ENN 新奥

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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

The Board of Directors (the "Directors") of ENN Energy Holdings Limited (the "Company" and together with its subsidiaries, the "Group") is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2013 together with the comparative audited figures for the corresponding period in 2012. The audited consolidated financial statements have been reviewed by the Company's Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 RMB million	2012 RMB million
Revenue	2	22,966	18,027
Cost of sales		(17,502)	(13,183)
Gross profit		5,464	4,844
Other income		238	171
Other gains and losses	3	(685)	13
Distribution and selling expenses		(380)	(344)
Administrative expenses		(1,753)	(1,627)
Share of results of associates		84	71
Share of results of joint ventures		359	345
Finance costs		(567)	(621)
Profit before tax		2,760	2,852
Income tax expense	4	(960)	(859)
Profit and total comprehensive income for the year		1,800	1,993
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		1,252	1,482
Non-controlling interests		548	511
		1,800	1,993

	NOTES	2013 RMB	2012 RMB
Earnings per share	6		
-Basic		1.16	1.39
-Diluted		1.16	1.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	NOTES	2013 RMB million	2012 RMB million (Restated)
Non-current Assets			
Property, plant and equipment		17,531	15,099
Prepaid lease payments		948	770
Investment properties		76	69
Goodwill		206	196
Intangible assets		1,294	1,238
Interests in associates		804	798
Interests in joint ventures		2,998	2,271
Available-for-sale financial assets		114	14
Other receivables		35	42
Amounts due from associates		55	40
Amounts due from joint ventures		183	116
Deferred tax assets		318	222
Deposits paid for investments		106	217
Deposits paid for acquisition of property, and plant and equipment, land use rights and operation rights		130	97
Restricted bank deposits		10	17
		24,808	21,206
Current Assets			
Inventories		419	311
Trade and other receivables	*7*	2,829	2,071
Prepaid lease payments		23	20
Amounts due from customers for contract work		193	180
Amounts due from associates		87	83
Amounts due from joint ventures		439	528
Amounts due from related companies		25	22
Restricted bank deposits		260	316
Cash and cash equivalents		6,822	6,156
		11,097	9,687
Current Liabilities			
Trade and other payables	*8*	6,166	4,898
Amounts due to customers for contract work		2,033	1,451
Amounts due to associates		88	20
Amounts due to joint ventures		1,187	896
Amounts due to related companies		18	28
Taxation payables		319	292
Bank and other loans - due within one year		921	2,737
Short-term debentures		-	1,208
Financial guarantee liability		59	23
Deferred income		78	61
		10,869	11,614
Net Current Assets (Liabilities)		228	(1,927)
Total Assets less Current Liabilities		25,036	19,279

Capital and Reserves		
Share capital	113	113
Reserves	9,430	8,540
Equity attributable to owners of the Company	9,543	8,653
Non-controlling interests	2,349	2,017
Total Equity	11,892	10,670
Non-current Liabilities		
Bank and other loans - due after one year	1,902	1,471
Corporate bond	497	497
Senior notes	4,498	4,629
Medium-term notes	700	700
Convertible bonds at fair value through profit and loss	3,925	-
Deferred tax liabilities	399	346
Deferred income	1,223	966
	13,144	8,609
	25,036	19,279

Notes:

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRSs	Annual Improvements to IFRSs 2009 - 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10 HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

In addition, the Group has early adopted the Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets.

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value.

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period.

Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

Pursuant to the amendment to HKAS 1 Presentation of items of Other Comprehensive Income, the title of "consolidated statement of other comprehensive income" is changed to "consolidated statement of profit or loss and other comprehensive income". Other than this change of name, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income of the Group.

Impact of the early application of Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

As a consequence of issuing HKFRS 13 in 2011, some of the disclosure requirements in HKAS 36, including the recoverable amount disclosures for non-financial assets were amended. In May 2013, there are further amendments to HKAS 36, in particular, relating to the recoverable amount disclosures for non-financial assets which will become effective for the annual periods beginning on or after 1 January 2014. After evaluating both amendments, the Directors decided to early adopt the latest amendments to HKAS 36. The application of the amendments to HKAS 36 does not result in any impact on the amounts reported in these consolidated financial statements. The disclosure of recoverable amounts for non-financial assets has been prepared in accordance with these latest amendments to HKAS 36.

New and revised HKFRSs in issue but not yet effective

The Group has not early adopted the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HK (IFRIC)-Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] Available for application - the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[5] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

The Directors anticipate that the application of the new and revised HKFRSs, other than set out below, will have no material impact on the consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after when the outstanding phases of HKFRS 9 are finalised. The Directors anticipate that the adoption of IFRS 9 in the future may have impact on amounts reported in respect of the Group's available-for-sale financial assets which are currently stated at cost less impairment and will be measured at fair value upon adoption.

2. SEGMENT INFORMATION

Information reported to the chief operating decision maker, the Company's Chief Executive Officer (the "CEO") for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services. Specifically, the Group's operating and reportable segments under HKFRS 8 are gas connection, sales of piped gas, vehicle gas refuelling stations, wholesale of gas, sales of other energy, sales of gas appliances and sales of material. Segment profit reviewed by CEO represents the gross profit earned by each segment. The accounting policies of the reportable segments are the same as the Group's accounting policies.

During the reporting period, the segment information presented to CEO was re-grouped. The distribution of bottled liquefied petroleum gas ("LPG") and steam previously included in segment "distribution of bottled LPG" and production and sales of liquefied natural gas ("LNG") previously included in "sales of piped gas" and now included in a new segment named "sales of other energy". Accordingly, the Group restated the corresponding segment information in 2012.

Segment profit or loss represents the profit earned by/loss from each segment without allocation of central administration costs, distribution and selling expenses, share of profit of associates and joint ventures, other income, other gains and losses and finance costs. This is the measure reported to CEO for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

The following is an analysis of the Group's revenue and results by reportable segment which is also the operating segments for the periods under review:

2013

	Gas connection	**Sales of piped gas**	**Vehicle gas refuelling stations**	**Wholesale of gas**	**Sales of other energy**	**Sales of gas appliances**	**Sales of material**	**Consolidation**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment revenue	4,569	18,644	3,098	3,873	306	372	1,198	32,060
Inter-segment sales	(726)	(4,542)	(13)	(2,322)	(245)	(264)	(982)	(9,094)
Revenue from external customers	3,843	14,102	3,085	1,551	61	108	216	22,966
Segment profit before depreciation and amortisation	2,508	2,819	545	67	30	38	33	6,040
Depreciation and amortisation	(131)	(363)	(45)	(4)	(31)	(2)	-	(576)
Segment profit (loss)	2,377	2,456	500	63	(1)	36	33	5,464

2012 (Restated)

	Gas connection	**Sales of piped gas**	**Vehicle gas refuelling stations**	**Wholesale of gas**	**Sales of other energy**	**Sales of gas appliances**	**Sales of material**	**Consolidation**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment revenue	4,302	13,146	2,309	2,987	309	324	1,267	24,644
Inter-segment sales	(669)	(2,630)	(2)	(1,956)	(182)	(221)	(957)	(6,617)
Revenue from external customers	3,633	10,516	2,307	1,031	127	103	310	18,027
Segment profit before depreciation and amortisation	2,401	2,287	522	61	24	21	23	5,339
Depreciation and amortisation	(133)	(297)	(36)	(6)	(21)	(2)	-	(495)
Segment profit	2,268	1,990	486	55	3	19	23	4,844

3. OTHER GAINS AND LOSSES

	2013	2012
	RMB million	*RMB million*
Impairment loss reversed on trade and other receivables, net	5	8
(Loss) gain on disposal of:		
- Property, plant and equipment	(7)	7
- Prepaid lease payment	3	-
- Interest in an associate (note a)	(1)	(5)
Gain on derecognition/disposal of subsidiaries	1	40
Increase in fair value of investment properties	10	11
Arrangement fee of a banking facility (note b)	-	(29)
Gain on re-measurement of assets upon step acquisition of a business (note c)	24	-
Fair value loss of convertible bonds	(784)	-
Gain (loss) on foreign exchange, net (note d)	64	(19)
	(685)	13

Notes:

a. In December 2013, the group disposed 40%, 20% and 30% of equity interests in three associates respectively to a joint venture for total cash consideration of RMB42 million. The difference of RMB1 million loss between the proceeds and the carrying amount of the Group's investments disposed of has been recognised during the year ended 31 December 2013.

In August 2012, the Group disposed 5.57% of equity interest in an associate to an independent third party for a cash consideration of RMB10 million. The different between the proceeds and the carrying amount of the Group's investment disposed of RMB5 million loss has been recognised during the year ended 31 December 2012. It became a joint venture due to the revision of Article of Association of the entity.

b. The balance represented an arrangement fee payable to a financial institution for certain banking facilities granted to the Group which is not refundable regardless of the utilisation of such facilities by the Group.

c. It represents the fair value gain on re-measurement of assets upon acquisition of business in a subsidiary, 河源市管道燃气发展有限公司, during the year ended 31 December 2013.

d. Included in the balance for the year ended 31 December 2013 is an amount of approximately RMB139 million (2012: RMB8 million) which is the exchange gain arising from the translation of senior notes denominated in USD to RMB.

4. INCOME TAX EXPENSE

	2013	2012
	RMB million	*RMB million*
PRC Enterprise Income Tax:		
Current tax	993	869
Under provision in prior years	18	13
Withholding tax	17	10
	1,028	892
Deferred tax		
Current year	(68)	(33)
	960	859

The charge represents PRC Enterprise Income Tax for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% except for certain group entities which are entitled to various concessionary tax rates as disclosed below.

Pursuant to the relevant laws and regulations in the PRC in respect of preferential tax benefit for entities engaged in energy infrastructure business, certain PRC subsidiaries enjoying preferential tax rate of 15% in 2007 is gradually transit to the new tax rate of 25% within 5 years after the enforcement of the current EIT Law from 1 January 2008 and the tax rate applicable for 2013 is 25% (2012: 25%).

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years.

Income tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2013	2012
	RMB million	*RMB million*
Profit before tax	2,760	2,852
Tax at the PRC Enterprise Income Tax rate of 25% (2012: 25%)	690	713
Tax effects of share of results of associates	(21)	(17)
Tax effects of share of results of joint ventures	(90)	(87)
Tax effects of income not taxable for tax purpose	(11)	(13)
Tax effects of expenses not deductible for tax purpose	354	127
Tax effects of tax losses not recognised	45	141
Utilisation of tax losses previously not recognised	(19)	(37)
Tax effects of deductible temporary differences not recognised	17	19
Tax concession and exemption granted to PRC subsidiaries	(69)	(25)
Effect of different tax rates of subsidiaries	-	(14)
Under provision in respect of prior years	20	13
Withholding tax on undistributed profit of PRC entities	44	39
Income tax charge for the year	960	859

5. DIVIDENDS

	2013	2012
	RMB million	*RMB million*
Final dividend paid in respect of previous financial year	362	315

Notes:

a. 2012 final dividend of HK$42.20 cents (equivalent to approximately RMB34.22 cents) per share or approximately RMB362 million in aggregate was paid during the year ended 31 December 2013.

b. The proposed final dividend in respect of 2013 of HK$48.00 cents (equivalent to approximately RMB37.97 cents) per share on 1,082,859,397 shares has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

6. EARNINGS PER SHARE

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

	2013	2012
	RMB million	*RMB million*
<u>Earnings</u>		
Earnings for the purposes of basic and diluted earnings per share	1,252	1,482

	2013	2012
	Number of shares	*Number of shares*
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,082,859,397	1,067,694,000
Effect of dilutive potential ordinary shares arising from issue of share options by the Company	372,728	6,746,139
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,083,232,125	1,074,440,139

7. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables are trade receivables amounting to RMB735 million (2012: RMB543 million). The Group allows an average credit period of 60 to 90 days to its trade customers, except for certain customers with credit period more than 90 days. The following is an aged analysis of trade receivables, net of impairment, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2013	**2012**
	RMB million	*RMB million*
		(Restated)
Within three months	663	465
4 to 6 months	40	39
7 to 9 months	19	26
10 to 12 months	13	6
More than one year	-	7
	735	543

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB1,973 million (2012: RMB1,821 million). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013	**2012**
	RMB million	*RMB million*
		(Restated)
Within three months	1,692	1,557
4 to 6 months	104	77
7 to 9 months	38	53
10 to 12 months	26	15
More than one year	113	119
	1,973	1,821

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	For the year ended 31 December 2013	2012	Increase/ (Decrease)
Revenue *(RMB million)*	22,966	18,027	**27.4%**
Gross profit *(RMB million)*	5,464	4,844	**12.8%**
Profit and total comprehensive income attributable to owners of the Company *(RMB million)*	1,252	1,482	**(15.5%)**
Earnings per share – Basic *(RMB)*	1.16	1.39	**(16.5%)**
Connectable urban population	61,015,000	55,521,000	**9.9%**
Connectable residential households	20,338,000	18,507,000	**9.9%**
New natural gas connections made during the year:			
– residential households	1,220,411	1,122,407	**8.7%**
– commercial/industrial ("C/I") customers (sites)	7,700	7,300	**400**
– installed designed daily capacity for C/I customers *(m^3)*	8,045,922	7,826,433	**2.8%**
Accumulated number of connected natural gas customers:			
– residential households (Note1 & 2)	9,200,671	7,720,152	**19.2%**
– C/I customers (sites) (Note1 & 2)	38,787	30,597	**8,190**
– installed designed daily capacity for C/I customers *(m^3)* (Note1 & 2)	41,820,125	33,382,200	**25.3%**
Accumulated number of connected piped gas (including natural gas) customers:			
– residential households	9,274,794	7,785,098	**19.1%**
– C/I customers (sites)	38,939	30,741	**8,198**
– installed designed daily capacity for C/I customers *(m^3)*	41,864,127	33,422,696	**25.3%**
Natural gas penetration rate	45.2%	41.7%	**3.5%**
Piped gas (including natural gas) penetration rate	45.6%	42.1%	**3.5%**
Unit of piped gas sold to residential households *(m^3)*	1,030,054,000	930,290,000	**10.7%**
Unit of piped gas sold to C/I customers *(m^3)*	5,538,164,000	4,345,314,000	**27.5%**
Unit of gas sold to vehicles *(m^3)*	1,186,697,000	935,926,000	**26.8%**
Wholesale of gas*(m^3)*	370,019,000	248,536,000	**48.9%**
Unit of bottled LPG sold *(ton)*	5,770	17,785	**(67.6%)**
Unit of steam sold *(ton)*	187,180	151,699	**23.4%**
Number of vehicle refuelling stations	448	330	**118**
Number of natural gas processing stations	137	126	**11**
Total length of existing intermediate and main pipelines (*km*)	23,907	21,312	**12.2%**

Notes:
1. At 31 December 2013, including a total of 1,518,393 natural gas residential customers and 3,490 natural gas C/I customers (with a total designed daily capacity of 2,761,687 m^3) from acquisition/conversion.
2. At 31 December 2012, including a total of 1,258,285 natural gas residential customers and 3,000 natural gas C/I customers (with a total designed daily capacity of 2,369,684 m^3) from acquisition/conversion.

Results of the Year

The global economy showed signs of mild recovery in the year of 2013, while China maintained a steady growth. Thanks to the concerted effort of its employees, the Group continued to maintain a substantial growth during the year in face of complicated market environment. The turnover and profit attributable to shareholders for the year reached RMB22,966 million and RMB1,252 million respectively, representing an increase of 27.4% and decrease of 15.5% over last year, while the earnings per share decreased by 16.5% to RMB1.16. The decreases in profit attributable to shareholders and earnings per share were due to the non-cash loss of RMB784 million due to the fair value change of the zero coupon convertible bonds issued in early 2013. Excluding this factor, profit attributable to shareholders in 2013 actually increased comparing to last year.

Sales of Gas

During the year, the Group's total gas sales volume was 8,125 million cubic metres, up 25.8% when compared with last year, in which 8,037 million cubic metres were natural gas, representing an increase of 29.1% as compared with last year. The proportion of gas sold to residential households and commercial/industrial ("C/I") customers amounted to 12.7% and 68.2% respectively, representing increases of 10.7% and 27.5% as compared with last year. Since the Group has been focusing on expanding the size of gas sales in the past few years, the sales volume of gas has increased continuously, and the revenue attributable to gas sales became the major source of income of the Group. Revenue attributable to gas sales significantly increased further from 77.5% last year to 81.9%, showing the Group's optimised revenue structure and the more stable and long-term revenue base.

Development of Residential Households

During the year, the Group provided natural gas connections for 1,220,411 residential households, up 8.7% as compared with the number of new connections recorded last year. With the Group's strong ability in connecting new and existing residential buildings, the new connection targets set by the Group for 2013 were surpassed. As of the end of 2013, the aggregate number of connected piped natural gas residential households in the Group's projects amounted to 9,200,671. Including other piped gas, the total number of connected residential households reached 9,274,794. The continual growth in the number of connected residential households each year fully demonstrated the Group's strong execution ability. During the year, the average one-off connection fee collected by the Group from its residential households was RMB2,792.

Development of C/I Customers

During the year, the Group provided natural gas connections for 7,700 C/I customers (with total installed designed daily capacity of 8,045,922 cubic metres) and the average connection fee was RMB157 per cubic metre. As of the end of 2013, the aggregate number of connected piped natural gas C/I customers of the Group amounted to 38,787 (with total designed installed daily capacity of 41,820,125 cubic metres). Including other piped gas, the total number of connected C/I customers of the Group reached 38,939 (with total installed designed daily capacity of 41,864,127 cubic metres).

Currently, the Group acknowledges customers' energy demand is gradually shifting from single source of energy to an integrated solution with diversified energy sources at minimum unit cost. With continuous technological innovations and highly efficient marketing strategies, the Group provides refitting services to customers to enhance their energy utilisation efficiency and reduce their energy consumption costs. In addition, the competitive advantages of natural gas being cleaner and cheaper over other energy sources will continue to fuel our development of more C/I customers. Today, air pollution prevention is a key issue for China, the central and local governments have announced various related policies and measures to cope with it. The Group will seize this opportunity and make use of the environmental policies to constantly optimise our customer structure and actively support the government's air pollution prevention efforts so as to broaden the scope of natural gas usage.

Construction and Operation of Vehicle/Ship Gas Refuelling Stations

In 2013, the Group continued to regard vehicle gas refuelling business as one of its core businesses. During the year, 24 new CNG refuelling stations were constructed and put into operation, total number of CNG refuelling stations reached 268. The LNG refuelling station business of the Group has been progressing smoothly. During the year, 94 new LNG refuelling stations were built and put into operation, total number of LNG refuelling stations reached 180. Those stations are mainly located at ports, mining zones and logistics hubs to provide clean and economical natural gas for 10,266 heavy trucks and long-haul buses, exceeding the development target set for the year.

During the year, the sales volume of vehicle gas amounted to 14.6% of the overall gas sales volume of the Group, revenue attributable to vehicle gas sales, was RMB3,085 million, up 33.7% compared with last year.

The Group also actively explores its ship LNG refuelling business. During the year, we successfully completed engine conversion for inner-river vessels and trial run of LNG refuelling operation through a mobile refuelling vessel, these demonstrative projects equipped us with a group of expertise and experience in the area, and provided the Group a first-mover advantage. We will tap into the market progressively with more trial projects so as to grasp the emerging market opportunities.

New Projects

In 2013, the Group acquired a total of 17 new projects, including 9 city-gas projects including Baoding City in Hebei Province, Heyuan City, Leizhou City, Lianjiang City and Dongyuan County in Guangdong Province, Dingyuan County in Anhui Province, Liangshan Prefecture in Sichuan Province, Ruyang County in Henan Province and North-western Liuyang in Hunan Province and 8 industrial park projects. As a result, the number of projects in China secured by the Group increased to 134, and contributed an additional connectable urban population of 3.08 million, coupled with the urbanisation process and organic growth of population in our existing projects, the total number of connectable urban population as of the end of 2013 reached over 61.01 million.

Prospects

During the year, the Group not only reached but even exceeded its operational and financial performance guidance set in early 2013. The Group's ability to maintain satisfactory growth fully demonstrated the robust business development of the Group, its strong execution ability in increasing the gas penetration rate of its existing projects, as well as the immense demand for and growth potential of natural gas consumption in China.

In response to the adjustments of the national natural gas pricing mechanism, the Group proactively communicated with its customers and pricing bureaus to determine the new pricing scheme and contracts, and to facilitate the automatic pass-through mechanism to be established, ensuring the Group's results targets to be achieved. We believe that the liberalisation of natural gas pricing will push forward its utilisation.

In the next few years, the Chinese government will gradually implement the decisions approved during the Third Plenary Session to support the economic and social reforms, developing a green, low-carbon society and focusing on sustainable development so as to build a better country. As air pollution prevention becomes an increasingly significant concern, the use of clean energy is a major trend in China and the natural gas industry will enjoy more rapid growth and extensive development in the foreseeable future. Seizing this opportunity, the Group will leverage on its strengths to adapt to any market changes and meet customers' needs. Apart from making significant contribution to environmental protection and energy sectors both within and beyond the country, the Group will also maximise the long-term interests of the shareholders, customers, employees, society and the corporate.

FINANCIAL RESOURCES REVIEW

Liquidity and financial resources

As at 31 December 2013, the Group's total debts amounted to RMB12,443 million (2012: RMB11,242 million) and the bank balances and cash for the purpose of computing net gearing ratio amounted to RMB6,822 million (2012: RMB6,156 million). The Group's net gearing ratio, i.e. ratio of net debt to equity (including non-controlling interests), was 47.3% (2012: 47.7%).

Currently, the Group's operating and capital expenditures are funded by operating cash flow, internal liquidity, bank loans and issued bonds. The Group has sufficient sources of funds and unutilised banking facilities to meet the future capital expenditure and working capital requirements.

Ten-year 6% fixed rate bonds

On 13 May 2011, the Company issued 10-year bonds in the aggregate principal amount of US$750 million (equivalent to RMB4,863 million) with issue price of 99.274% and redemption price of 100%. The coupon of the bonds is 6.0%, and interests are paid semi-annually. The terms of the bonds require Mr. Wang Yusuo, the Chairman of the Company, to retain not less than 25.0% of the issued share capital of the Company throughout the term of the bonds.

As all the operations of the Group are in China, if RMB appreciates in the future, the Group will benefit from earning RMB and repaying foreign currency debts, and the costs for foreign currency debt will be lowered indirectly.

Five-year zero coupon convertible bonds

On 26 February 2013, the Company issued zero coupon United States dollar denominated convertible bonds with the aggregate principal amount of US$500 million (approximately RMB3,141 million) (the "Bonds"). Each bond will, at the option of the holder, be convertible into fully paid ordinary shares with a par value of HK$0.10 each in the issued and paid up capital of the Company at an initial conversion price of HK$48.62 per share. Conversion may occur at any time on or after 8 April 2013 up to 16 February 2018. If the Bonds have not been converted, they will be redeemed on 26 February 2018 at 102.53 per cent of their principal amount. If the Bonds are converted into shares, it will be converted into 79,778,897 ordinary shares, representing 7.37% of the total issued share capital of the Company.

According to HKFRS 13 and HKAS 39, the Bonds need to be stated at fair value, with any gains or losses arising on measurement recognised in profit or loss in the current period from time to time until the Bonds mature, converted or redeemed. For the current year, the change in fair value of such Bonds amounts to RMB784 million, it is calculated by comparing its trading price on the Singapore Stock Exchange on 31 December 2013 and its issue price, together with the impact from US$ translation difference. As such, a RMB784 million non-cash loss was recorded on book. For more details of major terms about the Bonds, please refer to the announcement in relation to the proposed issue of the Bonds published on 30 January 2013 and the "Offering Memorandum" attached in the overseas regulatory announcement published on 27 February 2013.

As at 31 December 2013, no Bonds were converted into ordinary shares.

Borrowings structure

As at 31 December 2013, the Group's total debts amounted to RMB12,443 million (31 December 2012: RMB11,242 million), including fixed rate bonds of US$750 million (equivalent to RMB4,498 million) and zero coupon convertible bonds of US$500 million (equivalent to RMB3,925 million). Except for bank loans of US$150 million (equivalent to RMB902 million) which bear interest at floating rate, the remaining bank and other loans are denominated in Renminbi and bear interest at the interest rates announced by People's Bank of China. The project companies used the Renminbi loans as their working capital and operational expenditure. Except for the loan amount equivalent to RMB844 million that are secured by assets with carrying amount equivalent to RMB40 million, all of the other loans are unsecured. Short-term loans amounted to RMB921 million while the remaining were long-term loans falling due after one year or above.

As all of the operations of the Group are in China, except for the bonds of US$1,250 million and bank loans of US$150 million which are denominated in United States dollar, revenues and expenses were mainly denominated in Renminbi. Hence, there were no significant foreign exchange exposures or risks. If Renminbi appreciates in the future, the Group will benefit from receiving revenues denominated in Remminbi and repaying foreign loans, thereby reducing the cost arising from foreign loans indirectly. The Group currently does not have foreign currency hedging policy but the Directors will monitor the market trends of exchange rates and interest rates closely and adopt appropriate measures when necessary.

Commitments

(a) Capital Commitments

	2013 *RMB million*	**2012** *RMB million*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	55	110
Capital commitment in respect of		
-investments in joint ventures	118	287
-investments in associates	-	40

(b) Other Commitments

As at 31 December 2013, the Group has commitment amounting to approximately RMB46 million (2012: RMB30 million) in respect of acquisition of land use rights in the PRC.

Financial Guarantee Liability

As at 31 December 2013, the Group had outstanding guarantees issued to banks to secure loan facilities granted to joint ventures and an associate to the extent of approximately RMB466 million (2012: RMB476 million) for loans with maturity from four to seven years, of which the amounts have been utilised at the end of the reporting period. The carrying amount of financial guarantee contracts as at 31 December 2013 is approximately RMB59 million (2012: RMB23 million).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The Company established an Audit Committee on 28 March 2001. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control (including financial control, operational control, compliance control, risk management function and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, as well as their training programmes and budget) and financial reporting matters. During the year, members of the Audit Committee are Mr. Wang Guangtian, Ms. Yien Yu Yu, Catherine, Mr. Kong Chung Kau, Mr. Zhang Gang and Mr. Lim Haw Kuang who are all independent non-executive Directors. On 24 March 2014, Mr. Zhang Gang resigned from the Board of directors and Mr. Lim Haw Kuang became non-executive Director of the Company, as such, both of them will no longer act as audit committee members of the Company. On the same day, Mr. Ma Zhixiang and Mr. Yuen Po Kwong, independent non-executive Directors, were appointed as additional audit committee members of the Company. Three Audit Committee meetings were held during the financial year, and the Audit Committee has reviewed the audited annual accounts for 2012 and the unaudited interim accounts for 2013. The Audit Committee has also reviewed the annual results and the audited annual accounts for 2013 at the audit committee meeting held on 21 March 2014.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). Specific enquiries have been made with all Directors who have confirmed that they complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the Code on the Corporate Governance Code (the "Code") as contained in Appendix 14 to the Listing Rules throughout the year except the deviation from Code Provision E.1.2. Mr. Wang Yusuo (Chairman of the Board) was unable to attend the annual general meeting held on 21 May 2013 due to business trip. Alternatively, Mr. Wang Dongzhi, the Executive Director and Chief Financial Officer of the Company, attended and acted as the chairman of the said annual general meeting.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors now recommend a final dividend of HK$48.00 cents (2012: HK$42.20 cents) (equivalent to approximately RMB37.97 cents (2012: RMB34.22 cents)) per share payable to shareholders of the Company whose names are on the register of members on Tuesday, 10 June 2014. The final dividend is subject to approval by the shareholders in the forthcoming annual general meeting and will be paid to shareholders of the Company on or before Friday, 19 September 2014. For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting, the register of members will be closed from Wednesday, 28 May 2014 to Friday, 30 May 2014, both days inclusive, during which period no share transfer will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Tuesday, 27 May 2014.

For the purpose of determining the qualification for the proposed final dividend, the register of members will be closed from Monday, 9 June 2014 to Tuesday, 10 June 2014, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Friday, 6 June 2014.

By order of the Board
WANG YUSUO
Chairman

Hong Kong, 24 March 2014

As at the date of this announcement, the Board comprises the following directors:

Executive Directors:
Mr. Wang Yusuo (Chairman)
Mr. Cheung Yip Sang (Vice Chairman)
Mr. Zhao Jinfeng
Mr. Yu Jianchao
Mr. Han Jishen (President)
Mr. Wang Dongzhi (Chief Financial Officer)

Non-executive Directors:
Mr. Wang Zizheng
Mr. Jin Yongsheng
Mr. Lim Haw Kuang

Independent Non-executive Directors:
Mr. Wang Guangtian
Ms. Yien Yu Yu, Catherine
Mr. Kong Chung Kau
Mr. Ma Zhixiang
Mr. Yuen Po Kwong