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

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

Annual Results Announcement For The Year Ended 31 December 2014

Highlights of the Annual Results:

- Revenue increased by 26.7% to RMB29,087 million
- Profit attributable to shareholders increased by 137.1% to RMB 2,968 million
- Natural gas sales up 25.9% to 10,120 million cubic metres
- The Board of Directors recommended a final dividend of HK\$0.83 per share, up 72.9% from last year

The Board of Directors (the “Board”) of ENN Energy Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2014 together with the comparative audited figures for the corresponding period in 2013. 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 2014

	<i>Notes</i>	2014 <i>RMB million</i>	2013 <i>RMB million</i>
Revenue	2	29,087	22,966
Cost of sales		<u>(23,018)</u>	<u>(17,502)</u>
Gross profit		6,069	5,464
Other income		271	238
Other gains and losses	3	625	(685)
Distribution and selling expenses		(422)	(380)
Administrative expenses		(1,995)	(1,753)
Share of results of associates		87	84
Share of results of joint ventures		542	359
Finance costs		<u>(430)</u>	<u>(567)</u>
Profit before tax		4,747	2,760
Income tax expense	4	<u>(1,127)</u>	<u>(960)</u>
Profit for the year		3,620	1,800
Other comprehensive income			
Exchange difference on translating foreign operations		<u>(2)</u>	<u>-</u>
Total comprehensive income for the year		<u>3,618</u>	<u>1,800</u>
Profit for the year attributable to:			
Owners of the Company		2,968	1,252
Non-controlling interests		<u>652</u>	<u>548</u>
		<u>3,620</u>	<u>1,800</u>
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		2,966	1,252
Non-controlling interests		<u>652</u>	<u>548</u>
		<u>3,618</u>	<u>1,800</u>
		<i>RMB</i>	<i>RMB</i>
Earnings per share	6		
Basic		<u>2.74</u>	<u>1.16</u>
Diluted		<u>2.06</u>	<u>1.16</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	<i>Notes</i>	2014 <i>RMB million</i>	2013 <i>RMB million</i>
Non-current assets			
Property, plant and equipment		19,441	17,531
Prepaid lease payments		1,138	948
Investment properties		83	76
Goodwill		728	206
Intangible assets		1,265	1,294
Interests in associates		882	804
Interests in joint ventures		3,436	2,998
Available-for-sale financial assets		114	114
Other receivables		18	35
Amounts due from associates		82	55
Amounts due from joint ventures		155	183
Deferred tax assets		422	318
Deposits paid for investments		18	106
Deposits paid for acquisition of property, plant and equipment, land use rights and operation rights		208	130
Restricted bank deposits		43	10
		<u>28,033</u>	<u>24,808</u>
Current assets			
Inventories		510	419
Trade and other receivables	7	2,883	2,829
Prepaid lease payments		26	23
Amounts due from customers for contract work		207	193
Amounts due from associates		57	87
Amounts due from joint ventures		552	439
Amounts due from related companies		127	25
Restricted bank deposits		71	260
Cash and cash equivalents		10,503	6,822
		<u>14,936</u>	<u>11,097</u>
Assets classified as held for sale		66	-
		<u>15,002</u>	<u>11,097</u>
Current liabilities			
Trade and other payables	8	7,262	6,166
Amounts due to customers for contract work		2,368	2,033
Amounts due to associates		89	88
Amounts due to joint ventures		1,413	1,187
Amounts due to related companies		239	18
Taxation payables		442	319
Bank and other loans – due within one year		1,530	921
Financial guarantee liability		48	59
Obligations under finance leases		10	-
Deferred income		105	78
		<u>13,506</u>	<u>10,869</u>
Liability associated with assets classified as held for sale		34	-
		<u>13,540</u>	<u>10,869</u>
Net current assets		<u>1,462</u>	<u>228</u>
Total assets less current liabilities		<u>29,495</u>	<u>25,036</u>

Capital and reserves		
Share capital	113	113
Reserves	11,985	9,430
Equity attributable to owners of the Company	12,098	9,543
Non-controlling interests	2,443	2,349
Total equity	14,541	11,892
Non-current liabilities		
Bank and other loans – due after one year	1,476	1,902
Corporate bond	498	497
Senior notes	4,522	4,498
Medium-term notes	700	700
Convertible bonds at fair value through profit and loss	3,356	3,925
Unsecured bonds	2,418	-
Deferred tax liabilities	379	399
Deferred income	1,572	1,223
Obligations under finance leases	33	-
	14,954	13,144
	29,495	25,036

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 (the “HKICPA”):

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC)-Int 21	Levies

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.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ⁵
Amendments to HKAS 1	Disclosure Initiative ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁵
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ⁵
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ⁴
Amendments to HKAS 27	Equity Method in Separate Financial Statements ⁵

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ⁵
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ⁶
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

³ Effective for annual periods beginning on or after 1 January 2017

⁴ Effective for annual periods beginning on or after 1 July 2014

⁵ Effective for annual periods beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

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, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income”(FVTOCI) measurement category for certain simple debt instruments.

The Directors anticipate that the adoption of HKFRS 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. Presently, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 Revenue from Contracts with Customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Directors are in the process of reviewing the effect of the application of HKFRS 15 on the amounts reported and disclosures made in the Group’s consolidated financial statements.

2. SEGMENT INFORMATION

Information reported to the chief operating decision maker, the Company's President 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 the President represents the gross profit earned by each segment. The accounting policies of the reportable segments are the same as the Group's accounting policies.

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 the President for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

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

2014

	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
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Segment revenue	5,202	23,779	3,905	5,900	308	373	1,354	40,821
Inter-segment sales	(799)	(6,294)	(56)	(3,002)	(254)	(263)	(1,066)	(11,734)
Revenue from external customers	4,403	17,485	3,849	2,898	54	110	288	29,087
Segment profit before depreciation and amortisation	2,917	3,074	586	47	24	46	28	6,722
Depreciation and amortisation	(137)	(424)	(65)	(2)	(23)	(2)	-	(653)
Segment profit	2,780	2,650	521	45	1	44	28	6,069

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
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
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

3. OTHER GAINS AND LOSSES

	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Impairment (loss) reversed on trade and other receivables, net	(4)	5
Gain (loss) on disposal of:		
- Property, plant and equipment	4	(7)
- Prepaid lease payment	5	3
- Interests in an associate (note a)	13	(1)
- Interests in a joint venture	1	-
Gain on derecognition/disposal of subsidiaries	53	1
Increase in fair value of investment properties	6	10
Gain on re-measurement of assets upon step acquisition of a business (note b)	-	24
Fair value gain (loss) of convertible bonds (note c)	569	(784)
(Loss) gain on foreign exchange, net (note d)	(22)	64
	<u>625</u>	<u>(685)</u>

Note:

- a. In April 2014, the Group disposed 30% of equity interests in an associate to an independent third party for a cash consideration of RMB40 million. The difference between the proceeds and the carrying amount of the Group's investments disposed of RMB13 million gain has been recognised during the year ended 31 December 2014.

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 has been recognised during the year ended 31 December 2013.

- b. 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 ("Heyuan Piped Gas"), during the year ended 31 December 2013.
- c. 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").

The Bonds, traded on the Singapore Exchange Securities Trading Limited, were designated as financial instrument at fair value through profit and loss and the over-the-counter market price represents the fair value of the Bonds.

As at 31 December 2014, the over-the-counter market price of the Bonds was US\$548 million (2013: US\$644 million) (approximately RMB3,356 million (2013: RMB3,925 million)). There was fair value gain of approximately RMB569 million (2013: fair value loss of approximately RMB784 million) during the year ended 31 December 2014.

- d. Included in the balance for the year ended 31 December 2014 is an amount of approximately RMB16 million which is the exchange loss arising from the translation of senior notes denominated in USD to RMB (2013: RMB139 million exchange gain).

4. INCOME TAX EXPENSE

	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
PRC Enterprise Income Tax:		
Current tax	1,148	992
Under provision in prior years	33	20
Withholding tax	79	16
	<u>1,260</u>	<u>1,028</u>
Deferred tax:		
Current year	(133)	(68)
	<u>1,127</u>	<u>960</u>

The charge represents People's Republic of China ("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%.

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:

	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Profit before tax	<u>4,747</u>	<u>2,760</u>
Tax at the PRC Enterprise Income Tax rate of 25% (2013: 25%)	1,187	690
Tax effects of share of results of associates	(22)	(21)
Tax effects of share of results of joint ventures	(135)	(90)
Tax effects of income not taxable for tax purpose	(201)	(11)
Tax effects of expenses not deductible for tax purpose	237	354
Tax effects of tax losses not recognised	40	45
Utilisation of tax losses previously not recognised	(78)	(19)
Tax effects of deductible temporary differences not recognised	16	17
Tax concession and exemption granted to PRC subsidiaries	(13)	(69)
Under provision in respect of prior years	33	20
Withholding tax on undistributed profit of PRC entities	63	44
Income tax charge for the year	<u>1,127</u>	<u>960</u>

5. DIVIDENDS

	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Final dividend paid in respect of previous financial year	<u>414</u>	<u>362</u>

Notes:

- a. 2013 final dividend of HK\$0.48 (equivalent to approximately RMB0.38) per share or approximately RMB414 million in aggregate was paid during the year ended 31 December 2014.
- b. The proposed final dividend in respect of 2014 of HK\$0.83 (equivalent to approximately RMB0.66) per share on 1,083,059,397 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:

(a) Basic earnings per share

Basic earnings per share for the years ended 31 December 2014 and 2013 are calculated by dividing the profit attributable to the owner of the Company by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Profit attributable to the owners of the Company (RMB million)	2,968	1,252
Weighted average number of ordinary shares	<u>1,082,957,918</u>	<u>1,082,859,397</u>
Basic earnings per share (RMB per share)	<u>2.74</u>	<u>1.16</u>

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2014 are calculated through dividing the profit attributable to the owners of the Company after eliminating the fair value gain of the convertible bonds by the weighted average number of ordinary shares outstanding which assume all dilutive potential ordinary shares were converted.

Diluted earnings per share for the year ended 31 December 2013 were calculated without assuming the conversion of all the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

	2014	2013
Earnings		
Earnings for the purpose of basic earnings per share (RMB million)	2,968	1,252
Effect of dilutive potential ordinary shares:		
Fair value gain of convertible bonds (RMB million)	<u>(569)</u>	<u>-</u>
Earnings for the purpose of diluted earnings per share (RMB million)	<u>2,399</u>	<u>1,252</u>

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,082,957,918	1,082,859,397
Effect of dilutive potential ordinary shares:		
- share options issued by the Company	347,023	372,728
- convertible bonds	79,778,897	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,163,083,838</u>	<u>1,083,232,125</u>
Diluted earnings per share (RMB per share)	<u>2.06</u>	<u>1.16</u>

7. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables are trade receivables amounting to RMB893 million (31 December 2013: RMB735 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:

	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Within three months	792	663
4-6 months	52	40
7-9 months	32	19
10-12 months	17	13
	<u>893</u>	<u>735</u>

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB2,034 million (31 December 2013: RMB1,973 million). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2014	2013
	<i>RMB million</i>	<i>RMB million</i>
Within three months	1,723	1,692
4-6 months	107	104
7-9 months	35	38
10-12 months	42	26
More than 1 year	127	113
	<u>2,034</u>	<u>1,973</u>

BUSINESS REVIEW

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

	For the year ended		
	31 December		Increased by
	2014	2013	
Revenue (RMB million)	29,087	22,966	26.7%
Gross profit (RMB million)	6,069	5,464	11.1%
Profit attributable to owners of the Company (RMB million)	2,968	1,252	137.1%
Earnings per share – Basic (RMB)	2.74	1.16	136.2%
Connectable urban population (thousand)	65,375	61,015	7.1%
Connectable residential households (thousand)	21,792	20,338	7.1%
New natural gas connections made during the period:			
– residential households	1,322,723	1,220,411	8.4%
– commercial/industrial (“C/I”) customers (sites)	8,660	7,700	960
– installed designed daily capacity for C/I customers (m ³)	8,317,243	8,045,922	3.4%
Accumulated number of connected piped gas (including natural gas) customers:			
– residential households	10,604,598	9,274,794	14.3%
– C/I customers (sites)	47,689	38,939	8,750
– installed designed daily capacity for C/I customers (m ³)	50,243,155	41,864,127	20.0%
Piped gas (including natural gas) penetration rate	48.7%	45.6%	3.1%
Unit of natural gas sold to residential households (thousand m ³)	1,221,068	1,025,687	19.0%
Unit of natural gas sold to C/I customers (thousand m ³)	6,675,266	5,468,826	22.1%
Unit of natural gas sold to vehicles (thousand m ³)	1,419,078	1,172,493	21.0%
Unit of wholesale gas sold (thousand m ³)	804,160	370,019	117.3%
Number of vehicle gas refuelling stations	527	448	79
Number of natural gas processing stations	149	137	12
Total length of existing intermediate and main pipelines (km)	27,065	23,907	13.2%

Review of the Year

The global energy market experienced some significant changes in 2014, where China’s economic slowdown lowered the energy consumption in conventional sectors and the adjustment of natural gas price has affected the development of the gas industry. However, as the Chinese government stepped up its effort in economic structural reform, promoted the development of strategic emerging industries and strengthened the upgrade of traditional industries, natural gas distributed energy and energy saving businesses enjoyed a positive outlook. Moreover, the construction and operation of part of the trunk line of West-East Pipeline III, the planning of the China-Russia pipeline and other long distance natural gas pipelines and the encouragement of the exploitation of shale gas and coalbed methane created more opportunities for the industry.

Thanks to the concerted effort of its employees, the Group continued to maintain a substantial growth during the year in face of both opportunities and challenges. The turnover and profit attributable to shareholders for the year reached RMB 29,087 million and RMB 2,968 million respectively, representing increases of 26.7% and 137.1% over last year. Earnings per share increased by 136.2% to RMB 2.74. During the year, the Group’s investment grade credit ratings were reaffirmed by three leading rating agencies, including Moody’s: Baa3 (stable), S&P: BBB (stable) and Fitch: BBB (stable). In light of the Company’s more solid profit base, the Board recommended a final dividend of HK\$0.83 (equivalent to RMB0.66) per share, payable to

shareholders registered in the register of shareholders on 5 June 2015 to express its appreciation for their support. The total amount of dividend was around RMB720 million, representing an increase of 73.9% compared with last year.

Natural Gas Price Adjustment

On 28 February 2015, the National Development and Reform Commission (“NDRC”) announced to adjust the natural gas city-gate prices for non-residential use. Effective from 1 April, the price of incremental volume will be reduced by RMB0.44 per cubic metre and the price of existing volume will be increased by RMB0.04 per cubic metre, so as to accomplish the third step of the pricing reform. By doing so, the prices of existing volume and incremental volume will converge. The average purchasing cost for the Group’s gas projects is expected to be lowered. Since the second half of 2014, led by the sharp decline in global oil prices, the prices of substitute energy, such as fuel oil and liquefied petroleum gas (“LPG”), have dropped accordingly, hindering the promotion of natural gas usage to some extent. In particular, after the city-gate price hikes of natural gas on 10 July 2013 and 1 September 2014, the economic advantage of natural gas was lessened amid oil price weakness. Therefore, the latest city-gate price adjustment will restore the price advantage of natural gas over substitute energy. It also reflected the Chinese government’s determination to establish a pricing mechanism driven by market supply and demand and linked with the prices of substitute energy, and revealed the government’s commitment to supporting healthy development of the natural gas industry.

Since the city-gate price hike on 1 September last year, the Group has finished cost pass through to most of the non-residential users. Starting from 1 April 2015, it will pass through the lower natural gas cost to downstream users and maintain stable dollar margin. Lower gas price will stimulate downstream demand and facilitate the Group’s gas sales volume growth. Meanwhile, although the NDRC did not adjust the residential city-gate prices, it reiterated to establish tier-pricing mechanism for residential gas tariff in all cities and gradually normalise residential gas prices in order to promote rational use of gas and energy saving. According to the Guiding Opinions on the Establishment of Natural Gas Tier-pricing Mechanism for Residential Users published in March 2014 by the NDRC, tier-pricing mechanism shall be established in all cities with piped gas supply by the end of 2015. Natural gas for residential use will be categorized into three tiers and an excess progressive rate will be applied to each tier, which will be favourable to the Company’s residential gas sales. Currently, the Company has 24 city-gas projects with tier-pricing mechanism for residential users. It will actively respond to the government’s plan and establish tier-pricing mechanism in all project cities with piped gas supply as early as possible.

Sales of Piped Gas

During the year, the Group’s total gas sales volume was 10,148 million cubic metres, up 24.9% when compared with last year, in which 10,120 million cubic metres were natural gas, representing an increase of 25.9% as compared with last year. Revenue attributable to piped gas sales was RMB17,485 million, up 24.0% as compared with last year, and accounted for 60.1%. The volume of piped gas sold to residential households and C/I customers amounted to 1,226 million cubic metres and 6,677 million cubic metres respectively, representing increases of 19.0% and 20.6% as compared with last year.

During the year, a number of project companies namely Gaoyou, Quzhou, Guilin, Xinji, Shenze and Wuji started to receive piped gas, bringing the total number of projects receiving piped gas to 77. More projects are expected to receive piped gas in 2015, including projects in Longyou, Lanxi, Jinhua, Wenzhou, Wenzhou Longwan, Jingxing, Lingshou and Xingtang Economic Development Zone. As the natural gas pipeline network continues to expand, the Group will reduce the utilisation of non-pipeline gas in city-gas projects to enhance our peak shaving capability in winter, lower the upstream procurement costs and improve overall gas utilisation.

New Customers Development

During the year, the Group’s connection fee revenue was RMB4,403 million, up 14.6% over last year, and

accounted for 15.1% of the Group's total revenue, down 1.6 percentage points when compared with last year. The Group completed piped gas connection for 1,322,723 residential households. The average one-off connection fee collected by the Group from its residential households was RMB2,853. As of the end of 2014, the aggregate number of connected piped gas residential households reached 10,604,598, representing an increase of 14.3% over last year, including 10,524,408 connected natural gas residential households.

The connectable population coverage of the Group's city-gas projects in China reached 65,375,000. The average gas penetration rate increased to 48.7% from 45.6% in 2013. While property market movements generally have a delayed impact on new building's connection, the impact of a slowdown in new housing starts could be alleviated as the Company actively explored business opportunities in old buildings which are not connected to our pipelines yet, and they accounted for over half of the total connectable household in the Company's projects. According to the Statistical Communiqué, China's urbanisation rate grew by 1.1 percentage points to 54.8% in 2014 from 53.7% in 2013, and the urban population reached 750 million people. The Chinese Academy of Social Sciences expected China's urbanisation rate to reach 68% by 2030. Therefore, urbanisation will advance steadily in the next 15 years, giving the Group much room to capture more residential users and maintain stable number of connection and connection fee revenue.

During the year, the Group connected 8,750 C/I customers (with total installed designed daily capacity of 8,379,027 cubic metres) and the average connection fee was RMB178 per cubic metre. As of the end of 2014, the aggregate number of connected piped gas C/I customers of the Group reached 47,689 (with total designed installed daily capacity of 50,243,155 cubic metres), including 47,503 piped natural gas customers (with total installed designed daily capacity of 50,188,368 cubic metres).

As the optimisation of energy structure continues in China, a report recently released by the CNPC Economics and Technology Research Institute revealed that the share of natural gas in primary energy consumption increased to 6.3% in 2014 from 5.9% in 2013. The NDRC noted that the percentage will further increase to over 10% by 2020. Meanwhile, the Chinese government has implemented stringent energy saving and emission reduction policies, including the Notice on Issues Regarding Adjustment in Pollutant Discharge Levying Standard issued by NDRC, the Ministry of Finance (MOF) and the Ministry of Environmental Protection (MEP) in September 2014. Pursuant to the Notice, the charges for corporate pollutant disposal will be doubled if the concentration level exceeds the stipulated national or provincial level or maximum total emission level in order to encourage companies to use clean energy. Local governments in Hebei, Fujian and Jiangsu Provinces also adjusted the pollutant discharge levies, demonstrating their determination to address the pollution problem. Though the recent fall in oil prices has undermined the price advantage of natural gas over substituting energy in the short term, natural gas remains its competitive advantage in terms of environmental benefits, convenience and safety. Particularly, its economic advantage will be clearer when a regular linkage mechanism between natural gas prices and prices of fuel oil and liquefied petroleum gas (LPG) is established. Therefore, the Group expects that the natural gas utilisation will continue to grow steadily.

Construction and Operation of Vehicle Gas Refuelling Stations

In 2014, revenue attributable to the Group's vehicle gas sales was RMB3,849 million, up 24.8% compared with last year. The gas sales volume of vehicle gas refuelling stations in the PRC increased by 21.5% to 1,441 million cubic metres, accounting for 14.2% of the overall gas sales volume of the Group, of which 1,419 million cubic metres were natural gas. The gas sales volume of CNG refuelling stations rose by 8.7% to 1,029 million cubic metres. The gas sales volume of LNG refuelling stations increased by 72.6% to 390 million cubic metres. During the year, 18 CNG refuelling stations and 61 LNG refuelling stations were constructed and put into operation, bringing the total number of CNG and LNG refuelling stations in the PRC to 286 and 241 respectively.

As tailpipe emission from vehicles is the principle source of air pollution, vehicles using clean energy has become a ubiquitous trend amid the further efforts of the Chinese government to optimise energy structure and control pollution. Starting from this year, drivers in many cities are required to upgrade to National IV diesel oil and National V gasoline to reduce the emission of sulfur dioxide and nitrogen dioxide, which will

enhance the price advantage of vehicle natural gas. The Group will deepen its penetration into taxis and buses in cities where its existing refuelling stations are located. It will also strive to serve social service vehicles and other public transport, and cooperate with leading local logistics companies to increase the number of gas-powered vehicles, enhance the utilisation of existing refuelling stations, modify the refuelling network by constructing new stations at strategic locations only. Besides, the Company introduced the “smart card” membership programme to offer a range of value-added services, including sales of accessories, express repair and maintenance and insurance, so as to deliver better service experience and expand customer base and loyalty.

Development of LNG Bunkering Business

The Group’s LNG bunkering business made some major breakthroughs during the year. It completed engine conversion for two LNG bunkering barges in Jiangsu and Shandong Provinces and refuelling for 11 dredgers in the first half of the year. In the second half of the year, Yangzhou ENN completed bunkering for a LNG-fuelled ocean-going vessel of a Norway ship-liner, DSD Shipping in Zhangjiagang, making it the first truck-to-ship bunkering for LNG-fuelled ocean-going vessel in China, and the one-time bunkering volume was 200 tons (about 280,000 cubic metres). In addition, the Group and the China Waterborne Transport Research Institute of Ministry of Transport jointly hosted a seminar on “The Implementation of LNG Application Pilot Projects in Water Transportation Industry” and an evaluation session on the technology of new LNG-fuelled pilot river vessels. 5 projects of the Group were included in the water transportation industry’s first 16 pilot projects for LNG application, establishing the Group as the dominant participant in the programme and demonstrating its leadership in LNG bunkering. Meanwhile, the main structures of the LNG bunkering terminal and new LNG bunkering vessel in Xinyi, Jiangsu Province and the bunkering barge in Xijiang were completed in 2014 and will be put into operation in the first half of 2015. As of today, the Group’s major bunkering points include the bunkering barges in Xinyi, Jiangsu Province and Dongping, Jiangsu Province.

Under the Administrative Measures of Standardised Subsidies for River Vessels issued by MOF in 2014, each newly-built LNG-fuelled vessel will be eligible for a subsidy ranging from RMB630,000 to RMB1,400,000 (depending on the vessel’s engine power) to fund most of the additional investment required in replacing a traditional diesel-fuelled vessel with a LNG-fuelled vessel from 1 October 2013 to 31 December 2015. Driven by the energy saving and emission reduction policies and subsidies, the adoption of new LNG-fuelled vessels will foster and the Group will continue to collaborate with shipping companies, port authorities and provincial and municipal transportation departments to build more LNG-fuelled vessels and prepare for the rapid growth of its LNG bunkering business.

New Projects Acquisition

In line with its strategy of building a city-gas network around major project cities, the Group stepped up its expansion effort in major cities and peripheral industrial parks, development zones, towns and counties. In the increasingly competitive market with fewer acquisition and merger opportunities, the Group managed to acquire 8 new projects during the year leveraging its outstanding management system, solid track record and secured gas supply. It also secured 36 new concessions nearby existing projects to further expand its geographic coverage and will be managed by existing project companies. As of 31 December 2014, the Group had 142 projects in China, with a connectable population coverage of 65,375,000 people.

<u>Projects</u>	<u>The Group’s shareholding</u>	<u>Major industry</u>
Yangxi County, Guangdong Province	100%	Green food processing, construction materials and glass manufacturing industries
Dingan County, Hainan Province	60%	Tourism, real estate, food and beverage, and pharmaceutical industries

Changjiang County, Hainan Province	60%	Tourism, real estate, rubber, deep processing of steel, iron and ores, and construction materials industries
Ledong County, Hainan Province	60%	Tourism, real estate industry
Wangdu Economic Development Zone, Hebei Province	100%	Green food processing, machinery and footwear industries
Guannan Development Zone, Jiangsu Province	100%	Chemicals, metal processing and shipbuilding industries
Yingshang Industrial Park, Anhui Province	49%	Textile, food processing, machinery and electronics and new materials industries
Ningbo Daxie Development Zone, Zhejiang Province	60%	Chemicals and manufacturing industries

36 new concessions nearby existing projects include:

<u>Projects</u>	<u>Operational areas</u>
Jiangsu Province	Jiqiao Town, Xiqiao Town, Linji Town, Nanzha Town, Fanji Town, Sanbao Town, Jianhuai Town and Madian Town in Huaian District, Huaian; Zhongbao Town and Diaoyu Town in Xinghua; Xinghua Changrong Industrial Park, Funing Goudun Town Industrial Park, Jianhu County Hengji Town Industrial Park, Lugou Town Industrial Park and Yandan Town Industrial Park
Henan Province	Xinxiang Fengquan Industrial Zone, Xinxiang Dakuai Town Industrial Zone, Song County Industrial Zone, Luoyang Wanan Mountain Zone, Luoyang Koudian Town Lijia Village Industrial Park, Luoyang Koudian Town Zheshang Innovative Industrial Park, Shangqiu Liangyuan Shuangba Industrial Park and Shangqiu Liangyuan Aluminium Industrial Park
Guangdong Province	Zhaoqing Southern China Renewable Resources Industrial Park and Guangzhou International Innovative City Nanan Development Zone
Zhejiang Province	Quzhou Qujiang District Shangfang Town Industrial Park and Gaojia Town Industrial Park
Hainan Province	Lingao Jinpai Harbour Provincial Development Zone, Longbo Bay Development Zone, Maniao Bay Development Zone and Haikou Longwan Zone
Guangxi Province	Lingchuan 3 rd Street Industrial Park
Shandong Province	Dongjiakou Langya Holiday Resort
Anhui Province	Chuzhou Southern Suburb Shahe Town Industrial Park, Chuzhou Southern Suburb Shahuang Industrial Park and Laian Shuikou Town Industrial Zone

The high concentration of C/I users of the above projects and their close proximity to the Group's existing

projects will help increase the Group's gas sales volume and further lower the operating costs through economies of scale.

Development of Distributed Energy Projects

Natural gas distributed energy refers to the use of natural gas as fuel to achieve cascade use of energy by combining cooling, heating and power (CCHP), and realise an overall energy utilization of 70% or higher. When compared with conventional centralised energy supply, natural gas distributed energy is more efficient, cleaner and safer with better peak shaving ability and more economic benefits. Therefore, the Chinese government introduced a series of policies to encourage the development of natural gas distributed energy. Under the "Work Plan for Strengthening the Prevention of Atmospheric Pollution in the Energy Industry" issued by the NDRC, National Energy Administration (NEA) and MEP on 24 March 2014 indicated that by the end of 2015, natural gas distributed energy projects will be built in selected cities, including Beijing, Tianjin, Shandong, Hebei, Shanghai, Jiangsu, Zhejiang and Guangdong. By the end of 2017, the Chinese government will promote the use of natural gas distributed energy system across the country. The "Implementation Guidelines on Natural Gas Distributed Energy Pilot Projects" issued by the NDRC, the Ministry of Housing and Urban-Rural Development (MOHURD) and NEA on 23 October 2014 provides detailed requirements on the reporting, selection, implementation, verification and acceptance, evaluation and incentive measures of natural gas distributed energy pilot projects so as to improve the approval, reporting and administration of such projects, and promote the rapid, healthy and orderly development of natural gas distributed energy. The Guidelines also highlights local governments' autonomy in the implementation of natural gas distributed energy pilot projects, and their active roles in promoting the development of the same.

The Group actively developed its distributed energy business by conducting comprehensive market research in key regions and initiating municipal, industrial and commercial distributed energy projects. It also customised energy systems catering for the users' specific needs to accelerate the growth of gas sales. The Changsha Huanghua Airport project and the Yancheng Tinghu Hospital project were put into operation, while seven projects, including the Zhuzhou Shennong City, Zhuzhou Vocational City, Guangdong Zhaoqing New Zone, Qingdao Sino-German Ecopark, Shijiazhuang Zhenxi Shopping Plaza, Luoyang Minsheng Pharmaceutical and Zhejiang Yuhang Marine International, are currently under construction.

Disposal of LNG Processing Plants

During the year, the Group completed the disposal of all of its interests in the LNG processing plant in Qinshui, 55% of its interests in the LNG processing plant in Beihai as well as 30% of its interests in the LNG processing plant in Ningxia. In addition, the Group announced to sell its remaining 45% interests in the LNG processing plant in Beihai which is expected to be completed by 2015. The LNG processing plants primarily served to secure gas supply for downstream gas projects due to insufficient natural gas infrastructure. As more long-distance pipelines have been built, more LNG import terminals have been put into operation, the number of local LNG processing plants and their production have grown, and onshore natural gas exploration has accelerated, gas supply for the Group's projects has become more adequate, diminishing the need for operating its own LNG processing plants. In addition, as natural gas distribution business in downstream cities remains the Group's core competitive segment, it cannot achieve maximum effectiveness by operating and managing individual LNG processing plants. Therefore, the management believes the disposal of these LNG processing plants would help the Group focus on expanding its core downstream business and better allocate its resources.

Participation in Sinopec Marketing's Capital Injection

On 14 September 2014, the Group announced that it subscribed for 1.12% equity interest in Sinopec Marketing Co., Ltd. ("Sinopec Marketing") for an aggregate amount of RMB4 billion. As the only gas distributor participating in the restructuring of Sinopec, the Group's investment in Sinopec Marketing will strengthen its cooperation with Sinopec Marketing and consolidate the business advantages of both parties, fostering further cooperation in clean energy and creating more benefits and opportunities.

Acquisition of Vehicle Gas Refuelling Operations in North America

The Group announced on 28 October 2014 that it acquired ENN North America Investment Corporation (“ENN US”) and ENN Canada Corporation (“ENN Canada”) for US\$180 million and US\$20 million respectively. The acquired assets primarily include the vehicle gas refuelling station networks in the U.S. and Canada, as well as associated facilities such as land, infrastructure, gas refuelling facilities and transportation equipments. The acquisitions were completed in December 2014. ENN US and ENN Canada are primarily engaged in the operation of vehicle gas refuelling stations in the U.S. and Canada and own 29 vehicle gas refuelling stations and 4 vehicle gas refuelling stations respectively. Their key customers include LNG vehicle owners, the majority of which are from the logistics and transportation industries. The natural gas sold by ENN US and ENN Canada is sourced from local suppliers with a stable natural gas supply. In addition, ENN US and ENN Canada have established natural gas refuelling station network covering main transportation routes. They also maintain strong business relationships with customers and suppliers. ENN US was incorporated on 8 February 2012. ENN Canada was incorporated on 3 August 2012 and commenced operation in January 2014. The two companies recorded losses as they are at the initial stage of development and have not fully utilised their scale of operation. ENN US and ENN Canada are one of the first-movers in the LNG refuelling station business in North America. As their businesses and LNG sales continue to grow, their profitability will be improved in the future.

North America has ample reserves of natural gas which can last for at least 100 years based on current rate of consumption. With the self-sustaining supply, North America enjoys more stable and cheaper natural gas supply than China does. North America has a mature heavy-duty trucking market with over 3.3 million Class 8 or above heavy-duty trucks, which accounted for 78% of the total diesel consumption by the trucking fleets, thus is the primary target of diesel-to-LNG conversion. However, due to the higher cost of LNG-powered trucks in North America and insufficient LNG refuelling infrastructure, drivers were less motivated to replace their vehicles. As such, the Company recently obtained the approval from the authority in the U.S. to introduce LNG tanks produced in China, significantly reducing the cost of LNG trucks and shortening the payback period. It is expected that more vehicles will be converted. In addition, the American and Canadian governments introduced various tax incentives and policies to encourage the use of natural gas-powered vehicles so as to lower the reliance on imported oil, relieve city air pollution and reduce greenhouse gas emission. The federal government passed a bill on 19 December 2014 to offer a fuel tax rebate to natural gas refuelling stations operators for the year. The Group will receive a tax refund of US\$0.5 for each gallon of LNG sold during the year of 2014 (or US\$0.85 for each diesel gallon equivalent sold). While annual review and approval are required, the policy had been extended in the past few years and it is believed that the government and senators will continuously support the bill to promote the industry’s development. With a wealth of experience in operating vehicle gas refuelling stations and excellent execution ability, the Group will be able to expand its geographical coverage and diversify operational risks through the acquisitions, driving the long-term growth of the Group through a new source of income.

Investment in Shanghai Oil & Gas Exchange Centre

The Shanghai Oil & Gas Exchange Centre (the “Centre”) is a joint venture held by Xinhua Zhongrong Investment Co., Ltd., which is operated under Xinhua News Agency, three leading oil companies and several other city-gas companies. The Centre will develop a natural gas trading, settlement and clearing platform and an online service system to realise market-based operation through spot trading of natural gas. The Centre targets to get in line with international natural gas trading practices especially in trading methods and products variety so as to gradually establish an influential Asian natural gas trading hub comparable to the Henry Hub in the U.S. and the National Balancing Point (“NBP”) in the U.K. The Group will invest RMB70 million to acquire a 7% stake in this national graded trading platform in 2015, which will enable the Group to keep abreast of market information, strengthen its status in the industry and promote the development of its trading business.

Wholesale of Gas

During the year, the wholesale gas volume reached 804 million cubic metres, representing a significant

increase of 117.3% as compared to last year and accounting for 7.9% of the total gas sales volume. Wholesale of gas business is an asset-light business with lower operational risk as it leverages the Group's advanced dispatch system, transportation fleet and strong ability of acquiring upstream resources to distribute natural gas to users. The Group also fully assesses a customer's credibility when entering into a contract to ensure timely payment. By joining various natural gas trading platforms in China, the Group continues to broaden its customer base, boost natural gas sales and increase profits through economies of scale. In addition, existing transportation fleet was also upgraded to enhance its capacity and safety. As of the end of December 2014, 736 CNG/LNG transportation trucks were available for use, offering a maximum onetime transportation capacity of 20 million cubic metres.

Gross and Net Profit Margins

During the year, the Group's overall gross and net profit margins were 20.9% and 12.4% respectively, representing a decrease of 2.9 percentage points and an increase of 4.6 percentage points respectively over last year. The decrease in gross profit margin was mainly due to increased contribution from gas sales along with a decreased share of revenue from one-off connection fee, and the natural gas price hike in 2014. The increase in net profit margin was mainly due to the non-cash gain of RMB569 million as a result of the fair value change of the convertible bonds.

Human Resources

As at 31 December 2014, the Group employed a total of 27,931 employees, of which 14 were based in Hong Kong. The workforce was expanded to support the Group's new projects and business development. The employees were remunerated at the market level with benefits such as bonus, retirement benefit, professional training and share option scheme.

International Awards

In 2014, with stable performance growth and enhanced management, the Group received several honours from the Institutional Investor, including the 2014 All-Asia Executive Team ranking, "Asia's Best CEOs" (first place in power sector), "Asia's Best CFOs" (second place in power sector), "Asia's Best IR Professionals" (second place in power sector) and "Asia's Best Investor Relations Companies" (second place in power sector). The Group was also named the sixth place in "Best Investor Relations" by FinanceAsia and "Top 100 for Investor Relations in Greater China" by IR Magazine in recognition of the Group's effort in strengthening investors' relationship and transparency. In addition, the Group was honored "Mainland Enterprise Listed in HK Ranking - Best Company in Clean and Renewable Energy Industry" by Yazhou Zhoukan and "Triple A Greater China Awards 2014 for Corporates in Environment" by The Asset magazine, and was listed in the Platts Top 250 Global Energy Company Rankings. These accolades demonstrated the recognition of the Group's commitment to environmental protection by the industry and the recognition of its performance and management by investors, shareholders and analysts. It will continue to redouble its efforts to ensure that investors and shareholders will be able to share its fruitful results.

FINANCIAL RESOURCES REVIEW

Liquidity and Financial Resources

As at 31 December 2014, the Group's total debts amounted to RMB14,500 million (31 December 2013: RMB12,443 million) and the bank balances and cash for the purpose of computing net gearing ratio amounted to RMB10,503 million (31 December 2013: RMB 6,822 million). The Group's net gearing ratio, i.e. ratio of net debt to equity (including non-controlling interests), was 27.5% (2013: 47.3%). The Group paid RMB4 billion on 12 February 2015 for acquiring approximately 1.12% of Sinopec Marketing. Assuming the payment was made in 2014, the Group's net gearing ratio would be 55.0%.

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.

Borrowings Structure

As at 31 December 2014, the Group's total debts amounted to RMB14,500 million (31 December 2013: RMB 12,443 million), including fixed rate bonds of US\$750 million (equivalent to RMB4,522 million) and US\$400 million (equivalent to RMB2,418 million), as well as zero coupon convertible bonds of US\$500 million (equivalent to RMB3,356 million). Except for bank loans of US\$162 million (equivalent to RMB989 million), the remaining bank and other loans are denominated in Renminbi and bear interest at the interest rates announced by People's Bank of China. Except for the loan amount equivalent to RMB693 million that are secured by assets with a carrying value equivalent to RMB12 million, all of the other loans are unsecured. Short-term loans amounted to RMB1,530 million while the remaining were long-term loans falling due after one year or above.

Five-year 3.25% Fixed Rate Bonds

On 23 October 2014, the Group issued five-year bonds in the aggregate principal amount of US\$400 million (equivalent to RMB2,460 million) with issue price of 99.502% and redemption price of 100%. The coupon of the bonds is 3.25%, and interests are paid semi-annually. The terms of the bonds require Mr. Wang Yusuo, Chairman of the Company, to retain not less than 20% of the issued share capital of the Company throughout the term of the bonds.

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 an issue price of 99.274% and a redemption price of 100%. The coupon of the bonds is 6%, 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% of the issued share capital of the Company throughout the term of the bonds.

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). 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 RMB569 million, it is calculated by reference to its trading price on the Singapore Stock Exchange on 31 December 2014, together with the impact from USD translation difference. As such, a RMB569 million non-cash gain 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 2014, no Bonds were converted into ordinary shares.

Financial Guarantee Liability

As at 31 December 2014, the Group had issued guarantees to banks to secure loan facilities granted to associates and joint ventures to the extent of approximately RMB466 million (31 December 2013: RMB466 million). The amounts have been utilised on the balance date.

Commitments

(a) Capital commitments

	2014 <i>RMB million</i>	2013 <i>RMB million</i>
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	339	55
Capital commitment in respect of investments in:		
- joint ventures	69	118
- associates	17	-
- share acquisition (note)	4,160	-

Note: Pursuant to the Capital Injection Agreement (the “Capital Injection”) concerning Sinopec Marketing entered into by and between Sinopec Marketing and all social investors as at 12 September 2014, ENN Energy China Investment Limited, a Company’s wholly owned subsidiary, conditionally agreed to subscribe for and Sinopec Marketing conditionally agreed to sell to ENN Energy China Investment 1.12% of the equity interest in Sinopec Marketing upon the completion of the Capital Injection for a total consideration of RMB4 billion included in above.

(b) Other commitments

As at 31 December 2014, the Group has commitment amounting to approximately RMB43 million (31 December 2013: RMB46 million) in respect of acquisition of land use rights in the PRC.

PROSPECTS

It is the Group’s mission to advocate the use of clean energy, improve living environment, enhance system efficiency and create values for customers. Aiming to meet the needs of customers, the Group offers customised and optimised energy solution for domestic and overseas customers by utilising its clean energy reserve and energy efficiency technology. Meanwhile, through informationisation, market and strategic performance mechanism and various advanced management tools, the Group consistently optimises its operational system and enhances its capabilities, striving to be a recognised international energy distributor.

In 2015, the global economy is expected to experience the broad consolidation after the global financial crisis and the global energy market will remain volatile. The influences of geopolitical and other non-economic factors will become more significant. As China’s economy enters a new normal state, the economic structural reform, the slow-down of economic growth and the reform of the gas industry will bring challenges and opportunities to the industry. Therefore, in addition to the development of core businesses, such as C/I and residential gas connection and vehicle/ship refuelling business, the Group will also strengthen the further cooperation with Sinopec in clean energy section by acquiring Sinopec Marketing’s equity interest. The investment in Shanghai Oil & Gas Exchange Centre also will allow the Group to obtain more market information and enhance its brand influence. The Group will proactively promote the growth of natural gas distributed energy business, the sale of its “GREAT” branded gas appliances and the related business, and seize the business opportunities presented by over 10 million existing residential households so as to boost its profit. The Group is confident that innovation of business model and enhancement of capabilities will drive its rapid development and create higher returns for shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries 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 new Audit Committee members of the Company. On 30 May 2014, Mr. Kong Chung Kau retired from the Board of Directors and also ceased to be the Audit Committee member. The newly appointed Independent Non-executive Director, Law Yee Kwan, Quinn was at the same time appointed as an Audit Committee member of the Company. Three Audit Committee meetings were held during the financial year, and the Audit Committee has reviewed the audited annual report for 2013 and the unaudited interim report for 2014. In addition, the Audit Committee has reviewed the annual results and the audited annual report for 2014 at the Audit Committee meeting held on 26 March 2015.

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 (the "Model Code") as contained in Appendix 10 to the Listing Rules. Specific enquiries have been made with all Directors who have confirmed that they have complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions during the year.

THE CORPORATE GOVERNANCE CODE

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the Corporate Governance Code (the "Code") as contained in Appendix 14 to the Listing Rules throughout the year except a deviation from Code Provision E.1.2. Mr. Wang Yusuo (Chairman of the Board) was unable to attend the annual general meeting of the Company held on 30 May 2014 due to business trips. Alternatively, Mr. Han Jishen, the Executive Director and President 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\$0.83 (2013: HK\$0.48) (equivalent to approximately RMB0.66 (2013: RMB0.38)) per share payable to shareholders of the Company whose names are on the register of members on Friday, 5 June 2015. 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, 14 August 2015. 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, 27 May 2015 to Friday, 29 May 2015, 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, 26 May 2015.

For the purpose of determining the qualification for the proposed final dividend, the register of members will be closed from Thursday, 4 June 2015 to Friday, 5 June 2015, 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 Wednesday, 3 June 2015.

By order of the Board
WANG YUSUO
Chairman

Hong Kong, 27 March 2015

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. 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. Ma Zhixiang
Mr. Yuen Po Kwong
Mr. Law Yee Kwan, Quinn

The Annual Report 2014 will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange.