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ENN 新奥

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 2015

Highlights of the Annual Results:

- Natural gas sales volume increased by 11.5% to 11,286 million cubic metres

- 1.71 million natural gas residential households were added, accumulated number of connected natural gas residential households increased to 12.25 million

- 8.16 million cubic metres installed designed daily capacity for natural gas C/I customers were added, accumulated installed designed daily capacity for natural gas C/I customers reached 58.55 million cubic metres

- Revenue increased by 10.2% to RMB32,063 million

- Profit attributable to shareholders were RMB2,036 million, decreased by 31.4%. The decrease was mainly due to the impact of foreign exchange loss, fair value change of convertible bonds and repurchase loss of notes and bonds totalling RMB726 million

- The Board of Directors recommended a final dividend of HK$0.76 per share

The Board of Directors (the “Board”) of ENN Energy Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2015 together with the comparative audited figures for the corresponding period in 2014. 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 2015

	Notes	**2015** *RMB million*	**2014** *RMB million*
Revenue	*3*	32,063	29,087
Cost of sales		(25,197)	(23,018)
Gross profit		6,866	6,069
Other income		391	271
Other gains and losses	*4*	(700)	625
Distribution and selling expenses		(500)	(422)
Administrative expenses		(2,183)	(1,995)
Share of results of associates		116	87
Share of results of joint ventures		579	542
Finance costs		(542)	(430)
Profit before tax		4,027	4,747
Income tax expense	*5*	(1,306)	(1,127)
Profit for the year		2,721	3,620
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		58	(2)
Other comprehensive income (expense) for the year		58	(2)
Total comprehensive income for the year		2,779	3,618
Profit for the year attributable to:			
Owners of the Company		2,036	2,968
Non-controlling interests		685	652
		2,721	3,620
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		2,094	2,966
Non-controlling interests		685	652
		2,779	3,618
		RMB	*RMB*
Earnings per share	*7*		
Basic		1.88	2.74
Diluted		1.88	2.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	Notes	2015 RMB million	2014 RMB million
Non-current assets			
Property, plant and equipment		21,121	19,441
Prepaid lease payments		1,190	1,138
Investment properties		114	83
Goodwill		752	728
Intangible assets		1,454	1,265
Interests in associates		1,024	882
Interests in joint ventures		3,810	3,436
Available-for-sale financial assets		4,169	114
Other receivables		27	18
Amounts due from associates		74	82
Amounts due from joint ventures		190	155
Deferred tax assets		582	422
Deposits paid for investments		26	18
Deposits paid for acquisition of property, plant and equipment, land use rights and operation rights		123	208
Restricted bank deposits		506	43
		35,162	28,033
Current assets			
Inventories		404	510
Trade and other receivables	*8*	3,051	2,883
Prepaid lease payments		28	26
Amounts due from customers for contract work		197	207
Amounts due from associates		156	57
Amounts due from joint ventures		455	552
Amounts due from related companies		46	127
Restricted bank deposits		99	71
Cash and cash equivalents		7,355	10,503
		11,791	14,936
Assets classified as held for sale		66	66
		11,857	15,002
Current liabilities			
Trade and other payables	*9*	7,133	7,262
Amounts due to customers for contract work		2,248	2,368
Amounts due to associates		66	89
Amounts due to joint ventures		1,988	1,413
Amounts due to related companies		400	239
Taxation payables		706	442
Bank and other loans – due within one year		2,600	1,530
Corporate bonds		498	-
Convertible bonds at fair value through profit and loss		3,556	-
Financial guarantee liability		29	48
Obligations under finance leases		-	10
Deferred income		150	105
		19,374	13,506
Liabilities associated with assets classified as held for sale		34	34
		19,408	13,540
Net current (liabilities) assets		(7,551)	1,462
Total assets less current liabilities		27,611	29,495

Capital and reserves		
Share capital	113	113
Reserves	13,355	11,985
Equity attributable to owners of the Company	13,468	12,098
Non-controlling interests	2,627	2,443
Total equity	16,095	14,541
Non-current liabilities		
Bank and other loans – due after one year	836	1,476
Corporate bonds	2,489	498
Senior notes	4,584	4,522
Medium-term notes	700	700
Convertible bonds at fair value through profit and loss	-	3,356
Unsecured bonds	417	2,418
Deferred tax liabilities	393	379
Deferred income	2,097	1,572
Obligations under finance leases	-	33
	11,516	14,954
	27,611	29,495

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration of the Group in light of its net current liabilities of approximately RMB7,551 million as at 31 December 2015. At the date of approval of the consolidated financial statements, the Group has unutilised secured credit facilities of approximately RMB8,299 million, of which approximately RMB5,100 million are subject to renewal within twelve months from the end of the reporting period. The corporate bonds of approximately RMB498 million and the convertible bonds at fair value through profit and loss of approximately RMB3,556 million will be reclassified as non-current liabilities in February 2016 as the abovementioned bond holders did not exercise the option to require the Company to redeem the bonds in February 2016. So the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due in the foreseeable future. Accordingly, the consolidated financial statements for the year ended 31 December 2015 have been prepared on a going concern basis.

2. 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 HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above amendments to 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 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2016

The Company anticipates 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 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 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 Company anticipates 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, as well as the impairment of financial assets will be provided on expected credit loss model to reflect changes in credit risk since initial recognition. 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 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 Company is 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.

3. 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 result 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.

Operating Segment

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

2015

	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	6,473	24,243	3,939	6,653	83	444	1,268	43,103
Inter segment sales	(965)	(5,563)	(8)	(3,224)	-	(306)	(974)	(11,040)
Revenue from external customers	5,508	18,680	3,931	3,429	83	138	294	32,063
Segment profit before depreciation and amortisation	3,622	3,444	503	40	26	57	34	7,726
Depreciation and amortisation	(160)	(581)	(103)	(4)	(10)	(2)	-	(860)
Segment profit	3,462	2,863	400	36	16	55	34	6,866

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
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
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

Geographical Information

Geographical information is analysed by the Group based on the location of the principal operations of the subsidiaries. Over 90% of the Group's revenue and non-current assets are located in the PRC, therefore no geographic segment information was presented.

The President also reviews the following analysis of the Group's domestic and overseas operations based on the locations of the subsidiaries. The basis for attributing the revenue is based on the location of customers from which the revenue is earned. Information about the Group's non-current assets is presented based on the geographical location of the assets. Non-current assets include property, plant and equipment, prepaid lease payments, goodwill and intangible assets:

2015

	PRC	North America	Europe	Consolidation
	RMB million	*RMB million*	*RMB million*	*RMB million*
Revenue	42,960	130	13	43,103
Inter segment sales	(11,040)	-	-	(11,040)
Revenue from external customers	31,920	130	13	32,063
Profit (loss) before depreciation and amortisation	7,750	(25)	1	7,726
Depreciation and amortisation	(840)	(19)	(1)	(860)
Gross profit (loss)	6,910	(44)	-	6,866
Non-current assets	23,357	1,130	30	24,517

2014

	PRC	North America	Europe	Consolidation
	RMB million	*RMB million*	*RMB million*	*RMB million*
Revenue	40,807	-	14	40,821
Inter segment sales	(11,734)	-	-	(11,734)
Revenue from external customers	29,073	-	14	29,087
Profit before depreciation and amortisation	6,720	-	2	6,722
Depreciation and amortisation	(652)	-	(1)	(653)
Gross profit	6,068	-	1	6,069
Non-current assets	21,385	1,166	21	22,572

4. OTHER GAINS AND LOSSES

	2015	2014
	RMB million	*RMB million*
Impairment loss on trade and other receivables, net	(25)	(4)
Gain on disposal of:		
- Property, plant and equipment	11	4
- Prepaid lease payments	6	5
- Interests in an associate (note a)	-	13

- Interests in a joint venture	-	1
Gain on disposal/derecognition of subsidiaries	8	53
Increase in fair value of investment properties	26	6
Loss on repurchase of notes and bonds (note b)	(61)	-
Fair value (loss) gain of convertible bonds (note c)	(200)	569
Loss on foreign exchange, net (note d)	(465)	(22)
	(700)	625

Notes:

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

b. The amount for the year ended 31 December 2015 includes:

(i) In September 2015, the Company has repurchased in aggregate principal amount of US$35 million (equivalent to approximately RMB222 million) senior notes in the open market and the aggregate amount of consideration paid by the Company was approximately RMB247 million (included the applicable premium and accrued interests). As a result, a loss on repurchase of senior notes approximately RMB23 million was recognised and included in other gains or losses. The senior notes repurchased were not yet cancelled as at 31 December 2015; and

(ii) The Company has repurchased in aggregate principal amount of approximately US$335 million (the "Accepted Bonds") (equivalent to approximately RMB2,129 million) unsecured bonds pursuant to the tender offer on 24 September 2015. The consideration paid by the Company was approximately US$343 million (equivalent to approximately RMB2,179 million, including the premium and accrued interests) as of the settlement date on 20 October 2015. As a result, a loss on repurchase of unsecured bonds approximately RMB38 million was recognised and included in other gains or losses. The Accepted Bonds were cancelled by the Company on 20 October 2015, thus the principal amount of unsecured bonds remaining outstanding was USD64.8 million.

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 2015, the over-the-counter market price of the Bonds was US$548 million (2014: US$548 million) (approximately RMB3,556 million (2014: RMB3,356 million)). There was fair value loss of approximately RMB200 million (2014: fair value gain of approximately RMB569 million) during the year ended 31 December 2015.

d. Included in the amount for the year ended 31 December 2015 is an exchange loss of approximately RMB373 million (2014: RMB4 million) arising from the translation of senior notes and unsecured bonds denominated in USD to RMB.

5. INCOME TAX EXPENSE

	2015	2014
	RMB million	*RMB million*
PRC Enterprise Income Tax:		
Current tax	1,295	1,148
Under provision in prior years	7	33
Withholding tax	169	79
	1,471	1,260
Deferred tax:		
Current year	(165)	(133)
	1,306	1,127

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:

	2015	2014
	RMB million	*RMB million*
Profit before tax	4,027	4,747
Tax at the PRC Enterprise Income Tax rate of 25% (2014: 25%)	1,007	1,187
Tax effects of share of results of associates	(29)	(22)
Tax effects of share of results of joint ventures	(145)	(135)
Tax effects of income not taxable for tax purpose	(140)	(201)
Tax effects of expenses not deductible for tax purpose	454	237
Tax effects of tax losses not recognised	103	40
Utilisation of tax losses previously not recognised	(93)	(78)
Tax effects of deductible temporary differences not recognised	11	16
Tax concession and exemption granted to PRC subsidiaries	(42)	(13)
Under provision in respect of prior years	7	33
Withholding tax on undistributed profit of PRC entities	173	63
Income tax charge for the year	1,306	1,127

6. DIVIDENDS

	2015	2014
	RMB million	*RMB million*
Final dividend paid in respect of previous financial year	709	414

Notes:

a. 2014 final dividend of HK$0.83 (equivalent to approximately RMB0.66) per share or approximately RMB709 million in aggregate was paid during the year ended 31 December 2015.

b. The proposed final dividend in respect of 2015 of HK$0.76 (equivalent to approximately RMB0.64) per ordinary share with total amount of HK$823 million (2014: HK$899 million) has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. 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 2015 and 2014 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.

	2015	2014
Profit attributable to the owners of the Company (RMB million)	2,036	2,968
Weighted average number of ordinary shares in issue	1,082,704,602	1,082,957,918
Basic earnings per share (RMB per share)	1.88	2.74

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2015 are 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.

Diluted earnings per share for the year ended 31 December 2014 were 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.

	2015	2014
	RMB million	*RMB million*
Earnings		
Earnings for the purpose of basic earnings per share	2,036	2,968
Effect of dilutive potential ordinary shares:		
Fair value gain of convertible bonds	-	(569)
Earnings for the purpose of diluted earnings per share	2,036	2,399

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,082,704,602	1,082,957,918
Effect of dilutive potential ordinary shares:		
- share options issued by the Company	257,911	347,023
- convertible bonds	-	79,778,897
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,082,962,513	1,163,083,838
Diluted earnings per share (RMB per share)	1.88	2.06

8. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables are trade receivables amounting to RMB1,096 million (31 December 2014: RMB893 million). 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:

	2015	2014
	RMB million	*RMB million*
Within three months	925	792
4 to 6 months	79	52
7 to 9 months	69	32
10 to 12 months	23	17
	1,096	893

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB1,651 million (31 December 2014: RMB2,034 million). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2015	2014
	RMB million	*RMB million*
Within three months	1,260	1,723
4 to 6 months	189	107
7 to 9 months	56	35
10 to 12 months	37	42
More than one year	109	127
	1,651	2,034

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 2015	2014	Increased/ (Decreased) by
Revenue (RMB million)	32,063	29,087	**10.2%**
Gross profit (RMB million)	6,866	6,069	**13.1%**
Profit attributable to owners of the Company (RMB million)	2,036	2,968	**(31.4%)**
Earnings per share – Basic (RMB)	1.88	2.74	**(31.4%)**
Connectable urban population (thousand)	71,536	65,375	**9.4%**
Connectable residential households (thousand)	23,845	21,792	**9.4%**
New natural gas connections made during the year:			
– residential households	1,707,020	1,322,723	**29.1%**
– commercial/industrial (“C/I”) customers (sites)	9,054	8,660	**394**
– installed designed daily capacity for C/I customers (m^3)	8,160,660	8,317,243	**(1.9%)**
Accumulated number of connected piped gas (including natural gas) customers:			
– residential households	12,326,036	10,604,598	**16.2%**
– C/I customers (sites)	56,858	47,689	**9,169**
– installed designed daily capacity for C/I customers (m^3)	58,608,161	50,243,155	**16.6%**
Piped gas (including natural gas) penetration rate	51.7%	48.7%	**3.0%**
Unit of natural gas sold to residential households (thousand m^3)	1,487,268	1,221,068	**21.8%**
Unit of natural gas sold to C/I customers (thousand m^3)	7,000,658	6,675,266	**4.9%**
Unit of natural gas sold to vehicles (thousand m^3)	1,566,453	1,419,078	**10.4%**
Unit of wholesale gas sold (thousand m^3)	1,231,521	804,160	**53.1%**
Number of vehicle gas refuelling stations	576	527	**49**
Number of natural gas processing stations	157	149	**8**
Combined daily capacity of natural gas processing stations (thousand m^3)	80,198	73,617	**8.9%**
Total length of existing intermediate and main pipelines (km)	29,936	27,065	**10.6%**

Review of the Year

In 2015, the global economy slowly recovered amidst the volatile market. During the year, China continued its structural reform and its annual gross domestic product (“GDP”) growth dropped from 7.4% in 2014 to 6.9%. The weak macro-economic environment dampened energy demand in the industrial sector. In addition, as the international oil prices continued to hover at low levels, the price of substitute energy also remained under downward pressure. Facing these headwinds, the growth of downstream natural gas consumption in China also slowed. According to figures from the National Development and Reform Commission (“NDRC”), national apparent consumption of natural gas in 2015 was only up 5.7% year-on-year.

In such a challenging market environment, the Group, upholding its customer-oriented philosophy and driven by reform and innovation, was able to sustain an excellent operational performance. The Group further developed the potential of its traditional businesses, while fully utilising the internet and technological means to vigorously expand new businesses. With the concerted effort of its employees, the Group continued to maintain remarkable growth. Total natural gas sales volume increased by 11.5% to 11,286 million cubic metres.

In light of the Company's solid profit base, the Board has recommended a final dividend of HK$0.76 (equivalent to RMB0.64) per share, payable to shareholders registered in the register of shareholders on 8 June 2016. The total amount of dividend was around RMB690 million.

Natural Gas Pricing Reform

In recent years, China has accelerated the pace of its reform on the marketisation of natural gas pricing. On 1 April 2015, to comply with the "Three-Step Reform Plan" formulated in 2013, the NDRC reduced the city-gate price of incremental volume by RMB0.44 per cubic metre and increased the city-gate price of existing volume by RMB0.04 per cubic metre. As a result of such measures, the city-gate prices of existing volume and incremental volume had converged. On 18 November 2015, the NDRC issued a notice that the maximum city-gate price for non-residential users was reduced by RMB0.7 per cubic metre, effective from 20 November 2015. Moreover, according to the latest notice, city-gate price would no longer be the ceiling price but it would become a benchmark price, meaning that it could be subject to negotiation between suppliers and buyers, and any upward adjustment not exceeding 20% or floorless downward adjustment could be made. Such move by the NDRC further relaxed price control and offered flexibility in pricing, leaving more room for price negotiation between suppliers and buyers.

In addition to restoring the price advantages of natural gas over substitute energy such as gasoline, diesel and LPG, these two price cuts lowered the average gas procurement cost for the Group's gas projects. As of the end of 2015, part of the city-gas projects and CNG refuelling stations affected had finished downstream tariff adjustment. The Group passed through the reduced cost to end-users in order to reduce their energy consumption costs. A lower gas price stimulated downstream demand and facilitated development of new clients, which had a positive impact on the Group's gas sales growth. The Company will continue the pass-through process and take into account various factors including different customers' affordability and the price of substitute energy to adjust the selling price for end-users with a flexible pricing strategy, so as to maintain a balanced development between gas sales volume growth and stable dollar margin.

The natural gas pricing reform in November 2015 also expressively required the acceleration of trading of gas for non-residential usage through Shanghai Petroleum and Natural Gas Exchange ("SHPGX"). It aimed at creating a fully open and transparent market for non-residential gas trading within two to three years, where the exact transaction price would be determined by the suppliers and buyers through open transactions. The SHPGX was put into trial operation on 1 July 2015, an important step taken by the NDRC towards an in-depth reform of natural gas trading and pricing. The SHPGX not only help accelerate the setting of a fair market price for natural gas and create suitable condition for the liberalisation of it, it can also strengthen our global influence when the domestic natural gas market practice is in line with that of the international market. The SHPGX heralds a new page in China's natural gas reform and will pose significant positive impact on the industry development. As one of the shareholders, the Group actively participated in the trading of piped gas and LNG on the SHPGX during the year, and acquired competitive gas sources at market prices to develop new customers.

Share Option Incentive Scheme

To enable the Directors and certain employees to enjoy the benefits brought by the Company's growth and to incentivise their enthusiasm, motivation and creativity in the challenging business environment, thereby enhancing operating performance and core competitiveness, the Group granted a total of 12 million share options to them on 9 December 2015. The exercise price of such share options was HK$40.34 per share, valid for a period of 10 years (commencing on 9 December 2015 and ending on 8 December 2025).

Business Review

For the year ended 31 December 2015, the Group's turnover was RMB32,063 million, representing an increase of 10.2%, and profit attributable to shareholders were RMB2,036 million, representing a decrease of 31.4% over last year. Earnings per share decreased by 31.4% to RMB1.88. The decrease in profit attributable to shareholders and basic earnings per share was mainly due to the impact of fair value change of convertible bonds which resulted a RMB200 million mark-to-market loss, and foreign exchange loss of RMB465 million. Stripping out these two factors, profit attributable to shareholders and basic earnings per share increased year-on-year. The Group's overall gross and net profit margins were 21.4% and 8.5% respectively, representing an increase of 0.5 percentage points and a decrease of 3.9 percentage points respectively over last year. The increase in gross profit margin was mainly due to the increased contribution from connection fees and an improvement on the gross profit margin of piped gas sales. The decrease in net profit margin was mainly due to the impact of fair value change of convertible bonds and foreign exchange losses. In 2015, although the natural gas market encountered tremendous challenges as a result of plunging oil prices and weak macro-economy, by grasping opportunities brought by the continuous promotion of energy structure adjustment, green and low carbon urbanisation, low energy consumption industrial development and environmental protection by the PRC government, the Group sold 11,312 million cubic metres of gas, representing an increase of 11.5% compared to last year, of which 11,286 million cubic metres were natural gas, up by 11.5% year-on-year.

CITY-GAS BUSINESS

Residential Customers

During the year, the Group's natural gas sales volume to residential customers was 1,487 million cubic metres, up 21.8% over last year. Gas sales volume for residential customers maintained relatively rapid growth, because newly connected residential customers last year gradually started gas consumption, and their gas usage was relatively steady and not affected by oil price fluctuations nor macro-economic conditions. During the year, the Group had 68 projects with residential tier-pricing mechanism. The Group will establish residential tier-pricing mechanism for more city-gas projects, so that the residential gas sales dollar margin will gradually reach more reasonable levels.

C/I Customers

During the year, the Group's natural gas sales volume to C/I customers was 7,001 million cubic metres, representing a growth of 4.9% over last year. The lower growth rate was partly attributable to the larger base of C/I gas sales volume, and was also partly attributable to the decline in gas usage by some customers who reduced energy consumption amid the unfavourable macro-economic environment. In addition, the prolonged decline in crude oil prices led to a significant slump in the prices of substitute energies, thus lowering the incentive of gas consumption by lower-end C/I customers whom energy cost accounted for a significant portion of their operating expenses, thus increased their use of cheaper substitute energies instead.

For proactively dealing with changing market environment, the Group established its customer management mechanism and enhanced the retention of key customers, while endeavouring to understand customers' needs and difficulties through regular communication. Taking into consideration the affordability of C/I customers and the price of substitute energies, the Group adopted flexible pricing strategy and passed through reduced cost to users in a timely manner after the natural gas price cut. In doing so, the Group successfully maintained the gas sales volume of most of its existing customers. On the other hand, the Group captured scalable customers in different regions and peripheral markets who were not covered by the pipeline network through direct supply by fully utilising low-priced LNG sources and self-owned natural gas transportation fleet. Through offering customers energy saving and retrofitting solutions and the use of distributed energy technology, the Group also expanded its customer portfolio into new customer segments such as hospitals, data centres and urban complexes. Such innovative approaches lowered its customers' overall energy consumption costs, while strengthening the Group's expansion into new users.

New Customers Development

During the year, the Group's connection fee revenue was RMB5,508 million, up 25.1% over last year. The Group conducted natural gas connection to 1,707,020 residential households during the year. The average one-off connection fee collected by the Group from its residential households was RMB2,762 per household. As at the end of 2015, the aggregate number of connected piped gas (including natural gas) residential households reached 12,326,036, representing an increase of 16.2% over last year.

The connectable population coverage of the Group's city-gas projects in China reached 71.54 million. The average gas penetration rate increased to 51.7% from 48.7% in 2014. In response to the weak property market, the Group drew support from emerging demand resulting from the country's urbanisation by launching a market stimulus policy with a focus on expanding the connection of residential customers in existing buildings. According to the "Recommendations for the Development of Economy and Society under the Thirteenth Five-year Plan from The Central Government", the current urbanisation rate in the PRC reached 55%. It was proposed in the new urbanisation plan that the urbanisation rate would reach 60% by 2020, which implied that the urbanisation rate should increase by over 1 percentage point or approximately over 10 million additional urban population per year. Therefore, urbanisation will advance steadily in the next few years, giving the Group more room to capture new residential users and maintain stable number of new connections and connection fee revenue.

During the year, the Group conducted natural gas connection for 9,054 C/I customers (with total installed designed daily capacity of 8,160,660 cubic metres) and the average connection fee was RMB203 per cubic metre. As of the end of 2015, the aggregate number of connected piped gas (including natural gas) C/I customers of the Group reached 56,858 (with total designed installed daily capacity of 58,608,161 cubic metres).

In the "Several Opinions on Establishing a Long-term Mechanism for Ensuring the Stable Supply of Natural Gas", the NDRC suggested that the demand for natural gas for "coal-to-gas" projects would reach 112 billion cubic metres by 2020. In the "Implementation Plan on Integrated Energy Conservation and Environmental Protection Upgrading Projects for Coal-fired Boilers" published by seven ministries and commissions, including the NDRC, the National Energy Administration ("NEA") and the Ministry of Environmental Protection, it also expressively stated that 400,000 steam tonnes of obsolete coal-fired boilers should be phased out by 2018. To make significant improvement on alleviating air pollution, local governments in, amongst others, Beijing, Hebei, Liaoning, Guangdong, Shandong and Zhejiang successively launched subsidizing schemes to facilitate the phase out of coal-fired boilers and the use of natural gas, a cleaner energy source. During the year, the Group captured opportunities of the "coal-to-gas" initiative to greatly promote coal-to-gas conversion for industrial coal-fired boilers with stable gas consumption. In addition, the Group helped its customers to reduce overall energy consumption costs and enhance energy efficiency via industrial energy saving technology. During the year, the proportion of newly developed "coal-to-gas" users continued to increase and accounted for 39% of the total number of newly developed C/I users. Currently, the share of coal in primary energy consumption in the PRC still accounts for 64% while natural gas only accounts for 6%. As such, the Group believes that the potential for coal users to adopt the use of natural gas will remain significant.

At the same time, the Group redoubled its efforts in developing commercial users and unleashing its market potential in response to the slowing industrial growth rate amidst the sluggish macro-economic environment, by offering flexible connection fees charging methods, which lowered the threshold of connection and attracted more commercial users to consume gas. In 2015, the number of newly connected commercial customers accounted for 28% of total new C/I connections, representing a growth of 7 percentage points over last year, a further optimisation of the Group's customer base.

New Projects

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, densely-populated new towns and counties by way of participation in bidding and tendering organised by the government, alliance and cooperation as well as project merger and acquisition. In the increasingly competitive environment with fewer acquisition opportunities for new projects, the Group managed to acquire 10 new projects during the year leveraging its outstanding management system, solid track record and secured gas supply. It also secured 19 new concessions nearby existing projects that expand its operation coverage. As of 31 December 2015, the Group had 152 projects in China, covering a connectable population of 71.54 million.

Projects	The Group's shareholding	Major industry
1. Ningde	100%	Electrical appliances, food, electricity, shipbuilding and repairing, construction materials and bio-pharmaceutical industries
2. Ruzhou	74%	Coal to chemical, new materials, food, equipment manufacturing and ecological tourism industries
3. Dongguan Dongkeng Town	80%	Electronics, hardware, garment and toy industries
4. Luquan Yi'an Town	56%	Cement, construction materials, transportation and logistics industries
5. Shangrao Economic Development Zone	90%	Non-ferrous metals, automobile manufacturing, solar industry, and pharmaceuticals industries
6. Suzhou Economic Development Zone	49%	Bio-pharmaceutical, new materials, equipment manufacturing and food industries
7. Wuzhou Imported Renewable Resources Processing Park	49%	Non-ferrous metal and processing of renewable resources industries
8. Qingyuan County Western Industrial Zone B	49%	Automobile components production, new hardware materials, food and beer industries
9. Xin'an Wanshan Lake Industrial Park	56%	Ceramic sand and refractory materials industries
10. Beihai Tieshan Port Industrial Park	50%	Petroleum, chemicals, metallic materials, stainless steel and special glasses industries

In particular, Ningde project is situated in Fujian Province, which currently covers Jiaocheng District and Dongqiao Development Zone, Fu'an City and Fuding City as well as Xiapu, Gutian, Pingnan, Shouning, Zhouning and Zherong counties with connectable population of 1.06 million. With the accelerating urbanisation progress in Ningde, the potential of residential customer development will increase. At present, 12 key industries, namely electrical appliances, food, electricity, vessel repair and construction, construction materials, automobile and parts, bio-pharmaceutical industry, chemistry, metallurgy, leather and plastics, new energy and new materials, have been initially identified as the pillar sectors for the industrial structure in Ningde. The development of natural gas C/I users is anticipated to be promising with tremendous market potential.

The 19 new concessions nearby existing projects include:

Projects	Operational areas
Anhui Province	Chaohu Miaogang County, Chaohu Langanji Town, Chaohu Suwan Town, Chaohu Zhegao Town Industrial Zone, Liuan Shiqiao Town Qinglongzui Industrial Park, Liuan Shuanghe Industrial Park, Liuan Sungang Industrial Park and Towns and counties in Quanjiao

Jiangsu Province	Jianhu County Jiulongkou Town, Jianhu County Yanhe Town, Huai'an Qingpu District Heping Town, Huai'an Qingpu District Wudun Town
Hebei Province	Xingtang New Zone, Dingzhou Pangcun Industrial Park and Baolongcang International Agriculture Products Logistics Park
Henan Province	Zhuxian Town National Culture, Ecology & Tourism Demonstration Zone
Zhejiang Province	Longyou Shifo Town Industrial Park and Jiande Datong Industrial Park
Hunan Province	Jingzhou Industrial Park

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 enhance its operating efficiency through economies of scale.

VEHICLE REFUELLING AND BUNKERING BUSINESS

PRC Vehicle Gas Refuelling Business

During the year, revenue attributable to the Group's vehicle gas sales was RMB3,931 million, up 2.1% compared to last year. The gas sales volume of vehicle gas refuelling stations in the PRC increased by 10.4% to 1,566 million cubic metres, of which the gas sales volume of CNG refuelling stations decreased by 4.3% to 984 million cubic metres and the gas sales volume of LNG refuelling stations increased by 49.2% to 583 million cubic metres. During the year, 20 CNG refuelling stations and 29 LNG refuelling stations were constructed and put into operation, bringing the total number of CNG and LNG refuelling stations to 306 and 270 respectively.

In 2015, as oil prices continued to fluctuate at low levels, the economic advantages of natural gas as compared to diesel and gasoline diminished. This has affected the sales volume of vehicle natural gas to a certain extent. Despite the challenges faced by the gas refuelling station business in the short term, we were given an opportunity to adjust our marketing strategies. During the year, leveraging our sound brand image and operational experience, we lowered the cost of station establishment via different cooperation modes such as the establishment of petro-gas combined stations with other operators as well as forming alliance with Beijing Gas and Tewoo Group. The Group optimised its stations and implemented an accountability system for each station, which is a profit-based business incentive mechanism that can enhance operational efficiency and profitability of its existing stations. Gas sales volume was boosted by optimising station network via the "Smart Card" alliance, capturing more customer resources as well as organising and implementing cross-region joint marketing. "E vehicle E station" brand on the provision of value-added businesses such as quick repair, supermarket and insurance was commenced in refuelling stations in order to enhance customer loyalty and broaden revenue streams. The "E vehicle E station" supermarkets became operational in one CNG refuelling station and one LNG refuelling station in Langfang, and have been well received by customers. It is planned that the "E vehicle E station" brand value-added service will extend into 30 stations in 2016.

After the price cut by the NDRC in November 2015, the price advantage of natural gas over refined oil has become more significant. On 13 January 2016, the NDRC announced the "Notice on Issues Regarding Further Optimisation of Refined Oil Price Formulation Mechanism", which set the floor of refined oil price adjustment at US$40 per barrel of oil, so that no downward adjustment would be made when oil price drops below US$40 per barrel. In addition, the Ministry of Environmental Protection and the Ministry of Industry and Information Technology jointly announced the "Notice on Implementation of the Fifth Phase Motor Vehicle Emission Standards" on 18 January 2016, stating that effective from 1 January 2017, all light gasoline vehicles and heavy diesel vehicles manufactured, imported, sold and registered nationwide shall comply with the requirements of the National Standard V requirements. The promulgation of such policy will further expand the price competitiveness of natural gas over refined oil, facilitating the Group's penetration into more vehicle gas users.

North America Gas Refuelling Business

In 2015, the gas sales volume of refuelling stations in North America amounted to 4.82 million diesel gallon equivalent (DGE), generating revenue of US$21.65 million. Influenced by the decline in international oil prices, the development of LNG refuelling stations in this region faced headwinds. However, the US National Congress approved the tax credit of US$0.85/DGE of LNG sold for the year 2015-2016, while the excise tax for LNG was decreased by US$0.17/DGE, aligning with that of diesel from 1 January 2016. We will share part of the tax credit with customers based on their affordability, so as to enhance their incentive to use LNG as vehicle fuel. The Group will continue to adopt proactive measures to boost revenue and control cost. While continuously promoting the development of LNG refuelling business, the Group will fully-utilise existing resources to diversify its revenue stream, and impose stringent control on corporate expenses to attain breakeven as soon as possible.

LNG Bunkering Business

During the year, the gas sales volume for the Group's LNG bunkering business reached 1.20 million cubic metres, up by 42.3% over last year. The Group's bunkering barge in Xijiang, Guangxi, the first standardised bunkering barge since the official announcement of the "Specifications for Classification and Construction of LNG-powered Bunkering Barge" by the China Classification Society, has officially become operational. It was also built within the shortest construction period in China, which demonstrated the leading advantages of ENN Energy in the LNG bunkering industry. The Group fostered industry development through strategic alliances and the development of key ports, and signed strategic cooperation agreements with various parties such as Xijiang Group, Samchully Company from Korea, Nantong Port, Wuhan New Port and Beijing Tianhai, in respect of the cooperation in vessel building and bunkering, technical support, sharing of market information and the comprehensive utilisation of clean energy. Looking ahead, the Group will continue to cooperate with shipping companies, port and shipping authorities and various provincial and municipal transport departments to seize opportunities to set up more stations at major ports and to develop more new LNG-powered vessels, and to explore an integrated clean energy solution for inner-river transportation.

DEVELOPMENT OF NEW BUSINESSES

Energy Trading Business

During the year, the Group's wholesale volume of natural gas reached 1,232 million cubic metres, representing a significant year-on-year growth of 53.1%. As LNG price declined significantly in 2015, its economic advantages surged and thus demand rose correspondingly. Apart from that, LNG supply was ample given the successive commencement of operation of domestic LNG processing plants and receiving terminals. Upon the commencement of operation of SHPGX in July 2015, the Group actively participated in the trading of piped gas and LNG on the SHPGX, and managed to acquire competitive gas sources at market prices. As such, the Group stepped up its efforts in expanding into wholesale gas users during the year, and hence the overall wholesale volume of natural gas recorded a significant growth. Wholesale of gas business is an asset-light business. The Group will continue to utilise its advanced dispatch system, transportation fleet and strong ability of acquiring upstream resources to develop such business, while unleashing more potential business opportunities to broaden its profit sources.

Exploration of Electricity Sales Business

In November 2015, the NDRC and the NEA officially published six supportive documents on the reform of the electricity regime in the PRC, including the "Implementation Proposal for Promoting Power Transmission and Distribution Pricing Reform", to promote the liberalisation of electricity sales market, encourage social capital to invest in the establishment of electricity sales entities, and at the same time encourage water, gas and heating suppliers and other public utility service providers and energy-saving solution companies to engage in the electricity sales business. At the end of 2015, Yunnan Province and Guangdong Province were officially approved as pilot provinces for electricity market reform. Drawing on the support of relevant policies and opportunities brought by the liberalisation of the electricity sales business, the Group announced on 8 January 2016 that it would explore and enter into the electricity sales business in Kunming High Tech Zone in Yunnan and Zhaoqing New Zone in Guangdong as pilot projects.

The Group, through Xinao Gas Development Company Limited ("Xinao Gas"), its wholly-owned subsidiary, and cooperation parties including Xinao Energy Services Limited ("Xinao Energy") (a connected company of the Group) and Yunnan Investment Holding Group Company Limited ("Yunnan Investment") established a joint venture company to engage in the sale and supply of electricity, investment and construction of electricity projects and power grids as well as operation and management of invested projects, energy performance contracting, and consulting services for integrated energy conservation and electricity utilisation in Kunming High Tech Zone located in Yunnan. Xinao Gas contributed RMB68 million (representing 34% of the registered capital) in cash, Xinao Energy contributed RMB30 million (representing 15% of the registered capital) in cash and Yunnan Investment contributed RMB102 million (representing 51% of the registered capital) in cash. In addition, in January 2016, Zhaoqing Xinao Limited ("Zhaoqing Xinao") was originally owned as to 70% by Xinao Gas and 30% by Zhaoqing Investment Limited ("Zhaoqing Investment"). It is principally engaged in the investment and operation of distributed energy projects as well as the operation of smart energy networks (泛能網) and micro grids (泛能微網) in Zhaoqing New Zone located in Guangdong. Xinao Gas transferred 40% of interest in Zhaoqing Xinao to Xinao Guangdong Limited ("Xinao Guangdong") (a connected company of the Group) at a cash consideration of RMB12 million, and the Group recorded a book gain of approximately RMB2.87 million. Upon completion of the disposal, Zhaoqing Xinao is owned as to 40% by Xinao Guangdong, 30% by Xinao Gas and 30% by Zhaoqing Investment, which would jointly develop the electricity sales business of the area.

The Group has been engaged in the PRC downstream gas distribution business for many years, has accumulated large customer resources, and established a sound management and customer service platform. Also, the Group has exclusive city-gas operation rights in Kunming High Tech Zone and Zhaoqing New Zone. For this reason, the Company expects, by bringing into full play the existing resources of city-gas operations in these two regions, to engage in electricity sales business which is customer service oriented, so as to maximise the utilisation of the Group's existing resources and facilities, and to enhance the Group's operational efficiency. The Group aims to diversify its revenue stream with limited capital investment, seek new growth drivers in a prudent manner, and bring along sustainable growth and return for shareholders.

The Group will ride on the opportunities brought by the reform of the electricity regime. By combining distributed energy business and electricity sales business, the established technological edges and first-mover advantages would be brought into full play. The Group will place its development emphasis on commercial and industrial parks, while rapidly formulating its electricity sales demonstration on the back of its existing distributed energy projects. An integrated business model combining both distributed energy and electricity sales will be adopted. On the back of combined sales of gas and electricity, the Group will offer customers tailor-made overall energy consumption proposals to lower overall energy consumption costs and enhance energy efficiency. Such approach does not only foster the Group's expansion into new customers and its downstream business, but also acts as a sustainable growth driver for the development of its core business.

Human Resources

As at 31 December 2015, the Group employed a total of 28,317 employees. 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 2015, recognised by the market of its stable business growth and enhanced management capability, the Group received the following honours:

- "Best CFO" Sell Side Rank No. 2 and Buy Side Rank No. 3, Power Sector in Institutional Investor's 2015 All-Asia Executive Team;
- "Best CFO", "Best Investor Relations Company" and "Best Investor Relations Professional" at the 5th

Asian Excellence Awards by Corporate Governance Asia;

- "Best Investor Relations in Greater China 2015" by IR Magazine;
- Ranked 147 among the 13th Platts Top 250 Global Energy Company Rankings;
- "2014-2015 Mainland Enterprise Listed in HK Ranking – Best Company in Clean and Renewable Energy Industry" by Yazhou Zhoukan;
- "Silver, Annual Reports: Electric & Gas Services" at the 29th International ARC Awards for Annual Reports; and
- "Silver, Vision Awards Annual Report: Energy" at the 2015 LACP Awards.

These accolades demonstrate the industry's widespread recognition of the Group's commitment to enhance investor relations and transparency in the past year, and prove that the performance and management of the Group has gained recognition from investors, shareholders and industry analysts. In view of this, the Group will continue to redouble its efforts to ensure that investors and shareholders can share its fruitful results.

FINANCIAL RESOURCES REVIEW

Key Financial Data

During the year, the Company's total revenue amounted to RMB32,063 million, representing an increase of 10.2% over last year. Revenue attributable to piped gas sales, vehicle gas refuelling business and gas connection increased by 6.8%, 2.1% and 25.1% to RMB18,680 million, RMB3,931 million and RMB5,508 million respectively, while revenue from wholesale gas, sales of gas appliances and materials, and sales of other energy reached RMB3,429 million, RMB432 million and RMB83 million, respectively, representing increases of 18.3%, 8.5% and 53.7%.

Liquidity and Financial Resources

As at 31 December 2015, the Group's total debts amounted to RMB15,680 million (31 December 2014: RMB14,500 million) and the bank balances and cash for the purpose of computing net gearing ratio amounted to RMB7,355 million (31 December 2014: RMB 10,503 million). The Group's net gearing ratio, i.e. ratio of net debt to equity (including non-controlling interests), was 51.7% (2014: 27.5%). The increase in net gearing ratio compared with last year was due to the approximately RMB4 billion payment made during the year for the acquisition of 1.13% stake of Sinopec Marketing.

Moreover, both the holders of convertible bonds of RMB3,556 million and corporate bonds of RMB498 million have the discretion to exercise the option to require the company to redeem the bonds in February 2016. Hence, as at 31 December 2015, such convertible bonds and corporate bonds were classified as current liabilities in the Group's consolidated financial statements. Therefore, the Group's net current liabilities as at 31 December 2015 amounted to RMB7,551 million (2014: net current assets of RMB1,462 million).

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.

The Group continued to maintain a sound financial position during the year. In particular, the credit rating agency Moody's has upgraded the Group's outlook from "stable" to "positive" and maintained a Baa3 investment-grade rating. Meanwhile, Standard & Poor's and Fitch both maintained their BBB investment-grade ratings and "stable" outlook respectively.

Borrowings Structure

As at 31 December 2015, the Group's total debts amounted to RMB15,680 million (31 December 2014: RMB14,500 million), including fixed rate bonds of US$715 million (equivalent to RMB4,584 million) and US$64.8 million (equivalent to RMB417 million), zero coupon convertible bonds of US$500 million (equivalent to RMB3,556 million), as well as fixed rate bond of RMB2,500 million. Except for bank loans of

US$113 million (equivalent to RMB737 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 RMB418 million that are secured by assets with a carrying value equivalent to RMB11 million, all of the other loans are unsecured. Short-term loans amounted to RMB2,600 million while the remaining were long-term loans falling due after one year or above.

Maximum Five-year 3.68% Fixed Rate RMB Bonds

During the year, on 18 December 2015, the Group issued five-year bonds in the aggregate principal amount of RMB2,500 million for the replacement of part of the US$400 million 3.25% bonds due in 2019. The interest rate of the bonds is 3.68% and a term of not more than 5 years (with an option for the issuer to raise the coupon rate and for the investors to put at the end of the third year). The bond was listed on the Shanghai Stock Exchange on 2 February 2016.

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. To respond to the influence brought by Renminbi depreciation, on 24 September 2015, the Group made an offer to repurchase for cash any and all outstanding bonds. As at the expiration deadline on 12 October 2015, approximately US$335 million principal amount of the bonds, representing approximately 83.79% of the US$400 million total aggregate principal amount of the bonds outstanding as at such date, had been tendered and not been withdrawn. All bonds which were validly tendered pursuant to the tender offer were accepted for repurchase by the Company. Settlement of the accepted bonds took place on 20 October 2015 upon the payment of consideration of approximately US$343 million. The principal amount of the bonds outstanding as at 31 December 2015 after the cancellation of accepted bonds amounted to approximately US$64.8 million.

Ten-year 6% Fixed Rate US$ 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. During the year, the Group repurchased a principal amount of US$35 million of the bonds in the market in October for a consideration of RMB247 million. The bonds repurchased were not yet cancelled as at 31 December 2015. The remaining principal amount of the bonds outstanding as at 31 December 2015 amounted to US$715 million.

Five-year Zero Coupon US$ Convertible Bonds

On 26 February 2013, the Company issued zero coupon US dollar denominated convertible bonds with the aggregate principal amount of US$500 million (approximately RMB3,141 million). Each of the bonds 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. The holders may, at any time on or after 8 April 2013 and up to 16 February 2018, convert the bonds into ordinary shares. If the bonds have not been converted, they will be redeemed on 26 February 2018 at 102.53% 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 changes in fair value recognised in profit or loss in the current period from time to time until the bonds matured, converted or redeemed. For the current year, the change in fair value of such bonds amounts to RMB200 million, it is calculated by reference to its trading price on the Singapore Stock Exchange on 31 December 2015, together with the impact from USD translation difference. As such, a RMB200 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 2015, the convertible bonds were classified as current liabilities in the Group's consolidated financial statements as it is at the discretion of the holders to exercise the option on 26 February 2016 (the "Put Option Date"). Since 26 February 2016, the convertible bonds would be reclassified as non-current liabilities as there is no holders exercise the option on Put Option Date.

As at 31 December 2015, no convertible bond was converted into ordinary shares.

Financial Guarantee Liability

As at 31 December 2015, the Group had issued guarantees to banks to secure loan facilities granted to associate and joint ventures to the extent of approximately RMB320 million (31 December 2014: RMB466 million). The amounts have been utilised on the balance date.

Commitments

(a) Capital commitments

	2015	**2014**
	RMB million	*RMB million*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	281	339
Capital commitment in respect of		
- investments in joint ventures	48	69
- investments in associates	17	17
- other equity investments (note)	112	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 on 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. The Group have settled the consideration during the year.

(b) Other commitments

As at 31 December 2015, the Group has commitment amounting to approximately RMB47 million (31 December 2014: RMB43 million) in respect of acquisition of land use rights in the PRC.

PROSPECTS

Looking ahead, China will continue its reform in 2016. As a result of government measures in terms of reducing overcapacity and supply side reform, the macro-economy is expected to experience a slow recovery. 2016 marks the beginning of the 13th Five-Year Plan, the Chinese government will pay more attention to the balance between the environment, social and economic development. It will push forward the implementation of environmental protection policies and promote the integrated application of natural gas and other clean energy sources. In the long term, the natural gas market will continue to grow soundly. The

Group will continue developing more residential users and exploring the potential of C/I customers fully in order to strengthen its city-gas business. It will optimise its network planning and adopt an innovative developing model to expand its transportation fuel business. Taking advantage of low oil price, the Group secured long-term LNG contracts. It will continue to expand energy trading business leveraging the SHPGX platform, promote distributed energy business and quickly tap into electricity sales business taking chances of the power industry reform. The Group believes that through business innovation and enhancement of operational capabilities, it will become a reputable integrated energy supplier, continue to increase its corporate value and create higher returns for its shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

On 20 August 2015, the Company repurchased a total of 500,000 shares on the Stock Exchange of Hong Kong with the highest price of HK$40.00 and lowest price of HK$38.35 respectively and total consideration of approximately HK$19 million. As at the date of the 2015 annual report, all the shares repurchased had been cancelled.

The purpose of share repurchase is to increase net asset value per share and earnings per share. The share repurchase complied with the general mandate to the Directors to repurchase the Company's shares passed in the Company's 2015 Annual General Meeting ("AGM"). Save as above, 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. Ma Zhixiang, Mr. Yuen Po Kwong and Mr. Law Yee Kwan, Quinn, who are all Independent Non-executive Directors. On 29 May 2015, Mr. Wang Guangtian retired from the Board of Directors and no longer acted 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 accounts for 2014 and the unaudited interim accounts for 2015. In addition, the Audit Committee has reviewed the annual results and the audited annual accounts for 2015 at the Audit Committee meeting held on 21 March 2016.

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 (the "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 CORPORATE GOVERNANCE CODE

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 AGM held on 29 May 2015 due to business trip. Alternatively, Mr. Cheung Yip Sang, the Executive Director and the Vice Chairman 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$0.76 (2014: HK$0.83 (equivalent to approximately RMB0.64 (2014: RMB0.66)) per share payable to shareholders of the Company whose names are on the register of members on Wednesday, 8 June 2016. 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, 29 July 2016. 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 Friday, 27 May 2016 to Tuesday, 31 May 2016, 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 Thursday, 26 May 2016.

For the purpose of determining the qualification for the proposed final dividend, the register of members will be closed from Tuesday, 7 June 2016 to Wednesday, 8 June 2016, 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 Monday, 6 June 2016.

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

Hong Kong, 22 March 2016

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. Han Jishen (President)
Mr. Wang Dongzhi (Chief Financial Officer)
Mr. Yu Jianchao

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

Independent Non-executive Directors:
Ms. Yien Yu Yu, Catherine
Mr. Ma Zhixiang
Mr. Yuen Po Kwong
Mr. Law Yee Kwan, Quinn

The 2015 Annual Report will be dispatched to the shareholders and published on the websites of the Company and the Stock Exchange as soon as practicable.