meeting**"), the appointment of Mr. Xu as an employee representative Supervisor of the second session of the board of Supervisors shall take effect immediately after conclusion of the Employee Representatives' Meeting.

For details, please refer to the announcements of the Company dated 28 March 2024 and 10 April 2024, and the circular of the Company dated 9 April 2024.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors has entered into a service contract with the Company for a term of three years from the date of appointment until the expiration of the term of office of the first session of the Board. Such appointments are subject to the relevant provisions of the Company's articles of association with regard to vacation of office of Directors, removal and re-election of Directors.

Each of the Supervisors has entered into a service contract with the Company for a term of three years from the date of appointment until the expiration of the term of office of the first session of the board of Supervisors. Such appointments are subject to the relevant provisions of the Company's articles of association with regard to vacation of office of Supervisors, removal and re-election of Supervisors.

None of the Directors or Supervisors has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY AND DIRECTORS' AND SUPERVISORS' REMUNERATION

In compliance with the CG Code as set out in Part 2 of Appendix C1 (formerly known as Appendix 14) to the Listing Rules, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. Details of the remuneration of the Directors, Supervisors and the five highest paid individuals are set out in note 8 and note 9, respectively, to the consolidated financial statements.

There were no emoluments paid by the Group to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

None of the Directors, Supervisors nor any entity connected with them had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2023.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "Connected Transactions", "Continuing Connected Transactions" and note 37 to the consolidated financial statements of this annual report, no contracts of significance in relation to the Group's business between the Company, or any of its subsidiaries and a controlling shareholder or any of its subsidiaries nor contract of significance in relation to the Group's business whether or not for provision of services to the Company or any of its subsidiaries by a controlling shareholder or any of its subsidiaries subsisted during or at the end of the year ended 31 December 2023.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023, Directors and Supervisors and their associates did not have any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group.

MANAGEMENT CONTRACT

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into or existed during the year ended 31 December 2023.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, so far as is known to the Directors, none of the Directors, Supervisors or chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, so far as is known to the Directors, the interests or short positions of the persons (other than the Directors, Supervisors or chief executives of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would be required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO are as follows:

Interests and short positions in the Shares and underlying Shares of the Company:

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
City Group (Note 4)	Domestic Shares	Beneficial owner	89,457,540 (L)	59.64%	44.13%
Huzhou SASAC (Note 4)	Domestic Shares	Interest in a controlled corporation	89,457,540 (L)	59.64%	44.13%
ENN (China) (Note 5)	Domestic Shares	Beneficial owner	60,542,460 (L)	40.36%	29.87%

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
ENN Energy (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
Xinneng (Hong Kong) Energy Investment Limited (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
ENN Natural Gas Co., Ltd. (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
ENN Group International Investment Limited (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
ENN Investment Holdings Company Limited (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
ENN Capital Management Co., Ltd. (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
Langfang City Natural Gas Company Limited (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
ENN Yingchuang Technology Co., Ltd. (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
Wang Yusuo (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
Zhao Baoju (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
SDIC Taikang Trust Co., Ltd.* (國投泰康信託有限公司) (Note 6)	H Shares	Trustee	15,000,000 (L)	28.46%	7.40%
Orient Fund Management Co., Ltd.* (東方基金管理股份有限公司) (Note 7)	H Shares	Trustee	8,000,000 (L)	15.18%	3.95%
NEW PARTNER INTL LTD (Note 8)	H Shares	Beneficial owner	3,700,000 (L)	7.02%	1.83%
Meng Erhu (蒙二虎) (Note 8)	H Shares	Interest in a controlled corporation	3,700,000 (L)	7.02%	1.83%
Wu Shuying (吳淑英) (Note 9)	H Shares	Interest of spouse	3,700,000 (L)	7.02%	1.83%
Yu Linqiang (郁林強)	H Shares	Beneficial owner	2,800,000 (L)	5.31%	1.38%
Yu Rongfang (郁蓉芳) (Note 10)	H Shares	Interest of spouse	2,800,000 (L)	5.31%	1.38%

Notes:

(1) The letter "L" denotes the Shareholder's long position in the Shares and underlying Shares of the Company.

(2) The calculation of approximate percentage of Domestic Shares' shareholding in the relevant class of Shares and that of H Shares' shareholding in the relevant class of Shares are based on the total number of 150,000,000 Domestic Shares and 52,714,500 H Shares in issue as at 31 December 2023 respectively.

(3) The calculation is based on the total number of 202,714,500 Shares in issue as at 31 December 2023.

(4) City Group is wholly-owned by Huzhou SASAC. Under the SFO, Huzhou SASAC is deemed to be interested in the same number of Shares in which City Group is interested.

(5) ENN (China) is wholly-owned by ENN Energy, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2688). As at 31 December 2023, based on disclosure of interest notices filed to the Stock Exchange in respect of interests of ENN Energy, Mr. Wang Yusuo and his spouse Ms. Zhao Baoju controlled one-third or more of the voting power at the general meetings of ENN Energy indirectly through their controlled corporations, namely Xinneng (Hong Kong) Energy Investment Limited, ENN Natural Gas Co., Ltd., ENN Group International Investment Limited, ENN Investment Holdings Company Limited, ENN Capital Management Co., Ltd., Langfang City Natural Gas Company Limited and ENN Yingchuang Technology Co., Ltd. Under the SFO, Mr. Wang Yusuo, Ms. Zhao Baoju, their aforementioned controlled corporations, and ENN Energy are deemed to be interested in the Shares in which ENN (China) is interested.

(6) SDIC Taikang Trust Co., Ltd.* is the trustee of SDIC Taikang Trust – Ruijin No. 35 QDII Single Fund Trust and SDIC Taikang Trust – Ruijin No. 36 QDII Single Fund Trust which hold 6,600,000 H Shares and 8,400,000 H Shares, respectively, as at 31 December 2023.

(7) Orient Fund Management Co., Ltd.* is the trustee of a private trust which holds 8,000,000 H Shares as at 31 December 2023.

(8) NEW PARTNER INTL LTD is wholly owned by Mr. Meng Erhu. Under the SFO, Mr. Meng Erhu is deemed to be interested in the same number of H Shares in which NEW PARTNER INTL LTD is interested.

(9) Ms. Wu Shuying is the spouse of Mr. Meng Erhu. Under the SFO, Ms. Wu Shuying is deemed to be interested in the same number of H Shares in which Mr. Meng Erhu is interested.

(10) Ms. Yu Rongfang is the spouse of Mr. Yu Linqiang. Under the SFO, Ms. Yu Rongfang is deemed to be interested in the same number of H Shares in which Mr. Yu Linqiang is interested.

Save as disclosed above, as at 31 December 2023, the Directors are not aware of any other person (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fail to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2023 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group has conducted the following connected transaction:

Provision of Procurement and Construction Services to Nanxun Xinao by Xindi Energy

On 1 March 2023, Nanxun Xinao, a subsidiary of the Company, entered into the Procurement and Construction Contract with Xindi Energy Engineering Technology Co., Ltd.* (新地能源工程技術有限公司) ("**Xindi Energy**"), pursuant to which, Xindi Energy, acting as the contractor, agreed to provide procurement and construction services to Nanxun Xinao, as the principal, for the construction project of a comprehensive gas source station of the Group in Huzhou, the PRC. The services shall commence on 1 March 2023 and were expected to end by 17 September 2023, unless otherwise determined by the parties.

The total consideration of the Procurement and Construction Contract consisting of equipment fee of approximately RMB27,172,629.46, construction and installation fee of approximately RMB35,823,151.05, and procurement and storage fee of approximately RMB679,315.74 was approximately RMB63,675,096.25 (tax inclusive) which was subject to adjustments arising from the actual volume of construction works or fluctuations in published prices of labour, materials and equipment.

As at the date of the Procurement and Construction Contract, Nanxun Xinao was a direct non-wholly owned subsidiary of the Company. Nanxun Xinao is owned as to 51% by the Company and 49% by ENN Group. ENN Group was ultimately controlled as to approximately 99.7% by Mr. Wang Yusuo and his spouse Ms. Zhao Baoju, and owned as to approximately 0.3% by 21 other individuals who were, to the best knowledge and belief of the Directors after making due enquiries, parties independent of the Company and its connected persons.

As at the date of the Procurement and Construction Contract, Xindi Energy was wholly owned by ENN (Tianjin) Energy Investment Co., Ltd.* (新奧(天津)能源投資有限公司) which was in turn wholly owned by ENN Natural Gas Co., Ltd. ("**ENN Natural Gas**"). ENN Natural Gas was owned as to approximately 44.2% by ENN Group International Investment Limited, an entity ultimately wholly owned by Mr. Wang Yusuo and his spouse Ms. Zhao Baoju. As Xindi Energy is a 30%-controlled company (within the meaning of the Listing Rules) of Mr. Wang Yusuo, who is a controlling shareholder (within the meaning of the Listing Rules) of Nanxun Xinao, a non-wholly owned subsidiary of the Company, Xindi Energy is therefore a connected person of the Company at subsidiary level.

For details, please refer to the announcement of the Company dated 9 June 2023.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2023, the Group carried out the following transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules:

Provision of Certain Goods and Services to City Group by the Group

On 12 September 2023, the Company entered into the 2023-2025 Supply Framework Agreement with City Group, pursuant to which the Group agreed to sell to City Group, and City Group agreed to purchase from the Group, certain goods and services for the term from 12 September 2023 to 31 December 2025. The unit price for the goods and services payable under each separate agreement shall be set by the Group with reference to the prevailing market prices for the comparable goods and services sold by independent third parties and shall be no more favourable than those offered by the Group to independent third party customers, taking into account factors such as the types and volume of goods and services etc.

As at the date of the 2023-2025 Supply Framework Agreement, City Group was a controlling shareholder, hence a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules.

During the year ended 31 December 2023, the total amount paid by City Group for purchasing certain goods and services amounted to approximately RMB1.02 million.

For details, please refer to the announcement of the Company dated 12 September 2023.

Supply of Steam to the Group by City Group

On 12 September 2023, the Company entered into the 2023-2025 Steam Supply Framework Agreement with City Group, pursuant to which the Group agreed to purchase from City Group, and City Group agreed to supply to the Group, steam for the term from 12 September 2023 to 31 December 2025. The unit price for steam procurement payable under each separate agreement shall be RMB140 per tonne.

As at the date of the 2023-2025 Steam Supply Framework Agreement, City Group was a controlling shareholder, hence a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules.

During the year ended 31 December 2023, the total amount paid by the Group for purchasing steam amounted to approximately RMB2.23 million.

For details, please refer to the announcement of the Company dated 12 September 2023.

Provision of Various Services to Designated Customers of Xinao Brokers by the Group

On 12 September 2023, the Company entered into the 2023-2025 Service Framework Agreement with Xinao Insurance Brokers Co., Ltd.* (新奧保險經紀有限公司) ("**Xinao Brokers**") in relation to the provision of various services by the Group to designated customers of Xinao Brokers for the term from 12 September 2023 to 31 December 2025. The scope of services shall include, but not limited to: (1) offering gas usage safety education, covering self-rescue or rescue methods for common household gas accidents; (2) responding to customer enquiries in relation to gas usage and safety; (3) performing safety inspection and testing of gas equipment and appliances, safety inspection of indoor gas pipelines, and providing usage recommendations to customers with potential safety hazards; and (4) promoting disaster and loss prevention insurance. The service fee payable by Xinao Brokers under the 2023–2025 Service Framework Agreement shall be calculated based on the sum of the unit price of respective customer multiplied by the respective service frequency. The unit price for each customer of Xinao Brokers under each separate agreement shall range from RMB11 to RMB220 per residential customer, from RMB90 to RMB15,000 per commercial customer, and from RMB300 to RMB15,000 per industrial customer as stipulated in the 2023-2025 Service Framework Agreement, and to be agreed on a case-by-case basis for other customers not listed in the 2023-2025 Service Framework Agreement.

As at the date of the 2023-2025 Service Framework Agreement, Xinao Brokers was wholly-owned by ENN Group, a controlling shareholder of Nanxun Xinao and Nanxun Xinao Development. Huzhou Nanxun Xinao Gas Company Limited and Huzhou Nanxun Xinao Gas Development Company Limited were non-wholly owned subsidiaries of the Company that did not fall under the definition of insignificant subsidiaries (as defined under the Listing Rules) of the Company. ENN Group was ultimately owned as to approximately 99.7% by Mr. Wang Yusuo and his spouse Ms. Zhao Baoju, and owned as to approximately 0.3% by 21 other individuals who were, to the best knowledge and belief of the Directors after making due enquiries, parties independent of the Company and its connected persons. As Xinao Brokers was a wholly-owned subsidiary of ENN Group, a controlling shareholder of non-wholly owned subsidiaries of the Company which are not insignificant subsidiaries, Xinao Brokers is therefore a connected person of the Company at the subsidiary level.

During the year ended 31 December 2023, the total amount paid by Xinao Brokers for service fee to the Group amounted to approximately RMB5.94 million.

For details, please refer to the announcement of the Company dated 12 September 2023.

Provision of Gas Appliances to the Group by Nanjing Xinao Technology

In light of the fact that the gas appliances sale and purchase agreement for the term from 1 January 2022 to 31 December 2022 expired on 31 December 2022, therefore, on 12 September 2023, the Company entered into the 2023-2025 Gas Appliances Framework Agreement with Nanjing Xinao Intelligent Technology Co., Ltd.* (南京新奥智能科技有限公司) ("**Nanjing Xinao Technology**"), pursuant to which the Group agreed to purchase from Nanjing Xinao Technology, and Nanjing Xinao Technology agreed to sell to the Group, gas appliances for the term from 12 September 2023 to 31 December 2025. The price payable under each separate agreement should be determined by the Group and Nanjing Xinao Technology after arm's length negotiations with reference to the prices offered by Nanjing Xinao Technology to its member companies. The price payable by the Group shall not be higher than that paid by member companies of Nanjing Xinao Technology.

As at the date of the 2023-2025 Gas Appliances Framework Agreement, Nanjing Xinao Technology was wholly-owned by Xinao Gas Development Company Limited* (新奥燃氣發展有限公司), which was in turn wholly-owned by ENN (China), a substantial shareholder. As such, Nanjing Xinao Technology was an associate of ENN (China), and hence a connected person of the Company pursuant to Rule 14A.13(1) of the Listing Rules.

During the year ended 31 December 2023, the total amount paid by the Group for purchasing goods amounted to approximately RMB2.14 million.

For details, please refer to the announcement of the Company dated 12 September 2023.

Provision of Gas Pipeline Construction and Installation Services to City Group by the Group

In light of the fact that the gas pipeline construction framework agreement for the term from 1 January 2021 to 31 December 2023 will expire on 31 December 2023, on 12 September 2023, the Company entered into the 2024-2026 Gas Pipeline Construction Framework Agreement with City Group, pursuant to which the Group, as supplier, agreed to provide gas pipeline construction and installation services ("**Construction Services**") for real estate development projects undertaken by City Group in the Operating Area for the term commencing from 1 January 2024 to 31 December 2026. The service fee for the provision of the Construction Services for residential projects shall be determined in accordance with the price set by the Huzhou Municipal People's Government from time to time. For non-residential projects, the service fee shall be determined based on the manpower and materials as agreed on a project by project basis, which vary with factors such as the length of pipeline constructed and the size of gas facilities. The service fee shall be determined in accordance with the unit price for manpower and each type of materials set by the Zhejiang Provincial Government from time to time.

As at the date of the 2024-2026 Gas Pipeline Construction Framework Agreement, City Group was a controlling shareholder, hence a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules.

During the year ended 31 December 2023, the total charges for provision of Construction Services to City Group by the Group amounted to RMB4.97 million.

For details, please refer to the announcement of the Company dated 12 September 2023.

Installation of Distributed Photovoltaic System and Provision of Electricity Storage Services to City Group by the Group

In light of the fact that the photovoltaic framework agreement for the term from 1 June 2021 to 31 December 2023 will expire on 31 December 2023, on 12 September 2023, the Company entered into the 2024-2026 Photovoltaic and Electricity Storage Service Cooperation Framework Agreement with City Group, pursuant to which (i) the Group is permitted to install distributed photovoltaic systems in properties owned by City Group, and the Group agreed to first supply the electricity generated by such system to City Group before the Group sells any unutilised electricity generated by such system to the State Grid Corporation of China (國家電網公司); and (ii) the Group agreed to provide electricity storage services to City Group with respect to City Group's specific needs. The term of the 2024-2026 Photovoltaic and Electricity Storage Service Cooperation Framework Agreement is from 1 January 2024 to 31 December 2026.

As at the date of the 2024-2026 Photovoltaic and Electricity Storage Service Cooperation Framework Agreement, City Group was a controlling shareholder, hence a connected person of the Company pursuant to Rule 14A.07(1) of the Listing Rules.

During the year ended 31 December 2023, the total charges charged for the installation of distributed photovoltaic system and provision of electricity to City Group by the Group amounted to RMB3.76 million.

For details, please refer to the announcement of the Company dated 12 September 2023.

Supply of PNG and LNG by Ningbo Intercity to the Group

On 26 May 2022, the Company entered into a master supply agreement with Ningbo Intercity, pursuant to which the Group shall purchase from Ningbo Intercity, and Ningbo Intercity shall sell to the Group, PNG and LNG in the Operating Area for a period from 1 January 2022 to 31 December 2024 (the "**Master Supply Agreement**"). Under the Master Supply Agreement, the gas price at which Ningbo Intercity charges the Group for the supply of PNG is based on the government-regulated gate price (門站價格) of natural gas.

On 14 March 2023, the Company entered into a supplemental agreement ("**Supplemental Agreement**") with Ningbo Intercity, pursuant to which the parties agreed to amend the pricing basis of the gas price at which Ningbo Intercity charges the Group for the supply of PNG from Ningbo Intercity to the Group under the Master Supply Agreement with effect from 1 April 2023 from government regulated prices to prices determined by the parties with reference to prevailing market prices, subject to the terms and conditions under the Supplemental Agreement.

On 27 November 2023, the Company and Ningbo Intercity entered into the 2024-2026 Natural Gas Framework Agreement in substitution for the Master Supply Agreement (as supplemented by the Supplemental Agreement), pursuant to which the Group agreed to purchase from Ningbo Intercity, and Ningbo Intercity agreed to sell to the Group, PNG and LNG in the Operating Area for the period from 1 January 2024 to 31 December 2026.

As at the date of the 2024-2026 Natural Gas Framework Agreement, Ningbo Intercity was wholly owned by Xinao Gas Development Company Limited* (新奧燃氣發展有限公司), which was in turn wholly owned by ENN (China), a substantial shareholder. As such, Ningbo Intercity was an associate of ENN (China) pursuant to Rule 14A.13(1) of the Listing Rules, and hence a connected person of the Company pursuant to Rule 14A.07(4) of the Listing Rules.

During the year ended 31 December 2023, the total PNG and LNG charges charged by Ningbo Intercity amounted to RMB793.94 million.

For details, please refer to the announcements and circulars of the Company dated 15 March 2023, 24 April 2023, 27 November 2023 and 28 December 2023.

Save to the extent as permitted by the waivers granted by the Stock Exchange as disclosed in the Prospectus, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the year ended 31 December 2023 in relation to the Group's related party transactions which constitute connected transactions or continuing connected transactions as disclosed in note 37 to the consolidated financial statements of this annual report.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors had reviewed the above-mentioned continuing connected transactions and confirmed such transactions were conducted:

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

(2) on normal commercial terms; if the comparable transactions could not be relied on to judge whether the terms of such transactions were normal commercial terms, as far as the Group is concerned, on terms no less favourable than the terms accepted or provided by independent third parties; and

(3) in accordance with the agreed terms related to the transactions, which are fair and reasonable and in the interests of Shareholders as a whole.

CONFIRMATION BY AUDITOR

The external auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagement 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 Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

INTERNAL CONTROLS

The Group shall implement the following measures to monitor connected transactions and continuing connected transactions:

(a) maintaining an updated list of connected persons of the Company and adhering to the connected transaction management policy (關連交易管理制度);

(b) maintaining proper filing for potential and actual transactions and documents recording the review and/or approval processes;

(c) to ensure that the prices and terms of continuing connected transactions are fair and reasonable, on normal commercial terms and no less favourable to the Group than those offered to or quoted by independent third parties, the Group shall consider the below in the following order depending on the availability:

    i. PRC government-regulated or government guidance price;

    ii. market price, including domestic market price or international market price;

    iii. cost-plus basis, the mark-up rate shall be determined by negotiation between the parties;

    iv. transaction terms no less exacting than the ones provided to or by independent third parties, including price and payment terms etc.

    The Group shall obtain quotations from independent third parties to understand and/or verify the above before going through internal contract approval processes;

(d) the person-in-charge of the finance department shall review the table containing the actual transaction amounts and prices for continuing connected transactions compiled by the relevant business unit at least on a quarterly basis;

(e) continuing connected transactions shall be reported to the audit committee of the Board (which comprises all independent non-executive Directors) at least twice a year;

(f) the audit committee of the Board shall review continuing connected transactions at least twice a year in relation to, among others, whether the transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better and whether they are carried out in accordance with the relevant agreements and on terms that are fair and reasonable and in the interest of the Shareholders as a whole; and

(g) through reviewing the information gathered from the finance department of the Company, the external auditor of the Company will report to the Board at least annually on the continuing connected transactions of the Group.

The internal control measures above can allow the Company to effectively monitor the connected transactions and continuing connected transactions, where applicable, and to ensure the terms of such transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the year ended 31 December 2023. The Directors were also not aware of any material litigation or claims that were pending or threatened against the Group during the year ended 31 December 2023 and up to the date of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the total revenue attributable to the Group's five largest customers was approximately 18.76%, and the revenue attributable to the Group's largest customer from the sales was approximately 8.15%.

During the year ended 31 December 2022, the total purchases attributable to the Group's five largest suppliers was approximately 87.66%, and the purchase attributable to the Group's largest supplier was approximately 33.44%. Among the five largest suppliers, Ningbo Intercity was the largest supplier during the year ended 31 December 2023.

At all times during the year ended 31 December 2023, save as disclosed above, none of the Directors or their close associates or any Shareholder who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any direct interest in any of the Group's five largest customers or suppliers.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its stakeholders and considers it as a key element to the sustainable business growth.

EMPLOYEES

The Group has always attached great importance to the human resources management. The Group provides employees with training opportunities, good career development prospects and growth opportunities. The Group also attaches great importance to the physical and mental development of employees.

In accordance with applicable PRC regulations, the employees of the Group based in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of the payroll costs to the central pension scheme. There is no provision under the central pension scheme for forfeited contributions to be used by the Group to reduce the existing level of contributions.

As at 31 December 2023, the male-to-female ratio for all the employees was approximately 3 to 1. Although the Group recognizes the importance and benefits of gender diversity in the work environment, the Group requires a higher ratio of male employees due to the nature of the Group's business. The Group will further promote gender diversity of employees in the future where possible.

CUSTOMERS AND SUPPLIERS

The Group strives to build and maintain long-term and strong relationships with customers, so as to understand and fulfill customers' demands and enhance their satisfaction. In terms of suppliers, the Group keeps mutually beneficial and win-win partnerships with all suppliers. At the same time, the Group regularly evaluates the performance of the suppliers.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2023, the Group made charitable contributions of approximately RMB537,100. For further details, please refer to the Environmental, Social and Governance Report for the year ended 31 December 2023 published by the Company.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement, nor did any equity-linked agreement exist during the year ended 31 December 2023.

PERMITTED INDEMNITY PROVISION

The Company has purchased appropriate liability insurance for the Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance and are currently in force.

COMPLIANCE WITH CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value. The Company will continue to review and enhance its corporate governance capacity to ensure compliance with the CG Code. During the Reporting Period, the Company has always complied with all code provisions as set out in the CG Code. For more details, please refer to the section headed "Corporate Governance Report" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operate in compliance with the applicable environmental laws and in the manner of protecting the environment, so as to reduce the negative impact caused by the existing business activities on the environment. To the best knowledge of the Directors, the Group has always complied with all relevant laws and regulations regarding environmental protection for the year ended 31 December 2023. For details, please refer to the Environmental, Social and Governance Report for the year ended 31 December 2023 published by the Company which can be assessed on the websites of the Company and the Stock Exchange.

COMPLIANCE WITH LAWS AND REGULATIONS

As the Company conducts its business activities mainly in the PRC since its establishment, and the H Shares of the Company are listed on the Stock Exchange, the establishment and operations of the Company have to comply with the requirements under the relevant laws and regulations in the PRC and Hong Kong. During the year ended 31 December 2023, the Company had complied with the requirements under the relevant laws and regulations in the PRC and Hong Kong.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has always maintained the prescribed public float under the Listing Rules at all times during the Reporting Period and up to the date of this annual report.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed together with the management and external auditor of the Group, Ernst & Young, the accounting principles and policies adopted by the Group and the audited annual results for the year ended 31 December 2023.

AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board
Wang Hua
Chairman

Huzhou, Zhejiang, the PRC
28 March 2024

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period of 2023, the board of Supervisors, in strict accordance with the requirements under the Company Law, the articles of association and relevant laws and regulations, has conducted effective supervision and inspection on the lawful operation and financial situation of the Company, as well as the implementation of management system of the Company in a conscientious and accountable manner, and conscientiously performed the supervisory functions to the members of the Board of Directors and the management of the Company.

LAWFUL OPERATION OF THE COMPANY

In accordance with the relevant requirements under the Company Law, the articles of association and relevant laws and regulations, the board of Supervisors of the Company supervised the convening procedures and resolution matters of the general meetings and the Board of the Company in 2023, the implementation of resolutions of the general meetings by the Board, performance of duties by the senior management of the Company and implementation of the management system of the Company, and attended the general meetings and Board meetings.

The board of Supervisors believes that: the Board of Directors of the Company can standardize its operations in strict accordance with the requirements of the Company Law, the Listing Rules and other relevant laws and regulations and the articles of association, make scientific decisions, and carefully implement all the resolutions of the general meetings. The Company has established a relatively complete internal control system. When performing their duties, the Directors and senior management of the Company can be diligent and dutiful in strict accordance with the provisions of national laws and regulations and the articles of association, and there are no behaviors violating the laws and regulations and the articles of association or damaging the interests of the Company.

FINANCIAL ACTIVITIES OF THE COMPANY

During the Reporting Period, the board of Supervisors has carefully reviewed the financial statements and financial information of the Company during the Reporting Period. According to the audit report issued by Ernst & Young, the board of Supervisors believes that: the financial report of the Company for the 2023 can give a true and object view of the financial position and operating results of the Company. The preparation and review procedures of the report has complied with various provisions of the laws, regulations, the articles of association and internal management system of the Company; the content and format of the report are consistent with all the provisions, and no behaviors violating the confidentiality provisions have been found among the personnel who have participated in the preparation and review of the report.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

During the Reporting Period, the use of the proceeds from initial public offering strictly observed relevant provisions and the use disclosed, and no illegal use of the proceeds was found.

RELATED PARTY TRANSACTIONS

The related party transactions (including continuing related party transactions) entered into by the Group during the Reporting Period have been in compliance with the provisions of the laws and regulations, and in conformity to the provisions of relevant related party transactions, and have fulfilled the obligation of information disclosure in accordance with the requirements of the Listing Rules.

PLAN FOR 2024

In 2024, the board of Supervisors of the Company will continue to follow the principle of being responsible to all the Shareholders, and perform the duties of the Supervisors in strict accordance with the requirements of laws and regulations and the articles of association. For the Company's operation activities, the board of Supervisors will further supervise the standardized operation of the Company, and focus on the construction of the risk management and internal control system of the Company to ensure the Company's implementation of effective internal control measures, as well as the sustainable, steady and healthy development of the Company.

By order of the board of Supervisors
Liu Fei
Chairman of the board of Supervisors

28 March 2024

The Board of Directors (the "**Board**") is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2023.

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;

– that the interests of those who deal with the Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services to the satisfaction of customers; and

– that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions set out in Part 2 of the CG Code as the basis of the Company's corporate governance practices.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Board is of the view that during the Reporting Period, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding dealings in the Company's securities by the Directors and Supervisors on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules (the "**Code of Conduct**").

Having made specific enquiries to all Directors and Supervisors, they have confirmed that all of them have complied with the Code of Conduct during the Reporting Period.

The Code of Conduct also applies to employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Code of Conduct by the employees was noted by the Company during the Reporting Period.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and is collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time to perform his role and the Board's responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

The Board currently comprises eight Directors, consisting of three executive Directors, namely Mr. Wang Hua, Ms. Su Li and Mr. Pan Haiming; two non-executive Directors, namely Mr Liu Jianfeng and Mr. Wang Peng; three independent non-executive Directors, namely Mr. Chang Li Hsien Leslie, Dr. Lau Suet Chiu Frederic and Mr. Zhou Xinfa. Mr. Wang Hua is the Chairman.

The biographical information of the Directors is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 14 to 22 of this annual report.

The relationships between the Directors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on page 14 to 22 of this Annual Report. Save as disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.

Attendance Records of Directors and Board Committee Members

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the Reporting Period is set out below:

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Extraordinary General Meeting
Mr. Wang Hua	5/5				1/1	2/2
Ms. Su Li	5/5				1/1	2/2
Mr. Pan Haiming	5/5				1/1	2/2
Mr. Liu Jianfeng(Note 1)	5/5				1/1	1/1
Mr. Zhang Yuying(Note 2)	0/0				1/1	1/1
Ms. Wu Zhanghuan(Note 3)	5/5				1/1	2/2
Mr. Wang Peng(Note 4)	0/0				0/0	0/0
Mr. Chang Li Hsien Leslie	4/5	4/4	3/3	3/3	1/1	2/2
Dr. Lau Suet Chiu Frederic	5/5	4/4	3/3	3/3	1/1	2/2
Mr. Zhou Xinfa	5/5	4/4	3/3	3/3	1/1	2/2

Notes:

1. Mr. Liu Jianfeng has been appointed as a non-executive Director with effect from 6 February 2023.

2. Mr. Zhang Yuying has resigned as a non-executive Director with effect from 6 February 2023.

3. Ms. Wu Zhanghuan has resigned as a non-executive Director with effect from 16 January 2024.

4. Mr. Wang Peng has been appointed as a non-executive Director with effect from 16 January 2024.

Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

The independent non-executive Directors and non-executive Directors have attended general meetings of the Company to gain and develop a balanced understanding of the view of the Shareholders.

Board Meetings

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. During the Reporting Period, the Company held five Board meetings.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Chairman and Chief Executive Officer

There is no chief executive officer in the Company but there is a general manger in the Company. The General Manager focuses on the Company's business development and daily management and operations generally. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The positions of Chairman and General Manager are held by Mr. Wang Hua and Mr. Li Haixiao respectively.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, representing one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Board Independence Evaluation

The Company has established a Board's Independence Evaluation Mechanism which sets out the processes and procedures to ensure independent views and input are available to the Board, which allows the Board effectively exercise independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board's performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the year ended 31 December 2023, all Directors have completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews.

The Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-election of Directors

Pursuant to the Articles of Association, the Directors shall be elected at the general meetings with a term of office of three years, renewable upon re-election. The Company has implemented a set of effective procedures for appointment of new Directors. Nomination of new Directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings.

The Company has entered into service contracts with each of the Directors (including non-executive Directors). Such service contracts are for a term commencing from the date of appointment to the expiry of the current session of the Board.

The Company has appointed Mr. Liu Jianfeng and Mr. Wang Peng as non-executive Directors on 6 February 2023 and 16 January 2024, respectively. Mr. Wang Peng obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 12 January 2024, and confirmed he understood his obligations as a Director.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development trainings to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate.

The Company will organize relevant training courses for all Directors in due course at the Company's expenses.

During the year ended 31 December 2023, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including directors' duties and responsibilities and corporate governance. In addition, relevant reading materials including compliance manual, legal and regulatory updates and seminar handouts have been provided to the Directors for their reference and studying.

The Company has received the training records of all Directors for the year ended 31 December 2023 and up to date of this Annual Report and the training records are summarized as follows:

Directors	Type of Training[Note]
Executive Directors	
Mr. Wang Hua	A and B
Ms. Su Li	A and B
Mr. Pan Haiming	A and B
Non-executive Directors	
Mr. Liu Jianfeng[(Note 1)]	A and B
Mr. Zhang Yuying[(Note 2)]	A and B
Ms. Wu Zhanghuan[(Note 3)]	A and B
Mr. Wang Peng[(Note 4)]	–
Independent Non-executive Directors	
Mr. Chang Li Hsien Leslie	A and B
Dr. Lau Suet Chiu Frederic	A and B
Mr. Zhou Xinfa	A and B

Notes:

1. Mr. Liu Jianfeng has been appointed as a non-executive Director with effect from 6 February 2023.
2. Mr. Zhang Yuying has resigned as a non-executive Director with effect from 6 February 2023.
3. Ms. Wu Zhanghuan has resigned as a non-executive Director with effect from 16 January 2024.
4. Mr. Wang Peng has been appointed as a non-executive Director with effect from 16 January 2024.

Type of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Nomination Committee and Remuneration Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Chang Li Hsien Leslie, Dr. Lau Suet Chiu Frederic and Mr. Zhou Xinfa. Mr. Chang Li Hsien Leslie is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held four meetings during the Reporting Period to review the financial results and reports and significant issues on the financial reporting, operational and compliance controls for the year ended 31 December 2022, the financial results and reports, internal audit function, connected transactions, appointment of external auditors and engagement of non-audit services and relevant scope of works and arrangements for employees to raise concerns about possible improprieties as at 30 June 2023.

The attendance of the Audit Committee meetings is set out under "Attendance Records of Directors and Board Committee Members" on page 47.

Remuneration Committee

The Remuneration Committee consists of three independent non-executive Directors, namely Dr. Lau Suet Chiu Frederic, Mr. Chang Li Hsien Leslie and Mr. Zhou Xinfa. Dr. Lau Suet Chiu Frederic is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held three meetings during the Reporting Period to review and make recommendation to the Board on the necessary adjustments to the corporate remuneration system, the amendments to the Terms of Reference of the Remuneration Committee as well as the remuneration package of a new non-executive Director.

Details of the remuneration of Directors for the Reporting Period are set out in note 8 to the Audited Financial Statements for the year ended 31 December 2023.

The remuneration of senior management (exclusive of Directors), whose biographical details are included in section headed "Biographical Details of Directors, Supervisors and Senior Management" of this Annual Report, during the year falls within the following bands:

Remuneration (RMB)	2023 Number of Individuals
0 to 300,000	4
300,001 to 600,000	2
Total	6

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs.

The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Board Committee Members" on page 47.

Nomination Committee

The Nomination Committee consists of three independent non-executive Directors, namely Mr. Zhou Xinfa, Mr. Chang Li Hsien Leslie and Dr. Lau Suet Chiu Frederic. Mr. Zhou Xinfa is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, reviewing the Board Diversity Policy and the Director Nomination Policy and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee reviews the structure, size and composition of the Board and the independence of the independent non-executive Directors, reviews the Board Diversity Policy and Director Nomination Policy, and considers and makes recommendations to the Board on the appointment of executive/non-executive/independent non-executive Directors annually.

The Nomination Committee held three meetings during the Reporting Period to make recommendation on the election of a new vice-chairman, the appointment of a new non-executive Director and two senior managers.

The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Board Committee Members" on page 47.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee reviews regularly the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced and diverse profile. In relation to reviewing and assessing the Board's composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

For the purpose of implementation of the Board Diversity Policy, the following measurable objectives were adopted:

(A) at least one-third of the members of the Board shall be independent non-executive Directors;

(B) at least one of the members of the Board shall have obtained accounting or other professional qualifications.

The Board consists of eight members, of which there are seven male members and one female member, with the age ranging from 47 years old to 72 years old. The Nomination Committee believes that the Board has a good balance of experience and background, with the relevant experience areas including management and strategic development, finance and accounting experience in addition to pipeline natural gas business.

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the Board, senior management and other employees as at 31 December 2023:

	Female	Male
Board	12.5%	87.5%
	(1)	(7)
Senior Management	33%	67%
	(2)	(4)
Other employees	25%	75%
	(108)	(325)

The Board had targeted to achieve and had achieved at least 12.5% female Directors, 33% female senior management and 25% of female employees of the Group and considers that the above current gender diversity is satisfactory. In order to build a pipeline of potential successors for the Board to increase gender diversity on the Board in the upcoming years, the Group will also proactively provide trainings to our senior managements to create an inclusive workplace and may also work with human resources firms to identify potential successors for the Board.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Board.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

During the Reporting Period, the Nomination Committee recommended to the Board the appointment of two new non-executive Directors, namely Mr. Liu Jianfeng and Mr. Wang Peng. In accordance with the Director Nomination Policy and the Board Diversity Policy, the appointments were subject to a stringent nomination process, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

BOARD OF SUPERVISORS

The Board of Supervisors is responsible for supervising the legality of the performance of duties by the Directors and senior management members of the Company, thus to protect the overall benefits of the Company and Shareholders.

As at 31 December 2023, the Board of Supervisors comprised three Supervisors, namely Ms. Liu Fei, Mr. Xu Guoxin and Mr. Cai Rui. The biographical information of the Supervisors is set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" on pages 14 to 22 of this annual report.

Ms. Liu Fei, Mr. Xu Guoxin and Mr. Cai Ru were appointed as Supervisors on 1 April 2021 for a term from 1 April 2021 to 31 March 2024.

Save as disclosed in the biographies of Supervisors set out in the section "Biographical Details of Directors, Supervisors and Senior Management" in this annual report, none of the Supervisors had any personal relationships (including financial, business, family or other material/relevant relationships) with any other Directors, Supervisors or senior management members.

The Board of Supervisors held two meetings during the Reporting Period to consider and approve the interim results announcement, interim report, annual results announcement, annual report and other resolutions.

The attendance records of the members of the Board of Supervisors are as follows:

Supervisors	Number of meetings attended
Ms. Liu Fei	2/2
Mr. Xu Guoxin	2/2
Mr. Cai Rui	2/2

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

(1) BOCOM International (Asia) has been appointed as the Company's compliance adviser upon the H Shares listed on the Stock Exchange to advise the Group on compliance matters in accordance with the Listing Rules;

(2) A qualified Chinese law firm has been appointed as a PRC legal adviser which assists the Company in performing the requisite legal due diligence and assists us in complying with the relevant laws and regulations in respect of the business operations;

(3) the Directors, senior management and relevant employees will be provided with training and/or updates regarding the legal and regulatory requirements applicable to the business operations of the Group from time to time;

(4) we will from time to time remind the employees to perform their obligations to contribute to the part of the social insurance and housing provident funds borne by them in order to comply with the applicable PRC laws and regulations, and advise them on the procedures for making the contributions; and

(5) we have appointed a qualified Hong Kong law firm as an external Hong Kong legal adviser of the Company to advise us on compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

The management, in coordination with department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The Company has an Internal Audit Department which aims at helping the Company to accomplish its objectives by adopting a systematic and disciplined approach to evaluate and improve the effectiveness of the Group's risk management and internal control systems and to resolve material internal control defects.

The Internal Audit Department is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Internal Audit Department examined key issues in relation to the accounting practices and all material controls and provided its findings and recommendations for improvement to the Audit Committee.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems throughout the period from 1 January 2023 to 31 December 2023. The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, conducted an annual review of the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2023, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal anti-corruption department/internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

During the year ended 31 December 2023, the Company held one legal education training on anti-corruption to all employees. There were no non-compliance cases in relation to bribery and corruption.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

NON-COMPETITION UNDERTAKING

Each of City Group, ENN (China) and ENN Energy, has entered into a deed of non-competition in favour of the Company on 16 June 2021 (the "**Deed**"), details of which have been set out in the Prospectus. The Company has received written declaration from each of City Group, ENN (China) and ENN Energy in respect of its and/or its close associates' compliance with the terms of the Deed during the year ended 31 December 2023. The independent non-executive Directors have also reviewed the compliance with the Deed and enforcement of the terms of the Deed by City Group, ENN (China) and ENN Energy and confirmed that they have not been in breach of the Deed during the year ended 31 December 2023.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 66 to 70.

AUDITORS' REMUNERATION

The remuneration paid and payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

Service Category	**Fees Paid/Payable** *RMB'000*
Audit Services	1,560
Non-audit Services (Note)	800
Total	2,360

Note: The non-audit services mainly consist of services for reviewing the interim results of the Group for the six months ended 30 June 2023.

JOINT COMPANY SECRETARIES

During the Reporting Period, Mr. Tang Chunhui, the secretary to the Board of the Company, has been serving as the Company's joint company secretary.

During the Reporting Period, Ms. Lee Mei Yi has served as the Company's joint company secretary. Ms. Lee Mei Yi is currently an Executive Director of Corporate Services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. The primary contact person of Ms. Lee Mei Yi is Mr. Tang Chunhui.

For the year ended 31 December 2023, Mr. Tang Chunhui and Ms. Lee Mei Yi have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Right to call an Extraordinary General Meeting

Pursuant to Article 61 of the Company's Articles of Association, shareholders individually or jointly holding 10% or more of the shares carrying voting rights at the meeting sought to be held may sign one or more written requests of identical form of content requesting the Board of Directors to convene an extraordinary general meeting and stating the subject of the meeting. The Board of Directors shall reply in writing regarding the acceptance or refusal to convene an extraordinary general meeting within ten days upon receiving the aforesaid written request in accordance with the requirements of the laws, regulations and the Articles of Association. The aforementioned number of shares held shall be based on the number of shares held at the close of business on the date of the Shareholder's written request (or, if the date of the written request is a non-trading day, the trading day preceding the date of the written request).

If the Board of Directors agrees to convene the extraordinary general meeting, notice convening the general meeting shall be issued within 5 days upon receiving the Board of Directors' resolution. Should there be alterations to the original requests in the notice, consent has to be obtained from the relevant Shareholders.

If the Board of Directors does not agree to convene the extraordinary general meeting or does not reply within 10 days upon receiving the request, Shareholders individually or jointly holding not less than 10% of the Company's shares have to right to propose the Board of Supervisors to convene an extraordinary general meeting by way of written request(s).

If the Board of Supervisors agrees to convene the extraordinary general meeting, notice convening the extraordinary general meeting shall be issued within 5 days upon receiving the request. Should there be alterations to the original requests in the notice, consent has to be obtained from the related Shareholders.

If the Board of Supervisors does not issue notice of the general meeting within the required period, it will be considered as not going to convene and preside over the general meeting, and shareholders individually or jointly holding over 10% of the shares of the Company having voting rights at the meeting for 90 consecutive days have the right to convene and preside over the meeting on their own.

Putting Forward Proposals at General Meetings

Pursuant to Article 66 of the Company's Articles of Association, when the Company convenes the Shareholders' general meeting, the Board of Directors, the Board of Supervisors or shareholders, individually or in aggregate, holding over 3% of the shares of the Company shall have the right to propose motions.

The contents of the motion to be proposed at the shareholders' general meeting shall fall within the terms of reference of the general meeting and have specified subjects and specific resolutions, in further compliance with the laws, administrative regulations and provisions of the Articles of Association.

Shareholders individually or jointly holding not less than 3% of the Company's shares may submit an extraordinary proposal to the convener in writing 10 days prior to date of the meeting. The convener shall dispatch a supplementary notice of the general meeting and announce the contents of such extempore proposal within 2 days upon receipt of the proposal, which shall be submitted to the shareholders' general meeting for consideration. Where the issuance of a supplementary notice for a general meeting fails to satisfy the relevant requirements of the listing rules of the place where the Company is listed in relation to the issuance of supplementary notice, the Company shall adjourn the general meeting accordingly. The content of the temporary proposal shall fall within the terms of reference of the shareholders' general meeting, with clear topics and specific resolutions.

Unless otherwise required by the preceding paragraph, the convener shall not amend the proposals listed in the aforesaid notice or add any new proposals subsequent to the dispatch of a notice of the general meeting.

Motion(s) not specified in the notice of Shareholders' general meeting or inconsistent with the requirements stipulated in paragraphs 2 and 3 of Article 66 shall not be voted or resolved at the Shareholders' general meeting.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: 227 Sizhong Road, Huzhou, Zhejiang Province, the PRC
Fax: (+86) 0572-2716815

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) will meet Shareholders and answer their enquiries.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communications

The Company has adopted and issued a new arrangement for Corporate Communications, which took effect on 19 January 2024. Pursuant to the amended Rule 2.07A of the Listing Rules and the Company's Articles of Association, the Company will disseminate its Corporate Communications to Shareholders electronically and only send Corporate Communications in printed form to Shareholders upon request. Corporate Communication refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities or the investing public, including but not limited to (a) the Directors' report, its annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communications of the Company will be published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.hzrqgf.com) in a timely manner as required by the Listing Rules. Details of the arrangements (i) for dissemination of Corporate Communications and (ii) for requesting printed copy of Corporate Communications and Actionable Corporate Communications are published under the section "Investor relations" in the Company's website (www.hzrqgf.com).

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Articles of Association) on the Stock Exchange's website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

Any information or documents of the Company posted on the Stock Exchange's website will also be published on the Company's website (www.hzrqgf.com). Other corporate information about the Company's business developments, goals and strategies and corporate governance will also be available on the Company's website.

(d) Shareholders' Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditors should attend general meetings of the Company to answer Shareholders' questions (if any). The chairman of the independent board committee (if any) will answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent Shareholders' approval.

(e) Other Investor Relations Communication Platforms

Investor/analysts briefings, roadshows (both domestic and international), media interviews, marketing activities for investors and specialist industry forums etc. will be launched on a required basis.

Amendments to Constitutional Documents

The Company has amended its Articles of Association on 16 January 2024. By a special resolution passed at an extraordinary general meeting, an H Shareholders' class meeting and a Domestic Shareholders' class meeting held on 16 January 2024, the Articles of Association were amended to reflect changes in the PRC regulations and Listing Rules. Details of the amendments are set out in the circular dated 28 December 2023 to the Shareholders. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

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To the shareholders of Huzhou Gas Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Huzhou Gas Co., Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 71 to 169, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
During the year, the Group recognised revenue of RMB2,435,567,000 of which, revenue from the sale of piped natural gas ("**PNG**") and from the provision of construction and installation services amounted to RMB2,144,987,000 and RMB208,241,000, respectively. Revenue from the sale of PNG was significant to our audit because the revenue was highly dispersed and derived from a large number of residential customers, commercial customers and industrial customers. Volume of gas consumed by customers was determined by gas-meters installed, the readings were examined cyclically and the reading dates did not all fall exactly on month or year end. Therefore, the recognition of revenue from the last gas-meter reading date to the year-end date involved estimation of the management. Revenue from the provision of construction and installation services was significant to our audit because the revenue from construction and installation services had significant impact on the consolidated financial statements and the recognition of it involved significant estimations of management. Revenue from construction and installation services is recognised using the input method, measured by reference to the costs incurred during the year relative to the estimated total costs of the contracts, and the revenue recognition requires the status of contracts to be assessed on a regular basis. The management of the Group exercised significant estimations in assessing the performance progress in the satisfaction of the performance obligation in construction and installation service contracts, the valuation of contract variations, and the completeness and accuracy of forecast costs to complete. We identified recognition of revenue from the sale of PNG and the provision of construction and installation services as a key audit matter due to the involvement of a number of estimations in the recognition.	Our procedures in relation to the recognition of revenue derived from the sale of PNG included: Testing the design and operating effectiveness of key controls related to the sale of PNG; Discussing with the management about the recognition basis of revenue from the sale of PNG and assessing the appropriateness of revenue recognition policy of sale of PNG applied by the Group; Performing analytical review procedures on the revenue from the sale of PNG; Performing test of details, on sampling basis, by checking contracts, gas-meter reading records and invoices; Assessing the calculation algorithms and data used in revenue recognition from the last gas-meter reading date to the year-end date; and Assessing the adequacy of the disclosure of revenue from sale of PNG included in the notes to the consolidated financial statements. Our procedures in relation to the recognition of revenue derived from provision of construction and installation services included: Testing the design and operating effectiveness of key controls related to the provision of construction and installation services; Discussing with the management about the recognition basis of revenue from provision of construction and installation services and assessing the appropriateness of revenue recognition policy of provision of construction and installation services applied by the Group;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (continued)	
The disclosures about revenue recognition are included in note 2.4 *Material Accounting Policies*, note 3 *Significant Accounting Judgements and Estimates and* note 5 *Revenue, Other Income and Gains* to the financial statements.	Discussing with management to assess the assumptions used in the recognition and management's key estimations involved in determining performance progress; Performing analytical review procedures on the revenue from construction and installation services; Performing tests of details, on sampling basis, by checking contracts, construction completion report, invoices and materials requisitions; Checking material costs, labour costs and expense incurred to material requisitions and internal payroll records, and recalculating the performance progress with the input method based on the costs incurred and the budgeted total costs; Evaluating the historical accuracy of the Group's estimates on the progress in the satisfaction of the performance obligation through identifying if there were any late adjustments on the same contracts across different years; and Assessing the adequacy of the disclosure of revenue from provision of construction and installation services included in the notes to the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than 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 THE DIRECTORS 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 IFRSs issued by the IASB and 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made solely to you, as a body, 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 judgement and maintain professional scepticism 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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 the Audit Committee 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 the Audit Committee, 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 Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**2,435,567**	2,579,459
Cost of sales		**(2,168,637)**	(2,465,002)
Gross profit		**266,930**	114,457
Other income and gains	5	**48,952**	146,204
Selling and distribution expenses		**(33,255)**	(32,430)
Administrative expenses		**(48,722)**	(49,060)
Impairment losses on financial assets, net		**(1,764)**	(187)
Other expenses		**(10,399)**	(2,648)
Finance costs	7	**(3,566)**	(2,468)
Share of losses of:			
Joint ventures		**(1,865)**	(2,972)
PROFIT BEFORE TAX	6	**216,311**	170,896
Income tax expense	10	**(52,013)**	(41,650)
PROFIT FOR THE YEAR		**164,298**	129,246
Attributable to:			
Owners of the parent		**110,837**	104,091
Non-controlling interests		**53,461**	25,155
		164,298	129,246
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic			
– For profit for the year *(RMB)*		**0.55**	0.60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
PROFIT FOR THE YEAR	**164,298**	129,246
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Fair value reserve of financial assets at fair value through other comprehensive income:		
Initial recognition of bills receivable as settlement of trade receivables	**(36)**	(274)
Changes in fair value	**181**	473
Income tax effect	**(36)**	(50)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**109**	149
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**109**	149
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**164,407**	129,395
Attributable to:		
Owners of the parent	**110,946**	104,216
Non-controlling interests	**53,461**	25,179
	164,407	129,395

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Lease receivables	13	**4,169**	3,563
Property, plant and equipment	14	**1,006,754**	896,881
Investment properties	15	**1,300**	1,638
Right-of-use assets	16(a)	**68,209**	48,151
Goodwill	17	**28,506**	28,506
Other intangible assets	18	**76,869**	84,344
Investments in joint ventures	19	**9,716**	5,581
Deferred tax assets	29	**1,427**	1,662
Other non-current assets	20	**–**	9,900
Total non-current assets		**1,196,950**	1,080,226
CURRENT ASSETS			
Inventories	21	**15,978**	29,254
Lease receivables	13	**949**	1,607
Trade and bills receivables	22	**77,858**	58,255
Prepayments, other receivables and other assets	23	**44,888**	35,401
Due from related parties	24	**7,448**	14,373
Pledged deposits	25	**24**	24
Cash and cash equivalents	25	**857,579**	1,079,703
Total current assets		**1,004,724**	1,218,617

	Notes	2023 RMB'000	2022 RMB'000
CURRENT LIABILITIES			
Trade payables	26	**121,879**	101,348
Other payables and accruals	27	**163,446**	448,970
Contract liabilities	28	**310,351**	279,241
Due to related parties	24	**20,010**	10,264
Tax payables		**34,524**	26,417
Lease liabilities	16(b)	**561**	700
Total current liabilities		**650,771**	866,940
NET CURRENT ASSETS		**353,953**	351,677
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,550,903**	1,431,903
NON-CURRENT LIABILITIES			
Contract liabilities	28	**125,824**	110,289
Deferred tax liabilities	29	**37,336**	40,623
Deferred income		**3,500**	2,942
Other non-current liabilities	30	**87,553**	72,679
Lease liabilities	16(b)	**18,899**	8,055
Total non-current liabilities		**273,112**	234,588
Net assets		**1,277,791**	1,197,315
EQUITY			
Equity attributable to owners of the parent			
Share capital	31	**202,715**	202,715
Other reserves	31, 32	**978,429**	928,297
		1,181,144	1,131,012
Non-controlling interests		**96,647**	66,303
Total equity		**1,277,791**	1,197,315

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent										
	Share capital RMB'000 (note 31)	Share premium* RMB'000 (note 31, 32)	Merger reserve* RMB'000	Other reserve* RMB'000 (note 32)	Special reserve – safety fund* RMB'000 (note 32)	Statutory surplus reserve* RMB'000 (note 32)	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	150,000	523,761	35,836	32,703	18,047	7,756	(263)	176,076	943,916	73,833	1,017,749
Profit for the year	–	–	–	–	–	–	–	104,091	104,091	25,155	129,246
Other comprehensive income for the year:											
Fair value reserve of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	125	–	125	24	149
Total comprehensive income for the year	–	–	–	–	–	–	125	104,091	104,216	25,179	129,395
Statutory surplus reserve	–	–	–	–	–	8,919	–	(8,919)	–	–	–
Dividend declared (note 11)	–	–	–	–	–	–	–	(176,076)	(176,076)	–	(176,076)
Dividend declared by subsidiaries to non-controlling interests (note 11)	–	–	–	–	–	–	–	–	–	(35,899)	(35,899)
Issue of shares (note 31)	52,715	222,079	–	–	–	–	–	–	274,794	–	274,794
Share issue expenses	–	(15,838)	–	–	–	–	–	–	(15,838)	–	(15,838)
Investment in a subsidiary	–	–	–	–	–	–	–	–	–	3,190	3,190
Special reserve – safety fund	–	–	–	–	324	–	–	(324)	–	–	–
At 31 December 2022	202,715	730,002	35,836	32,703	18,371	16,675	(138)	94,848	1,131,012	66,303	1,197,315

	Attributable to owners of the parent										
	Share capital RMB'000 (note 31)	Share premium* RMB'000 (note 31, 32)	Merger reserve* RMB'000	Other reserve* RMB'000 (note 32)	Special reserve – safety fund* RMB'000 (note 32)	Statutory surplus reserve* RMB'000 (note 32)	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	202,715	730,002	35,836	32,703	18,371	16,675	(138)	94,848	1,131,012	66,303	1,197,315
Profit for the year	–	–	–	–	–	–	–	110,837	110,837	53,461	164,298
Other comprehensive income for the year:											
Fair value reserve of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	–	–	109	–	109	–	109
Total comprehensive income for the year	–	–	–	–	–	–	109	110,837	110,946	53,461	164,407
Statutory surplus reserve	–	–	–	–	–	8,521	–	(8,521)	–	–	–
Dividend declared (note 11)	–	–	–	–	–	–	–	(60,814)	(60,814)	–	(60,814)
Dividend declared by subsidiaries to non-controlling interests (note 11)	–	–	–	–	–	–	–	–	–	(23,668)	(23,668)
Investment in a subsidiary	–	–	–	–	–	–	–	–	–	551	551
Special reserve – safety fund	–	–	–	–	6,282	–	–	(6,282)	–	–	–
At 31 December 2023	202,715	730,002	35,836	32,703	24,653	25,196	(29)	130,068	1,181,144	96,647	1,277,791

* These reserve accounts comprise the consolidated other reserves of RMB978,429,000 (2022: RMB928,297,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	6	**216,311**	170,896
Adjustments for:			
Finance costs	7	**3,566**	2,468
Share of losses of joint ventures	19	**1,865**	2,972
Gain on disposal of items of property, plant and equipment	5, 6	**(3,463)**	(2,327)
Depreciation of property, plant and equipment	14	**59,306**	56,763
Depreciation of investment properties	15	**53**	60
Depreciation of right-of-use assets	16	**2,733**	2,250
Amortisation of other intangible assets	18	**7,477**	7,495
Fair value gains on wealth management products	5, 6	**(2,950)**	(6,588)
Loss/(gain) on foreign exchange differences	6	**61**	(5,801)
Finance income on the net investment in a lease	5	**(748)**	(756)
Write-down of inventories to net realisable value	6	**(414)**	(535)
Impairment of financial assets, net	6	**1,764**	187
		285,561	227,084
Decrease in inventories		**13,690**	628
(Increase)/decrease in trade and bills receivables		**(21,260)**	8,087
Increase in prepayments, other receivables and other assets		**(8,759)**	(2,197)
Increase/(decrease) in trade payables		**20,531**	(39,059)
Decrease in other payables and accruals		**(65,378)**	(6,455)
Increase in contract liabilities		**46,645**	50,873
Changes in balances with related parties		**16,671**	17,818
Increase in deferred income		**558**	1,942
Cash generated from operations		**288,259**	258,721
Income taxes paid		**(46,996)**	(54,183)
Net cash flows generated from operating activities		**241,263**	204,538

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(185,498)**	(99,839)
Proceeds from disposal of items of property, plant and equipment		**29,968**	29,799
Purchases of wealth management products		**(290,000)**	(1,030,000)
Proceeds from disposal of wealth management products		**292,950**	1,186,588
Purchases of leasehold land		**(818)**	(23,749)
Purchases of other intangible assets		**(2)**	(134)
Purchase of a shareholding in a joint venture		**(6,000)**	–
Net cash flows generated (used in)/from investing activities		**(159,400)**	62,665
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**–**	274,794
Share issue expenses		**(3,086)**	(10,414)
Investment in a subsidiary received from non-controlling shareholders		**551**	3,190
New bank and other borrowings		**744,140**	432,769
Repayment of bank loans		**(744,140)**	(432,769)
Interest paid		**(2,995)**	(2,295)
Dividends paid		**(236,890)**	–
Dividends paid by subsidiaries to non-controlling shareholders		**(59,567)**	(45,134)
Payments of lease liabilities	16(b)	**(1,939)**	(2,115)
Net cash flows generated (used in)/from financing activities		**(303,926)**	218,026
Effect of foreign exchange rate changes, net		**(61)**	5,801
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(222,124)**	491,030
Cash and cash equivalents at beginning of year		**1,079,703**	588,673
CASH AND CASH EQUIVALENTS AT END OF YEAR		**857,579**	1,079,703
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**857,579**	1,079,703
Cash and cash equivalents as stated in the statement of financial position	25	**857,579**	1,079,703
Cash and cash equivalents as stated in the statement of cash flows		**857,579**	1,079,703

1. CORPORATE AND GROUP INFORMATION

Huzhou Gas Co., Ltd. is a joint stock company with limited liability established in the People's Republic of China (the "**PRC**"). The registered office of the Company is located at No. 227, Sizhong Road, Wuxing District, Huzhou, Zhejiang Province, China.

During the year, the Group was involved in the following principal activities:

- the sale of gas, mainly piped natural gas ("**PNG**") (under the concessions) and liquefied natural gas ("**LNG**") in Huzhou;
- the provision of construction and installation services to construct and install end-user pipeline network and gas facilities for customers such as property developers and owners or occupants of residential and non-residential properties;
- others, including the sale of household gas appliances and relevant equipment, energy, distributed photovoltaic power and the leasing of properties in Mainland China.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 13 July 2022.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of establishment and principal country of operation	Date of establishment	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Huzhou Xinao Gas Development Company Limited ("**Xinao Development**") 湖州新奥燃气发展有限公司*	PRC/Chinese Mainland	25 April 2005	RMB9,611,896.22	100	–	Distribution and sale of natural gas and the provision of construction and installation services of gas pipeline network
Huzhou Nanxun Xinao Gas Company Limited ("**Nanxun Xinao**") 湖州南潯新奧燃氣有限公司*	PRC/Chinese Mainland	28 September 2009	RMB35,000,000	51	–	Distribution and sale of natural gas and the provision of construction and installation services of gas pipeline network
Huzhou Nanxun Xinao Gas Development Company Limited ("**Nanxun Xinao Development**") 湖州南浔新奥燃气发展有限公司*	PRC/Chinese Mainland	28 November 2017	RMB5,000,000	51	–	Distribution and sale of natural gas, and the provision of construction and installation services of gas pipeline network

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of establishment and principal country of operation	Date of establishment	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Deqing Xinrui New Energy Co., Ltd. ("**Deqing Xinrui**") 德清新瑞新能源有限公司*	PRC/Chinese Mainland	26 September 2021	RMB30,000,000	–	100	Solar power generation technology services; sale of solar thermal power generation equipment and photovoltaic equipment
Huzhou Huran New Energy Development Co., Ltd. ("**Huran New Energy**") 湖州湖燃新能源開發有限公司*/(i)	PRC/Chinese Mainland	24 April 2022	RMB150,000,000	95	–	Solar power generation technology services; sale of solar thermal power generation equipment and photovoltaic equipment
Huzhou Huxun Fuel New Energy Development Co., Ltd. ("**Huxun Fuel New Energy**") 湖州湖潯燃新能源開發有限公司*	PRC/Chinese Mainland	28 July 2022	RMB20,000,000	–	100	Solar power generation technology services; sale of solar thermal power generation equipment and photovoltaic equipment
Huzhou Huqingran New Energy Development Co., Ltd. ("**Huqingran New Energy**") 湖州湖清燃新能源開發有限公司*	PRC/Chinese Mainland	21 October 2022	RMB20,000,000	–	100	Solar power generation technology services; sale of solar thermal power generation equipment and photovoltaic equipment

* These entities are registered as limited liability companies under the laws of the PRC.

(i) On April 24 2022, the Company and Huzhou Zhongran Enterprise Management Partnership (Limited Partnership) ("**Huzhou Zhongran**") established Huzhou Huran New Energy Development Co., Ltd., with a registered capital of RMB150 million, and the Company holds 95% of its equity. As of 31 December 2023, the Company's paid-in capital was RMB71.07 million, and Huzhou Zhongran's paid-in capital was RMB3.74 million.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"), and International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for bills receivable and wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same Reporting Period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill) liabilities of the subsidiary, any non-controlling interest, and the exchange fluctuation reserve; and recognises the fair value of any investment retained, and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 *Insurance Contracts*. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and

- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

As the Group did not have contracts within the scope of IFRS 17, the new standard had no impact on the Group's financial statements.

(b) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below: (continued)

(c) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(d) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available) of RMB5,177,000 (31 December 2022: RMB2,490,000; 1 January 2022: RMB473,000), and a deferred tax liability for all taxable temporary differences associated with right-of-use assets of RMB5,105,000 (31 December 2022: RMB2,490,000; 1 January 2022: RMB473,000). The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

(e) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e.,1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Investments in joint ventures

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

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each Reporting Period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are the members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives and residual value of property, plant and equipment are as follows:

Buildings	30-50 years	5%
Gas pipelines	20 years	5%
Plant and machinery	10-30 years	5%
Office and other equipment	6 years	5%
Motor vehicles	6 years	5%
Instrument and apparatus	6 years	5%
Leasehold improvement	3-10 years	5%
Others	6 years	5%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis to write off the cost of each item of investment properties to its residual value over its estimated useful life. The estimated useful lives of investment properties are as follows:

Buildings	30-50 years

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Operating right

Reacquired operating right is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 15.5 years. The estimated useful life of 15.5 years for operating right is determined based on the remaining contractual period of the contract under which the right was reacquired.

Software copyrights

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 6 years. The estimated useful life of 6 years for software copyrights is determined by considering the period of the economic benefits to the Group as well as by referring to the industry practice.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2-25 years
Leasehold lands	39.75-50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance 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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 30 days past due for sale of natural gas and 180 days for service of construction. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below:

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables and financial liabilities included in other payables and accruals and amounts due to related parties.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Reporting Period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Special reserve – safety fund

Provisions for the Group's obligations for safety operation are based on the Group's revenue arose from sales of natural gas per year in accordance with related PRC rules and regulations. The Group records a corresponding cost when such expenditure for safety operation incurs. The remaining provisions for the Group's obligations for safety operation would be recorded as special reserve – safety fund. The remaining provisions would not be recorded in profit or loss while the Group decreases its retained profits when it recognises the special reserve – safety fund.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Reporting Period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Reporting Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each Reporting Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each Reporting Period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) *Sale of goods*
Revenue from the sales of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) *Provision of construction and installation services*
Revenue from the provision of construction and installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the costs incurred, relative to the estimated total costs for satisfaction of the construction and installation services.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Finance lease is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimate future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial assets.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The employees are required to participate in a defined central pension scheme managed by the local municipal government of the areas in the PRC. The PRC companies are required to contribute a certain percentage of the relevant part of the payroll of these employees to the central pension scheme. The Group has no obligation for the payment of retirement benefits beyond the annual contributions. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Accommodation benefits

According to the relevant PRC rules and regulations, the PRC companies now comprising the Group and their employees are each required to make contributions which are in proportion to the salaries and wages of the employees to an accommodation fund administered by the government agencies in the PRC. There is no further obligation on the part of the Group except for such contributions to the accommodation fund. Contributions to an accommodation fund administrated by government agencies are charged to the consolidated statement of profit or loss as and when they are incurred.

Borrowing costs

Borrowing costs directly attributable to the construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional rates of exchange ruling at the end of the Reporting Period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Determining the timing of satisfaction of construction and installation services

The Group concluded that revenue for construction and installation services is recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The fact that another entity would not need to re-perform the construction that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

Estimation uncertainty

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

(i) Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each Reporting Period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(ii) Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(ii) Provision for expected credit losses on trade and bills receivables (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and deposits and other receivables is disclosed in note 22 and note 23 to the financial statements, respectively.

(iii) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(iv) Revenue recognition of provision of construction and installation services

Revenue from construction and installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the service. The input method recognises revenue based on the proportion of the costs incurred relative to the estimated total costs for satisfaction of the construction and installation services. Accordingly, any changes to the estimated total contract cost may have material impact on the contract revenue recognised in each accounting period over the contract term.

(v) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2023 was RMB28,506,000 (2022: RMB28,506,000). Further details are given in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

(vi) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies. Further details are contained in note 29 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group has only one reportable operating segment which engages in (i) sale of gas, mainly PNG (under the concessions) and LNG in Huzhou; (ii) provision of construction and installation services; and (iii) others, including the sale of energy, household gas appliances and relevant equipment, distributed photovoltaic power and the leasing of properties. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Geographical information is not presented since all of the Group's revenue from external customers is generated in Chinese Mainland and all of the non-current assets of the Group are located in Chinese Mainland.

Information about major customers

Revenue of approximately RMB198,624,000 (2022: RMB326,602,000) was derived from sales by the natural gas operation segment to one customer, Group A. Group A represents three customers under the control of a same shareholder.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue is as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers		
Sale of goods	2,224,368	2,401,902
Provision of construction and installation services	208,241	174,290
Others	5,629	5,066
Subtotal	2,438,238	2,581,258
Revenue from other sources		
Gross rental income from investment property operating leases	271	602
	2,438,509	2,581,860
Less: Government surcharges	(2,942)	(2,401)
Total revenue	2,435,567	2,579,459

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023 RMB'000	2022 RMB'000
Types of goods or services		
Sale of PNG	2,144,987	2,337,854
Sale of LNG	25,191	29,296
Sale of household gas appliances and relevant equipment	31,784	19,955
Sale of energy	14,712	12,460
Sale of distributed photovoltaic power	7,694	2,337
Provision of construction and installation services	208,241	174,290
Others	5,629	5,066
Subtotal	2,438,238	2,581,258
Less: Government surcharges	(2,942)	(2,401)
Total revenue from contracts with customers	2,435,296	2,578,857

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

	2023 RMB'000	2022 RMB'000
Geographical market		
Chinese Mainland	2,435,296	2,578,857
Timing of revenue recognition		
Goods or services transferred at a point in time	2,229,997	2,406,968
Services transferred over time	208,241	174,290
Subtotal	2,438,238	2,581,258
Less: Government surcharges	(2,942)	(2,401)
Total revenue from contracts with customers	2,435,296	2,578,857

The following table shows the amounts of revenue recognised in this Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period and recognised from performance obligations satisfied in previous periods:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
Sale of natural gas	158,871	124,332
Construction and installation services	115,712	162,919
Sale of household gas appliances and relevant equipment	4,658	4,226
Total	279,241	291,477

There was no revenue recognised from performance obligations satisfied in previous years or not previously recognised due to constraints on variable consideration.

5. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the PNG, LNG, energy, household gas appliances and relevant equipment and distributed photovoltaic power, and payment is generally due within 30 to 90 days from delivery except for customers who purchased prepaid cards.

Construction and installation services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before or during the rendering of the services. The remaining percentage of payment generally should be paid before completion of construction and installation.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023 **RMB'000**	2022 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**310,351**	279,241
After one year	**125,824**	110,289
Total	**436,175**	389,530

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised after one year relate to construction and installation services of gas pipelines, sale of household gas appliances and relevant equipment and sale of natural gas, of which the performance obligations are to be satisfied within two to three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

5. REVENUE, OTHER INCOME AND GAINS (continued)

	Notes	2023 RMB'000	2022 RMB'000
Other income			
Bank interest income	6	32,116	20,742
Finance income on the net investment in a lease		748	756
Government grants	6	9,252	109,895
Others		423	95
Total other income		42,539	131,488
Gains			
Gain on foreign exchange differences	6	–	5,801
Gain on disposal of items of property, plant and equipment	6	3,463	2,327
Fair value gains on wealth management products	6	2,950	6,588
Total gains		6,413	14,716
Total other income and gains		48,952	146,204

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**2,048,921**	2,353,938
Cost of services provided		**119,716**	111,064
Depreciation of property, plant and equipment	14	**59,306**	56,763
Depreciation of investment properties	15	**53**	60
Depreciation of right-of-use assets	16(a)	**2,733**	2,250
Amortisation of other intangible assets	18	**7,477**	7,495
Total		**2,238,206**	2,531,570
Lease payments not included in the measurement of lease liabilities	16(c)	**263**	206
Auditor's remuneration		**2,340**	2,260
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**68,049**	63,671
Pension scheme contributions		**7,413**	6,627
Social security contributions and accommodation benefits		**10,945**	10,002
Total		**89,010**	82,766
Impairment of financial assets, net:			
Impairment of trade receivables	22	**1,802**	214
Impairment of financial assets included in prepayments, other receivables and other assets	23	**(38)**	(27)
Total		**1,764**	187
Loss/(gain) on foreign exchange differences	5	**61**	(5,801)
Bank interest income	5	**(32,116)**	(20,742)
Fair value gains on wealth management products	5	**(2,950)**	(6,588)
Government grants	5	**(9,252)**	(109,895)
Interest on lease liabilities	7	**571**	173
Gain on disposal of items of property, plant and equipment	5	**(3,463)**	(2,327)
Write-down of inventories to net realisable value		**(414)**	(535)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is set out as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans, overdrafts and other loans	**2,767**	819
Interest expenses arising from discounted bills receivable	**228**	1,476
Interest on lease liabilities	**571**	173
Total interest expenses on financial liabilities not at fair value through profit or loss	**3,566**	2,468

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**556**	196
Other emoluments:		
Salaries, allowances and benefits in kind	**892**	768
Performance related bonuses	**110**	110
Pension scheme contributions	**118**	153
Subtotal	**1,120**	1,031
Total fees and other emoluments	**1,676**	1,227

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2023 RMB'000	2022 RMB'000
Chang Li Hsien Leslie	**161**	41
Lau Suet Chiu Frederic	**161**	41
Zhou Xin Fa	**88**	24
Total	**410**	106

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

(b) Executive directors, non-executive directors, the chief executive and supervisors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023					
Executive directors:					
Wang Hua	–	586	110	82	778
Su Li	–	–	–	–	–
Pan Hai Ming	–	–	–	–	–
Subtotal	–	586	110	82	778
Non-executive directors:					
Wu Zhang Huan	–	–	–	–	–
Liu Jian Feng*	–	–	–	–	–
Zhang Yu Ying**	–	–	–	–	–
Subtotal	–	–	–	–	–
Chief executive:					
Li Hai Xiao	146	–	–	–	146
Supervisors:					
Liu Fei	–	–	–	–	–
Cai Rui	–	–	–	–	–
Xu Guo Xin	–	306	–	36	342
Subtotal	–	306	–	36	342
Total	146	892	110	118	1,266

* Mr. Liu Jian Feng was appointed as a non-executive director of the Company on 6 February 2023.

** Mr. Zhang Yu Ying resigned as a non-executive director of the Company on 6 February 2023.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors, the chief executive and supervisors (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022					
Executive directors:					
Wang Hua	–	552	110	76	738
Su Li	–	–	–	–	–
Pan Hai Ming	–	–	–	–	–
Subtotal	–	552	110	76	738
Non-executive directors:					
Wu Zhang Huan	–	–	–	–	–
Zhang Yu Ying	–	–	–	–	–
Subtotal	–	–	–	–	–
Chief executive:					
Li Hai Xiao	90	–	–	–	90
Supervisors:					
Liu Fei	–	–	–	–	–
Cai Rui	–	–	–	–	–
Xu Guo Xin	–	216	–	77	293
Subtotal	–	216	–	77	293
Total	90	768	110	153	1,121

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	3,295	1,493
Pension scheme contributions	175	172
Total	3,470	1,665

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2023	2022
Nil to RMB1,000,000	3	4
RMB1,000,001 to RMB1,500,000	1	–
Total	4	4

10. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The provision for current income tax in Chinese Mainland is calculated based on the statutory rate of 25% (2022: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "**New Corporate Income Tax Law**"), except for four certain subsidiaries of the Group in Chinese Mainland that carried out production and operation of distributed photovoltaic power, which are subject to a preferential rate of 0%.

In accordance with the relevant provisions of the Notice on the Implementation of the Catalogue of Enterprise Income Tax Preferences for Public Infrastructure Projects issued by the Ministry of Finance and the State Administration of Taxation, the subsidiaries of the Company, namely Huran New Energy, Deqing Xinrui, Nanxun Xinao Development and Huxun Fuel New Energy enjoy the preferential policy of enterprise income tax. For enterprises engaged in public infrastructure projects that meet the relevant conditions and technical standards and the relevant provisions of the state investment management in the Catalogue of Preferential Enterprise Income Tax for Public Infrastructure Projects approved on 1 January 2008, their income from investment and operation will be exempted from enterprise income tax from the year in which the production and operation income of distributed photovoltaic power is first generated, and the enterprise income tax will be reduced by half for another three years. 2022 was the tax year in which the production and operation income of distributed photovoltaic power was first generated for Huran New Energy, Deqing Xinrui and Nanxun Xinao Development, therefore the income tax of Huran New Energy and Deqing Xinrui and Nanxun Xinao Development is exempted from 2022 to 2024 and the applicable tax rate will be reduced by half from 2025 to 2027. 2023 was the tax year in which the production and operation income of distributed photovoltaic power was first generated for Huxun Fuel New Energy, therefore the income tax of Huxun Fuel New Energy is exempted from 2023 to 2025 and the applicable tax rate will be reduced by half from 2026 to 2028.

10. INCOME TAX EXPENSE (continued)

The major components of income tax expense are set out as follows:

	2023 RMB'000	2022 RMB'000
Current tax – Mainland China		
Charge for the year	55,101	40,079
Deferred tax (note 29)	(3,088)	1,571
Total tax charge for the year	52,013	41,650

A reconciliation of the tax expense/(credit) applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	216,311	170,896
Tax at the statutory tax rate	54,078	42,724
Lower tax rate for specific subsidiaries	(1,343)	(426)
Expenses not deductible for tax	267	301
Adjustments in respect of current tax of previous periods	133	(9)
Income tax credit for special equipment	(44)	(44)
Loss on cancellation of a subsidiary	–	(1,180)
Extra tax deduction for research and development expenses	(1,529)	(466)
Profits and losses attributable to joint ventures	466	743
Recognise temporary difference of previous periods	(15)	–
Temporary difference not recognised	–	7
Tax charge at the Group's effective rate	52,013	41,650

11. DIVIDENDS

	2023 RMB'000	2022 RMB'000
Interim – Dividends paid by the Company before listing	–	176,076
Interim – Dividends paid by subsidiaries to non-controlling shareholders	23,668	35,899
Proposed final – RMB0.30 (2022: RMB0.30) per ordinary share	60,814	60,814

On 28 March 2024, the board of directors proposed the payment of a final dividend of RMB0.30 per share, amounting to RMB60,814,350 (tax inclusive), for the year ended 31 December 2023. The source of the proposed dividend payment is from the retained profits. The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 202,714,500 (2022: 174,647,444) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic earnings per share is based on:

	2023 RMB'000	2022 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	110,837	104,091

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	202,714,500	174,647,444

13. LEASE RECEIVABLES

	2023 RMB'000	2022 RMB'000
Lease receivables	**14,401**	15,292
Less: Unearned finance income	**(9,283)**	(10,122)
Net lease receivables	**5,118**	5,170

A maturity analysis of lease receivables, based on the contractual undiscounted lease payments to be received, is as follows:

	2023 RMB'000	2022 RMB'000
Due within 1 year	**1,599**	1,690
Due in 1 to 2 years	**800**	800
Due in 2 to 3 years	**800**	800
Due in 3 to 4 years	**800**	800
Due in 4 to 5 years	**800**	800
Due after 5 years	**9,602**	10,402
Total	**14,401**	15,292

There was no unguaranteed residual value in connection with finance lease arrangements or contingent lease arrangements of the Group that need to be recorded as at the end of the Reporting Period.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Gas pipelines RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Instrument and apparatus RMB'000	Others RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023										
At 1 January 2023										
Cost	89,629	900,383	140,634	6,053	7,504	7,625	1,840	1,619	42,202	1,197,489
Accumulated depreciation	(15,747)	(245,727)	(22,779)	(3,721)	(5,305)	(4,641)	(1,265)	(1,423)	–	(300,608)
Net carrying amount	73,882	654,656	117,855	2,332	2,199	2,984	575	196	42,202	896,881
At 1 January 2023, net of accumulated depreciation	73,882	654,656	117,855	2,332	2,199	2,984	575	196	42,202	896,881
Additions	–	583	28,697	1,376	951	3,816	2	1,222	134,376	171,023
Depreciation provided during the year	(2,831)	(43,498)	(10,693)	(763)	(627)	(433)	(235)	(226)	–	(59,306)
Disposals	(47)	(820)	(1,194)	(22)	(44)	(1)	(1)	–	–	(2,129)
Transferred from construction in progress	590	66,471	10,235	42	–	–	–	–	(77,338)	–
Transferred from investment properties	285	–	–	–	–	–	–	–	–	285
At 31 December 2023, net of accumulated depreciation	71,879	677,392	144,900	2,965	2,479	6,366	341	1,192	99,240	1,006,754
At 31 December 2023										
Cost	90,407	966,252	177,351	7,264	8,013	11,430	1,833	2,612	99,240	1,364,402
Accumulated depreciation	(18,528)	(288,860)	(32,451)	(4,299)	(5,534)	(5,064)	(1,492)	(1,420)	–	(357,648)
Net carrying amount	71,879	677,392	144,900	2,965	2,479	6,366	341	1,192	99,240	1,006,754

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Gas pipelines RMB'000	Plant and machinery RMB'000	Office and other equipment RMB'000	Motor vehicles RMB'000	Instrument and apparatus RMB'000	Others RMB'000	Leasehold improvement RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2022										
At 1 January 2022										
Cost	64,156	860,180	56,692	5,573	7,165	7,269	1,837	1,522	79,339	1,083,733
Accumulated depreciation	(13,554)	(206,723)	(14,847)	(3,101)	(4,848)	(3,020)	(953)	(1,037)	–	(248,083)
Net carrying amount	50,602	653,457	41,845	2,472	2,317	4,249	884	485	79,339	835,650
At 1 January 2022, net of accumulated depreciation	50,602	653,457	41,845	2,472	2,317	4,249	884	485	79,339	835,650
Additions	–	–	3,085	576	398	400	11	97	114,963	119,530
Depreciation provided during the year	(2,193)	(41,130)	(9,855)	(708)	(513)	(1,662)	(316)	(386)	–	(56,763)
Disposals	–	(1,569)	(198)	(8)	(3)	(3)	(4)	–	–	(1,785)
Reclassification	–	(17,066)	17,066	–	–	–	–	–	–	–
Transferred from construction in progress	25,224	60,964	65,912	–	–	–	–	–	(152,100)	–
Transferred from investment properties	249	–	–	–	–	–	–	–	–	249
At 31 December 2022, net of accumulated depreciation	73,882	654,656	117,855	2,332	2,199	2,984	575	196	42,202	896,881
At 31 December 2022										
Cost	89,629	900,383	140,634	6,053	7,504	7,625	1,840	1,619	42,202	1,197,489
Accumulated depreciation	(15,747)	(245,727)	(22,779)	(3,721)	(5,305)	(4,641)	(1,265)	(1,423)	–	(300,608)
Net carrying amount	73,882	654,656	117,855	2,332	2,199	2,984	575	196	42,202	896,881

As at 31 December 2023, no property, plant and equipment of the Group were pledged (31 December 2022: Nil).

15. INVESTMENT PROPERTIES

	2023 RMB'000	2022 RMB'000
Cost:		
At beginning of year	2,126	2,386
Transferred to owner-occupied property	(392)	(260)
At end of year	1,734	2,126
Accumulated depreciation:		
At beginning of year	488	439
Charge for the year	53	60
Transferred to owner-occupied property	(107)	(11)
At end of year	434	488
Net carrying amount:		
At end of year	1,300	1,638
At beginning of year	1,638	1,947

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The market values of investment properties are valued based on the investment method whereby the rents receivable during the residual periods of the existing tenancies are capitalised at an appropriate capitalisation rate with due allowance for the reversionary interest after expiry of the tenancies.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

As at 31 December 2023, no investment properties of the Group were pledged (31 December 2022: Nil).

The fair value of investment properties as at 31 December 2023 was RMB2,710,000 (31 December 2022: RMB3,694,000).

15. INVESTMENT PROPERTIES (continued)

The valuation was performed by an independent professionally qualified valuer, Huzhou Jinxin Real Estate Asset Appraisal Co., Ltd. (湖州錦信房地產資產評估有限公司). Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for financial reporting. The investment properties were valued using the market comparable approach due to a high volume of transactions involving comparable properties in the area during the year. Under the market comparable approach, the property's fair value is estimated based on comparable transactions. The market comparable approach is based upon the principle of substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. The unit of comparison applied by the Group is the price per square metre (sq.m). A significant increase or decrease in the market price per sq.m. would result in a significant increase or decrease in the fair value of the investment property. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings and leasehold land used in its operations. Lump sum payments were made upfront to acquire the leasehold land from the owners with lease periods between 39.74 and 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 25 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings RMB'000	Leasehold lands RMB'000	Total RMB'000
As at 1 January 2022	1,885	25,075	26,960
Additions	9,592	13,849	23,441
Depreciation charge	(1,573)	(677)	(2,250)
As at 31 December 2022 and 1 January 2023	**9,904**	**38,247**	**48,151**
Additions	**12,073**	**10,718**	**22,791**
Depreciation charge	**(1,556)**	**(1,177)**	**(2,733)**
As at 31 December 2023	**20,421**	**47,788**	**68,209**

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	8,755	1,105
New leases	12,073	9,592
Accretion of interest recognised during the year	571	173
Payments	(1,939)	(2,115)
Carrying amount at 31 December	19,460	8,755
Analysed into:		
Current portion	561	700
Non-current portion	18,899	8,055

The maturity analysis of lease liabilities is disclosed in note 40 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	571	173
Depreciation charge of right-of-use assets	1,556	1,573
Expense relating to short-term leases (included in selling and distribution expenses and administrative expenses)	263	206
Total amount recognised in profit or loss	2,390	1,952

(d) The total cash outflows for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 34(c) and 36, respectively, to the financial statements.

16. LEASES (continued)

The Group as a lessor

Operating leases

The Group leases its investment properties (note 15) consisting of commercial properties and industrial properties in Chinese Mainland under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB271,000 (2022: RMB602,000), details of which are included in note 5 to the financial statements.

As at 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under operating leases with its tenants are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	128	194
After one year but within two years	89	26
Total	217	220

Finance leases

On 25 December 2019, the Company entered into a heat energy system construction and supply agreement with Shushan Sanatorium, under which the Company agreed to construct a water boiler powered by PNG and electricity in Shushan Sanatorium at the Company's costs, and the Company shall, from the date of completion of the construction of the water boiler, supply to Shushan Sanatorium heat energy generated from the water boiler and Shushan Sanatorium shall pay the Company a monthly service fee for the heat energy supplied and a fixed yearly usage fee for a term of 20 years. The proprietary title of the water boiler shall be transferred to Shushan Sanatorium at the end of the 20-year term. As the Company transferred substantially all the risks and rewards incidental to the ownership of the underlying asset to Shushan Sanatorium, the transaction is accounted for as a finance lease, which is disclosed in note 13 to the financial statements.

17. GOODWILL

	2023 RMB'000	2022 RMB'000
Cost and net carrying amount	**28,506**	28,506

Impairment testing of goodwill

Goodwill acquired in a business combination is allocated to cash-generating units ("**CGUs**") that are expected to benefit from that business combination. The management considers that each subsidiary represents a separate CGU for the purpose of goodwill impairment testing.

The carrying amount of goodwill allocated to a cash-generating unit which is the subsidiary of the Company is as follows:

	2023 RMB'000	2022 RMB'000
Xinao Development	**28,506**	28,506

The recoverable amount of Xinao Development was determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by Xinao Development's management. The discount rate applied to the cash flow projections was 10.5% (2022: 11.8%) and cash flows beyond the five-year period were extrapolated using a growth rate of 0.0% (2022: 0.0%). Xinao Development's management does not believe that there should be a material change in the discount rate during the Reporting Periods given that there was no significant change and no significant change is expected in the market in which Xinao Development operates thus the risks specific to Xinao Development remain stable. Xinao Development's management believes that this growth rate is conservative and reliable for the purpose of impairment testing.

Assumptions were used in the value-in-use calculation of the cash-generating units for 31 December 2023 and 31 December 2022. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Revenue: The bases used to determine the future earnings potential are historical sales and average and expected growth rates of the market in the PRC.

Gross margins: The gross margins are based on the average gross margin achieved in the past five years and expected trend in the future.

Expenses: The value assigned to the key assumptions reflects past experience and management's commitment to maintain the Group's operating expenses to an acceptable level.

Discount rates: The discount rates used are before tax and reflect management's estimate of the risks specific to each unit. In determining appropriate discount rates for each unit, regard has been given to the applicable borrowing rate of the Group during the Reporting Periods.

17. GOODWILL (continued)

The values assigned to the key assumptions on market development of industrial products and infrastructure industries, discount rates and raw materials price inflation are consistent with external information sources.

According to the results of the impairment testing on CGU, the amounts (i.e., the headroom) by which the estimated recoverable amounts of the CGU exceed its carrying amounts are set out as below:

	2023 **RMB'000**	2022 RMB'000
Xinao Development	**84,423**	98,915

The directors of the Company also performed a sensitivity analysis of the headroom to changes in the expected revenue or the pre-tax discount rate for the year ended 31 December 2023. Had the following estimated key assumptions been changed as below, the headroom would have decreased to the amounts as follows:

	2023 **RMB'000**	2022 RMB'000
– Pre-tax discount rate increased by 1%	**38,605**	33,550
– Expected revenue decreased by 2%	**19,180**	17,000

Based on the above assessment and the historical results, in the opinion of the directors of the Company, the reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amounts of the CGU to exceed its respective recoverable amounts as of 31 December 2023.

No impairment of goodwill was recognised for the year ended 31 December 2023 (31 December 2022: Nil).

18. OTHER INTANGIBLE ASSETS

31 December 2023

	Operating right RMB'000	Software copyrights RMB'000	Total RMB'000
Cost:			
At 31 December 2022 and 1 January 2023	**113,870**	**1,002**	**114,872**
Additions	**–**	**2**	**2**
Disposals	**–**	**(119)**	**(119)**
At 31 December 2023	**113,870**	**885**	**114,755**
Accumulated amortisation:			
At 31 December 2022 and 1 January 2023	**29,996**	**532**	**30,528**
Amortisation provided during the year	**7,346**	**131**	**7,477**
Disposals	**–**	**(119)**	**(119)**
At 31 December 2023	**37,342**	**544**	**37,886**
Net carrying amount:			
At 31 December 2022	**83,874**	**470**	**84,344**
At 31 December 2023	**76,528**	**341**	**76,869**

31 December 2022

	Operating right RMB'000	Software copyrights RMB'000	Total RMB'000
Cost:			
At 31 December 2021 and 1 January 2022	113,870	868	114,738
Additions	–	134	134
At 31 December 2022	113,870	1,002	114,872
Accumulated amortisation:			
At 31 December 2021 and 1 January 2022	22,650	383	23,033
Amortisation provided during the year	7,346	149	7,495
At 31 December 2022	29,996	532	30,528
Net carrying amount:			
At 31 December 2021	91,220	485	91,705
At 31 December 2022	83,874	470	84,344

19. INVESTMENTS IN JOINT VENTURES

	2023 RMB'000	2022 RMB'000
Share of net assets	**9,716**	5,581

Particulars of the Group's material joint venture are as follows:

Name	Nominal value of paid-up/ registered capital	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Huzhou Zhongshihua Xinao Natural Gas Co., Ltd.* ("**Zhongshihua Xinao**") (湖州中石化新奧天然氣有限公司)	RMB10,000,000	PRC/ Chinese Mainland	50%	50%	50%	Operation of natural gas refuelling stations
Huzhou Huxing Fuel New Energy Development Co., Ltd.*/** ("**Huxing Fuel New Energy**") (湖州湖興燃新能源開發有限公司)	RMB30,000,000	PRC/ Chinese Mainland	40%	40%	40%	Solar power generation technology services; sale of solar thermal power generation equipment and photovoltaic equipment

* The English translations of these company names are for reference only. The official names of these companies are in Chinese.

** Huxing Fuel New Energy was established on 28 November 2022 and is 40% held by the Group and 60% held by Changxing Yongxing Construction and Development Co., Ltd. It was accounted for as a joint venture as all of the strategic financial and operating decisions must be approved by two-thirds of shareholders with voting rights in the shareholders' meeting of Huxing Fuel New Energy. Huxing Fuel New Energy commenced business operation since July 2023.

(a) The joint ventures had no contingent liabilities as at the end of the Reporting Period.

(b) The Group's outstanding balances and transactions with the joint ventures during the Reporting Period are disclosed in note 24 and note 37 to the financial statements, respectively.

19. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Zhongshihua Xinao adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2023 RMB'000	2022 RMB'000
Current assets	7,916	8,608
Non-current assets	285	3,323
Current liabilities	(901)	(769)
Net assets	7,300	11,162
Reconciliation to the Group's interest in Zhongshihua Xinao:		
Proportion of the Group's ownership	50%	50%
Group's share of net assets of the joint venture	3,650	5,581
Carrying amount of the investment	3,650	5,581
Revenue	1,152	1,602
Other income	42	303
Total expense	(5,056)	(7,849)
Loss and total comprehensive expense for the year	(3,862)	(5,944)
Share of result	(1,931)	(2,972)

The Company did not increase the investment in Zhongshihua Xinao during the year ended 31 December 2023 (2022: Nil).

Zhongshihua Xinao did not propose any dividend to the Company during the year (2022: Nil).

19. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Huxing Fuel New Energy adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2023 RMB'000
Current assets	4,570
Non-current assets	10,663
Current liabilities	(67)
Net assets	15,166
Reconciliation to the Group's interest in Huxing Fuel New Energy:	
Proportion of the Group's ownership	40%
Group's share of net assets of the joint venture	6,066
Carrying amount of the investment	6,066
Revenue	115
Other income	94
Total expense	(45)
Loss and total comprehensive expense for the year	164
Share of result	66

The Company increased the investment in Huxing Fuel New Energy of RMB6,000,000 during the year ended 31 December 2023 (2022: Nil).

Huxing Fuel New Energy did not propose any dividend to the Company during the year (2022: Nil).

Huxing Fuel New Energy commenced business operation since July 2023.

20. OTHER NON-CURRENT ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments of leasehold land	–	9,900

21. INVENTORIES

	2023 RMB'000	2022 RMB'000
Construction materials	14,325	26,807
PNG	1,007	1,276
LNG	823	1,762
	16,155	29,845
Impairment	(177)	(591)
Total	15,978	29,254

22. TRADE AND BILLS RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	44,268	28,329
Impairment	(2,972)	(1,170)
	41,296	27,159
Bills receivable	36,562	31,096
Net carrying amount	77,858	58,255

The Group's trading terms with its industrial and commercial customers are mainly on credit except for certain new customers, where payment in advance is required. The average credit period range for trade receivables is within 30 to 90 days. The average maturity period of bills receivable is 3 to 12 months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

22. TRADE AND BILLS RECEIVABLES (continued)

An ageing analysis of the trade and bills receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

	2023 **RMB'000**	2022 RMB'000
Within 3 months	**57,352**	36,747
3 months to 6 months	**17,248**	17,515
6 months to 1 year	**3,158**	3,993
More than 1 year	**100**	–
Total	**77,858**	58,255

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 **RMB'000**	2022 RMB'000
At beginning of year	**1,170**	956
Impairment losses, net (note 6)	**1,802**	214
At end of year	**2,972**	1,170

An impairment analysis is performed at each reporting date using a provision matrix to measure the expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

22. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on trade receivables using a provision matrix:

As at 31 December 2023

		Past due			
	Current	Less than 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate	**0.60%**	**3.58%**	**28.28%**	**100.00%**	**3.84%**
Gross carrying amount (RMB'000)	**69,110**	**2,768**	**4,403**	**1,210**	**77,491**
Expected credit losses (RMB'000)	**418**	**99**	**1,245**	**1,210**	**2,972**

As at 31 December 2022

		Past due			
	Current	Less than 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate	0.78%	2.01%	100.00%	100.00%	4.13%
Gross carrying amount (RMB'000)	26,635	747	41	906	28,329
Expected credit losses (RMB'000)	208	15	41	906	1,170

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023 RMB'000	2022 RMB'000
Prepayments	**24,795**	19,911
Other receivables	**1,106**	1,909
Deposits	**198**	390
Other current assets	**18,951**	13,391
	45,050	35,601
Impairment allowance	**(162)**	(200)
Total	**44,888**	35,401

Deposits and other receivables mainly represent rental deposits, deposits with suppliers and other receivables from related parties and third parties. Where applicable, an impairment analysis is performed at the end of the Reporting Period by considering the probability of default. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

23. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

As at 31 December 2023

	Deposits	Other receivables
Expected credit loss rate	**6.06%**	**13.56%**
Gross carrying amount (RMB'000)	**198**	**1,106**
Expected credit losses (RMB'000)	**12**	**150**

As at 31 December 2022

	Deposits	Other receivables
Expected credit loss rate	8.72%	8.70%
Gross carrying amount (RMB'000)	390	1,909
Expected credit losses (RMB'000)	34	166

The movements in allowance for impairment of other receivables are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**200**	227
Impairment losses, net (note 6)	**(38)**	(27)
At end of year	**162**	200

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

24. BALANCES WITH RELATED PARTIES

	Notes	2023 RMB'000	2022 RMB'000
Amounts due from related parties:			
Ningbo Chengji Energy Trading Co., Ltd.	(i)	4,066	10,308
Xinao Insurance Brokers Co., Ltd.	(i)	1,361	1,764
ENN (Zhoushan) LNG Co., Ltd.	(i)	936	–
Huzhou Wuxing South Taihu Agricultural Products Co., Ltd.	(i)	486	594
Huzhou Shushan Sanatorium Co., Ltd.	(i)	275	614
Huzhou Licheng Investment Development Co., Ltd.	(i)	124	171
Xinao Energy Power Technology (Shanghai) Co., Ltd.	(ii)	100	100
Huzhou Weineng Environment Co., Ltd.	(i)	68	–
Seven-cultivation Hotel	(i)	30	–
Zhejiang Xin'ao Energy Development Co., Ltd.	(i)	2	–
One City One Network Technology Co., Ltd.	(ii)	–	814
Huzhou City Water Group Co., Ltd.	(i)	–	8
		7,448	14,373
Amounts due to related parties:			
Zhoushan ENN Energy Trading Co., Ltd.	(iii)	16,534	9,264
Huzhou Huaxing Urban Construction Development Co., Ltd.	(iii)	1,017	486
Ningbo Chengji Energy Trading Co., Ltd.	(iii)	739	–
Xinao (China) Gas Investment Company Limited	(iii)	506	506
Huzhou Weineng Environment Co., Ltd.	(iii)	476	–
Xinao Shuneng Technology Co., Ltd.	(iii)	261	–
Xindi Energy Engineering Technology Co., Ltd.	(iii)	228	–
Nanjing Xinao Technology Co., Ltd.	(iii)	221	8
Zhejiang Xin'ao Energy Development Co., Ltd.	(iii)	28	–
		20,010	10,264
Amounts due to related parties included in contract liabilities:			
Huzhou Urban Investment Talent Industrial Park Development and Management Co., Ltd.	(iv)	2,280	–
Huzhou Weineng Environment Co., Ltd.	(iv)	697	1,037
Huzhou Fangzong Real Estate Group Co., Ltd.	(iv)	630	–
Huzhou City Historical Civilisation Community Protection Reconstruction Co., Ltd.	(iv)	389	251
Huzhou Wuxing South Taihu Agricultural Products Co., Ltd.	(iv)	22	–
Huzhou Hotel Co., Ltd.	(iv)	16	–
Huzhou Urban Construction Investment Group Co., Ltd.	(iv)	9	3
Huzhou City Water Group Co., Ltd.	(iv)	8	6
Huzhou Zhongfang Zhiye Co., Ltd.	(iv)	7	12
Huzhou Health Group Co., Ltd.	(iv)	7	–
Huzhou Licheng Investment Development Co., Ltd.	(iv)	4	195
Huzhou Northern City Construction Investment Co., Ltd.	(iv)	–	20
		4,069	1,524

24. BALANCES WITH RELATED PARTIES (continued)

	Notes	2023 RMB'000	2022 RMB'000
Amount due to a related party included in lease liabilities:			
Huzhou Huaxing Urban Construction Development Co., Ltd.	(v)	–	272
Amount due from a related party included in lease receivables:			
Huzhou Shushan Sanatorium Co., Ltd.	(vi)	5,118	5,170

(i) The amount due from the related party of RMB7,348,000 as at 31 December 2023 (2022: RMB13,459,000) was trade in nature, unsecured and interest-free.

(ii) The amounts due from related parties of RMB100,000 as at 31 December 2023 (2022: RMB914,000) were security deposits and were trade in nature.

(iii) The amounts due to related parties of RMB20,010,000 as at 31 December 2023 (2022: RMB10,264,000) were trade in nature, unsecured, interest-free and repayable on demand.

(iv) The amounts due to related parties included in the contract liabilities were trade in nature, unsecured and interest-free.

(v) The amount due to the related party included in lease liabilities was trade in nature, unsecured and was paid monthly.

(vi) The amount due from the related party included in lease receivables was trade in nature, unsecured and was paid annually.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**857,603**	1,079,727
Less: Pledged for ETC equipment	**(24)**	(24)
Cash and cash equivalents	**857,579**	1,079,703
Denominated in Hong Kong Dollars ("**HKD**")	**1,367**	7,701
Denominated in RMB	**856,212**	1,072,002
	857,579	1,079,703

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

26. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	**97,551**	84,205
3 to 6 months	**13,381**	7,122
6 to 12 months	**7,763**	4,685
Over 1 year	**3,184**	5,336
Total	**121,879**	101,348

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

27. OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Security deposits	8,819	89,249
Purchase of fixed assets	31,475	45,950
Payroll and welfare	55,284	50,061
Dividend payable	–	211,975
Other tax payables	24,442	19,347
Prepayment from the government for disposal of long-term assets	39,342	23,502
Others	4,084	8,886
Total	163,446	448,970

Other payables are non-interest-bearing and are normally settled on demand.

28. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Short-term advances received from customers:		
Sale of natural gas	204,896	158,871
Construction and installation services	99,331	115,712
Sale of household gas appliances and relevant equipment	5,831	4,658
Sale of energy	293	–
Subtotal	310,351	279,241
Long-term advances received from customers:		
Construction and installation services	125,824	99,825
Sale of natural gas	–	3,547
Sale of household gas appliances and relevant equipment	–	6,917
Subtotal	125,824	110,289
Total	436,175	389,530

Contract liabilities mainly include advances received to sale of natural gas, construction and installation services, sale of household gas appliances and relevant equipment and sale of energy. The increase in contract liabilities in 2023 was mainly due to the increase in advances received from customers in relation to the sale of natural gas.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	2023			
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2023 (restated)	20,925	24,621	2,490	48,036
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(1,161)	(2,297)	2,615	(843)
Gross deferred tax liabilities at 31 December 2023	19,764	22,324	5,105	47,193

	2022			
	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustments arising from acquisition of a subsidiary RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2022	17,370	26,918	–	44,288
Effect of adoption of amendments to IAS 12	–	–	473	473
Gross deferred tax liabilities at 1 January 2022 (restated)	17,370	26,918	473	44,761
Deferred tax charged/(credited) to the statement of profit or loss during the year (restated)/(note 10)	3,555	(2,297)	2,017	3,275
Gross deferred tax liabilities at 31 December 2022 (restated)	20,925	24,621	2,490	48,036

29. DEFERRED TAX (continued)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

Deferred tax assets

2023

	Impairment of financial assets RMB'000	Provision for inventories RMB'000	Government grants RMB'000	Provision for contract liabilities RMB'000	Accrued expenses RMB'000	Lease Liabilities RMB'000	Total RMB'000
At 1 January 2023 (restated)	387	148	4,546	1,488	16	2,490	9,075
Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10)	441	(104)	(91)	(691)	3	2,687	2,245
Deferred tax charged to other comprehensive income during the year	(36)	–	–	–	–	–	(36)
Gross deferred tax assets at 31 December 2023	792	44	4,455	797	19	5,177	11,284

2022

	Impairment of financial assets RMB'000	Provision for inventories RMB'000	Government grants RMB'000	Provision for contract liabilities RMB'000	Accrued expenses RMB'000	Lease Liabilities RMB'000	Total RMB'000
At 1 January 2022	391	281	4,290	1,956	30	–	6,948
Effect of adoption of amendments to IAS 12	–	–	–	–	–	473	473
Gross deferred tax assets at 1 January 2022 (restated)	391	281	4,290	1,956	30	473	7,421
Deferred tax credited/(charged) to the statement of profit or loss during the year (restated)/(note 10)	46	(133)	256	(468)	(14)	2,017	1,704
Deferred tax charged to other comprehensive income during the year	(50)	–	–	–	–	–	(50)
Gross deferred tax assets at 31 December 2022 (restated)	387	148	4,546	1,488	16	2,490	9,075

29. DEFERRED TAX (continued)

Deferred tax assets (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax offset in the consolidated statement of financial position	5,105	2,490
Net deferred tax assets recognised in the consolidated statements of financial position	1,427	1,662
Net deferred tax liabilities recognised in the consolidated statements of financial position	37,336	40,623

The Group has no tax losses arising in Chinese Mainland (2022: Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group's investment in joint ventures amounted to RMB9,716,000 (2022: RMB5,581,000) as at 31 December 2023. The difference between the net book value and the original investment of RMB11,000,000 is the temporary difference that deferred tax liabilities has not been recognised. Deferred tax liabilities have not been recognised as the Company does not intend to dispose the joint venture in the foreseeable future.

30. OTHER NON-CURRENT LIABILITIES

	2023 RMB'000	2022 RMB'000
Prepayment from the government for the disposal of long-term assets	65,452	57,028
The government grants related to asset construction and operation	21,910	15,239
Other tax payables	191	412
	87,553	72,679

31. SHARE CAPITAL

Shares

	2023 **RMB'000**	2022 RMB'000
Issued and fully paid:		
202,714,500 (2022: 202,714,500) ordinary shares	**202,715**	202,715

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital** RMB'000
At 1 January 2022	150,000,000	150,000
Issue of shares	52,714,500	52,715
At 31 December 2022, 1 January 2023 and 31 December 2023	**202,714,500**	**202,715**

32. OTHER RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 11 to 12 of the financial statements.

Other reserve

On 17 July 2019, the Group disposed of partial interests in a subsidiary without losing control. The difference between the consideration and the proportionate share of net assets disposed of and net with the proportionate of tax was recorded in other reserve.

Statutory surplus reserve (the "SSR")

In accordance with the Company Law of the PRC and the respective articles of association of the subsidiaries established in Mainland China (the "**PRC Subsidiaries**"), each PRC Subsidiary is required to allocate 10% of its profits after tax, as determined in accordance with the applicable PRC accounting standards and regulations, to the SSR until such reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the SSR can be reorganised as paid-up capital, provided that the remaining balance after the reorganisation is not less than 25% of the registered capital.

The SSR is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of such reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the company. The statutory surplus reserve can be utilised to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

In accordance with the Company Law of the PRC, profits after tax of the PRC companies can be distributed as dividends after the appropriation to the SSR as set out above.

Distributable reserve

For dividend purposes, the amounts which the PRC companies can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those that are reflected in the Historical Financial Information which is prepared in accordance with IFRSs.

Special reserve – safety fund

Provisions for the Group's obligations for safety operation are based on the Group's revenue arose from sales of natural gas per year in accordance with related PRC rules and regulations. The Group records a corresponding cost when such expenditure for safety operation incurs. The remaining provisions for the Group's obligations for safety operation would be recorded as special reserve – safety fund. The remaining provisions would not be recorded in profit or loss while the Group decreases its retained profits when it recognises the special reserve – safety fund.

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Groups' subsidiaries that have material non-controlling interests are set out below:

	2023	2022
Percentage of equity interests held by non-controlling interests:		
Nanxun Xinao	49%	49%
Nanxun Xinao Development	49%	49%
Huran New Energy	5%	5%
Huxun Fuel New Energy	5%	5%

	2023 RMB'000	2022 RMB'000
Profit for the year allocated to non-controlling interests:		
Nanxun Xinao	23,806	9,319
Nanxun Xinao Development	29,446	15,769
Huran New Energy	195	67
Huxun Fuel New Energy	14	–
Dividend paid to non-controlling interest of Nanxun Xinao	8,215	22,816
Dividend paid to non-controlling interest of Nanxun Xinao Development	15,395	13,083
Dividend paid to non-controlling interest of Huran New Energy	58	–
Accumulated balances of non-controlling interests at the reporting date:		
Nanxun Xinao	58,307	42,716
Nanxun Xinao Development	34,381	20,330
Huran New Energy	3,945	3,257
Huxun Fuel New Energy	14	–

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

Nanxun Xinao	2023 RMB'000	2022 RMB'000
Revenue	1,140,761	1,316,274
Cost	(1,049,127)	(1,271,682)
Total expenses	(43,051)	(25,573)
Profit for the year	48,583	19,019
Total comprehensive income for the year	48,583	19,066
Current assets	141,851	101,666
Non-current assets	356,473	288,260
Current liabilities	(150,235)	(169,377)
Non-current liabilities	(229,095)	(133,374)
Net cash flows generated from operating activities	95,738	11,100
Net cash flows used in investing activities	(72,309)	(52,994)
Net cash flows generated from financing activities	23,124	35,161
Net increase/(decrease) in cash and cash equivalents	46,553	(6,733)

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Nanxun Xinao Development	2023 RMB'000	2022 RMB'000
Revenue	323,892	171,150
Cost	(246,100)	(133,365)
Total expenses	(17,698)	(5,604)
Profit for the year	60,094	32,181
Total comprehensive income for the year	60,094	32,184
Current assets	52,647	111,896
Non-current assets	227,768	118,685
Current liabilities	(84,509)	(85,611)
Non-current liabilities	(125,741)	(103,480)
Net cash flows generated from operating activities	99,363	65,522
Net cash flows generated (used in)/from investing activities	(100,571)	44,178
Net cash flows used in financing activities	(58,600)	(26,024)
Net (decrease)/increase in cash and cash equivalents	(59,808)	83,676

Huran New Energy*	2023 RMB'000	2022 RMB'000
Revenue	4,899	1,489
Cost	(918)	(362)
Total expenses	(74)	208
Profit for the year	3,907	1,335
Total comprehensive income for the year	3,907	1,335
Current assets	28,279	21,771
Non-current assets	58,234	56,771
Current liabilities	(5,214)	(683)
Non-current liabilities	(2,409)	(2,334)
Net cash flows generated from operating activities	6,641	955
Net cash flows used in investing activities	(35,437)	(21,367)
Net cash flows (used in)/generated from financing activities	(721)	74,123
Net (decrease)/increase in cash and cash equivalents	(29,517)	53,711

* Huran New Energy received paid-in capital from non-controlling shareholder of RMB551,000 during this Reporting Period.

33. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

Huxun Fuel New Energy**/***	2023 RMB'000
Revenue	574
Cost	(295)
Total expenses	4
Profit for the year	283
Total comprehensive income for the year	283
Current assets	2,960
Non-current assets	15,944
Current liabilities	(271)
Non-current liabilities	(3,350)
Net cash flows generated from operating activities	530
Net cash flows used in investing activities	(13,830)
Net cash flows generated from financing activities	14,753
Net increase in cash and cash equivalents	1,453

** Huxun Fuel New Energy commenced business operation in February 2023.

*** As of 31 December 2023, Huxun Fuel New Energy received paid-in capital of RMB15,000,000, all of which was paid by Huran New Energy.

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB12,073,000 (2022: RMB9,592,000) and RMB12,073,000 (2022: RMB9,592,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	**Lease liabilities RMB'000**	**Dividends RMB'000**
At 1 January 2023	**–**	**8,755**	**211,975**
Changes from financing cash flows	**(2,995)**	**(1,939)**	**(296,457)**
Interest expense	**2,995**	**571**	**–**
New leases	**–**	**12,073**	**–**
Dividend declared during the year	**–**	**–**	**84,482**
At 31 December 2023	**–**	**19,460**	**–**

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Dividends RMB'000
At 1 January 2022	–	1,105	45,134
Changes from financing cash flows	(2,295)	(2,115)	(45,134)
Interest expense	2,295	173	–
New leases	–	9,592	–
Dividend declared during the year	–	–	211,975
At 31 December 2022	–	8,755	211,975

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	560	206
Within financing activities	1,939	2,115
	2,499	2,321

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for electronic toll collection ("**ETC**") equipment are included in note 25 to the financial statements.

36. COMMITMENTS

The Group has various lease contracts that have not yet commenced as at 31 December 2023. The future lease payments for these non-cancellable lease contracts are RMB180,000 (2022: RMB136,000) due within one year, RMB11,600 (2022: RMB4,000) due in the next year.

37. RELATED PARTY TRANSACTIONS

(a) Name and relationship:

Name of related party	Relationship with the Group
Xinao (China) Gas Investment Company Limited ("**ENN (China)**") (新奥(中国)燃氣投資有限公司)	Shareholder of the Company
Langfang Branch of Xinao (China) Gas Investment Company Limited ("**Langfang Branch of ENN (China)**") (新奥(中国)燃氣投資有限公司廊坊分公司)	Branch of shareholder of the Company
Huzhou Zhongshihua Xinao Natural Gas Co., Ltd. ("**Zhongshihua Xinao**") (湖州中石化新奥天然氣有限公司)	Joint venture
Huzhou Huaxing Urban Construction Development Co., Ltd. ("**Huzhou Huaxing**") (湖州市華興城建發展有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Fangzong Real Estate Group Co., Ltd. ("**Huzhou Fangzong**") (湖州房總地產開發集團有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Zhongfang Zhiye Co., Ltd. ("**Huzhou Zhongfang Zhiye**") (湖州中房置業有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou City Minsheng Construction Co., Ltd. ("**Huzhou Minsheng**") (湖州市民生建設有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Urban Construction Investment Group Co., Ltd. ("**Huzhou Urban Construction**") (湖州市城建投資集團有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Shushan Sanatorium Co., Ltd. ("**Shushan Sanatorium**") (湖州蜀山老年醫院有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Zhongcheng Construction Development Co., Ltd. ("**Huzhou Zhongcheng**") (湖州中城建設發展股份有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Weineng Environment Co., Ltd. ("**Weineng Environment**") (湖州威能環境服務有限公司)	Company controlled by the controlling shareholder of the Company

37. RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship: (continued)

Name of related party	Relationship with the Group
Huzhou Northern City Construction Investment Co., Ltd. ("**Huzhou Northern City**") (湖州市北建設投資有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou City Investment Assets Management Co., Ltd. ("**Huzhou Assets Management**") (湖州市城投資產管理有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Licheng Investment Development Co., Ltd. ("**Huzhou Licheng**") (湖州立城投資建設有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou City Historical Civilisation Community Protection Reconstruction Co., Ltd. ("**Huzhou Historical Reconstruction**") (湖州市歷史文化街區保護改造有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou City Water Group Co., Ltd. ("**Huzhou Water**") (湖州市水務集團有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Tongcheng Investment Development Co., Ltd. ("**Huzhou Tongcheng**") (浙江童城投資發展有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou City Urban Investment Yuhua Producing Management Co., Ltd. ("**Yuhua Producing Management**") (湖州市城投育華物產管理有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Jinglong Real Estate Development Co., Ltd. ("**Jinglong Real Estate**") (湖州璟瓏房地產開發有限公司)	Company controlled by the controlling shareholder of the Company
Hangzhou Xiaoshan Pipeline Gas Development Co., Ltd. ("**Hangzhou Xiaoshan Pipeline Gas**") (杭州蕭山管道燃氣發展有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Wuxing South Taihu Agricultural Products Co., Ltd. ("**South Taihu Agricultural Products**") (湖州吳興南太湖農產品有限公司)	Company controlled by the controlling shareholder of the Company

37. RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship: (continued)

Name of related party	Relationship with the Group
ENN Group Co., Ltd. (新奧集團股份有限公司)	Company controlled by shareholders of the Company
Ningbo Chengji Energy Trading Co., Ltd. ("**Ningbo Intercity**") (寧波城際能源貿易有限公司)	Company controlled by shareholders of the Company
Nanjing Xinao Intelligent Technology Co., Ltd. ("**Nanjing Xinao Technology**") (南京新奧智能科技有限公司)	Company controlled by shareholders of the Company
New Wisdom Cloud Data Service Co., Ltd. ("**New Wisdom**") (新智雲數據服務有限公司)	Company controlled by shareholders of the Company
Xinao Insurance Brokers Co., Ltd. ("**Xinao Brokers**") (新奧保險經紀有限公司)	Company controlled by shareholders of the Company
ENN Hengxin Investment Co., Ltd. ("**Hengxin Investment**") (新奧恒新投資有限公司)	Company controlled by shareholders of the Company
Xinao Xinneng (Zhejiang) Energy Trading Co., Ltd. ("**Xinao Xinneng**") (新奧新能（浙江）能源貿易有限公司)	Company controlled by shareholders of the Company
Langfang Yitongcheng Business Service Co., Ltd. ("**Langfang Yitongcheng**") (廊坊易通程商務服務有限公司)	Company controlled by shareholders of the Company
Zhoushan ENN Energy Trading Co., Ltd. (舟山新奧能源貿易有限公司)	Company controlled by shareholders of the Company
Xindi Energy Engineering Technology Co., Ltd. (新地能源工程技術有限公司)	Company controlled by shareholders of the Company
Huzhou Hotel Co., Ltd. (湖州賓館有限公司)	Company controlled by shareholders of the Company
Huzhou Health Group Co., Ltd. (湖州市健康集團有限公司)	Company controlled by shareholders of the Company

37. RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship: (continued)

Name of related party	Relationship with the Group
One City One Network Technology Co., Ltd. (一城一家網絡科技有限公司)	Company controlled by shareholder of the Company
Zhejiang Xin'ao Energy Development Co., Ltd. ("**Zhejiang Xin'ao Energy**") (浙江新奧能源發展有限公司)	Company controlled by shareholder of the Company
Longyou Xinao Intelligent Energy Co., Ltd. ("**Longyou Xinao**") (龍游新奧智慧能源有限公司)	Company controlled by shareholder of the Company
Wenzhou Xinao Gas Co., Ltd. ("**Wenzhou Xinao**") (溫州新奧燃氣有限公司)	Company controlled by shareholder of the Company
Bengbu Xinao Gas Company Limited (蚌埠新奥燃气有限公司)	Company controlled by shareholder of the Company
Xinao Energy Power Technology (Shanghai) Co., Ltd. ("**Xinao Energy Power**") (新奧能源動力科技(上海)有限公司)	Company controlled by shareholder of the Company
ENN (Zhoushan) LNG Co., Ltd. (新奥(舟山)液化天然氣有限公司)	Company controlled by shareholder of the Company
Huzhou Urban Investment Talent Industrial Park Development and Management Co., Ltd ("**Huzhou Urban Investment Talent**") (湖州城投人才產業園區開發管理有限公司)	Company controlled by shareholder of the Company
Huzhou Chuangcheng Construction and Development Co., Ltd ("**Huzhou Chuangcheng**") (湖州創城建設發展有限公司)	Company controlled by shareholder of the Company
Huzhou Talent Development Group Co., Ltd ("**Huzhou Talent Development**") (湖州市人才發展集團有限公司)	Company controlled by shareholder of the Company
Seven-cultivation Hotel (新繹七修飯店管理有限公司)	Company controlled by shareholder of the Company
Haining Xinao Zhicheng Technology Co., Ltd ("**Haining Xinao Zhicheng**") (海宁新奥智城科技有限公司)	Company controlled by shareholder of the Company
Xinao Shuneng Technology Co., Ltd. ("**Xinao Shuneng**") (新奧數能科技有限公司)	Company controlled by shareholder of the Company

37. RELATED PARTY TRANSACTIONS (continued)

(b) The Group had the following transactions with related parties during the year:

	Notes	2023 RMB'000	2022 RMB'000
Joint ventures:			
Purchase of LNG from			
Zhongshihua Xinao	(i)	354	234
Rental income from			
Zhongshihua Xinao	(ii)	211	526
Others:			
Purchase of materials from			
Xindi Energy Engineering Technology Co., Ltd.	(i)	39,110	–
Nanjing Xinao Technology	(i)	2,141	2,731
Xinao Shuneng	(i)	786	–
Huzhou Water	(i)	51	27
Haining Xinao Zhicheng	(i)	38	–
Zhejiang Xin'ao Energy	(i)	24	–
Seven-cultivation Hotel	(i)	17	–
		42,167	2,758
Purchase of LNG from			
Ningbo Intercity	(i)	12,215	28,732
Purchase of PNG from			
Ningbo Intercity	(i)	781,727	454,580
Purchase of Steam from			
Weineng Environment	(i)	2,227	–
Purchase of services from			
ENN (Zhoushan) LNG Co., Ltd.	(x)	7,008	6,666
Xinao Xinneng and a subsidiary of the shareholder of the Company	(x)	6,336	16,254
		13,344	22,920

37. RELATED PARTY TRANSACTIONS (continued)

(b) The Group had the following transactions with related parties during the year: (continued)

	Notes	2023 RMB'000	2022 RMB'000
Others: (continued)			
Administrative and selling expenses paid to			
Xinao shuneng	(iii)	**1,041**	–
Zhejiang Xin'ao Energy	(iii)	**146**	24
One City One Network Technology Co., Ltd.	(iii)	**145**	101
Langfang Branch of ENN (China)	(iii)	**102**	184
Hengxin Investment	(viii)	**90**	93
Longyou Xinao	(iii)	**49**	29
New Wisdom	(iii)	**13**	17
Hangzhou Xiaoshan Pipeline Gas	(iii)	**–**	3
Langfang Yitongcheng	(iii)	**–**	2
Bengbu Xinao Gas Company Limited	(iii)	**–**	1
		1,586	454
Insurance referral service provided to			
Xinao Brokers	(iv)	**5,941**	4,743
Sale of natural gas to			
Weineng Environment	(v)	**1,525**	602
South Taihu Agricultural Products		**417**	–
Huzhou Hotel Co., Ltd.	(v)	**75**	–
Huzhou Licheng	(v)	**35**	32
Shushan Sanatorium	(v)	**17**	20
Huzhou Zhongfang Zhiye	(v)	**14**	14
Huzhou Health Group Co., Ltd.	(v)	**9**	–
Huzhou Fangzong	(v)	**8**	–
Huzhou Water	(v)	**7**	8
Huzhou Urban Construction	(v)	**–**	22
Huzhou Assets Management	(v)	**–**	6
Yuhua Producing Management	(v)	**–**	5
Huzhou Huaxing	(v)	**–**	4
		2,107	713

37. RELATED PARTY TRANSACTIONS (continued)

(b) The Group had the following transactions with related parties during the year: (continued)

	Notes	**2023 RMB'000**	2022 RMB'000
Others: (continued)			
Sale of goods to			
Huzhou Urban Investment Talent	(iv)	**559**	–
Huzhou Fangzong	(iv)	**456**	1,266
Huzhou Northern City	(iv)	**–**	380
Jinglong Real Estate	(iv)	**–**	328
		1,015	1,974
Provision of construction and installation services to			
Huzhou Urban Investment Talent	(vi)	**2,017**	–
Huzhou Fangzong	(vi)	**1,882**	3,352
Huzhou Historical Reconstruction	(vi)	**399**	–
South Taihu Agricultural Products	(vi)	**277**	546
Huzhou Licheng	(vi)	**235**	952
Huzhou Chuangcheng	(vi)	**109**	–
Huzhou Talent Development	(vi)	**27**	–
Huzhou Northern City	(vi)	**20**	503
Jinglong Real Estate	(vi)	**–**	633
Huzhou Huaxing	(vi)	**–**	356
Yuhua Producing Management	(vi)	**–**	134
		4,966	6,476
Finance income from a finance lease of equipment from			
Shushan Sanatorium	(vii)	**748**	756
Sale of energy to			
Shushan Sanatorium	(iv)	**1,867**	2,447
Income from distributed photovoltaic power to			
South Taihu Agricultural Products	(iv)	**1,906**	381
Huzhou Licheng	(iv)	**1,727**	943
Weineng Environment	(iv)	**124**	–
		3,757	1,324

37. RELATED PARTY TRANSACTIONS (continued)

(b) The Group had the following transactions with related parties during the year: (continued)

	Notes	2023 RMB'000	2022 RMB'000
Others: (continued)			
Sale of service to			
Huzhou Urban Construction	(iv)	150	–
Hangzhou Xiaoshan Pipeline Gas	(iv)	–	47
Wenzhou Xinao	(iv)	–	23
		150	70
Rental expenses to			
Huzhou Huaxing	(ix)	260	260

Notes:

(i) Transaction prices of purchases from related parties were determined based on contracts offered by the related parties to all customers.

(ii) Rental income represents considerations received for the rental of investment properties from the Group's related party. Annual rentals were determined with reference to prevailing market prices of similar properties.

(iii) Administrative and selling expenses were mainly expenses for IT service, training, conference and charge services provided by the related parties. The transaction prices were determined based on prices by the related parties offered to independent third-party customers.

(iv) Service and goods income from related parties was determined based on prices and conditions of transactions with the Group's major independent third-party customers.

(v) The sales prices of natural gas to related parties were determined according to the published prices and conditions offered to the major independent third-party customers of the Group.

(vi) Transaction prices of provision of construction and installation services rendered to related parties were determined based on prices and conditions offered by the Group to the major independent third-party customers.

(vii) The finance income from a finance lease of equipment has an embedded interest rate of 17% which was determined according to market interest rate of similar transactions.

37. RELATED PARTY TRANSACTIONS (continued)

(b) The Group had the following transactions with related parties during the year: (continued)

Notes: (continued)

(viii) Since 2021, Hengxin Investment charges the Group the Call Centre System Service fee every half year and the fee was determined with reference to prevailing market prices.

(ix) The fee for leasing services paid to the related party was determined with reference to prevailing market prices.

(x) The Group entered into an agreement with Xinao Xinneng (Zhejiang) Energy Trading Co., Ltd. and a subsidiary of the shareholder of the Company, pursuant to which Xinao Xinneng (Zhejiang) Energy Trading Co., Ltd. and a subsidiary of the shareholder of the Company shall provide to the Group facility for storing natural gas of not less than 5% of the Group's annual natural gas consumption volume ("**Natural Gas Reserve Service**") for a term of four years from 1 January 2021 to 31 December 2024.

(c) Outstanding balances with related parties:

Details of the Group's balances with related parties at the end of the Reporting Period are disclosed in note 24 to the financial statements.

(d) Compensation of key management personnel of the Group:

Details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

The related party transactions above (except transactions with Zhongshihua Xinao, a joint venture) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Reporting Period are as follows:

2023

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
		Debt investments	
	RMB'000	RMB'000	RMB'000
Lease receivable	5,118	–	5,118
Trade receivable	41,296	–	41,296
Financial assets included in prepayments, other receivables and other assets	1,142	–	1,142
Due from related parties	2,414	–	2,414
Pledged deposits	24	–	24
Cash and cash equivalents	857,579	–	857,579
Bills receivable	33,223	3,339	36,562
Total	940,796	3,339	944,135

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	121,879
Financial liabilities included in other payables and accruals	44,378
Due to related parties	20,010
Total	186,267

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the Reporting Period are as follows: (continued)

2022

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through other comprehensive income	Total
		Debt investments	
	RMB'000	RMB'000	RMB'000
Lease receivable	5,170	–	5,170
Trade receivables	27,159	–	27,159
Financial assets included in prepayments, other receivables and other assets	2,099	–	2,099
Due from related parties	13,432	–	13,432
Pledged deposits	24	–	24
Cash and cash equivalents	1,079,703	–	1,079,703
Bills receivable	–	31,096	31,096
Total	1,127,587	31,096	1,158,683

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	101,348
Financial liabilities included in other payables and accruals	356,060
Due to related parties	10,264
Total	467,672

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Bills receivable	**3,339**	31,096	**3,339**	31,096

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, trade receivables, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, trade payables, financial liabilities included in other payables and accruals, amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Bills receivable held both to collect cash flows and to sell in financial assets at fair value through other comprehensive income are measured using the discounted cash flow method.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Chinese Mainland. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Bills receivable	**–**	**3,339**	**–**	**3,339**

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bills receivable	–	31,096	–	31,096

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank loans, cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at 31 December 2023, there was no interest-bearing bank borrowings of the Group with floating interest rates denominated in RMB. As the amount of the long-term debts are small, changes in interest rates will have little impact on profit after tax and the interest rate risk of the Group is small.

The Group does not use derivative financial instruments to hedge its interest rate risk.

Foreign currency risk

The Group's businesses are located in Mainland China and the majority of transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the year to a reasonably possible change in the exchange rate between HK$ and RMB, with all other variables held constant, of the Group's profit after tax and equity.

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2023			
If RMB weakens against HK$	**(5)**	**65**	**65**
If RMB strengthens against HK$	**5**	**(65)**	**(65)**
2022			
If RMB weakens against HK$	(5)	289	289
If RMB strengthens against HK$	5	(289)	(289)

* Excluding retained profits

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Lease receivables – normal**	5,118	–	–	–	5,118
Trade and bills receivables*	–	–	–	80,830	80,830
Financial assets included in prepayments, other receivables and other assets – normal**	1,304	–	–	–	1,304
Due from related parties – normal**	7,448	–	–	–	7,448
Pledged deposits – not yet past due	24	–	–	–	24
Cash and cash equivalents – not yet past due	857,579	–	–	–	857,579
	871,473	–	–	80,830	952,303

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Lease receivables – normal**	5,170	–	–	–	5,170
Trade and bills receivables*	–	–	–	59,425	59,425
Financial assets included in prepayments, other receivables and other assets – normal**	2,299	–	–	–	2,299
Due from related parties – normal**	13,432	–	–	–	13,432
Pledged deposits – not yet past due	24	–	–	–	24
Cash and cash equivalents – not yet past due	1,079,703	–	–	–	1,079,703
	1,100,628	–	–	59,425	1,160,053

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and amounts due from related parties is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed in different sectors and industries.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through maintaining sufficient cash and cash equivalents, the use of bank loans and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the Reporting Period, based on the contractual undiscounted payments, is as follows:

	2023					
	On demand RMB'000	Less than 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	121,879	–	–	–	121,879
Financial liabilities included in other payables and accruals	–	44,378	–	–	–	44,378
Due to related parties	–	20,010	–	–	–	20,010
Lease liabilities	–	1,477	1,448	4,100	25,806	32,831
	–	187,744	1,448	4,100	25,806	219,098

	2022					
	On demand RMB'000	Less than 1 year RMB'000	1 year to 2 years RMB'000	2 years to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	–	101,348	–	–	–	101,348
Financial liabilities included in other payables and accruals	–	356,060	–	–	–	356,060
Due to related parties	–	10,264	–	–	–	10,264
Lease liabilities	–	1,101	585	1,728	11,078	14,492
	–	468,773	585	1,728	11,078	482,164

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using gearing ratio, which is net debt divided by the capital plus net debt. The Group's net debt includes lease liabilities, less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the parent. The gearing ratios at the end of the Reporting Periods were as follows:

	2023 RMB'000	2022 RMB'000
Lease liabilities	19,460	8,755
Less: Cash and cash equivalents	(857,579)	(1,079,703)
Pledged deposits	(24)	(24)
Net debt	(838,143)	(1,070,972)
Equity attributable to owners of the parent	1,181,144	1,131,012
Capital and net debt	343,001	60,040
Gearing ratio	N/A*	N/A*

* As at 31 December 2023 and 31 December 2022, the Group's balance of cash and cash equivalents and pledged deposits exceeded the financial liabilities. As such, there were no gearing ratio as at 31 December 2023 and 31 December 2022.

41. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the Reporting Period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Lease receivables	4,169	3,563
Property, plant and equipment	258,341	268,131
Investment properties	1,300	1,638
Investments in subsidiaries	445,523	451,516
Investments in joint ventures	9,716	5,581
Right-of-use assets	23,870	24,756
Other intangible assets	287	361
Total non-current assets	743,206	755,546
CURRENT ASSETS		
Due from related parties	8,489	50,072
Inventories	5,869	6,174
Lease receivables	949	1,607
Trade and bills receivables	46,401	41,319
Prepayments, other receivables and other assets	24,752	19,460
Pledged deposits	16	20
Cash and cash equivalents	508,914	661,394
Total current assets	595,390	780,046
CURRENT LIABILITIES		
Trade payables	22,557	14,685
Other payables and accruals	48,247	329,648
Contract liabilities	117,461	98,939
Due to related parties	57,137	24,290
Tax payables	1,974	7,816
Lease liabilities	35	322
Total current liabilities	247,411	475,700

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the Reporting Period is as follows: (continued)

	2023 RMB'000	2022 RMB'000
NET CURRENT ASSETS	347,979	304,346
TOTAL ASSETS LESS CURRENT LIABILITIES	1,091,185	1,059,892
NON-CURRENT LIABILITIES		
Deferred tax liabilities	1,477	1,386
Other non-current liabilities	21,910	15,239
Lease liabilities	23	2
Total non-current liabilities	23,410	16,627
Net assets	1,067,775	1,043,265
EQUITY		
Share capital	202,715	202,715
Other reserves	865,060	840,550
Total equity	1,067,775	1,043,265

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share capital RMB'000	Share premium RMB'000	Statutory surplus reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2022	150,000	591,787	7,756	(235)	121,785	871,093
Profit for the year	–	–	–	–	89,192	89,192
Other comprehensive income for the year:						
Fair value reserve of financial assets at fair value through other comprehensive income, net of tax	–	–	–	100	–	100
Total comprehensive income for the year	–	–	–	100	89,192	89,292
Statutory surplus reserve	–	–	8,919	–	(8,919)	–
Dividend declared	–	–	–	–	(176,076)	(176,076)
Issue of shares	52,715	222,079	–	–	–	274,794
Share issue expenses	–	(15,838)	–	–	–	(15,838)
At 31 December 2022 and 1 January 2023	**202,715**	**798,028**	**16,675**	**(135)**	**25,982**	**1,043,265**
Profit for the year	**–**	**–**	**–**	**–**	**85,215**	**85,215**
Other comprehensive income for the year:						
Fair value reserve of financial assets at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**109**	**–**	**109**
Total comprehensive income for the year	**–**	**–**	**–**	**109**	**85,215**	**85,324**
Statutory surplus reserve	**–**	**–**	**8,521**	**–**	**(8,521)**	**–**
Dividend declared	**–**	**–**	**–**	**–**	**(60,814)**	**(60,814)**
At 31 December 2023	**202,715**	**798,028**	**25,196**	**(26)**	**41,862**	**1,067,775**

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Revenue	1,630,421	1,422,038	1,858,737	2,579,459	**2,435,567**
Cost of sales	(1,402,256)	(1,172,024)	(1,573,265)	(2,465,002)	**(2,168,637)**
Gross profit	228,165	250,014	285,472	114,457	**266,930**
Selling and distribution expenses	(22,504)	(24,049)	(35,056)	(32,430)	**(33,255)**
Administrative expenses	(22,215)	(28,469)	(40,210)	(49,060)	**(48,722)**
Other expenses	(582)	(539)	(4,965)	(2,648)	**(10,399)**
Profit before tax	192,946	257,654	221,688	170,896	**216,311**
Income tax expense	(49,046)	(65,387)	(54,996)	(41,650)	**(52,013)**
Profit for the year	143,900	192,267	166,692	129,246	**164,298**
Attributable to:					
Owners of the parent	94,956	145,560	119,714	104,091	**110,837**
Non-controlling interests	48,944	46,707	46,978	25,155	**53,461**
Total non-current assets	915,120	928,050	998,293	1,080,226	**1,196,950**
Total current assets	673,427	671,250	894,606	1,218,617	**1,004,724**
Total current liabilities	581,274	554,835	729,232	866,940	**650,771**
Total non-current liabilities	121,880	122,908	145,918	234,588	**273,112**
Equity attributable to owners of the parent	823,595	824,175	943,916	1,131,012	**1,181,144**